

# CallaghanInnovation

## Evaluation Recommendation Report - Enterprise Resource Planning (ERP) Tool 7 July 2023

### Executive Summary

The Kia Tika project team has completed a competitive procurement process to select a provider of a new Enterprise Resource Planning (ERP) tool. This tool will be used for the next five to ten years and replace many current corporate systems including our core finance and HR systems. This Evaluation Recommendation Report includes an overview of the full process undertaken, including how we selected the provider and an overview of the success of the process.

A summary of key points:

- We ran a closed competitive process with two providers that meet our technical and strategic requirements; Workday is our preferred provider. Section 9(2)(b)(ii) - Commercial Information
- As part of this process, we have selected Section 9(2)(b)(i) - Comm to implement the Workday ERP system over a 12 month timeframe.
- The full project, including implementation, licensing, and ongoing use of the ERP tool will be Section 9(2)(b)(i) over five years (not including costs associated with internal resources, change management services, or data migration services).
- Commercial negotiations generated Section 9(2)(b)(ii) - Commercial Information
- To help ensure our selection is correct, legal, security, and architecture assessments have been completed with positive outcomes.
- The process was conducted in line with the approved business case, procurement plan, RFP documentation, the Callaghan Innovation Awarding Contracts Policy and the Government Procurement Rules as endorsed by the Procurement team.

### 1. Overview

This Evaluation Recommendation Report summarises the procurement process conducted by Callaghan Innovation for an ERP technology system, and a delivery partner to help us implement that system.

The procurement process was conducted in line with:

- The approved Kia Tika Business Case;
- The approved Kia Tika Procurement Plan;
- The approved Kia Tika RFP (including all published tender specifications, criteria, scoring methodologies, terms and conditions);
- The Callaghan Innovation Procurement Policy;
- The overarching Callaghan Innovation Strategy;
- The Government Procurement Rules (2019); and
- Best practice procurement guidance provided by New Zealand Government Procurement (NZGP).

All core procurement documentation for this project can be found at the following locations:

Document:	Location:
Conflict of Interest forms	<a href="#">Link</a>
Business Case	<a href="#">Link</a>

Audit and Risk Committee (ARC) Paper	<a href="#">Link</a>
Procurement Plan	<a href="#">Link</a>
RFP	<a href="#">Link</a>
Responses	<a href="#">Link</a>
Evaluator instructions	<a href="#">Link</a>
Evaluator scoresheets	<a href="#">Link</a>
Moderation sheet	<a href="#">Link</a>
Successful Respondent contracts	<a href="#">Link</a>

## 2. Project Background

Across Callaghan Innovation's Corporate Systems there are a range of existing and emerging challenges that require resolution by way of immediate investment:

- The current Finance System (FMIS) is out of functional support, is three major versions behind, is needlessly complex and heavily customised. This presents a range of operational risks to the Finance function and inhibits Callaghan Innovation's ability to deliver a range of critical compliance functions as a crown agency. An absence of committed investment will exacerbate business risk if not addressed immediately;
- There is no integrated Human Resources System (HRIS) for managing staff, with most of the work done with manual spreadsheets and a bespoke "arms length" Payroll system (characterised by numerous audit compliance issues), leading to error-prone and slow processing of employee information.
- Business processes across all of Callaghan's corporate functions do not follow a standardised approach, and subsequently technology has been customised heavily to meet business needs.

To address this challenges, we initiated a project aiming to invest in new systems alongside objectives to:

1. maximise public value and future-proof ourselves by selecting a fit-for-purpose ERP solution
2. receive suitably capable and experienced candidates for our delivery partner
3. minimise disruption to our people in implementing new ERP technology
4. align with generally accepted processes and approaches
5. ensure New Zealand businesses have an opportunity to be involved in delivering the work

## 3. Planning

A Business Case which set out the reason for a tender being issued was approved by ELT in March 2023. A Procurement Plan was then developed that set out the following:

- A project scope and estimated costs
- An overview of the tendering process
- Indicative timeline for the procurement
- Evaluation methodology
- A description of the proposed contract
- Risk mitigation table
- Probity considerations

The Procurement Plan also listed the evaluators, including:

