

**ANALYSIS OF THE STRATEGIC OPPORTUNITY
TO CREATE A CANADIAN SUBSIDIARY FOR AXYON CONSULTING
IN BRITISH COLUMBIA**

by

Shehin Devji

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Approval

Name: Shehin Devji

Degree: Master of Business Administration

Title of Project: Analysis of the Strategic Opportunity to Create a Canadian Subsidiary for Axyon Consulting in British Columbia

Supervisory Committee:

Dr. Blaize Horner Reich, ICD.D
RBC Financial Professor of Technology and Innovation
Segal Graduate School, Beedie School of Business
Senior Supervisor

Dr. Neil R. Abramson, Associate Professor
Segal Graduate School, Beedie School of Business
Second Reader

Date Approved:

Abstract

Axyon Consulting is a privately held US company offering full service professional Open Text Enterprise Content Management (ECM) consulting. The North American ECM market is growing at a considerable rate and the opportunities for ECM consulting services are presenting themselves at a faster pace than the market is able to deliver. Axyon recognizes the need to service the BC market and is currently exploring opportunities to expand operations within Canada.

This report examines the opportunity for Axyon to develop a subsidiary operation in British Columbia. The trends and issues that affect the ECM and consulting industries are identified, the BC competitive environment and market opportunities are evaluated, and the market expansion plans are examined. The plan provides strategies and recommendations to address the resource challenges, with respect to recruiting, deploying and retaining consulting resources. These strategies and recommendations, as well as the other elements provided in the plan should serve as an implementation model for the subsidiary, Axyon Canada.

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1. Introduction

The emphasis on enterprise-wide information management efforts continues to grow, and the various distinct systems and solutions are now viewed under a single umbrella called Enterprise Content Management (ECM). The term, as defined by advisory and research firms such as Gartner and Forrester, is now commonly regarded as the industry standard. ECM is not only about the technologies. ECM includes the strategies, methods and tools used to capture, store, manage, preserve and deliver information in support of business processes. ECM covers the management of information within the entire scope of an enterprise whether that information is in the form of a paper document, an electronic file, a database print stream, or even an email. (AIIM, 2008)

The North American ECM market is growing at a fast pace. ECM spending increased by 7.6% in 2010, and is expected to grow at even more considerable rate. From a global perspective, ECM is predicted to reach \$12.8 billion by 2017. (Pratap & Srivastava, 2011) To fuel this growth even further, ECM vendors are now developing their products to enable integration with mobile devices, cloud computing, and enterprise-wide collaboration technologies. The opportunities for ECM consulting services are presenting themselves at a faster pace than the market is able to deliver.

Axyon Consulting is a privately held US company offering full service professional Open Text ECM consulting. Axyon has delivered Open Text specific ECM solutions for customers within the public sector, and the utilities, energy, financial and manufacturing industries.

As technology continues to develop and progress at an extremely fast pace, the ECM industry continuously expands trends and shifts the paradigms as we know it today. To keep abreast of industry leading ECM technology, Axyon has preferred to focus its consulting expertise on one clear market leader within the ECM industry – Open Text, whose vision encompasses a technology portfolio that is not only evolving in breadth and depth, but also in offering new ways to capture, secure and access information.

Axyon Consulting has had past experience and success with several customers based in Vancouver, British Columbia and Calgary, Alberta. Many of Open Text's Enterprise and Corporate/Mid-Market Accounts reside in BC and the availability of ECM consulting resources to service this market is extremely limited when compared to Alberta or Eastern Canada. Axyon is often approached to take on customers in the Western Canadian Market. However, Axyon's current location, resource pool, and pipeline of current US customers have limited Axyon's ability to take advantage of these opportunities.

Axyon recognizes the need to service this market and is currently exploring opportunities to further expand operations within Canada. Both visibility and proximity are imperative ingredients for success in any new market. Therefore, creating a physical presence in BC will increase Axyon's visibility and ensure close proximity to Open Text's large customer base in Canada.

There are significant concerns to address before Axyon embarks on its Canadian adventure. For the adventure to be successful, Axyon must ensure its BC talent is experienced and knowledgeable with Open Text ECM software. Axyon must ensure the subsidiary's portfolio consists of a set of services that coincides with its internal delivery capabilities. The challenge will be to identify creative solutions to recruit and retain its resource pool.

The limited availability of ECM consulting resources, with specific Open Text expertise, is a concerning factor in pursuing the Canadian opportunity. To ensure Axyon Canada's success in the Canadian market, it is imperative to understand why this issue exists in BC and conduct a focused strategic analysis to specifically identify options to meet the resource challenges.

This report evaluates the opportunity for Axyon to develop a subsidiary operation in British Columbia. Starting with an analysis of the North American ECM industry and the BC market, we will provide an overview of the ECM landscape, including the market opportunities and competitive environment in BC. We will then delve deeper into understanding Axyon and its desire to establish a Canadian subsidiary. Subsequently, we will explain why Axyon should focus solely on Open Text ECM consulting services, rather than other leading ECM software, in the BC market. Strategic options with respect to the resource challenges will be identified and

a set of recommendations will be presented. From this point, we will develop a market expansion plan to explore the viability of expanding Axyon's operations into Canada. The key elements of the plan will serve as an implementation model for Axyon.

It is important to note the author has some knowledge of the ECM industry. A number of years ago, the author led the global ECM initiative for a multinational company based in BC, and has since kept abreast of the ECM market. As a previous customer of both Open Text and Axyon Consulting, the author gained insight into the Western Canadian market, and has built relationships with both Open Text personnel, and with various Open Text ECM customers throughout Canada and the US. Therefore, the analysis presented in this report is based on available published research, private discussions with Axyon employees, and personal knowledge.

2. The ECM Industry Overview

This analysis will begin with a comprehensive definition of ECM and identification of the North American Industry Classification System (NAICS) codes associated with the ECM industry. The section will continue with a discussion of the ECM industry and its two main North American sub-industries: the ECM Software industry and the Consulting industry. The overview will end with the five forces framework analysis, specifically of the ECM consulting industry.

2.1 The Industry Definition of ECM

In our current digital world, organizations are experiencing a significant growth of their unstructured information, such as emails, webpages, wikis, blogs, contracts, images, MS Office documents, graphics and drawings. This type of information accounts for nearly 80% of information created and shared within the organization. (AIIM, 2008) ECM enables the organization to harness this data, thus enabling them to increase productivity and cost savings, while ensuring regulatory compliance. Gartner (AIIM, 2008) defines the following as the core components of ECM:

- Document Management
- Electronic Records Management
- Web Content Management
- Imaging
- Workflow
- Document Centric Collaboration

In summary, as Russel Stalter, Director of Information and Records at BP has articulated quite succinctly, “ECM is a management practice that provides for governance of an information management environment toward the goal of improving compliance, information reuse and sharing, and operational performance. ECM is a structured approach employing methods, policies, metrics, management practices and software tools to manage the lifecycle of

information and to continuously optimize an organization’s collection of information and information management processes.” (AIIM, 2008)

2.2 The NAICS Industry Codes

The ECM industry is defined by the North American Industry Classification System (NAICS) codes listed below in Exhibit 1. Specifically, the industry software companies operate under Sector 51, and consulting services and consultants operate under Sector 54. (Statistics Canada, 2007). This report will pay most attention to Sector 54 as ECM consulting services falls into the category of technical services.

Exhibit 1- The ECM Industry NAICS Codes

Sector	NAIC Code & Services	Industry Description
Sector 51 Information & Cultural Industries	51121 - Software Publishers	Companies primarily engaged in publishing computer software, and generally referred to as packaged software. They carry out operations necessary for producing and distributing computer software, such as designing, providing documentation, assisting in installation and providing support services to software purchasers.
	511210 - Software Publishers	
Sector 54 Professional, Scientific & Technical Services	54151 - Computer Software Systems Design and Related Services	Companies primarily engaged in providing expertise in the field of information technologies, through one or more activities, by providing advice in the field of information technologies, and other professional and technical computer-related services.
	541512 - Consulting Services and/or Consultants for Computer Software, Systems Integration and Design	
	541611 – Records Management Consulting Services	Companies primarily engaged in providing advice and assistance to other organizations on administrative management issues, such as records management, business process improvement, and general management consulting services to customers.

Source: Statistics Canada, NAICS Canada, 2007

2.3 The North American ECM Software Industry

2.3.1 Industry Overview & Key Trends

The North American ECM industry has experienced significant growth in spite of the downturn in overall Information Technology (IT) spending over the last few years. ECM spending grew by 5.1% in 2009 and by 7.6% in 2010. ECM software revenue alone was \$3.9 billion in 2010. This growth is expected to continue at a compound annual growth rate (CAGR) of 11.4% through 2015. From a global perspective, the ECM market is projected to reach \$12.8 billion by 2017. (Pratap & Srivastava, 2011)

The increasing trends towards globalization, social media, content digitization, information compliance, audit and retention regulations (i.e. Sarbanes-Oxley Act), cloud technologies and the leveraging of content as a key business driver will ensure the North American market continues to be one of the fastest growing regions in the industry. Overall, the growth is fuelled by the aggregate need for organizations to lower risks, ensure regulatory compliance, improve productivity of information workers, and enhance the cost effectiveness and operational efficiencies of various document centric business processes.

The mature ECM industry continues to experience considerable change. Over time the core document repository services have become commoditized and there has been an increase in the use of content such as mobile, text, video, audio, and various types of social media content. The emergence of new technologies and content types has resulted in an increase of vendors providing solutions to help manage the content.

The inevitable need for organizations to capitalize on the tremendous opportunities of the Internet to strengthen their customer relationships, build their brand and increase their revenues, has amplified the need for content governance and valuation. This situation only makes the organization's buying decisions more complex. Not only do ECM leaders have more choices, but the trends tend to undo the Chief Information Officer's (CIO) efforts to consolidate the ECM technologies within their organizations. It is obvious that the proliferation of new

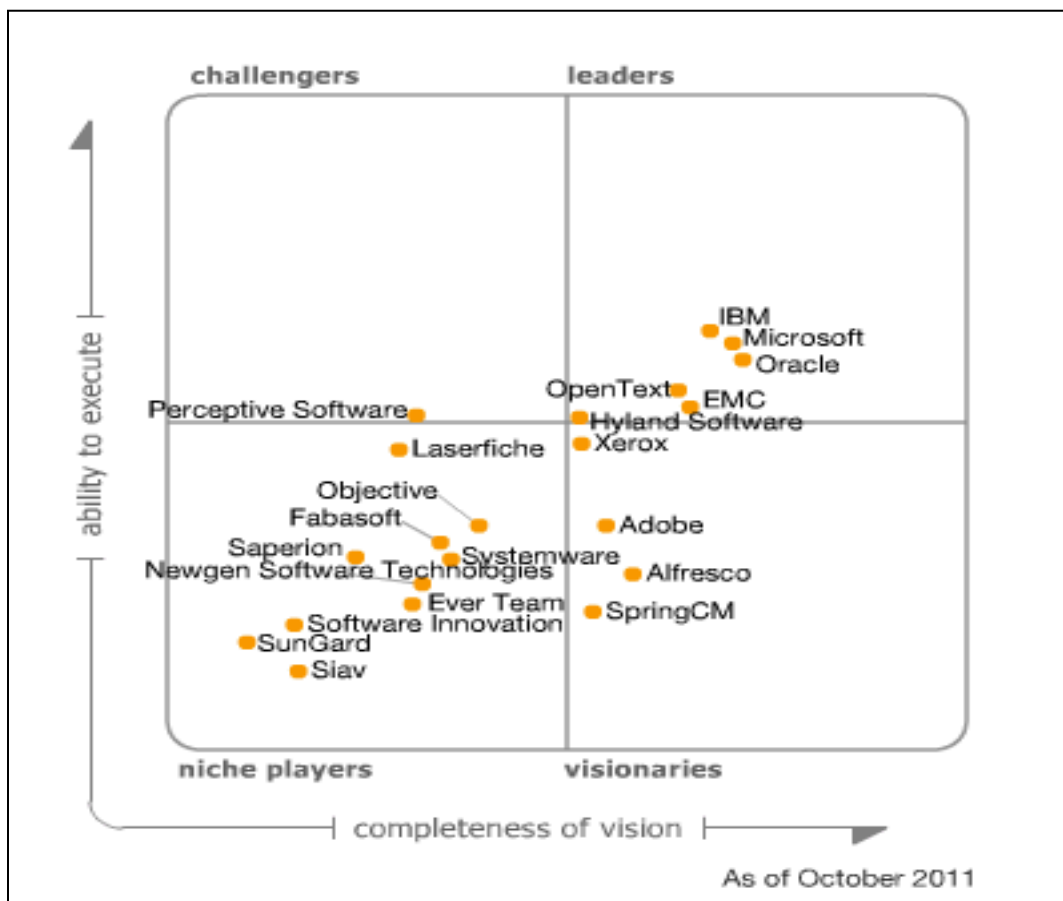
content creating technologies cannot be slowed or stopped, but CIOs certainly can leverage ECM technologies to better manage content.

2.3.2 The Key Players

The combination of the growing maturity of existing ECM technologies, the escalation of new technological trends, and subsequent consolidation activity has motivated the well established players in the ECM industry to battle hard to maintain their leadership positions in the marketplace. The result of this battle is a more complex vendor landscape, with only a handful of leading vendors able to deliver a wide range of ECM solutions and technologies.

Every year, Gartner provides a snapshot of the ECM industry and where the major ECM vendors stand against each other. Gartner will take into account the vendors' current strategies, product offerings and future roadmaps. Gartner also considers the vendors' ability to influence the market and adapt to evolving market needs. Using the ECM Magic Quadrant, Gartner compares the vendors on their completeness of vision versus their ability to execute. Based on Gartner's 2011 research on key ECM issues, competition in the ECM industry is a mix of the top tier highly concentrated large vendors, and the second tier highly fragmented niche players and open source vendors. "Leaders" are vendors with high scores in both areas. "Visionaries" have high vision and a lower ability to execute. "Challengers" are vendors who have low vision and a high ability to execute. "Niche Players" rank low in both areas. Exhibit 2 below provides a snapshot of the ECM industry vendors and summarizes the 2011 ECM Magic Quadrant vendor rankings. (Gilbert, Shegda, Chin, & Tay, 2011)

Exhibit 2 - Gartner 2011 ECM Magic Quadrant



Source: Gartner ECM Magic Quadrant, 2012

In the 2011 ECM Magic Quadrant, Gartner provided research on its four worldviews of ECM, which include Transactional Content Management, Social Content Management, Online Channel Optimization, and Content Management as Infrastructure. Appendix 1 provides a further insight into Gartner’s Four Worlds of ECM.

