

AN OUNCE OF PREVENTION:

# Making the Most of a Public Sector ERP Acquisition

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## INTRODUCTION

In these challenging times, public sector and government organizations confront high and growing constituent expectations, statutory requirements from every level that drive up costs and flat or declining budgets. In this environment, effective use of technology is imperative.

While common in private sector enterprises, enterprise resource planning (ERP) systems have been slower to adapt to the unique needs of government agencies, needs that include integrated accounting across disparate databases, sophisticated budgeting, quality reporting and grants management. To meet these challenges, public sector organizations need business systems that are simple to use and that streamline operations across the organization to increase efficiency and cut costs.

When a local or state government agency finally selects and funds an ERP software solution, calculating return on investment (ROI) must begin immediately. But all too often, what begins as an exciting vision of anticipated benefits is sidetracked by a number of unwanted implementation issues that delay full deployment and erode ROI. After all, every day that new software is not employed is a day the investment is not going to its intended use.

The three most common issues that bedevil public sector ERP acquisitions are vendor protests, insufficient accountability and unmet business needs. In most cases, these issues can be traced to a poorly planned and executed selection process. This ISG white paper explores how public sector procurement organizations can apply an “ounce of prevention” to address these common issues and realize immediate benefits from their ERP implementations.



## VENDOR PROTESTS

Software and/or service acquisitions can result in contested awards and a prolonged vendor protest that creates a no-win situation: The buyer cannot move ahead with implementing the new system, while vendors have nothing to show for the time, effort and expense invested in developing their proposed solution.

To avoid a vendor protest, start by developing system selection and procurement processes that provide clear and practical criteria by which each vendor will be evaluated. Follow these five recommendations:

- **Define outcomes and eliminate surprises.** Develop business requirements and a Request for Proposal (RFP) based on expected outcomes of the implementation project. Too often, business requirements are defined in the context of the current state rather than the future vision. Clearly articulated outcomes help set expectations on both sides and align the award with the client's needs and goals.
- **Design evaluation steps – don't skimp on the preparation.** Invest time and professional expertise to craft the formal proposal evaluation methodology. The evaluation process should include clear-cut criteria with a defined scoring method to ensure and demonstrate that awards are based on an objective review of the results. Design each step, and then execute each step as designed.
- **Questions, anyone?** Take the time to answer all inquiries. Clearly document the evaluation process and criteria in the RFP and allow vendors to ask clarifying questions before responses are due. This allows you to address issues before vendors have invested effort preparing their responses.
- **Keep a clear record of the process.** Document each step as you execute the procurement process. This provides evidence that all criteria were properly considered for all vendors and that the evaluation was conducted as planned. Keeping notes at meetings to support decision reviews and demonstrate thoughtful deliberation during the evaluation provides substantiating support.
- **Be transparent and communicate.** Communicate award decisions to all vendors, including the rationale for the decision, so vendors clearly understand why an award decision was made.

Reducing ambiguity in the process will be time well spent. If the process is designed well, vendors will have little reason (or ability) to protest an award.

## INSUFFICIENT ACCOUNTABILITY

Once the ERP implementation begins, insufficient accountability from the implementation vendor can limit and undermine a public sector organization's ability to enforce standards and ensure project results. The insufficiency often stems from the organization's failure to either

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manage vendor performance as written in the negotiated agreement or fulfill its commitments to the project. Specifically, stalled decision-making and delays in issue resolution on the client's part provide the perfect excuse for a vendor to underperform.

To address insufficient accountability, consider the following recommendations:

- **Create a work-focused contract.** A results-based comprehensive contract and statement of work (SOW) clearly defines the work to be done and ties vendor payments to deliverables and project milestones, including component deliverables that enable the client to approve moving forward rather than waiting until a final deliverable is submitted.
- **Manage to that contract.** Clearly define the scope and responsibilities for both the vendor and the client within the contract, especially in these critical SOW areas: report development, interfaces, data conversion, workflow development, training materials, development and delivery, and organizational change management.
- **Incent desired results.** Subject the vendor to financial penalties if specific events such as inadequate vendor staffing occur.
- **Make a project "pre-nup."** Commit to a project scope and cost during contract negotiations. Deferring issues affecting cost to the design phase puts the buyer at risk of losing negotiating leverage. While issues may still emerge during the project that require a change order, these should be limited to true exceptions.
- **Hold something back.** Withhold a reasonable retainage from the vendor payments (approximately 10-15 percent) and do not release the retainage for payment until software acceptance (based on the established criteria in the SOW) and until a three-month post-implementation stability/support period has expired.

### Unmet Business Needs

Unmet business needs typically result from a misalignment between the organization's expectations and the vendor's interpretation of the business requirements. Moreover, specific needs can be lost in the heat of the deployment.

Attention to detail and compliance factors must be balanced against the broader needs, objectives and goals of the business. To align requirements to vendor responses, consider these recommendations prior to executing the contract:

- **Separate the wheat from the chaff.** Include a multi-step selection process to eliminate non-responsive vendors before vendor demos begin.
- **Show and tell, please.** Require vendor finalists to follow a detailed software demonstration script that reflects the client's expected outcomes of the implementation project.



- **Don't rush it.** Plan enough time for the vendor to perform an exhaustive product and services presentation.
- **Be realistic and ask for what you need.** Develop business requirements and an RFP based on your organization's vision and require the vendor to demo only currently available or standard functionality, or functionality that aligns with the project's scope.
- **Keep everyone accountable.** Attach the awarded vendor's functional requirements response to the contract. The client can then monitor the requirements on an ongoing basis to ensure the system is designed and configured to meet the client's requirements.
- **Mind the gaps.** Identify and document gaps between software to be implemented and the client's business/functional needs. This facilitates agreement on how to address gaps related to areas such as customization, work-around and elimination of the requirement, as well as ensures that no gaps are overlooked.
- **Protect yourself at all times.** Withhold a reasonable retainage, as noted previously, to incentivize the services firm to maintain focus at the end of the project and prevent crucial final details from slipping through the cracks or being deferred.

Following these steps will help you make a decision with greater assurance that the implementation project will satisfy all stated business needs.

In all of these cases—vendor protests, insufficient accountability and unmet business needs—an ounce of prevention in the form of expertise and experience early in project planning is worth a pound of cure later on.

## ABOUT THE AUTHOR

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John has more than 30 years of experience in enterprise application software procurement, analysis, design, project management, development, quality assurance and implementation. For the last sixteen years, he has been helping public sector organizations develop their business case, author and procure their request for proposal, gather requirements, evaluate and select their enterprise-resource planning vendor and manage on-going enterprise software projects. He has hands-on experience with Workday, Oracle PeopleSoft Enterprise and SAP, and has worked with or evaluated many other enterprise software packages. He is a proficient and organized technical writer and presenter, with skills in both the software/technical and management/marketing fields. Building on his experience as a project manager, he maintains his certification as a Project Management Professional (PMP).



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