



Vision33

How to Build an RFP for ERP Software

A manufacturer's guide to effective request for proposal writing.

Introduction

Upgrading your business management software is a significant decision. Upgrading can mean the difference between capping your business's potential or continuing to grow profitably. Unlike off-the-shelf accounting software, such as QuickBooks, business management software offers more sophisticated business management features, configuration, and flexibility.

Business management software, such as enterprise resource planning (ERP), will touch all aspects of your manufacturing operation. Therefore, it's critical to select the right IT professional services provider to partner with for success.

A comprehensive Request for Proposal (RFP) solicits the essential information that you need from a vendor to make an informed decision and to evaluate what the proposed solution can do for your business.

While not every manufacturer needs to prepare an RFP prior to ERP selection (there is a cost to this approach in terms of time, money, and human resources) this guide outlines the most important information you'll need from a vendor to make an informed decision on ERP.



Sections to Include in Your RFP

- RFPs come in many formats, but the goal is to solicit sufficient information to make an informed decision regarding choosing a vendor for implementing a business management solution.

This guide describes the sections of an RFP, their purpose, and standard questions to include.



Executive Summary

Although an RFP is seeking the right solution and partner for you, compatibility is vital, so potential vendors need to know about your business. Include information about your products and services and company background to ensure a good working relationship.



Company Description

Provide a brief company profile. You could use the company description from your 'about us' page, your history, or a boilerplate you use with press releases. Additional details, such as your target audience and what your brand means to customers, will, in addition to encouraging compatibility, help vendors recommend the best solution for you.



Contact Information

To whom should the RFP response be addressed? Specify the person(s) who will receive the RFP responses and the person(s) accepting questions and offering clarifications about the RFP requirements.



Objective/Purpose

Describe the purpose of the RFP. (It's ok if it takes several paragraphs.) Is the RFP to investigate vendors in the area who can migrate your business databases from legacy and accounting software to an integrated business management solution? Do you want to deploy the solution in the cloud or on-premise? Don't forget to include what's not under consideration for the project.

The right IT professional services vendor offers more than ERP implementation, which is why it's necessary to describe your company's goals.

RFP Guidelines

➤ As the issuer of the RFP, you set the rules. Include the following sections to outline the requirements for participating in your RFP process.

Disclaimers

Remove yourself from obligations that may result from issuing an RFP and outline your rights concerning the RFP and how you might use the information within it. We advise seeking legal advice from a qualified business lawyer to develop the language in this section.

Rules of Engagement

Be specific with your due dates for submitting questions and receiving submissions. Which dates do participants need to know? Note the consequences for non-compliant applications and sales presentations for candidates who make it through the RFP proposal stage.

RFP File Formatting

Most businesses accept RFP responses in electronic format, usually as a PDF document. If there are other requirements, explain them in this section.

Evaluation Criteria

How you encode the questions in your RFP is important since it will ensure you get the responses you need to accurately compare each vendors' competencies. Typically, companies evaluate vendor responses regarding criteria, including the supported business functionality, underlying technical architecture requirements, and contractual requirements. Put consideration into which criteria you consider mandatory by codifying binary questions into the RFP such as a yes or no questions or include a list of checkboxes under a heading that reads "Solution Support." Outside of your must-have or non-negotiable requirements, you might consider including questions that can be answered using a scale rating. For questions without black and white answers, this enables applicants to indicate their level of support for features that while aren't essential, are nice-to-have.

Here's a sample list of topics to use as the basis of evaluation criteria for a potential partner and their proposed ERP solution:

For the ERP Consultant

- Experience with similar projects.
- Vendor's longevity in the market and financial health.
- Availability of a dedicated customer support program beyond go-live.
- Size, expertise, and experience of the consulting team.
- Presence of formalized project management methodology.
- Presence of formalized implementation methodology.

