**IT Sourcing and Development in a Global Economy**

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**C929 Task 1**

**Introduction**

In many situations technology companies and IT departments have decided to outsource projects overseas to gain a competitive advantage both domestically and globally. Endothon specializes in making aircraft seats and accessories for private and small commercial aircraft. With five existing plants in the United States, Endothon, has recently expanded into western Europe due to long-term contracts with Airbus, Dassault, and Bombardier in France and the United Kingdom. Because of this newly acquired business in western Europe, Endothon purchased three manufacturing plants in western Europe. Plus, the company currently has long-term contracts with Boeing, Cessna, and Grumman in the United States.

A**.  Outsourcing Needs Summary**

**Outsourcing Needs**

The CEO and the board of directors at Endothon have indicated that they want a new enterprise resource planning (ERP) system for Endothon, which is compatible with their customers’ existing systems. They want the ERP to be configured and implemented within the next 10 months. They have authorized me to outsource the development of the ERP system to either an inshore or offshore company, to contract for the necessary resources to complete this project.  Currently, all Endothon’s customers have *Systems, Applications, & Products in Data Processing (SAP)* providing their ERP systems. Endothon currently has an in-premise ERP system called Epicor, which has supported its domestic operations in the United States well, but it is over 18 years old, and it is no longer capable of being supported.

Consequently, the company has decided to use SAP as the ERP system, but the platform type, version and method of operation will be left up to the vendor to determine as specific in their response to the RFP. The information technology team will be involved in this endeavor so that they will eventually learn the system. However, the initial configuration, implementation, maintenance, and support will have to be serviced by the selected vendor and transitioned to the IT team two years after the initial implementation. As the senior director, I have already determined that the cost to implement this project with a domestic contractor or within the company is prohibitive. The SAP ERP system I am going to be implementing will need to have several modules that represent core business processes and areas. I will focus on three major modules within the SAP ERP system: the Financial Accounting and Controlling (FICO) Module, the Human Resources Management System (HRMS) Module, and the Sales and Distribution (SD) Module. To achieve the aggressive timeline and the budget, I have found lower-cost resource capability offshore. I have issued a request for proposal (RFP) and have gone through a selection process to the point that I now have the final two competing vendors. The budget for this project is $10,000,000.

**Expectations**

As the senior director of information technology at Endothon, I am tasked with selecting a vendor based on these two final proposals and then suggesting modifications to the winning vendor’s proposal to align to the company’s needs. Once, implemented the effected solution is meant to improve the work of Endothon, serve as the cornerstone of its efforts to improve the international growth of its manufacturing business while helping to balance the demand for more and better technology with the need and availability of in-house IT resources, capital, and operating funds.

The chosen vendor’s proposal should reflect the stated objectives and the resources likely to be required to support it as well as any related recommendations that will set the direction for the company’s use of an ERP system for the next three to five years. The contract will be awarded to a vendor or consulting firm with a minimum of ten years of experience in developing, configuring, and implementing ERP systems; it must be 100% independent, they must have completed at least three IT strategic plans or similar projects over the last five years in the public sector, and they must maintain errors and omissions insurance, plus workers’ compensation policies that meet or exceed the minimum requirements of the company as designated in the company’s master service agreement.

The scope of the effort shall encompass all company departments both domestically and internationally. The vendor or consulting firm must also demonstrate an understanding of the scope of services; however, the vendor should propose the project plan and activities they feel will most effectively meet the objectives. The vendor must also use IT industry standards to perform a risk assessment with gap analyses and complete the company’s master services agreement. The vendor must submit copies of certificates of insurance for general liability and workers’ compensation (if applicable), plus it must provide original certificates prior to commencing services. Finally, the vendor’s proposal must include the following information: total cost, executive summary, technology service provider’s qualifications, services offered, and methodology used, references, example of work, project work plan and proposed schedule, and payment terms.

