



# Should I Issue an RFP for ERP?

**By Keith Braney**

QAD

A QAD Leadership White Paper for the  
Global Manufacturing Industry

## CONTENTS

|  |   |
|--|---|
| Should I Issue an RFP for ERP?   | 3 |
| Pros and Cons of a Traditional RFP Approach for ERP Selection                    | 3 |
| Objectivity  | 3 |
| Narrow the Field, Quickly  | 4 |
| Feature-First Focus  | 4 |
| Continuous Improvement   | 4 |
| Four Steps to Developing a Strategic ERP Partner Short List                      | 5 |
| 1. Clearly define your unifying ERP strategy and metrics to drive accountability | 5 |
| 2. Assess and recruit expertise  | 5 |
| 3. Develop criteria for your Strategic ERP Partner Short List                    | 5 |
| 4. Keep the long-term goal in mind   | 5 |
| To Issue or Not to Issue an RFP? That Is Not the Question                        | 6 |

# SHOULD I ISSUE AN RFP FOR ERP?

---

## SHOULD I ISSUE AN RFP FOR ERP?

There are hundreds of Enterprise Resource Planning, “ERP,” solution vendors. It is not possible to engage with all of them when conducting an ERP vendor selection project. Narrowing the field to the most suitable finalists, often referred to as the “short list,” is a crucial step toward project success. A Request for Proposal (RFP), and the related RFP process, is often used to help determine the ERP vendor short list.

If not managed properly, however, an RFP can focus too much on technical functionality – a dangerous path. Manufacturing leaders see ERP as an essential business and strategic tool. Yet, studies performed by Panorama Consulting show that 72% of selection projects have a feature versus business focus. This helps explain why 60% of ERP implementations achieve less than 50% of their expected benefits. See this related [infographic](#) for more related metrics. Ensuring your ERP selection process is business-driven is crucial to project success.

Valid arguments exist whether an RFP has a place in a business-focused ERP selection process or not. The real question is not, however, whether you should issue an RFP, rather it is how to develop a suitable short list of ERP vendors to help you meet your strategic goals – and does an RFP help in that pursuit?

In this paper, we will first explore the question about the benefits of using RFPs by examining the pros and cons of traditional RFPs. Then, we will focus on applying these points in the pursuit of developing a “Strategic ERP Partner Short List.”

## PROS AND CONS OF A TRADITIONAL RFP APPROACH TO ERP SELECTION

### Objectivity

In almost every solution selection project there is bias toward one solution vendor or another – a

situation that can be prevented with an effective selection process. For example, a CFO who had a positive experience with an ERP solution at a previous company might create measurements in an RFP for a new ERP that reflect the old ERP bias, even if the previous ERP is a poor fit for the CFO’s current organization.

Often, RFPs are simply recycled from a past selection process and used as a starting point. For example, maybe someone has an old RFP used at a previous company. The trouble is, it doesn’t reflect the current business realities, context or even the types of technologies (e.g., no mention of cloud computing) needed for the new ERP.

An effective means of limiting bias in any decision-making process is to list requirements and measure options against these requirements for a fit. This is an important benefit of the traditional RFP in ERP selection and can be an especially effective tool to combat internal bias.

An RFP, however, does not by itself guarantee objectivity in your quest for a Strategic ERP Partner Short List. This is one of several good reasons organizations seek a third party for expertise to help with a selection. These third parties range in service levels, from basic guidance to helping develop RFP questions, to fully managing the vendor selection process.

It can be difficult for organizations to determine what is objective advice when working with a third party, but it is important to do so. One way to handle this is to ask questions such as:

- Out of the last 50 RFPs, what were the top 3 ERP vendors selected? Why were they chosen?
- If the third party will manage the full process:
  - How many vendors are typically evaluated?
  - If RFPs are sent to ERP providers, how many responses to these RFPs do you typically receive?

# SHOULD I ISSUE AN RFP FOR ERP?

---

- If our criteria are run against a database, how often is the information on ERP vendors updated?
- How often do you work with companies like ours in terms of size, geographic reach and industry? Do you have references available from these companies?

See the last section of this paper for additional questions that can help with RFPs.

## Narrow the Field, Quickly

The most obvious and arguably the biggest benefit of RFPs is the ability to narrow down the many ERP software vendors to a select few. It is not realistic or effective to conduct a deep dive with a long list of vendors.

Your Strategic Partner Short List should be determined through a rational set of criteria that is well aligned with your ERP strategy. If this clarity exists in your RFP, some vendors will happily qualify themselves out if they are not a good fit. An ERP partnership should be a two-way street.

On the other hand, this advantage can be limited if there is a **big bang** approach to RFP requirements, where complex advanced features are included that cannot be tied back to strategic need or specific business processes. This can potentially confuse the intent of the project on all sides and lead to a risky feature-first selection process.

