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CHANGE MANAGEMENT PROGRAMME

Analysis of the Brazilian offer and of a packaged ERP system

Note by the Secretariat

	SUMMARY
Executive summary:	This document presents the Secretariat's analysis of the offer by Brazil to provide a custom-built system to meet the Organization's management accounting and information needs and, in accordance with the Council's mandate at its 89th session, compares this offer with the proposed packaged ERP solution, which was presented to the Council in November 2002.
Action to be taken:	Paragraph 12
Related documents:	C 90/13, C 89/11, C 89/11/Add.1, C 89/11/Add.2, C89/11/1, C 89/D, A 22/21/Add.3 and C 88/D

Background

1   At its 89th session in November 2002, the Council considered the recommendation of the Secretariat to proceed with the implementation of an ERP system. The Council:

> .1   Decided to defer its decision on the merits of the offer by Brazil and the ERP system until its ninetieth session in June 2003; and

> .2   Requested the Secretariat to provide a full and detailed analysis of both systems, taking into account the comments made by delegations at this session, for consideration by the Council at its ninetieth session in June 2003.

2   An interim report on the status of this work was provided to Council in document C 90/13.

3   It will be recalled that the term 'ERP' system represents a commercial packaged, integrated management information environment, which would be configured to meet the Organization's administrative needs, including accounting, finance, budget, project management, e-commerce and, in time, Human Resources (HR) capability. The offer from Brazil is to provide a bespoke system, specifically designed and built to meet the Organization's administrative needs. This paper represents the analysis of the two offers, and draws comparisons between them, reaching a conclusion on which offer best meets the Organization's needs.

4   The emphasis in this document is naturally on the Brazilian offer, since the Secretariat provided a full description and analysis of the case for a commercial ERP in document C 89/11/Add.2. A summary of the comparative functionality and cost for the two offers is included in Annex 1. In the course of the discussion at the 89th Council and in the documentation relating to it, a number of comments were raised regarding the appropriateness of selecting a commercial ERP system for an organization of the IMO's size and type, and these issues are addressed in Annex 2 to this document. Against the background of this review process, the Secretariat remains of the view that the analysis presented in document C 89/11/Add.2 is as valid today as it was in November 2002.

The offer from Brazil

5   To provide a brief summary of the positions to date, in document A 22/21/Add.3 to the Assembly in 2001, the Brazilian Government had made an offer of a development of the Brazilian Navy's budgeting planning and control system, SIPLAD, for use by the Organization (for an estimated cost of $160,000, possibly to be financed by the Brazilian Government), and a presentation was made by a Brazilian Navy team. The presentation was built on the Organization's prevailing (and still current) legacy systems. At that point, the decision to pursue an ERP-type solution had not been taken. An alternative offer was also made in the same document, for the development of a full system to the IMO's specifications for an estimated $1 million. In May 2002, a visit was arranged by the Brazilian Government for a team from the Organization, along with a representative of Deloitte & Touche (D&T), a consultancy company hired by the Organization to support its modernization process, to view the system on which the offer was based. In the course of the visit, as well as being given a demonstration of SIPLAD, the team was advised that the SIPLAD system is linked to SIAFI, the accounting system used by the Brazilian Government, and was also shown the payment system used for the Brazilian Navy personnel and its integration with SIPLAD. The conclusion of this review was that the Organization's needs would not be best served by adapting SIPLAD to run at the Organization's Headquarters. In Council, at its 88th session, the Brazilian Government repeated its offer of a full system development at a cost of an estimated $1 million. As decided by the 88th Council, the Organization developed detailed documents based on the requirement for an integrated management information system such as demonstrated by a commercial ERP system, and made them publicly available on its website as part of a process to determine which offering might best meet the Organization's clearly-defined needs. The options review by the Secretariat was based on the information available, including the information on the system demonstrated during the visit to Brazil, and concluded that the commercial packages best met the Organization's needs. Council will recall that at its 89th session it requested the Secretariat to undertake a further detailed analysis of the Brazilian offer. Accordingly, in order to compile a complete picture of the relative merits of the offers, and a reasoned conclusion and recommendation, the Secretariat has established a rigorous framework of analysis and has expended considerable time and effort ensuring that this process has been thorough and transparent to all interested parties, including the Brazilian Government.

