

Project Proposal

Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson

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Table of Contents

1. Project introduction	3
2. Objective analysis	3
2.1. Benefits	4
2.2. Constraints	4
2.3. Methods	4
3. Organizational plan	5
3.1. Activity plan	5
3.2. Allocated resources	6
4. Budget plan	7
4.1. Cost estimation	7
4.2. Profit analysis	7

1. Project introduction

In this document is the project *Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson* introduced, which aims at introducing a centralized procurement software for Harley-Davidson. Its goal is to select a suitable software product and vendor for long-term planning and operating of supply management within Harley-Davidson's organizations. Therefore it will work collateral with Harley-Davidson's recent strategy-shift from short-term decentralized to a centralized procurement organization (more details are available in the Feasibility study) and is expected to achieve major improvements in respect to the transformation of internal and external organisations and processes.

This Project Proposal provides an overview of the project's major planning components including benefits analysis (section 2) and organizational (section 3) as well as budget plan (section 4) and is based on in-depth analyses, which are made in supplementary documents:

1. Case Study "*Harley-Davidson Motor Company: Enterprise Software Selection*"¹, 2003
2. Feasibility study², February 2012
3. Organizational Plan³, March 2012
4. Budget Plan⁴, April 2012
5. Risk Management Plan⁵, April 2012

Organizational environment

The project's targeted company is Harley-Davidson, Inc., a manufacturer focusing on construction and selling of heavyweight motorcycles as well as accessories. While the headquarters is located in Milwaukee, Wisconsin, more factories exist in North America and Europe. 83 percentages of independent dealer sales took place in U.S. and European regions generating total net revenue of US\$ 4.86 billion in 2010. Further sale markets are Canada, Australia, Japan and Brazil

¹ Case Study "*Harley-Davidson Motor Company: Enterprise Software Selection*", Harvard Business School 9-600-006, Revision January 22, 2003

² Feasibility Study and Project Selection: *Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson*, Viktor Karabut and Jan Rehwaltdt, February 2012

³ Organizational Plan: *Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson*, Viktor Karabut and Jan Rehwaltdt, March 2012

⁴ Budget Plan: *Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson*, Viktor Karabut and Jan Rehwaltdt, April 2012

⁵ Risk Management Plan: *Enterprise Software Selection supporting new Supply Management Strategy at Harley-Davidson*, Viktor Karabut and Jan Rehwaltdt, April 2012

2. Objective analysis

Numerous objectives have been identified in the Feasibility Study. Among those are **1) the standardization and documentation of Harley-Davidson's internal supply management processes, 2) the development of requirements towards a procurement software and 3) the selection of a suitable vendor for it.**

The project's benefits and constraints are outlined in the following two sections.

2.1. Benefits

The introduction of a new procurement system within Harley-Davidson as proposed in this document brings up numerous benefits (Feasibility Study, section 5). Among those are the existence of a cleaner and **easier maintainable centralized system** and no site-independent unmaintainable developments anymore.

Internal **processes get standardized** resulting in vast time-wise improvements when processing procurement tasks. This consistently leads to a **reduction of labor capacity by 15 %** resulting in 1,860,000 EUR less labour costs within six years.

Additionally **storage costs may be lowered by 660,000 EUR a year** upon complete introduction.

Moreover, there are non-monetary benefits. The overall quality of supplies can be improved by intensifying the Harley-Davidson-supplier relationship and focusing on long-term cooperation. Procurement process standardization and automatization should reduce tiredness and fatigue of employers, and reduce errors rate. Also ERP softwargives to managers new tools and more data for monitoring, potentially it can significantly improve the whole Harley-Davidson production process.

2.2. Constraints

The project planning is done with focus on three main constraints.

Organizational planning, especially activity planning and resource allocation, was driven by timely constraints. The first aim was to provide a strict, but reasonable plan, which may viably be executed **on time**.

Emphasis was put on requirements and processes analysis during the first phase of the project allowing going in for quality and focusing on selecting the best-fitting software vendor during the last phase. Therefore the project plan is designed to **produce the required quality** after each activity and at the end. Monitoring the quality is highly recommended as analyzed in the supplementary Risk Management Plan.

As the activity plan is well-conceived and based on previous similar project runs the budget plan is considered as being sophisticated. Running the proposed project **on budget** is highly expected and considered during all phases of the planning.