**B.  Project Stakeholders**

A project stakeholder is interested or concerned with something affected by the project. To apply good project governance, it is necessary to define roles in the management of a project. Based on the general definition of stakeholders, three different roles are stakeholder roles. These are: project stakeholder, sponsor, and steering committee member. This section includes the roles of each type of stakeholder based on the Endothon corporate profile (Wgu.edu, n.d.).

**Steering Committee Stakeholders**

*Decision Makers*

The executive staff at Endothon is composed of experienced aviation and manufacturing members. *Maria Sousa* has the role of the chief *decision maker.* Maria is the chief executive officer (CEO) and has over 30 years of experience in the international aviation business. Among stakeholders, decision makers are the ones empowered to make the final decision. Maria also relies on the advice of others for recommendations and the rest of the executive staff, who are acting as the project steering members, of which she is the head, are there to support her (Wgu.edu, n.d.).

As the senior director of information technology at Endothon, I, Therese Parks, have been tasked with selecting a vendor based on two final proposals and then suggesting modifications to the winning vendor’s proposal to align to the company’s needs. Thus, am also playing the role of *decision maker* stakeholder. Decision makers are generally senior executives with the power to say yes to a deal and hold the responsibility for the final outcome (n.d.).

*Other Project Steering Members*

**“**Usually, senior management, key stakeholders, and high-level permanent representatives of project clients are members of the project steering committee (Wgu.edu, n.d.)”. Members within this structure are positioned effectively to promote the goals of their respective organizations(n.d.).The following members belong to the project steering stakeholders: Maria Sousa, who is the chief executive officer (CEO); John Prescott, who is the chief operating officer (COO); Alice Trehold, who is the chief of supply chain manufacturing; Sam Good win, who is the senior vice president of sales; Anne Scofield, who is the senior vice president of human resources; Kevin Cahill, who is the chief financial offer (CFO); Jon Rasmussen, who is the chief marketing officer (CMO); Mei Lee, who is the chief information officer (CIO); and Therese Parks, who is the senior director of information technology, and acts as the chairperson for the steering committee.

**Project Sponsor Stakeholders**

The project sponsor is a senior management role which generally holds the responsibilities for approving or supporting the allocation of resources from a project venture, defining its goals, and assessing the ventures’ eventual success (Wgu.edu, n.d.). I, Therese Parks, who am the senior director of information technology and a member of the steering committee, am also the project sponsor. As the project sponsor I holds certain responsibilities such as ensuring that the project delivers the agreed business benefits, representing the organization, being a champion for the project, and making decisions beyond the authority of the project manager (n.d.).

*Other Stakeholders*

Project champions can influence the decision, although they are not the ultimate decision makers, nor do they usually have significant power in the organization. However, the champion is invested in getting the deal signed (Wgu.edu, n.d.). The information technology team will be involved in this endeavor so that they will eventually learn the system. Consequently, they are acting as project champions.

Other project champions include Endothon’s five existing plants in the United States, the three manufacturing plants in western Europe, including those with whom Endothon has long terms contracts, namely: Airbus, Dassault, and Bombardier in France and the United Kingdom. Plus, the those with whom Endothon currently has long-term contracts, namely: Boeing, Cessna, and Grumman in the United States. These will all be champion stakeholders who would be interested, concerned, or somehow affected by the project.

As mentioned above, A project stakeholder is interested, concerned, or somehow affected by the project. Therefore, the *chosen vendor* (either *Bullzai, Ltd* or *Synesthor, Ltd*.) will be an external stakeholder. Other external stakeholders who will be affected by the implementation are the company’s clients. Endothon’s new system will be compatible with theirs and they will experience, among many other benefits, an increase in communication.

**C.  Bullzai Proposal Summary and Analysis**

This section summarizes the strengths and weaknesses of the proposal from Bullzai Ltd, noting and gaps in the vendor’s response to the requirements specified in the Request for Proposal.

