



Profitability & Costing Software Selection Methodology





Profitability & Cost Software Selection Methodology

The purpose of this document is to describe the PCS Consulting, Inc. methodology for assisting clients evaluate and select Profitability & Cost Management software to best meet their specific requirements. This methodology is a result of our extensive experience and expertise developed over more than 30 years assisting clients in virtually every industry worldwide with Profitability and Cost Management systems selection and implementation. In addition, this methodology leverages our in-depth and continuously updated “Profitability & Cost Management Software Intelligence” knowledge-base and our cost and profitability information systems implementation expertise using most of the top software solutions. These combined skills, experience and intelligence allow our clients to minimize risk, reduce overall implementation costs and select the costing and profitability software best aligned to meet their specific needs.

ABOUT PCS CONSULTING, INC.

PCS Consulting specializes in the implementation of Profitability & Cost Management Systems with consulting services targeted to assist our clients through each step of the implementation. We provide subject matter, methodology, technology and industry expertise required for sustained success internationally across virtually every industry. Our primary services include:

- Education & Training.
- Software Intelligence & Selection.
- Design & Implementation.
- Support

Learn More at www.pcsconsulting.com

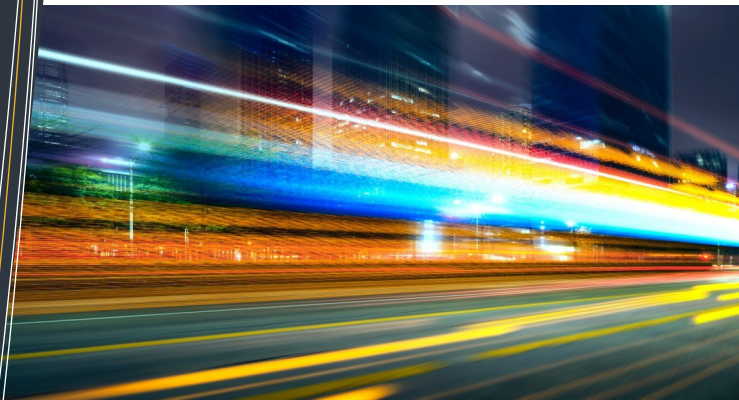
KEY STEPS

Four key steps are instrumental to determining which software solution will best meet the organization’s specific needs and a plan of action to execute. These include:

1. Clear and realistic definition of the profitability and cost management solution objectives and target outcomes
2. Proper functional and technical requirements definition and consensus
3. Detailed fit analysis of requirements and the profitability & Cost Management software solutions
4. Practical go forward implementation action plan

The chart on the next page outlines these four steps by responsibility group, Core Project Team, key personnel from organizational Business Functions and Information Technology.

The remainder of this document discusses each of these steps, including flexibility options designed to meet the specific needs of each individual organization situation.



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Core Team

- Define Scope, Objectives & Deliverables
- Form X-Funct Core Team
- Define Vendors Short List
- Project Org./Admin

Review

- Interview Key Stakeholders
- Review Processes & Systems
- Compile Prelim Requirements

Requirements

- Obtain Common Understanding
- Segment/Prioritize Requirements
- Obtain X-Function Consensus
- Finalize & Doc Requirements

Scorecard

- Define Selection Criteria, Priorities & Weights
- Define Use-Cases
- Confirm Vendors
- Prepare Vendor Scorecard Tool

Evaluation

- Understand Soft Vendor Offerings
- Vendor Solution Demonstrations
- Scenarios, POC, Prototype, Pilot
- Software Vendor Due Diligence

Selection

- Compile Vendor Scores
- Identify Issues & Challenges
- Make Solution Recommendation
- Select Solution

- Negotiate Solution Purchase
- Implementation Plan

Functional

- Review Current Cost & Profit Info
- Review Resource, Activity, & Cost Object Info
- Identify Gaps

- Cost/Profit Rptg & Analysis
- Level of Detail
- Decision Support Analysis
- By User Type

- Functional Criteria, Priorities, Weights
- Use-Case Scenarios

- Functional Use-Case Scenarios
- Functionality Issues / Gaps

Technical

- Review Source Data Systems
- Review Reporting & Analysis Systems
- Review Technical Reqs & Standards
- Review Info Tech Strategies