Proposed ERP Solution

- Is the pricing model in line with your business' budget?
- The degree to which the proposed solution meets your business functionality requirement.
- Deployment flexibility (on-premise, cloud, private cloud, etc.).
- Qualifications of the proposed solution in meeting your business' technical requirements.
- Breadth and depth of analytics and reporting capabilities of the solution.

Confidentiality

A clause about confidentiality is wise. For you, it should deter vendors from sharing details of the RFP with other businesses. For vendors, it should instill confidence in sharing their company, product, and service details with you. Seek counsel to ensure your confidentiality statement is legal.

RFP Evaluation Process and Schedule

Specify deadlines for completing the RFP process. Set expectations for contact from the participants in need of clarification on the questions included in your RFP.

Sample RFP Schedule Table

Issue RFP	Time, day, month, year
Final date to submit vendor questions	Time, day, month, year
Bidder's confidence	Time, day, month, year
Vendor RFP response due date	Time, day, month, year
Identification of potential vendors finalists	Time, day, month, year
Begin contract negotiations with finalists	Time, day, month, year

General Contract Requirements

Here, you can request applicants' proposed terms in response to your RFP. Point to an appendix and provide a consulting agreement for each vendor.

Notification of Intent

This section specifies the deadline for vendors to notify you, by email, if they plan to participate in the RFP selection process. This will tell you how many applications to prepare for.

Bidder's Confidence

This section identifies the parameters surrounding requests for clarification of the RFP. For you, this prevents wasting time reading non-compliant applications. For vendors, this ensures their responses will contain relevant information and not be rejected. Instruct the vendors to send questions/clarifications by a specific date – and choose a time when your employee resources are available to answer the questions. Also, include the contact email of the person(s) handling this task.

Response Requirements

› Explain the RFP requirements to ensure vendors' eligibility.



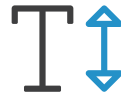
Submission Instructions

Clarify the due date and time for proposals and how long they'll be valid. Indicate which email address vendors should send their RFP proposals to.



Demonstrations

Outline the parameters of a product demonstration, so applicants who survive the selection process understand what you expect when they showcase their solution.



Format Requirements

Note RFP document requirements. For example, you could specify the title, the details to include on the cover page, the page numbering, and contact information.



Content Requirements

To ensure you receive complete RFPs, specify that your company reserves the right to reject incomplete responses. If some questions don't apply to all vendors, indicate what they should do in that scenario – respond with 'N/A' or 'not applicable,' for example.



Vendor Informational Requirements

➤ After you've outlined the RFP parameters, define the information vendors must include in their responses to be part of the evaluation process.

Vendor's Organizational Structure

Ask the vendor to describe how their company is organized and how that will ensure a productive partnership for implementation and support. Ask for biographies of key personnel and a diagram of the reporting relationship between the project team and your business.

Vendor Profile

Business management solution implementations are more than purchasing software and installing it on your computer. It's a long-term project with a long-term partner – hence the importance of evaluating vendors as well as their solutions.

Ask when the company was founded. This will help gauge the 'staying power' of an organization – the longer it's been in business, the more experience they have with ERP implementations. This is one way to limit the risk factors associated with implementation projects.

Project Duration

How long will the implementation take? It can take several months to define your requirements, provide quotes, sign off, blueprint, implement, train, service, and support. But the more valuable question is about their implementation methodology.

If they have no formal methodology, there's a high chance that things will get derailed, adding time and additional costs to the project.

Asking these questions will help you decide if the vendor is a good fit for where your organization plans to move.

Vendor General Information and Requirements

Ask the vendor about their company to get a clearer picture. It doesn't have to be comprehensive; you can request additional information after you invite them to demo their solution. However, you should cover these bases.

Previous Experience

What experience does the vendor have with projects of similar scope? Can they provide customer references that demonstrate the success of the solution in your industry? Ask for some – and follow up – to better gauge the company's work.

Third-Party Partners

Some vendors may work with third-party companies to deliver a final ERP solution. You can request that they include information on other partners or third-party software providers who will be part of their solution.

