



2024 ERP Selection, Costs and Outcomes Guide

Key Business Criteria, Data, and Risks
Every Senior Leader Should Know to
Make an Informed ERP Purchase and
Implementation Decision

One Page Executive Summary

Welcome to the Turning Point Consulting (TPC) 2024 ERP Selection, Costs, and Outcomes Guide. This document provides Leaders with up-to-date information needed to make informed ERP purchase and implementation decisions. Since there is quite a bit of detailed information in this guide, here are key criteria, facts, and figures right up front.

ERP Selection Steps

1. Document your ERP business strategy requirements and desired ERP functions.
2. Determine where you fit on the ERP 3 Tiers to determine ERP solutions that meet your business strategy, operating model, and functionality requirements.
3. Select the type of ERP Project Implementation you will use.
4. Calculate your ERP costs model using information from Steps 1, 2, and 3.
5. Monetize your ERP Benefits and Outcomes to determine ERP project ROI.

Cost Elements and Estimates

A commonly used ERP project costs estimation approach involves calculating costs as a percentage of the company's annual revenue.

Typically, the cost of an ERP implementation project as a percentage of revenue ranges from 0.25% to 4% annual revenue and depends on company size. An example:

- Low: \$200 million * .25% = \$500K
- Median: \$200 million * 2.125% = \$4.25M
- High: \$200 million * 4.0% = \$8M

There are several cost variables that are dependent on your type of company (e.g. Manufacturing vs. Professional Services), your project implementation approach, the complexity of your Operating Model, and your level of governance/compliance requirements.

Ask your potential software and implementation vendors for their documented ERP project cost %'s. Look for a combined average of about 1% of revenue.

Monetizing Your ERP Outcomes

Your ERP project should drive positive business outcomes that you must monetize to create the Return in \$s for your ERP Project ROI. Quantifying your expected Returns gives credibility to your ERP implementation plan and energizes your team to achieve these important financial goals.

ERP Guide Topics Overview

This guide provides insights for Leaders to make an informed Enterprise Resource Planning (ERP) system purchase and implementation decision. The main topics covered in this guide are:

1. ERP System Capabilities and Landscape
2. The 3 Tiers of ERP Solutions
3. Business Impacts of Your ERP Project
4. An ERP Structured Planning Approach
5. ERP Project Cost Models
6. TPC ERP Project Results Examples
7. Other Factors Affecting ERP Project Costs
8. Estimating ERP Outcomes and Returns
9. Acheiving Your ERP Project Success
10. Summary and Next Steps

ERP Is A Critical Foundation

Are you considering upgrading or replacing your Enterprise Resource Planning (ERP) system?

You're not alone. According to [Opkey](#):

59% of business and IT leaders from over 500 companies intend to buy an ERP solution tailored to their industry in the next three years.

ERP solutions can be hard to comprehend, but this report makes comparing simple software like QuickBooks and complex platforms like SAP or Oracle easier. This guide summarizes ERP selection features and costs to help senior executives assess ERP alternatives.










A modern ERP system is the critical software foundation for driving Digital Transformation in your business. Many companies are transitioning to modern cloud ERP solutions for efficiency and growth, offering the opportunity to seek out best-fit solutions best aligned to the business. However, the ERP landscape is complex due to differences in industries, complexity, and software vendors. An ERP purchase and implementation can be expensive and impactful to your business.



ERP System Capabilities

ERP systems provide a centralized single source of truth to harmonize your business activities across many important business areas including:

ERP System Capabilities

 Accounting General ledger, fixed assets, payables, receivables, collections, cash management, financial consolidation	 Manufacturing Engineering, bill of materials, work orders, scheduling, capacity, workflows, quality control, process, projects, mfg. flow	 Company Financials Budgeting, costing, cost management, activity based costing, KPIs, reports, dashboards
 Human Resources Recruiting, training, payroll, benefits, retirement/pension plans, diversity, separation	 Supply Chain Planning, supplier scheduling, product configurators, order to cash, purchasing, inventory, warehousing, returns	 ERP Integrations CRM, PSA, PLM, HRM, SCM, WMS, Logistics, Customer Experience, Website, more
 Order Processing Order to cash, order entry, credit checking, pricing, inventory, shipping, sales, reporting, commissions	 Project Management Project planning, resources, project costing, work breakdown, billing, time and expense, activity management	 Data Source of Truth Centralized data repository, access permissions, shared dashboards, Big Data analysis, AI algorithms

The ERP Landscape

Navigating the ERP landscape is complex due to vast differences in industries, sizes, vendors, objectives, locations, and workforces, and most importantly, the uniqueness of every company.