- High Level Tech Architecture
- Scaling
- Restrictions

- Technical Criteria, Priorities/Weights

- Performance Environment
- Technical Architecture
- Sys Integration
- Technology Issues / Gaps

Scope Definition

Clearly defining each functional and technical group's objectives and target outcomes is critical to establishing a common vision for the Costing & Profitability system the software will be used. This common vision will serve as the guiding principles for refereeing conflicts and keeping the project on track. While different groups will have differing needs, they need to be explicitly stated up front before they become a source of lingering conflict that can undermine the software selection processes. Organizing a cross-functional project team with an executive steering committee is recommended. This provides project structure with proper guidance and critical involvement of executive management. At least one executive sponsor should be very active in the entire process. The cross-functional evaluation team provides participation from each of the key functional and technical areas of the organization to identify and define the new profitability and cost management system requirements. As a key member on this team, each member is expected to support the collective software selection and implementation approach resulting from this project phase.

Depending on the timeline requirements of the selection effort, a short list of software vendors may be identified and notified in this step, to provide advance notice of an anticipated quick response being required of the vendors in the coming weeks.

Review and Requirements Definition

This step is comprised of understanding the current functional and technical environment, defining the business requirements to accomplish the organization's cost management objectives and more specifically defining the Profitability & Cost Management software requirements to meet these objectives. This is accomplished through a series of interviews and group work sessions. Interviews are conducted to gain initial perspective of the common and unique needs of each group (stakeholders, process managers and information technology managers). The data gathered in the interviews are key inputs into structuring collaborative group work sessions. Typically the data is inserted into templates and tools designed to facilitate discussion, arbitrate disagreements and drive consensus in the work sessions.

Work group sessions with the appropriate cross-functional representatives are organized and facilitated to develop a common understanding, definition of the business requirements, and the software requirements to support them. These work sessions are normally conducted over multiple non-contiguous days with small group break-out sessions to conduct research and/or accomplish detailed collaboration by sub-project team members in specific areas. Both functional and technical requirements are included. A final conclusions work group session is facilitated to obtain consensus and confirm any open actions items and responsibilities.

While conducting the collaborative work group sessions are not required, there are four key benefits of the approach to Profitability & Cost Management software evaluation and selection:

1. Leads to a more comprehensive and accurate list of the specific costing and profitability software requirements.
2. Helps educate everyone impacted by the process so everyone is hearing the same thing in the same way at the same time.
3. Provides a forum for people to voice opinions and resolve disagreements.

Efficient method to quickly generate consensus on the capabilities and priorities that are critical to making a sound software decision.

The interviews and work group sessions are enhanced with the Profitability & Cost Management systems experience and expertise, “Best Practices” research data and software intelligence PCS Consulting provides. Leveraging this knowledge and information speeds the process and improves the outcome.

Given the typical varying objectives and needs across functions, it is important to rationalize requirements and ensure that they are segmented based on criticality. Once defined, the requirements are segmented by weight and category to ensure an efficient and comprehensive software vendor scorecard analysis.

The overall output of this work step includes a detailed objectives/vision summary, requirements definition document and initial selection criteria and weightings.

Software Fit Analysis

The objective of this Step is to confirm the short list of Profitability & Cost Management software solutions to be considered, develop a process for evaluating the software and facilitate the software reviews and selection process. First thing is to confirm the software to be considered. There are normally only three or four software vendors that typically make the short list for most evaluations.

We have significant experience with all of the top costing and profitability modeling software and vendors, and have in-depth intelligence on each of these solutions. Leveraging this experience and intelligence, helps our clients quickly narrow the vendors considered, to be those best positioned to meet their functional, technical and economic needs. This includes eliminating some vendors who may already be on the client’s initial short list or identifying those which should be added. In some cases, we are able to quickly narrow the field of solutions to just two or even only one. For example, when the client’s standardized ERP software vendor has a reasonable solution and the business would need to strongly justify to the CIO why a different software vendor was chosen. In this case, we often quickly help the organization cut through the vendor marketing hype to confirm whether the current ERP vendor’s solution will work or to continue with the full software evaluation process.

**Cut
Through
Software
Vendor
Marketing
Hype**

Next is to coordinate the software reviews with each of the software vendors. PCS Consulting has working relationships with each of the Profitability & Cost software vendors. We can centralize and streamline the review coordination process. We can also serve as a buffer between the client and the software vendors, to minimize sometimes disrupting and time consuming marketing activities of the various software vendors. Ideally, each of the software vendors will present their solutions to the project team against the defined requirements on-site with all of the project team members in attendance. If on-site sessions are not possible, web-cast sessions can sometimes be used.

