Loss Review
[Client]
PeopleSoft Project

Conducted by: SalesScope, Inc.
August 25, 200X

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I. Review Process

On July 30, 200X SalesScope, Inc. was engaged to conduct a loss review of the [CLIENT] PeopleSoft Project. The [My Customer] Client Partner forwarded to SalesScope a copy of the [My Customer] proposal on July 31. The initial set of [My Customer] team interviews were scheduled for August 2. These were completed on August 12. The [CLIENT] CIO was interviewed by phone on August 2 since his availability through the end of September was very limited. The interviews with the remaining [CLIENT] team members were conducted on August 22 in person in New York.

The people listed below were interviewed:

[My Customer]

Client Partner
Partner, Financial Services
Partner, Engagement Manager, PeopleSoft Practice
Manager, Financial and Performance Management

[CLIENT]

CIO
SVP Technology and Products
Information Technology
Director, Corporate Purchasing
Vice President, HR (business owner)
Vice President and Treasurer, Finance and Admin (business owner)

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II. Background of the Project

This project was an outgrowth of the [CLIENT] leadership's commitment to improve [CLIENT]'s information technology infrastructure during 200X. [CLIENT] had just purchased PeopleSoft Financial and HR applications. This project was to implement these applications. A key component of this initiative was a deadline to implement a new member billing system by August.

The project was broken up into three releases:

Release	Delivery	Module
Financial Release 1	July 200X	Billing
		Accounts Receivable
		Contracts
		Order Management
		General Ledger
		Budgets
Human Resources Release 1	September 200X	Human Resources
		Payroll
Financials Release 2	November 200X	Accounts Payable
		Purchasing
		Assets
		Projects

IT felt the project was a very plain vanilla PeopleSoft implementation. The billing requirements were complex, but the approach was to front end the PeopleSoft module with a custom coded application. This application would isolate the complexity of the billing process from the actual PeopleSoft code making future upgrades less maintenance dependent.

Additionally, IT was under a very aggressive timeframe for completion. The result was IT let the RFP on January 30, and required responses by Friday, February 1. Orals were held the beginning of the next week. The rational behind this short response period was IT felt the implementation was straightforward and, given the tight schedule, responses should be relatively quick to develop for those firms with the experience [CLIENT] was looking for.

Five companies ([My Customer], C1, C2, C3, and C4) responded with proposals. [My Customer] and [C1] were the two finalists. Both presented at orals. A week after the orals, [C1] was selected as the winner of the competition.

III. Executive Summary

"It is important they should know that they did a tremendous job and that is was a horse race." - [CLIENT]

"Both [My Customer] and [C1] are good companies. I never felt that if I had selected [My Customer] that I'd lose my job. You had a really close race." -[CLIENT]

There was no question in the client's mind that [My Customer], had they been selected, would have been a good choice for this project. The team demonstrated the experience, understanding, and approach to do the work successfully. The difference was that the [C1] team established an even higher level of confidence of success with the [CLIENT] evaluation team.

The key to understanding how they won is understanding [CLIENT]'s definition of the problem. [CLIENT] wanted a "plain vanilla" PeopleSoft Version 8.0 implementation that would be completed in time to make some very demanding deadlines. [C1] focused its value proposition to appeal directly at how the problem was defined.
- They presented credentials that showed their PeopleSoft practice as having far and away more PeopleSoft and PeopleSoft Version 8.0 successes than any competitor. With so many successes, the ability to implement a "plain vanilla" solution, on time, was a given.
- The proposed PeopleSoft team had extensive Version 8.0 experience, more than the [My Customer] team. The team leader's recent experience implementing a similar solution and his approach to this project resonated with the [CLIENT] project owner.
- There was one particularly complex requirement in the area of billing for this project that could affect the ability to meet the first phase deadline. The [C1] team downplayed the complexity and convinced the [CLIENT] team that meeting the first deadline was not an issue. Their confidence in meeting all dates was assuring to [CLIENT]. Additionally, [C1] presented that its strength in the PeopleSoft space meant a very deep and available bench of skills should the project warrant them.

The [C1] price was also more aggressive than the [My Customer] price. But, every [CLIENT] person interviewed made a point to say that price was not the issue. Implementing a successful system on time was the issue. A lower price was a bonus.

