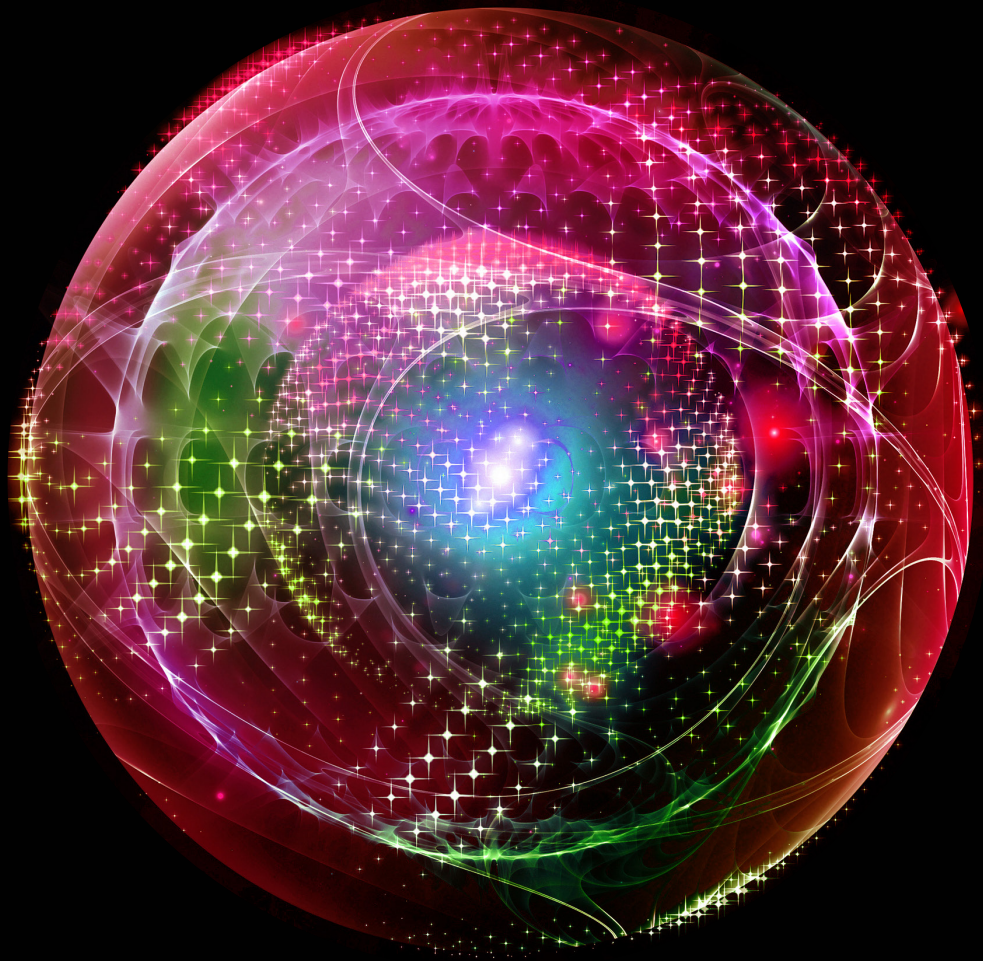


Deloitte.



ERP vendor selection for core financials

**Desired functional capabilities alone can no longer
drive your platform selection**

The ERP market for core financials is concentrated across a few leaders. These vendors offer a broad portfolio of capabilities such as general ledger, accounts receivable and payable, accounting rules (such as revenue recognition), projects, and financial reporting and analytics. Comparing broader functionalities of different ERP financial platforms does not lead to a differentiated outcome; rather, the focus should shift to more targeted or signature use cases in lieu of broad, generic capabilities. Leading ERPs are inching closer to functional parity as their product capabilities expand and mature. Some also possess nonfinancial-process-related capabilities that could yield benefits to the larger enterprise, not just Finance.

This sparks a need for finance leaders to revamp how they evaluate vendors and land on a platform that will elevate their finance organization's ability to deliver better business value and realize operational efficiencies. You may find yourself in a similar situation to Willow, who's been tasked to help her finance department find their next ERP (see next page).

You need a multidimensional evaluation approach to choose your ERP partner.

Willow's mission



It was Wednesday, and Willow just stepped out of her all-hands meeting with the CFO. They just received news that their current on-premise general ledger would no longer be supported by the software provider.



The vendor had a new strategy, and it involved the cloud. Fortunately for Willow, this opened up an opportunity for her department to modernize their ledger. It's been 15 years since she helped pick out their general ledger, so she thought to herself, "Where do I start?"



