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

- Single-Point Data Entry
- External Systems
- Printed Reports
- Online Queries, Spreadsheets, Web Sites
ERP as planned
ERP as implemented
Or worse.....
Headlines

- Fox Meyer 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?
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

1. 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

- Disciplined processes
- Human capital management
- 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

- Full RFP?
- Demos
- One stage
- Two stage
- 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/reqmts
- Technical setting/reqmts
- 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

1. INSTRUCTIONS TO OFFERORS
   1.1 Introduction and Summary
   1.2 General Information
   1.3 Eligibility of Commodities/Authorized Geographical Code
   1.4 Offer Deadline and Proposal Identification
   1.5 Preparation of Proposals
   1.6 Clarifications/Questions
   1.7 Bidders Conference
   1.8 Contents of Proposals
   1.9 Determination of Responsibility
   1.10 Offer Acceptance Period
   1.11 Signature
   1.12 Late Offers
   1.13 Modification of Offers
   1.14 Offer Evaluation and Contract Award
   1.15 Technical Evaluation Criteria (Total of 100 Points)
   1.16 Cost/Price Evaluation
   1.18 Type of Award
   1.19 Acceptance
   1.20 Payment Terms
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

- Where are your vendors most likely to read your solicitation?
- If possible, forward to vendors, integration consultants
Evaluation Approach

1 INTRODUCTION
1.1 Purpose
1.2 Scope
2 EVALUATION TEAM
2.1 Team Selection
2.2 Team Organization
2.3 Team Responsibilities
2.4 Evaluation Approvals
2.5 Procurement Stakeholders
3 PREPARING FOR EVALUATION
3.1 Conduct Evaluation Team Training
3.2 Prepare for Proposals
4 MEETING MINIMUM REQUIREMENTS
5 PROPOSAL EVALUATION PROCESS
5.1 Receive and Log Proposal Submissions
5.2 Review Proposals for Submission Requirements
5.3 Review Proposals
5.4 Determine Scores
6 BIDDER PRESENTATIONS AND DEMONSTRATIONS
7 FINAL COST EVALUATION PROCESS
8 VENDOR SELECTION PROCESSES
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

- Multi-user environment
- Consolidations across firm
- Support for multi-currency
- Internet time-sheets
- Internet expense reports
- Automated comparison of current to prior periods
- Better management of fringe and overhead pools
- Integration of HR, Payroll and Financials
Requirements Example

- SR1: Application should have the ability to integrate with Exchange to notify users of certain user-defined events such as projects reaching funding ceilings
- SR2: Application supports the ability to record a transaction (AP, GL journal entry) in foreign currency with a given exchange rate
- SR3: Application integrates with 3rd party source of currency exchange rates
- 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

- With each discussion, demo, staff gets progressively smarter;
- Better sense of functional requirements
- 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