While precise data on ERP implementations is elusive, studying industry leaders and market trends can offer valuable insights for your team.

To adapt to the evolving business landscape and embrace digital transformation, many companies are transitioning from legacy Enterprise Systems and ERP silos to modern, advanced ERP solutions.

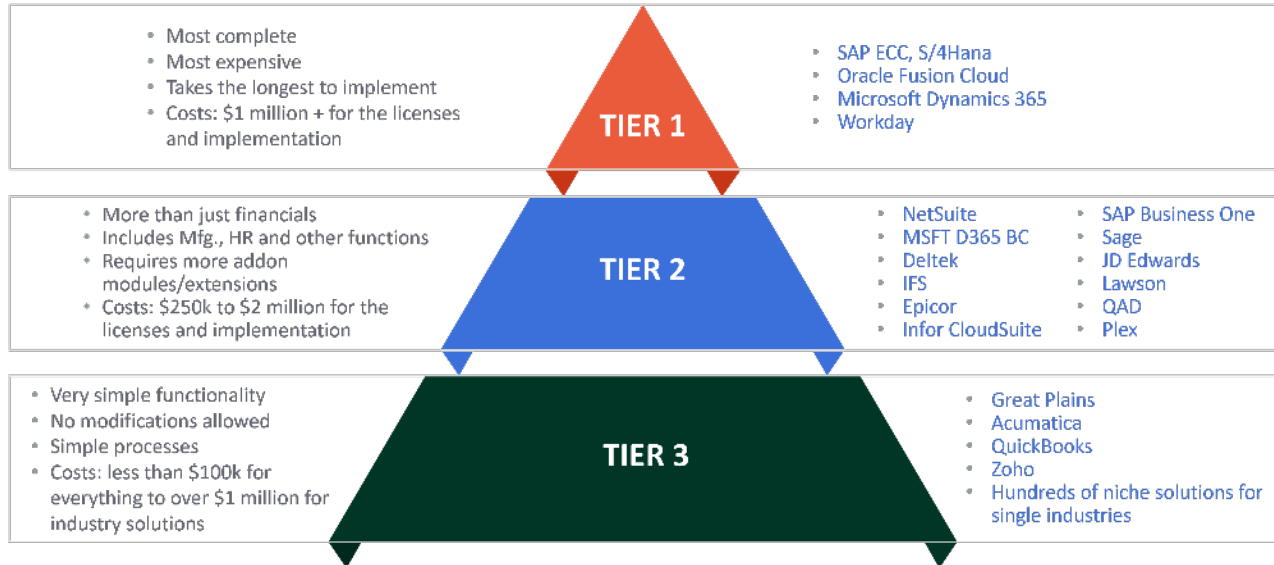
A common question arises: **"Which companies provide ERP solutions and what system is right for me?"** To start, consider what scale and functionality is required. Looking at ERP solutions in tiers based on functionality helps.

"Replacing legacy silos with a cloud ERP platform is a strategy more ambitious organizations are using to increase their efficiency and unlock their potential for growth."

Harvard Business Review

Three Tiers of ERP Solutions

This diagram shows the ERP systems landscape - both legacy and current - as three tiers defined by scale and functionality. The key to ERP selection is to determine what is best for your company now, and what is required to successfully execute your future vision.



Move from Tier 3 to Tier 2 - Companies who are growing out of their current financial and enterprise management tools are considering moving from Tier 1 to a Tier 2 solution. This migration should provide the functionality required to scale their business for many years. A Tier 2 cloud-based ERP solution must be seriously considered. This Tier 3 to Tier 2 is the majority of ERP migrations.

Move from Tier 2 to Tier 1 - Companies that are very large in terms of revenues, employees, and product portfolios with a global footprint may choose to move up to Tier 1 Oracle or SAP. This is a very major project in terms of time, skills, and money. Risks are high as an improper Tier 1 ERP implementation could cripple a company. Detailed planning and access to external expertise is key to success.