**Strengths:**

Bullzai proposes the use of the Oracle Web Services environment supporting SAP, as the solution which meets Endothon’s requirements for a new ERP system. Oracle’s web applications are built on open, standards-based middleware, enabling rapid integration with SAP and other third-party applications (Patel, 2022, p. 6). Since all Endothon’s customers have SAP providing their ERP systems, Bullzai’s solution is plausible. Bullzai promised that they can provide a fully functional implementation of the ERP within 10 months of signing the SOW; also, they will provide guidance and direction for Endothon’s ongoing IT governance and implementation of this ERP plan (p.11).

Bullzai’s proposed endeavor will engage the three SAP modules as requested in the RFP: Financial Accounting and Controlling, Human Resource Management System, and Sales and Distribution (Patel, 2022, p.6). Bullzai, along with Oracle Web Services, have a minimum of ten years of experience in developing, configuring, and implementing SAP ERP systems, especially on the web as a SaaS application (p.4). Bullzai Ltd., along with Oracle Web Services, are 100% independent (p.12). They have prior experience and have completed at least three IT strategic plans or similar projects over the last five years in the public sector (p.13).

Bullzai will provide a comprehensive and documented risk assessment that will include application of IT standards and best practices. Bullzai will also provide a gap analysis that will determine any weaknesses and a review of best practices along with applicable international policies and laws associated with those practices (Patel, 2022, p.12). Bullzai demonstrates an understanding of the scope of services, and has provided an executive summary, technology service provider’s qualifications, services offered, methodology used (M1 Center for Project Management (CPM) Methodology), schedule, and payment terms, along with errors and omissions insurance.

**Weaknesses:**

*Total Cost*

Bullzai failed to provide a total cost for all expenses, but they did give totals for: Total Implementation Cost: Configuration and implementation, and support for the first 2 years at $63,000/month which equals *$1,512,000*; Monthly subscription service for Oracle Web Services which will begin at month 9 after the implementation, at the rate of $9,260/month, which equals *$148,160*; and a Total Cost of Fixed Project Work: *$960,000*.The total of these three expenses would give us the final total of ***$2,620,160***. Thus, Bullzai’s estimated costs fall within the budget stated in the RFP.

*Other Unmet Requirements*

Bullzai guarantees that they can complete the solution in 10 months, but there seems to be a discrepancy in the *Time Frame Expected* section in *Table 2 Key Deliverables;* whereBullzai states that the ERP as a Service (overall project) has an expected time frame of 1 year from the date of commencement (Patel, 2022, p.25). Some other requirements which have not yet been met by Bullzai are as follows. Bullzai did not provide a project work plan, as requested in the RFP, but promised to provide a fully developed Project Management (PM) plan that plots out the phases of work necessary to plan, design, configure, implement, and operate the Endothon ERP system and the selected modules (p.9). Bullzai failed to provide concrete examples of work for Endothon’s reference, as clearly requested in the RFP, but briefly mentioned work they are currently doing, along with success rates and experience.

**Gaps:**

*Total Cost*

As mentioned in the *Weaknesses* section above, Bullzai left out or did not meet some requirements which were specifically requested in the RFP. Bullzai failed to provide a total cost for all expenses, and instead provide three separate costs, which I had to add up to get the total cost. The total of these three expenses would give us the final total of ***$2,620,160***. Therefore, Bullzai’s estimated total cost is within the $10,000,000 budget stated in the RFP.

Bullzai did not provide a project work plan, as requested in the RFP, but they did provide a scope of work. They promised to provide a fully developed Project Management (PM) plan (Patel, 2022, p.9). Bullzai also failed to provide concrete examples of work for Endothon’s reference, as clearly requested in the RFP, but instead briefly mentioned work they are currently doing, along with success rates and experience.

