

APPROACH TO

## Business Software and Enterprise Resource Planning (ERP) Product Selection

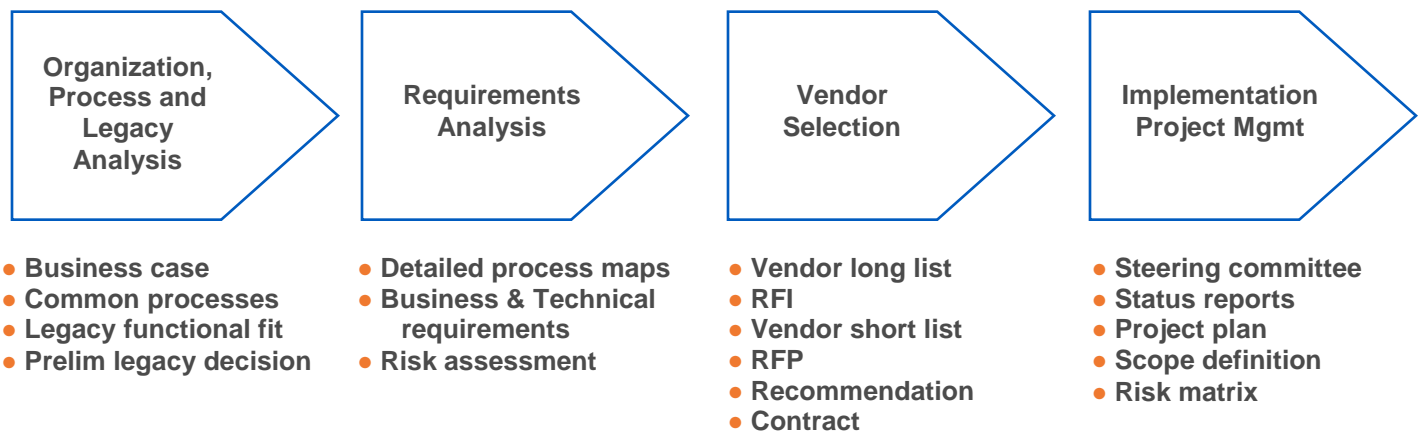
### EXECUTIVE SUMMARY

This document gives an overview of the approach used within IT Evolution to assist a client with the selection of packaged software, especially complex applications such as Enterprise Resource Planning (ERP) software which touch many aspects of the business.

### CONTENTS

APPROACH .....	1
BUSINESS SOFTWARE AND ENTERPRISE RESOURCE PLANNING (ERP) PRODUCT SELECTION.....	1
1. INTRODUCTION.....	2
2. ORGANIZATION, PROCESS AND LEGACY ANALYSIS .....	2
2.1. Requirements Analysis:.....	2
2.2. Business Requirements.....	2
2.3. Technical Requirements.....	3
2.4. Detailed Process Mapping .....	3
2.5. Implementation and Implementation Risk.....	3
2.6. Operational Efficiency .....	3
3. VENDOR SELECTION.....	3
3.1. Create assessment items.....	3
3.2. RFI Development.....	4
3.3. Product Selection .....	4
3.3.1. First Tier Analysis –Vendor/Product Short List Creation.....	4
3.3.2. Second Tier Analysis - Vendor/Product Demonstrations, RFP review.....	4
3.4. Product Recommendation.....	5
3.5. Contract Negotiation .....	5
4. IMPLEMENTATION PROJECT MANAGEMENT .....	5

## 1. INTRODUCTION



For an ERP Selection engagement we would propose an approach with four main phases, each of which are described in more detail in the following sections:

- Organization, Process and Legacy System Analysis
- Requirements Analysis
- Vendor Selection
- Project Management

## 2. ORGANIZATION, PROCESS AND LEGACY ANALYSIS

The first phase of work will concentrate on understanding the state of the legacy environment and quantifying the areas of opportunity for the consistent rollout of ERP across the client. This will include:

- Process flow descriptions which identify the organizational responsibilities and system support for each key process.
- Organizational analysis to the extent of understanding the different cultures which may drive different processes in each organization
- A fit analysis quantifying at a high level the opportunities for improvement for system support in each organization and the benefits of adopting common processes
- Preliminary decision on whether to include any of the pre-existing legacy systems for consideration in rollout to the client organization
- Definition of a high level business case to identify critical benefit areas which need to be tracked in the future

### 2.1 Requirements Analysis:

A comprehensive inventory of existing business management support software is generated to provide a matrix within which the ERP requirements will be documented in detail. This matrix will be utilized in the product analysis phases to measure the completeness of each potential solution within the client environment. Requirements will be gathered via interviews with key business stakeholders.

### 2.2 Business Requirements

- Identify and document ERP module requirements
- Identify and document in scope business processes
- Identify desired business process improvements
- Define and document reporting and dashboard requirements
- Document regulatory and compliance requirements
- Identify interfaces with internal and external software and systems

- Identify interfaces with external vendors, partners, and customers
- Define business driven vendor support SLA's

## 2.3 Technical Requirements

- Determine preferred hardware platform(s) and operating systems
- Assess storage requirements
- Assess impact to network and data communications
- Define service level agreements (SLAs) and associated system resiliency components
- Assess business continuity and disaster recovery operating environment
- Assess opportunities to update infrastructure to enable improved reliability, speed, and uplift of existing and desired business processes.

## 2.4 Detailed Process Mapping

- Document or confirm client documentation for ERP-enabled business processes
- Review process mapping with operating staff
- Recommend process improvement opportunities
- Review process mapping with client stakeholders
- Define business processes for implementation

## 2.5 Implementation and Implementation Risk

- Assess implementation complexity and associated staff and consulting time/cost
- Identify risks and document in risk assessment matrix
- Recommend risk avoidance strategies and include in balanced scorecard

## 2.6 Operational Efficiency

- Map client processes against ERP product workflow
- Identify opportunities for process efficiency improvement within ERP operating environment
- Identify process change requirements for realizing optimal efficiency

## 3. VENDOR SELECTION

Upon completion of the business and technical requirements analysis and the confirmation of the results with client stakeholders, a balanced scorecard will be created, enabling the selection team to rate the candidate ERP systems objectively. Each evaluation element in the balanced scorecard will have a “weight” assigned, allowing the team to stratify scoring based on both the ability to perform the required task and the importance of that task to the client.

### 3.1 Create assessment items

- ERP module and operational requirements as defined via the stakeholder interviews
- Interface requirements as defined via the stakeholder interviews
- Process support requirements as defined via the stakeholder interviews
- Gap analysis and customization capabilities.
  - Determine effort necessary to create processes and interfaces not available “out of the box”
  - Identify missing features and processes required for optimal business operations
- Cost of Ownership
  - Purchase and implementation costs

The balanced scorecard will include rating and weighting slots for evaluating the total cost of acquiring and implementing the solution. These will be driven by a number of factors including:

  - Purchase price for the core software

- Cost of any necessary additional infrastructure including platform server, web server, and associated operating system and labor cost
- Cost of implementation driven by out of the box components, design complexity and customization
- Data conversion
- Integration and interfacing with other existing business solutions
- Training cost
- Time to deliver solution
- Support and maintenance costs
  - Cost of annual license renewals and support contracts
- Operating cost
  - Anticipated consulting costs for enhancements and modifications
  - Anticipated cost of implementing new business processes
- Vendor Performance

A brief analysis of vendor history and performance will be quantified, including implementation success and abandonment rates, customer satisfaction, and industry evaluation and product review.
- Determination Scoring System

The numerical scale for the scoring system will be established. The scale will be broad enough to enable proper variability in the scoring without resorting to fractional scores. A fixed matrix of scored attributes will be assigned to each numerical value, ensuring assessments by diverse staff and consulting resources have proper alignment.
- Determine category weighting

Upon completion of the balanced scorecard evaluation components, a line item weighting system will be established to represent the relative significance of each element. The weighting will require alignment and approval from business and technical project stakeholders.

