

# A Guide to Scoping Your New ERP System





A fully scoped finance system is one that sets best practice processes, can deliver reporting and analysis efficiently as the business requires it and is quickly adopted by staff for minimal disruption to business.

Taking the time to understand the needs of your business and your expectations from a new business system before you start reviewing software is a highly advantageous exercise. It helps to establish clear goals, identifies “must have” requirements and the structure of the implementation. Furthermore, it tackles any showstoppers and minimises risk.

Your finance system lies at the heart of your business processes. It is integral to everything you do and is the engine that pulls your business together. So why do so many companies fail to plan?

A fully scoped finance system is one that sets best practice processes, can deliver reporting and



analysis efficiently as the business requires it and is quickly adopted by staff for minimal disruption to business.

CPIO is keen to work with you on scoping your new business system. We have scoped many finance and ERP solutions over our 23 year history and can support you in building a solid business case.

This document represents an extract from our own scoping documentation packaged in a step by step guide for easy use. It acts as an aid to the work you have already done or plan to do in the selection of a new system.

# 1 Identify and understand the key users

Staff involved in the scoping of your new finance system will undoubtedly have a solid understanding of the business generally and a detailed knowledge of their department. And they should want to be involved in this stage because this is where they can influence and guide. It is also often a good indicator of department readiness.

## Action:

*Identify and communicate with the project champion, the Board sponsor, project manager (if different from the champion), key department staff and your IT department representative. Make them all aware of your scoping plans and the expectations you have from the exercise.*

# 2 Understand the issues

Understanding the very reason why you need a new business system is key. It may sound obvious but many organisations lose sight of what they were looking to do when they get into the implementation stage, often leading to the creep of a project or expectations not met.

What are the issues that you are trying to solve as a business and what are the objectives that the organisation is trying to achieve with IT?

## Action:

*Write every single issue down in a document and categorise them into some headlines. Then get them agreed by the key stakeholders in the business. If your headline issues are in dispute at the start of the project then you may need to re-think why you are embarking on this process in the first place. By getting agreement about what you are trying to solve now you minimise the RISK later on.*

# 3 Collect the basic information

In order to begin understanding the shape of the project you will need to know some basics to include:

- > Your current business systems that will be affected/not affected
- > Your current infrastructure
- > The overarching business objectives and KPI's
- > The overarching department objectives and KPI's

## Action:

*Ask each member of the scoping team to agree this information before you proceed further. You may be surprised by the difference in understanding between departments. Further objectives may be added as people embrace software, but you are looking to minimise the risk from objectives fundamentally changing once the project is underway.*

## 4

## Begin meaningful discussions by department

Get a key user group discussion booked in to diaries. Some may be cynical at first and you may well feel that it is overkill. But you may be surprised by the outcome and how opinions differ with regard to priorities. Everyone will have an opinion, rightly or wrongly so give those key users a forum to be heard and to thrash out ideas for improvement in processes, reporting requirements or implementation.

We have included a series of questions to stimulate your discussions at the end of this document. You may find them useful if participants are slow to engage.

We suggest the main areas are covered:

- **Functional areas** – what are the key areas that need to be covered in the project?
- **Current data** – what current data do you have that you would need to import into a new system. Examine what you are legally required to keep and what you want to keep and why?
- **Policies & procedures** – are you looking to instigate any new policies or procedures at the same time as implementing a new system?
- **New data** – what new data do you want to capture that you are not capturing at the moment? How important is it?
- **Reporting** – what reports are you looking to output from your new business system and at what frequency? Try not to frame this in the context of what you currently have but instead consider what your business needs in order to make its decisions.
- **Integration and reach** – how far is the new system going to push into your business and will it need to integrate with any other software?

These discussions can be as lengthy and as complicated as your business if your key users are in disagreement. CPiO regularly works with organisations during this stage of even the 'simplest' of finance solutions right through to full scale ERP that encompass a much wider remit. It can be so difficult to map out requirements when you are heavily involved in the day to day operations of the business.

CPiO can offer an impartial voice and act as a facilitator to decision making. We can question the why and how element of your discussions, often turning an idea on its head and posing a different approach to problem solving.

The IT session will need to review everything regarding deployment including connectivity, remote user access and permission management.

### Action:

*Work through a clear priority list with each key user minuting every decision that is made and every question mark you have.*

## 5 Documentation and selection



By turning your discussions into a meaningful document you place yourself in a much stronger position to identify and select a software supplier with some expediency and confidence. The output of this exercise will very much depend on the detail and level of agreement reached but should typically include:

- A statement of the objectives against which the project is set
- Identification of key personnel
- Summary of the functional departments
- Each department's objectives and requirements
- Integration statement
- Comment on existing data and what needs to be brought across
- Summary of any existing skill sets in the business
- Summary of any constraints or points of failure that may pose a risk to the project
- A clear statement of the priorities of the business
- A clear timeline taking into account any compelling reason to change and the ramifications if this timeline is not met



### Action:

*Ensure that every iteration of your document is recorded and changes flagged in a change management document with a date and a name attached to each change. It is important that you are able to track the evolution of your system. The final document needs to be signed off by every member of the team.*

## Useful questions for the finance team:

- Do you link into any of your banks automatically for Direct Debits for instance?
- How often do you do bank reconciliations and how long does it take?
- Do you use any tools like Excel to assist in completing the bank reconciliations?
- Are the VAT reports in your system accurate?
- Do you send VAT returns and other submissions electronically from your system?
- Does your system have any suspense accounts? What transactions are processed to the suspense account?
- How are orders received? Do accounts have to capture all sales orders?
- Are suppliers statements reconciled to your remittance advice? Does the ERP solution allow suggested supplier payments?
- Who has access rights to setup Nominal Ledger, Customer Ledger and Supplier Ledger accounts?
- Do credit checks get done on new customer accounts?
- Is the Nominal Ledger structure conducive to accurate reporting and analysis?
- Does management have to wait for reports from accounts or can they produce their own reports?
- Are there any manual journals you have to do to produce management accounts other than accruals?

## Useful questions for the management team:

- What reports do you have access to in order to determine your cash flow?
- Are you able to look at your business reports, daily, weekly and monthly?
- Do you check the bank reconciliations and confirm that they are reconciled at time of management reports?
- Does the company have multiple branches and are you able to view your reports consolidated or per branch/division?
- Do you check both debtors and creditors age analysis and are you able to quickly drill into figures which require investigation?

## Useful questions for the sales & purchasing teams:

- Do you reserve stock in the current system?
- How do you reconcile your supplier statements before payment in Excel?
- Does your system allow preferred/secondary suppliers?
- Do you run minimum stock levels and does your system generate proposed stock purchases?
- Do you manufacture or kit any products and does your system allow for MRP or trial kitting?
- Does your system assist with early payment discount and give reports for volume discount negotiation?
- Does your system allow for multiple costing methods over different stock items or groups?