

Response to Request for Proposal for an ERP System

The purpose of this project is to give students an opportunity to learn about various ERP systems and to present vendor characteristics and qualifications in response to a Request for Proposal (RFP). The RFP has been developed to meet the needs of a mid-sized manufacturing company, Wingate Electric.

In this project, the class will be organized into teams, and each team will represent one of four or more ERP vendors who are responding to an RFP for an ERP financial module, which can be integrated with a larger ERP system over time. The case provides selection criteria to evaluate the alternative ERP financial modules, and a brief description of the scoring method of evaluating the alternatives. Each team (representing one of the vendors) will have an opportunity to consult various resources, including the vendor web sites, on-line library resources, trade publications, and marketing publications.

The case includes directions for each team, which will give a presentation to a mock panel of user managers of the company considering the ERP options. The panel of user managers can be selected from local businesses or from the university community. The presentation will be reviewed by the panel of user managers using an

Evaluation Form, and the panel will make the selection decision based upon the “winning” team. The panel of user managers will provide feedback to each team with respect to the strengths and weaknesses of each of their presentations, and the rationale for their selection decision.

The materials for the Case Study include:

- Company Background
- The RFP
- The selection criteria to evaluate the alternative ERP modules supporting financial applications
- Scoring method, which describes the scoring method of evaluating the alternatives
- Team directions
- Team vendor assignments and resources for vendor research
- List of user managers (e.g., job titles, background)

A. COMPANY BACKGROUND

Wingate Electric is a mid-sized manufacturing company that makes small electric motors for appliances, lawn mowers, and small tractors. The

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company, founded by Bob Wingate, has been in business for 100 years. It is currently owned by his two sons, Wick and Steve Wingate, on a 50/50 basis. Wick, the CEO, handles the marketing and business development side of the business, and Steve, the Chief Operating Officer, is responsible for internal operations management.

The MIS systems at Wingate Electric are home-grown systems that have been patched together over the years. These systems support the major accounting and financial functions, including sales order processing, inventory control, accounts payable, accounts receivable, and general ledger. These applications use multiple legacy file systems, and much of the data are redundant. Since updates must be made to multiple files, some of the data are inconsistent. With little documentation, making queries to existing databases is difficult.

Competitors within the industry are adopting ERP systems to integrate financial and manufacturing data, and Wingate Electric is being left behind. Competitors are adopting web-based front ends for order processing, order tracking, and order follow-up, but Wingate cannot move in this direction because its back-office systems are in disarray.

The owners of Wingate Electric have decided to issue a RFP for an ERP system which supports their accounting and financial functions and which can be extended to support their production and manufacturing applications over time. The panel of user managers who will be reviewing the presentations in response to the RFP will be the following:

Wick Wingate, CEO
Steve Wingate, Chief Operating Officer
Robert Murdick, Chief Financial Officer
Richard Hayes, Marketing Manager
Kathryn Martell, Director of Accounting Operations

B. REQUEST FOR PROPOSAL

Date: February 1, 2005

Wingate Electric is a mid-sized manufacturing company that makes small electric motors for appliances, lawn mowers, and small tractors. The company, founded by Bob Wingate, has been in

business for 100 years. The company is currently managed by its owners, Wick and Steve Wingate. Wick Wingate, the CEO, is responsible for overall all business development and marketing. Steve Wingate, the COO, is responsible for operations management.

Wingate Electric currently does \$400 million in sales. Its customers include major manufacturers of small appliances and vehicles, and they would like to have web-based order processing and order tracking capability, and this is one motivation for acquiring an ERP foundation for web-based applications.

The MIS systems at Wingate Electric are home-grown applications that have become fragmented over time. They are difficult to maintain, and they do not use an integrated relational database. Managers have trouble gaining access to data for query and reporting purposes.

Wingate Electric is interested in acquiring an ERP system, which supports its financial and accounting functions, including accounts receivable, accounts payable, and general ledger. The ERP financial system will be implemented first, and the company is interested in adding modules supporting production planning and manufacturing in the next phase. Ideally, the ERP system will also support Sales and Marketing, Human Resources, CRM, and eBusiness. These capabilities will be implemented in subsequent phases, depending upon the success of the ERP modules supporting financial and accounting functions.