2.3.3 Open Text Corporation

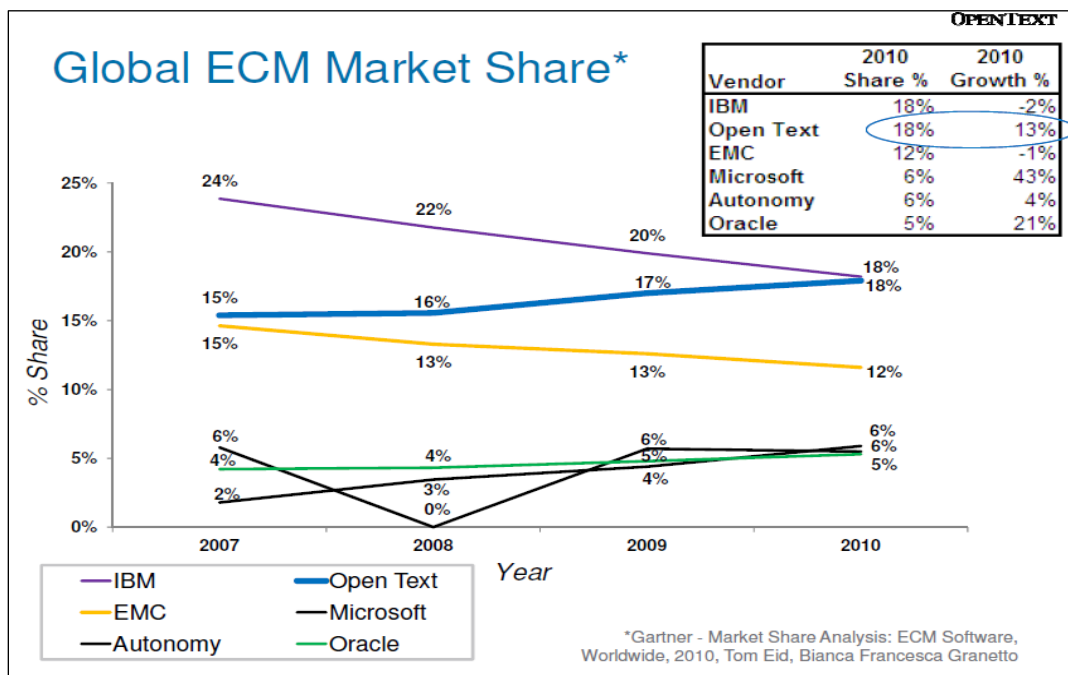
Open Text is positioned in the “Leaders” category in Gartner’s 2011 ECM Magic Quadrant. As a “Leader”, Open Text is noted as having a high combined score for ability to execute and completeness of vision, and for being prepared for the future with a clearly articulated vision. (Gilbert, Shegda, Chin, & Tay, 2011)

Open Text provides ECM software solutions that focus on people, processes and content. Open Text’s flagship product offering is the Open Text ECM Suite (available in 12 languages) and key services such as consulting, learning and hosting are delivered via the Open Text Global Services business unit. Open Text, established in 1991, is headquartered in Waterloo, Canada and employs approximately 4,600 people. The customer base is approximately 46,000 in 114 countries in the Americas, Europe, and Asia Pacific.

Open Text is Canada’s largest software company, and the largest global ECM software vendor focused on content management, second only to IBM in ECM market share (Exhibit 3). The major competitors of Open Text Corporation are:

- International Business Machines Corporation (IBM)
- EMC Corporation
- Oracle Corporation
- Microsoft Corporation
- Autonomy Corporation

Exhibit 3 - Open Text's Position in the ECM Industry



Source: Open Text Corporation, 2012

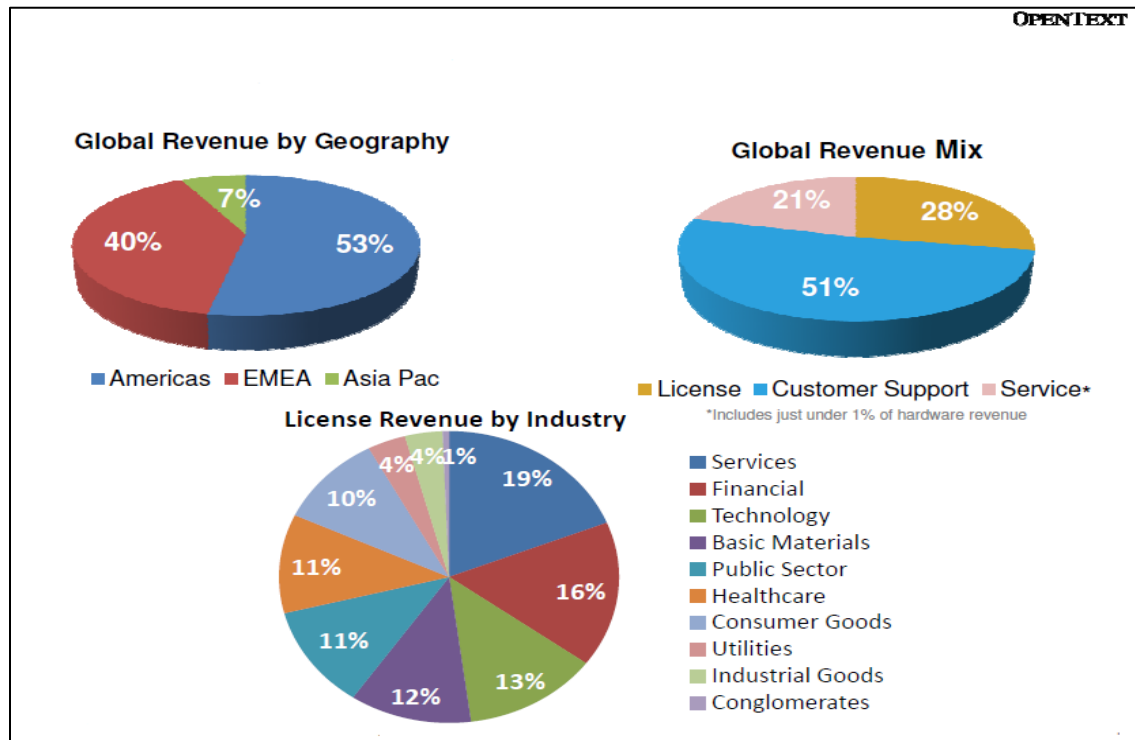
Open Text has strategic alliances with Microsoft, SAP, Oracle, Accenture Ltd, and Deloitte Consulting. Open Text has developed collaborative relationships with Microsoft, Oracle, and SAP to develop ECM solutions that leverage customer's investments in these platforms. Open Text's compatibility and interoperability with all these products is integral to capturing a larger market share. For example, the SAP alliance has been instrumental in driving revenue through this channel by providing extended Open Text ECM solutions that integrate with SAP. Although Oracle and Microsoft are competitors, the collaborative relationship with each of them has enabled Open Text to develop business and industry ECM solutions that integrate customers' existing investments in Oracle databases and Microsoft infrastructure and productivity applications (i.e. MS Office and MS SharePoint). Both Accenture and Deloitte have partnered with Open Text to deliver global ECM solutions to customers. (Open Text Corporation, 2012)

Open Text is a financially strong company and trades under the stock symbols: OTEX (NASDAQ) and OTC (TSX). Open Text's financial highlights for the last fiscal year ending June 2011 are as follows: (Open Text Corporation, 2012)

- Revenues of \$1,033.3 million, an increase of 13.3% over 2010
- Operating profit in fiscal 2011 was \$150.6 million, an increase of 37.9% over 2010
- Net profit was \$123.2 million in fiscal 2011, an increase of 38.1% over 2010
- Operating cash flows increased to \$223.2 million, a 23.9% increase over fiscal 2010
- Gross Margins were are 67.1%
- Cash and cash equivalents balance was \$284.1 million
- 30% year over year increase in adjusted earnings per share (strong shareholder value)

Exhibit 4 below provides an overview of Open Text's revenue breakdown by geography, revenue mix and industry. Note, in the global revenue mix, customer support can be referred to as the total yearly customer maintenance license revenues. (Open Text Corporation, 2012)

Exhibit 4 - Overview of Open Text's 2012 Revenue Breakdown



Source: Open Text Corporation, 2012

Using an aggressive acquisition strategy, Open Text has positioned itself to capture an ever expanding share of the ECM market and compete in all aspects of ECM, including business process management. This acquisition strategy has enabled Open Text to increase overall maintenance license revenues. (Open Text Corporation, 2012)

Open Text remains the largest pure play ECM software vendor. Other vendors have tied their ECM offerings to their core business (i.e. IBM is tied to its service business, EMC is tied to its hardware business, and Oracle is tied to its infrastructure business). The challenge ahead for Open Text executives will be their ability to streamline the overlap in functionality and ensure integrative cohesiveness of newly acquired software modules. Gartner has identified the following challenge areas for Open Text to address. (Gilbert, Shegda, Chin, & Tay, 2011)

- Open Text customers voice concern about the product road map. The company needs to articulate a clearer product vision to the marketplace and execute on this.

- Open Text needs to integrate the Business Process Management (BPM) capabilities of Metastorm and Global 360 quickly into its portfolio to exploit the opportunities.
- MS SharePoint may have an impact on Open Text's revenue stream, as some customers move to standardize on MS SharePoint.

2.3.4 Open Text's Response to Microsoft SharePoint

Microsoft gained market share within the ECM industry by extending their MS SharePoint functionality in 2010. MS SharePoint is a front end, web based tool that provides the end user with a myriad of collaboration functionality. MS SharePoint has tight integration with MS Office and other Microsoft products.

Many small to medium sized organizations tend to favour MS SharePoint over other leading ECM software mostly because of the price point and quick start-up time. With MS SharePoint users are able to start creating their own repositories and share information very quickly. Yet, allowing users to create their own repositories increases the risk of creating information silos across the organization. The opportunity for the larger, more traditional ECM vendors is to find ways to embrace MS SharePoint and provide opportunities for integration. Many players integrate their ECM solutions on the back end of the customers' MS SharePoint installations to provide enterprise records management, archiving, imaging, business process management and other types of ECM solutions that MS SharePoint does not offer. (Miles, 2011)

With the new 2010 edition, MS SharePoint's usability has improved and productivity gains have been made by enabling the user to more efficiently address the volume and complexity of their company data. On the downside, MS SharePoint's web content management and digital asset management capabilities are still both maturing, and there are functionality gaps to enable support of imaging and output management technologies. (Miles, 2011)

Although MS SharePoint usage has increased since Microsoft released its new edition, it still faces stiff competition from Open Text. Open Text has responded by ensuring their products retain full compatibility with MS SharePoint and other Microsoft products. Many companies have already integrated their MS Office and MS SharePoint suites with Open Text products. Open Text is also making use of its ECM features in other Microsoft applications such as MS Outlook 2010, allowing users to extract required content out of an archived mailbox and manage it in their content libraries. (Weintraub, 2011).

Please refer to Appendix 2 for a more detailed overview of Open Text Corporation.

2.4 The Consulting Industry

Consulting is a dynamic and growing industry. ECM consulting companies play a significant role in the ECM vendor's success by offering a variety of services to customers who purchase the ECM software. This section will provide insights to the growth, profitability and trends of the consulting industry.

2.4.1 Industry Outlook

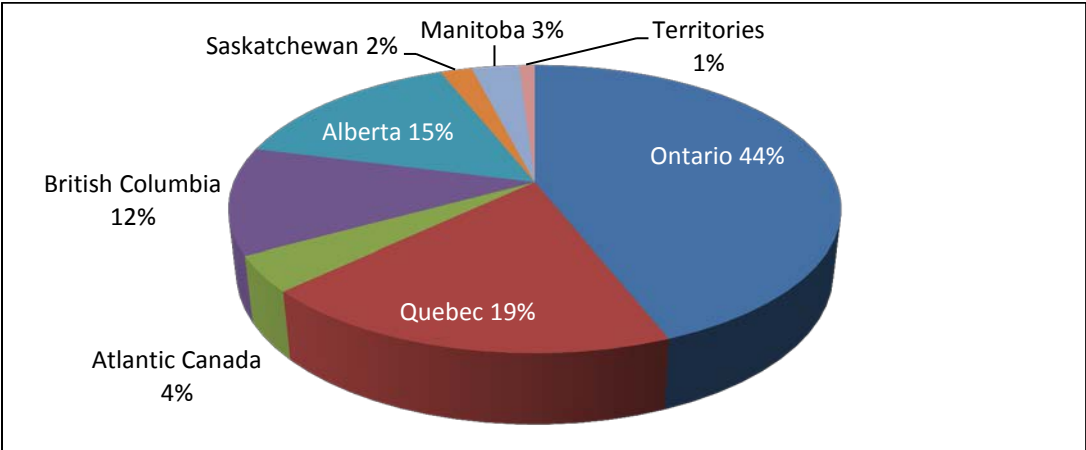
From a global perspective in 2010 the software and services industry grew by 7% to reach a value of \$2,351.1 billion, and the IT consulting services market grew by 3.5% to reach a value of \$515.6 billion. By 2015, the global software and services industry is forecast to have a value of \$3,309.7 billion, an increase of 41% since 2010, and the global IT consulting services market is forecast to have a value of \$587.8 billion, an increase of 14% since 2010. (Datamonitor, 2011)

According to Statistics Canada's most recent analysis, operating revenue and total operating expenses in the Canadian consulting services industry increased in 2010. Industry revenues have risen to an estimated \$12.8 billion, up from \$12.6 billion in 2009. The industry experienced overall growth that more than offset the sudden contraction caused by the global recession in 2009. IT consulting services spending in Canada has rebounded, presenting

vendors with new growth and market opportunities. IT continues to be the largest source of consulting revenues compared to all other types of consulting. (Statistics Canada, 2012)

The operating profit margin of Canadian companies in consulting services stood at 22.4% in 2010, up slightly from 22.1% in 2009. The operating revenues in consulting services decreased in Ontario (-1.1%), Alberta (-0.4%), and Quebec (-2.5%), while British Columbia registered modest growth (+1.7%) from 2009 to 2010. Regionally, the distribution of demand has remained constant over the last two years. As displayed in Exhibit 5 below, Eastern Canada accounts for an estimated 63% and the Western Canada collectively accounts for close to 32% of industry revenues. (Statistics Canada, 2012)

Exhibit 5 - Canadian Consulting Landscape



Source: Statistics Canada, 2012

Overall, the Canadian consulting industry is fragmented with small players competing alongside large, multinational companies. Both players have seen revenue increases in the last few years. For all players the largest expense in this knowledge intensive industry is labour costs, accounting for 63.7% of total operating expense. (Statistics Canada, 2012) Labour costs include salaries, wages and benefits, subcontract expense, professional business service fees and commissions paid to non-employees. As demand increases, growing competition for the scarce critical skills becomes more the norm. The players compete for the best qualified resources by offering to pay higher rates/salaries and more incentives. Hence, the voluntary employee turnover rates are currently sitting at 10% with industry forecasts expecting it to increase further.

With respect to overall job growth, the fastest growing industry is niche business consulting and project based IT services, with the workforce in these areas expected to increase by 5.9% annually through 2016. (Statistics Canada, 2012) Corporate layoffs have spawned a wave of professionals who are trying to repurpose their skills in the consulting realm. While the competition is fierce in this space, the barriers to entry are low, and the industry as a whole is seeing a shift as companies drop big corporate consultancies in favour of smaller, more specialized companies. Particularly in demand right now are consultants who can help companies cut costs, increase productivity and minimize financial losses.

2.4.2 Consulting Profitability & Growth

The Canadian Association of Management Consultants (CMC - Canada) completed an industry profitability study in 2011 (CMC Canada, 2011). The following are the key highlights adapted from the study:

- **Fee Models:** Fixed fees and hourly/daily rates still prevail across all sized companies and service lines compared to the outcome based (contingent or incentive) fees. Usage of the outcome based fee is used specifically for initiatives that are simple to measure, such as performance or cost reductions mandates.
- **Target Billing Rates & Discounts:** Overall, standard target billable rates have barely moved, although the median target rate for experienced consultants has increased at the largest companies. Pricing pressure is still intense and the fees actually realized can be substantially lower than the target standard rates. Larger companies are more prone to propose fees below their standard target rates than medium sized companies who have less flexibility and tend to offer shallower discounts, typically less than 15%. In general, medium sized companies have suffered the most margin compression.
- **Optimism in the Maturing Market:** Most consultant companies expect to grow, and in a slow to moderately growing market, achieve an ambitious growth target. Across all sized companies, 73% plan to pursue expansion in existing markets, while a substantial minority expect to venture into new services (41%) or markets (36%). Targeted hiring is

seen as a growth strategy for 85% of large companies (100+ full time consultants), signalling resourcing costs will likely rise in the struggle to attract and retain talent.

