Acquisition of ERP
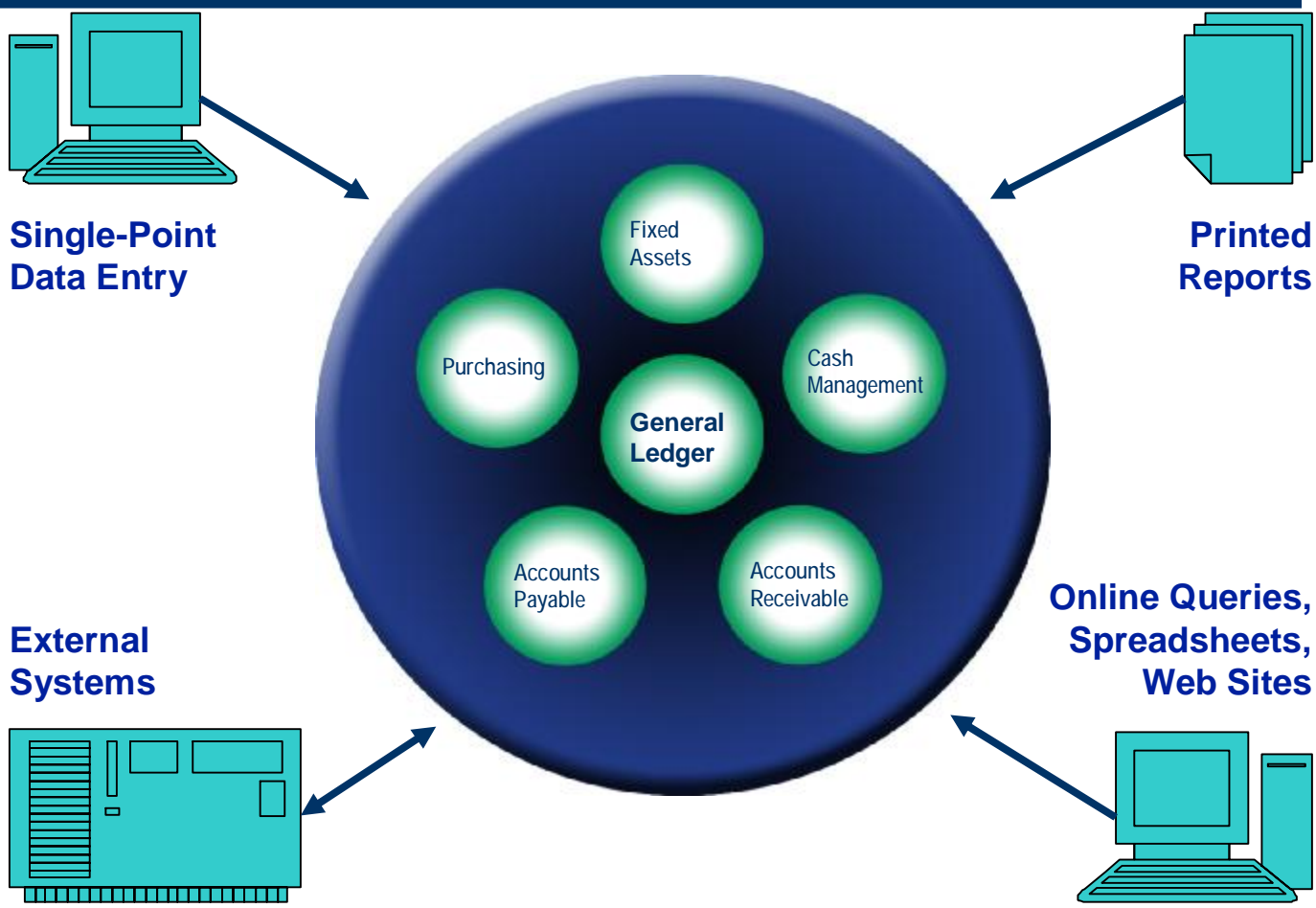
December 4, 2007

ERP Defined

ERP Defined – cont.

