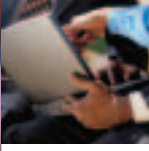
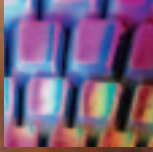




Selecting a Business System



BASDA Request for Information (RFI)
Selection Process





Sponsored by the following member-

Datafile Software Ltd

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1. Introduction

This booklet has been primarily designed for the medium to large organisation involved in the selection of a business and accounting system. The procedures outlined in this booklet could be used in a less complex manner for smaller organisations where applicable. The booklet has been designed to provide a fast-track approach to selecting a business and accounting system in a reliable and proven manner.

A Working Party was set up between BASDA, the Business Application Software Developers' Association, external consultancies and user organisations. The techniques outlined in this booklet are not new and in some cases have been used for many years. They are therefore proven and well established.

2. Background

The traditional method of selecting a business and accounting system was to prepare a detailed requirement specification and then include this alongside other operational requirements in a huge document known as the Invitation to Tender (ITT). Packaged software was not always available and the specification had to be comprehensive enough to be used for the selection of specialist developed or bespoke systems as well as packaged solutions. The emphasis of the ITT approach was for the buyer organisation to accurately define the requirements and the vendor to accurately match its applications or development capability against those requirements.

In order to protect the customer's position, comprehensive legal contracts were entered into with the supplier to ensure that it delivered exactly as stated in the ITT. Unfortunately IT requirements can often be interpreted in different ways and there are many examples where projects have failed due to misinterpretation of the requirements. Even when disputes were taken to court, the courts found it very difficult to interpret the requirements.



3. Business & Accounting Systems have changed

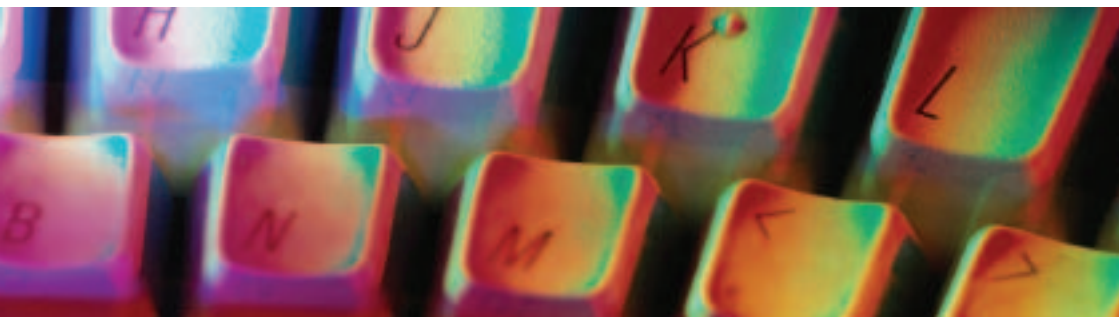
Business and accounting software has changed significantly over the last 10 years. There were over 800 Business & Accounting Systems in the UK 10 years ago, today there are less than 100 that are being constantly updated.

Organisations no longer purchase bespoke accounting applications, they use established and proven packaged applications.

Today modern business systems are very flexible and therefore evaluating them against specific functional requirements is a long and cumbersome process. For the main part this is not required; it is a waste of time sending a detailed specification of requirements to modern application developers as the answer to most requirements will be 'yes'. Modern applications are so flexible; they can be configured to meet most requirements. There are however some key elements that need to be specified and these need to be reviewed in detail. The days of the detailed 'Functionality Check List' are over.

Buyers that have sent out detailed ITTs have complained that they do not receive many responses. In a recent selection, one large publicly known organisation complained that out of 10 ITTs sent out, only two developers had responded and those proved to be inappropriate solutions. One leading European software developer, replying to the ITT, stated that it would cost it over £50,000 to respond to such a complex ITT. It was so busy that it could not allocate those resources into a speculative project where it was not even short-listed. The technique of sending detailed requirement specifications to developers to spend many days evaluating their software against obscure requirements is an outdated concept.

BASDA and its members have been recommending an alternate route of collecting outline information about the possible replacement systems, at an early stage. Then, later in the procurement cycle, when a preferred supplier has been established, to look into the more detailed requirements and match the software application against those requirements often in a 'conference room pilot' situation.



4. The BASDA Request for Information (RFI) Approach

The BASDA approach was to suggest to buyer organisations that after collecting all of the detailed requirements from the various departments, these are distilled down to a shortened 'summary of requirements'. Using the summary as the basis of a RFI, it is sent to a selection of up to 10 suppliers, but ideally only 6, to see if their software fits the broad requirements before embarking on detailed investigations. Once the responses have been evaluated and a short-list established, more detailed investigation into the requirements can be undertaken.

After the detailed review a preferred supplier is established and a detailed evaluation is undertaken of the product, including testing of the product on the customer's premises. The initial work in establishing the detailed specification of requirements is now converted into a testing schedule and over a series of weeks the product is tested against that specification to determine how accurately it fits the customer's specific requirements.