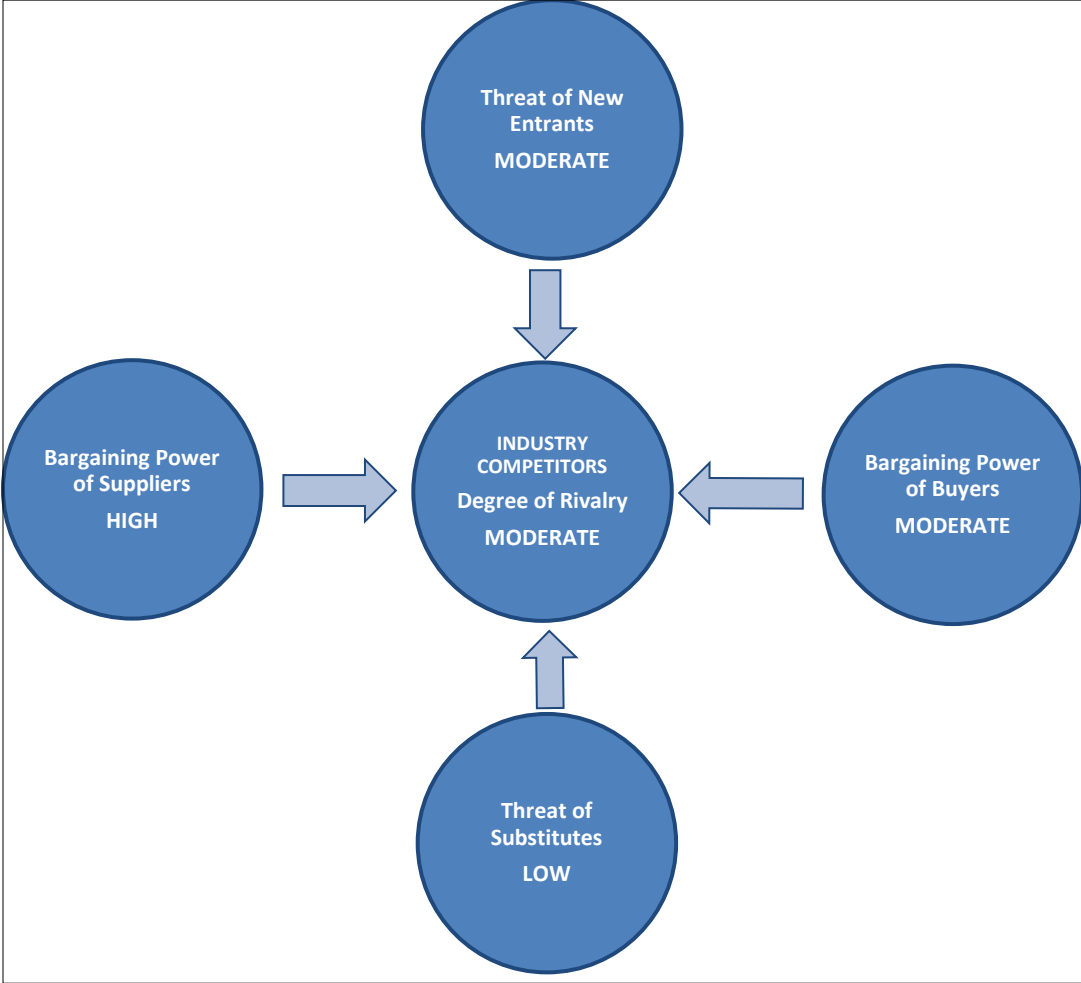
- **Major Trends:** Trends experienced across the industry have significant influence on the industry's structure, competitiveness and its profitability.
 - **Talent Supply - Opportunity and Constraint:** Talent management is seen a growth opportunity and consulting companies must address the critical skill shortages. The battle to attract and retain the best consultants is already underway. Almost inevitably, resourcing costs will rise.
 - **Balancing Specialization and Diversification:** Specialization, by customer sector or service offering, is essential for differentiation and to satisfy customer demands for deep subject matter expertise. However, specialists must be nimble enough to adapt and reinvent as conditions and customers' needs change. As the 2009 recession demonstrated the larger, diversified multi-line companies were more resilient and bounced back sooner.
 - **Adapting to New Rules of Engagement:** Government procurement policies are effectively restricting competition to the largest companies. The spread of formal Request for Proposals, Quotes or Information (RFP, RFQ and RFI) processes by large corporate customers also tends to favour suppliers with brand and scale, while promoting fee based competition. Over the long term, shifts in buyer behaviour may promote further industry consolidation.
 - **Protecting Reputation and Demonstrating Value:** Industry associations, such as the CMC and Project Management Institute (PMI) play a crucial role in advancing best practices and increasing recognition of consultants. For buyers of consulting services, the designations are instrumental in the defence against unqualified consultants.

Please Refer to Appendix 3 for more highlights and details of CMC-Canada's 2011 Industry Study.

2.5 The ECM Consulting Industry's Five Forces

The ECM industry is experiencing strong market growth and offers an attractive playing field for ECM consulting companies. Michael Porter's Five Forces model (Porter, 1998) is useful in analyzing the ECM consulting industry. Exhibit 6 below portrays a snapshot of the ECM consulting industry's five forces and is followed by a discussion of each of the five forces.

Exhibit 6 - The ECM Consulting Industry: Porter's Five Forces Analysis



Source: Author, 2012

Supplier Power: Bargaining Power of Suppliers

The key suppliers of this industry are the skilled employees. Today, there is a limited availability of qualified ECM consultants. Due to the high importance and reliance on these inputs and scarcity of consulting resources, supplier power is moderate.

Companies are highly reliant on qualified consultants who possess specific ECM software vendor related technical and functional knowledge and expertise. Hiring and retaining this talent continues to be an ongoing challenge for many consulting companies. When staff turnover rates are high, companies experience high employee costs (e.g. recruiting, onboarding, training) which could ultimately prove to be detrimental to their profitability, as well as to their reputation.

To mitigate the risks associated with the power these suppliers have, many companies tend to establish robust contractual agreements with their employees and engage them via incentive based retention programs. Successful consulting companies are those which have dedicated programs for employee recruitment, retention, ongoing training and skills development.

Some ECM software vendors, such as Open Text, compete by way of forward integration. Through their Global Services business unit, they employ their own ECM consultants to provide Open Text specific expertise directly to their customers. These services often come at a premium and the resources are limited in availability.

Buyer Power: Bargaining Power of Buyers

Demand for ECM consulting services is growing along with ECM industry growth and overall, buyers of ECM consulting services possess a moderate degree of power. Buyers come in a variety of sizes and range from profit and not-for-profit businesses to government agencies. The larger buyers tend to have greater financial resources and are able to exert more power. Buyers are more inclined to engage with consulting companies which are known by name and have reliable reputations. It is for this very reason that consulting companies rely heavily on references from their past and current customers.

Buyers experience high transaction costs when trying to secure consulting engagements. Consulting engagements can be as short as a few months to as long as a few years. (Furness, 2009) To increase buyer power and minimize the potentially high switching costs, many buyers are moving towards establishing longer engagements with one consulting firm, but with multiple and shorter contract cycles. Moreover, for many companies, the IT department (typically a cost centre for many businesses) are the buyers of ECM consulting services. These buyers are becoming more sophisticated in their procurement practices and often look for a balance of quality and affordability. The buyers exert pressure on consulting companies to provide quality services at fair prices and penalize those who fail to do so. It is important to note, the ECM services procured often contribute directly to the buyer's operations, and the ECM related project/initiative is typically of high profile and importance within their organization.

General IT consultants do not often qualify for ECM consulting engagements, especially in companies that are deploying vendor specific ECM software. In the current environment, there is a shortage of specialized ECM consulting services, which has increased consulting rates. Therefore, when specific ECM consulting expertise is limited in availability, buyer power is reduced significantly. (Furness, 2009)

Barriers to Entry: Threats of New Entrants

Although the growth in the ECM consulting industry continues, the threat of competitors entering is moderate, with the barriers to entry mitigating this threat. Players may enter the industry by diversifying their existing operations, by acquiring or merging with an existing player, or by starting a new company. Entry costs for consulting services are typically not high. However, ECM knowledge and expertise is a requirement for any company wishing to enter the ECM industry. Obtaining and sustaining this knowledge and expertise can be very costly and contributes to creating a high barrier to entry. The ongoing ECM technological advancements, coupled with changing needs and standards within various industries, requires consulting companies to be agile and flexible.

The larger ECM players can boast substantial economies of scale (i.e. lower per unit consulting costs as a result of their ability to command higher margins) and are able to provide a greater range of ECM service offerings within a multitude of industries. The larger players, which are far more established, prevalent and recognized in the general consulting industry (e.g. IBM, Deloitte, and Accenture) are more likely to attract and retain customers. (Datamonitor, 2011)

However, smaller players entering the market can successfully compete by providing much more specialized ECM services, customized to specific industries and ECM technologies. Reputation is the fundamental ingredient for the smaller players. Once established, they need to quickly ramp up credibility via their networks, strategic partnerships and customer reference pools. Success will be determined by their level of ECM expertise and strong customer relationships.

Substitutes: The Threat of Substitutes

The overall threat of substitutes in the industry is low, and there is a finite pool of talent available. ECM consulting talent can be separated into the following categories: large consulting companies, small to medium consulting companies, independent freelance consultants, and companies that employ their own ECM experts in-house. Each category has the potential to be a substitute for one of the others.

The three major factors for organizations to retain ECM expert resources in-house rather than procuring the expertise from the consulting companies are the desire to decrease the dependency on consulting resources, to prevent the loss of internal business process knowledge, and to develop an internal competence in information management. This scenario tended to be the norm with some businesses during the global economic downturn. (Datamonitor, 2011)

Now, as ECM budgets are starting to increase, many buyers are turning back to consulting companies. By doing so, they are able to keep their key employees focused on other value added strategic and operational activities. The bigger risk is the potential turnover of in-

house ECM employees. Once these employees have gained ECM knowledge in the particular industry, they are more prone to leaving in search of higher paying opportunities. The risk of potential turnover of in-house ECM employees applies to both the buyer's organization, as well as the ECM consulting company. This exodus of employees often results in a flux of independent freelance consultants with ECM expertise that are thriving in the market.

One additional substitute to consider is the ECM software itself. Advances in technology have resulted in decreasing the complexity and overall deployment, use and management of the software, making it much easier to configure and support. Therefore, the easier it becomes, the less there is a need for consulting services.

Industry Competitors: Rivalry amongst Existing Firms

A moderate degree of rivalry exists amongst the firms within the ECM industry, thus impacting the average industry profitability. The demand for ECM consulting far outpaces the ability for any firm, including the larger high profile players, to dominate. There are no market leaders and all players, from niche players to multinational players, can successfully co-exist. In this growing market, there is currently an undersupply of qualified Open Text ECM resources, and the average gross margins for consulting companies range between 10% and 40%. Service offerings range from players providing expertise on either ECM strategies or ECM technologies, to players who have the ability to deliver services from strategy through to implementation and ongoing support. Some players offer services that are ECM software vendor neutral, and others offer ECM vendor software specific solutions.

The larger, higher profile players tend to have a reputation for being very expensive. Based on the author's personal experience, at times they are much too theoretical, thus lacking the practical skills and resources required. These large players will either acquire or merge with existing consulting companies in order to compete in new markets. (Datamonitor, 2011) They primarily service multinational and government buyers.

To compete, the smaller players offer lower ECM consulting rates and specialized ECM vendor specific expertise with the goal of increasing market share. The smaller players are

much more fragmented, and consist of local and regional players. They will aim to secure the medium to smaller customers within specific industries.

The independent freelance consultants tend to offer lower rates compared to the consulting rates offered by the ECM consulting companies, but do not always possess the ability to meet all aspects of a customer's ECM needs. They typically have strengths in one specialized area such as ECM strategy, business analysis, systems analysis or technical support, and their knowledge base is limited. It is rare to find a quality independent freelance consultant who possesses a range of ECM software vendor specific expertise. Buyers often procure this type of ECM expertise from corporate IT recruiters or via their direct relationships with the independent freelance consultant, which limits the independent freelance consultant's reach within the marketplace.

Competitive bidding processes, formal RFP processes and procurement policies open the market opportunity to all players and promote competition based specifically on the players reputation, knowledge of the buyer's industry, consulting rates, and specific ECM consultant expertise and availability.

Exit barriers tend to be low as it is somewhat inexpensive to discontinue ECM consulting operations. This premise holds true for all players, including those who focus their entire business on ECM consulting, and the larger players who engage in multiple lines of consulting businesses. When exiting it is the exiting player's reputation that will be impacted the most.

3. The British Columbia Market

The previous sections provided an overview and analysis of the ECM industry, with specific focus on its two subsectors of software and consulting services. This section will take on a much more narrow focus to discuss ECM consulting services specifically in British Columbia (BC), Canada. The section begins with a general BC market overview, including the consulting services and IT buying trends in BC, and continues with a look at the Open Text ECM competitive landscape, its customers, competitors and key success factors for ECM consulting services companies.

3.1 The General Market Overview

The province of BC is located on the Pacific coast of North America. BC is the most western province in Canada and the third largest province, comprising of approximately 10% of the country's total land area. To put this into perspective, BC is nearly four times the size of Great Britain, 2.5 times larger than Japan and larger than any American state, except Alaska. BC is known as Canada's gateway to the Asia Pacific region and is often referred to as part of the Pacific Northwest region of North America, since it is bordered by the Pacific Ocean, as well as the Canadian provinces of Alberta, Northwest Territories and Yukon, and by the US states of Washington, Idaho, Montana and Alaska. The diverse and multi-cultural population of BC is currently at 4.5 million, and a large part of the population is made up of the post war baby boomers - individuals between the ages of 42 and 60 years. (Statistics Canada, 2011)

BC has over 220 incorporated municipalities, regional districts, school districts, regional health/hospital districts and special purpose improvement districts, such as Metro Vancouver, also known as the Greater Vancouver Regional District (GVRD), which governs and administers resources and services common to Vancouver and surrounding metropolitan areas. (Statistics Canada, 2011)

The worldwide economic downturn resulted in the decrease of BC's economy by 1.8% in 2009. Nevertheless, in 2010 BC's economy increased by 4%, and was the third highest province in Canada to show significant signs of recovery. The BC economy is expected to increase by a further 24% by 2017. (Statistics Canada, 2011)

Approximately 98% of BC's business environment is made up of small businesses. BC has some of the lowest business tax rates in North America and the province thrives on its natural resources, specifically forestry, mining, fishing and agriculture. BC has recently experienced significant growth in film, high tech, eco-tourism and agri-tourism. The finance, insurance and real estate industries are the largest and account for close to a quarter of BC's gross domestic product (GDP). The remainder of GDP is derived from the service sector. Other key industries in BC include retail trade, health care, transportation, warehousing and manufacturing. The manufacturing industry continues to be dominated by the wood, pulp, and paper industries. BC is the third largest low cost hydro-electricity power producer in North America, and the second largest natural gas producer in Canada. BC's oil and gas industry continues to boom, especially in the north eastern regions. Forestry and energy products are BC's main exports. (British Columbia Ministry of Finance, 2011)

3.2 The Consulting Market in BC

The IT consulting market continues to play a key role in BC's economy and consulting companies are engaged in every key industry within the province. The market employs approximately 15% of BC's general consulting workforce, and has experienced significant growth well above the average for all industries in BC, resulting in employment that has more than quadrupled between 1990 and 2008. This growth is certainly attributed to the fast paced advancements of technology. Employment growth in the IT consulting industry is expected to continue to outpace the gains in the economy as a whole. (BC Ministry of Finance, 2012)

Exhibit 7 below provides a summary snapshot of changes in the BC consulting market from 2009 to 2010. Overall in 2010, consulting companies in BC experienced an increase in operating revenues, and a slight decrease in operating expenses. Consulting resources, and

heavy reliance on knowledge and expertise, were the single largest expense for consulting companies. In the consulting market, BC salaries, wages and benefits decreased in 2010. The reasoning or data behind this decrease is not available. However in speculation, the decrease may be a result of consultants reducing their overall consulting rates to secure longer term contracts during the economic recovery. Operating profit margins increased by 1%. Sales to business and public/government sectors increased, as did sales to customers outside of Canada. BC consulting companies may have looked for business outside of Canada to perhaps offset the number of available consulting engagements in the BC market, and to take advantage of the potential higher rates offered in other markets. (Industry Canada, 2010)

Exhibit 7 - BC Consulting Services Trends in BC

BRITISH COLUMBIA CONSULTING SERVICES	2010	2009
SALES BY TYPE OF CUSTOMER		
Customers in Canada	88.9%	89.3%
Governments, Not-for-Profit Organizations & Public Institutions	18.8%	17.9%
Business Sector	68.6%	68.3%
Customers Outside of Canada	11.1%	10.7%
SUMMARY STATISTICS <i>(Millions of Dollars)</i>		
Operating Revenue	\$1,028.1	\$1020.9
Operating Expenses	\$785.5	\$790.0
Salaries, Wages & Benefits	\$354.4	\$361.7
Operating Profit Margin	23.6%	22.6%

Source: Industry Canada, 2012

Generally, the IT consultants in BC have a high degree of training and certifications, most of them possess strong technical skills, and a majority have a specialized expertise in the technology field. Many individuals employed in this industry tend to be self-employed - either independent freelance consultants or owner/operators of small consulting businesses - which is more than double the average compared to the rest of the BC economy. There are numerous small consulting businesses in BC and of these small players, 3 out of 4 consultants are employed in businesses that have less than 100 employees. And, of the larger multinational players in the industry, 4% of consultants are employed at businesses with at least 500 employees. (Industry Canada, 2010)

The majority of IT consulting companies are established within the Metro Vancouver area. It is here, in the larger populated centres, that many corporate headquarters are located. It is imperative for consulting companies to be located in proximity to their potential customers, where physical presence enhances their ability to attract potential customers and improve networking opportunities.