Move from Tier 1 to Tier 2 - There may be cases where a company is experiencing a situation where the costs and overhead of running a Tier 1 ERP does not make financial or logistical sense. Moving to a Tier 2 ERP solution can make business strategy, process improvement and economic sense.

Introducing AI into all 3 ERP Tiers is a disruptive opportunity

"The use of AI in ERP will radically change the way business data and processes are managed. ERP systems will no longer require people's efforts and intelligence to properly code and enter every minute detail of a business transaction to complete an operation."

Ted Rohm - TEC

Business Impacts of Your ERP Project

Before you begin your project, the key is to define your business needs, requirements (business/technical), the project's scope, and establish the project roadmap/budget. This upfront planning will save untold time and costs later in your project.

An ERP project can assist your business in reaching its objectives, yet obtaining approval from top management necessitates a clear and compelling rationale. ERP projects are intricate, expensive, and time-intensive endeavors, with outcomes that may not always meet expectations. Thus, it's crucial to delineate the specific objectives of the ERP project, including:

1. How will it accelerate the business?
2. Why is it necessary?
3. How will it benefit the business operationally and financially?
4. How will it measure success?

Some common reasons for considering an ERP project are listed below. Note that every one of these reasons comes with an associated cost to implement. .

- Facilitating growth and managing complexity.
- Streamlining operations and minimizing inefficiencies.
- Enhancing profitability and reducing expenditures.
- Updating system functionalities.
- Integrating with existing systems.
- Improving reporting capabilities.
- Ensuring compliance with regulations and security protocols.
- Overcoming limitations of current systems.
- Modernizing outdated technologies.
- Aligning with a revised business model.
- Accessing real-time data insights.
- Enhancing visibility and managerial control.
- Elevating client satisfaction levels.

Investing in ERP is a Priority

Note: If you're considering investing in a new ERP system, you're not alone. NetSuite reports:

"In a survey of IT decision-makers, 53% identified ERP as a priority investment alongside CRM."

NetSuite Industry Study

An ERP Structured Planning Approach

To realize successful ERP selections and implementations, it is vital to utilize a structured approach that improves the probability of "doing right the first time" to reduce costs.



- **Business Strategy** - Document your Strategic Vision and key elements.
- **Operating Model** - assess your current models and identify improvements all key areas
- **Technology Strategy** - only now can you consider your Tech Stack.
- **Data Model** - ERP implementations demand clean data to migrate.
- **Project Plan and Execution** - with the four previous elements determined and documented you can now create your ERP Project Plan

ERP Project Implementation Types

Every company has unique, immediate, and long-term needs. Identify your business's priority challenges and align them with your ERP project. Typically, organizations choose from three strategic approaches for ERP implementation:

1. **Revolution** or "big bang" approach: Deploy the entire system in one phase.
2. **Evolution** or "phased rollout": Implement the system gradually over time.
3. **Mixed** or "hybrid" approach: Combines Revolution and Evolution

ERP Implementation Approach Statistics

The five types of ERP Implementation approaches used by companies are as follows:

Hybrid Approach (Both Revolution and Evolution) 37%

Phased Approach By Module (Evolution) 22%

Big Bang Approach (Revolution) 18%

Phased Approach By Business Unit (Evolution) 14%

Phased Approach By Location (Evolution) 9%

Source: Panorama Consulting Group

ERP Project Cost Models

The following statistics were presented in the Executive Briefing One Pager. Here are the details behind the Cost Model statistics.

There are various methods for estimating ERP project costs, but it's essential for each company to identify its specific costs before seeking approval to proceed.

One commonly used approach involves calculating project cost as a percentage of the company's annual revenue.

Typically, the cost of an ERP project as a percentage of revenue ranges from 0.25% to 4%. As seen below, this method varies depending on company size.

Here are ERP project costs estimated using company revenue of \$200 million with different project plan approaches and project requirements:

- Low cost: \$200 million * .25% = \$500K
- Median cost: \$200 million * 2.125% = \$4.25M
- High cost: \$200 million * 4.0% = \$8M

There are several project cost variables that are dependent on your type of company (e.g. Manufacturing vs. Professional Services), your project implementation approach, the complexity of your Operating Model, and your level of governance/compliance requirements.

Both approaches - estimating costs based on revenue percentage or cost per user - can offer valuable insights into the projected expenses of your ERP project.