**D.  Synesthor Proposal Summary and Analysis**

Synesthor is offering an SAP ERP solution as requested in the RFP, which will be compatible with the Endothon’s customers’ existing systems, which all have SAP providing their ERP systems. Synesthor has helped many international, commercial, and government clients better serve, protect, and improve the lives of their employees, citizens, and communities. They will use the most up-to-date practices in the planning, design, configuration, implementation, and maintenance of Endothon’s SAP ERP system (Nguyen, 2022, p.2). Synesthor will also provide a two-year training plan along with relevant training resources and recommends the use of the ITIL governance program (p.11). They will also provide a best practices baseline and Information Technology Systems Management (ITSM) standard approach in its governance framework (p.9). Synesthor will fully plan, design, configure, implement, and support these modules as described as the Endothon SAP ERP system: financial accounting and controlling (FICO), human resources management system, HRMS, and sales and distribution (SD) (p.9).

For more than 15 years, Synesthor has provided its offerings to 19 Fortune 100 companies *worldwide* (Nguyen, 2022, p.2) Synesthor or its third-party consulting firm will have prior experience and has completed at least three IT strategic plans or similar projects over the last five years in the public sector (p.13). Synesthor or its third-party consulting firm will be 100% independent. Synesthor seems to demonstrate and understanding of the scope of work, which is limited to the corporate boundaries of Endothon, including but not limited to its domestic and international locations (p. 25). Synesthor will provide a comprehensive and documented Risk Assessment, which includes the use of industry standards. Acutron, Synesthor’s third party consultant, will also provide a gap analysis that will outline security weaknesses versus best practices and applicable international policies and laws associated with those practices (p.12). Synesthor has provided an executive summary, technology service provider’s qualifications, services offered, and methodology used.

**Weaknesses:**

Synesthor’s response to the RFP, is difficult to read because its responses are not orderly point-to-point responses with the similar format as those used in the RFP. They also seem to have sections additional sections inserted that change the flow of the document, making it difficult to read and a little confusing. Synesthor failed to provide payment terms and a total cost for the project, which Endothon budgeted at $10,000,000. Synesthor failed to offer a completed SAP ERP system within the requested timeframe of *10 months (p.11)*, but instead offered a **five-year** plan and detailed budget to install and support the ERP environment (Nguyen, 2022, p.10)

Synesthor mentions the collaboration with a third-party company, *Acutron*. They do not make it clear whether Synesthor will be maintaining errors and omissions insurance and workers’ compensation policies, but state that Synesthor *or Acutron* will do so, which leaves this requirement answered unclearly (Nguyen, 2022, p.13) Synesthor does not make it clear whether Synesthor or its third-party consulting firm claim the requirement of prior experience, and have completed at least three IT strategic plans or similar projects over the last 5 years in the public sector (p.13). Thus, in more than one place in the document, Synesthor doesn’t seem to be sure whether they or their third party hold the required qualifications which Endothon is seeking. (p. 13) They do not make it clear whether they are currently in a state to meet these requirements or are just promising that they *will be* in these positions soon. (p.13)

**Gaps:**

As mentioned in the *Weaknesses* section above, Synesthor left out or did not meet some requirements which were specifically requested in the RFP. Synesthor failed to provide payment terms and a total cost for the project, which Endothon budgeted at $10,000,000; and they neglected to sign and complete the Master Service Agreement as clearly requested in the RFP. The Agreement was provided along with the RFP, but Synesthor returned it without signing it. Synesthor failed to offer a completed SAP ERP system within the requested timeframe of *10 months*, but instead offered a **five-year** plan and detailed budget to install and support the ERP environment (Nguyen, 2022, p.10)*.*

Synesthor did not provide a project work plan, as requested in the RFP. They failed to provide estimated total costs for services and work, and failed to mention whether they can complete the project within the budget of $10,000,00. Instead, Synesthor commits that the project plan, timelines, hardware, software, costs, benefits, and challenges as well as dependencies will be noted in the Endothon ERP Plan. This plan will be the central repository for all information related to the program (Nguyen, 2022, p.11). It is frustrating that Synesthor does not provide actual costs as requested in the RFP, and Endothon is left without these answers. Synesthor also failed to provide concrete examples of work for Endothon’s reference, as clearly requested in the RFP, but instead briefly mentioned work they are currently doing, along with success rates and experience.

