

Enhanced Procurement Techniques

Software Services

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IT Industry

- In a study conducted with 593 business and IT professionals:
 - 80%** admit they spend at least half their time on rework, which is the result of unclear objectives, confusion of roles and responsibilities, and lack of stakeholder involvement.
 - 75%** of respondents believed that their IT projects are either always or usually "doomed" from the start
 - 78%** feel that team is 'out-of-sync' when it comes to project objectives
 - 61%** of the projects take longer than anticipated
 - 57%** of the projects are not considered a success
 - 55%** were confident that they objectives of their IT projects are clear
 - 38%** are confused about their team roles and responsibilities
 - 31%** believe there is a lack of common vision on project success criteria

Recognize That Traditional Approach Is Broken

IT & Software Industry Has An Extremely High Failure Rate



Wide Array of Experience

IT & Software Industry
Construction Industry
Business Services
Facility Services
Healthcare Services
Utility Services



PROJECT PARTNERS AND PARTICIPANTS:

IT Industry

Research conducted on **5,400+** IT projects:

- 56%** delivered less value than predicted / expected.
- Had a cost overrun of **\$66 billion**
- 50%** of all large IT projects (\$15+ million), **massively blow** their budgets
- The average cost overrun is **45% over budget**
- Black Swans** = Budget overrun of **+200%**

Case Study – ERP

- The University is seeking to increase the effectiveness and the added value of these administrative activities, underpinned by a core **Enterprise Resources Planning (ERP) platform**.
- The University has estimated that the overall size of this contract is approximately up to **\$32 million over the 10-year term**. This includes all integration costs, software costs, hosting costs, licensing costs, maintenance costs, etc.

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Existing Challenges

- Finance and HR functions are highly decentralized, resulting in:
 - Several solutions have been built or acquired to address business needs
 - Skillsets that are highly variable across business units
 - Channels to support employees & students vary and are confusing to end-users
 - Increased frustration from faculty, researchers, employees, and students
 - Due to the number of solutions and lack of standardization, there is a lack of formally defined information and data needs of key users, which contributes to challenges in obtaining timely & accurate standardized data for decision-making.

Enhanced Technique
**Software vs
 Implementer**



Why

...But What
**Makes Software
 Procurement
 Different Is...**

...You Are Not
 Just Buying A
 Car...




1-Step Approach

- The “Traditional” approach is to procure the ERP Solution as a 1-step process
 - Issue one solicitation (RFP)
 - Teams (made up of Integrator & Software Solution) compete
 - Evaluation considers both integrator and software solution at same time
 - Select overall best team

Purchasing Software Solutions

- Most software procurements focus primarily (heavily) on the software product/solution (the product that you will be using for the next 10-20 years)
- Rarely does the performance and quality of the System Integrator significantly factor into the overall award
- *But does the System Integrator really matter when they are only involved for 1-2 years (out of a 10 year contract)?*

...But You Are
ALSO Purchasing
 Someone To Be
 Your Daily Driver
 For The First 2
 Years Of
 Ownership

Enhanced Approach = 2-Step

- Step 1 = Prequalify Software
- Step 2 = Select Integration Firm
- Minimized duplication of Software demos
- Allows us to consider both critical components separately
- Simplifies the evaluation



Think About Purchasing A Vehicle

- You are purchasing a vehicle that you will use for next 10 years




- Traditional procurement approaches will have you focus specifically on the vehicle itself (will you select the Honda or Toyota)?

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Enhanced Technique Scheduling

Schedule 31

- Traditional procurement approach would have taken 2 years (estimated) for this type of service / magnitude of scope

- A lot of time is spent developing scope-of-work, evaluating proposals from multiple options/solutions, demoing multiple options/solutions, having discussions with multiple options/solutions.
- ...We then rush the integration phase to make up for time

No Matter How "Good" Your Software Product Is...If You Hire A "Bad" Integrator...You Will Have Major Regrets!