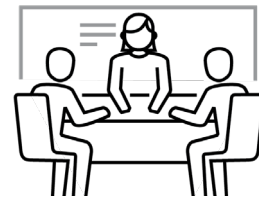
To her delight, Willow remembered she saved all her research from when they last purchased their ledger. They had put together more than 300 business and technical requirements, along with a comprehensive list of current-state processes that they used to measure each of the products' functionalities. She remembered "functional capability" was a critical dimension that helped the finance team shorten its list of candidates. The IT department also played a big role, weighing in on its ability to customize code and maintain the system once operationalized.



All in all, she recalled it took about six months to mobilize a team and land on their final pick for the future general ledger. Feeling confident in her past approach, Willow aspired to repeat what they had successfully done in the past. They spent several months collecting requirements.



And once completed, she invited leading cloud ERP vendors for demos and asked her business and IT stakeholders to score their products. She was sure there would be a clear winner like last time. Each demo was a hit. This was great!



And yet, there was a daunting realization that what Willow and her team thought would be important in their selection was less so the case. Each ERP product addressed, if not all, most of the ledger functionality and provided much more. These cloud vendors emphasized business user configurations over code customization. They also maintained their back end infrastructure on behalf of their customers. *It was suddenly clear to Willow that she needed to think differently and recalibrate her approach.*

Modernize your approach

This year, we surveyed Deloitte leaders and other companies' executives to examine how finance organizations evaluate and select their next ERP:

- In Deloitte's Core Financials ERP survey, we engaged Deloitte leaders who have advised nearly 20 key clients across 10 industries—spanning both public and private sectors—in ERP vendor selections.
- In Deloitte's May 2020 Dbriefs webcast on "Technology-enabled finance strategy: The value of a holistic approach,"¹ we polled more than 4,000 participants to understand what was most important in their ERP selection.

In the Core Financials ERP survey, 85% of clients represented found marginal differences when doing a side-by-side capability comparison of leading ERP platforms. These customers realized that their next ERP won't be determined only by how well the system meets Finance's needs and that it'll require a more holistic approach to make a decision.

When it comes to evaluating and selecting your next ERP, here's what you should do differently:

- Enhance your evaluation framework.
- Move fast and capitalize on the momentum.
- Listen to the many, but decide with a few.

Enhance your evaluation framework

Capability gaps that existed between cloud ERP solutions a few years ago are shrinking. This is the time to revamp your evaluation framework and adjust your "scale" to select the right ERP for you. There are multiple dimensions to consider, and not all are treated equal, but all should be factored into your decisioning criteria (see figure 1). You should weigh each criterion according to what is important to you. When you choose your ERP, you're not just buying software, but also signing up for a long-term relationship with your vendor, something that is even more important than the actual cloud delivery model being employed.

Picking your ERP partner is more important than picking your software.

External polling from the webcast highlights two factors that are top of mind for finance organizations. For 30% of participants, *extensibility* was the most important factor when evaluating and selecting a technology vendor. It's critical that ERPs demonstrate flexibility and scalability. Coming in at second to extensibility, 21% of participants prioritized *user experience*. Finance users must be able to easily navigate the ERP suite and intuitively grasp its features.

While these factors were at the top of the list for most participants, customers must look beyond the product itself and weigh the breadth and quality of their vendors' services and talent that wrap around the platform—an innovative culture and customer experience, along with technical architecture and data compliance.

Innovation and customer experience

You want to choose a vendor that shares common values and drives to continuously innovate in an ever-changing environment. How will you and your partners collaborate to fuel innovation and mutually advance each other's goals? With cloud-based ERPs, vendors are releasing product features at a faster pace. Vendors' commitment to enhancement requests and user community support are more critical than ever. When two ERP candidates were in a tight race, vendor ecosystem, culture, and relationships were the tipping point or determining factor for 50% of customers represented in the Core Financials ERP survey.

Existing vendor alliances, partners, and vendors' customers provide a rich source of information that you won't find in marketing materials. While vendor demonstrations help showcase their capabilities and products, it's typically hard to understand how they will engage you as a partner. Vendor reference calls provide insights on how happy existing customers are with their product and services. Moreover, they give additional information on how collaborative, innovative, and interested the vendor is with your ideas and thoughts. References also give you a perspective on how viable the system is for implementation and provide lessons that will be important for the success of your ERP modernization journey.

Vendor references uncover great insights.

Technical architecture and data compliance

When evaluating cloud platforms, customers often don't weigh technical architecture as much as they should, given that platform vendors are becoming increasingly responsible for cloud infrastructure maintenance. Vendors offer a distinct set of options for how their ERPs can be delivered to Finance. In addition, it is important to understand the degree of integration that natively exists across components in an ERP platform and how well and easily you can connect the rest of your systems to the ERP. Linking the new ERP to your finance technology ecosystem can be sophisticated and, as a result, expensive. Weightage given to technical architecture is typically adjusted from 10% to 20% as companies realize differences in vendors' technical architectures.