Financials

Asking about revenue offers insight into the scale and formalization of the vendor. Ask what percentage of their revenue comes from support services versus software sales to get an idea of the company's capacity to support your business. Note that some vendors may withhold financial information until later stages of negotiation.

Scope of Service Offering

After a successful implementation, your staff and operations are more effective because you have the information necessary to make better decisions – that's the true value of ERP. Does the vendor's service offering include hosting a help desk, security, data backup, consulting, and training?



ERP Functional and Technical Requirements

› Include a list of feature requirements for your ERP system. Every business is different, and not every ERP solution will offer every feature you need as part of the core solution. Luckily, many third-party applications exist that vendors can use to fill the gaps.

Have the vendor include details about such third-party provisions. You can include an embedded spreadsheet or formatted table to help you compare the ERP solutions' ability to meet your requirements.

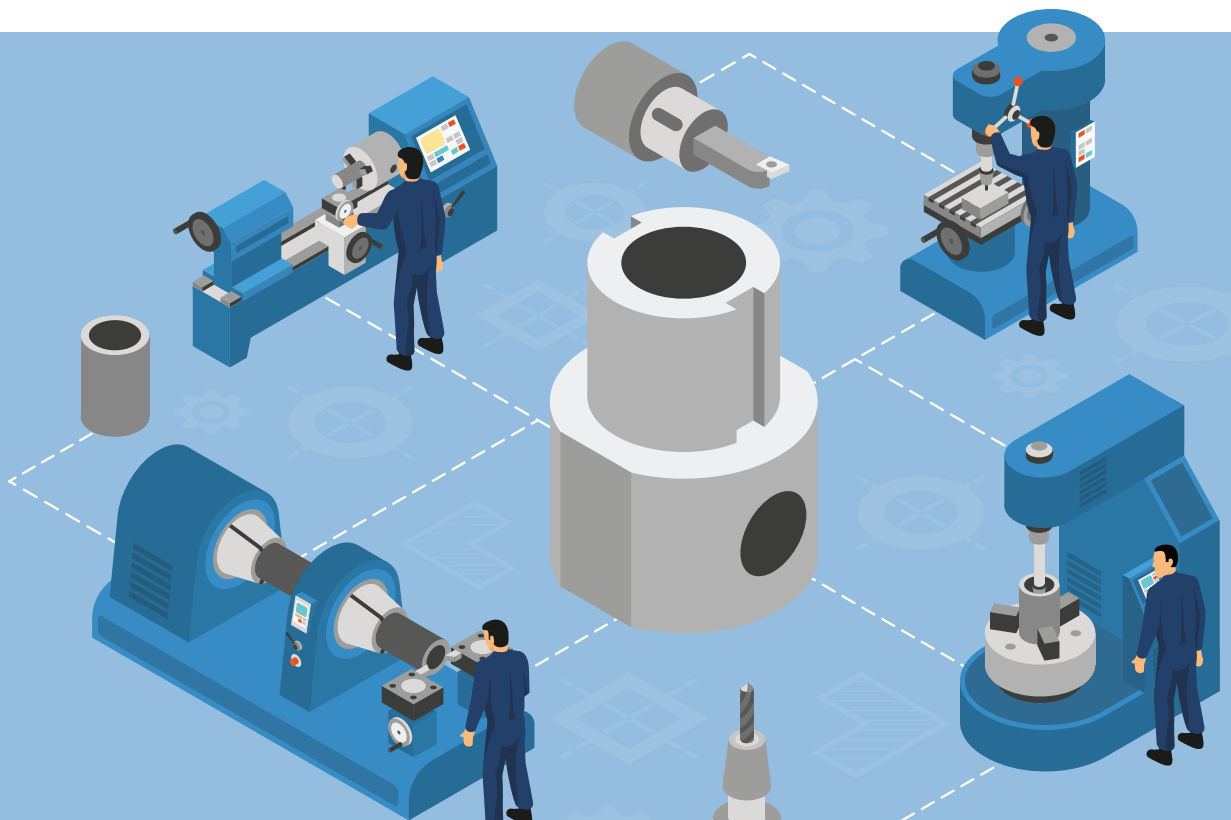
The Business Solution: What Core Features to Ask for in an ERP?