ERP Defined – cont.

So what is ERP after all?

- Packaged software – off the shelf
- Integrated modules – no programming
- Configuration, not customization
- Business process focus
- Unified database
- Disciplines
  - Finance
  - Supply Chain
  - CRM
  - HR

ERP Conceptual Operation

Fixed Assets

Purchasing

Cash Management

General Ledger

Accounts Payable

Accounts Receivable

Single-Point Data Entry

External Systems

Printed Reports

Online Queries, Spreadsheets, Web Sites

ERP as planned

ERP as implemented

Or worse…..

Headlines…..

- FoxMeyer Corp, $5 Billion Drug company bankrupted by failed Sap implementation

- Hershey's unable to ship candy for Halloween after supply chain implementation

Why do ERP implementations fail?

- What is failure?
  - Budget/Schedule?
  - Scope?
  - Process?
  - Outcome?
- What is success?
  - Outcome
  - Budget/Schedule?

FAILURE

WHEN YOUR BEST JUST ISN'T GOOD ENOUGH.
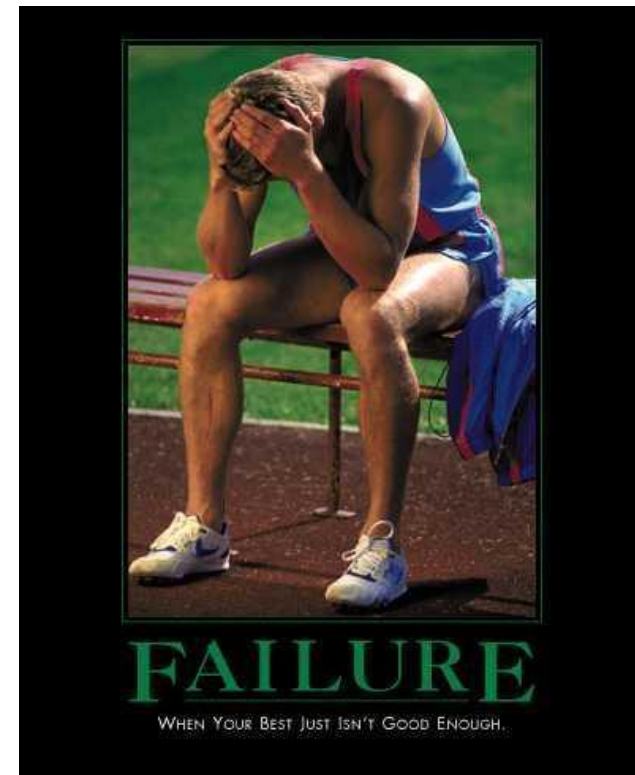
Official Primary Reasons for Failure

- Lack of disciplined processes
- Lack of effective human capital management

Real Reason for Failure

- People

Real Reason for Failure – More specific

- Project Management

Disciplined Processes

- Project Planning and Management
- Requirements Definition and Management
- Configuration Management
- Testing
- Data Conversion
- Risk Management
- Training and Change Management
- Quality Assurance
- Post Implementation Evaluation and Support

Human Capital Management

- Strategic Workforce Planning – aligning HR with concept of operations

- Human Resources – role-based training

- Change Management
  - Alerting staff to changes to come
  - Ensuring staff they will have the tools they need to be successful

Implementation starts with Acquisition

ι Disciplined processes

ι Human capital management

ι Organizational commitment

Acquisition Process

- Define acquisition strategy
- Identify acquisition team
- Begin to define concept of operations
- Define requirements
- Survey marketplace
- Complete draft concept of operations
- Prepare solicitation documents
- Publish solicitation
- Evaluate responders
- Select provider
- Project kickoff

Prepare Acquisition Strategy

ı Full RFP?

ı Demos

ı One stage

ı Two stage

ı How do you know if you get what you want?