**E.  Outsourcing Proposal Selection and Recommendation**

After careful consideration, the vendor I have selected is *Bullzai, Ltd* who offered a thorough, point-to-point response to the RFP, demonstrating that they understood the scope of work and were able to meet most of the requirements. Bullzai’s total cost is within budget and they can guarantee timely quality of product and service. Bullzai proposes the use of the Oracle Web Services environment supporting SAP, as the solution which meets Endothon’s requirements for a new ERP system. Since all of Endothon’s customers have SAP providing their ERP systems, Bullzai’s solution is plausible. Bullzai has increased the annual revenues of over 40,000 accounts by just over $1,000,000 per year due to the platform changes and efficiencies like the proposed changes Bullzai is offering for Endothon (p.3)

*10 Month Deadline, Initial and Ongoing Support*

Bullzai will provide a fully functional implementation of the ERP within 10 months of signing the SOW; they will provide guidance and direction for Endothon’s ongoing IT governance and implementation of this ERP plan (p.11); plus, they will provide a highly skilled SAP configuration and implementation team for this project. Bullzai will also provide, through Oracle Web Services (OWS), the correct integration specialists and web services engineers to support the in-premise to cloud shift that is proposed here.

*Three Major Modules*

There are three key areas where Bullzai’s Oracle web service applications can deliver immediate and lasting business benefits to SAP ERP users by using the following SAP modules, as requested in the RFP: Financial Accounting and Controlling, Human Resource Management System, and Sales and Distribution (p.6). Bullzai’s proposed endeavor will engage the three modules within the Oracle Web Services environment (p.9).

*Experienced and Independent*

Bullzai, along with Oracle Web Services, have a minimum of ten years of experience in developing, configuring, and implementing SAP ERP systems, especially on the web as a SaaS application (p.4). Bullzai Ltd., along with Oracle Web Services, are 100% independent (p.12). They have prior experience and have completed at least three IT strategic plans or similar projects over the last five years in the public sector (p.13).

*Scope Includes All Locations*

All initial migration and integration efforts will be performed on site at Endothon headquarters in the IT Department. Planning and requirements gathering efforts will take place at the various Endothon offices and manufacturing plants, both domestic and international (p.28).

*Industry Standards, Risk Assessment, Gap Analysis*

Bullzai will provide a comprehensive and documented risk assessment that will include a review of security protocols, firewalls, encryption, the use of AES256 standards, and SOC1 and SOC2 standards applied to the cloud environment proposed, including a future look at being leveraged for additional service modules and functionality. Bullzai will also provide a gap analysis that will determine any weaknesses and a review of best practices along with applicable international policies and laws associated with those practices (p.12).

*Other Requirements Met*

Bullzai demonstrates an understanding of the scope of services, and has provided an executive summary, technology service provider’s qualifications, services offered, methodology used (M1 Center for Project Management (CPM) Methodology), schedule, and payment terms, along with errors and omissions insurance.

**F.  Proposal Modification Recommendations**

In this section, I will recommend modifications to the Bullzai’s proposal. As part of the RFP, Endothon included a requirement that the chosen vendor must agree to complete a fully functional implementation of the ERP system no later than 10 months after signing the statement of work (SOW). Towards the beginning of the their response to the RFP, Bullzai guarantees that they can complete the solution in 10 months (Patel, 2022, p.11), which as requested by Endothon in the RFP. However, there seems to be a discrepancy in the *Time Frame Expected* section in *Table 2 Key Deliverables,* whereBullzai states that the ERP as a Service (overall project) has an expected time frame of *1 year* from the date of commencement (p.25). I would recommend that Bullzai resolves the time frame discrepancy and modifies the chart to show 10 months. I would also recommend that Bullzai confirms that they can complete it in 10 months.

As part of RFP, Endothon included a requirement that the chosen vendor must provide a total cost for the endeavor. Although, I added some totals which they provided to get a total cost of the project, which is *$2,620,160,* It is still very important that Bullzai provides the total, for many reasons. One reason why Bullzai may not have provided the total cost, is that they may not have completed the budget. I would like to recommend that Bullzai provides a total cost for Endothon’s confirmation.