3.3 The IT Buying Trends in BC

Availability of data and information for specific ECM related software and services are extremely limited. However, the following information on IT consulting buying trends can undoubtedly be applied to the purchases of ECM consulting services in BC, as the purchasing approach and trends are quite similar.

As previously noted, a large number of companies have either seen their IT budgets slightly increase or remain relatively flat since the economic downturn in 2008. In spite of this, CIOs are much more cautious when spending their IT dollars. Consequently, prioritization and business alignment becomes a significant element when formulating budgets and IT strategies. The majority of companies, regardless of their size list the following as their top IT priorities

- business processes and efficiency improvements
- improved access to data for enhanced decision making
- improved data security
- IT and business growth alignment
- leveraging new technologies to increase overall productivity

ECM software helps to achieve goals pertaining to efficiency, productivity and decision making, and is designed to ultimately meet these priorities. Moreover, regulatory and compliance issues tend to put a heavy burden on many companies from a cost, time and capabilities perspective. To deal with these issues and eliminate the burden, companies strive to better manage their digital content and potentially invest in records management and document management systems.

The ease of deployment, use and management of new technologies is equally important for all companies. The smaller to medium sized companies are known to be more transformational when it comes to technology, and look to increase their overall productivity with the use of new technologies. When compared to the smaller and medium sized companies, the larger companies tend to have more challenges with internal business process complexity and reducing costs of legacy systems. These larger companies often have more integration points between people, processes, content and systems. Therefore, they will more than likely spend more time and money on consulting services to modernize their IT infrastructures (e.g. server virtualization, consolidated architectures, Software as a Service (SaaS) models) and manage the proliferation of digital content. (Industry Canada, 2010)

Governments and all other public companies in BC are eager to cut their overall IT consulting costs. However, they initially require a significant investment in consulting services to address the business process and related legacy system issues in order to realize long term efficiency and productivity gains. For a graphic depiction of how the private and public sectors approach the introduction and adoption of new technologies, refer to Appendix 4.

To remain competitive in the current environment, both private and public companies need to continue to evolve and adapt to new technologies. In spite of the tight IT budgets, the ECM industry in BC is expected to experience significant growth as BC companies acquire ECM technologies with the hopes of aligning their content management endeavours with their business goals of improving productivity, providing more effective and efficient services, and increasing production capabilities.

3.4 The BC Target Market & Customer Segmentation

Open Text ECM consulting companies target two types of customers that may require such services. These customers come from a wide range of industries in the BC market and have either purchased, or are potential buyers of Open Text ECM software. An overview of the two customer types is provided below.

It is important to note that actual market and sales data for Open Text ECM software licenses, Open Text ECM consulting services and general ECM market data is not readily available. Therefore, total market share potential is difficult to estimate.

3.4.1 New Open Text Customers

New Open Text customers have not yet purchased Open Text ECM software. These customers may be looking to replace their existing ECM systems with Open Text products, or they have previously not had any ECM systems in place. Potential new Open Text ECM consulting customers can be targeted from any industry.

3.4.2 Existing Open Text Customers

Existing Open Text customers have either recently purchased Open Text ECM software, or have had it for some time. Customers who have recently purchased the software may have not yet implemented it. These customers would require an Open Text ECM consulting company to implement the initial ECM solution. Customers who have had the software for some time often require additional and ongoing consulting services for activities such as upgrades, implementation enhancements, new software module installations, business process improvements, and technical support.

Many Open Text customers currently exist in the market. Open Text customers are diverse in size, ranging from small and medium sized companies to multinationals, and come from a multitude of industries. They also vary in the number of years since they have purchased Open Text software. Exhibit 8 below lists some of the Open Text Customers that are known to the author. As this information is not readily available, there are most likely many more Open Text customers in the BC market who are not listed below.

Exhibit 8 - Partial List of Current Open Text Customers in BC

Current Open Text Customers in BC - Sorted By Industry	
<p>Professional, Scientific & Technical Services Amgen British Columbia (Biotechnology) Bull, Housser & Tupper (Law Firm) McCarthy Tétrault (Law Firm)</p>	<p>Manufacturing Domtar (Pulp & Paper Mill) Methanex Corporation (Chemical Manufacturing)</p>
<p>Mining & Oil and Gas Barrick Gold/Placer Dome (HQ in Toronto)</p>	<p>Finance & Insurance Canadian Imperial Bank of Commerce (CIBC)</p>
<p>Retail Trade Limited Brands (Fashion)</p>	<p>Transportation & Warehousing UPS Canada</p>
<p>Information & Cultural Industries Electronic Arts International Olympic Committee</p>	<p>Health Care & Social Assistance CARE Canada Unicef Canada</p>
<p>Educational Services Kaplan Professional</p>	<p>Arts, Entertainment & Recreation Intrawest</p>
<p>Public Administration - Municipalities District of North Vancouver District of West Vancouver City of Coquitlam City of North Vancouver City of Surrey Metro Vancouver</p>	<p>Public Administration - Provincial BC Teachers Federation BC Labour Group Insurance Corporation of BC (ICBC) Port Metro Vancouver Tourism BC TransLink Coast Mountain Bus Company</p>
<p>Public Administration - Federal: Agriculture and Agri-Food Canada Canadian Centre for Environmental Education – Victoria BC Canadian Heritage Canadian Library of Parliament Communications Security Establishment Canada Environment Canada Foreign Affairs and International Trade Canada (DFAIT) Government of Canada Mental Health Commission Canada National Defence and the Canadian Forces Natural Resources Canada – Surveyor General Branch Public Works and Government Services Canada Transport Canada <i>Note: The Federal Institutions are mainly based out of Ontario; however, they have locations and collaboration points within BC.</i></p>	

Source: Author, 2012

A Strategic Partner Customer is a new or existing SAP, Oracle or Microsoft (all three have strategic alliances with Open Text) customer who requires ECM consulting services for

collaboration, infrastructure or integration with Open Text ECM software. This group of customers can easily fall into one of the two customer types described above.

As discussed in Section 2.3 (The North American ECM Software Industry), ECM software revenues in North America are expected to continue to grow at a compound annual growth rate (CAGR) of 11.4% through 2015, (Pratap & Srivastava, 2011). Therefore, even without any hard data available for the ECM market or for Open Text ECM software sales in BC, Open Text ECM consulting revenues and margins are expected to remain stable in BC. Open Text ECM consulting is a growing business and strong market.

3.5 The Open Text ECM Consulting Competitors in BC

Competition in BC for Open Text ECM consulting services, including the competitive landscape, consulting rates and margins are described below.

3.5.1 The Competitive Landscape

The BC market share and sales figures for Open Text Corporation and ECM consulting in BC are not publicly available. Many of the larger, multinational players tend to aggregate their ECM sales figures with other types of information management consulting (including other non-Open Text vendor related ECM software consulting) which makes extrapolating BC market related information very difficult. In addition, many of the smaller and medium sized players are privately held companies, making market related information essentially impossible to obtain. However, based on anecdotal and limited BC market information provided in previous sections, the author has concluded that the BC market potential for Open Text ECM consulting is sizable, and can currently sustain existing and new entrants.

The BC market is fragmented despite the presence of a few large multinational players. After building up their credibility, the small and medium sized players have successfully been able to compete alongside the larger players. Currently, there is no single player in BC which has a large share of the market, or is dominant enough to be able to influence the market.

The larger competitors have a reputation for charging very high rates and for having lengthy implementation timelines. They are also known to have limited availability of in-house resources with Open Text specific ECM expertise, and they bring much more theory and administrative overhead to ECM implementations. None of the large players in BC possess deep expertise in Open Text software. Their service offerings tend to include a much more general level of ECM knowledge expertise with a number of other leading ECM software vendors.

There are a few ECM consulting companies that are already established in BC. They have the experience and reputation of delivering quality Open Text ECM solutions, and have achieved a high level of success in the BC market. Nonetheless, there are a number of companies from outside of BC who have been successful in winning bids for ECM engagements in BC. Their success is due to their strong international reputations, deep partnerships with Open Text, and having high levels of Open Text ECM software expertise. A summary of all Open Text ECM competitors is provided in Section 3.7 (ECM Consulting Services in BC).

Over the last five years, Open Text has acquired a number of large multinational and public/government customers in Eastern Canada and Alberta. This boom for Open Text has led to an emergence of many small to medium sized ECM consulting companies to service these customers. Many ECM consulting companies find it more lucrative and logistically easier to remain in their home towns and benefit from customers with deep pockets (especially oil and gas industry customers). However, some companies have taken notice of the opportunities in BC. These non-BC resident competitors are mostly from Calgary, while others are from Toronto and the United States.

3.5.2 Consulting Rates & Margins

When a customer purchases Open Text ECM software, they almost always require some level of ECM consulting service. This need is often due to the customer's lack of in-house knowledge of ECM strategies and technologies, Open Text software implementation expertise, or availability of their own ECM internal resources.

The ratio of Open Text ECM consulting services to ECM software sales is approximately 2:1. In other words, it is typical for a company who purchases \$1 million in software licenses, to require nearly \$2 million in consulting services. At times, especially when there are numerous internal customer or project related issues (e.g. weak project sponsorship, project not scoped or managed well) consulting costs can escalate.

ECM consulting companies set their fees and charge their customer in a variety of ways. Rates can be fixed or charged by the hour or by the day. Regardless of the type of contract for services and payment model, the hourly rate for ECM consulting companies in BC ranges from \$150 to \$350, and average gross margins realized are between 10% and 40%.

The solution or project based fee approach goes beyond the hourly and daily rates, and is based on the value the consulting company provides the customer. This approach is often susceptible to lengthy negotiation times as it requires mutual alignment and agreement between the customer and consulting company regarding perceived value of the project.

An even more challenging approach is to link fees with performance. The performance based contract uses a future revenue or profit sharing model where the customer offers the consulting company a share of future revenue or profit sharing resulting from direct impact and benefits realized (e.g. cost savings, productivity gains, and sales increases) from ECM services.

A milestone based approach to fees is another type of contract in which fees are paid to the consultant as they complete previously agreed to deliverables, or reach certain phases of the project. For a summary of the risks for performance based and milestone based consulting contracts refer to Appendix 5.

3.6 The Key Success Factors for Open Text ECM Consulting Companies

The Open Text ECM consulting space is competitive with respect to specialized expertise and knowledge required to deliver the services. In general, consulting margins continue to get squeezed due to the general cost cutting mind set of many companies, both in the private and public sectors. To remain competitive, consulting companies need to be agile and flexible in

adjusting to customer needs. By maintaining a sound reputation and by offering an attractive price advantage, consulting companies are often able to get the attention of the ECM customer. However, to be selected, they need to ensure their overall offering is comprehensive, practical and timely. As part of their selection criteria, buyers of ECM consulting services focus on the following sources of advantage listed in Exhibit 9.

Exhibit 9 - Open Text ECM Consulting Company Sources of Advantage

<i>Pricing</i>	
❖	Competitive Pricing
<i>Reputation & Brand</i>	
❖	Customer referrals, recommendations & references <ul style="list-style-type: none"> ○ for the consulting company & the specific consultant(s) proposed to the engagement
❖	Number of years in the ECM consulting industry
❖	Company financial stability
<i>Open Text ECM Expertise & Experience</i>	
❖	ECM qualifications - core consulting competencies & sound knowledge of Open Text software
❖	Open Text Certified professionals
❖	Ability to apply the ECM expertise to the customer's requirements & provide industry specific ECM solutions
❖	Number of years of experience & level of expertise
❖	Past experience in the BC market (or similar market), specifically with similar companies in the same industry
<i>In-House ECM Resource Availability</i>	
❖	Number of skilled functional & technical ECM resources <ul style="list-style-type: none"> ○ number of Open Text Certified consultants directly employed by the consulting company
❖	Resource availability
<i>Location of Company & Resources</i>	
❖	Local BC presence - with established office & local resources
<i>Reliability of Deliverables</i>	
❖	Quality & timeliness of deliverables - <ul style="list-style-type: none"> ○ meets key milestones within agreed to timelines & company quality standards
❖	Implementation methodology <ul style="list-style-type: none"> ○ Open Text and/or company specific approaches, processes & techniques
❖	Willingness to provide added value services <ul style="list-style-type: none"> ○ goes the extra mile for quality outcomes & customer satisfaction
<i>Open Text Relationship</i>	
❖	Established as an approved Open Text partner <ul style="list-style-type: none"> ○ length of time accredited as an Open Text Partner ○ level of access to Open Text Global Services & Support - evidence of speed & efficiency of escalation
<i>Other ECM & Emerging Technology Expertise</i>	
❖	Business process optimization capabilities
❖	Expertise of new technologies (i.e. mobility, cloud, social media, etc.)
<i>Other Strategic Partnerships & Alliances</i>	
❖	Existing strategic partners (vendors, suppliers, customers, etc.)

Source: Author, 2012

3.7 ECM Consulting Services in BC

There are a limited number of suppliers of Open Text ECM consulting services in BC. Each company maintains a market presence in varying degrees and has somewhat unique business models. As previously mentioned, it is interesting to note there is no single player in BC who has a large share of the market. Regardless of size, they have been able to successfully compete against each other.

3.7.1 The BC Competition

The competitors are all accredited as Open Text partners and can be arranged into four distinct groups based on their size: Tier1 - the larger multinational players, Tier 2 - the medium sized players, Tier 3 - the smaller sized players, and Tier 4 - the independent freelance consultants. A high level overview of the Open Text ECM consulting competitors in BC is provided below.

Tier 1: Large Multinational Competitors
Deloitte, Accenture & IBM

This group of competitors are the larger, multinational players. Of the three listed, Deloitte and Accenture are Open Text’s Global Strategic Partners. IBM is a leading ECM software provider (FileNet) and a direct competitor of Open Text. Irrespective of this competitive relationship, IBM is still listed as an Open Text partner, but not at the same level as Accenture and Deloitte.



