

The first thing to realize is that most organizations do not ever implement a new system when they feel they have to. This is understandable given these projects can be complicated, have many challenges and get in the way of day-to-day operations. No non-profit senior finance manager is going to leap out of bed in the morning thinking that it would be a great idea to put a new system into the organization to transform financial effectiveness. What happens in practice is that the non-profit either outgrows whatever “systems” are in place to manage it, and an increasing number of problems come to the surface, or the system has to be replaced because it is no longer supported or too costly. In cases where

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STEPS TO SUCCESSFUL NON-PROFIT CLOUD ERP SYSTEM SELECTION



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ABSTRACT

An ERP system is the backbone of your information structure. A solution that brings value will touch all relevant business processes and inform key personnel in your organization. It is very common these days to find senior finance managers in non-profit organizations who are highly skeptical about the benefits and investment in deploying a new ERP system. This white paper explains 10 steps to successful non-profit cloud ERP system selection.

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EXECUTIVE OVERVIEW

It is very common these days to find senior finance managers in non-profit organizations who are highly skeptical about the benefits which would result from any investment in deploying a new ERP system. Sadly, in all too many cases, this skepticism is completely justified as a high proportion of system implementations do fail to deliver the benefits anticipated in the beginning. In contrast with these failures are non-profit organizations who receive enormous benefit from the implementation of new systems. The question we should be asking ourselves is:

“What is happening during these successful system implementations which are not happening in the ones which fail to deliver benefit?”

The purpose of this White Paper is to shed some light on the answer to this important question from an ERP system selection perspective. Most systems which fail to deliver positive results actually go wrong before they even start. To understand this, let us look at a common set of Circumstances which precede a new system implementation.

A TYPICAL IMPLEMENTATION SCENARIO

The first thing to realize is that most organizations only ever implement a new system when they feel they have to. This is understandable given these projects can be complicated, have many challenges and get in the way of day-to-day operations.

No non-profit senior finance manager is going to leap out of bed in the morning thinking that it would be a great idea to put a new system into the organization to transform financial effectiveness. What happens in practice is that the non-profit either outgrows whatever “systems” are in place to manage it, and an increasing number of problems come to the surface, or the system has to be replaced because it is no longer supported or too costly.

In cases where the system has been outgrown, the resulting problems can be related to the inability to effectively control financial operations or very often they are the result of the inability to clearly measure and understand what is happening with the organization's finances?

The consequence of these increasing mismatches between the “systems” and the non-profit are inefficiencies in operations, increasing headcount to attempt to manage things better and poor decision making based on the inaccurate financial information. Eventually, the pain gets big enough for the subject to be raised at a senior leadership meeting and, if enough of those present are affected by the pain points, it is agreed to set up a project to select and implement a new system. Once approved to select a new ERP system, the leadership team needs someone to manage it. Since none of the senior managers feel that they know enough about the subject, they delegate the matter to someone further down the non-profit hierarchy – like the financial manager or managing accountant. The appointed project manager’s first task is to produce a list of requirements which can be used as a basis for selecting the new system. In order to get this done as quickly as possible, they either visit each relevant department or send a questionnaire to get the appropriate requirements documented.

The requirements are eventually compiled into one document and a consistent approach is taken to describing them. The document will typically have an introduction which sets out the key objectives of the project, which have been passed down to the Project Manager. Typical requirements include:

- The need for vital information on real-time dashboards.
- The ability to improve functionality, performance and ease-of-use.
- Powerful capabilities for fund accounting and donor management.
- The need to automate reporting and analytics.

The project manager then turns their attention to potential partnering companies. A list of possible ERP systems is gathered from a number of sources, including research on the internet and asking for suggestions from colleagues. The requirements document is sent to each potential company and a request is made for them to respond formally to the request for proposal. Following receiving the responses, along with a bid the list is slimmed down and the finalists are invited to present their system to an invited group so that a final selection can be made.

The shortlisted ERP suppliers, typically 2 or 3 in number, arrive on the appointed days to give a presentation about their organization and go through a tailored demo of how the specified non-profit requirements can be met. After all of the demos have been seen, those invited to participate in the meetings with the suppliers are brought back together to have a vote on which system is their preferred choice. Eventually, a recommendation is put back to the leadership before contracts are signed with the chosen ERP supplier.

Is there anything wrong with the above scenario?

Yes. This is absolutely not how those aforementioned "successful" non-profits tackle selecting a new system. Let’s read on and learn how they have successfully approached system selection.