If the ABC Design Prototype step is performed, the prototype model can be used to ask each of the software vendors to use to demonstrate their product. We typically work with each of the software vendors to ensure they address all of the key requirements demonstrated in the prototype and also to ensure that unique functionality of the software be highlighted, so that the all project team members understand those capabilities that are most important, even if not included in the prototype design.

Many software selections only cover a cursory level of analysis into the wide range of functional and technical capabilities of software solutions. Normally, this is not sufficient for Profitability & Cost Management software solutions, due to the nuances of capabilities so

critical when evaluating these software solutions. The first few hours of Profitability & Cost Management software vendor presentations typically only cover surface level information that can effectively make them all look much the same. And too often the best looking solution is based more on the sales presentation than the content of the solution. But the fact is, Profitability & Cost modeling software solutions are far from similar beneath the surface. This is clearly evident with our Software Intelligence.

Through our continuous in-depth reviews of each solution, we have been able to learn details about

Which Tools:

- Provide the required functionality required by the organization,
- Be appropriate for the organization's user environment
- Is most appropriate for the technical environment,
- Provide a balanced economical cost to own and benefits

Our clients are able to leverage this intelligence to jump-start analysis and quickly provide greater insight than is typically accomplished. We also have a bank of typical Profitability & Cost Management software questions for the vendors designed to jump start our client's Request For Information (RFI) to ask each of the software vendors to complete.

The completion of the software evaluations are facilitated during and directly following each of the software reviews. Following completion of all of the reviews, the details from the reviews are pulled together and a work session with the project team to obtain software review results consensus is facilitated. Any follow-up details or open questions will be identified and monitored to quick resolution. The end result will be the team's software recommendations for moving forward.

Go-Forward Planning

This final step incorporates two primary activities. One is the process of purchase negotiations with the selected software vendor, which is the primary responsibility of the client. We provide guidance for reasonableness, based on our experience with each of the vendors across many implementations. The second is the development of the implementation plan. Here, we leverage our extensive implementation experience to assist the client to develop a well thought out implementation plan. The plan includes tasks organized by major work segments with identified internal and external resource requirements and deliverables by major work segment. Key milestones, aligned with interim deliverables, are identified for major progress checkpoints with the project steering committee. We assist the client with the balance of ideal versus practical resource availability to establish a realistic and efficient implementation plan to achieve the stated business objectives.

Implementing a Profitability & Cost Management system is much more than just the implementation of the software. It is about implementing a combination of methodology, application software, systems integration and reporting. However, choosing the right software is still a critical decision which can drive the cost and level of success toward achieving the organizations profitability and cost management objectives.

SOFTWARE INTELLIGENCE

PCS Consulting maintains an intelligence knowledgebase of the top Profitability & Cost Management software solutions and vendors. Through our continuous review and hands-on experience implementing these solutions, we maintain industry leading intelligence on each of these solutions.



SOFTWARE SELECTION

Our mission is to help our clients select the software that is best for their organization. To accomplish that mission, we provide a range of services designed to educate and guide clients through the software selection process, specifically developed for Costing and Profitability Management software. Our Costing & Profitability

software intelligence and vast experience implementing these software solutions, allow PCS Consulting to provide clients with critical insight for making informed software selection decisions and provide the implementation assistance expertise required for success.

BRIEFINGS

We provide Software Intelligence Briefings for companies planning or thinking of purchasing Costing & Profitability software. These briefings can significantly reduce the time and effort required to establish a prioritized software short list that should be considered.

Learn More at www.pcsconsulting.com

THE RIGHT SOFTWARE

Choosing the right software is a critical decision which can drive the cost and level of success toward achieving the organizations profitability and cost management objectives.

THE RIGHT DESIGN

Implementing a Profitability & Cost Management system is much more than just the implementation of the right software. It is about designing and implementing the right combination of costing methodology, software, systems integration and reporting analytics.

THE RIGHT PARTNER

Choosing the right implementation partner is key to successfully accomplish the objectives on-time within budget. Consultants assigned should have deep costing and profitability systems design and implementation experience with the specific software and technology.

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