Traditional Schedule 31

- Traditional procurement approach would have taken 2 years (estimated) for this type of service / magnitude of scope

Stated Challenge

We would rather spend more time in the Integration Phase than Procurement. Is there anyway to shorten the procurement phase (speed this up), so we can awarded as quickly as possible...so that we can really start talking about the project and laying things out?

Traditional Approach

Goal

So Why Use A "2-Step" Approach...

- 2-Step approach allows the evaluators to focus on the two critical elements separately (software solution vs the integrator). Allow you to get the "best" of both parties.

- **Step 1: Focus on the Software** (Qualify and select the top 2-3 software solutions / Allow evaluators to 'see' the systems)
- **Step 2: Focus on the Integrator** (evaluate the integration teams that can install the qualified software solutions)

Traditional Schedule 31

- Traditional procurement approach would have taken 2 years (estimated) for this type of service / magnitude of scope

- Needs assessment
- Scope-of-work
- Evaluating proposals from multiple options/solutions
- Demoing multiple options/solutions
- Discussions with multiple options/solutions

Stated Challenge

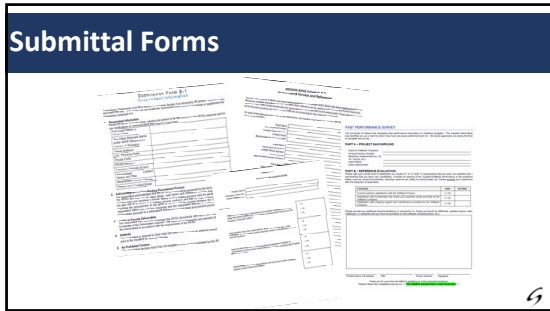
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Traditional Approach

Goal

Is there anyway we can run this procurement in under 1-year? (but still ensure that we select the 'best' team during the procurement phase)

The RFSQ Process



Submittal Information

CRITERIA	STAGE	OVERALL WEIGHT	STAGE WEIGHTS	Count
(1) Mandatory Requirements - Core	(Stage 1)	Pass/Fail	Pass/Fail	53 items
(2) Proposal: Functional Requirements - Core	(Stage 2)	40%	40%	295 items
(3) Proposal: Functional Requirements - Other	(Stage 2)	30%	30%	
(4) Proposal: Functional Requirements - Optional	(Stage 2)	30%	30%	
(5) Proposal: Experience and Qualifications	(Stage 2)	20%	20%	4 items
(6) Proposal: Surveys and References	(Stage 2)	20%	20%	5 surveys
(7) Demo: Completeness of demo	(Stage 3)	20%	20%	10,000 line items does not result in performance
(8) Demo: Usability for regular users	(Stage 3)	40%	40%	
(9) Demo: Usability for light users	(Stage 3)	40%	40%	
(10) Cost: Core Module Pricing	(Stage 4)	17%	17%	We want to change our process to follow software (and not customize the software to follow our processes)
(11) Cost: Future Growth	(Stage 4)	3%	3%	

Stage 1 RFSQ

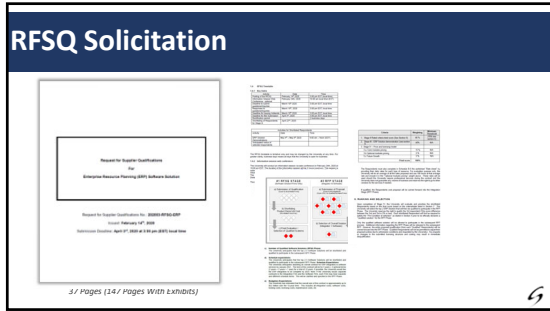
- Focus on Software Products / Solutions
- Objective: Prequalify 2 software solutions that are capable of meeting the expectations of the University.
- Only these systems can then be proposed by Integrators in the next stage (Stage 2)

Evaluation Factors

CRITERIA	STAGE	OVERALL WEIGHT	STAGE WEIGHTS
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(11) Cost: Future Growth	(Stage 4)	3%	3%