## Feature-First Focus

The source of your operational effectiveness is how your processes support your business strategy; ERP software is not the source. Unfortunately, 72% of ERP selection projects have a feature-first focus. Starting with available features and determining how that functionality can fit with how work is (or will be) done is not an ideal approach to ERP selection. Taking this approach with an RFP can be an unwanted turning point in your selection process. It can start you

down a path away from accountability against the strategic role of ERP and toward a complex, higher cost, big bang project that attempts to leverage “advanced software features.”

Based on Panorama Consulting research, this shift in focus is a major contributor to why 55% of ERP implementations are over budget, 21% fail at implementation and 75% take longer to implement than planned.

You need a unifying strategic goal for your ERP project, agreed to by primary stakeholders, with quantifiable metrics to measure success against the goal. These metrics should be captured before and after the implementation to help measure success.

If you have not yet taken the step toward defining the goal and metrics, you should reassess whether you are ready to begin reaching out to ERP vendors. This may be a tough question, but it will pay dividends later. Not doing so is a shortcut that may add avoidable risk to your ERP investment.

If you define the critical strategic alignment with associated goals and metrics, your RFP will reflect a rational set of functionality that aligns with high-level strategy, supports KPIs and operational processes, and helps you meet the unique challenges of your industry.

## Continuous Improvement

Many RFPs focus on the software – implementing it, supporting end users and adapting to vendor KPIs. For a feature- focused selection process, this may seem like a rational progression: The software goes live, end users are supported and the vendor exists long enough to patch and update ERP throughout the lifecycle.

History has shown that the only guaranteed constant in manufacturing is **change**. Your

# SHOULD I ISSUE AN RFP FOR ERP?

---

business processes of today are not set in stone and neither, therefore, should your ERP. Go-live is not the end of a strategic ERP partner relationship, it is the beginning. Your requirements to determine your “Strategic Partner Short List” should consider the vendor’s [agility](#) to meet the requirements of today and 10 years from now with equal weight.

The source of your operational effectiveness is your processes which are supported by the software, not the software itself. As the nature of your market changes, you need to change your processes. An ERP solution that is not agile enough to match that change will eventually fail.

## FOUR STEPS TO DEVELOPING A STRATEGIC ERP PARTNER SHORT LIST

We have extracted the useful elements of a traditional RFP approach and combined them with a strategic focus to provide 4 steps to help ensure you drive toward an applicable Strategic ERP Partner Short-List.

### 1. Clearly define your unifying ERP strategy and metrics to drive accountability.

Start with identifying the critical factors that determine the success of your business strategy. Then, define specific outcomes and how to measure them as metrics. See this [Metrics Matter: Align ERP With Business Strategy](#) blog post for examples.

Metrics should provide a vital link between your company’s business strategy and the key operational processes that enable that strategy. For processes and outcomes, you want to improve, use level 2 and 3 metrics to serve as diagnostics to identify and optimize related business processes.

### 2. Assess and recruit expertise

Determine if a third-party expert is needed. Critically assess their objectivity, expertise in

your industry and ability to incorporate ERP strategy into your Strategic ERP Partner Short List. See the objectivity section provided earlier in this paper for questions that can help assess third party objectivity.

### 3. Develop criteria for your Strategic ERP Partner Short List

Work with your experts to explode the strategy and desired outcomes into a matching set criteria. Include the following questions and strongly consider ERP vendors eager to work with you to answer them. This is a sign of a strategic partnership worthy of your strategic ERP investment.

- How will you partner work with us to ensure our ERP is strategically aligned to our business? What would be the frequency and cost to our company for this support? Who in your organization would provide this activity?
- How will your company support our continuous improvement as measured by KPIs important to our organization?
- How does your company help keep modules critical to our business on the latest version with minimal resource impact?
- To what extent does your company align to and address the unique challenges of our industry?

### 4. Keep the long-term goal in mind

Remember that this is about developing a short list of vendors that are best suited to meet your strategic goals of today and in the future. This strategic alignment is only possible by embracing continuous improvement every step of the way. Ultimately, focusing your criteria on this strategic imperative will help you find the right strategic ERP partner that will work continuously with you in achieving your strategic mission.

# SHOULD I ISSUE AN RFP FOR ERP?

---

## TO ISSUE OR NOT TO ISSUE AN RFP? THAT IS NOT THE QUESTION

An ERP selection project is a tremendous investment, risk and opportunity for your organization. The tools used to determine your strategic ERP partner should not add risk. While a traditional RFP has advantages, it is only a tool. The guidelines herein will help keep that tool in context and guide you toward a successful Strategic ERP Partner Short List that best aligns to your strategic goals.

For more information on how QAD can help your company better align ERP with your business strategy, contact QAD at +1-805- 566-6100 or email [info@qad.com](mailto:info@qad.com).



QAD

Tel: +1 805 566 6100  
[www.qad.com](http://www.qad.com)