2.3. Methods

For the project will be created small expert group, which includes project manager, process analyst and system designer. All experts have at least two year of work experience in Harley-Davidson motor company and they deeply understand company existing processes. For final contract negotiation will be involved lawyers from Harley-Davidson legal department. Worker from finance department group will be responsible for economic analysis of the potential vendors, checks their budget plans and the contract's financial feasibility.

During project will be organized software conference and potential vendors' product presentation. Such activities should enable potential suppliers to provide objective information about their products and help to make right decision.

Project assumes the active participation of stakeholders. At first phase will be performed survey within stakeholders. At latest phases, stakeholders' representatives will participate in software providers' conference and discuss product demo.

Project divided to 3 phase, 16 activities. Every activity has specific duration and deliverables, by which the project manager can monitor state of the project.

3. Organizational plan

For this project a detailed organizational plan has already been set up and proper resource allocations proposed. An overview about this is given in the following sections.

3.1. Activity plan

The project is divided into three phases as seen in figure 3.1.1. Phase one is dedicated to *specification development* and process documentation, phase two focuses on *pre-selection of suitable tenders* and finally, phase three, is the *selection of the final vendor* and contract negotiation. More information and a detailed time-wise activity analysis including critical path and activity float evaluation is given in the Organizational Plan.

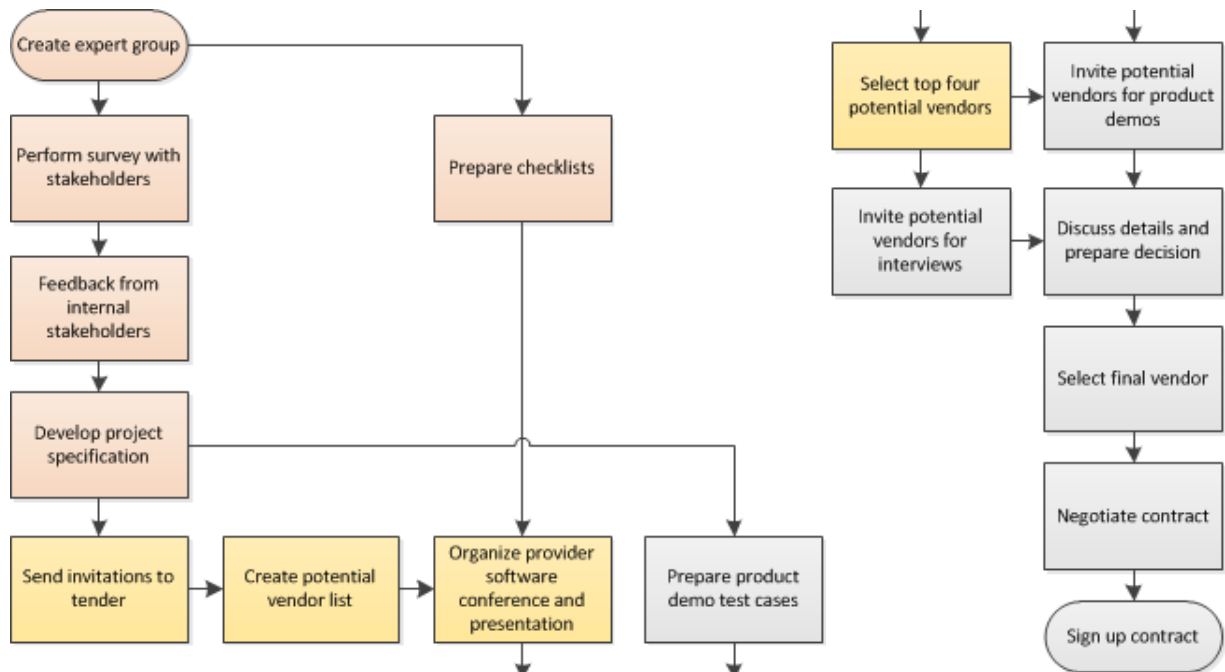


Figure 3.1.1: Activity plan for proposed project

The **project runtime is 75 workdays** with an estimated duration of 40 work days for phase one, 25 for phase two and 10 for the last phase. The resources scheduled are presented in the following section.