The budget for ERP is estimated at \$1,000,000, excluding the cost of acquiring the necessary upgrades in hardware, software, and networking facilities. In the current environment, the firm has 100 microcomputer workstations, a Windows NT network, and a Hewlett Packard server supporting its legacy systems.

The timeline for selecting the ERP modules supporting finance and accounting is three months. The due date for the RFP response is March 1, 2005. Upon receipt of the proposals, four or more vendors will be asked to give presentations and to respond to questions. The selection committee will make a decision within 30 days after the presentations have been given. The selection criteria are listed below. Five of these criteria deal with supplier-related issues, and five of them deal with the evaluation of the

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ERP modules supporting finance and accounting. Proposals and presentations should address each of these selection criteria.

C. SELECTION CRITERIA FOR ERP SUPPLIER

1. Corporate History, Experience, and Corporate Profile
 - a. Overall History
 - b. Number of Years of Experience
 - c. Position in the Industry
2. Market Strategy and Strategic Direction
 - a. Market Share
 - b. Market Strategy
 - c. Future Market Strategy
 - d. Overall Strengths
3. Product Offerings, Integration, and Scalability
 - a. Overall ERP Product Line
 - b. Module Integration Strategy
 - c. Web-based Application Strategy
 - d. New Offerings (e.g., business intelligence, CRM)
4. Consulting Support
 - a. Support for Configuration of Application Modules
 - b. Technical Support for System Implementation
 - c. Cost of Consulting Support
 - d. Availability of Consulting Support
5. Availability of Training
 - a. Training in Configuration
 - b. Technical Training

Selection Criteria for ERP Modules Supporting Financial and Accounting Functions:

6. Fit with Current Business Processes
 - a. Fit with Sales and Order Processing Processes
 - b. Fit with Financial Accounting Processes (A/R, A/P, General Ledger)
 - c. Fit with Managerial Accounting Processes
7. Reporting Applications
 - a. Current Reporting Capabilities
 - b. Availability of Tools for Database Query and Reporting
 - c. Web-based Reporting Capability

8. User Friendliness
 - a. Availability of Tutorials
 - b. Availability of Application Module Documentation
 - c. Technical Documentation
9. Cost
 - a. Cost of ERP Modules
 - b. Cost of Configuration and Implementation Support
 - c. Cost of Training
 - d. Cost of Maintenance Fees and Software Licenses
10. Ability to Integrate Finance and Accounting Module with other ERP Modules
 - a. Integration with Production and Manufacturing Modules
 - b. Integration with Sales and Marketing Modules
 - c. Integration with Human Resources Modules
 - d. Integration with web-based Applications

D. SCORING METHOD

The selection committee will use the score sheet (see below) to rate each vendor on each of the selection criteria. The selection committee will rate each presentation on the basis of the selection criteria, which include ten criteria in all. Five of these criteria pertain to ERP supplier characteristics, and five of these criteria pertain to the characteristics of the ERP modules under consideration. For each criteria, the selection committee will use a rating scale of 1 to 10, with 10 being the most possible points that can be scored in any one category.

In addition, the selection committee will rate each presentation on several bonus/penalty items, which can add or detract from the total scores. These bonus/penalty items will have a possible value of +5 or -5 points each, as illustrated on the score sheet below. These bonus/penalty items include the effectiveness of the overall presentation, and the special, value-added qualifications (noted below). The overall possible maximum score for each presentation is 110 points.

The selection committee will consist of individuals who will play the roles of user

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management. In addition, each of the teams will rate the other team presentations using the same score sheet.

E. DIRECTIONS TO TEAMS

Each team will assume the role of an ERP vendor responding to the RFP. Each team should have 3–6 students, with 5 students as ideal, and each team will have three weeks to prepare for the presentation to the selection committee. In preparation for the presentations, each team should do research on its ERP vendor's characteristics in order to address each of the selection criteria. For example, to respond to the corporate history, experience, and corporate profile

criteria, the team will need to use external resources for research about the vendor.

The presentations should be accomplished in 25 minutes, with each team member having 5 minutes. There will be an additional 5 minutes for questions from the Selection Committee.

The teams can augment their oral presentations with audio-visual aids, including computer-based Powerpoint presentations. They can bring handouts, articles in trade publications about user experiences with the ERP modules under consideration, and information about external resources (e.g., web sites, trade reviews), which the Selection Committee might want to consult. The purpose of the exercise is to make the presentations as real as possible.

