

# ERP SOFTWARE RFP GUIDE

The ultimate guide to developing an RFP document for your ERP project

## GUIDE HIGHLIGHTS



Cheat-sheet showing the ideal structure of an ERP RFP



Requirements template with 100+ popular features



Advice on response evaluation, selection criteria and more



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Written by experience ERP project managers, this guide provides resources to help you produce an exceptional RFP document , including:

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## AN INTRODUCTION TO RFPs

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Creating an ERP software request for proposal (RFP) is a vital step towards selecting a new ERP system during an implementation or upgrade project. Prior to developing your ERP software RFP, you should have taken steps to document your ERP requirements as these will provide a contextual framework during your RFP development project phase. Despite being downstream in the ERP selection process, creating your ERP RFP document is just as important as gathering your ERP requirements - a poorly executed RFP document can render your requirements gathering work useless and hamper your project from day one.

### REQUISITE STEPS

You know your business better than anyone. You and your team should have already considered how ERP software will become a valuable tool to help you achieve your goals and meet your needs. You should have assigned priorities to these agreed upon requirements. Now it is time to communicate this information to prospective vendors.

If you haven't completed documenting your requirements or come to a strong consensus on those requirements, stop. These requirements must be well researched and developed within your organization before you can share them with vendors in an ERP RFP.

### CURRENT STATE AND CONTEXT

Vendors should read your ERP RFP document and immediately understand your business' current state as well as where you expect the business to be in the future. They should understand what process improvements you are targeting and how you hope they will help your business achieve these.

You will not be sending your ERP RFP to one vendor only. You will not have an audience of one at each ERP vendor. With this in mind, the context which you give to your requirements must cover all departments associated with an ERP project, from support to hardware.

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## THE FINAL PIECE OF THE PUZZLE

The final piece of the puzzle comes with an ERP vendor's response. What value is there in your perfectly-crafted ERP RFP document when all the responses you receive come in different formats and at different stages of your ERP selection process? This is your chance to make life easier for yourself at the next ERP selection stage - dictate the exact response format you would like to work from.

The salient point is that an ERP RFP document is about communicating your ERP project. The fundamental rule of communication is that the sender is responsible for the delivery and accessibility of the information.



### DOs

- Complete the requirements gathering process before you begin developing your RFP
- Assign priorities to agreed upon requirements

### DON'Ts

- Write your RFP from the perspective of only one functional department
- Focus your RFP entirely on your business' current state



## BUSINESS INFORMATION

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Any software RFP document begins with a section covering crucial business information. In this section of your ERP RFP you will describe your business in such a comprehensive manner that the ERP vendor reading the request can immediately understand your current business state, processes and expectations.

Begin with the basics: your address, number of years in operation, standard industry codes, markets served and similar pertinent information. Now expand on the basics to include any information which is relevant to your ERP project. At this stage, you are providing business context that will help prospective vendors develop a proposal targeted to your processes and expectations rather than a checklist of ERP features.

### COMPANY CULTURE

Who are your key personnel? What are their backgrounds? A financially-based leadership will want to see a differently worded proposal than a sales-based leadership. What business departments are expanding rapidly? Discuss your company culture and what makes your organization different from others that an ERP vendor may have worked with in the past.

Your customers also play a part in your company culture. Who buys your products or services? And not just the company name but the sort of individuals who choose your business? All this information is part of your business' biography. All of it will enable your prospective vendors to submit the most relevant proposal for your project.

### ERP EXPECTATIONS

When are you looking to complete this ERP project by? Why are you considering a new ERP at this time? There will be many reasons – talk about the decisive ones. How will the ERP help you in the future? Are there some specific process improvements you are targeting that hinge on implementing your ERP system? You may have a customer expecting certain capabilities and ERP could help you deliver on the customer's needs. Vendors can return more accurate proposals when your ERP RFP illustrates why you are considering a new ERP solution. It is important that this section does not become a list of requirements - requirements for ERP are not the same as reasons for ERP.