BUILDING THE PROJECT TEAM

The person put in charge of the selection and implementation process is frequently chosen because of their availability rather than appropriate knowledge. How valuable are they to the non-profit if they have so much spare time? The person nominated is very seldom a senior manager who has an understanding of the critical issues that the non-profit is facing at that point in time. Unfortunately, it is also common for the leadership team to avoid involvement in such projects, either because they do not understand the strategic importance, don't have the time or because they want to distance themselves from something which they fully expect to be problematic.

Highly successful projects start off on a different path. The strategic importance of the new system is recognized and a senior leadership representative is nominated. A project manager with appropriate experience is then chosen either from inside the non-profit or from an outside consultancy. This person works very closely with the senior leadership representative to ensure that key objectives stay in focus.

IDENTIFYING SYSTEM REQUIREMENTS

When gathering requirements, the project manager frequently seeks input from everyone in the non-profit except the senior leadership team. This may be due to their view that this is an operational level matter and the leadership team does not need to be troubled with it.

Understanding the key drivers of a project leads to the creation of more specific and measurable objectives for the non-profit.

It should be remembered that most projects only come into existence because the level of pain in the non-profit became great enough to surface at the leadership level. Then does it not make sense for the project manager to initially work with the leadership team to investigate why there was an approval in the first place and understand the key drivers? This will result in very specific key performance indicators being produced.

For example, rather than the statement “we need better reporting and analytics”, a list would be produced of the specific types of information which are needed at all levels to effectively run the non-profit.

EMBRACING NEW PROCESSES

The departmental representatives who provide requirements to a Project Manager typically generates information based on what they already know i.e. how they do things at the moment. This means that a great deal of time is spent collating system requirements which are actually detailed descriptions of the current digital and manual systems combined and already used within the non-profit. Little, if any, consideration is given to how processes could be improved by doing things differently, particularly where this may result in efficiency gains of saving time and money, increasing efficiency, and reducing errors. ERP system vendors invest heavily in software development.

The astute CFO will embrace process automation and new practices.

The end result of such a system selection process is the selection of a new system which does just what the old system did, in a slightly different way, but which offers little significant benefit this, unfortunately, is a common occurrence.

By embracing new processes and practices non-profits can benefit from, for example, the automation of managing campaigns, and analyzing results using drill-in dashboards, reports, multi-dimensional inquiries, pivot charts, and other analytics tools; this insight empowers organizations to maximize their reach and impact to all constituents.

PRIORITIZING REQUIREMENTS

Challenges which need to be addressed will be at varying levels within the non-profit and have hugely varying consequences. For example, addressing the problems experienced by a department in managing depreciation of fixed assets has completely different consequences to providing the CEO with the management information they need to evaluate new sources of funding. One of these may save a few hours of clerical time each month whereas the other enables the non-profit to strengthen its ongoing financial health and contribute to a growing surplus or, perhaps more realistically given current market conditions, a reduction in the deficit.

Each of these requirements needs to have recognition of its relative impact on the organization. This is particularly important because there is no such thing as a perfect accounting system and each solution will have its own strengths and weaknesses. Focus on the requirements that will have the greatest positive impact on the non-profit when addressed.

DON'T BE LOCKED INTO CURRENT PRACTICES

In any organization, there are processes that differentiate the organization and there are processes which exist because of habit. When selecting a new ERP system it is critically important to be able to differentiate between the two. Processes which are critical to the success of the non-profit absolutely needs to be implemented without compromise.

Ensure the organization secures efficiency gains and cost savings by adopting modern and innovative financial practices for profit critical processes.

However, most processes involved in support functions of a non-profit do not need to be carried out in precisely the same way year after year. There are often very good reasons to change process- like efficiency gains or cost savings. One of the biggest challenges of new ERP systems is the adoption of organizational change management. Widespread organizational change management is critical to a successful ERP system implementation. Employees need more than just basic training to understand the need and importance of the new system. The best ERP supplier will guide and consult on best practices with your company from beginning to end of the process. Systems that have been chosen on the condition that they are modified to behave just like the previous system will not deliver those types of benefits.

AVOID BEING RIGID

Rather than putting in a great deal of effort into being rigid about how an entirely new system should work, why not invite potential ERP suppliers to present how they would address the really important non-profit issues.

ERP suppliers who have existing non-profit customers may have ready-made solutions for you. This enables meaningful discussion and brings fresh thinking to problems. ERP suppliers will bring insight into how their system can be used to improve efficiency and provide easier management in areas which had not even been considered. It is essential that the non-profit leadership team is involved in this type of discussion. Keep an open mind to the software supplier suggestions and insights. They may have solved many of your key issues before – with other non-profits.