What could have the [My Customer] team done differently? Going head to head with [C1] in PeopleSoft credentials and experience is high risk. You have to expect that whatever credentials and experience you present as a firm or in your team the [C1] team will be at least as strong. To win, the team needed to "change the rules", to isolate one or more critical areas to the project's success, and establish the team's unique abilities at

addressing those critical area. If the client believes that those critical areas exist, and they believe [My Customer] is uniquely qualified to address them, the probability of a win increases significantly.

In this case, the team attempted to make the complexity of the billing area that issue. While the intentions were there, the execution did not accomplish the objective. [CLIENT] interpreted the effort as [My Customer] having doubt as to their ability to make the required deadlines. They would have been more interested in learning about [My Customer]'s assessment of the complexity in the billing area, followed by an assertive approach to use [My Customer]'s unique abilities/capabilities/approach/experience to insure the issue was resolved in order not to jeopardize the deadline.

A detailed discussion of the above follows in Section IV.

IV. Detailed Findings and Lessons Learned

1. All of the [CLIENT] team members were consistent as to the reasons behind the selection of [C1] over [My Customer] for this project.

The following table shows the reasons each person interviewed felt were key to the decision to select [C1].

	-HR VP	-Finance VP	-CIO	-Technology VP	-Purchasing
[C1] firm's advantage in PeopleSoft credentials	X	X	X		X
[C1] firm's advantage in P/S 8.0 experience	X		X	X	X
Proposed team's advantage in V8.0 and its chemistry with the [CLIENT] team	X	X		X	X
Price	X	X			X

All of the [CLIENT] people interviewed were consistent when they were asked to describe in their own words, "At a high level, why did [C1] win this competition over [My Customer].

They felt [C1] as a firm clearly had a major edge over [My Customer] in its overall experience and credentials with PeopleSoft in general and with version 8.0 in particular. They consistently stated that [C1] had "multiple times more experience" in each area. Additionally, the [C1] team impreseed them with their individual credentials in both PeopleSoft and V8.0.

"[C1] indicated they had done this type [of implementation] with clients our size, with our level of complexity, and with the version of the software [we would use]…3 to 4 times as many." -[CLIENT]

"This was [C1]'s sweet spot, more of a commodity implementation. They had the stronger credentials." –[CLIENT]

"They had an incestuous relationship with PeopleSoft. They are a named provider, a VAR in terms of hardware, they have the whole value chain in their value proposition-named provider, to hardware, to configuration, to training." –[CLIENT]

It is important to note that, to a person, they felt that [My Customer]'s PeopleSoft practice and credentials were strong. But, the [C1] team in this competition clearly communicated a message that [C1]'s credentials were significantly stronger.

[CLIENT] also focused some remarks on the proposed [C1] team. [CLIENT] was impressed with the professionalism of the [My Customer] team. They had only positive things to say about it. However, the [C1] team was seen to have three advantages:
- They had more relevant V8.0 experience.
- They established a stronger chemistry with the [CLIENT] team.
- They proposed an engagement lead that had just finished a PeopleSoft V8.0 engagement that had extensive billing functionality. The IT SVP, in particular, felt very comfortable with that person as the proposed engagement lead.

The first and third points are self-explanatory. As to the chemistry issue, the majority of the [CLIENT] people felt more comfortable with the [C1]'s style in the orals and the due diligence sessions. Again, this is not a negative of [My Customer], but a statement about [C1].

"[We] had a much better comfort level on how the [C1] individuals would fit in with our culture…they had more current and relevant experience and the project manager had just come off a billing project in V8.0." –[CLIENT]

Interestingly, "price" was mentioned as a reason for the decision by procurement and the two members of the [CLIENT] representing the users. It was not mentioned as issue with either the CIO or SVP of Technology, the evaluation team lead. The key point is that in all cases the [CLIENT] team members said that price was not "the major issue" in the selection. Later in the review the issue of price will be looked at in detail.