3.2. Resource allocation

In order to achieve a seamless and smooth project execution a detailed allocation plan for each activity has been created and is shown in the Organizational Plan section 2 (responsibility-based) and Budget Plan section 3.1 (workload-based).

As roles *project manager*, *process analyst*, *system designer*, *legal department*, *finance department*, *stakeholder representatives* and *executive board* have been selected. An overview about the major workload per phase is given in table 3.2.1. An activity-level table is shown in the budget plan.

Table 3.2.1: Workload per role during project phases

Phase	Dur.	Project manager	Process analyst	System designer	Legal dept.	Finance dept.	Stakeholders	Executive board
Phase #1	2.15	1.90	0.81	1.25			0.75	
Phase #2	1.20	1.15	0.95				0.75	
Phase #3	0.93	0.60	0.64	0.40	0.18	0.15	0.43	0.03
Total:	4.28	3.65	2.40	1.65	0.18	0.15	1.93	0.03

The table indicates the workload distribution during the three phases. As easily visible is the project manager rather equally occupied during the whole project. The process analyst is strongly participating during the process documentation in the first phase and starts to become a nearly full-time on-site expert in later phases. On the other hand is the system designer mainly scheduled for the requirements and process analysis in the first phase and only allocated for major meetings during decision time in phase three.

All other roles except for the stakeholder representatives (they are the hub to each involved department and function as field experts) are only sporadically bound for specialized tasks.

4. Budget plan

For this project the detailed budget and calculation is presented in Budget plan document. An overview about this in the following section.

4.1. Cost estimation

For completing project we need about **8.14 person-month**. This estimation base on COSYSMO model and calculated in budget plan. All participants of this project are already work in Harley-Davidson Motor Company and there is no reason to change current salary rates. Total cost of labor is **94 256 EUR**.

Additional expenses in amount of **63 520 EUR** are described in section 4 (Additional costs) of Budget plan. This number includes cost for workspace, office equipment as well as illness cost predictions and project-related travel requirements.

The proposed project goal is purchase a suitable software for for long-term planning and operating of supply management within Harley-Davidson's organizations. The exact final cost of this software can be specified only after contract negotiation with suitable vendor. At this stage we can only set a maximum acceptable price for this kind of software. The number **2 000 000 EUR** is based on short market research. This is a big amount, but in long term it will pay off.

Total workforce costs:	94 256 EUR
Total additional costs:	63 520 EUR
Estimated software cost:	2 000 000 EUR
Total:	2 157 776 EUR

4.2. Profit analysis

Project requires a large one-time investments in the first stage, but all of them will pay off within 3 years. Average return of investments is 41%. All calculation in this section made in 2012 prices, and not adjusted for inflation.

As described in section 5.2 (Expected income) after successful integration of resource planning software working time dedicated to supply management will be used more efficiently by raising the overall

amount of supplier relationship-related activities from 10% to 70%⁶. So within 6 years will be released at least 15% of labor capacity. Labor cost, office rent and other operating expenses will be reduced proportionally. Current operating expenses are taken from Harley-Davidson Motor Company Annual report 2010.

Warehouse expenses are currently announced as 27 100 000 EUR per year including management, employee and administration costs as of Harley-Davidson Annual Report 2010. Within this amount also storage costs and logistic tasks in general are covered. After introduction of the new system the total reduction of warehouse expenses is expected to be 2.5 % of 27 100 000 EUR leading to 26 440 000 EUR after six years of adaptation and introduction time.

Table 4.2.1: Expected reduction of expense after integration of new ERP software.

Year	Purchasing organization operating expenses⁷	Warehouse expenses⁷	Income⁷
2012	12 400	27 100	0
2013	11 780 (-620)	26 700 (-400)	+1 020
2014	11 780 (-620)	26 640 (-460)	+1 080
2015	11 160 (-1 240)	26 580 (-520)	+1 760
2016	11 160 (-1 240)	26 530 (-570)	+1 810
2017	10 540 (-1 240)	26 480 (-620)	+1 860
2018	10 540 (-1 260)	26 440 (-660)	+1 920

Total net profit: **6 995 000 EUR**

Payback period: **3years**

Return of investments (ROI): **41%**

⁶ Exhibit 5, Case Study "Harley-Davidson Motor Company: Enterprise Software Selection", Harvard Business School 9-600-006, Revision January 22, 2003

⁷ in thousands, EUR