The process not only shortens the procurement cycle, it also allows more time with the suppliers that can meet the requirements and, more importantly, it takes a significant amount of risk out of the selection process by undertaking the on-site testing of the product before purchase. In our experience the heavier the document, the less likely developers will respond. It is better to start with a light document summarising the key requirements initially, and then home-in on the detailed requirements with the suitable short-listed candidates.

5. Principles of the RFI Approach

The two basic principles of the BASDA RFI Approach that differentiates it from traditional procurement processes are:-

- ◆ The replacement of the Invitation to Tender with a shortened RFI
- ◆ Bringing forward the detailed product testing to the evaluation phase prior to purchase rather than after the system has been installed.

The effect of these two basic principles is to reduce the procurement process and to make it significantly more reliable than the traditional ITT approach. BASDA is able to show that using this approach a reduction of 45% in the elapsed time can be achieved.

6. Benefits of the RFI Approach

The BASDA RFI approach has key benefits to buyers, they are as follows:-

- ◆ Leading suppliers are more inclined to respond to an RFI than an ITT.
- ◆ The responses to the RFI are much quicker and easier to evaluate.
- ◆ The selection and evaluation process has been speeded up considerably compared with the traditional ITT approach.
- ◆ The RFI approach does not eliminate the use of consultants, rather re-focuses their activities from preparing an ITT to preparing a detailed testing specification.
- ◆ Inappropriate packages are eliminated early in the evaluation cycle.
- ◆ Buyer organisations concentrate on evaluating packages likely to fit their requirements.
- ◆ Following the detailed testing of the preferred supplier's package, buyers have the confidence that the package selected will meet their key criteria.
- ◆ The risk and uncertainty in package software selection is significantly reduced by the RFI method.

Overall there is a significant change in emphasis from the ITT to the new RFI process. Instead of documenting a watertight contract with an accompanied detailed specification, the RFI enables the buyer organisation to place its resources on the testing of the software prior to its purchase. It is this re-distribution of effort by focusing on three and ultimately one package that gives the greatest benefit in reducing the risk to the Buyer.

Benefits to Software Developers

The BASDA RFI approach, whilst focusing on the needs of the buyer has also significant benefits to software developers, which in turn can benefit the buyer. They are as follows: -

- ◆ Software developers are able to focus their limited resources on responding to a wider range of RFIs.
- ◆ During the preferred supplier stage, the closer working relationship with the Buyer organisation allows a better understanding of the requirements.
- ◆ Whilst the RFI approach reduces the risk as far as the buyer is concerned, it also reduces the risk of the software supplier being involved in an abortive project.
- ◆ It enables smaller vendors with limited resources to respond to customer requirements, which the ITT process precluded them from.



7. Time Saving



BASDA, in conjunction with several of the leading consultancies, detailed the amount of man hours that were typically required for the selection process for both a medium sized organisation and a large organisation. BASDA has collated the time taken (man days) involved at each stage and the appropriate elapsed time due to re-organisation etc of the project.

It can be clearly seen from the tables attached, that the RFI approach has a saving from 34 weeks elapsed time to 21 weeks elapsed time for a medium company.

A saving from 48 weeks elapsed time to 26 weeks, for the larger organisation, that is a 46% reduction in the elapsed time, using the RFI approach.

In terms of man days there is a reduction from 134 to 94 days in the medium sized company and from 229 to 154 days for the large company, which is a 33% reduction in the effort required.

7.1. Traditional ITT Approach

| | Medium Company | | Large Organisation | |
|--------------------------|-------------------------|--------------|-------------------------|--------------|
| | Man days | Elapsed Time | Man days | Elapsed time |
| Requirements | 5d | 2w | 10d | 4w |
| Prepare ITT | 3d | 1w | 5d | 3w |
| Send out ITT | | 3w | | 4w |
| Evaluate ITT | 5d | 2w | 10d | 3w |
| Initial demonstration | 5d x 5p | 4w | 5d x 8p | 4w |
| Short-list demonstration | 3s x 5p x 2d | 8w | 3s x 8p x 2d | 10w |
| Reference visits | 3d x 3p | 2w | 3d x 5p | 2w |
| Detailed evaluation | 2e x 2d x 4p | 4w | 2e x 2d x 6p | 6w |
| Price/Contract | 2d x 3p | 4w | 4d x 3p | 6w |
| | <hr/> | | <hr/> | |
| To Contract | 99 man days / 30 weeks | | 164 man days / 42 weeks | |
| Post-contract testing | | | | |
| Testing - Spec | 5d x 2p | | 10d x 2p | |
| Testing | 5d x 3p | 2w | 10d x 3p | 3w |
| Project Planning | 5d x 2p | 2w | 5d x 3p | 3w |
| | <hr/> | | <hr/> | |
| Total Including testing | 134 man days / 34 weeks | | 229 man days / 48 weeks | |

8. The BASDA RFI Steps

The essential steps of the new approach are as follows:-

8.1. Preparation Phase

- ◆ Determine the business strategy for the Buyer organisation.
- ◆ Collate the specification of requirements.
- ◆ Highlight the key requirements for the RFI.
- ◆ Prepare the RFI.
- ◆ Send out the RFI to a selection of up to 10 vendors - ideally only 6.