"Focus, the overall quality of the implementation was the key. Not the price." –[CLIENT]

"Price was not the driver. If [My Customer] could have gotten it in faster, and understood the context I was going after, I would have [paid more] for it." –[CLIENT]

Conclusions:
[C1] is clearly portraying their credentials and relationship with PeopleSoft as being much stronger than [My Customer]. The firm's credentials and the team's credentials and experience, in both PeopleSoft and V8.0, separated them from the [My Customer] team. The [C1] team leveraged this advantage, and their individual experience, to make [CLIENT] more comfortable with their ability to meet [CLIENT]'s requirements than did the [My Customer] team. The recent relevant experience of the proposed [C1] team lead was attractive to the [CLIENT] evaluation team lead who would have overall responsibility for the success of the project.

2. [My Customer]'s value propositions were not compelling enough to win the decision.

During the interviews with the [My Customer] team, team members were asked to discuss [My Customer]'s value propositions in the areas of Solution, Team and Price. The following is a composite of what was told to this reviewer.

Solution Value Proposition:
- Rapid development and role out approach using:
    - Conference room prototype
    - Experience of our team
    - Existing models and designs
- We recognize the high degree of complexity in the billing area and have the experience to best address this requirement.

Team Value Proposition:
- We propose a uniquely experienced team with:
    - Experience in both PeopleSoft and PeopleSoft V8.0
    - Experience in Capital Markets
- Our team lead is our Financial Services lead in the northeast.
- The people presenting at the orals are the ones we are committing to the project.

Price Value Proposition:
- We are proposing an extremely aggressive price given the experience level of our team.

During the [CLIENT] interviews, these value propositions were shared with [CLIENT] team members. They were asked if these value propositions were what they heard the [My Customer] team communicate, and did these value propositions differentiate them

from [C1]. Each person said they these were the value propositions they heard, but that they did not significantly differentiate them in a positive direction over [C1].

In the area of **<u>Solution,</u>** [CLIENT] felt comfortable with [My Customer]'s ability to implement PeopleSoft. However they felt [C1] brought more tools, accelerators, and templates to the project in addition to the already mentioned advantage in experience. [C1] did not propose a prototype. In the words of the CIO, he felt [C1]'s message was:

"I don't have to prototype. I don't have to prototype because I've done 400 of these. I understand that you want plain vanilla. Here is what it will take to do it, and here is the schedule." –[CLIENT]

The issue of "plain vanilla" versus "complex" was important. [C1] downplayed the complexity of the billing requirements. This differed from [My Customer].

"[As to timeframes and complexity], we got a lot more pushback from [My Customer]. At the time, I was surprised by the level of pushback. [It almost seemed that] [My Customer] felt they could not be ready by August 1." -[CLIENT]

"[My Customer] put more weight on the complexity issue than [C1] did." –[CLIENT]

One [My Customer] team member said:

"We have a tendency to tell them how hard it will be. The client probably wanted a more reassuring message." -[My Customer]

The irony here is that [My Customer] was correct about the complexity issue.

"[My Customer] could have pushed this more. [C1] downplayed the complexity of the billing. It turned out really complex. [My Customer] pushed back on the dates and the complexity. I liked that. They made us challenge our assumptions. Maybe they could have done it in a different way."-[CLIENT]

"[My Customer] put more weight on the complexity than [C1] did. It turns out it was more complex…We figured it would take less than 1000 hours, and it actually took 2,000 to 3,000 hours." -[CLIENT]

Lesson Learned:

[CLIENT] was under a very tight deadline. They wanted to hear how the vendor would insure that deadline was met, not how hard it would be to make the deadline. [My Customer]'s core value of candid, direct, straightforward communication led the team to disclose what it really felt about the complexity issue in billing. The team needed to be candid. But it needed to do so in a way that positively differentiated the [My Customer] solution. One approach was to focus its ability to marshal the resources and experience necessary to address the complexity in billing, and remove any risk of missing the deadline. Had the approach been to highlight where the complexity was and [My Customer]'s specific plans to insure this would not affect the deadline based on the team's unique abilities, a positive and compelling differentiation may have been established.

In the area of **Team** the key element was PeopleSoft credentials and V8.0 experience. This was discussed in the previous section. [My Customer] was viewed as having strong credentials, but [C1]'s were seen as being at least 2:1 stronger. Again, the frame of reference was in overall PeopleSoft experience in "plain vanilla" engagements.