### 3.2 RFI Development

A formal Request For Information (RFI) will be developed from the balanced scorecard and distributed to candidate vendors for completion. Vendors will be notified that the finalists will have their responses reviewed in detail and that invalid responses to the RFI may lead to disqualification of the vendor.

### 3.3 Product Selection

#### 3.3.1 First Tier Analysis –Vendor/Product Short List Creation

The initial suite of ERP solutions included in the first round of evaluation will be a combination of client-preferred product and selected industry leaders. Publically available information from vendor and research sites will be added to consultant product knowledge to complete the product balanced scorecard, with minimal vendor interaction undertaken to gather remaining data points necessary for an accurate scoring representation.

Some vendors may be eliminated during this process if the assessment reveals poor alignment with client requirements. Indicative, non negotiated, product and implementation pricing will be acquired from the vendor and added to the balanced scorecard

Upon completion of all product analysis, the technical team comprised of consulting resource(s) and client project stakeholders will assess the results, and reach concurrence on individual product ratings where there are divergent opinions. The results will be presented to client management for vetting and approval.

A maximum of three products will be selected for second tier analysis.

#### 3.3.2 Second Tier Analysis - Vendor/Product Demonstrations, RFP review

Vendor contact will be established for ERP solutions clearing the initial analysis hurdle and a comprehensive vendor demonstration will be scheduled. Meeting attendees will include the client project team (consultant(s), technical team members, and stakeholders), and vendor sales and technical representatives.

The client team will observe product operations and address balanced scorecard elements requiring further clarification of vendor capability. Vendors will be required to provide support and sales contacts to address operational and technical questions that arise.

A detailed RFP will be created and distributed to qualified vendors.

Vendors will be required to develop a detailed proposal, including all product purchase and operating costs, implementation timetables, training models, and resource requirements.

Upon the completion of each product demonstration and analysis, the balanced scorecard will be updated. This update will be performed in a team meeting, to ensure all subjective and objective views are recorded and that there is full team alignment on the updated scoring. The results of the detailed vendor pricing will be used to update the relevant scorecard entries.

Vendors will be asked to participate in a follow up meeting to address any outstanding questions prior to finalizing the balanced scorecard

### 3.4 Product Recommendation

Upon completion of the analysis phase, a product recommendation will be made based solely on the balanced scorecard. A management presentation will be constructed to illustrate the processes utilized to reach the result and a presentation will be made to the client stakeholders. Any requests for additional information will be fulfilled via further vendor interaction, and scorecards and presentation materials updated as necessary. A final presentation will be made the client stakeholders, resulting in a formal selection of product.

### 3.5 Contract Negotiation

Support will be provided to the contract negotiations as required. There are typically multiple ways of structuring ERP contracts, each of which has some level of attractiveness and risk from a client perspective. IT Evolution can help define the optimum structure of the contract as well as negotiate the best pricing for lowest total cost of ownership.

## 4. IMPLEMENTATION PROJECT MANAGEMENT

Project management activities throughout the implementation phase will focus on controlling the risks associated with large scale implementations including vendor management and change order valuation and validation.

Standard project management processes to be established at the onset of the implementation include:

- Scope control – including negotiation of change request costs including labor and product estimates and recommended actions for each change request
- Quality metrics to be tracked – particularly issue tracking during the testing phases
- Resource management – both internal to client and external; internal resources are usually fractional and need careful management to minimize time demands; external resources usually need to be planned in advance and have a direct cost impact
- Risk management – maintaining a risk assessment throughout the implementation
- Timeline – embedded in a detailed project plan with critical path analysis

We expect that a steering committee will be established meeting monthly to review project status at a high level and making decisions that affect overall cost or timeline. Weekly status meetings will track progress of each team and highlight issues to be resolved. Formal earned value analysis can be used as a tracking methodology as desired.

Through this process IT Evolution would expect to act as an advocate for the client, ensuring that the vendor relationships are maintained appropriately.