6   It has been a guiding principle for the Secretariat that this analysis should be transparent, fair and professional. To this end, the Secretariat has liased closely with the Brazilian Government throughout the process, and the evaluation timescale has been developed in close association with them.

Conclusion

7   The Secretariat has evaluated the offer from the Brazilian Government with three considerations in mind – functionality provided, cost and risks associated with the implementation and ongoing support of a bespoke system. Whilst both offers have positive

points, the Secretariat has concluded that, taking everything into account, a tested, packaged ERP-type system would be the best solution for the Organization's immediate and longer-term management, accounting and information needs.

8   The Secretariat is satisfied that every effort has been made to ensure that the offer has been properly assessed and judged from an informed technical standpoint, based on a rigorous analysis by users, and taking into account the Organization's developing needs as well as its current requirements.

9   Both parties have approached the assessment objectively, as a partnership, with only the Organization's best interests at heart, and have appreciated the full and frank way in which each has approached the Council's mandate.

10   Accordingly, the Secretariat recommends that funds are allocated from the Headquarters Capital Fund to support the procurement of a commercial ERP package solution, within the bounds of the costs presented to Council in document C 89/11/Add.2, amounting to a total of £1,670,000 to cover licensing, hardware and implementation costs and also the cost of providing cover for members of the Secretariat working on the project, as set out in Annex 1. The Secretariat considers it prudent to include a contingency sum of 10% of the total, amounting to £167,000 to allow for data cleansing and conversion and other unforeseen costs. This gives a cap on the total sum to be allocated from the Headquarters Capital Fund for this purpose of £1,837,000. The Secretary-General will then proceed to procure the most appropriate commercially available package with a view to starting implementation during 2003.

11   Further, the Secretariat recommends that funds in the amount of £250,000 be set aside from reserves for the year 2005 to allow the procurement and implementation of integrated HR functionality to support the ongoing implementation of the Change Management Programme and the more effective management of the Organization's staff.

Action requested of the Council

12   The Council is requested to:

.1   Take note of the Secretariat's analysis of the offer from the Brazilian Government and a commercially-available ERP;

.2   Endorse the conclusions reached and to agree to the allocation of funds for the supply and installation of a commercial ERP package solution during 2004 from the Headquarters Capital Fund in accordance with paragraphs 10 and 11 above;

.3   Express its appreciation to the Government of Brazil for its commitment to helping secure the Organization's aims and objectives and for devoting extensive effort during the preparation of its offer.

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ANNEX 1

DETAILED METHODOLOGY AND RESULTS

Evaluation process

1   Council will wish to note the means by which the Secretariat has sought to meet the Council's mandate. In correspondence between the Secretariat and the Brazilian Permanent Representative following the 89th Session of Council it was agreed that for a proper comparison to be made, the evaluation of the Brazilian offer should follow a similar process as that used in the previous procurement process used to evaluate the commercial offerings. It is the view of the Secretariat that the particular methodology adopted provided sufficient information to make a properly informed decision on the relative merits of the two offers.

2   At the request of the Brazilian government, the timetable was adjusted from the deadlines set for the commercial bidders, who were given four weeks to prepare the written proposal and three to prepare the scripted demonstration. The requirements and demonstration documents were sent to the Brazilian government in mid-December 2002, and initially, the Secretariat had proposed a timetable with submission of a written proposal by 21 February 2003 and scripted demonstrations on 28 March 2003, with the aim of preparing a Council document by mid-April 2003. This allowed ten weeks for development of the written proposal and fifteen weeks for preparation and presentation of the scripted demonstrations. Following consultation with the Secretariat, the Brazilian navy proposed an alternative with written proposal submitted by 21 March 2003 and scripted demonstrations from 23 to 25 April. Subsequent to the demonstrations, the Secretariat has concluded its evaluation. This timescale explains the timing of the issuance of this document.