TABLE 1 Selection Committee Score Sheet

Team Members:

Score	Weight	Item	Criteria	Comments
	10	#1	Corporate history, experience, and profile	
	10	#2	Market strategy and strategic direction	
	10	#3	Product offerings, integration, scalability	
	10	#4	Consulting support (e.g., configuration, technical)	
	10	#5	Training availability (e.g., configuration, technical)	
	10	#6	Current business process fit	
	10	#7	Reporting applications (e.g., tools, web-based)	
	10	#8	User-friendliness (e.g., tutorials, documentation)	
	10	#9	Cost (e.g., modules, training, maintenance)	
	10	#10	Ability to integrate with other ERP modules	
	100 possible		Basic total score	
			Bonus/Penalty Items	
	+5/–5		Presentation effectiveness	
	+5/–5		Unique qualifications	
	110 possible max		Basic score +/–	
			Bonus/penalty total	

At the end of the presentations, the selection committee will deliberate about each of the presentations, using the criteria that have been established on the score sheet. They will tabulate their scores and rank the presentations in sequence (e.g., first place, second place, third place). After reporting the results, the selection committee will give informal feedback to each of the teams.

F. TEAM VENDOR ASSIGNMENTS AND RESOURCES FOR VENDOR RESEARCH

Each team will represent a specific ERP vendor (see Table 2 in this section). Each team will be responsible for developing their presentation in response to the RFP. In developing its proposal, each team should address each of the selection criteria as effectively as possible. To do so, it can use various resources, including vendor web sites, on-line library databases with articles in trade publications, vendor marketing materials, and trade reviews.

G. LIST OF USER MANAGERS (JOB TITLES, BACKGROUND)

The selection committee will consist of five members: Wick Wingate, CEO; Steve Wingate, Chief Operating Officer; Robert Murdick, Chief Financial Officer; Richard Hayes, Marketing Manager; and Kathryn Martell, Director of Accounting Operations.

Wick Wingate, the CEO, handles marketing and business development. He is a natural sales person and is extensively involved in community activities and charitable organizations, such as the Rotary Club, American Cancer Society, and Boy Scouts. He enjoys skiing and golf, and he

owns a golf condo in Florida. Through his contacts, he has been instrumental in growing the sales of the business.

Steve Wingate, the Chief Operating Officer, is responsible for internal operations management. Steve is more internally focused than his brother, Wick. He earned a Bachelor's degree in engineering from Purdue University, and he has used his technical background to assume an important role in quality management. He is cautious about expenditures, and he scrutinizes the budget to avoid unnecessary expenditures and to control costs. He lives in the same middle-class neighborhood where he grew up, which speaks to his conservative lifestyle. Because of his cost-conscious mentality, Steve is hesitant to make a big investment in an ERP system.

Robert Murdick, Chief Financial Officer, came to Wingate Electric after spending ten years at Ernst and Young, a public accounting firm. He chose to join the management at Wingate Electric because the opportunity to work with a team to expand a mid-sized company offered considerable challenge. In his consulting career, Bob traveled extensively, and he finds that his career at Wingate Electric provides greater autonomy and flexibility. Bob's accounting background convinces him that an investment in an integrated financial and accounting system would be a good investment.

Richard Hayes, Marketing Manager, was one of the most productive members of Wingate's sales force before joining the management team. For seven years, Richard was the top sales performer in this industry niche in the country. Richard was able to earn this distinction through his dedicated commitment to serving the needs of his customers. Richard has a positive attitude toward automation. He encouraged his sales force to use laptops with computer-based sales prospecting software.

Kathryn Martell, Director of Accounting Operations, started at Wingate Electric as a clerk-typist 18 years ago. She is known for her strong work ethic and perfectionism. She is loyal to the company, and she works long hours. She organizes the company picnic and Christmas party each year. Kathryn is resistant to change, and she is skeptical about spending a lot of money on a computer-based information system. Her opinion is that most of the inefficiency can be remedied by adding staff members.

Table 2 Team Vendor Assignments

Team Vendor Assignments		
<i>Team</i>	<i>Vendor Assignment</i>	<i>Financial Module</i>
A	Great Plains	Financial Management
B	Peoplesoft	Financial Management Solutions
C	Oracle ERP	Financials
	SAP	Financial Accounting (FA)