Submittal Information

CRITERIA	STAGE	OVERALL WEIGHT	STAGE WEIGHTS	Count
(1) Mandatory Requirements - Core	(Stage 1)	Pass/Fail	Pass/Fail	Y/N
(2) Proposal: Functional Requirements - Core	(Stage 2)	40%	40%	Meets / Config / Custom / No
(3) Proposal: Functional Requirements - Other	(Stage 2)	30%	30%	
(4) Proposal: Functional Requirements - Optional	(Stage 2)	30%	30%	
(5) Proposal: Experience and Qualifications	(Stage 2)	20%	20%	1-10
(6) Proposal: Surveys and References	(Stage 2)	20%	20%	
(7) Demo: Completeness of demo	(Stage 3)	20%	20%	
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ID	NAME	DESCRIPTION	EVALUATION	RESPONSE
HD 2.1	Capable and maintain course load	Ability to track and maintain an employee's academic course load and course load history	Job, Position & Employee Management	
HD 2.2	Knowledge base management	Ability for the creation of a knowledge base and articles, supporting employees search for answers to frequently asked questions	Job, Position & Employee Management	
HD 2.3	Produce Employee Personnel File	Ability to produce a report containing relevant items on file for a specific employee (e.g. performance, coaching, etc) and provide access for all employees	Job, Position & Employee Management	
HD 2.4	Facilitate job review	Ability for the capture of information relevant to job review and the tracking of the job review process	Job, Position & Employee Management	
HD 2.5	Manage flexible work arrangements	Ability to manage and approve hybrid and remote work arrangements	Job, Position & Employee Management	
HD 2.6	Manage terminated employees	Functionality that allows for the management of terminated employees that have terminated for various reasons	Job, Position & Employee Management	
HD 2.7	Benefits verification	Provide verification services for reporting when employee becomes eligible for and eligible for various benefits	Benefits Management	
HD 2.8	Employee self service	Ability for employees to manage their own information (e.g. request registration for various services)	Benefits Management	
HD 2.9	Benefits self service	Request for employees self service for changes to beneficiary and flexible benefits, etc.	Benefits Management	
HD 2.10	Reportable forms	Ability to support pre-announcing forms (e.g. vacation forms) with key data (e.g. job, benefits, and compensation data)	Benefits Management	
HD 2.11	Unsubstantiated returns	Ability to collect and manage unsubstantiated returns to work plans for employees returning from leave and produce reporting	Benefits Management	
HD 2.12	Compensation modification	Provide modification services for reporting when an employee has reached or exceeded a job high range or on or below a job's low range (e.g. gross and net pay)	Compensation Management	
HD 2.13	Compensation benchmarking	Allows for integration with external benchmarking vendors for Mktg, sales, etc. (e.g. cost of labor and benefits by location)	Compensation Management	
HD 2.14	Compensation communication	Ability to support the creation of employee compensation letters (e.g. annual bonus, etc.)	Compensation Management	
HD 2.15	Compensation statement	Ability for employees to produce a clear, readable statement detailing all compensation (salary, bonus, pension, etc.) and benefits including the	Compensation Management	

Submittal Information

CRITERIA	STAGE	OVERALL WEIGHTS		STAGE WEIGHTS
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(5) Proposal: Experience and Qualifications	(Stage 2)		20%	W
(6) Proposal: Surveys and References	(Stage 2)		20%	W
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Validate during Demo



Stage 2 RFP

- Focus on Integrators
- Objective: Select the best overall team (focusing on the integration team) that can install one of the two qualified software solutions

Case Study – Software Upgrade

- IT Security specialist identified that a proposal did not meet current industry standards = disqualified


Results

CRITERIA	NORMALIZED WEIGHTS	FINAL POINTS		
		FIRM A	FIRM B	FIRM C
(1) Mandatory Requirements	Pass/Fail			
(2) Written Proposal	40%			
(3) Product Demonstration	40%			
(4) Costing	20%			