**G.  Recommend Negotiation Strategy**

In three to four paragraphs, recommend a problem-solving negotiation strategy to effectively negotiate a contract with the vendor (based on the weaknesses and omissions cited in section F).  Explain how this recommended strategy for negotiating a contract will achieve the desired goal of successfully modifying the terms of the selected vendor’s response to best meet Endothon’s needs.

A *problem-solving* approach to negotiate a contract that will achieve the desired goal of successfully modifying the terms of the Bullzai’s response to best meet Endothon’s needs, could be a beneficial tool to support the endeavor. The problem-solving approach provides the idea that Endothon and Bullzai should cooperate to form a fellowship in order to determine whether there is a possible agreement that can work, which is better than no agreement at all; Endothon and Bullzai should place any commitments on hold while trying to decide how best maximize and fairly distribute the value of the agreement; and it makes sense for one negotiating party to use this theory even if the other does not (Pon.harvard.edu, 2022).

To negotiate a clarification in the time-frame discrepancy, whereBullzai states that the ERP as a Service (overall project) has will be completed in the 10-month time; but, in a later section of the same document, Bullzai states that time frame is *1 year* from the date of commencement (p.25). I will work with Bullzai to form an understanding of why the discrepancy is there in the first place; and then I will work with them to negotiate an actual timeframe of 10 months. If they cannot meet the 10-month deadline, then I will be flexible to agree to a time-frame which is as close to 10 months as works best for both Endothon and Bullzai.

To negotiate with Bullzai to provide a total cost and to confirm it for Endothon’s confirmation. I will work with Bullzai to form an understanding of why they did not provide the total cost, and whether the reason was that they may not have completed the budget. If any changes need to be made to the any of the costs, I will review the changes along with the total cost which Bullzai provides.

Once the negotiations with Bullzai to clarify the timeframe and the total cost have been completed using the problem-solving approach; the hopeful result is that the changes would have been made smoothly to benefit both Bullzai and Endothon, and the contract negotiation can then be completed.

**H.  Training Recommendations to Mitigate Potential Cultural Issues**

In this section I will recommend appropriate and effective training to mitigate potential misunderstanding in cultural communications between Endothon’s employees and the Bullzai. Bullzai has its headquarters in Chandigarh, India, with offices in Milan, Italy; Berlin, Germany; New York City, United States; Kyoto, Japan; and New Delhi, India. I would recommend cultural awareness training sessions for Endothon’s employees, with training including the cultures of any of Bullzai’s offices which will have Bullzai’s colleagues who are involved in the project-especially the India culture.

It is important to offer Endothon’s employees a cultural awareness training because it can help to improve communication with Bullzai, resulting in improved relationship and efficiencies. One common complaint about Bullzai is that their employees can be very difficult for most English-speaking Americans to understand. For example, India colleagues tend to a hold different style of communication usually based on non-confrontationist spirit and wanting to please people (Global Business Culture, 2022).

The training will include the subjects of awareness of India communication styles, using English effectively in India, vocabulary anomalies, body language issues, and email communication. “An India cultural awareness training…can have a massively positive impact on business performance if done well (Global Business Culture, 2022)”. Thus, Endothon’s employees need to be aware of cultural differences and be free of stereotypes that they may have subconsciously adopted. Plus, the training will aid in this by answering any questions which employees may have had and making them aware of cultural points which they may be unaware of.

**I.  Analysis of Potential Technical and Security Challenges**

In this section I will identify and explain technical and security challenges in the country of Bullzai’s headquarters, India, including challenges in IT security, physical security, and the protection of intellectual property. In India IT security including the safety of intellectual property, is threatened due to a lack of a national level architecture for Cybersecurity, and a lack of awareness. “There is no national security architecture that unifies the efforts of all these agencies to be able to assess the nature of any threat effectively (Sarangam, 2019)”.