Vendors offer different cloud options that yield distinct benefits. Multitenant solutions, for example, ensure all customers leverage the same version of the software. This enables more frequent ERP upgrades. Single-tenant models provide customers with longer upgrade windows and less frequent updates. In addition, customers have dedicated infrastructure and greater flexibility to develop extensible code or applications. Though a single-tenant solution is typically more expensive compared with multitenant solutions, hosting options and contracts associated with a single-tenant solution help achieve parity between the two options.

ERP vendors offer a suite of modules and stand-alone products as part of their core financials ERP platforms. As part of your evaluation, it is important to understand how data is processed and shared—in batches or in real time—and how processes are connected across different modules and products. You may need to configure certain integrations, while others may be inherently supported in the ERP suite. Developing integrations that connect the new ERP to the rest of your technical architecture is typically complicated and a major component of your implementation that can carry risk, implying that delivered or native integrations should matter in the decisioning process.

Integration strategy will be critical since connecting the new ERP with other systems may be complex.

Additionally, if you have international operations in countries with in-country platform hosting requirements, then compliance with global data hosting and privacy is mission critical. You need to be sure your vendors can comply to country-specific regulations such as data residency.

With a cloud-based solution, it is critical to assess how vendors meet data security and privacy requirements.

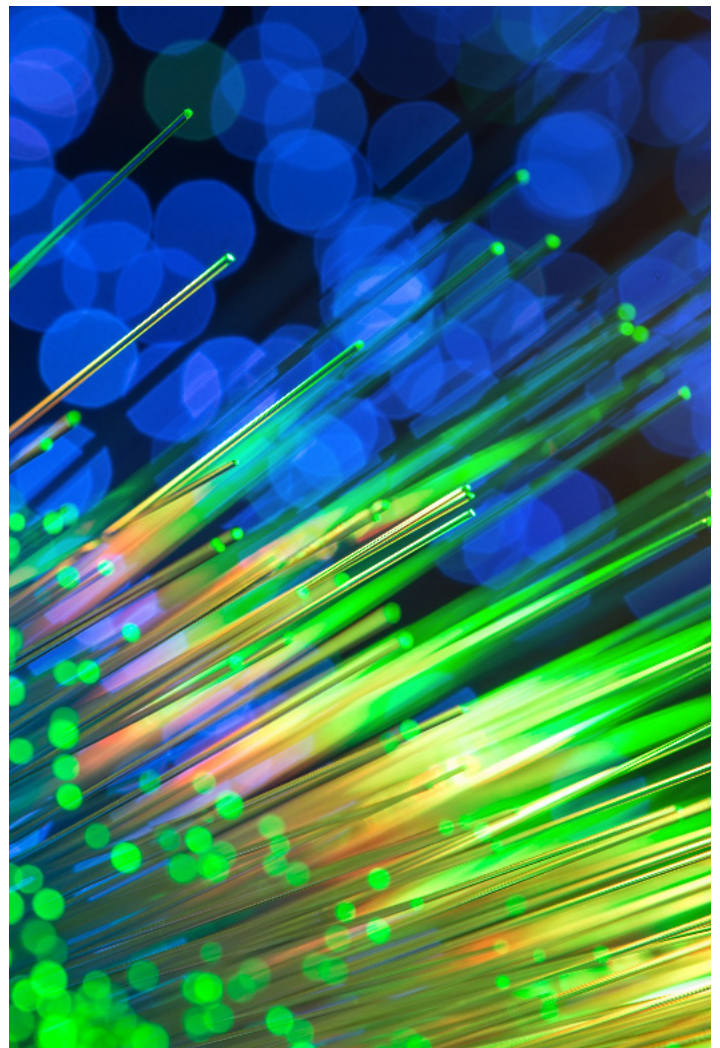


Figure 1. ERP evaluation criteria



Capability fit

- Functionality and feature requirements
- Reporting, dashboarding, and visualization capabilities



Technical architecture

- Cloud-based options
- Master data architecture
- System integration and performance
- Mobility and social collaboration
- Digitization/straight-through processing



Extensibility

- Custom data fields, business logic, and calculations
- Custom modules and functionality
- Interoperability with other cloud environments
- Flexibility and scalability



Product strategy and road map

- Unique product accelerator and differentiators
- Future product road map
- Ability of customers to influence road map



User experience

- Usability and ease of navigation
- Learning curve and typical rate of adoption
- Comfort with using other applications with the same vendor



Regulatory and statutory

- Inclusion of statutory localizations
- Regulatory and compliance requirements
- Compliance with global data hosting and privacy



Vendor ecosystem, culture, and relationships


- Support and maintenance approach
- Training tools
- Community of customers and case studies
- Service level agreements
- Vendor alliances and partners




Total cost of ownership

- License cost
- Software support and maintenance costs
- Implementation costs
- Cost of transition from legacy platform



 Weightage given by clients (ex ante) (as part of Core Financials ERP survey)

 Weightage that should be given by clients (ex post)

Move fast and capitalize on the momentum

According to a Gartner study² on the sales cycle of technology solutions, customers typically spend 16.3 months to seek, evaluate, and make a purchase. Customers will engage the vendors' sales teams for about seven of those months.