8 Evaluators (HR, Finance, & IT)

Recognize Evaluator Bias

Case Study – Lighting Project



The RFP Stage

Case Study – Software Upgrade

- State Agency – Statewide Tax System
- SME conducted research to determine the ‘right’ solution for their needs
- Understood that ‘data warehousing’ was most important item
- Educated other evaluators that only one firm really had the capacity
- 3 vendors proposed and all 3 were interviewed


Evaluator Bias

- Bias is not always so “forward” or “shocking”
- Usually, bias comes from Evaluators who:
 - Think they “already know” the best vendor
 - Look at logo/brand more than resources/approach
 - Have pre-conceived notions about the “right” approach
 - Are not open to new ideas

5-7

Notable Differences

• Anonymous




Schedule	Description	Anonymous Document	Maximum Page Limits
1	Mandatory Bid Submission Form	no	Pre-set
2	Pre-qualified ERP Software Certification	no	Pre-set
3	Mandatory Requirements	no	Pre-set
4	Team Experience & Qualifications	YES	Pre-set
5	Approach & Methodology	YES	3 pages
6	Obstacles, Challenges, & Risks	YES	4 Pages
7	Alternatives, Opportunities, & Innovation	YES	2 Pages
8	Cost and Financial Proposal	no	Pre-set

When Projects Go Great...

Be Cautious With Executives

- Can “sway” the rest of the committee
- Typically very busy = can put timeline in jeopardy



Wireless Network

CRITERIA	WEIGHT	FIRM 1	FIRM 2	FIRM 3	FIRM 4	FIRM 5	FIRM 6	FIRM 7	FIRM 8
Cost	25%	25.0	18.5	18.2	11.7	18.5	20.1	21.0	17.2
Proposal	40%	35.6	35.6	35.2	33.8	27.0	26.5	20.4	25.4
Past Performance	5%	5.0	4.9	3.0	4.9	4.8	2.6	4.7	2.6
Interviews	30%	30.0	22.2	9.4	0.0	0.0	0.0	0.0	0.0
TOTAL POINTS (100)		96	81	66	50	50	49	46	45

• Best Value Results:

- Highest Interview
- Highest Proposal
- Best Past Performance
- 28% Below Average Cost

Greatest Correlation To Project Success...

Contract


Evaluator Training

- 7 Evaluators
- 3 were executives (required to have an alternative/backup)

Notable Differences

• Anonymous

• Limited proposal size



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Greatest Correlation To Project Success...



Notable Differences

- Key personnel interviews
(PM, HR Lead, FIN Lead, Integration Lead)






Individual With Expertise

Advanced Interview Techniques

- Key personnel interviews
 - PM
 - HR Lead
 - FIN Lead
 - Integration Lead
- Performed individually
- 30-Minutes per interview


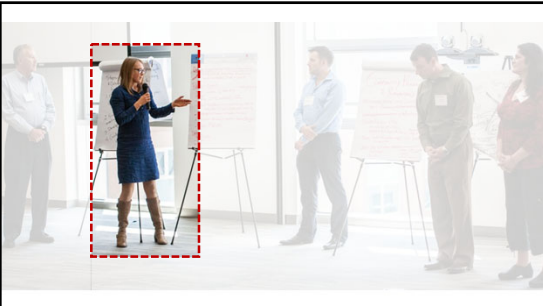
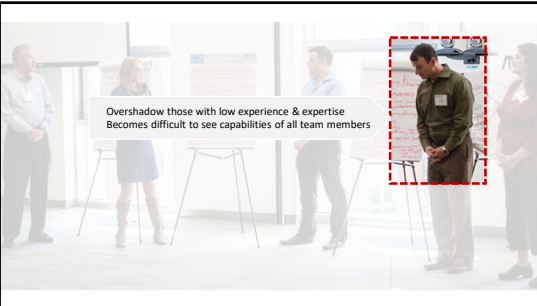




