

## TECHNOLOGY AUDIT

# Opportunity Analyzer™







Lawson Software




## BUTLER GROUP VIEW

### ABSTRACT

Lawson Opportunity Analyzer (OA) is a service from Lawson Software, aimed at helping customers align their IT strategy (in terms of enterprise application deployment) with business objectives. Historically, the deployment of applications such as Enterprise Resource Planning (ERP) has been a hit and miss affair, with relatively few delivering real, measurable success rates. OA helps by working with executives and process owners in a top-down/bottom-up manner to map, target, and then plan which business objectives will really bring significant business value, and then aligning these with process improvement projects (based on industry best practices). A critical step is then to allocate named managers to each project step, thus providing real motivation for success. Although the company's objective is naturally to propose Lawson's own applications, the tool can be used for process improvements with no software or third-party software associated. Typically aimed at larger organisations, OA provides good value for money in Butler Group's opinion, and there is also a quicker ValueScan option which works at a higher level, for those organisations that are not ready for the full service.

### KEY FINDINGS

- |   |   |
|---|---|
|  The OA tool uses best practices based on the SCOR model.                  |  Strong emphasis on ensuring profitable outcomes of any software deployment. |
|  Customer's own process and KPI data can be used.                          |  Helps provide metrics to enable improvements to be measured.                |
|  Lawson currently provides the service directly but may partner in future. |  Service can be used during application selection phase.                     |

Key:  Product Strength  Product Weakness  Point of Information

### LOOK AHEAD

Lawson intends to include detailed mappings within OA to its service industry customers in the future, as it does today for its manufacturing, distribution, and asset management customers.

## FUNCTIONALITY

### *Service Analysis*

When organisations plan to either implement Enterprise Resource Planning (ERP) – or similar software – or to upgrade these applications, it can be a major challenge to put together a business case that is based on genuine business benefits and known costs. Even those organisations that do rarely measure the benefits achieved after implementation; the reason is usually that it is extremely difficult to clarify how the business strategy should align with what applications can deliver.

Lawson Opportunity Analyzer (OA) is a combination of a software tool that is used by its consultants at the customer's site, and the provision of a service to help customers to understand what their own business opportunities are and how focus can be directed to those opportunities that will bring the most value to the organisation. The entire objective is to guide the company towards higher profitability through business process improvement. OA is delivered in a workshop format.

When management need to take investment decisions about enterprise applications, there is often the need to choose between different objectives, with little solid information about which is likely to bring the most value. For example, there could be the option to improve service levels, or to decrease time-to-market for new products, but senior management need to see what real business benefit each alternative will bring. OA brings the answer to the 'so what?' question from the chief executive – what might the impact be on profit, or what is the bottom line value of actually doing either alternative. OA enables management to compare various opportunities, and also to identify the various opportunities that are relevant to that company.

The value that OA can bring to an organisation will of course depend on its priorities, but one of the major positive aspects is that as a result of the process, named managers can set their own objectives with agreement from the team, and can then be responsible for ensuring those objectives are met as the opportunity is pursued.