3   The analysis followed a two-stage process:

- Stage 1 – Written Proposal. The Secretariat identified, in a 94-page document, its detailed requirements for any new system, both with regard to functionality required for each functional area (for example "*Support the use of an events-based budgeting approach for certain areas of the Organization – for example, building up the budget for interpreters from the requirements for each meeting in the work programme*"), and more general requirements on implementation approach, ongoing support and risk management (for example "*Prospective bidders are required to identify the specific risks that they consider associated with their proposed solution, the probability and impact of these risks, and their proposed risk mitigation strategies*"). A detailed written response to all requirements, along with a detailed breakdown of costs, was requested;

- Stage 2 – Scripted demonstrations. The Secretariat developed three scenarios using realistic but fictional data to cover the most critical of the Organization's processes to be handled by the system being demonstrated. The Brazilian team was then asked to demonstrate their system, actually performing each of the scenarios, step-by-step, before an audience of users. These scenarios covered:

  ➢ Regular budget setting and control – including the annual budget development process, core financial processes including the purchase-to-pay process and the management reporting required;

> ➢ Technical Co-operation Programme Management – project management functionality to support the planning and tracking of TC Programmes and Activities;

> ➢ Publications – the editorial development, management and sale of publications.

4   The review process included full user involvement and over 30 staff representing all functional areas were directly involved in the analysis of the Brazilian proposal. Their views and scores for each of the steps have been collated and taken into account in the decision making in accordance with the methodology.

5   The evaluation process used for both the commercial assessment and the analysis of the Brazilian navy's proposal has been designed to follow best practice in system evaluation and has incorporated all of the key elements set out by the Joint Inspection Unit (JIU) in their report "Management Information in the United Nations System Organizations: Management Information Systems" – JIU/REP/2002/9, including:

- Involvement of key users and staff throughout the process;

- Identification of the Organization's requirements and strategy early in the procurement and analysis process, rather than at a later date.

Evaluation criteria

6   The evaluation process has allowed the Secretariat, through the users, to objectively assess the relative merits of the two approaches against two main criteria:

- Functionality – does the offer meet the Secretariat's needs, both now and in the future;

- Cost – the estimated total cost of ownership of the system, based on the information available at the moment.

7   In addition, the Secretariat has also formed a view on the risks associated with delivering the required functionality for the defined cost, and the comparative risks associated with the two options, including those associated with the implementation approach, timescales and resources required, and the ongoing support and management over the life of the two systems. Such factors are difficult to quantify by their nature, but management has drawn conclusions based on the available information, the opinions of the users, past experience and professional judgement.

Evaluation results

Functionality

8   This section summarises the users' assessment of the written proposal and the scripted demonstrations. The following scoring system was used for each area covered:

> ➢ 10 – Excellent demonstration/ response, exceeds expectations

> ➢ 8 - Good demonstration/ response, meeting requirements;

> ➢ 5 – Limited demonstration/ response, some concerns;

> ➢ 0 – poor demonstration/ response, requirements not met.

9   The Request for Proposal document is divided into two main sections – one covering general points on implementation approach, change management, risk and similar issues, whilst one covers the detailed technical requirements of the Organization, broken down into functional areas. The users' evaluation of the written proposals demonstrated, using the scoring system above, that the Brazilian offer did not meet the Organization's requirements in either area, whilst the commercial package scored between 'good' and 'excellent' in both areas.

10   As noted earlier, the scripted demonstrations were designed to provide the opportunity to demonstrate the system in action in the context of three of the Organization's key processes. The presentation included the proposed implementation approach, their understanding of the Organizations needs, and plans to manage the risks associated with implementation and ongoing support and development.

11   In briefing sessions prior to and following the Brazilian demonstration, users were reminded of the different natures of the approach and the demonstration, that the scores given should reflect an assessment of the perceived 'ability to deliver' each requirement, and that the demonstrators should not be penalised for being unable to demonstrate points not requested in the script.

12   The users' scoring of the demonstration indicated that the Brazilian offer as demonstrated did not adequately meet the Organization's needs in the core areas. This is in contrast to the commercial package, for which the average scores indicated that the demonstration was 'good' or better in all areas. Further, the users did not consider that the implementation approach and change management issues were addressed as well by the Brazilian team as by the commercial organizations.