By following a structured approach, you can evaluate multiple ERP vendors and decide on a best-fit platform in less than three months. It involves three stages—preparation work, vendor demos, and post-vendor demos—in which decision-makers are identified early on, priorities are clearly defined, dependencies are accounted for, and there is clear communication with the ERP vendors.

Figure 2 provides some tips and tricks to accelerate your decision-making. For example, you should invest your time in building signature use cases rather than detailed requirements. Defining an exhaustive set of requirements can be time-consuming and involve large swaths of stakeholders. Rather than listing out hundreds of requirements, you should focus on a handful of use cases that underline your unique business outcomes—it's not about replicating today's activities. These signature use cases will ask vendors to weave multiple capabilities together and show how they can be orchestrated by finance users.

Listen to the many, but decide with a few

Modern ERPs can unleash large-scale transformation across multiple finance functions (for example, controllership, treasury, and financial reporting). It is critical to draw feedback and insights from diverse stakeholder groups—those that will interact with the platform day in and day out, as well as finance partners who might only be utilizing the data and reports stemming from the ERP. It can be tempting to pick your next ERP on broad consensus. This approach generally works if you have a longer evaluation period and your organization has the resources to run multiple cycles of internal socialization, negotiation, and alignment. Tackling these cultural dynamics and arriving at a consensus may take an additional three to four months. The key to breaking this endless cycle is by concentrating decision-making on a smaller group of stakeholders, who can champion change and drive consensus. This decision-making body needs to be clearly defined at the onset of the evaluation. In the same Gartner study mentioned previously, technology buying teams consisted of 12–14 participants.³ The broader finance community should participate in the vendor demonstrations and share their perspectives and scores based on the evaluation framework. This will help inform and validate the decision of the few. It also supports the overall acceptance of the solution and will pay dividends during the actual implementation.

Decisioning should be centralized.

Figure 2. Decisioning process: Structuring the selection for faster and better outcomes

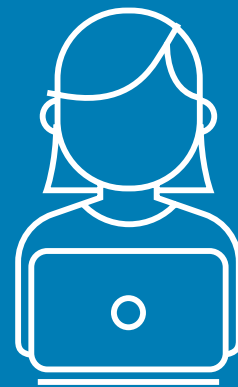


The next adventure

Stuck after weeks of research, Willow texted her Deloitte contact. A few months back, the CFO had invited Deloitte to sharpen their finance strategy—the catalyst for their ledger modernization.

Deloitte conducted an in-depth study of their needs and aspirations. They knew Willow's organization well and could accelerate the ERP search. After mobilizing a team and carrying out a holistic evaluation approach, Deloitte was able to help Willow finalize their platform of the future within the next few weeks—just in time for her vacation.

Right before leaving for her trip, the CFO called Willow to congratulate her. Not only did she deliver, but her finance community also felt energized and excited for the change. What a way to jump-start her trip! As their conversation wrapped up, her boss had just one question for her, "So... Willow, when can we get the new ERP up and running?" It looks like she'll need to squeeze in a call to her Deloitte team on the way to the beach.



Your next move

As you embark on your ERP-enabled digital finance modernization journey, you need a well-defined and communicated finance strategy. You should start by understanding the business strategy and the role Finance will play in enabling those key business decisions.

Trade-offs are expected to come up time and again during the modernization journey. A well-defined finance strategy and vision reduces variability in the ERP selection process and helps manage expectations regarding capabilities.

Thus, this next move of setting the foundation for your modernization journey will help you achieve the desired future state for your finance organization.

Have questions or looking for help in your finance modernization journey? Contact one of us below:

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Endnotes

1. Deloitte, Dbriefs webcast, "Technology-enabled finance strategy: The value of a holistic approach," May 20, 2020.
<https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/events/may/2020/dbriefs-technology-enabled-finance-strategy-value-holistic-approach.html>.
2. Michele Buckley, "Tech go-to-market: Why tech sales cycles are taking so long and what needs to be done now," Gartner, June 4, 2018.
<https://www.gartner.com/en/documents/3877366/tech-go-to-market-why-tech-sales-cycles-are-taking-so-lo>.
3. Ibid.



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