Non-Scoring Members	
Role	Name

Project sponsor	Kirsty Bellringer
Delegated financial approver	Stefan Korn (and CI board members)
Chair of evaluation panel and procurement advisor	Ryan Challis
Procurement support	Kimberly Moore
Programme delivery	Renee Sidaway
Legal lead	Helena Page (and legal team members)
Security lead	Jenna Whitman
Licensing and pricing lead	Christopher Lorking
Technical Requirements Lead	Mancie Long
<b>Scoring Evaluators</b>	
Representative/s	Name
Business group/owner (FMIS)	Dee Naidoo
Business group/owner (FMIS)	Peter Jelley
User group/beneficiary (FMIS)	Kirsty Bellringer
Subject matter expert (HRIS)	Bree McKay
Subject matter expert (HRIS)	Steph Fransen
Subject matter expert (HRIS)	Duncan Harding
Subject matter expert (non-functional, technical)	Robert Schrey
Subject matter expert (non-functional, technical)	Scott Higham-Lee

All evaluators completed conflict of interest declaration forms. No conflicts were declared, and Ryan Challis, Procurement Manager, approved all forms.

After conducting market research and establishing the project scope, it was determined there were no All-of-Government (AoG) or other collaborative solutions that could meet our requirements. In alignment with the recommended approach from New Zealand Government Procurement (NZGP) and the Government Procurement Rules (2019), and given there are only two providers that could meet our requirements, a closed competitive procurement approach with two providers was selected. The two providers were:

- Workday
- Section 9(2)(b)(i) - Comm

When planning our procurement, we noted that our exemption rationale for not openly advertising the opportunity meets the threshold for a 'technical reason' under Rule 14 of the Government Procurement Rules as per below:

- We have a pre-existing strategic requirement across Callaghan Innovation to align our processes and procedures, as best as possible, to Section 9(2)(b) given our shared future directions and desired outcomes. Section 9(2)(b)
- In parallel, we have a strategic requirement to align as best as possible with the CRIs - especially those that have recently completed ERP implementations (in alignment with the Te Ara Paerangi Future Pathways review of New Zealand's Research, Science and Innovation system). GNS and ESR recently

implemented the Workday ERP tool.

The two providers were engaged prior to release of the RFP to:

- confirm that both providers could respond to a tender requesting an ERP tool and in line with our desired timeframes;
- provide high-level pricing and lead times to inform our planning; and
- provide a heads-up of an upcoming tender opportunity and to provide time to prepare.

A request-for-proposals (RFP) was developed using Callaghan’s standard templates as base. The RFP contained:

- a project brief;
- instructions for submitting a response;
- our evaluation criteria including weightings for each criterion based on their importance to us;
- our request for a proposed contract;
- a description on how we would choose a successful respondent; and
- a description of what we considered to constitute public value.

The RFP was published on the Government Electronic Tenders Service (GETS) on 17 January 2023. We requested responses by 5pm 14 February 2023, providing four weeks to submit a response.

#### Process overview

As part of our evaluation process, we conducted the following steps:

1. Issue RFP to two tech providers (Workday and Section 9(2)(b)(ii) - Comm)
2. Virtual demonstrations of ERP technologies to the evaluation panel
3. Evaluation of tech providers’ written RFP responses
4. Workshops with the tech vendors and the evaluation panel
5. Issue RFP to two delivery partners Section 9(2)(b)(ii) - Comm and Section 9(2)(b)(ii) - C)
6. Workshops with delivery partners and the evaluation panel
7. Completed evaluation of delivery partners
8. Issued clarifications and completed proposal refinements
9. Conducted reference and other due diligence checks, including contract and security assessments
10. Completed 7-week discovery phase with Workday and Section 9(2)(b)(ii) - Comm
11. Completed negotiations with Workday and Section 9(2)(b)(ii) - Comm

## 4. Sourcing Process #1 – technology vendor

### Proposals Received

Both providers (Workday and Section 9(2)(b)(ii) - Comm) submitted Proposals via GETS. There were no late responses.

### Initial Assessment

Section 9(2)(b)(ii) - Commercial Information

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

### Evaluation Process

Following receipt of all Respondent’s Proposals, the following process was carried out:

- On 15 February 2023, the evaluators were provided the Proposals along with a scoresheet to record their scores. Evaluator instructions were also provided.
- Evaluators attended all-day workshops with the providers (Workday; 24 February 2023, Section 9(2)(b)(i) - Comm, 28 February 2023).
- Evaluators used the providers' written responses and the workshop content to complete their scoresheets. All scoresheets were submitted to the procurement inbox by 1pm 1 March 2023.
- A moderation session was held after all evaluators completed their initial scoring (1 March 2023). The session was conducted in the aim of ensuring the scoring matrix was applied consistently. While all scores were considered for moderation, evaluators paid particular attention to those scores with a variance above two. Some evaluators changed their scores based on the conversations with the group.
- Following the moderation session, the evaluators agreed to issue clarifying questions to both providers. This led to some refinements being made to the initial proposals to help ensure they were fit for purpose and comparable. The clarifications and refinements were diverse and included themes of:
  - functionality details and the extent current systems could be replaced
  - front-end configuration
  - data hosting
  - pricing details including inflation calculations
  - contracted service level agreements
  - long-term cost projections
- After receiving the clarifications, a supplementary moderation was held on 15 March 2023. Evaluators considered whether the clarifications influenced their initial scoring (where score changes occurred, these were noted in the moderation sheet by the evaluation chair).

#### Evaluation Results: Quality

The evaluation team regrouped to complete their evaluations. As a result, Workday scored higher than Section 9(2)(b)(i) - Comm by 12%. A summary of the post-moderation scores is set out below.

Respondent name:	Criterion 1: Finance Functionality (40% weighting)	Criterion 2: HR Functionality (30% weighting)	Criterion 3: Non-functional requirements (20% weighting)	Criterion 4: Organisational Conduct (10% weighting)	Total Quality Score (100%)
Workday	83%	87%	64%	67%	79%
<small>Section 9(2)(b)(i) - Comm</small>	76%	45%	81%	67%	67%

A summary of the evaluator impressions and rationale for their scoring is set out below:

Respondent	Summary
Workday	<ul style="list-style-type: none"> <li>• For finance, Workday would offer significant benefits over current state. The user experience in particular would be significantly improved.</li> <li>• Workday offers the opportunity to consolidate the vast majority of our current finance and people systems.</li> <li>• For HR, Workday would enable a level of monitoring and data analysis that has previously been unavailable to the people team.</li> <li>• Workday would minimise the current HR system footprint significantly, leaving only payroll as an additional system required on top of Workday.</li> <li>• Workday offers good procurement functionality. The asset management functionality is not fit for purpose, but there would be ample opportunity to integrate with sophisticated asset management tools in the future.</li> <li>• Our total number of corporate systems would significantly decrease upon implementing Workday.</li> </ul>

	<ul style="list-style-type: none"> <li>• Workday would need to be set up to integrate with our future <small>Section 9(2)(b)(ii) - Commercial Information</small> (they confirmed this can be easily accomplished, including with our CRM system).</li> <li>• The unified platform offered by Workday aligns with our current systems strategy; we can build on it in the future as our needs evolve and priorities change.</li> <li>• Significant change management would be required given the opportunity to introduce a self-service model</li> <li>• Some concern around elongated recruitment times and additional training requirements</li> </ul>
<small>Section 9(2)(b)(ii) - Comm</small>	<small>Section 9(2)(b)(ii) - Commercial Information</small>

**Evaluation Results: Price**

Pricing analysed was presented to the evaluators after the initial quality evaluations as part of a two-envelope process. Following completion of the moderation session, the evaluators reviewed the analysis that was completed by Christopher Lorking (Christopher completed this analysis based on the subject-matter expertise required to reliably complete the licensing cost assessment).

Below is a summary of the pricing evaluation:

Respondent	Initial Price (pre-clarification/refinement)	Price (post-clarification/refinement)
<small>Section 9(2)(b)(ii) - Commercial Information</small>		

- *Costs calculated over 5 years*
- *Retained systems refers to the cost of the finance and people systems that we would need to retain based on the functionality of each ERP technology.*
- Section 9(2)(b)(ii) - Commercial Information

Below are some notes on the pricing analysis:

Respondent	Price Analysis Commentary
<small>Section 9(2)(b)(ii) - Commercial Information</small>	

Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

**5. Sourcing Process #2 – delivery partner**

Section 9(2)(b)(ii) - Commercial Information

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Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

Released under the Official Information Act



## Section 9(2)(b)(ii) - Commercial Information

### 6. Selection of the Preferred Providers - Tech vendor and deliver partner

Overall, the evaluation team identified Workday and Section 9(2)(b)(ii) - Comme as their preferred option. The most notable points from the evaluation were:

- While more expensive to implement, Workday is a true ERP that offers significant opportunities to consolidate our current network of corporate svstems.

Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

- Workday ultimately offers our Finance and People teams the opportunity to adopt more compliant processes, leverage important data in their decision making, and minimise menial tasks that are currently taking up too much time.