13   The comments made by the users in their responses and in a later feedback meeting may be summarised as:

➢ **Appreciation of effort** – respondents noted and appreciated the amount of effort the Brazilian team had put into the demonstration;

➢ **Risk** – there was a general view that the uncertainty surrounding a system which had not been developed at a working level made this a higher risk approach than adoption of a packaged system. It was noted that the Brazilian team had undertaken to resource this project to minimise the risk. However, there were concerns about whether the Secretariat could provide, or afford, the corresponding resources to support the user side of system design, development and implementation at the level of detail required by an approach of this type;

➢ **Functionality demonstrated** – Whilst recognising the difficulty of demonstrating a prototype 'proof of concept' system, the view of the users was that the Brazilian government's proposal would not meet their needs. Staff were particularly concerned about the absence of the 'core financial control systems' underpinning the system, the Technical Co-operation management and the publishing sales functionality. It was noted during the demonstration that the solution for the 'core financial' component might be the integration in the system of a component from a third party company in order to minimize the risks. At the same time it was recognised that this solution would have cost and ongoing licence fee implications over and above the costs set out below;

➢ **Level of process change required** – a number of users noted that the Brazilian approach as a tailor made system would provide less opportunity for the introduction of 'best practice' processes than that offered by the commercial package, and that the

> Organization could miss out on an opportunity for adopting new and fresh ways of operating;

> ➢ **Longer-term issues** – users expressed significant concern that they felt that at the end of the system's life cycle, they would be back in exactly the same position, requiring a new system from scratch, rather than being able to upgrade to a newer version of a commercial package.

14   It will be recalled that the Brazilian offer is to build a customised system which would draw together the functionality currently provided by six or seven legacy systems. By its nature, therefore, what was presented was a simulation or prototype which exemplified the way in which the Organization's needs could be met. Further, the prototype was built on an Oracle database, whilst the Secretariat was informed that the Brazilian offer is to develop a system based on Microsoft SQL to make use of the Organization's existing licences. The absence of a fully developed system meant that in particular the interconnectivity between systems could not be fully demonstrated at this point.

Cost

15   An overview of prospective total costs over the life of a new system is set out in the table below:

Cost Type	Brazilian offer, £	Commercial package offer, £
Software/hardware costs (including licences)[1]	0	314,044
Implementation consultancy (excluding data migration)[2]	700,000	1,103,920
Estimated internal resource costs[3]	252,000	252,000
Total one-off implementation costs	**952,000**	**1,669,964**
Annual support costs	200,000	93,023
Estimated Total Cost of Ownership (based on 8-year useful life as assumed in Brazilian proposal)	**2,552,000**	**2,414,148**

1: The commercial package offer included a budget item for hardware of £109,000, notably for the procurement of dedicated servers, and corresponding investment would be required for a customised solution.

2: The commercial package offer included a budget item of £115,000 as support for change management. This is needed to ensure proper acceptance of the new system. Although the Brazilian government has stated that they will absorb this cost, as noted earlier users were concerned that the Brazilian offer's provision made in this regard was inadequate.

3: The Secretariat believes that the additional level of detailed requirements analysis required with the Brazilian approach would increase the IMO staff time needed, although it is difficult to quantify the amounts involved.

16   The assessment of the Brazilian costs are those provided by the Brazilian team during the scripted demonstrations. The Brazilian team has made the assumption that the internal effort required will be the same as that required in any commercial ERP implementation, and this assumption has informed the internal cost estimate set out above.

17   The assessment of the costs of implementing commercial ERP offer is based on that presented to the 89th session of Council. It should be noted, however, that this offer is some six months out of date, and will require revisiting.

18   This comparison shows that, viewed over the 'life' of the system, the Brazilian offer would be more expensive to the Organization than the commercial offering.

19   Further, the implementation of the Brazilian offer would be expected to take 1.2 years, whilst the commercial implementation timescale would be nine months, both assuming no slippage. The difference in timescale would have a cost impact, as for the additional period the existing legacy systems and associated licences would have to be maintained.

20   It should be noted when comparing and considering the costs presented that in both cases they are based on a number of assumptions, and may vary during the development and implementation. In particular, no amounts are included in either case for the cost of data cleansing and migration. For this reason, a contingency of 10% of the one-off implementation costs has been built into the amount recommended to the Council.