Typically, manufacturers start doing business with multiple applications that can't communicate. These applications rely on manual intervention to share, format, and transmit data.

Using disconnected applications works early in a business's development because people can manage the transfer of data in small amounts. As businesses grow, however, manual integration has its limitations. When your sales revenue reaches a higher level, your customer accounts, concurrent projects, inventory, and financial transactions will exceed the capacity of your resources.

This is when your business would benefit from centralizing your databases to avoid the inefficiencies and potential for error of manually entering data. You'll also want a system that supports your backend functions and provides modern manufacturing capabilities.

For a comprehensive ERP RFP, determine these requirements and include them in this section. You can learn more about creating a list of required business processes for your ideal ERP solution in Vision33's **ERP Software Selection Guide: 6 Steps to choosing the right solution for your business**. For now, the point is to ensure you include these requirements in your RFP.



Manufacturing Industry-Specific Feature Support

› No business management solution offers every feature you need. Luckily, some are flexible enough to work with certified applications designed to seamlessly integrate with the solution's core offering. Consider this in your vendor evaluation, as it promises your business access to manufacturing processes and indicates the compatibility of the application with your chosen ERP solution.

Unavailability of the proposed third-party solutions or a lack of options is a black mark against that vendor, as each third-party upgrade requires a software integration. This becomes costly if custom coding or an uncertified, obscure application becomes necessary.

Ask the vendor which of your outlined functional requirements are part of the proposed ERP's core product and which will require third-party applications. This will go a long way in measuring costs. Also, the more integrations you need, the more it can affect system performance. Here's a list of manufacturing-specific features to ask about.

Bill of Materials (BOM)

A bill of materials, also known as product structures, or a BOM is a list of the raw materials, sub-assemblies, intermediate assemblies, sub-components, and the associated quantities of each needed to manufacture a product. BOMs are used by many departments, so you should ensure that they are well integrated with the chosen solution.

Material Resource Planning (MRP) II & Production

Extensive material-management features, including order and stock-related and mixed and variant production, may be in the core solution, but third-party applications may be necessary for depth of functionality.

Project & Production Management

Does the ERP solution allow you to manage projects with real-time, cross-functional reporting, including manufacturing and logistics management, cost accounting, and controlling?

Supply Chain & Sales Management

Integrating with your supply chain has never been more critical. Are supply sales order and purchase order management, including blanket orders and automated transactions, based on the latest EDI (electronic data interchange) industry standards?

Quality Controls

Can you plan and execute quality tests during the material flow from the initial procurement throughout the manufacturing process?

Cost Estimation

Can you estimate for standard products or quotations for custom manufacturing orders and easily calculate profit margins?

Pool Controls

Can you increase planning efficiency through pool controls defined by the volume of your work?

Dashboards

Can you create custom dashboards? A 360-degree view of your business and enhanced reporting with flexible ad-hoc queries and analyses are essential for this upgrade.

Advanced Planning and Scheduling (APS)

Can the solution provide a view of order times, lead times, transition periods, capacity allocations, all BOMs, batch groups, and resource availability?

Multiple Warehouse Management

Can you enhance inventory management through an advanced warehouse and bin location tracker?

Product Configurator

Can you manage product variants to configure, calculate, and integrate your product?



IT Professional Services

➤ After vendors have completed the table of essential features to identify those their solution supports, it's time to evaluate the vendor's ability to deliver a competent implementation.

There are several essential services the vendor must supply as part of the solution. An important question is, "Is this vendor offering a turn-key solution, or are they bringing multiple third parties to the table to meet our needs?" The more software and services partners you have, the more contracts and higher risk you must manage throughout the project. Here are a few essential services to ask about in your RFP.