-Greater expertise
-More knowledgeable
-Does majority of talking

Interview Comments


- Interesting Interview Comments:
 - *"I am not currently employed by [Proposing Company]. So in essence, I am interviewing for them and for you"* – A Project Manager
 - *"I have not reviewed the proposal"* – A Project Manager
 - *"I was not involved in compiling our proposal"* – A Project Manager
 - *"I don't see any risks at all on this project"* – An Integration Lead

Overshadow those with low experience & expertise
Becomes difficult to see capabilities of all team members

Lessons Learned

	FIRM A	FIRM B	FIRM C	FIRM D
PM	9.4	8.8	8.5	9.2
HR LEAD	3.4	5.8	9.7	6.5
FIN LEAD	4.7	9.1	7.3	6.2
SA LEAD	6.6	3.6	8.3	5.6



Lessons Learned

	FIRM A	FIRM B	FIRM C	FIRM D
PM	9.4	8.9	8.9	9.2
HR LEAD	3.4	5.8	9.7	6.5
FIN LEAD	4.7	9.1	7.3	6.2
SA LEAD	6.6	8.6	8.3	5.6

Same Integration Firm, But Different Personnel

Lessons Learned

Consensus Meetings

- 7 evaluators
- 3 non-evaluators (procurement and observers)
- Total: 20 hours for 1.7% impact to ratings

Overall Criteria

- Written Proposal Points (20%)
- Team Presentation Points (15%)
- Interview Points (40%)**
- Cost Points (25%)

We Are Not "Perfect" (User Counts)

- Page 23: "The University is one of the largest employers in the City with **over 5,000 employees.**"
- Page 26: **Total number of unique users in the current ERP is 6,566.**
- Page 26: Certain users have multiple roles within different functions.

Page 49: Metrics to be used for Pricing Evaluation only

Item	Quantity	Unit Price	Total Price
...	5,205
...	5,659
...	5,084

Role Type	Person	Number of Users	IF Faculty	Personnel
Regular User	518	143	0	0
Guest Only / Light User	4,048	2,064	3,001	4,184?

Client Perspectives

- **Written Proposal:** Max pages were amazing!
 - Amount of information provided was higher than expected
 - Evaluation team members loved it!
- **Team Presentation:** Showed team cohesion/if they've worked together before
- **Interviews:** Terrific sense of each key personnel / predicted future capabilities
- **Cost of software** came back lower than RFSQ!!!

July 2023 Update

- Implementation completed with 3 change orders (all requested by the University)
- 100% customer satisfaction

Was This An Efficient Use of Time?

CRITERIA	SUPPLIER #1	SUPPLIER #2	SUPPLIER #3
Evaluator Score (Initial):	7.5	8.2	7.3
Committee Evaluation Score (Final):	7.3	8.4	7.4
Impact of Consensus Meeting:	-0.2	0.2	0.1

- 7 Evaluators
- Time already spent evaluating the 12 surveys
- Meet as a team for 2 hours to discuss ratings

Buyer

- Didn't realize how significant and powerful a properly formatted excel matrix could be

Traditional Example

- Try to squeeze as much as possible onto the sheet, but becomes difficult to quickly assess



Best-Value Example

- Helped us to simplify

CRITERIA	WEIGHT	RAW DATA				RESULTS			
		FIRM 01	FIRM 02	FIRM 03	FIRM 04	FIRM 01	FIRM 02	FIRM 03	FIRM 04
STAGE 02 Written Proposal Score	30	88.0	85.8	81.4	79.4	30.0	29.0	28.8	26.8
STAGE 03 Team Presentations	15	4.2	6.5	6.1	7.4	6.9	14.0	15.0	12.2
STAGE 04 Key Personnel Interviews	30	4.8	7.8	8.7	6.1	16.6	26.9	30.0	21.0
STAGE 05 Cost Proposal	25	\$ 12,000,000	\$ 28,500,000	\$ 29,000,000	\$ 12,500,000	22.3	29.0	24.6	21.9
Total Points	100					75.7	94.9	98.4	81.9