Respondent	Quality scores	Price
Workday + <small>Section 9(2)(b)(ii) - Comm</small>	<ul style="list-style-type: none"> <li>• Technology - 79%</li> </ul> <small>Section 9(2)(b)(ii) - Commercial Informatio</small>	Section 9(2)(b)(ii) - Commercial Information

## Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

All evaluation team members said their level of confidence with this decision was 'high'.

### 7. Discovery

A provider-driven discovery phase was not contemplated as part of the original procurement plan but was identified as necessary part way through the process in order for Section 9(2)(b)(ii) - Comm to propose a detailed plan to implement Workday. On 21 April 2023 we presented this recommendation to Stefan Korn and received approval to enter into a (paid) discovery phase with Section 9(2)(b)(ii) - Commer Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

CI participants in the discovery workshops (which included representation from across the agency including in the finance, people, digital, security, and science areas) were positive about how they expected Workday to meet their requirements and the extra functionality they would receive in comparison to current state. There were reservations around the complexity involved in implementation and the level of behavioral change required to properly use the technology (both of which were noted as project risks).

### 8. Negotiations

Section 9(2)(b)(ii) - Commercial Information

#### Overall Costs

Section 9(2)(b)(ii) - Commercial Information



Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

**Contract Terms and Conditions**

Section 9(2)(b)(ii) - Commercial Information

Respondent:	Negotiation Summary:
Section 9(2)(b)(ii) - Commercial Information	

Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

We recommend a contract management plan is drafted during the implementation of Workday to help ensure the contracts are sufficiently managed and we receive the expected benefits from our contractual settings (for example, through the monitoring of SLAs).

**Contract term**

We recommend the following contract term:

Topic	Term	Duration	Rationale
Section 9(2)(b)(ii) - Commercial Information			

**Pricing Mechanism**

Section 9(2)(b)(ii) - Commercial Information

**Scope and Licensing**

The scope is set out at a high level of detail in Section 9(2)(b)(ii) - Commercial SOW. We were deliberate in ensuring we received transparency over the business processes they would be implementing in each Workday module. This scope was informed through the discovery phase with people from across the agency, including functional leaders and end-users of the system.

Further refinements to the scope may be completed as we execute the SOW. Any further refinements we complete between the publishing of this report and contract execution will be in the aim of further scope

transparency (so we can effectively monitor <sup>Section 9(2)(b)(i) - Commercial</sup> progress and performance) and will not materially change the overall scope or increase the costs set out in this report. The final scope will be endorsed by our internal steering committee.

**Support Programme**

Prior to negotiations, <sup>Section 9(2)(b)(i) - Comm</sup> was set to deliver ongoing technical Workday support throughout the contract term. These services would be engaged if issues were encountered that our internal teams could not resolve themselves (or we could not resolve them through Workday’s standard support escalation process). <sup>Section 9(2)(b)(ii) - Commercial Information</sup>

<sup>Section 9(2)(b)(ii) - Commercial Information</sup>

Item	Description
<sup>Section 9(2)(b)(ii) - Commercial Information</sup>	<sup>Section 9(2)(b)(ii) - Commercial Information</sup>

Workday’s support package has been included as part of the costs set out in this report. Further details about the support can be found in Appendix B.

**9. Solution Overview**

**Shared Tenancy**

<sup>Section 9(2)(b)(ii) - Commercial Information</sup>

<sup>Section 9(2)(b)(ii) - Commercial Information</sup>

## Section 9(2)(b)(ii) - Commercial Information

[Redacted content]

### Section 9(2)(b)(ii) - Commercial Information

[Redacted content]

### Security Assessment

The Callaghan Innovation security team completed a security assessment of the Workday ERP technology. [Redacted]

### Section 9(2)(b)(ii) - Commercial Information

[Redacted content]

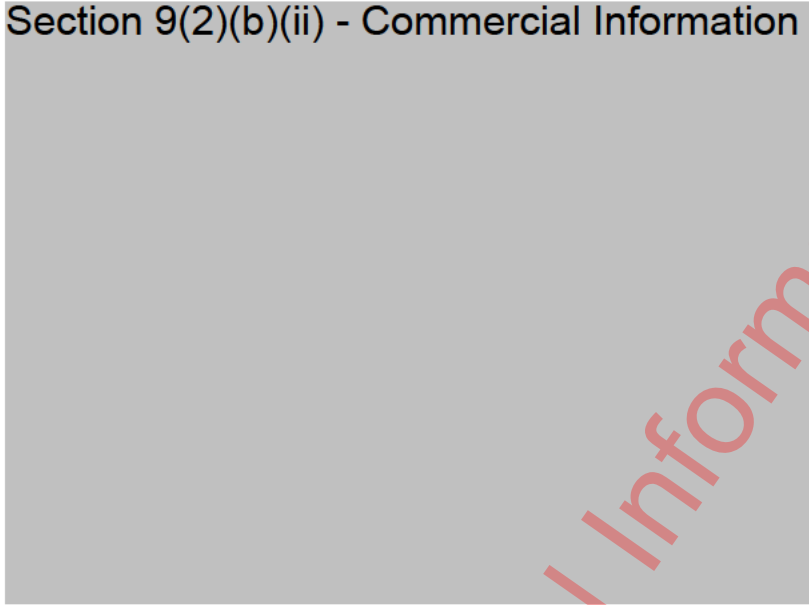
### Section 9(2)(b)(ii) - Commercial Information