8.2. Evaluation Phase

- ◆ Evaluate the responses to the RFI and prepare a short-list of three or, at the most, four vendors.
- ◆ Attend initial demonstrations of the short-list offerings, reject unsuccessful vendors.
- ◆ Provide in-house briefings to short-listed vendors to explain the key requirements.
- ◆ Follow-up telephone calls to reference customers where provided.
- ◆ Develop evaluation criteria and brief staff on assessment of demonstrations.
- ◆ Attend detailed demonstrations to evaluate the short-list against the RFI specification.

8.3. Preferred Supplier Phase

- ◆ Select a preferred supplier, possibly entering into a non-disclosure agreement.
- ◆ Place other short-list suppliers on hold, pending a detailed evaluation of the preferred supplier.
- ◆ Undertake detailed demonstrations to each department.
- ◆ Undertake reference site visits.
- ◆ Develop departmental test specification.
- ◆ Undertake detailed department testing on site.
- ◆ Prepare evaluation report and decide to continue negotiations with preferred supplier or not.
- ◆ Or alternatively go back to stage 8.3.a and re-evaluate one of the other short-list offerings.



8.4. Implementation Planning Phase

- ◆ Prepare implementation and project plan.
- ◆ Review vendors Contract and Service Level agreement.
- ◆ Review vendor's contract and finalise system requirements and associated costs.
- ◆ Place contract with preferred supplier.

DETAILED EXPLANATIONS

8.1. Preparation Phase

a. Determine the Business Strategy

Very often organisations have a corporate IT strategy. It is this strategy that lays down an architecture based on hardware configuration like Windows-based client-server, with associated operating systems for the client, the network and the server. This architecture will normally have a preferred corporate database requirement; means of communication and links to other systems.

Today it is not so important to accurately pre-define the architecture as most of the leading applications will work on a wide range of platforms and databases. However, when specialist applications are being considered, they may be restricted to specific architectural platforms, which may reduce the numbers of potential systems for selection.

Outside the IT architecture are the organisational requirements. Questions need to be asked like:-

- ◆ Are all clerical employees going to have access to a computer terminal and therefore to the business system?
- ◆ Will this be extended to non-clerical employees in other departments in the organisation?
- ◆ Is it envisaged that the organisation will link to other subsidiaries and international organisations?
- ◆ What is the scope for expansion through either dynamic growth or acquisition?

These considerations need to be thought through in specifying the requirements to ensure that the solution is scaleable to meet the numbers and volume requirements as well as operational in the countries in which the organisation may potentially expand.

b Collation of the Specification of Requirements

The primary requirement, that is often overlooked, is to document the present system and procedures as the starting point for any replacement system. Then

follow on with the future requirements and the areas in which the system will be enhanced.

The main topics considered in this planning phase would be:-

- ◆ Management information requirements
- ◆ Departmental operational requirements
- ◆ Systems integration requirements

There has been a move from stand alone, or best-of-breed modular systems to a fully integrated enterprise-wide, and in some cases to the ERP (Enterprise Resource Planning) approach. The islands of automation typified in the 80's and early 90's are in many cases being replaced by systems from one vendor in a fully integrated suite of applications. Whilst this may improve the information retrieval requirements for the organisation as a whole, it does mean that it is a compromise in terms of the best-of-breed systems at a departmental basis. The leading best-of-breed systems provide advanced integration tools that enable these applications to integrate simply and easily with existing legacy systems, therefore mitigating the need to replace all systems when only one needs updating.

In the early 90's the specification of requirements was usually put together by the IT department. In the late 90's the pendulum had swung to the other extreme and the requirements were collated by non-technical departmental committees. Today it is a compromise of both, using the technical expertise of the IT department as well as the fundamental requirements of each operational department. In order to ensure the project is successful, it is important that all of these departments contribute to the specification to get the buy-in and backing from the organisation as a whole in the replacement system.

c Highlighting key requirements for the RFI

Once the specification of requirements has been completed, these requirements can be distilled down into essential elements. Most business applications are flexible enough to be adapted to meet most functional requirements, however, there are some elements that may not be flexible and these key elements need to be drawn out in the document.