## LEGACY SYSTEMS

Your RFP document should also include information about your legacy ERP. Don't just focus on the areas where the legacy system is now letting the business down, it is equally important to highlight aspects of the system which the business cannot live without. What other ERP systems have you used? If your business has never implemented an ERP system, you may think this section isn't relevant for your RFP - you would be wrong. Even if your processes run on paper trails and spreadsheets, information about these systems is crucial for a vendor to understand your current business state.

## HARDWARE & NETWORKING

Finally, it is important to detail your current hardware and networking capabilities. Hardware will be more important if you are looking to implement on-premise software, but information about your network will be crucial for a cloud ERP project. Your RFP should not be exclusively about what the vendor can do for you, it is also an important tool for you to assess where your business may fall short when compared with a vendor's expectations.



## RFP MYTHS

**Myth:** An RFP is only produced to assess an ERP vendor's suitability to your project

**Reality:** An ERP RFP can also help highlight areas where your business may fall short against ERP system requirements.

**Myth:** An ERP RFP should focus exclusively on IT or systems-based business information

**Reality:** Information such as key personnel and customer profiles are also crucial for an effective ERP RFP.



## BUSINESS REQUIREMENTS

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Having set the scene with detailed business information, it is now time to tell your vendors exactly what you want from your new ERP system. You may find it useful to begin the business requirements section of your RFP with schematics covering the major processes in your business - for example, batch production cycles if you are a process manufacturer, or purchases and stocking if you are a retailer. These workflow diagrams will give prospective vendors context for the ERP requirements that will follow.

### FORMAT & PERTINENT INFORMATION

Now it is time to list the requirements that have arisen from process inefficiencies in the workflow described above. There is no right or wrong way to format this section of your ERP RFP, but the format you choose will encourage a vendor to respond in a manner that you are happy with. Requirements can be displayed in long-form prose, in a tabular manner (see Table 1.) or a combination of formats, but whatever formatting options you choose, you should always provide the following information for each requirement:

- Title: giving the requirement a title will give you and your vendor a reference point going forward
- Reason: these could be cost reductions, cycle time improvements, competitive advantage, automation, elimination of workarounds etc.
- Priority: this can be qualitative (description of importance) or quantitative (priority score)
- Function: the functional area of the business which has the requirement
- Time frame: immediate, six months, two years etc - this will give your vendor scope if they cannot meet the requirement at present
- Expectations: Where possible, give prospective vendors a quantifiable target
- Integration: detail any requirements for this feature to integrate with external systems (include software specifications for legacy systems)
- Customization: is this requirement needed day one, out-of-the-box, or is long-term development of a custom solution acceptable?

Your requirements will not all be process related. You may want an ERP vendor who is minority-owned or local to your production plant. Your ERP system may need to run on Windows 8 and support touch screen devices or you may require a system which will support your BYOD program.



## REQUIREMENTS TEMPLATE

Table 1. shows an ERP RFP requirements template for a manufacturing company covering operations management, quality management and planning and scheduling. This table structure can be expanded to include any functional and technical specifications that you identified in your requirements gathering project. To download an expanded version of this table as a spreadsheet (including templates for manufacturing, distribution, retail and more), [click here](#).

### VENDOR RESPONSE KEY

- OOB = ERP requirement is provided Out-of-the-Box
- CUS = ERP requirement is available through customization
- BOL = ERP requirement is available through a bolt-on at additional cost
- 3RD = ERP requirement is available through integration with 3rd-party software
- FUT = ERP requirement will be available in the near future (define a timeframe)
- NA = ERP requirement is unavailable