Plus, people are unaware at both the company and individual level of cybersecurity threats (2019). This means that IT security in India can have some loopholes in it, and thus lead to a greater vulnerability of intellectual property. Also, In India physical security has become a major concern in corporate India. There are growing terrorist threats, natural disasters, and increasing instances of social unrest (Shekhar, 2016). “However, many organizations have woken to the implications of physical security over the past few years and there has been a conscious effort from organizations in form of…proactive measures to ensure better safety arrangements (2016).

Bullzai is one of the organizations who has improved their physical security. In 2011, Bullzai had a security breach that comprised banking information of more than 100,000 individuals. The fact that this incident happened, is enough cause for concern about potential technical and security challenges, which Endothon could possibly face working with Bullzai. However, since the 2011 security incident, Bullzai has implemented several new layers of security, and is trusted by its many clients in the public sector. Finally, Bullzai promises to achieve Endothon’s security goals outlined in the RFP to the approval and confirmation of Endothon, and they are offering Endothon monthly *security service monitoring.* Bullzai will provide a comprehensive and documented risk assessment that will include application of IT standards and best practices (Patel, 2022, p.12).

**J.  EAR Regulations and Compliance**

**EAR Category 5, Part 1**

**Software**

“The objective of this SOW is to acquire the SAP ERP solution via the Oracle Web Services system as a software-as-a-service arrangement (SaaS), which will be planned, configured, implemented, and tested by Bullzai (Patel, 2022, p.25)”. This means that the solution would be considered under the *Software* section in Category 5, Part 1 of the EAR Regulations**(**BIS, 2020, p. 12). Oracle’s web applications are built on open, standards-based middleware, enabling rapid integration with SAP and other third-party applications (p.6).

However, specific Encryption and Export Administration Regulations (EAR) may apply to communications between Endothon and Bullzai. According to BIS regulations, “when data or software is uploaded to the cloud or transferred between user nodes, the customer, not the cloud provider, is the ‘exporter’ who has the responsibility to ensure” that data transfers, storage, and access to data or software follows the EAR regulations (Mazzoli, 2021). Therefore, it is important to make sure that Endothon following any pertinent EAR regulations. In this case the solution will be considered as an EAR99 product and will *not require a license* to be exported or re-exported.

**EAR Category 5, Part 2**

**Encryption**

The use of encryption is controlled under the EAR regulations for the use of “products with the capability to encrypt data, regardless of other functions and features (Deloitte, 2016)”. The SAP ERP solution will be considered an encrypted item because it is in the a category “includes …encryption commodities, software, and technology…are subject to the EAR. Encryption items may either contain cryptography or may be designed to use cryptography (2016)”. Therefore, according to the EAR regulations, Endothon would need to acquire licensing (2016) for the use of the SaaS solution, and Bullzai would have needed to be licensed to handle Endothon’s data, using the solution. Nonetheless, a license *is not required* in this case (Mazzoli, 2021) if the transmission and storage of data is encrypted end-to-end using FIPS 140-2, which *Oracle does use* (Oracle, 2022).

**Bullzai’s Compliance**

Bullzai will comply with Endothon’s legal department, external companies, and government regulations. By signing the *Master Service Agreement* , Bullzai agrees that the “forum for any dispute or litigation arising out of this Agreement shall be in the Courts of Common Pleas of Company’s Home County Court or in the Federal District Court for Company’s Federal District Jurisdiction”. The agreement also states that it is only between Bullzai and Endothon and does not include any external or third-party companies. “This Agreement shall inure to the benefit of Company and Customer and any successors or assigns of Company and Customer. No third party shall have any rights hereunder (Patel, 2022).

According to the Master Service Agreement presented to Bullzai from Endothon, neither Endothon nor Bullzai will be hold liability to each other for failure to perform its obligations hereunder if and to the extent that such failure to perform results from causes beyond its control, including and without limitation: compliance with any regulations, order, or requirement of any governmental body or agency. Bullzai will also provide a gap analysis that will determine any weaknesses and a review of best practices along with applicable international policies and laws associated with those practices (Patel, 2022, p.12).

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