With over 700 employees, Accenture Business Services has the largest management and technology consulting office in BC, and has been established in the market for over 30 years. Within the ECM practice Accenture’s service offerings range from ECM strategic evaluation, implementation and the use of content management technologies. Accenture’s ECM consulting service offerings in BC are focused on multiple products, not just Open Text. Some of these include IBM FileNet, EMC Documentum, Microsoft CMS and Oracle

Web Center Content. With respect to Open Text ECM specific consulting, Accenture has successfully deployed the Web Content Management products (formerly known as Vignette, acquired by Open Text in 2009). Accenture's ECM practices extend over a variety of industries in BC. The number of experienced in-house Open Text resource experts is not publicly known, and it is assumed this resource pool is limited locally. However, Accenture will draw upon its talent pool from across Canada and the US, as needed. Accenture will also subcontract portions of its Open Text ECM consulting engagements to Open Text Global Services or to local independent freelance consultants with Open Text expertise. Accenture's ECM consulting rates tend to be on the high end and range between \$150 - \$350 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (OneSource, 2012)



Deloitte is a leading professional services organization and has been established in the BC market since 1912. Deloitte has over 10 years of ECM expertise ranging from strategy development to delivering solutions. In addition to delivering consulting services for other leading ECM software vendors, Deloitte has established a specialized practice for Open Text ECM software. Open Text named Deloitte the "Global Systems Integration Partner" of the Year in 2008 and 2010, and the "North American System Integration Partner" of the Year in 2009. With offices located in downtown Vancouver, Deloitte has ECM consulting experience in BC with a number of private and public companies, and within a number of industries such as communications, finance, healthcare and manufacturing. Deloitte's Open Text specific experience and resource base is far reaching in other Canadian and US markets. Deloitte's ECM team members have experience in general ECM practices and methodologies but its local resource pool is limited with respect to internal Open Text certified consultants. To bridge this gap these resources are predominantly subcontracted from Open Text Global Services. Although successful, the ECM teams often tend to be large with many junior analysts participating in the initiative and engagements are administratively heavy with long delivery schedules. Deloitte's ECM consulting rates also tend to be on the high end and range between \$160 - \$250 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (OneSource, 2011)



IBM Global Business Services (GBS) primarily provides professional and application management services. IBM has established one of their software development labs in BC, but the GBS offices are headquartered in Ontario. IBM provides services that range from strategy to implementation and support. IBM has been active in providing Open Text ECM consulting since 2001 in the transportation, pharmaceutical, municipal government and petrochemical industries. Most of these consulting engagements have been in eastern Canada and Alberta. Open Text ECM consulting is not IBM's core ECM specialty as they tend to specialize in their own ECM software solution since purchasing FileNet, a leading Open Text software competitor, in 2006. All of IBM's Open Text ECM resources are located outside of BC. IBM has tried to enter the BC market, but because of their general theoretical ECM knowledge, heavy records management focus and limited Open Text resource pool, they have not been as active as the other players in the BC market. IBM's consulting rates tend to be on the high end and range between \$150 - \$300 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (OnceSource, 2012)

**Tier 2: Medium Sized Competitors
Open Text Global Services & Sierra Systems Group**

The medium sized players consist of two competitors - Open Text Global Services and Sierra Systems Group. Open Text's core focus is more on software sales, than ECM consulting services. Although Open Text Global Services consultants come at a premium and they have a global presence, the size of their Global Service business unit in Canada would equal that of a medium sized player. Sierra Systems Group is an Open Text Partner and is a newer player in the Open Text ECM consulting market.



Open Text offers ECM consulting services via their Global Services (GS) business unit. Open Text is headquartered in Waterloo, Ontario and does not have an office or consulting resources based in BC. Open Text GS consultants are, of course, certified Open Text professionals. It also goes without saying that Open Text GS focus their consulting

services solely on Open Text ECM software. Open Text GS has established strong relationships and strategic alliances with Oracle, SAP and Microsoft to provide integrated solutions for these products. Open Text GS has a vast amount of experience in almost all industries and offers ECM services ranging from strategic planning, governance, implementation, training and support. Open Text GS collaborates very closely with their strategic partners to deliver consulting services to their customers, and will most often subcontract all or portions of the ECM engagement to their premier partners. The choice to subcontract is not based on the partner's size. The partner is offered the engagement based on its quality of service and reliability in meeting Open Text's delivery standards, as well as the customer's location, budget constraints and expertise required. The availability of Open Text GS resources to participate in the engagement is also a factor. An Open Text partner residing in a location where Open Text has a large volume of software sales can certainly benefit considerably. Open Text GS consulting rates come at a premium and range between \$200 - \$350 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (OneSource, 2012)



Sierra Systems specializes in IT and management consulting across North America. Sierra's headquarters is located in downtown Vancouver. Sierra has been offering Open Text ECM consulting expertise since 2009, predominantly in the government, legal, public safety, health, and energy industries. Sierra's ECM service offerings range from systems integration and implementation to application support for Open Text software, as well as EMC, Oracle and MS SharePoint content management systems. Sierra's MS SharePoint practice is quite large in BC. Sierra has a large pool of Open Text certified individuals across Canada, but there is no evidence of how many reside in BC. Sierra's consulting rates range between \$150 - \$250 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (Sierra Systems Group)

Tier 3: Small Sized Competitors
Axyon Consulting, Locus Systems & Reva Solutions

Axyon Consulting, the subject of this paper and as briefly described in Section 1 (The Introduction), is in the Tier 3 - small sized category of ECM consulting companies, along with Locus Systems and Reva Solutions. Axyon's business and strategic position is addressed in Section 4 (Axyon, the Company, Concept and Services).



Axyon Consulting, located in Dallas, Texas, is a privately held, full service professional ECM consulting company with in-depth experience with Open Text solutions. Axyon specializes in ECM consulting services with a sole focus on Open Text software. Axyon was named the "Open Text 2010 North American Partner of the Year" in the Americas. Axyon's service offerings range from ECM strategy and design to implementation and support, and specializes in several vertical markets within the utilities, energy, financial, manufacturing and public industries. As Axyon has deep Open Text ECM knowledge and experienced resources, Open Text GS will often collaborate and partner with them on ECM engagements. Axyon has delivered ECM consulting services to a number of multinational companies and municipal governments in BC. Axyon does not have any resources resident in BC. Axyon's resources are based in Dallas and are all Open Text certified professionals. Axyon's consulting rates range between \$150 - \$225 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (Blackwell, 2012)



Established in 1992, Locus Systems is a professional services and systems integration company located in Richmond Hill, Ontario. Locus Systems' core focus is ECM consulting. Locus has expertise and experience with Open Text software, as well as Oracle, FileNet and MS SharePoint. Locus Systems' service offerings range from strategic analysis, implementations, integrations and customizations, and it provides services to the energy, financial, life sciences, healthcare, manufacturing and government industries. Locus

Systems' resource pool is located in Ontario, and they are certified Open Text professionals. Because of their deep ECM knowledge and experienced resources, Open Text GS and the larger multinationals often subcontract their ECM engagements to Locus Systems. Although Locus Systems' primary market focus is Ontario, they have partnered with Open Text GS to compete for engagements in BC. Even though they do not have local resources in BC, Open Text has most likely turned to Locus Systems because they are a premier Canadian partner, and they may possibly have the capacity to fill the shortage of available Open Text ECM expertise in BC. Locus Systems' consulting rates range between \$150 - \$300 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (Locus Systems Inc.)



Reva Solutions is a privately owned ECM professional services and consulting company. Reva was established in 1991 and has offices in Seattle, Toronto and Vancouver, and provides end-to-end ECM solutions, including strategy, design, implementation and support. Reva specializes in consulting services for Open Text software, as well as for other leading ECM software vendors such as Alfresco, IBM FileNet, EMC Documentum, Captiva, MS SharePoint and Kofax. Reva is active in the financial, utilities, construction, government, public services, healthcare, life sciences, retail, insurance, telecommunications, media and entertainment industries. Reva employs ECM consultants with Open Text expertise, but there is no evidence of how many reside in BC. Reva's consulting rates range between \$150 - \$250 CDN per hour, plus travel and expenses for consultants not based in Vancouver. (Reva Solutions)

Tier 4: Independent Freelance Competitors Panoramic Business Solutions

There are a number of independent freelance consultants offering general ECM consulting in BC. Only a handful of them have Open Text ECM software certifications. Although these freelance Open Text ECM consultants can certainly be considered competitors of all ECM consulting companies, there are too many to name. Panoramic Business Solutions is the most prominent and active representative of all the independent freelance consultants.



Panoramic Business Solutions is an independent freelance consultant that has been providing systems solutions and management consulting in BC since 2001. Panoramic also offers Open Text ECM consulting, with services ranging from strategy and implementation to training and support. Based in Surrey, BC, Panoramic has experience with companies within the municipal government, mining and tourism industries. The owner of Panoramic is the primary ECM consultant and has acquired extensive Open Text consulting experience in the BC market. To compete on many medium to larger engagements, Panoramic will often subcontract to other independent freelance contractors with Open Text ECM experience. Panoramic's consulting rates range between \$100 - \$150 CDN per hour. (Panoramic Business Solutions)

3.7.2 The Relative Competitive Analysis

The players listed above were selected because they directly compete for Open Text ECM consulting business in the BC market. Notably all of the companies, except for Axyon Consulting, offer ECM consulting services for other leading ECM software vendors, and they also provide various types of technology and management consulting services. Axyon's sole business focus is Open Text ECM consulting.

Speaking from direct experience, in spite of the number of consulting players, there is an undersupply of Open Text ECM experienced professionals, and Open Text customers in BC are limited in their choice of local consultants. The challenges lie with the lack of local resource availability or the resources' level of Open Text ECM experience. Most of the players have deployed their most talented resources to longer term contracts, or they have refocused their resources on the booming Calgary market, leaving a resource gap in BC. With that said, there are only a handful of the players who tend to be the 'usual suspects' recently competing for Open Text ECM consulting engagements in BC. In addition to Axyon Consulting, they are Deloitte, Open Text GS, and Panoramic Business Solutions. When it comes to Open Text ECM consulting, these players are more visible than the others in the BC market.

Exhibit 10 below represents a relative competitive analysis of the four active players. Using the Open Text ECM buyers' key selection criteria (as listed in Exhibit 9), the players are ranked against each other with respect to sources of cost and value advantage. In aggregate, there is not much difference between them. However, when inspecting each cost and value advantage in the matrix separately, the variations are more evident.

As accredited Open Text Partners, all four players in the matrix below have been offering Open Text ECM consulting for over some time, and come with strong references and recommendations. They all have strong partnership and alliances within the Open Text ECM consulting arena, and rank high with respect to the reliability of their deliverables, which explains their high rankings for reputation. When it comes to pricing, both Axyon and Panoramic Business Solutions offer more competitive rates than Deloitte and Open Text GS. All four players have had past experience in the BC market, and there is certainly room for expansion in the market for all players to continue competing alongside one another, especially since there is currently a gap between market potential for new ECM buyers and the current ECM consulting service levels. As an independent freelance consultant, Panoramic's knowledge depth and breadth of Open Text ECM software and emerging technology expertise is limited when compared to the other players. Panoramic and Deloitte tend to subcontract their ECM engagements with external resources to supplement their Open Text software knowledge base. For the same reasons, the availability of their resources is limited. Open Text and Axyon ranked much lower in the location category, as their office and resources are not based in BC. Open Text obviously has greater strength over the other three players when it comes to ECM and emerging technology expertise.

Exhibit 10 - Relative Competitive Analysis Matrix

OPEN TEXT ECM CONSULTING COMPANIES COMPETING IN BC						
Rankings: Superior = 3 Average = 2 Adequate = 1						
SOURCE OF ADVANTAGE		RELATIVE IMORTANCE	DELOITTE	OPEN TEXT GLOBAL SERVICES	AXYON CONSULTING	PANORAMIC BUSINESS SOLUTIONS
CUSTOMER COST & VALUE ADVANTAGE 100%	Competitive Pricing	15%	1	1	3	3
	Reputation & Brand	15%	3	3	3	3
	ECM Open Text Expertise & Experience	15%	3	3	3	2
	In-House ECM Resource Availability	15%	2	3	3	1
	Resources Located in BC	10%	3	1	1	3
	Reliability of Deliverables	15%	3	3	3	3
	Open Text Relationship	5%	3	3	3	3
	Other ECM & Emerging Technology Expertise	5%	2	3	2	1
	Other Strategic Partnerships & Alliances	5%	3	3	3	3
CUSTOMER COST & VALUE ADVANTAGE TOTALS			23	23	24	22

Source: Author, 2012

4. Axyon - The Company, Concept & Services

As a provider of Open Text ECM consulting services, Axyon Consulting has developed a strong relationship with Open Text and continues to enjoy premier partner status. This section will provide an overview of Axyon Consulting and will offer some insight into their management philosophy, team structure and the Open Text opportunity.

4.1 Axyon Consulting Overview

Axyon Consulting is a privately held, professional niche services consulting organization headquartered in Dallas, Texas. Established in 2003, Axyon specializes solely in designing, developing and deploying Open Text specific ECM solutions to large, medium and small sized customers within several vertical markets such as the utilities, energy, financial, manufacturing and public industries.

Axyon is distinguished in the industry for having deep Open Text software knowledge, being flexible and customer service oriented, and for delivering value added ECM solutions. Axyon has preferred to focus its consulting expertise on one clear market leader within the ECM industry. Axyon's dedicated expertise and deep knowledge of Open Text ECM software gives it a competitive advantage over other Open Text ECM consulting companies, as illustrated in Exhibit 10 (The Relative Competitive Analysis Matrix). Axyon has strong partnerships and knowledge of the leading industry software companies, including Microsoft and Oracle, in addition to Open Text. (Blackwell, 2012)

Axyon provides a wide range of ECM business and technical services, as well as subject matter expertise within various industries. Axyon utilizes ECM delivery methodologies that result in efficient ECM deployments that are fast, thorough and easily adoptable. Regardless of whether they offer a specific business application, such as transmittals for plant and asset management, or a standard formula for ECM strategy development through to project implementation, its delivery model offers some form of repeatability that scales. Axyon has

been successful in increasing their customers' ROI in high demand areas such as document management, records management and MS SharePoint integrations. Axyon's ECM expertise, core competencies and service offerings are listed in Appendix 6.

Axyon has experienced significant growth over the last five years. As a private company, it is difficult to access the company's financial information. However, according to Axyon's CEO, Daryl Blackwell, general company and financial highlights over a five year period were as follows: Compound Annual Growth Rate (CAGR) 71.33%; revenue growth, 275%; employees - 32 highly qualified ECM consultants, and 74 customers of all sizes located predominantly in North America, and some with subsidiaries in various global locations. (Blackwell, 2012)

In the company's arsenal, there exists a deep expertise and intimate knowledge of the Open Text ECM Suite of products. As an Enterprise Services Provider for Open Text, Axyon is strategically aligned with the Open Text Global Partner Program. As a result, Axyon has developed a successful formula for customer satisfaction and solution based application integration that has earned them the "Open Text 2010 North American Partner of the Year" Award in the Americas.

4.2 The Open Text Partnership

Open Text offers ECM consulting companies a comprehensive partner program that is built on collaboratively meeting market objectives and driving new business opportunities. The Open Text opportunity and partner program model are described below.

4.2.1 The Open Text Opportunity

Being a software company, the majority of Open Text's efforts are focused on sales (including license renewals and maintenance fees) and a smaller percentage in after sales services and consulting. Open Text customers fall into two categories: Enterprise-Class customers (approximately 3700 accounts) and Corporate/Mid-Market customers (approximately 5500 accounts). The sales model seems to be more focused on gaining new customers in both these categories, rather than on servicing existing customers. Moreover,

Open Text maintains significant ongoing relationships with its Enterprise-Class customers, leaving their Corporate/Mid-Market customers with minimal relationships, beyond the time of software purchase.