"[My Customer] is not weak. To the sense this is a vanilla implementation I don't see what I get from [My Customer] by bringing them in on this. The value proposition was higher in the [C1] camp because it was a plain vanilla [project]. They could basically rip it off the shelf and we got it. Now if I was doing a trade timing algorithm, something more esoteric, I would go after [My Customer]." -[CLIENT]

Lessons Learned:

- It seems difficult to believe [C1] has a 2:1 advantage in PeopleSoft credentials over [My Customer]. This reviewer recommends [My Customer] does an audit to reassess its real credentials, experience, and skill sets to insure it is properly and accurately communicating its situation to the market and to specific clients.
- Had the requirement of complexity been agreed to, [My Customer] then could have hinged the credentials issue around demonstrated experience in complex implementations. This is [My Customer]'s strength.

In the area of **Price,** this reviewer got conflicting inputs from the [CLIENT] team members. These inputs ranged from [My Customer] being as little as 15% more expensive up to just over 40%. Price will be discussed in more detail later in the review. But again, every [CLIENT] person interviewed said that price was not the key issue.

3. [CLIENT] rated [My Customer] higher than [My Customer] against the formal decision criteria.

 [CLIENT] team members were asked to list what they felt were the most important decision criteria. Each listed a major subset of the list shown in the table below. They were also asked to rate [C1] and [My Customer] according to the following scale:

Rating	Symbol
Less than adequate	-
Adequate	=
Strong	+
Very strong	++

	[My Customer]		[C1]	
	Low	**High**	**Low**	**High**
1. Overall PeopleSoft experience.	=	+	+	++
2. PeopleSoft V8.0 experience • As a company • In the team	=	+	+	++
3.Implementation tools, techniques, etc.	=	+	=	++
4. Ability to meet the project timeline.	=	=	+	+
5. Change Management	+	+	++	++
6. Ability to work with the [CLIENT] team—chemistry.	=	+	+	+
7. Price	=	+	=	++

These ratings support the findings discussed in the previous sections. They also support the fact that [My Customer] was viewed as a very capable partner for this project, but [C1] was viewed as being able to bring more to the implementation.

During the [My Customer] interviews, one team member crisply defined the team's strategy to win.

"We had better people, better PeopleSoft skills, and a better track record in the capital markets. Get me at par on price, and we should win on content and PeopleSoft skills…Let's have a decision based on talent and credentials and not price."

Taking the CIO and SVP at their word that price was not the major issue, the table above indicates that either:

- The experience base and credentials of [My Customer] and the proposed [My Customer] team were not superior to [C1], as the [My Customer] team had expected.

-and/or-

- The [C1] team was able to more effectively communicate its abilities.

Most likely what happened was a combination of the two.

Conclusion:

A strategy to go head-to–head with [C1] based on PeopleSoft credentials is high risk, even should an audit improve [My Customer]'s current credentials. When companies have similar levels of experience and credentials in a space, to win, a team must establish the fact that it is not a case of who is more credible than the other.   The first challenge is to show the team has the necessary level of credentials and experience to accomplish the objective. The key challenge is then to identify one, but no more than several, factors that are absolutely critical to the success of the project. Get the client to agree those factors are critical to success. And then show/demonstrate/prove how your company and team absolutely dominates in its ability to address those factors.

It seems the ability to address the complexity issue could have been that "critical" factor in this project. In fact, the client has stated that it took three times the expected effort to address this requirement. It had to be addressed to meet the August 1 deadline. Had the [My Customer] team focused on how its experience, skills, and unique understanding of the problem gave [CLIENT] the ability to drive all the risk out of missing the schedule, the probability of a win could have been higher.

Lesson Learned:

Another approach is to "change the rules". While the competition is proposing a solution that addresses the client's stated requirements, propose an alternate solution that focuses the client away from the competitor's strengths (in this case [C1]'s credentials and experience). The client partner for this engagement asked this reviewer to discuss with the CIO what his reaction would have been had [My Customer] proposed an ASP alternative solution. The value proposition would have been:

- Less drain on the [CLIENT] personnel.
- No capital expense.
- It allows [CLIENT] to focus on more strategic issues.
- It could be delivered at half the cost.

The CIO responded that:

"This would have been attractive because it would have given me a compelling reason to do something else."

He then suggested that the best way to handle such an alternative is to provide a response that had two components. The first would have provided a solution to the specific requirements that were provided by [CLIENT]. The second component would have been to offer the ASP solution as an alternative.