Examples of customers that have so far achieved benefits include:-

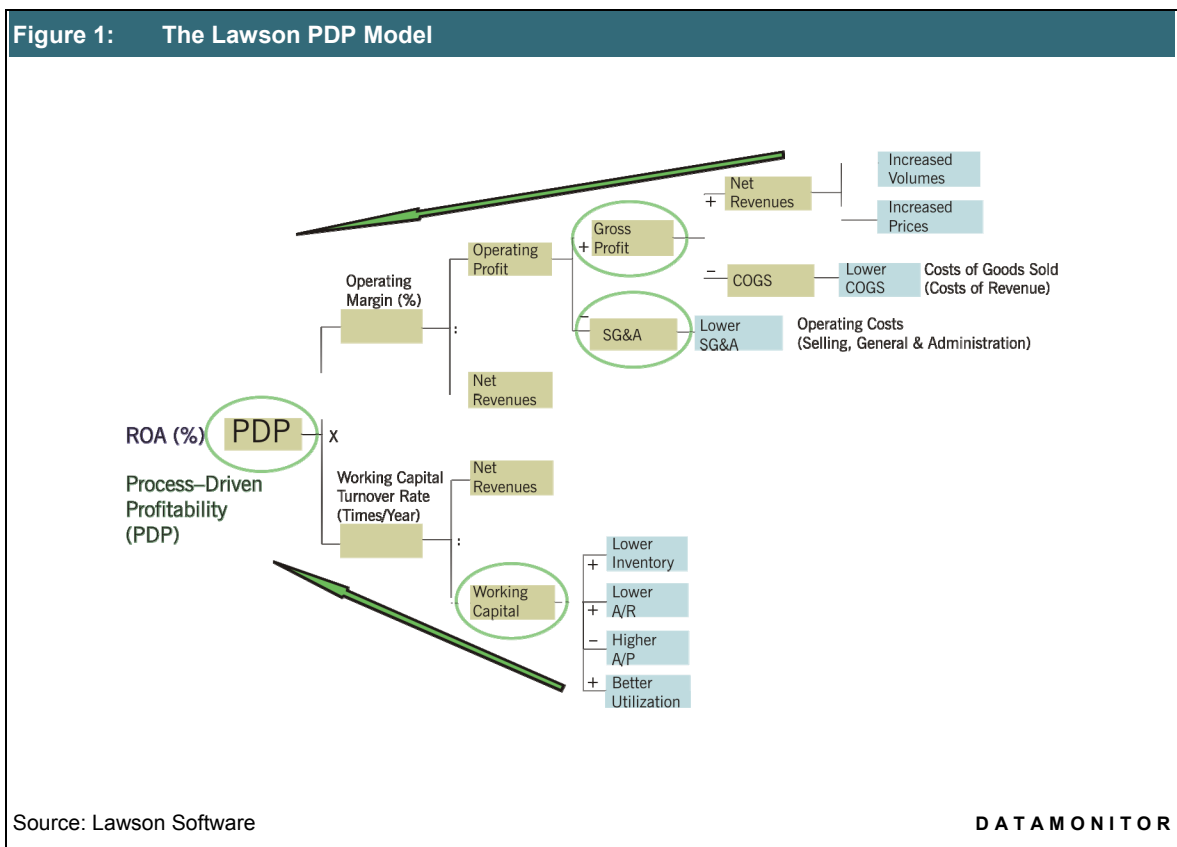
- IKEA Components, which carried out a global OA project covering Sweden, Slovakia, and China. OA was used to make its ERP upgrade business- rather than IT-driven. It is seen as the first part of a successful and ongoing enterprise performance management improvement cycle.
- Acushnet, a US-based manufacturer of sporting goods, used OA across three of its divisions as the first part of a Lawson M3 roll-out in the US.
- BT Trucks/Toyota Materials Handling Group Europe used OA for a project covering 12 sales, distribution, and after-sales service companies in Europe. The service helped to illustrate the ROI from a proposed ERP upgrade, as well as to prepare for the ensuing software workshops.
- Metso Automation used OA within a major division of a group which has a corporate SAP ERP policy. The OA was performed in the pre-decision phase and gave the board a quantified motivation to take the decision to roll out M3 globally across the division.
- Irwins Bakery, a small family-owned business in Northern Ireland, used OA to help in the decision-making phase of an ERP deployment and helped the board decide to implement M3 in the company, based on the quantified value that the OA project defined.

OA can be differentiated from a typical ROI tool in that it is not based on spreadsheets, but uses several internal databases to help guide process improvement initiatives; these include Key Performance Indicators (KPIs), business process activity hierarchies, and industry best practices. These databases were built from expert industry sources and expanded by highly experienced Lawson consultants. Lawson states that the profitability simulation capabilities of OA are unique in that they can translate complex process improvement and best-practice plans into comprehensive bottom line profits.

The tool focuses on the business costs and benefits but it does not necessarily include full application implementation costs, which ROI calculators tend to emphasise. However, it does incorporate other costs associated with improvement projects, and in Butler Group’s opinion, it provides a highly-valuable service – whether an organisation is considering deploying Lawson products and/or third-party software.

**Service Operation**

The OA tool is an application based on a SQL Server database, which uses a business process hierarchy to roll up both financial and non-financial metrics from highly detailed process activities into a company-level profit and loss framework. Figure 1 illustrates the overall Process Driven Profitability (PDP) Model, which results from the workshop process.



The end result of the process is a ratio that indicates the likely value of the proposed improvements, and can be recalculated in an iterative manner. Lawson runs a series of targeting workshops in half-day sessions with the management of the client. Then all the information is put together in a full day planning workshop.