Some of the functions that are not always present in all applications are the following:-

- ◆ International capability – multi-currency, multi-language, country-specific fiscal & legal requirements, and multi-company consolidation. (IFRS, US FAS-B)
- ◆ Workflow – procedural and structural flexibility.(Sarbanes-Oxley)
- ◆ Internet / intranet / e-commerce capability.
- ◆ Integration with external applications.
- ◆ Information retrieval and detailed analysis capability

In some cases expert help may be required from analysts or consultants that specialise in this field, to review the detailed requirement specification and flush out unusual requirements which may not normally be met in flexible application software. It is



important that the specification of requirements is distilled down to a three or four page document, showing the essential requirements that are unusual in that organisation.

It is important that these requirements are realistic – there is no point in computerising some tasks that are better performed manually. Packaged software has its limitations; it is not recommended that unnecessary specialist changes are undertaken; these can delay the implementation, increase the costs considerably and usually carry a high risk of failure. Most systems have developed flexible business processes; some have developed 'best-practice' solutions. It may be feasible to update traditional internal processes to take advantage of improvements in business processes.

If specialist work is required that is outside the functions provided by the software packages, then this work needs to be documented fully with a detailed specification. This is really outside the scope of the RFI approach – which is aimed at packaged solutions.

d Prepare the RFI

We have included a mock-up of an RFI as an appendix at the end of this booklet. The suggested format of an RFI is as follows:-

- ◆ Background information on the buyer organisation
- ◆ Hardware requirements
 - Operating platform- client / network / server
 - Database
 - Communication infrastructure – LAN / WAN / VPN
- ◆ Summary of application requirements
 - Range of application modules required – AP, AR, GL
 - Key application requirements
- ◆ Scalability
 - Transaction volumes – Invoices, GL Accounts
 - Number of casual and concurrent users
- ◆ Scope
 - International requirements
 - Countries, languages etc
- ◆ Project timescales and selected milestones
- ◆ Outline budget

It is essential that the RFI is not a long and complex document. If detailed requirements are required to be signed-off, they can be signed-off later at the preferred-supplier stage. It is not important that they are signed off at the initial selection stage. In order to gain the support of the leading vendors to respond quickly to requests for information, it is essential that the RFI is kept to a reasonable size and has a mechanism for easy and straight forward responses.

BASDA recommends a tick-box mechanism with space at the side of each requirement for a short explanation, where required. It is not important at this stage for very long and formal responses to be received. The response mechanism is not a measure of the company's ability to put together an impressive document; the company and product will be measured during the evaluation and testing phase.

Whilst consultants would no longer be required to pull together a detailed ITT, they can be of considerable help in preparing the specification of requirements and distilling it down to the condensed RFI.

e Send out the RFI to a selection of up to 10 vendors - ideally only 6

Establishing suitable software vendors can be quite difficult. However, there are lots of sources of information available to ease the process. There are several publications that itemise the functions of all of the most popular packages - this is not an easy job. BASDA has a web-site that details all of its member's specialist applications with links to their web-sites. The web-site does not quantify the functional specification of products that its members have, but it does work closely with several organisations which provide this information. Alternatively the Government's Business Link program can be a great help in providing information on suitable suppliers either internationally or locally.

Software developers have limited resources and if they feel that the response has been sent out willy-nilly to a large number of vendors, they will not respond. If however they feel that the response has been accurately targeted at specific suppliers, they will put a significant effort and interest in responding to the RFI.

Some public and governmental organisations will have a requirement to use the European Journal during the procurement process. The BASDA RFI approach does not change any of this and the RFI acts as a very useful tool in this process. Organisations are therefore encouraged to place an advertisement in the European Journal asking for vendors that would be interested in supplying systems to reply, requesting a copy of the RFI. The mechanism does not alter the procurement process in any way, it makes it easier.

8.2. Evaluation Phase

a. Evaluate responses and determine shortlist of three or four vendors.

BASDA members are prepared to respond in three, at the most four weeks, to a summary RFI of no longer than six pages. Therefore, if the buying organisation has a short timescale for the selection process, by reducing the size of the RFI, it will automatically ensure it can get a much quicker response from the software vendors.

Once the responses have all been received, they should be collated against the requirements laid down in the RFI. It is a relatively straightforward operation to pick three or at the most four vendors for closer examination. The other vendors will be thanked for their response with a short note to explain why they have not been successful.

b Undertake initial demonstrations of short-list offerings

The vendors that have been short-listed should be contacted and arrangements made for an executive committee from the buying organisation of three or at the most four members to visit the vendor's premises to have an initial demonstration of the product and an outline of the organisation behind it. It is important at this stage that the buyer gets a feel for the vendor, probably meet some of its key executives and see how the vendors software meets the requirements that have been set out in the RFI. This is not a detailed demonstration at this stage, more an explanatory meeting to form relationships. At the initial demonstration, it is important that the vendor is required to explain its response to the RFI and how it plans to meet certain of the key requirements, as well as give an overview of its product as a whole.

c Provide in-house briefing to short-list vendors

In order that the vendors can understand more closely the complex IT requirements, it is important, that once the initial demonstration has been undertaken, to invite the vendor in-house to go through the RFI. At that meeting the customer will introduce the vendors to its organisation and its key executives to enable the vendor to get a greater understanding of the operational and functional requirements.