TRY NOT TO DISCOUNT SUPPLIERS TOO EARLY

Assuming that potential ERP suppliers have a successful track record with other non-profits, then it is reasonable to assume that their system will be able to handle most detailed operational requirements one way or another. Where short-listing is carried out based on responses to rigid functionality, this will frequently eliminate the most creative and beneficial future partners. As stated previously, much of this rigidity is looking backward rather than forwards.

It is important to carefully investigate the market and talk to suppliers which appear to be in tune with the real challenges which the non-profit is facing. Discounting suppliers because they do not match your exact functionality is a sure way of eliminating the most creative and beneficial future partners.

CONFIGURATION OVER CUSTOMIZATION

ERP systems have not all been designed with the same goals in mind. There are many extremely customizable applications which can be made to do virtually anything during the initial implementation. However, this level of customization can mean that change, later on, is very difficult and costly.

Highly customizable systems also tend to have more complex technical

structures and require a high level of ongoing management, as well as large resources deployed when testing new releases.

Ongoing management of the system can also require a lot of manpower. Some systems on the market have been specifically designed to have more of a “best practice” approach to functionality and are not customizable but, instead, configurable. These will have massively lower costs of implementation, upgrading and ongoing management than heavily customizable applications. ERP systems should not be a major drain on non-profit resources.

Opting for configuration over customization substantially lowers new system costs.

FUTURE PROOFING

A recent study by Thomson Reuters highlighted that 63% of finance teams had failed to update or upgrade their on-premise accounts systems for 5 years or more. The key reasons for this? The effort required and costs associated with a full upgrade and concerns that customizations wouldn't translate into the new release.

To avoid costly future system upgrades truly consider cloud-based ERP systems for your non-profit.

Many non-profits, then, are making do with technology 5+ years old to run their organizations. This is one of the fundamental differences between traditional on-premise and next generation cloud ERP systems. If these non-profit finance teams had true cloud accounting systems in place they would be automatically using the most up to date version of the software. No upgrades required.

IMPROVED REPORTING AND ANALYTICS

Advisory firm PwC revealed, in their recent benchmark report, that the best finance professionals today are producing actionable information- not circulating numbers that are likely to be out of date as soon as they are released. These top performing teams are spending far more time analyzing information, sometimes up to 40% more time, than gathering it. The actionable insight this provides is invaluable to those responsible for making decisions.

There are two key principles to supplying this kind of insightful management information. The first is that it's accurate and the second is that it's up-to-date and immediately accessible for use anytime, anywhere. On-premise solutions struggle on both these counts due to their inflexibility. The need to use spreadsheet workarounds to collect and analyze information within an on-premise system leads to inaccuracies (due to double and, sometimes, triple data entry) and major time lags slowing the process and, in the end, providing out of date information. Then there's accessibility. In our digital and mobile world, key executives need access to information anytime on any device – not only on local desktops in the office. These on-premise issues are supported by findings in a recent benchmark study by Deloitte. Deloitte found that 60% of organizations agreed their finance team's management information was not sufficiently insightful.

One of the key reasons identified for this is the limitation of traditional on-premise ERP systems. In Xledger data is given in real-time online dashboards tailored at role level to individual team members. Because Xledger

True cloud accounting systems give anyone, anywhere the ability to access true, up-to-date information from any device in real-time.

is accessible to everyone in an organization, via any device at all times, there are none of the inaccuracy issues associated with double keying and all data entered is available for immediate analysis.

To improve the level of insight provided by your non-profit management information consider cloud-based ERP systems as information is delivered in real-time just when you need it.



ABOUT XLEDGER

Xledger is a leading supplier of Cloud ERP systems to over 7,100 organizations in 50+ countries. With offices in North America, Europe, and Asia Xledger is designed to meet the financial management needs of ambitious companies.

Xledger has powerful capabilities for fund accounting and donor management. You can now use one integrated cloud financial management system to manage your entire non-profit organization. Many non-profits around the world have chosen to move from costly on-premise finance systems to Xledger's cloud financial management system. Xledger is proven to reduce costs, improve efficiency and free up resources better-spent fundraising and providing essential front line services. Available in over 22 languages, with multi-currency and multi-entity capability, Xledger is a great choice for multi-national non-profit organizations.

Learn more about Xledger for non-profit companies [here](#).