A typical OA process has a four step cycle:

Opportunity Analysis – this combines a top-down and bottom-up approach, working with both 'C' level executives and process owners, using a 'map, target, plan' process. Lawson consultants assist the organisation's team in mapping / documenting the current financial and non-financial KPIs to establish the baseline of current performance. These are then combined with understanding the industry KPIs and best practices specified in the OA tool. The core best practices within the tool come from the Supply Chain Operations Reference (SCOR) and Du Pont models, and these have been extended by adding additional elements that are relevant to many Lawson customers, such as after sales service. There are some 470 practices stored within the tool now. Each customer can define their own KPIs as well, which can then be added to the standard base. The KPIs chosen should be highly specific to the company to bring the most value.

The Targeting Cockpit is where all the relevant information is put together, including current base values, etc and it is also used to set achievable targets for the opportunities that have been defined. Each target has three values that can be input – aggressive, main, and conservative values. A manager who is responsible for that area must provide the values they think are achievable (and for which they will then be responsible for delivering).

The Plan phase is where these opportunities are then ranked, and the group identifies those with the best financial benefits. Opportunities can be grouped together as implementable projects. Both ROI and payback time need to be taken into account here. OA interactively simulates the effect on performance and profit improvement as the team goes through the selection and prioritisation workshops and produces appropriate financial figures showing the estimated effects of the benefits to be achieved in a time-phased format. The final step of this first phase is to develop a high-level, multi-year plan to implement the chosen improvements. The OA project is usually completed by the end of the first phase – the remaining steps in the cycle are where projects are implemented, measured, and monitored to ensure success.

The second step in the cycle is where the business then needs to start to implement the opportunities that really will support the strategic business process improvement objectives, often by targeting 'low hanging fruit'. The chosen practices will then be implemented in conjunction with management and process owners.

The third step includes measuring the KPIs that have been defined, and this is where Lawson's Business Intelligence (BI) solution can be valuable by providing a comprehensive data warehouse, enabling business processes to be monitored and initial values stored.

The fourth step is to then evaluate performance once the process improvements are under way with the implementation of new or upgraded software and processes. It includes continuous monitoring and exception alerts (usually using Lawson's BI capability) and helps to measure the target versus actual figures.

The company has also developed a reduced time version of the service, called ValueScan, which lasts two to three weeks, and works mostly with C-level executives at a fairly high level. This can be used either as an initial high-level strategy setting project, or as an aide to future budgeting and planning processes, after initial application deployment.

## Service Emphasis

The overall emphasis of OA is to enable customers to align IT with corporate goals, by helping provide detailed yet targeted and measurable objectives, with named resources assigned to them, in a time-phased format.

Many vendors will provide some type of ROI calculation, but these are usually very high level, and do not bring the direct involvement of the internal team that will then be charged with achieving improvement. Lawson OA can be used to support process improvement, regardless of whether Lawson applications are being deployed.

## DEPLOYMENT

OA is a service that uses a proprietary software tool, which is deployed on a standalone PC. As such there are no internal deployment issues. The software itself has three modules that tend to be used in sequence, to gather and use relevant KPI and other information in the 'map, target, plan' phase of the project.

A typical first OA project lasts between six and eight weeks from inception to completion, and requires significant input from executives, managers, and process owners throughout the organisation. The tool is often used periodically throughout the course of the project to benchmark progress and results against initial plans and estimates. In addition, the whole OA process can be used on a periodic basis, for example, as part of an annual planning and budgeting process, to help understand what strategies are optimal for the organisation at that stage.

No end-user training on the software tool is required, nor are any specific technical skills needed by the customer. The most important aspect is that there must be a high level of management input in the data collection and targeting phases.

In a typical OA project, the Lawson consultant will assist the company's team in the following process improvement activities:

- Documenting the current financial performance and any current non-financial KPIs to establish the baseline of current performance.
- Understanding the industry KPIs and best practices specified in the OA tool.
- Selecting the appropriate improvement opportunities to pursue and estimating the benefits to be realised.
- Prioritising the opportunities according to the ratio of effort required to the likely benefits.
- Developing a high-level, multi-year plan to implement the chosen improvements.

Following on from the initial OA process, Lawson can provide further consulting services including assistance in developing ROI examples, after the company has determined which software it will use and the extent of professional services it needs to employ for the ERP project. In addition, Lawson can deliver consulting assistance with periodic reviews of the progress of the project. OA can also be used as a follow-up, and for the annual planning and budgeting process.