d Follow-up references by telephone

Vendors should be asked to provide reference customers for the buyer organisation to follow through. Reference customers should ideally be similar organisations, in a similar industry, with a similar size, in terms of numbers of users and hardware requirements and, a similar system, in terms of the range of modules to be purchased. At this stage, the reference should only be taken up by telephone, detailed reference visits follow at stage 8.3.d.

e Detailed demonstrations of short-list vendors

Since the vendors have now had the opportunity of understanding the detailed requirements, more detailed demonstrations are provided, this time with teams from the various departments, assessing how the vendor's software will meet their specific RFI requirements. At this stage it is more important that the departments get a feel for the vendor organisation, its software and in broad terms how it will meet the requirements specified in the RFI.

This phase can often take 2-3 months due to logistics and operational pressures in getting the various people together. It is therefore important that staff and facilities are co-ordinated early in the selection process to ensure that facilities are available for the demonstrations to be undertaken at the vendor premises and also that the various key department staff are freed up to attend these demonstrations.

8.3 Preferred Supplier Phase

a. Select a Preferred Supplier

Once the initial demonstrations have been undertaken, it is quite clear which of the three or four short-listed software developers is the most suitable, either based on the functional, operational or the attitude of the vendor organisation to the buyer organisation. The BASDA approach is to recommend that a preferred supplier is singled out at this stage and the other short-listed suppliers put on hold; not eliminated, as it is possible that they will be brought back into the selection process again later. The experience of the leading consultants involved in the BASDA Working Party show that in 80% of cases the preferred supplier is usually the one finally selected.

It is therefore important, in shortening the selection cycle, that evaluation efforts are concentrated on the preferred supplier rather than two or three alternative suppliers that may not be ideal solutions. The big advantage of the preferred supplier route is that once a vendor organisation knows it is a preferred supplier there is a greater co-operation and understanding, as well as access to confidential information on both sides. This may require a non-disclosure agreement with the buyer organisation. But this is an important step and is essential for the detailed demonstration and evaluation phases that will follow.

The preferred supplier concept implies that if after the evaluation the supplier meets all of the criteria, then it will be selected as the supplier of the system. It is not a contractual commitment, because at this stage the contract and the final costings have not been fully negotiated, but it is an intent, which can reassure both sides and gain closer co-operation.

b Put other short-list suppliers on hold

The other short-list suppliers are notified that a preferred supplier has been selected and during the evaluation phase their application will be put on hold. If at the end of the evaluation phase the preferred supplier solution is not suitable, they are likely to be contacted again for more detailed evaluation. This is preferable to rejecting the supplier outright and does leave the door open to further evaluation if required.

There may be some obvious drawbacks that have meant that a vendor has not been selected as the preferred supplier. It is worth detailing these at this stage as the vendor may be able to make changes to overcome this objection whilst the other evaluation is under-way.

c Detailed departmental evaluations

Detailed preferred supplier demonstrations can now be undertaken against the specification of requirements. This will mean a significant amount of time spent on demonstrations with each department, understanding how the software will meet their functional and operational requirements. Very often this work is undertaken at the Buyer organisation's premises as a pre-cursor to the next stage, which is the testing.

d Reference Site Visits

It is embarrassing for the vendors if the reference site visit turns into a software demonstration - that is not the intention. The intention of the reference site visit is to understand how the reference company has implemented the product; the problems it may have had in that implementation; how upgrades were managed; how support issues were resolved; and its on-going relationship with the vendor organisation. It is not to have another detailed demonstration of that product.

e Develop test specification

The benefit of initially detailing the specification of requirements is that it can now be used to develop the test specification. Operational testing can practically only take 1 day on basic systems and up to a maximum of 3 weeks on complex systems, therefore it is impossible to test every specific requirement. Departments are therefore urged to bring together their essential requirements or most unusual requirements and produce test specifications against those requirements, for their period of evaluation. These specifications are then co-ordinated and passed on to the vendor organisation so that they can prepare the necessary resources and facilities to allow these to be undertaken.

Third party consultancies can play a very useful role in not only developing the test specification, but also overseeing the testing phase.

f Undertake detailed department on-site testing

The on-site testing phase requires that a demonstration system is installed on the buyer organisation's premises. In order to undertake the testing, the vendor organisation will be required to provide technical expertise and in many cases training expertise so that the buyer's staff may operate the system successfully.

It is not expected that these facilities are supplied free of charge. Usually negotiation takes place over a charge for the use of the computer system and, more importantly, the cost per day of the vendor staff involved. Very often these costs will be included in the overall contract price if the vendor is successful. However, if the vendor proves to be unsuccessful, then these charges will be reimbursed to the vendor organisation by the customer. It is not expected that the hardware, software and support capability for on-site testing will be provided free of charge.