Many of the Corporate/Mid-Market customers have not yet expanded or enhanced their ECM solutions very much since the initial implementation. Although Open Text has completed a large number of custom ECM implementations worldwide, and has sold additional software licenses to the existing customers, it seems these customers have not yet realized the full benefits of ECM and have experienced minimal interaction with Open Text with respect to services and support after the initial solution was implemented. Open Text's focus on the 'net new' customer and on their Enterprise-Class customers has resulted in a service gap for the Corporate/Mid-Market customers. (Blackwell, 2012)

Realizing the need to bridge this gap, Open Text has developed a Global Partner Program to improve Corporate/Mid-Market services. The Global Partner Program, as described below, encourages independent partners to benefit from the opportunity to profit from the Open Text ECM products, and to take on the services it is not able to provide directly to their Corporate/Mid-Market customers.

Over the last ten years Axyon has leveraged this opportunity and has been able to maintain a healthy stream of sales and services. Axyon is often called in by Open Text, or directly by the customer, to provide services to both the Enterprise-Class and Corporate/Mid-Market customers. And now, after the software sale, Open Text will often refer the customer directly to Axyon to complete the initial ECM solution implementation.

It is also important to note that Axyon's sales strategy does not only target the Open Text existing customer base. To enhance revenue in software sales and services, Axyon has been successful in targeting new customers interested in ECM and the Open Text Suite of products. These new customers will purchase Open Text products and services directly from Axyon, and Open Text will share a percentage of the software sales with Axyon. Essentially, in this model, Axyon is acquiring additional revenue streams by developing new customers for Open Text while securing consulting service opportunities for themselves.

4.2.2 The Open Text Partner Model Overview

Open Text's Global Partner Program is designed to encourage ECM consulting companies to build their profit centres around the Open Text ECM Suite of products. The program goals are to enhance the customer relationship experience and drive organic growth by focusing on the Partner. This in turn will grow market share and extend the Open Text reach.

Open Text Partners fall into various categories, levels and competencies. Overall, they have expertise in the following activities: customer relationship management, ECM strategy, design, implementation, change management, project management, customization, web design, and specific vertical market and domain expertise.

For the Corporate/Mid-Market customers, Open Text has developed a preferred transaction model between Open Text, the partner and the customer. Under this model all customer sales of software licenses, first year maintenance and support, as well as delivery services are managed by the partner on behalf of Open Text. (Kehoe, 2011) Therefore, Axyon is able to manage the customer from sales to support without Open Text. Axyon is also able to resell licenses plus all services to the customer, and subcontract some or all consulting services, as needed, to Open Text Global Services.

To successfully develop and drive the partner account opportunity, Open Text takes a long term view of the partnership and endeavours to support the partner by backing them up with numerous resources (Kehoe, 2011) such as:

- direct access to more senior levels of Open Text as required
- faster access to Open Text technical expertise and product sales support via dedicated field sales and sales support (sales tools and analysis, solution data sheets, services data sheets and customer references)
- business development and sales assistance for Requests for Information, Quotes and Proposals

- white box marketing programs and resources for partners to co-brand and personalize to a clearly segmented customer market for event based and ongoing demand creation
- dedicated customer support as well as Open Text Learning Services and Online Knowledge Centre for product and solution technical training curriculums
- advance communication of new software developments

4.3 The Axyon Team

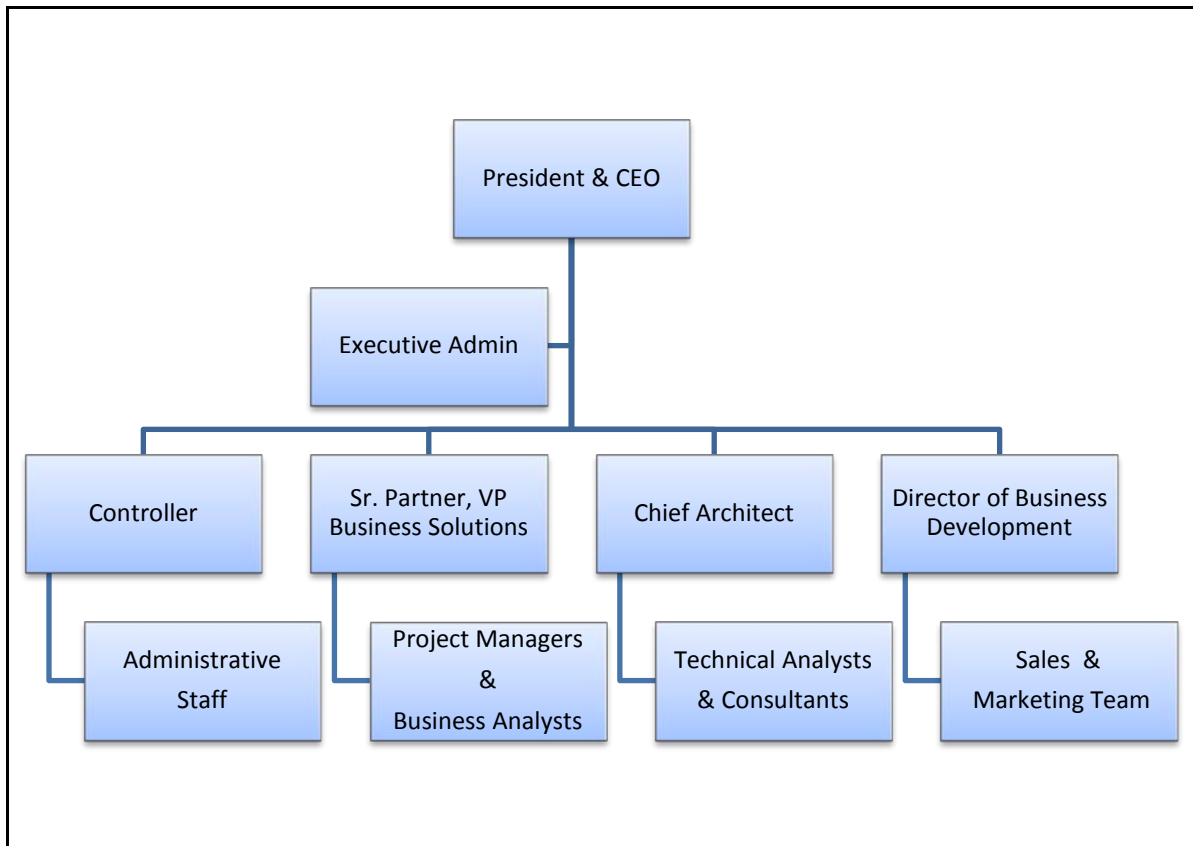
The Axyon executive team has a combined 70 years of experience in technology, utilities, and information systems. In all their interactions the team's management philosophy is to understand that every customer has unique concerns and opportunities. Axyon knows it's not just realizing the problem but delivering the solution. (Blackwell, 2012)

Axyon devotes a significant amount of time to the selection of employees to ensure they are a fit to the consulting environment and company culture, which requires them to be adaptive, reflective and intuitive to customer needs. The Axyon team consists of highly skilled project managers, business analysts and technical consultants who are trained (most have Open Text certification) to provide ECM solutions for the management and lifecycle of information. (Blackwell, 2012)

Axyon's organizational size and style allows them to be responsive and flexible to meet their customer's needs, while staying on top of the ECM industry and Open Text product developments. Axyon's organizational structure is displayed in Exhibit 11 below. The executive team is a small team of five and consists of the President/CEO, Controller, Sr. Partner - VP Business Solutions, Chief Architect and the Director of Business Development. This organizational structure is somewhat unique, and due to its size, designed this way to keep overhead low and to address the practical needs of the organization. Rather than a Chief Technology Officer, there is a Chief Architect. The Chief Architect is not responsible for the technology direction of the company, but is instead responsible for the Open Text product knowledge (more specifically on the technical and functional aspects of the Open Text ECM Suite, as well as MS SharePoint & Open Text integration capabilities), and for providing

technical solutions to the customer. The Sr. Partner - VP Business Solutions has the responsibility of ensuring delivery of customer solutions and is the key customer manager for ECM consulting engagements. This role can essentially be compared to that of a Project Management Office (PMO). The Director of Business Development works closely with the Open Text VP for Partnering and the Open Text Sales team. Please refer to Appendix 7 for the Axyon executive team profiles.

Exhibit 11 - Axyon Consulting Organizational Chart



Source: Axyon Consulting, 2012

5. The Canadian Opportunity

The North American ECM software market is growing at a rapid pace and Open Text continues to enjoy substantial growth within Canada. At the same time, specifically within BC, the opportunities for Open Text ECM consulting services are presenting themselves at a faster pace than the market is able to deliver. (Gilbert, Shegda, Chin, & Tay, 2011)

In BC the dynamic Open Text ECM marketplace is currently comprised of a small number of multi-tiered experienced consulting companies. However, there is still a need for additional ECM consultants to service many of Open Text's Enterprise-Class and Corporate/Mid-Market accounts located in BC. Taking advantage of the ECM service gap opportunity in BC will enable Axyon Consulting to expand its operations into Canada. Therefore, Axyon Consulting should select BC as the place to establish its Canadian subsidiary.

Entry into Canada via BC opens up numerous market leadership opportunities to access new customer segments, and brings Axyon one step closer to becoming the recognized Canadian experts in Open Text ECM consulting. As both visibility and proximity are imperative ingredients for success in any new market, a subsidiary in BC will create a physical presence that will not only increase Axyon's visibility, but will also ensure close proximity to Open Text's large customer base in western Canada. Additionally, Axyon can leverage its past experience and success with its existing customers based in Vancouver.

To distinguish Axyon Consulting from its Canadian subsidiary, Axyon Consulting will be referred to as Axyon HQ, and the subsidiary will be referred to as Axyon Canada throughout the remainder of the report.

This final section will discuss establishing Axyon Canada in Vancouver, BC, as this is where Axyon HQ wishes to base its market entry. The section will discuss the key elements required for successfully launching the subsidiary in the BC market. The section begins with a discussion of the two key areas Axyon Canada must address before launching its new venture. It will first address why Axyon Canada should keep its focus on offering only Open Text ECM consulting services, and will then explore the ideal resourcing options for immediate market

entry and for acquiring and retaining consulting resources. The section proceeds with an overview of how Axyon Canada will enter the BC market and grow its operations, and how best to align its human resources plan with the entry and growth strategy. It will conclude with an analysis of Axyon Canada's marketing and implementation plans and timelines, overall risks and assumptions, and the economic and financial plan.

5.1 Why Focus on Open Text ECM Consulting in BC?

To keep abreast of industry leading ECM technology, Axyon HQ has preferred to focus its consulting expertise on one clear market leader within the ECM industry. However, in this analysis of developing a Canadian subsidiary for Axyon, it would be prudent to ask whether the sole focus on Open Text is the right strategy for the BC market.

Axyon HQ's initial decision to focus solely on Open Text was due to the founding partners' experience with the Open Text ECM Suite of products. Axyon HQ has a deep history and extensive networks within the ECM industry and within the Open Text world, which can be easily leveraged when expanding into new markets.

Today, there are many reasons to continue backing Open Text. As seen with the Open Text analysis in Section 2.3 (The North American ECM Software Industry), Open Text has a good reputation and continues to be one of the best positioned ECM software vendors to gain market share when compared to the other leading vendors. (Gilbert, Shegda, Chin, & Tay, 2011) Open Text is a growing company with strong financial performance, and with growth opportunities in many geographic areas and industries. Its vision encompasses a technology portfolio that is not only evolving in breadth and depth, but also in offering new ways to manage content.

Tremendous new opportunities are now available for Axyon since Open Text has made its products available on multiple platforms that are easy to integrate with other enterprise applications. This, coupled with the recent acquisitions within the business process

management arena and their continued efforts to expand their relationship with Microsoft, will certainly open up a wider base of customers looking for Open Text ECM consulting expertise.

The proliferation of MS SharePoint in most BC industries is much more prominent today than it has been in previous years. Axyon Canada can certainly focus their ECM consulting efforts on this particular market, however there seems to always be an abundance of Microsoft certified consultants that are available in all markets, and they continue to multiply just as fast as the growth of MS SharePoint. In addition, according to Axyon's CEO Daryl Blackwell, the profit margins for providing pure MS SharePoint consulting are not as strong as they are for providing specialized ECM consulting within a niche market, such as Open Text ECM consulting.

By maintaining a sole focus in providing Open Text ECM consulting services and by maintaining expertise in this arena, Axyon Canada is positioned to succeed in BC. Axyon Canada should maintain its competitive position by continuing to stay close to its parent company's (Axyon HQ) core competencies, and focus its growth in providing Open Text ECM consulting services in related markets.

5.2 The Axyon Canada Resource Challenge

The limited availability of ECM consulting resources with specific Open Text expertise is a factor of concern in pursuing the Canadian opportunity. Axyon Canada's success and credibility is dependent upon ensuring its ECM service offerings are aligned with its internal delivery capabilities. Therefore, to proceed with the market expansion plan, Axyon Canada must ensure its BC talent is experienced and knowledgeable with Open Text ECM software.

5.2.1 Resource Skill Sets

In BC there is a widespread shortage of Open Text ECM consulting resources. The required skills for an Open Text ECM consultant are highly unique and specialized. The ideal scenario would be to find potential employees who have the entire package of consulting competencies, as well as Open Text ECM skills and experience. Given the current market, this scenario is not likely. To address this challenge, Axyon Canada will need to recruit employees

who have a good balance of the core competencies required to become a consultant and then train them to become proficient in Open Text ECM software.

A successful candidate would possess a balance of the key behaviours, skills and knowledge as listed in the Consulting Competency Framework below in Exhibit 12. (IMC USA, 2012)

- **Market Knowledge and Capability:** Knowledge and application of technical skills, business understanding, industry insight and external awareness.
- **Consulting Competencies:** Core consultancy skills, tools, and techniques that are essential in delivering consulting services.
- **Consulting Skills and Behavior:** Professional skills, behaviors, ethics and attitudes that contribute to establishing a level of credibility and trust between the customer and the consultant.

Exhibit 12 - The Consulting Competency Framework

Market Knowledge & Capability	Technical Discipline (Finance, Strategy, HR, Governance, IT, Process, Marketing, Logistics, Facilities, Training, etc.)		Sector Specialization (Transportation, Health Care, Non-profit, Public, Private, Media, Banking, Utilities, Manufacturing, etc.)			
	Business Understanding & External Awareness (Political, Economic, Social, Technological, Legal, & Environmental – PESTLE)					
Consulting Competencies	Managing Customer Relationships					
	Consulting Process / Engagement Management (Develop, Deliver, Disengage)					
	Consulting Skills and Tools					
	Practice Management					
Consulting Skills & Behaviors	Business Acumen	Project Management	Personal & Professional Growth	Analytical & Proactive Thinking	Emotional Intelligence	Effective Communication
Professionalism & Ethics						

Source: IMC USA, 2012

5.2.2 Resource Types

There are two types of consulting resources, either experienced or non-experienced. Within these two categories, the possible types of resources Axyon Canada can recruit are as follows:

- **Experienced Resources:** these candidates already have Open Text ECM Consulting experience and can immediately be deployed to ECM engagements.
 - Subcontract US resources from Axyon HQ
 - Subcontract experienced resources such as
 - Freelance Open Text ECM consultants
 - Open Text Global Services
 - Hire experienced local resources - i.e. Open Text BC customers' ECM employees or Axyon Canada's competitors' employees
- **Non-Experienced Resources:** these candidates do not have any Open Text ECM experience, but have other transferable skills. Some of them may have a combination or varying amounts of general ECM experience, general consulting experience, or strong general technical or business analysis experience. Non-experienced resources are not always deployable immediately as it takes time for them to be trained before they are fully productive.
 - Hire local employees from other types of consulting companies
 - Hire local junior resources

Recruiting resources and increasing their productivity takes time. For illustration purposes, Exhibit 13 portrays the average timeline to ramp up a new non-experienced resource and reach maximum productivity levels.