The main area of risk that could be associated with the OA service is if the customer does not have a good understanding of its own business strategy and objectives. Also, once any project moves to the application deployment phase, there will be change management challenges; but the way that OA involves management in objective and target-setting should mean that this risk is minimised.

## SERVICE STRATEGY

With OA, Lawson offers a highly valuable service that can bring significant value of itself in identifying where the best opportunities for business development lie. Being able to realise genuine and significant profitability and ROI from ERP investments is a challenge that has plagued executives ever since ERP first evolved, and Lawson has a lead on the other players in the industry. Actual ROI will be dependent on each individual project, its scope, and timing, which of course are decided by the customer.

The company is initially targeting the offering at manufacturing and distribution organisations. Although it can be applied to almost all verticals, Lawson's OA consultants have significant skills in industries such as discrete and process manufacturing, the fashion industry, food and beverage, asset intensive industries, wholesale distribution, retail, and equipment servicing companies. These are the areas where the company's M3 product line tends to be deployed. The company plans to expand the OA service to the more traditionally 'Lawson' areas of healthcare and human capital management as demand for the service grows.

Although even relatively small companies can benefit greatly from OA, the realistic target market in terms of company size ranges from US\$50 million to multi-billion dollar companies.

At present Lawson provides the service directly. In the future it plans to expand this to trusted partners, and will provide comprehensive certification to ensure that the consultant quality level remains at its current high levels. The company partners with Stratascopie to provide high-level vertical sector benchmark data.

OA is a relatively inexpensive first step for what could potentially be multi-million dollar/Euro projects. The full OA service is currently charged at US\$60,000, and the ROI that it can deliver can be extremely high – a small percentage increase in on-time deliveries, for example, can save significant costs and improve the bottom line. The quicker Value Scan option is more high level and less expensive; it is priced dependent on the client's need.

Lawson has recently started to publicise the OA service, for example, via its Web site and through other marketing activities; however Butler Group believes that this deserves to be still more widely promoted as the potential for gaining real and measurable benefit from an ERP implementation or upgrade is high if there is a good understanding of where there are challenges that can be overcome by better targeting.

There are a number of ROI tools available – essentially glorified spreadsheets – that allow input of cost and benefit data and provide a ROI calculation, but in Butler Group's opinion these only provide limited value since the information they tend to use is extremely generic, untargeted, and has no follow-up action plan or measurement capability. Even the top-tier ERP vendors tend to only offer similar calculation tools.

OA is positioned as a separate offering from Lawson, and is not specifically linked to Lawson's software suites, although it can indicate where Lawson's products can then support a particular opportunity. Because the tool is built around industry-accepted best practices, rather than Lawson's specific functionality, it can be used independently.

**COMPANY PROFILE**

Lawson Software (NASDAQ: LWSN) is a global provider of enterprise software, with headquarters in St Paul, MN, USA, and offices in many major cities around the world. EMEA headquarters are in Stockholm, Sweden. The company was founded in the 1970s as Lawson Associates by brothers Richard and Bill Lawson and colleague John Cerullo. In April 2006, Lawson acquired Intenia International AB, adding ERP and asset management capability to its existing financial, HR, and professional services software. The company now provides varied software solutions (and services) in 20 languages, with customers in over 40 countries. There are approximately 3,800 employees, with around 700 in sales and marketing, 600 in R&D, and 2,000 in services and customer support.

To date, some 15 customers have used the OA service, and Lawson has over 4,500 customers in total for its various products.

<b>Table 1: Financial Details</b>			
<b>Year ending 31 May</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenue (US\$ Million)</b>	750.4	390.8	335.2
<b>Change on Previous Year (%)</b>	92	16.6	(7.8)
<b>Total Net Income/(Loss) (US\$ Million)</b>	(20.9)	16	5.3

Source: Lawson Software **DATAMONITOR**

**SUMMARY**

Lawson OA is essentially an expert system that helps the company’s consultants work with its customers to define the process improvement objectives for their organisation. As such, it is a vast improvement on the ROI calculators that tend to be used in the decision-making phase of enterprise application deployments. Its real value lies in the way that executives and management lead the process of understanding where opportunities for business improvement lie, facilitated by Lawson consultants, and then have responsibility for achieving the targets that they set for themselves.

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Source: Lawson Software	<b>DATAMONITOR</b>

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