It is essential that in conjunction with the test specification a document is prepared to scope the tests and resources required. All too often the scope of the project can creep and in some cases go out of control. It is essential that resources are available from the supplier and the user departments to ensure that testing is tightly controlled. Both parties need to approve the test specification before testing commences.

Organisations that have undertaken the testing phase usually load their own data

on the system in terms of customers, suppliers, general ledger accounts, inventory etc. Each of the departments will evaluate how the software will meet their individual requirements. It is essential that each department undertakes its own testing in conjunction with the vendor, then signs off its requirements specification against the results. There will undoubtedly be areas where the specific requirements have been misinterpreted and workarounds may have to be undertaken. There may also be areas where additional application development or bespoke programming will be required to meet specific requirements, and these can be highlighted and quantified before the system is purchased.

g. Prepare Evaluation Report

Once the testing is completed all the various test schedules are collated and shortfalls against the specification are then considered. Some of these shortfalls may be significant and may show the product to be unsuitable. Others may need a work-around or bespoke programming and these can be costed as appropriate.

A decision can therefore be made whether to continue to the implementation planning stage or not, with this preferred supplier. If it is decided not to proceed, then one of the other short-list developers can be selected to go through the preferred supplier stages 8.3 again.

This may not mean starting the whole evaluation process again with another vendor. It is recommended that the areas that were not suitable in the preferred-supplier's system are tested in the other vendor's system. If the other vendor cannot resolve those problems then there is no point in taking that evaluation further.

8.4 Implementation Planning

a. Prepare implementation project plan

The benefit of undertaking on-site testing enables the ideal configuration of the software to be determined prior to purchase. Associated with that, the work involved in implementing the various stages can now be accurately quantified - where a straightforward implementation can be used; or where specialist add-ons or bespoke programming is needed. There may be a requirement to migrate data from the existing system to the new application - interfaces will have to be defined. Therefore a detailed project plan can be prepared for the implementation of the system.

It is BASDA's recommendation that the project plan should have key milestones for achievement. These project milestones, in our experience, should be as short as possible and certainly not longer than a year. Therefore project teams can get a sense of achievement against these milestones rather than go for long and protracted implementations. Ideally a project should be split up into several individual projects, each lasting less than a year, but with specific milestones against them. Some projects may run in parallel with other projects using different teams and facilities. It is important that projects are tightly controlled and BASDA recommends the use of

project control software to keep these in line and to provide quick and accurate feedback during the implementation process.

b Review contract and finalise system requirements and cost

Often the biggest delay in the procurement cycle is when the vendor and buyer organisations solicitors get together to negotiate the contract. In our experience, it is far better for the organisations to spend time sorting out the essence of contract prior to consulting with their solicitors. Solicitors are required to ensure that no legal problems exist, but the basic concepts should have already been agreed beforehand.

In the case of very large organisations the contracts may be long and complex on both sides, and in some cases the Chartered Institute of Purchasing and Supply's model contracts have been used as an intermediate route, which benefits both sides equally.

Whilst an estimate of costs will have been requested in the initial RFI, it will now be quite clear which application modules will be required, the phasing of the implementation, as well as the scope of the consultancy, implementation and training for the project. Therefore system costs can be finalised.

It is important to also ensure that there is a Service Level Agreement in place and establish if the existing offering requires to be adapted to suit the demands of the organisation. Areas to consider are hours of service, self service support, remote support (is a site visit required or will the vendor be able to access remotely). The response times to problems together with the criteria that would determine the severity of an issue should be assessed. If there is a problem with a business critical function what turnaround times to resolution will be guaranteed.

c Place contract with preferred supplier

Once all of this has been undertaken, and the supplier and the vendor are happy that the contract is realistic and the timescales achievable, the contract can be placed for early implementation.



APPENDIX 1

1. SAMPLE REQUEST FOR INFORMATION

a. Introduction

The purpose of this RFI document is to outline the activities of the SAMPLE COMPANY LTD and identify its key requirements for a business system.

B Confidentiality

All information in this Request for Information is to be treated with complete confidence. The supplier must give written acknowledgement of receipt of this document and by so doing acknowledges and accepts the requirement for complete confidentiality by the SAMPLE COMPANY LTD.

C Supplier Selection Process

The evaluation of the proposals and selection of the chosen Supplier will be carried out over the following timetable:

| | |
|---|------|
| Issue of Request for Information | Date |
| Request for Information responses to be received by | Date |
| Evaluations of responses - Shortlist prepared | Date |
| Preferred supplier appointed | Date |
| Final selection | Date |
| Implementation completed | Date |

2. The SAMPLE COMPANY LTD

a. Company Background

Who you are and what you do.

Plans for future growth – international expansion?

The project team, the sponsor.

b. Existing Systems & Applications

What they are now, what they do, how well they perform.