Overall assessment and conclusions

21   Based on the evaluation above, the Secretariat has concluded that the Brazilian offer does not meet the requirements of the Organization as well as an off the shelf commercial package of an ERP-type, particularly with regard to:

- **Functionality** – the Brazilian government has indicated that the Organization's requirements would be met by a 'tailor made' solution, and accordingly that the demonstration provided was of a prototype only. Thus, the delivery of a system of this kind can only be assessed on the basis of the material presented, and as such:

  ➢ The Secretariat, through the users, considers that the gap between the prototype demonstrated and the system which is actually required is so significant that extensive work would be required at the design stage to address these issues, and this would have material implications for the resources of the Organization;

  ➢ does not meet the Organization's need for a platform for future development of other general management information tools, which would similarly require full bespoke development;

  ➢ does not provide as effective a vehicle for increased productivity, efficiency and effectiveness as a commercial ERP-type package. This is not to suggest that a customised solution could not incorporate best practice. However, commercially available ERP-type solutions provide template processes which represent widely accepted good practice for both the profit and non-profit sectors, and this would encourage if not require the Secretariat to adapt and improve. Since a tailor-made system would not provide such templates, developing detailed process requirements would require extensive in-house resource. Whilst high-level best practice process maps developed by D&T would be used as the basis for the implementation in both cases, a further level of detailed analysis would be required for them to support a bespoke system development.

- **Cost** – the information provided to date indicates that over the life of the system, assumed to be 8 years, the Brazilian proposal and the commercial ERP offering do not differ significantly in price, with the commercial solution being cheaper based on the information provided. In both cases the costs are based on a 'best case' scenario, with an implementation period of nine months for the commercial offering, and 1.2 years for the Brazilian proposal. **In either case, additional costs would be incurred if**

either the implementation was delayed or the Organization was unable to meet its commitments in terms of staff for the project team.

22   The Secretariat has further concluded that whatever its merits, the offer from the Brazilian government does not fit within the Organization's resourcing strategy, and that the risks associated with an implementation of a customised solution are too great for the Organization to reasonably offset. In particular:

- **Strategy and direction of the Organization** – support in the design, implementation and subsequent ongoing support of in-house developed systems would entail extensive in-house resource commitment and would divert staff from their core tasks. It is the Organization's strategy to buy in and configure commercial packages where they can be demonstrated to meet the Organization's needs. Whilst the Organization's staff have the experience and ability to develop high-level requirements and to implement new processes, they do not typically have the experience, time or ability to develop requirements at the level of detail required to develop a bespoke Management Accounting and Information System;

- **Risk** – no implementation of this type is without risk, but the key to a successful implementation is to understand, minimise and manage those risks effectively:

  - Functionality – the Organization is totally dependent on an accounting and budget system which is 'audit proof'. The development of a bespoke system raises the risk that one of the fundamental building blocks may be incorrectly designed, through human error, and this would have a serious impact on the control environment in the Organization. A tailor made system would have to be subject to rigorous external and internal audit of the type which have previously been applied to commercially available packages. The introduction of a third-party core financial package would offset this risk to some degree, but introduce additional cost and interfacing requirements;

  - Implementation – The level of detail of requirements definition which appears to be required would also be time consuming, and the balance of Secretariat resource would be shifted from the higher-level review and improvement of processes within the framework of a standard core system to the development of the basics of that system through to software development, software maintenance and subsequent upgrading. The Secretariat believes that, as set out in Annex 2, it has the capability to support the configuration of a standard system, but not to support the development of a bespoke system;

  - Support and development – the Brazilian offer would entail, based on a contractual agreement between the Organization and the Brazilian government, the Secretariat using two full-time staff from the Brazilian navy's IT function for the duration of the life of the system, or alternatively the development of an extensive in-house capability and expansion for initial development and later for support. It is the nature of bespoke systems that they are dependent on the **individuals**, whilst for commercial packages there are typically a wider pool of resources with the relevant skills.

23   These conclusions are consistent with those reached by the JIU in a report ("Management Information in the United Nations System Organizations: Management Information Systems" – JIU/REP/2002/9) setting out the 'lessons learned' throughout the UN system with regard to major Management Information System implementation, contrasting the experience of the United

Nations' development of IMIS as a bespoke system with that of Organizations implementing ERP solutions:

"In contrast to the experience of the United Nations, there are a small number of United Nations system organizations, such as WFP, that successfully implemented ERP systems, developed and customized from commercially available integrated software solutions. In this context, the Inspectors do not share the view that the "absence of a commercially available integrated software solution that could meet all the needs of the United Nations in the required application areas, noted in 1988, is still a fact in the year 2001". As the experiences in the international and national public sectors show, bespoke developments tend to be expensive and take a considerable time to reach full implementation. In view of this, further expansion/upgrading of IMIS should be approached rather cautiously by duly taking into account a number of factors, including in particular the costs required for upgrading as well as for maintenance."