Acquisition Team

- Information technology
- Functional leads
- Project sponsor
- Steering committee

Concept of Operations

- Business process improvement
- Future technical architecture
- Develop a strategy for implementation
- Define and implement new business processes

Define Requirements

- What should the system do?
- What is your scope?
  - GL
  - AP
  - Supply Chain
  - HR….
- Technical Specifications

Requirements

- Given your concept of operations, "what" should the system do, not "how." For example:

  - The system shall provide for review and approval of vendor invoice prior to creation of payment batch

    VS.

  - The system shall integrate with VENINV, the legacy invoice preparation application, to create and launch the invoice approval process

Technical Specifications

- **What not to do**
  - Customer-generated technical requirements can overlook recent innovations
  - Benchmarks can't overcome customer's telecommunications bottlenecks
- **What to do**
  - Focus on "whats" rather than "hows"
  - Describe your technical architecture (i.e. desktop environment, supported database, etc.)
- **Research vendor packages**
- **Let vendors describe recommended platforms**

Technical Specifications Content

- General Technical Requirements
- Computing Hardware Specifications
- Software Specifications
- Integration with desktop automation
- Workflow
- Reporting
- Organization
- Database Software and Development Tools
- General Business Application Requirements
- System Management, Administration and Security
- Technical Support
- Documentation

Market Survey

- Who are the players in your space?
- What tier do they occupy?
- Where have they been implemented and what part of their footprint was implemented?
- Is the package shipping in your language?
- Is the package tailored for your sector?
- What firms implement the package locally? What is their experience?

Discovery

- Informal discussions with potential vendors
- Current situation
- Goals and objectives
- Functional setting/rqmts
- Technical setting/rqmts
- Free staff training

Complete Concept of Operations

- You've seen some packages
- You've thought about your requirements
- Now fill in your Conops with more detail

Prepare Solicitation Documents

- RFP should reflect not only your functional and technical requirements, but should also describe the vision you have for your future operations

- Your market survey should help you to limit competition to those who are in your niche and are most likely to perform

The RFP

RFP cont.

2.   TECHNICAL SPECIFICATIONS
2.1   Introduction
2.2   Scope of Work (SOW)
2.3   Functional Requirements
2.4   System Architecture and Key Parameters
2.5   Minimum Technical Requirements
2.6   Hardware Schedule
2.7   Software Schedule
2.8   Deliverables
3.   FINANCIAL PROPOSAL
4.   PRICE SCHEDULE
5.   REPRESENTATIONS, CERTIFICATIONS, AND OTHER STATEMENTS OF OFFERORS
ATTACHMENT A: SOURCE/ORIGIN/NATIONALITY OF PROPOSED SOFTWARE
ATTACHMENT B: FUNCTIONAL REQUIREMENT FIT
ATTACHMENT C: TECHNICAL REQUIREMENT FIT
ATTACHMENT D: REQUIRED FORMS AND REPORTS

Publish Solicitation

ı Where are your vendors most likely to read your solicitation?

ı If possible, forward to vendors, integration consultants

Evaluation Approach

Evaluate responders

- Minimum qualifications – short list
  - Language
  - Certain key functionality
  - Local presence
- Score functional, technical, management plan, prior qualifications, proposed team, cost
- Demo package from short-listed vendors
- Questions and answers

Select provider

- Negotiate terms
- Negotiate price
- Negotiate project

Project Kickoff

- Transition acquisition team to implementation team
- Institutionalize implementation organization components
- Prepare for project monitoring

EMG's Experience

- Pain
- Market Survey
- Stop and Start
- More Market Survey
- Forming Acquisition Team
- Concept of Operations
- Requirements
- Demonstrations
- Acquisition Team Gets Smarter
- Nirvana – maybe….