Existing hardware platform

Workstation

Network – LAN / WAN / VPN

Server

Communication infrastructure

Existing database / file structure

Number of users in total

Number of concurrent users

Centralised / distributed deployment

Scope of applications

Applications to be replaced

Legacy applications to be linked to the new system e.g. feeder systems

c. Business System Objectives

Why you propose replacing your Business System i.e. the limitations of the current system. What are the key operational and business benefits that you wish to achieve.

What systems will it need to interface with; what hardware will it be required to work with e.g. printers, bar-code readers etc.

3. KEY REQUIREMENTS

- tailor the list of modules by adding or deleting.
 Tick those required. The supplier will tick those available.

a. Software Modules

| | REQUIRED | AVAILABLE | NOTES |
|---------------------------------|--------------------------|--------------------------|-------|
| Financial Management | <input type="checkbox"/> | <input type="checkbox"/> | |
| Management Reporting | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| General Ledger | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Accounts Payable | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Accounts Receivable | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Cash book | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Treasury Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Fixed Assets | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Vote/Cash Accounting | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Commitment Accounting | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Budgeting | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Order Processing / Distribution | <input type="checkbox"/> | <input type="checkbox"/> | |
| Sales Order Processing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Sales & Marketing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Purchase Order Processing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Inventory Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Warehousing / Logistics | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Document Imaging | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Contract Administration | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Project Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Human Resources | <input type="checkbox"/> | <input type="checkbox"/> | |
| Customer Relations Mgt | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Time Sheet & Billing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Payroll | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Personnel | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Manufacturing | <input type="checkbox"/> | <input type="checkbox"/> | |
| Bill of Materials BOM | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Works Order Processing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Production Control | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Master Production Planning | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Routing | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Material Reqm'ts Planning | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Field Service Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Capacity Reqm'ts Planning | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Formula Control | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Recipe Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| System / utilities | <input type="checkbox"/> | <input type="checkbox"/> | |
| Report Generator | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| Document Management | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| XML Interface | <input type="checkbox"/> | <input type="checkbox"/> | _____ |

b. Hardware requirements / System Specification

- Client configuration
- Network Operating System – LAN / WAN / Intranet
- Server type and operating system
- Communications
- Database
- Number of named logins
- Number of concurrent users (where applicable)
- Number of peripheral devices – printers, scanners etc.

4. DETAILED REQUIREMENTS

List key functionality that is Mandatory (M) / Desirable (D).

The supplier will tick that they are standard (STD)

i.e. Delete words in table in italics and add your own specific requirements.

| REQUIRED | M/D | STD | COMMENT |
|---|--------------------------|--------------------------|---------|
| General Ledger | | | |
| Multiple chart of accounts, to facilitate multi-company and multi-division structures | <input type="checkbox"/> | <input type="checkbox"/> | M |
| Sales & Purchase Ledger | | | |
| Update integrated ledgers in real-time, subject to process controls dictated by security rights | <input type="checkbox"/> | <input type="checkbox"/> | M |
| Fixed Assets | | | |
| Up to ten different cost elements per asset | <input type="checkbox"/> | <input type="checkbox"/> | D |
| Etc..... | | | |

5. TECHNOLOGY REQUIREMENTS

List key functionality that is Mandatory (M) / Desirable (D).

The supplier will tick those that are standard (STD)

i.e. Delete words in table in italics and add your own specific requirements.

| REQUIRED | M/D | STD | COMMENT |
|--|--------------------------|--------------------------|---------|
| Workstation | | | |
| Pentium IV, Microsoft Windows, Office | <input type="checkbox"/> | <input type="checkbox"/> | M |
| Data access via Network | <input type="checkbox"/> | <input type="checkbox"/> | M |
| Performance | | | |
| Capacity to process XXX transactions /hour, with scalability to process up to YYY transactions/ hour (subject to hardware and memory constraints being met). | <input type="checkbox"/> | <input type="checkbox"/> | M |
| Capable of 24 hour operation – no system down-time | <input type="checkbox"/> | <input type="checkbox"/> | M |

6. SERVICE REQUIREMENTS

- Hours of service availability
- Support service offering - telephone based, on site, remote access
- Number of support staff - total and dedicated
- Update releases

7. SUPPLIER RESPONSE

1. Company Background
2. Relevant Experience
3. Reference sites
4. Appendix:
 - Support Options
 - Implementation Methodology
 - Accounts
 - Literature