Table 1			Vendor Response					
Feature Requirement	Priority	Timeline	OOB	CUS	BOL	3RD	FUT	NA
Manufacturing								
Operations Management								
Kitting								
Fullfilment								
Lot numbers / serial numbers								
Plant and equipment maintenance tracking								
Shelf life and expiration dates								
Quality Management								
Regulatory compliance								
Documented training for employees at certain operations								
Traceability to specific materials								
Traceability to specific customer deliveries								
cGMP compliance								
HACCP compliance								
Inspection plans at operations or materials								
Planning & Scheduling								
Real-time inventory availability								
Production schedule and shop dispatch								



## VENDOR EXPECTATIONS

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Once you have covered your ERP requirements, it is important to provide a format for prospective ERP vendors to follow when developing their reply. This format will improve the quality of responses as well as ensuring you can easily process these responses once received. Giving vendor responses a structure also allows you to compare them directly, requirement-by-requirement.

This section of your RFP can follow much the same format you used to detail your requirements, covering areas such as feature availability and timeframe. But as well as responding to your requirements list, vendors should provide information on a number of other project variables.

### SCHEDULE

You have already discussed your expected schedule for this project, now it is time for theirs. Request a detailed schedule from your vendor covering each project stage, the personnel they would provide for your project and the availability of these personnel.

When do you require their response? Give them enough time to prepare a worthwhile reply but limit them with a requirement that any response after a definite date will not be considered.

### REFERENCES

Ask for a minimum of three customer references and request that these references reflect the challenges and expectations of your project where possible. Request the name of the business, the primary contact, their line of business, the date and time period work was done, and why they included that reference. You will contact these references, of course. You should expect only to get good references, but you can use these as search parameters and might learn of less successful projects which provoke questions to be discussed at a later date.

### PERSONNEL

Who will work on your ERP project and what are their backgrounds? Everyone hopes for top-level people with significant ERP implementation experience, ideally in your industry, but the reality may be different within your budget. How many hours do they estimate will be needed for your project and over what time period? What are the billing rates for different people or classes of people? Replies here will provide you with a time and expenses budget for your implementation.

## FINANCIAL

Your expectations for financial information from your vendor will depend largely on whether you expect to follow the RFP process with a request for quote (RFQ). Traditionally, an RFQ would be sent to vendors who were selected following the RFP process. This document would request cost information for licensing, customization, support, maintenance as well as the payment terms. Even if you will be covering the majority of cost information in an RFQ, it is still useful to assess your vendor's financial standing at the RFP stage. Request financial results, client acquisition rates or product investment levels for the past few years. This is your chance to assess a vendor's current standing and future stability.

As well as these project variables, it is also important to give prospective vendors freedom in at least one section of their response. There may be a crucial project variable which you have forgotten to ask about, or a feature they feel would solve one of the outlined process inefficiencies.



## SELECTION CRITERIA

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Almost as important as the development of an RFP document, is the development of a structured evaluation of vendor's responses. Without a well-executed evaluation of these responses based on pre-defined selection criteria, all the work leading up to this point will be lost in a disorderly debate over who thinks which vendor is best.

### OUR REQUIREMENTS

The first criterion we can use in our response evaluation is our requirements. We identified some as must have or high priority. If a prospective ERP vendor cannot fulfill one of the primary requirements, their proposal will be set aside.

Next, assess the vendor's response on lower priority items. You may look for a breadth of feature support regardless of the customization or integration work involved. You may prefer responses which cover less features but focus on out-of-the-box supply, leaving you without the burden of further implementation costs.

### PROFESSIONAL SERVICES

Prospective ERP vendors should also provide a commitment to your requested level of ongoing support and professional services. Every project's required support levels will be different. You might want your hand held throughout implementation, or you might want emergency support only. Look for an RFP response that understands your support requirements and meets or exceeds them.

### FINANCIAL STABILITY

Financial stability is also important. Look for a solid balance sheet and a profitable P&L statement with a reasonable rate of growth. Your vendor should have other clients and must not depend on our business for their continued existence.

Continued...