Local Support Office

Does the partner offer a local support office? Ask for details about the nearest branch office and headquarters. Assessing the IT professional that implements the software is second only to assessing the software itself.

Software publishers rarely sell their ERP solutions. Instead, they're sold and supported by 'channel partners.' Many partners sell the same ERP solution, so it's critical to identify what separates them from other partners. One way a vendor can stand out is by offering post-implementation support.

Customization

The optimal ERP solution for your business is customizable and adaptable to support integration. Will the vendor seek to understand how your business works and identify unique processes where customization can improve your business?

Customer Support

Is post-go-live software support included in the pricing model, or does it cost extra? A good customer support program will maximize the value of your investment in ERP and support your use of the solution. A program that provides dedicated customer management, support, and other enablement programs ensures your current and future employees can learn the application quickly and become self-sufficient.

Managed Cloud Services

Ask about deployment options. While there are many, keep the discussion focused on your needs. Lowering the total cost of ownership of ERP, plans for growth and the need to stay agile amidst competitive threats are the real considerations. The deployment method you choose should align with executive-level discussions. Cloud service proficiency is identifiable by industry certification. Check the vendor's brochures for logos that indicate a high level of customer service and skill.

ERP Implementation

ERP is best implemented by a team of certified consultants who will configure and align the proposed ERP solution to fully leverage your investment. Will the vendor implement the software they're selling, or will someone else?



Cost Schedule

- › Include a cost schedule for your applicants to complete; this will help you better understand the pricing quoted by a vendor by separating software licensing and IT professional services fees.

For software, you'll want to ask about licensing fees for software-as-a-service (SaaS) alternatives if you're considering cloud ERP deployment as an alternative to traditional on-premise ERP. Additionally, vendors may offer more than one pricing structure for software licensing, depending on your requirements. For instance, do your employees need full access to the system, or will some require access to reporting only? If yes, you may see web portal software licensing fees as part of your cost schedule in addition to standard professional licenses.

For contracted professional IT services, you'll want to know the price for things like system design, configuration, deployment, consulting, training, and data migration, to name a few. To keep the proposed costs schedule organized, you can opt to include a templated spreadsheet for the applicant to complete or ask that they provide a quote with a detailed breakdown.

Formatting the RFP

- › Keep in mind the importance of organizing your RFP document well. An unclear RFP may add time to your evaluation process if candidates submit incomplete responses, overlook key questions, or omit sections altogether.

Vendors will often recruit multiple resources from their company to respond to the RFP. For instance, they might engage their accounting department to answer financial-related questions or ask the marketing department to supply an ERP product brochure. Be sure to include page numbers and label each section of the RFP to aid the vendor delegate the completion of each section to the appropriate stakeholder in their organization.

An Alternative Option to Writing Your Own RFP: Partner with Vision33

If you don't have the time, money, or resources to devote to creating a comprehensive ERP RFP, it's okay. An experienced ERP consultant like Vision33 is well-versed in preparing RFPs for manufacturers. Vision33 has qualified consultants ready to discuss your business needs to develop a comprehensive RFP to ensure a successful ERP implementation.

About Vision33, IT Professional Services Partner

Vision33 Inc. is a global IT professional services consultancy that solves customer business challenges through the promise of technology and the value it delivers. They partner with organizations in both the public and private sectors to understand their vision and help them reach it with the right blend of strategy, consulting, and technology. Vision33's global team of results-driven resources provides world-class experience through office locations in North America and Europe. For more information about Vision33, visit www.vision33.com.

Vision33's SAP solutions provide scalable and integrated ERP technology. With Vision33's help, their customers connect their business processes, from finance and expense reporting to procurement and inventory, to transform their operations and manage their subsidiary operations more efficiently. Vision33's dedicated customer support program, the world-class TOTAL Care support program, ensures businesses have the right tools to leverage their technology investment.

Free ERP RFP Consultation

When you're ready to take the next step, please contact a qualified Vision33 consultant in your area.



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