Exhibit 13 - Consulting Resource Recruitment, Deployment & Productivity Timeline

Activity	Year 1			
	Q1	Q2	Q3	Q4
Recruit Resource				
Deploy & Ramp Up				
Productivity Output ↑				
<p>Notes & Assumptions:</p> <ul style="list-style-type: none"> * New Resources - either technical or functional with no Open Text ECM experience, but have a good balance of required consulting competencies displayed in Exhibit 12. * Recruitment Time - an average of 3 months to recruit resources. * Deploy & Ramp Up - an average of 3 months to deploy and train a resource. <ul style="list-style-type: none"> • A very junior resource may take a bit longer to ramp up, perhaps an average of 4 to 6 months. * Productivity Output Increases - after being hired and trained, the resources then becomes operational and their level of productivity increases as time goes on. * Productivity Rates <ul style="list-style-type: none"> • Year 1 = 50% - therefore 50% utilization capacity on projects. • Year 2 & Beyond = 100% - therefore 100% utilization capacity on projects. * This timeline is only meant to be used as a guide as there are many factors that affect how quickly the new resources are able to ramp up and increase productivity (i.e. experience level of new resource, recruiting methods utilized, general supply of resources in the BC market, etc.). * Productivity levels and recruitment time will vary for each resource. 				

Source: Author, 2012

5.2.3 Initial Resourcing Options

Axyon Canada’s initial resource challenge will be to identify the best way to enter the BC market, while developing longer term creative solutions to recruit and retain its consultant pool. The short term resourcing options available to Axyon Canada are listed below. Each option takes into consideration the various resource types, and the associated benefits and challenges of each. Exhibit 14 below summarizes the impact of each resource option.

1. **Subcontract Axyon HQ US Resources** - utilize all resources from Axyon HQ in Dallas. The US resources from Axyon HQ are already proficient in providing Open Text ECM consulting and can be available immediately. Axyon would need to ensure the individuals are not committed to any other US consulting engagements. To secure the

availability of the resources, Axyon Canada will need to obtain a commitment in the form of a Memorandum of Understanding (MOU) from Axyon HQ to subcontract the resources. The MOU would include an agreement on the resource costs, and any revenue and profit sharing on these resources between the two entities. Additional travel costs will certainly be incurred, as will potential burnout for employees who are constantly travelling. Axyon HQ consultants currently travel across the US and at times, internationally. To mitigate the travel burnout factor, Axyon Canada will need to ensure extra efforts towards managing the resource plan and implementing additional employee incentives utilized by Axyon HQ. Salaries for Axyon HQ consultants range from \$60,000 to \$100,000 per year.

2. ***Subcontract Experienced Resources*** - utilize subcontracted resources from either Open Text Global Services or subcontract local freelance Open Text ECM consultants. Although it is a viable alternative to enter the market without the overhead of employees, subcontracting resources can be a very costly option and would definitely impact profit margins. Subcontracting experienced local consultants, instead of hiring employees would result in a reduction of the high fixed resource costs associated with hiring employee consultants. The subcontractors are paid exactly the number of hours they work, and most logistic and cost issues to maintain employees are eliminated (e.g. no employment tax, no need to pay employees to sit on the bench during project gaps). It becomes simple time arbitrage. However, in spite of these benefits, subcontractor rates are significantly higher than the per hour cost of an employee. Additionally, due to the overall limited supply of experienced Open Text ECM professionals in BC, availability would be uncertain. To obtain experienced subcontractors, Axyon Canada would certainly have to pay a premium that would ultimately cut into profit margins. To cover the high subcontractor costs and maintain healthy margins, Axyon Canada would have to increase customer billing rates. This would not be feasible as most BC companies in general are not willing to pay top consulting rates as are other companies in other Canadian or US cities. The rates charged by Open Text Global Services are

significantly higher than the average market rate and the resources are not locally based. Thus, costs increase even more due to the additional travel expenses that would be incurred. Open Text Global Services' rates range from \$200 - \$350 CDN per hour, plus travel expenses. Freelance Open Text ECM consultants are also a costly option, but their rates are not as high as Open Text Global Services' rates. Freelance consultants' rates start at \$110 per hour and increases with the level of experience and expertise required. (Recruiter, 2012) The freelance consultants would be locally based, but due to the existing Open Text ECM consulting service gap in BC, they may not be available as they are often committed to other consulting engagements. It is much easier to negotiate favourable rates with freelance consultants than it is with Open Text Global Services, or with any other ECM consulting company.

3. ***Hire Experienced Local Resources – i.e. Open Text Customer's Employees or Axyon Canada's Competitors' Employees*** - utilize experienced resources recruited directly from Open Text customers or Open Text ECM consulting companies in BC. Identifying and procuring these local resources may take time, although less time than recruiting and training non-experienced resources. Long recruitment cycles may potentially delay entry into the market. Resources recruited from customers would already be proficient with Open Text ECM software and they would have a sound understanding of their employer's line of business. They would bring a good level of market and industry knowledge to the Axyon Canada team. However, poaching resources from customers could be a costly long term option. The risk of losing the customer may outweigh the benefits of hiring their resources away from them. Resources recruited from competing companies are skilled and experienced in providing Open Text ECM consulting and can be deployed immediately. Local experienced resources recruited from customers and competitors can be procured for reasonable rates, most likely comparable to that of a Senior Axyon consultant. However, a signing bonus or similar incentive may be required to entice them to join Axyon Canada.

4. ***Hire and Train Non-Experienced Local Resources from Other Types of Consulting Companies or Hire Junior Resources*** - utilize local non-experienced resources.

Employing any non-experienced local resources at the start of the Axyon Canada venture would only delay entry to the market. These new hires would not be available immediately as it would take time for them to build their knowledge base. Significant costs are also associated with ramping up employees, specifically for recruitment and training. These new resource will not immediately contribute to the bottom line.

Resources from other types of consulting companies would have the required consulting competencies, but would require Open Text ECM training. These resources would more than likely ramp up more quickly than the junior resources. Time and training costs increase further when employing junior resources that do not have either consulting, general ECM or Open Text ECM experience. Fortunately, travel burnout and travel costs are not incurred with either of these resource options as they are locally based (not including travel for training requirements). These resources would not have had any previous Open Text ECM software knowledge. As they build their knowledge base, Axyon Canada can utilize Axyon HQ resources as necessary (i.e. when deep technical, functional or specific industry related expertise is required). Salaries for non-experienced resources can range anywhere from \$60,000 to \$100,000 per year.

5. ***Hire a Combination of Axyon HQ and Local Resources*** - utilize a combination of resources from Axyon HQ and a mix of local resource types from the BC market.

Employing a combination of US and local resources would be an ideal market entry scenario. Most of the challenges and benefits described in the other options would still apply. The Axyon HQ US resources would be deployed immediately as recruitment for local resources commences. If experienced local resources become available, they would also be deployed immediately. As the non-experienced resources are recruited and trained, they would be deployed as quickly as possible. Axyon Canada would be able to enter the market immediately, and over time the number of resources required from Axyon HQ would be reduced. The Axyon HQ experienced resources would provide

onsite training (mentoring and shadowing) to Axyon Canada’s newly recruited BC employees.

Exhibit 14 - Summary of Axyon Canada’s Short Term Resourcing Options

IMPACT	RESOURCING OPTIONS				
	<i>Subcontract Axyon HQ Resources</i>	<i>Subcontract Local Resources</i>	<i>Hire Local Experienced Resources</i>	<i>Hire Local Non-Experienced Resources</i>	<i>Axyon HQ & Local Resource Combination</i>
Resources Not Deployable Immediately				✓	
Delays Market Entry				✓	
Time & Costs Required to Recruit		✓	✓	✓	✓
Time & Costs Required to Train				✓	✓
Travel Burnout • employees away from home	✓				✓
Travel Expenses Incurred • customer or Axyon Canada will bear additional costs • resources subcontracted via Open Text Global Services would need to travel	✓	✓			✓
Negative Impact on Profit Margins		✓			
Increases Overall Employees Costs	✓	✓			✓

Source: Author, 2012

Recruiting experienced consultants would be an ideal scenario. However, the costs for these resources are often high and their availability is limited. Initially, Axyon Canada will need to consider recruiting a mix of resources from Axyon HQ and from the local market. These

resources would have varying levels of Open Text ECM experience, consulting experience, and various technical and business analytical skills.

From a general standpoint, it is recommended that Axyon Canada start with subcontracting resources from Axyon HQ, unless there are experienced Open Text ECM skilled resources available immediately at an acceptable rate. At the same time, local recruiting efforts must commence and any non-experienced hires must be trained and deployed as quickly as possible. Axyon Canada should then strive towards a mix of US and local resources, and then ultimately transition to an entirely BC based resource pool. Open Text GS or freelance subcontractors should only be utilized when absolutely necessary. Exhibit 15 provides a high level example of a resource roll-out plan to transition from utilizing the Axyon HQ US resources to having a Canadian team with only locally based BC resources.

Exhibit 15 – Three Year Resource Roll-out Sample

Year	Axyon HQ US Resources	Axyon Canada Canadian Resources (locally based in BC)	Total Resources At Year End
Year 1	2	1	3
Year 2	1	5	6
Year 3	0	11	11
Notes & Assumptions: The actual combination of US and Canadian resources will be based on:			
* How quickly the new resources are acquired			
* How much experience the new resources have			
* How quickly the new resources ramp up and increase productivity			
* How many resources and what specific expertise is required for the customer engagement			
<ul style="list-style-type: none"> • A mix of functional and technical resources will most likely be required – assume average of one technical for every two functional resources 			
* How many BC customer engagements are in the sales pipeline			

Source: Author, 2012

It is evident that consulting resources are the key variable to how quickly Axyon Canada can commence operations in BC. To achieve any level of success, Axyon Canada must ensure its resource plan is entirely aligned with its market entry and growth strategy. The detailed implementation timelines, resource roll-out plans and resource costs will be reviewed later in this report.

5.2.4 Recruiting Strategies

When engaging in recruitment activities, Axyon Canada must keep in mind several resource supply factors prevalent in the BC market (ICTC, 2007; ICTC, 2011):

- BC has an aging population and generally smaller workforce.
 - Retirement rate of experienced workers is changing - potentially delayed by elimination of mandatory retirement requirement and new government retirement and pension policies.
 - Retirees are finding the need to occupy their minds and their time; hence they look for casual or part-time work.
- Compared to the BC average, the general IT labour force is relatively young.
 - It is now common for the younger generation to have a number of jobs or careers in their early working life. This trend is growing stronger, and on average, it is not uncommon for them to stay in one specific position or with one company for more than an average of two years.
- The number of women entering the technology industry has decreased.
- A number of systemic barriers exist in the BC educational institutions.
 - High costs and inflexible entry requirements to universities, colleges and technical institutes.
 - Curriculum is often focused on theory or traditional technology models and solutions.
 - Number of IT, computer science and engineering graduates has decreased.
 - The choice of IT, computer science and engineering among high school students has decreased.
- The skills shortage is related to the constant change in technology and the associated skills required to be proficient with the new technology.
- High turnover rates for Open Text ECM resources employed by consulting companies.
 - Due to the highly unique and specialized skills required there is a high demand for Open Text ECM services and a limited supply of available resources in the BC market.

- Many consultants are abandoning their employers to go out on their own. Becoming an independent freelance consultant does come with risks (e.g. securing the next engagement, limited breadth and depth to deliver the solution). However, they can command higher market rates than what they would get paid as salaried employees of a consulting company. This trend is growing in other Canadian and US markets.
- Recruiters are becoming more aggressive in filling the Open Text ECM resource gap. Although it is easy to identify these experienced consultants, they are often committed to other ECM engagements. It can take anywhere from two to four months to recruit resources with appropriate skills. Recruits are often looking for above average salaries, but most of them would rather be contract employees demanding rates that start at \$110 per hour and increase with the level of skill and experience. (Recruiter, 2012)

Axyon Canada's goal would be to recruit new employees who have the ability to immediately contribute to the bottom line. To achieve this goal, Axyon Canada must be creative in its recruitment methods. Exhibit 16 lists the potential creative recruitment responses to address the BC supply issues mentioned above, and Exhibit 17 lists the various recruitment channels available to Axyon Canada.

Exhibit 16 - Creative Recruitment Responses

Opportunities To Build The Consulting Resource Pool
Hire Resources Who Possess Other Desirable Skills & Competencies <ul style="list-style-type: none">* If the new hire does not have Open Text ECM expertise and experience, hire candidates who have generic technical skills, or specific business process knowledge of a particular industry - need to develop the specific Open Text ECM knowledge<ul style="list-style-type: none">- Junior or senior consultants with other types of consulting experience- Individuals from other industries- Unemployed or underemployed individuals from various industries- Recent graduates- Microsoft Certified Professionals - there is an abundance of these resources in the marketplace; train them as ECM technical resources or ECM Admins (which is in high demand)- Consider recruits who do not have university degrees or IT related certificates
Collaborate with Businesses, Government, Educators & Open Text to Deliver ECM Programs <ul style="list-style-type: none">* Explore opportunity to develop Open Text ECM certification programs - goal would be to increase the future number of potential candidates* Initiate and facilitate institutional mechanisms to transition the ECM graduates into the profession<ul style="list-style-type: none">- Reduce cost barriers for post-secondary students to get specialized training. Explore opportunities to make training more affordable and accessible- Offer incentives (e.g. guaranteed interview with Axyon Canada, offer free or subsidized course with fast track to employment with Axyon, etc.)* Continuing Education Programs via University, College and Technical Institutions<ul style="list-style-type: none">- i.e. British Columbia Institute of Technology (BCIT)* Expand post-secondary and high school offerings – combine ECM related curriculum with other fields of study. Need to ensure potential recruits have the required comprehensive skill sets
Sponsor Educational Programs and/or Individuals Attending the Programs <ul style="list-style-type: none">* Aid in training and development of multi-year internships* Sponsor career awareness programs* Increase ECM industry based internships and scholarships, etc.
Hire Retirees to Augment Staff <ul style="list-style-type: none">* Target skilled ECM professionals and/or ex-consultants* Offer these recruits part time or flexible work options
Widen the Geographic Scope of Search Efforts - Recruit Outside of BC <ul style="list-style-type: none">* Entails additional costs (i.e. travel costs for interview, or subsidized relocation costs, etc.)
International Candidates <ul style="list-style-type: none">* Enable internationally educated candidates to gain Canadian experience through internships, work study and mentoring programs* Must establish long term commitment via contract
Consider Resource Growth Opportunities via Mergers, Acquisitions or Joint Ventures <ul style="list-style-type: none">* Can be costly from a time, cost, integration, and change management perspective
Caveat: Although it is important to take a proactive approach in building up future potential candidates with Open Text ECM skills, it is also important to not flood the market with too many skilled resources, especially without having the advantage to recruit them exclusively.

Source: Author, 2012

Exhibit 17 - Recruitment Channels



Source: Author, 2012

5.2.5 Resource Training & Sustainment

Employee turnover is time consuming and costly, and it is challenging to coordinate the recruitment of new employees exactly when other employees are leaving. It is typical to have turnover rates of 10 to 20% per year (e.g. for every ten consultants employed, at least one to two new resources will be need to be hired per year). When scaling the business, hiring to meet demand becomes a positive problem.

Retaining consultants can often be an uphill battle. A challenge in competing in the Open Text ECM consulting market is the continuous turnover of talent. Consulting companies are continuously hiring, developing and implementing incentive programs to offset this trend. The shortage of consultants exists in both the US and Canada. The Canadian shortage is more evident in BC than it is in Calgary or Toronto.

In addition to the supply and demand issue mentioned earlier, the loss of talent can result from a number of other issues such as long hours and travel required of consultants, as well as the lack of opportunity and growth with their current employers. Moreover, many consultants may plateau during the middle of their careers (when they are the most productive) as rapid changes in technology may make their critical skills obsolete. It would be essential for Axyon Canada to invest time and effort in developing comprehensive recruiting and on-boarding capabilities, and provide desirable job and career opportunities that are supplemented with short and long term incentive plans, as well as training and educational initiatives.