Pain

- No posting with users logged in
- No comparison with prior FY periods
- No reporting for project people
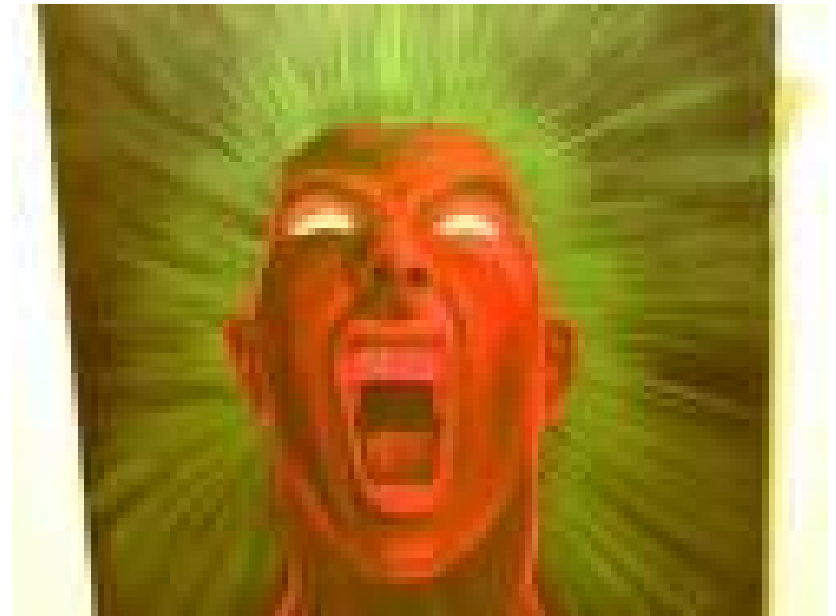
Forming Acquisition Team

- Key users
- Each functional area represented
- Discussions with consulting firms
- Informal demonstrations

Concept of Operations

ı Multi-user environment

ı Consolidations across firm

ı Support for multi-currency

ı Internet time-sheets

ı Internet expense reports

ı Automated comparison of current to prior
   periods

ı Better management of fringe and overhead
   pools

ı Integration of HR, Payroll and Financials

Requirements Example

l **SR1: Application should have the ability to integrate with Exchange to notify users of certain user-defined events such as projects reaching funding ceilings**

l **SR2: Application supports the ability to record a transaction (AP, GL journal entry) in foreign currency with a given exchange rate**

l **SR3: Application integrates with 3rd party source of currency exchange rates**

l **SR4: Application supports the financial evaluation of transaction at the time of transaction and current value**

Demonstrations

- Project Management
- Contract Management
- Financial Accounting
- Reporting

Acquisition Team Gets Smarter

l   With each discussion, demo, staff gets progressively smarter;

l   Better sense of functional requirements

l   Better sense of concept of operations
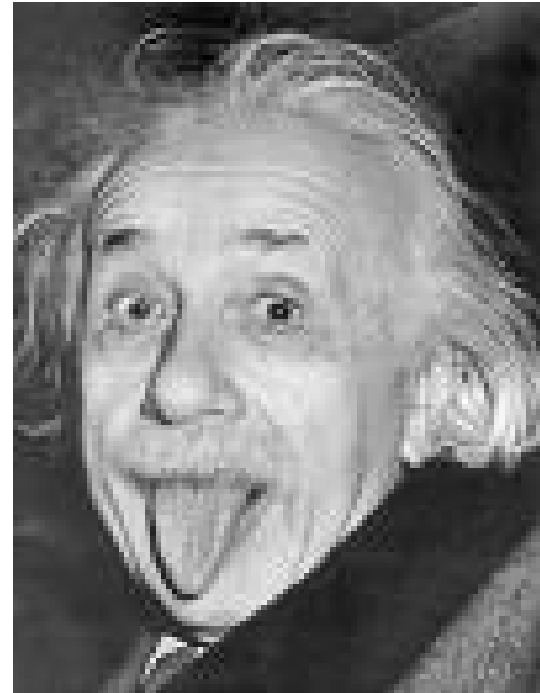
Technical Specifications

- MS Office 2007
- Exchange 2003
- HP Server hardware
- No database standard
- Looking for vendor proposals on configuration
  - Web server
  - Apps server
  - Database server
  - Reporting server

Nirvana? - maybe