Recommendation:

There was an obvious shortfall in available Version 8.0 PeopleSoft skills for the [My Customer] team . A possible solution could have been to tap partners for those skill sets. Would PeopleSoft themselves have been a source?

4. Winning the orals became the deciding event in the evaluation process.

All the [CLIENT] team members were asked to rank the competitors at three specific points in time during the evaluation. These milestones were (1) prior to the actual competition, (2) after the review of the written responses, and (3) after the orals. The following table has the results.

	[My Customer]	[C1]	C2	C3	C4
1. Prior to the competition	Tied for First	Tied for First	Tied for First or Second	Tied for First or Second	Tied for First or Second
2. After the review of the written proposals	Tied for First	Tied for First	Eliminated	Eliminated	Eliminated
3. After the orals	Second	First			

Going into the competition, most of the [CLIENT] team members felt that the companies to beat were [My Customer] and [C1]. As can be expected, purchasing said there were no favorites when the competition started.

After the written proposals were reviewed, [My Customer] and [C1] were selected as the finalists. Both responses were viewed as "solid responses" and neither company was "in the lead" going into the orals. It should be noted that HR was particularly impressed with the [C1] material on Change Management. Other than that the companies were seen to be in a virtual tie.

It was in the orals that the differentiation took place. Once again, this was not a case of the [My Customer] team doing poorly. In fact, the CIO felt the [My Customer] team's presentation skills were better than those of [C1].

"You must realize…this was a really close race."

It was not a case of what [My Customer] did in the oral, but what it didn't do. The evaluation team lead said that the [My Customer] team did an excellent job of answering the nine (9) questions that [CLIENT] asked it to prepare for the orals. The issue was how they used the remaining time available to them after addressing those questions.

"[C1] took more advantage of their time. [My Customer] could have used [their time] better to out weigh the feelings we had for [C1]. [They should have said] 'I think this is where you will have your problems. It is here, and here, and here. We say that for the following reasons: this, this and that. [And this is how we will address those problems]'."

Conclusion:

The comments by the evaluation team lead tie directly back to the conclusions and lessons learned in the previous section. The team did an excellent job of addressing the issues. But [CLIENT] felt it needed to go further than they did in providing specific and substantiated differentiating reasons for making a [My Customer] selection.

This conclusion is also supported by one of the [My Customer] team members. In hindsight, his assessment was that the team could have better explained the complexity in the billing area that would benefit from the experience of the proposed [My Customer] team lead. This reviewer would hasten to add that once done, the team would also have had to provide the specific action plan [My Customer] would recommend to address those complexities.

5. Price.

According to every [CLIENT] team member, price was not the key issue. However there were conflicting inputs as to how the pricing differed between the two competitors.

[My Customer] initially bid a price of $2.88 million for the project. The project would require a total of XXXX man-days. XX% of those days would be delivered by [My Customer], with [CLIENT] delivering the rest. The blended rate per man-day was approximately $XXX. The above price did not include the effort to deliver self-service HR functionality. When asked to include that requirement, [My Customer] added another $400,000 to the above number. Travel and living expense was estimated at an additional 10%-15% of the total fee. When pressed by [CLIENT] at the orals about expenses, [My Customer] agreed to not charge for travel and living.

The conflicting information came from the CIO and the VP of Finance. The former said that [My Customer] bid about 15% more than [C1]. The latter indicated that [My Customer]'s number was just over 40% more than [C1]. This reviewer could not resolve what either of those numbers was based on.

During the interviews some additional insights were shared.
- The VP of Finance indicated that the [C1] bid included two fewer FTEs for the duration of the project.
- Purchasing indicated that the daily rates were competitive and in "line with the marketplace".

- Purchasing also said that [My Customer]'s total days were higher than [C1], and that [My Customer]'s proposed participation (XX%) was also higher than [C1]. Purchasing indicated that [C1] participation was somewhat less than XX% but higher than YY%.

Conclusion:
It seems there are three takeaways from the inputs on price. The daily blended rates seem to be competitive with [C1]. It also seems that the project man-days estimate was larger than [C1]. This could be due to a more realistic understanding of the complexity issue. Finally, [C1] proposed a different level of participation.