## CLIENT REFERENCES

Consider the vendor's previous or current clients - these could be the references given in their RFP response or identified through your own research. You may decide evidence of previous experience on projects similar to yours is key - a niche skillset to match your niche project. On the other hand, you may be more interested in seeing variety in past projects, demonstrating a breadth of ERP experience and knowledge.

As you can see, it is important to establish your selection criteria before you begin reviewing proposals. Bells and whistles can easily cloud your vision once you have begun the review process and objectivity can collapse like a house of cards.

Despite the challenges involved, each step towards developing an ERP RFP document can be achieved with careful pre-planning and a clear and concise output. Apply these to your project and you will be able to conduct the next stage of your ERP project - whether it be a software demo or an RFQ - in an efficient and knowledgeable manner.



# ERP RFP FRAMEWORK

A cheat-sheet to help you create a clear and concise RFP document.



## INTRODUCTION

- Statement of purpose - overview of project motivations and goals



## BUSINESS INFORMATION

- Brief introduction to the business - include number of employees and financial results
- Product and services overview - describe current products and services, especially those that will be improved through this ERP project
- Geographics - office locations, customer locations, expansion plans (if relevant to the ERP project)
- Market information - statistics, current trends and commentary on the industry you work in
- Customer profiles - customer demographics, customer turnover, case-studies
- ERP project overview - include expected number of users and overall timeline for the project
- ERP project goals - cover the most important goals for your project and discuss the following three variables for each; scope of work, timeline and expectations/deliverables
- Legacy systems & integration - outline current IT systems you are utilizing including any that must integrate with ERP
- Hardware & networking - outline your business' IT hardware and networking capability in relation to your ERP project goals
- Key project personnel - include background on each team member (including previous project experience)



## BUSINESS REQUIREMENTS

- **Process schematics or workflows** - provide a detailed overview of processes that will be run through your new ERP system
- **ERP requirements** - list each of your ERP requirements that were identified prior to developing your RFP - cover each of the following points:
  1. **Title** - a reference point for you and your vendors going forward
  2. **Reason** - e.g cost reductions, increased automation
  3. **Priority** - prioritize each requirement qualitatively or quantitatively
  4. **Function** - the functional area of the business with this requirement
  5. **Timeline** - specify when this ERP feature is required
  6. **Expectations** - if possible, make expectations quantitative and measurable
  7. **Integration requirements** (where applicable)
  8. **Customization** (where applicable) - is a customized solution acceptable?



## VENDOR INSTRUCTIONS

- **Format** - give prospective vendors a clear format and structure for their responses
- **Schedule** - outline the schedule you expect vendors to follow when developing their responses
- **References** - request and specify guidelines for customer references from each of your vendors
- **Personnel** - request details of the personnel they would assign to this project and the backgrounds of these individuals
- **Financials** - if you do not intend to develop an RFQ after receiving RFP responses, request cost information for the project



ERP Requirements Template

Feature Requirement	Priority	Timeline	Vendor Response					
			OOB	CUS	BOL	3RD	FUT	NA
Financial Management								
General Ledger								
Accounts Receivable								
Asset Management								
Cash Management								
Vendor Management								
Banking Management								
Profit Tracking								
Multi-currency Capabilities								
Invoicing/Billing								
Sales Management								
Customer Database								
Multi-tiered Orders								
Quoting								
Sales Forecast								
Credit Limit								
Backlog								
RMA								
Sales Territories								
Online transaction reporting								
User Management								
Employee Self-Service								
Manager Self-Service								
User Management								
Support								
Account manager								
API Support								
Email								
In-system								
Live chat								
Phone								
Support tickets								
Customer Relationship Management (CRM)								
Contact management								
Sales pipeline								
Lead management								

Vendor Response Key

- OOB = Out-of-the-Box
- CUS = Available through customization
- BOL = Bolt-on at additional cost
- 3RD = Available through integration with 3rd-party software
- FUT = In development for future release
- NA = Not available



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