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### Architectural Review

The digital team were engaged to understand the impacts of a Workday instance being deployed into the current digital ecosystem, noting that some pre-requisites around our suitability to consume Workday needed to be understood, along with the sequencing of any potential deployment and its ability to co-exist with other planned technical changes in our environment (for example, the proposed pivot from [Section 9\(2\)\(b\)\(ii\) - Commercial Information](#) ) and the absence of a current integration (middleware) platform. The assessment required clarification questions being issued to Workday and [Section 9\(2\)\(b\)\(ii\) - Commer](#). The outcome of this assessment was the confirmation that Workday would operate and integrate effectively within our current and future environments. Below sets out a summary of the assessment.

### Section 9(2)(b)(ii) - Commercial Information



Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

#### Reference Checks

Reference checks were conducted for Workday and Section 9(2)(b)(ii) - Commercial Information. Some of these references were gained through their proposals, and others were obtained through our own networks. Feedback was overwhelmingly positive for both providers. Some critical feedback was received, but this was mostly in regards to risks around how we manage the providers once they're in the design phase. The summarised feedback from the references can be found in Appendix C.

#### Other Due Diligence

Some due diligence aspects were addressed in the RFP's pre-conditions including technical certifications, financial viability confirmation, data security confirmation, confirmation there was no pending litigations, mergers, or acquisitions, insurance coverage (including professional indemnity, public liability, and cyber security), ability to provide local resources, and organisational conduct compliance confirmation.

#### Broader Outcomes

In line with Callaghan Innovation's commitment to public value, our procurement process explored how Workday and Section 9(2)(b)(ii) - Commercial Information could achieve broader outcomes (i.e. societal benefits). While neither provider offered any sources of public value in direct response to this opportunity, they described the current initiatives they have underway. The evaluation panel considered these 'good' and aligned with Callaghan Innovation's cultures and expectations, but not exceptional. Below is a summary of the providers' key broader outcome focused initiatives included in their responses.

Respondent	Broader Outcome Summary
<small>Section 9(2)(b)(ii) - Commercial Information</small>	



Section 9(2)(b)(ii) - Commercial Information

## Overall Results

### Selection Summary

The combination of Workday as our ERP technology provider and Section 9(2)(b)(i) - Comm as our delivery partner has demonstrated they can meet our requirements to a high calibre and to a greater extent than Section 9(2)(b)(i) - Commercial Info

### Challenges

During our process we encountered multiple challenges, as set out below.

Challenges:	Resolution:
Section 9(2)(b)(ii) - Commercial Information	

Section 9(2)(b)(ii) - Commercial Information



**Risk**

The most significant risks regarding the activities following this procurement are set out below.

Risk	Likelihood	Consequence	Rating	Mitigation
Section 9(2)(b)(ii) - Commercial Information				

Section 9(2)(b)(ii) - Commercial Information



**Duration**

The procurement process took longer than originally anticipated in the procurement plan. Instead of five months, it took eight months due mostly to the unanticipated discovery phase, delays experienced in negotiations, and challenges encountered with payroll and inventory. The actual timeline is set out below:

Phase:	Dates:
Complete Procurement Plan	15/12/22
Release RFP	17/01/23
Complete evaluations	05/04/23
Complete negotiations and proposal refinement	06/07/23
Contract Award	30/07/23 (anticipated)

**Objectives**

Below is a summary of how the procurement process achieved the objectives that were originally set out in the procurement plan.