To obtain a more precise understanding of costs, you must complete a comprehensive business goals assessment and undertake a software selection process tailored to your project's scope and company-specific requirements.

Turning Point strongly advocates for this approach and is the foundation of the TPC Software Selection and Implementation Methodology™ which has been successfully used with industry-leading client ERP project success outcomes.

To illustrate our clients' ERP success, we present four examples from Turning Point Consulting (TPC) mid-market clients for reference. Leveraging the TPC Software Selection and Implementation Methodology™ enables TPC to identify and implement solutions that best align with clients' needs and requirements, generate successful project outcomes, and realize positive business impacts.

TPC ERP Project Results Examples

Below, we present four ERP Project examples from Turning Point Consulting (TPC) mid-market clients for reference. Utilizing the TPC Software Selection and Implementation Methodology™ enabled TPC to identify and implement solutions that best aligned with clients' needs and requirements, resulting in successful project outcomes and positive business impacts.

The first example is an Epicor ERP implemented in a \$200M Manufacturer.

Product Manufacturing Company
Epicor
\$200M Revenue

- \$1.7M first year licenses and implementation cost
- \$110K annual license cost
- Dedicated Core Team with contract consulting PM, BA for implementation
- 12-month project
- **Project cost .85%**

The next example is NetSuite ERP implementation at a Technology and Services company that utilized a shorter project duration, resulting in an excellent project cost percent of revenue metric.

Technology and Services Company
NetSuite
\$180M Revenue

- \$1M first year licenses and implementation cost
- \$150K annual license cost
- Required consulting PM, Analyst support
- 6-month project
- **Project cost .6% revenue**

TPC ERP Project Results Examples

The next example is an Engineering To Order and Project company that selected and implemented Deltek for Professional Services Automation (PSA).

ETO/ Project Company
Deltek
\$120M Revenue

- \$1.37M license and implementation cost
- \$192K annual license cost
- Required consulting PM, Analyst support
- 8-month project
- **Project costs 1.1% revenue**

The final ERP cost and implementation timeline example is a Food and Beverage company that selected and implemented NetSuite. The focus was on upgrading financial tracking and reporting capabilities. In this example, our client experienced an amazing Project cost %.

Food & Beverage Company
NetSuite
\$60M Revenue

- \$300K license and implementation cost
- \$35,000 annual license cost
- Required consulting PM, analyst support
- 9-month project
- **Project cost .56% of revenue**

It's Important to plan, budget, and partner to "Get It Right the First Time"

The 4 ERP Implementation projects shown here were all completed on time and on budget on the first pass of the project. The resulting Project Costs where all < 1.1% of revenue.

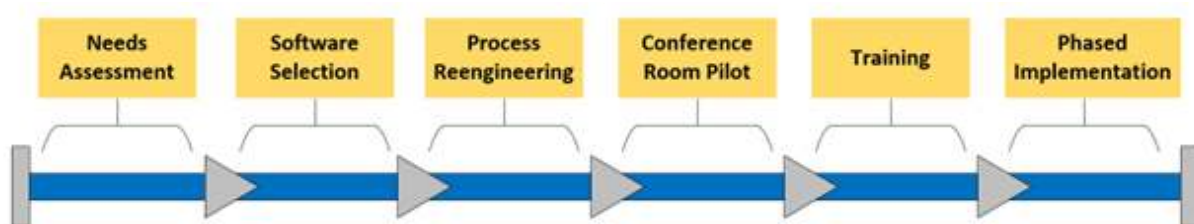
You do not want to be one of the **60% of ERP Projects that are considered "failures" or one of the 80% of companies who are unhappy** with their ERP system implementation, stemming from weak business cases, incomplete requirements, and other strategic and tactical planning issues.

Other Factors Affecting ERP Project Costs

An ERP project's cost consists of much more than just the license and/or subscription price. The following factors will impact the overall project cost:

- **Project Organization** - Experienced internal and external resources are vital. Underestimating resource needs, whether from internal staff or contracted help, frequently result in unforeseen budget increases.
- **Project scope** - Expanding your project's scope post-approval might seem appealing, but it inevitably increases costs and complexity, often causing delays in the schedule.
- **Change Management** - Effective execution of new process changes and shifts in employee work methods requires meticulous planning and coordination. Communication and thorough training are essential for successful ERP adoption and achieving positive outcomes.
- **Technology** - Various factors such as systems, networks, end-user devices, and security are significant considerations. Integrating ERP with other essential systems adds complexity and potential costs. Failing to address these factors early can lead to increased expenses and project delays.
- **Data** - Data mapping, cleaning and harmonizing disparate data, and adding new dimensions/hierarchies require expertise and time.
- **Project Governance and Management** - Conflicts and decisions emerge throughout the project's lifecycle. Quick decision-making and consensus-building expedite execution and delivery. Mismanaged projects lead to delays, scope creep, and increased resource and budget requirements.
- **Modifications** - Customizations can drive enormous cost and complexity to your project.
- **Testing** - Testing is crucial but frequently rushed to meet launch deadlines. It's imperative to thoroughly test each process end-to-end across the entire business before going live, known as a Conference Room Pilot. The success of your business hinges on a successful launch.
- **Support:** Post-launch support is essential to resolve bugs, address inquiries, and sustain training in the short term.
- **Optimization:** ERP is a continuous process. Plan for ongoing system enhancements and make continuous improvements through future phases.

ERP Project High Level Implementation Overview



Estimating ERP Outcomes and Returns

It is crucial to define the benefits and expected business outcomes of an ERP project early on and forecast the financial returns against them. TPC suggests concentrating on tangible, measurable benefits such as revenue growth or operational cost savings, rather than abstract benefits like improved efficiencies. Although efficiency gains are valuable, they might not directly translate into tangible value unless they're paired with factors like inventory reduction or staff reduction.

The 6 Key Business Focus Areas For ERP Benefits



Revenue
Growth



Margin
Improvement



Elevate Products
and Services



Improve Customer
Satisfaction



Improve Employee
Engagement



Regulatory &
Compliance

“Companies using a cloud-based ERP solution can benefit from a single source of truth that reflects real-time financial, supply chain, and workforce planning data. Improved insight and collaboration can help ensure consistency, accuracy, efficiency, and informed decision making”

(Harvard Business Review, 2023)

ERP Outcomes and Returns Must Be Monetized (vs. Generalized)

TPC has led ERP projects that provide Returns in one Key Focus Area and others in multiple Key Focus Areas.

- One company paid for the entire ERP project by eliminating "lost" inventory.
- A company eliminated an annual job cost adjustment of \$10M per year due to poor project management and reporting.
- 66% of companies implementing ERP report increased efficiencies - find and calculate \$s.
- 47% of companies report increased customer satisfaction - measure customer LTV \$s.
- 46% of companies report increased revenues - calculate yr/yr incremental \$s.
- 41% of companies report improved employee satisfaction - calculate yr/yr retention \$s.

Source: TPC and Parsimony

TPC recommends working cross-functionally at the outset to determine the expected outcomes and forecasted financial returns from an ERP project that aligns with your leadership's strategic goals and objectives.

Achieving Your ERP Project Success

To successfully achieve your ERP project goals, TPC advises using these 6 key steps:

1. **Specifying clear business objectives**
2. **Keeping in touch with stakeholders**
3. **Assigning an executive sponsor and project manager**
4. **Creating a committed project team**
5. **Choosing an ERP system that matches operational requirements**
6. **Preparing for ongoing improvements post-implementation**

Conversely, not using these 6 steps create several frequent problems that can derail your ERP projects such as:

- Undocumented and unmet expectations (don't realize your objectives)
- Cost overruns (exceed your ERP project budget)
- Deployment timeline delays (disappoint customers, employees, and partners)

Turning Point 5Ps Methodology



ERP implementation projects are transformational and complex, demanding skilled executive leadership. Professional consulting partners can provide valuable expertise.

TPC's 5Ps of Change and Transformation™ can help you focus on key indicators throughout your ERP implementation and increase the likelihood of successful outcomes for your business.

Your company is unique and your ERP implementation will be unique too. Make sure to use the right partners and implementation methodologies to realize exceptional ERP system outcomes.

Let's Partner to Achieve Your Exceptional ERP Implementation

We hope this Turning Point Consulting 2024 ERP Selection and Price Guide provides valuable insights for you and your business when undertaking a large ERP project.

Visit our website www.turningpointconsulting.com for additional ERP/Enterprise Systems, Project Management, Advisory, and Business Resilience resources.

DISCUSS YOUR ERP IMPLEMENTATION SUCCESS STRATEGY HERE