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ANNEX 2

RESPONSE TO ISSUES RAISED AT THE 89TH SESSION OF THE COUNCIL

1   During the course of the debate at the 89th Council, delegates raised a number of concerns associated with the selection and effective implementation of ERP at the IMO. The Secretariat has considered these concerns in order to provide Council with the full range of information required to take a decision on this issue. This document provides a response to each of these concerns.

Response to concerns

2   The concerns raised by Council in its 89th session primarily revolve around two main questions:

- Is an ERP system an appropriate solution for an Organization of the IMO's size and type?

- If so, does the Secretariat have the capability to implement such a system in an efficient and effective manner?

3   The Secretariat believes that the answer to both of these questions is in the affirmative, and sets out its reasoning for each below. It should not be thought, however, that the Secretariat considers this implementation to be risk-free, but rather that it believes the associated risks can be carefully managed and mitigated to the extent that they are significantly lower than the risks of any other course of action, including doing nothing.

Is an ERP solution appropriate for IMO?

4   The business case for the introduction of a commercial system is set out in document C 89/11/Add.2, and those arguments remain relevant. In addition, however, when considering whether a major, commercially developed packaged ERP system is appropriate for an organization of the IMO's size and type, it is worth considering the following points:

- The process began with a definition of the Organization's requirements (as recommended by the JIU report). The fact that during a full commercial procurement these were best met, in terms of fit and value, by major ERP vendors demonstrates that in terms of the commercial offers available, a system of this type provides the most appropriate solution. It is worth noting that smaller suppliers submitted Expressions of Interest to the Organization as part of the procurement process. None of these systems were found to meet the Organization's needs sufficiently to qualify for a short list of bidders. The comparison with the Brazilian offering in particular is set out in Annex 1;

- Size of the Organization – as noted in the Brazilian paper C89/11/1, historically, major commercial ERPs and their predecessors were originally developed for large organizations. In the last 10-15 years, however, this has become less and less the case. It is worth noting that 46% of SAP implementations have fewer than 100 users, and 60% of implementations are completed within 9 months, comparable sizes and timings to the implementation which is proposed here. The main reason for this is the way in which such system solutions are structured. Commercial ERPs offer a huge range of functionality through a series of modules, all of which are built off common building blocks, such as the core financial information. Users of such systems select and implement only those parts of the functionality which are relevant to them, so that small organizations are not required to implement the full range of functionality, giving a more cost-effective implementation. They do, however, have the capability to add functionality at a later date if required, whilst retaining a tight, integrated system;

- Nature of the Organization – again, as noted in the Brazilian paper C89/11/1, historically commercial ERP systems were developed for private sector (typically manufacturing) organizations. For the last 10-15 years, however, the major ERP suppliers have had an increasingly significant presence in the non-profit sector worldwide. This is particularly the case for central government organizations, and in the last 5 years widely within the UN family itself. The JIU in its report ("Management Information in the United Nations System Organizations: Management Information Systems" – JIU/REP/2002/9) notes that such systems are being planned or implemented in 12 UN family organizations, partly in response to the difficulties experienced by the UN itself in developing its bespoke solution "IMIS". Whilst not all implementations have been successful, the JIU make it clear in its report that this is to do with the approach taken to implement the systems, rather than in the applicability of such systems to a UN environment. SAP systems have been successfully implemented at WFP and UNICEF. It is worth noting that although the IMO itself is not a large client for SAP, it will have a relatively strong position as the UN family is a 'strategic client' for SAP, one of only 20 such organizations world-wide.

5   It is clear from the above, the analysis of the Brazilian offer presented in Annex 1, and the full commercial procurement exercise based on the Organizations needs, that an ERP solution of this type is appropriate to the IMO's size and needs, and provides the best value solution to the identified requirements.