Objective	Result	Description
Maximise public value and future-proof ourselves by selecting a fit-for-purpose ERP solution	Objective met	<ul style="list-style-type: none"> <li>An intensive analysis has been completed against detailed requirements. People from across the agency have contributed to this assessment.</li> <li>Consideration given to the future technology strategy that was endorsed in 2022; Workday aligns with the unified technology approach described here. Clear ability to scale up adoption in the future as our needs evolve (for example, their elevated procurement module).</li> <li>A detailed discovery has furthered our level of confidence. It is unlikely we will discover any roadblocks that would materially diminish the benefits we expect to receive from Workday.</li> </ul>
Receive suitably capable and experienced candidates for our delivery partner	Objective met	<ul style="list-style-type: none"> <li>While the RFP did not generate the diversity of delivery partner options that we would have liked, the options suggested to us were of high quality.</li> <li>Both candidates had a clear ability to meet our requirements and leverage off similar implementation experiences in government.</li> </ul>
Minimise disruption to our people in implementing new ERP technology	Objective met	<ul style="list-style-type: none"> <li>While those on the evaluation panel underwent capacity challenges alongside their BaU work, our targeted stakeholder engagement approach meant others across the agency weren't unnecessarily impacted.</li> <li>The flipside of this is that some people may not have been close to the process as they would have liked. Following approval of this report, we will socialise Section 9(2)(b)(ii) - Commercial Information</li> </ul>
Align with generally accepted processes and approaches	Objective met	<ul style="list-style-type: none"> <li>Our selection of Workday and <small>Section 9(2)(b)(ii) - Commercial Information</small> offers the best opportunity to align with the All of Government Common Process Model. Both parties have aligned with our desire to perform no customisations to the technology in preference for establishing simple and standard business processes.</li> </ul>
Ensure New Zealand businesses have an opportunity to be involved in delivering the work	Partially met	<ul style="list-style-type: none"> <li>Given we ran a closed process for our technology provider, and we didn't receive as much diversity of delivery partner options as we would have liked through the RFP, we didn't maximise the opportunity for New Zealand businesses to be involved as part of this process (neither Workday or <small>Section 9(2)(b)(ii) - Commercial Information</small> are New Zealand businesses). However, we've been able to engage New Zealand businesses for the change management and data migration work associated with this procurement. Ultimately, we have met our obligation to look for opportunities to include New Zealand businesses in our tenders as part of the Government Procurement Rules.</li> </ul>

## 10. Recommendation and next steps

### Recommendation

The project team recommends that Callaghan Innovation:

- executes a contract with Workday for the provision of Workday ERP technology for an initial term of 5 years and a maximum term of 10 years; and
- executes a contract with Section 9(2)(b)(i) - Comm for the implementation of Workday ERP technology over a period of 12 months.


**Next steps**

Following approval of this recommendation report, the following steps will be undertaken:

- We will conclude negotiations with Workday and Section 9(2)(b)(i) - Commer
- We will submit the contracts for signing by Stefan Korn.
- Plans will be drafted covering the ongoing management of Workday and the management of Accenture throughout the implementation phase.

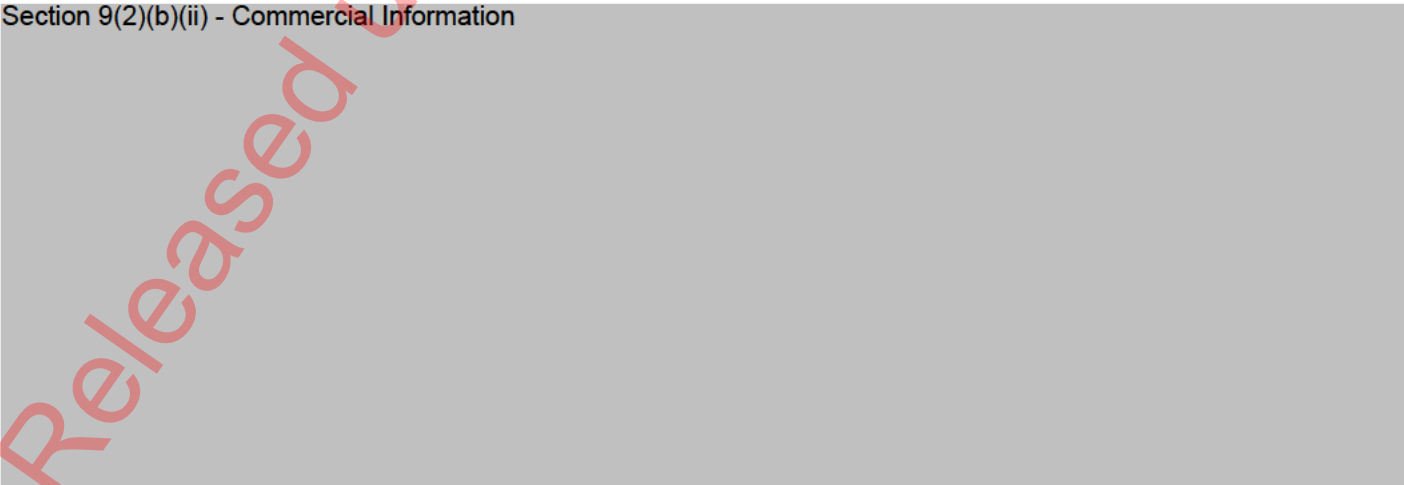
**Appendix A - Workday license output limits**