8. SCHEDULE OF ESTIMATED COSTS

THE SAMPLE Company Limited

| MODULE | NO OF CONCURRENT USERS | PRICE |
|--|------------------------|-------|
| General Ledger | <input type="text"/> | £ |
| Accounts Payable | <input type="text"/> | £ |
| Etc.... list modules and number) | | |
| Preferred Database e.g. MS SQL Server, etc. | <input type="text"/> | £ |
| Preferred Client Hardware e.g. PC's etc. e.g. | <input type="text"/> | |
| Preferred Server Hardware e.g. Unix, Windows etc. | <input type="text"/> | £ |
| Total Software Licence Charges | <input type="text"/> | £ |
| Total Hardware (where applicable) | <input type="text"/> | £ |
| Service | | |
| Project Definition | <input type="text"/> | £ |
| Training | <input type="text"/> | £ |
| Installation | <input type="text"/> | £ |
| Project Management | <input type="text"/> | £ |
| Implementation | <input type="text"/> | £ |
| Consultancy | <input type="text"/> | £ |
| Data Conversion | <input type="text"/> | £ |
| Interfacing | <input type="text"/> | £ |
| Total Services | <input type="text"/> | £ |
| Estimated Annual Maintenance Cost | <input type="text"/> | £ |
| Total Implementation & Maintenance costs | <input type="text"/> | £ |

APPENDIX 2 - Glossary

| | |
|---|---|
| Cash Book. | A function that controls payments and receipts to the bank account. Very often integrated with the sales, purchase and nominal ledgers. |
| Client-Server. | A means of separating the local presentation of information on the workstation (client), from the main processor (server) to gain performance advantages on a network. |
| CRM. Customer Relationship Management. | An application designed to record all interaction with your prospects and customers. |
| Distribution Systems. | Packaged software that will provide systems for distributors of items, embracing sales order processing, invoicing, purchase order processing, and stock control. |
| Drill down/Zoom. | A technique of exploding summary information into detailed information. Used in the general ledger to drill down to detailed transactions in the sales and purchase ledgers and in some cases to inventory and manufacturing. |
| Financial Systems. | Packaged software that will provide sales, purchase and general ledger functions. In some cases with cash book, and fixed assets modules. |
| 4GL, Fourth Generation Language. | The latest generation of programming languages using a structured query language, SQL, and a relational database file structure. This program generator is not as complex to use as third generation programming languages, such as Cobol or C, and is easier, quicker and therefore cheaper to develop in. |
| GUI, Graphical User Interface. | The new form of screen display using graphics, proportionally spaced characters and colour. Microsoft Windows being the most popular. |
| IFRS International Financial Reporting Standard. | IFRS will be introduced from 1/1/2005 for publicly quoted companies in the majority of industrialised countries around the world with the exception of the USA. It sets standards for the presentation of year-end information. See BASDA IFRS White Paper. |
| Manufacturing Systems. | Packaged software that will provide the functions of bill of materials, routing, master production scheduling, works order processing, material requirements planning and capacity requirements planning. Linking to stock control, sales and purchase order processing. |
| Nominal Ledger General Ledger. | The basic ledger recording the financial transactions for the company as a whole, for the production of management accounts, profit & loss, and the balance sheet. Links to sales and purchase ledgers, fixed assets, payroll and cash book. |
| Open Systems. | A term relating to the connectivity and portability of systems to international standards. The most common open systems are DOS, Microsoft NT, Novell and Unix. |
| Proprietary Systems. | Operating systems which, in the main, will only operate on a specific manufacturers hardware i.e. HP MPE, IBM OS/400. |
| Purchase Ledger - AP Accounts Payable. | A book of prime entry, a financial ledger, for the recording of purchases and controlling the payment of suppliers. Links to the general ledger. Links from purchase order processing. |
| POP - Purchase Order Processing. | A function to allow purchase orders to be created, with goods received and supplier invoices to be validated against the order. Links directly to the purchase ledger and in some cases, stock control. |
| Sales Ledger - AR Accounts Receivable. | A book of prime entry, a financial ledger, for the recording of sales and the controlling of debtors. Links to the general ledger. Links from sales order processing and invoicing. |
| SOP - Sales Order Processing. | A function to allow sales orders to be entered and progressed to invoicing. Links directly with the sales ledger and stock control. |
| Stock Control Inventory. | A facility to record the movement of stock, from purchasing and manufacturing to sales order processing and sales invoicing. Links to sales and purchase order processing, bill of materials and manufacturing. |
| XML – Extensible Mark-up Language. | A means of identifying data to be sent over the Internet. The most common form of data transfer used in eBusiness today. |

APPENDIX 3 - Useful Contacts

The Chartered Institute of Purchasing & Supply

Easton House, Easton-on-the-Hill

Stamford, Lincolnshire PE9 3NZ

Telephone: +44 (0)1780 756777

Fax: +44 (0)1780 751610

Web: <http://www.cips.org>

FEEDBACK

We would appreciate your thoughts and comments about the RFI method.

How could it be improved and what have we missed out? E-mail: info@basda.org

RELEASE HISTORY

| VERSION | COMMENT | DATE |
|---------|--|---------------|
| 1.00 | Original document published August 1998 amended to account for national telephone number changes. Appendix 3 USEFUL CONTACTS updated. | 29 March 2001 |
| 2.0 | Updated by Wendy Haylock | August, 2003 |
| 3.0 | Updated by Dennis Keeling – Sponsors added | May, 2004 |

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