Can the Secretariat successfully implement a major ERP solution?

6   The question of whether the Secretariat can support the implementation of a major ERP solution does bear further analysis. The size of the undertaking should not be underestimated, and there are indeed many examples of problems with implementations in both the public and the private sector. With this in mind, the following points address these concerns, and demonstrate that the Secretariat can support such a solution:

- Full support of senior management – it is critical for the success of an organization-wide project such as this that senior management are fully behind the implementation. In this case, the senior staff have been involved and leading the work to date, both through the procurement process and as a part of the broader Change Management Programme. It is only with full senior management support of this type that the issues which will inevitably arise during implementation can successfully be overcome;

- Analysis and procurement process to date – the procurement process to date has been a model of that recommended by the JIU and widely regarded as best practice. There has been heavy user involvement and buy-in to the decision-making process, and many staff in the Organization are now well-informed on ERP, its benefits and the issues to be overcome during implementation. There has been specialist involvement from 10-15 users in writing requirements and demonstrations, and much wider participation in attendance at and evaluation of the scripted demonstrations. The views presented to Council are unanimously shared by those involved in the analysis process, some 40-45 staff in the Organization, and the key users of the new system. Further, the commercial procurement process ran exactly to a challenging deadline, without delays or overruns. The staff have demonstrated their commitment and their understanding by their regular involvement and searching questioning of all those offering systems to the Organization and the quality of the input to the feedback documents, and have reached an informed consensus view in all cases. This involvement to date means that the users who will be involved in the implementation are starting from an informed position, and so are better able to play their part in the successful implementation;

- Users have the skills required to support an effective implementation. Whilst staff may lack the detailed knowledge of processes and requirements required to develop a bespoke system, they have the skills that are needed to implement a commercial package and tailor it to the Organization's needs. These skills include knowledge of the way the business works and high-level process design experience. The process mapping work that was done with Deloitte & Touche and Mannet during 2002 has provided both a useful baseline for the project team and demonstrated and enhanced the capability of staff in skills of this type;

- Enthusiasm for change from the users – user involvement is critical, and the enthusiasm and 'buy in' of the users has been shown to date through involvement in the procurement process as noted above. There is a broader appetite for change in the Organization, which has been demonstrated both through the work of the Change Management Programme, and through a number of projects designed to provide an 'interim solution' to the Organization's information management needs;

- Experience of project management – from a contractual and change management point of view, the Organization has experience of managing major contracts, albeit of a different nature. The IT and Information Systems Section has run a number of successful projects in the recent past, from upgrading of the networking and cabling to the replacement of the IT kit to ensure Year 2000 compliance and implementation of new databases to address 'core business' requirements. This project management experience can ensure that delays and issues can be addressed as they occur, and appropriate action taken;

- Learning from others' experience – the IMO is not the first UN body to follow the ERP route. Some have been successful in implementation, whilst others have been less so. It is the Secretariat's intention to tap into this pool of knowledge to supplement its own as required, to apply the principles of the successful implementations, and to avoid the pitfalls of the less successful implementations.

7   Clearly, however, the Organization's staff will not have all the skills required for a successful implementation, and it is these that the implementing consultants will bring to complement the IMO team:

- Knowledge of how the specific packaged system works, and how it can be configured to work in a way that meets the Organization's needs;

- Knowledge of good business practices, based on experience with non-profit and profit sector clients throughout the world;

- Experience of implementation of systems of this size and type, and addressing the change management issues that arise as a result of it.

8   Over the course of the implementation, these skills will be transferred to the Organization's staff, improving the Organization's ability to support and work with the system in the longer term. What is not required in this scenario is an additional level of detail in the analysis of the Organization's requirements, as these 'building blocks' of the system are already in place.

Summary

9   The Secretariat considers that this Annex demonstrates both that a commercial ERP implementation is appropriate to an Organization of the IMO's size and type, and that the

Secretariat has the skills and experience required to meet its obligations in ensuring a successful implementation.

10   Clearly implementations of this type are not risk-free, but by taking this route through the procurement and analysis the Secretariat believes that the risks are clearly visible and manageable. The critical factors for success are in place, and this means that the Organization is as well-placed as possible to take full advantage of such a major investment, both now and in the future.

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