Section 9(2)(b)(ii) - Commercial Information

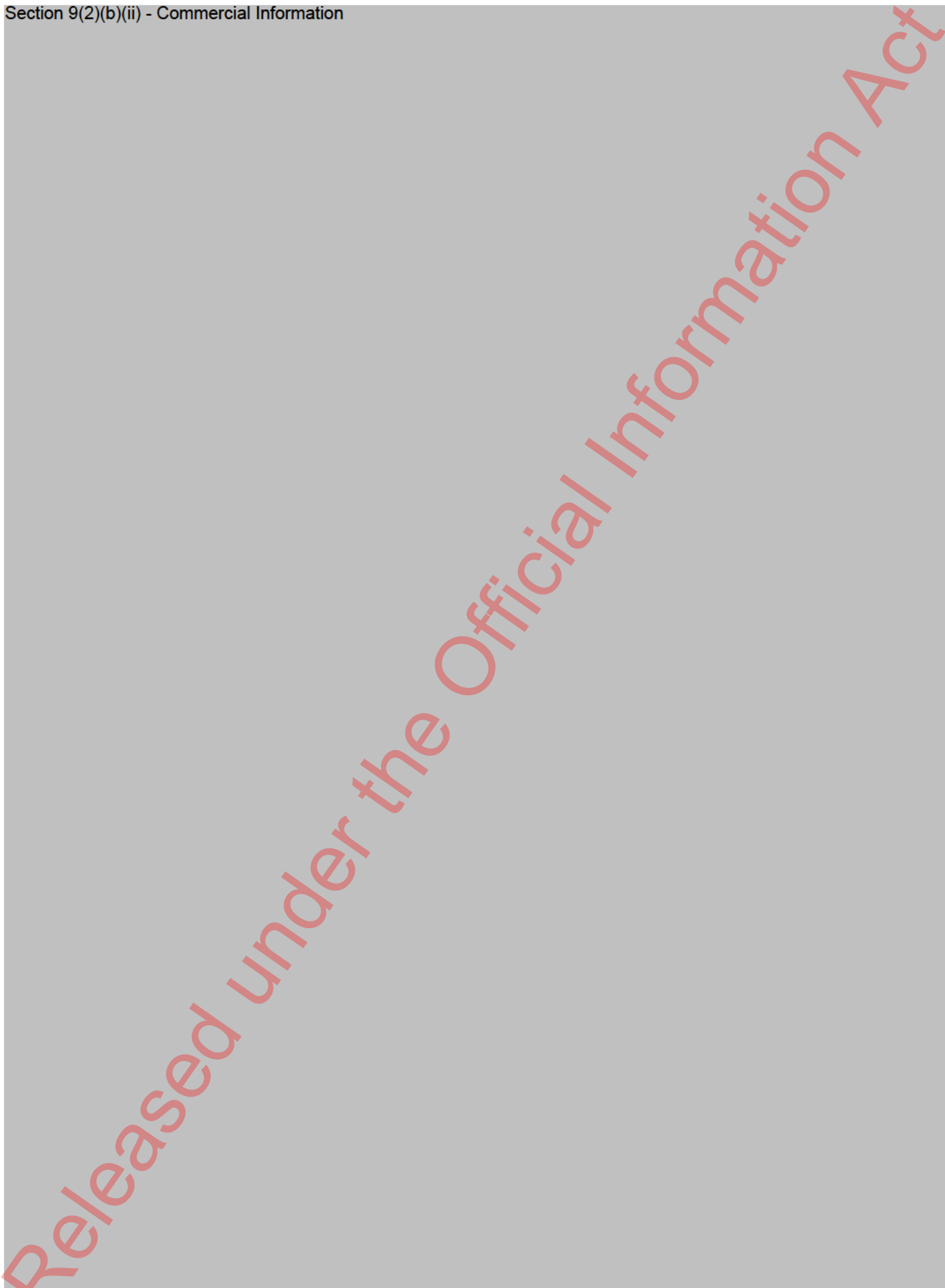


**Appendix B - Workday Support Programme Overview**

Section 9(2)(b)(ii) - Commercial Information



Section 9(2)(b)(ii) - Commercial Information



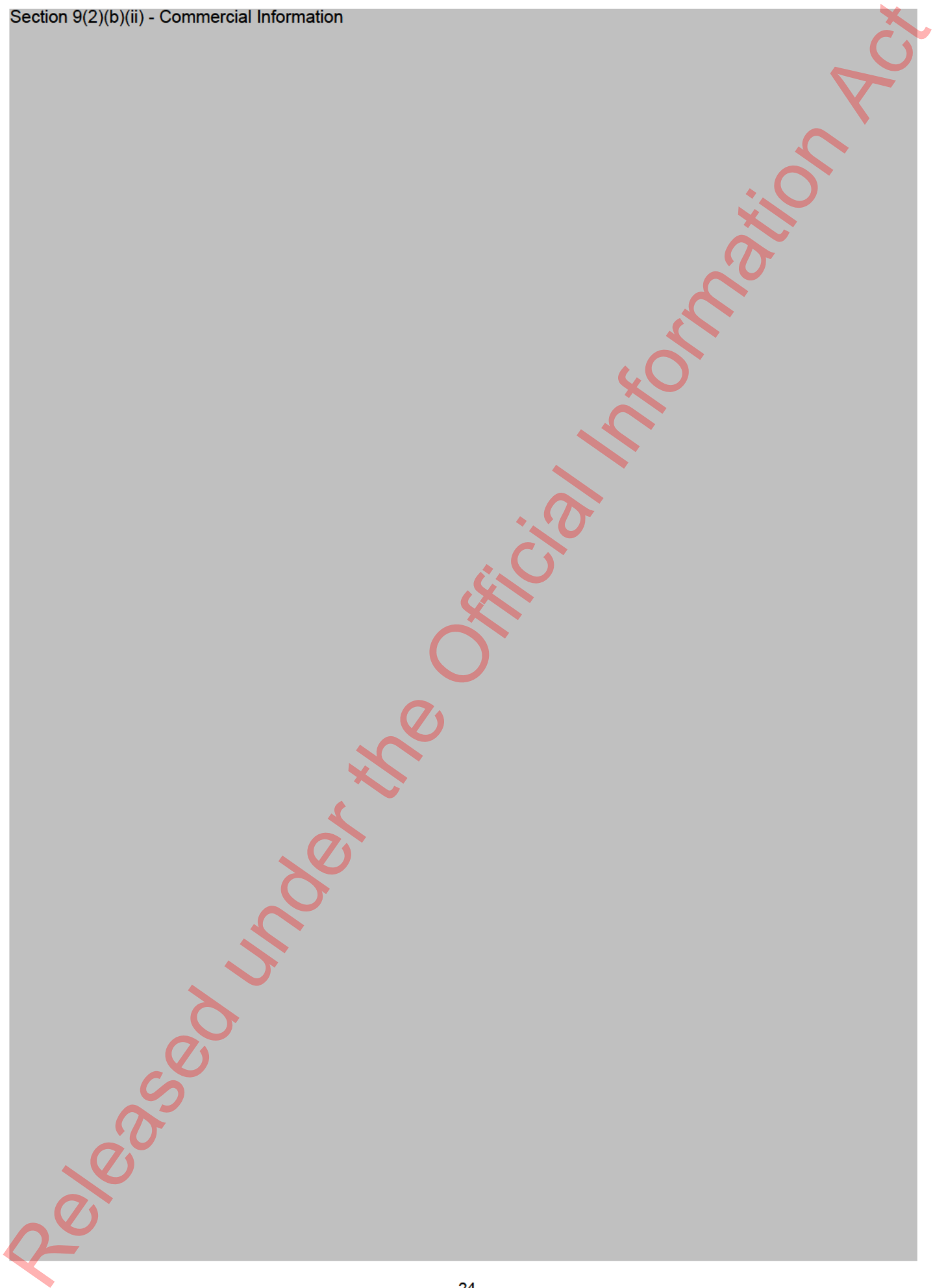
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## Section 9(2)(b)(ii) - Commercial Information

### Appendix C - reference findings summary

Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information



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Section 9(2)(b)(ii) - Commercial Information



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