The following is a list of some potential incentives that may entice a consultant to stay with Axyon Canada for the longer term:

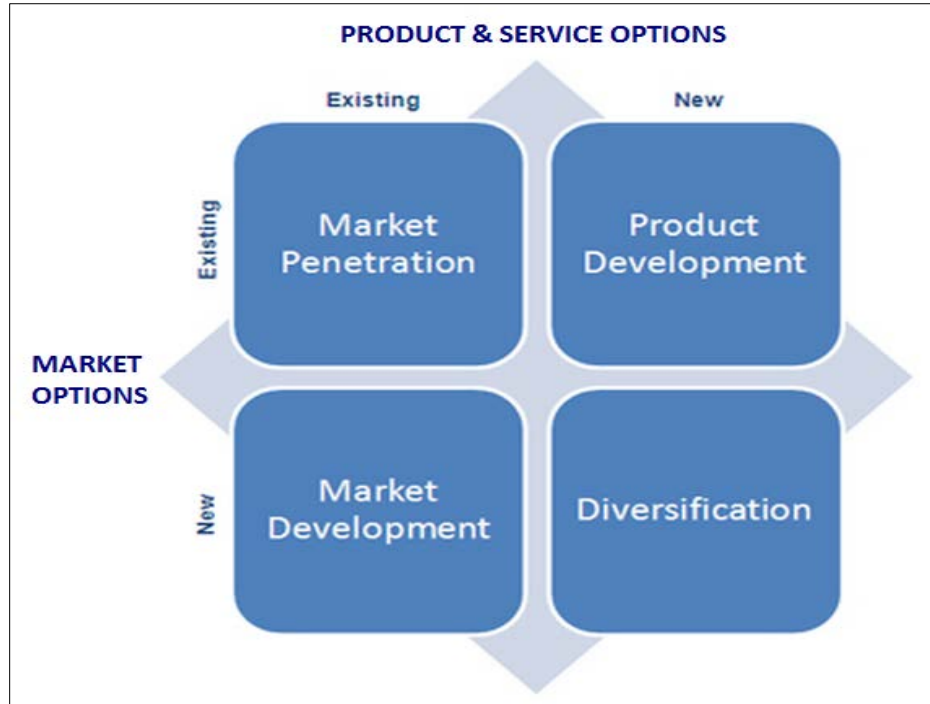
- Growth and development opportunities (i.e. new and/or more responsibilities)
- Competitive salary and benefits package
- Recognition for contributions and additional incentives (e.g. signing bonus, retention bonus, customer satisfaction bonus, profit sharing, gifts and tickets to theatre, weekend getaways, sporting games)
 - Additional incentive and gifts for the consultants who travel often, especially for long periods of time
- Better work/life balance and flexible work hours when possible
- Convenient and/or interesting locations of consulting engagements
- Cross training opportunities and opportunity to work with senior staff
 - Pair up older or more senior staff with the more junior or younger staff
 - Leverage knowledge base of older staff and technological capabilities of younger staff
- Tuition reimbursement (conditional - based on employee's commitment to stay on)
- Training programs (e.g. technical, business, leadership and management training, soft skills, other core competencies)

- Ongoing Open Text ECM training to keep up with ECM trends and technological advancements
- Full or partial sponsorship for certification/participation in technical and consulting associations such as
 - Canadian Association of Management Consultants (CAMC, CMC BC)
 - International Institute of Business Analysis (IIBA)
 - Project Management Institute (PMI)

5.3 Axyon Canada's Growth Strategy

Analysis of the BC market has confirmed the assumptions of growth opportunities and viability for Axyon Canada's success in the BC market. To maintain its strategic focus Axyon Canada will not pursue any diversification or product development opportunities, but will stay close to its core competencies of delivering Open Text ECM consulting services in existing and new markets. Axyon Canada will take on a combined strategic growth approach of market penetration and market development, as shown in Exhibit 18 below. Axyon Canada can increase its portion of the overall BC market share by deepening its existing footprint in BC and maintaining its focus on selling ECM services to existing and new Open Text customers, as listed in Section 3.4 (The BC Target Market and Customer Segmentation). This focus will enable Axyon Canada to displace the existing players who do not have the required in-depth Open Text ECM expertise and the players who tend to offer diversified ECM and other types of consulting services.

Exhibit 18 - Axyon Canada Market & Service Combination



Source: (Ansoff, 1987)

Axyon Canada can secure its dominance in the growing BC market by establishing a competitive pricing strategy, by developing a comprehensive marketing plan, and by maintaining a secure resource pool of ECM consultants with Open Text ECM expertise. Over time, Axyon Canada will have entrenched itself in the BC market and will then have gained deeper level of knowledge about the competitive landscape, and an even better understanding of the BC specific customer needs. Once Axyon Canada has gained traction and a secure foothold in the BC market, it can then entertain opportunities to develop its expertise into the new geographical markets surrounding BC. Axyon Canada will pursue a moderate level of growth. The growth model described below should be a feasible growth path once a foundation has been established and substantial market penetration has been achieved in BC.

5.3.1 Market Entry

Axyon Canada will be located in Vancouver, BC, and will leverage Axyon HQ's resources, current Canadian customer relationships and extensive ECM industry network connections. Initially, Axyon Canada will enter the BC market with a concentrated focus on the Metro Vancouver area first and then expand into select urban areas within BC. Axyon Canada will not be limited by geographic boundaries, and can therefore provide services as far as Victoria and Whistler.

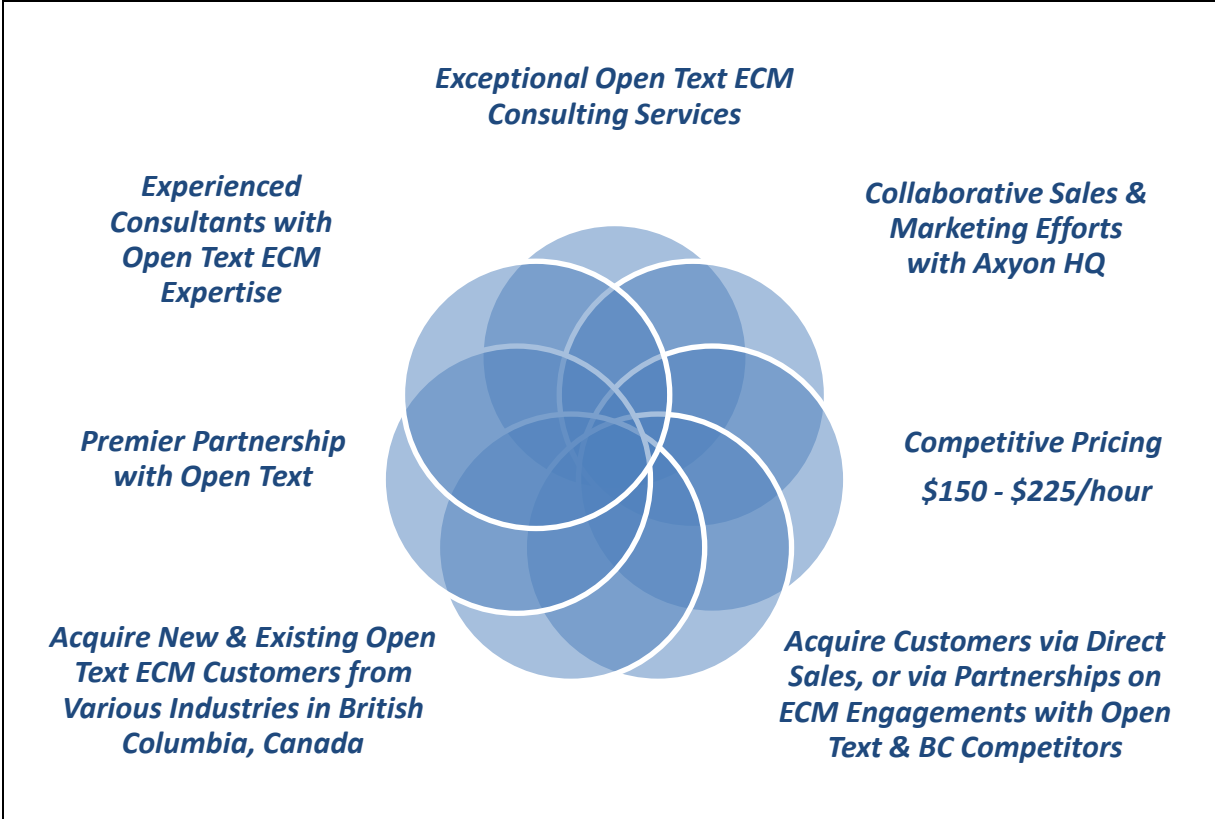
To establish a sound foundation in Canada, Axyon Canada will concentrate the first three years of operations in BC. It would go without saying that Axyon Canada cannot ignore the potential markets in Alberta (with specific focus on Calgary) and in the Pacific Northwest regions of North America, which would include Seattle, Washington and Portland, Oregon. In collaboration with Axyon HQ, Axyon Canada can leverage its networks and resources to focus expansion plans to service these markets in year four and beyond.

To ensure success and gain a competitive edge, Axyon Canada must embrace the foundational philosophies, strategies and core ECM capabilities and competencies of Axyon HQ. Axyon Canada must be prudent to take from Axyon HQ what it needs to thrive, but also be agile and flexible to understand and attend to the unique needs of doing business in Canada. Over time, Axyon Canada's strategy and service mix will be modified based on obtaining a better understanding of the BC market's needs, feedback obtained from existing and potential customers, evolution of ECM technologies, and the potential of long term profitability.

5.4 The Marketing Strategy

Axyon Canada's marketing strategy will communicate a differentiated value proposition of an experienced ECM consulting company specializing in Open Text ECM expertise. The goal will be to simply shift the sales opportunities from the existing competitors and have Axyon Canada known as the Open Text ECM consulting firm of choice in BC. Axyon Canada's marketing mix will be comprised of the following elements:

Exhibit 19 - Axyon Canada's Marketing Mix



Source: Author, 2012

Each of the marketing elements displayed in Exhibit 19 are essential to Axyon Canada's success and will be touched upon throughout the remainder of this report. The customer acquisition approach and the marketing collaboration opportunity with Axyon HQ are the two key areas highlighted within Axyon Canada's marketing strategy and are discussed below. The potential promotional and sales tactics are summarized in Appendix 8.

5.4.1 Customer Acquisition

Upon initial entry into BC, Axyon Canada's primary opportunity for acquiring new customers is to target Open Text's existing customers (refer to Exhibit 8 – Partial List of Open Text Customers in BC). Open Text customers who have just purchased the software and have not yet installed it are also included in this category. Secondary opportunities exist by acquiring new customers who have not yet purchased the Open Text software (providing a potential opportunity to gain commissions on Open Text software sales). To identify these new

customers, Axyon Canada could leverage the Open Text partnership opportunity to directly acquire sales leads and gain key market intelligence from them.

Initially targeting existing customers would be a much more practical approach and would allow for quicker entry into the market. Customers who are still contemplating the ECM purchase most often have lengthy buying cycles. Ideally, Axyon Canada can secure ECM engagements with the customers that Axyon HQ has already serviced in the BC market. As these customers have previous experience with Axyon HQ, the opportunity may now be extended to Axyon Canada.

Another opportunity to acquire business is for Axyon Canada to directly target the competition in BC. These players (refer to Section 3.7 – ECM Consulting Services in BC) are challenged with the number of available local resources (with the desired level of Open Text expertise) they have in-house, and/or they offer consulting services for several other leading ECM software vendors, which could impact their ability to deliver. By becoming a partner or customer of Axyon Canada, these players can continue to effectively service their customers and enhance their delivery capabilities. As a partner or customer of Axyon Canada, these players can either have Axyon Canada complete the customer engagement on their behalf, or augment their own ECM consulting teams with Axyon Canada resources.

This option is not as desirable as acquiring the customer directly without any intermediaries. Profit margins are potentially reduced, and the complexity and overhead of managing an intermediary is considerable. However, it does provide an opportunity to increase market share and BC related experience, and it fills the current services void in BC. Note, prior to engaging in any subcontract opportunity with competitors, it would be imperative to establish a bulletproof contract to protect Axyon Canada (contract should include items such as non-compete clauses, terms of engagement, authority and decision making with the ECM customer, and dispute resolution).

For Open Text Global Services, subcontracting to their partners is very common. As a premier partner, Axyon HQ is the partner of choice in specific US markets. Axyon Canada has an opportunity to capitalize on this extended relationship and increase market share by

becoming Open Text's partner of choice in BC. Once the relationship has been established, Axyon Canada can work collaboratively with Open Text to identify all the current and potential Open Text customers in BC and develop the BC sales plan accordingly.

5.4.2 Collaboration with Axyon HQ

Axyon Canada will leverage Axyon HQ's sales and marketing strategies and tools wherever possible, and will make adjustments for the BC market as required. Axyon HQ's Director of Business Development, and the Sales and Marketing team would be integral in assisting Axyon Canada with potential sales leads and marketing efforts. A portion of Axyon HQ's sales and marketing costs can be charged back to Axyon Canada. Axyon Canada's VP of Operations will initially be responsible for the sales and marketing activities.

The collaborative relationship between Axyon Canada's VP of Operations and Axyon HQ's Director of Business Development, the Open Text VP of Partnering, and the Open Text Canadian Sales Executive is essential to ensure overall alignment and coordination of sales strategies. There are many benefits of establishing a collaborative relationship. For example, the Canadian Federal Government, and many US and Canadian corporations have subsidiaries, branches, offices, partners or alliances in BC. A concerted sales and marketing effort towards these new or existing customers could potentially secure additional ECM engagements in multiple BC and US locations. In addition, Axyon HQ's marketing initiatives are often targeted towards customers, groups or events that would benefit both Axyon HQ and Axyon Canada (e.g. Axyon Consulting website, Open Text Content World - annual North American conference, ARMA International: Association of Records Managers and Administrators - a key information management association). Integrated sales and marketing efforts would certainly minimize duplication, reduce costs, and increase marketing efficiencies.

5.5 The Implementation Plan

The first three years are critical for Axyon Canada to establish a strong foundation. For it to prosper, Axyon HQ's commitment and support for this endeavour is crucial. Success will require a dedicated focus on growing Axyon Canada's share of the BC market before capitalizing on any other market opportunities.

There are a number of key milestones Axyon Canada must achieve in order to meet the projected three year sales forecast. Described below are the main implementation activities and timelines for a successful start-up and for ongoing operational excellence. The majority of the attention will be devoted to building the Axyon Canada team – the most important asset of the company.

5.5.1 The Axyon Canada Team

First and foremost, Axyon Canada will need to hire a BC resident to set up and manage the Canadian operation. This individual would be the VP of Canadian Operations and would have strong leadership, customer management and business operation skills, as well as extensive networks within the ECM industry. Ideally, the candidate would also have prior experience with Open Text ECM related consulting and sales. The VP of Operations will manage the daily operations and would take on multiple roles at the initial stage of the operation, including, sales, marketing, market analysis, strategic growth and resource recruitment.

To reduce initial overhead, Axyon Canada will leverage Axyon HQ's existing infrastructure as it relates to the resources, systems and processes for the key support functions. Ongoing collaboration with the Axyon HQ executive team will be critical as this team will provide initial guidance, support and offer advice to the VP of Operations. This team would also be instrumental in facilitating coordination between the two entities. The coordination would be most beneficial in the following areas:

- Resource management - coordinating US consulting resources as required for BC customer engagements, input for resource recruitment, training and sustainment
- Customer management - input into customer ECM solutions, RFPs, RFQs and RFIs

- Open Text software expertise - access to the in-house knowledge base and expert technical and functional resources
- Sales and marketing (as described in Section 5.4 - The Marketing Strategy)
- Finance and accounting - for managing charge -backs of shared resources and cross collaboration costs (i.e. US consulting resources and marketing utilized by Axyon Canada, etc.)
- Operational systems and practices - access to operational systems such as customer relationship management database, project management and resource management software, ECM implementation methodologies, processes and procedures.
- Sharing best practices across all operational boundaries

The consulting resources can be organized into two categories – technical and functional.

The technical ECM roles consist of

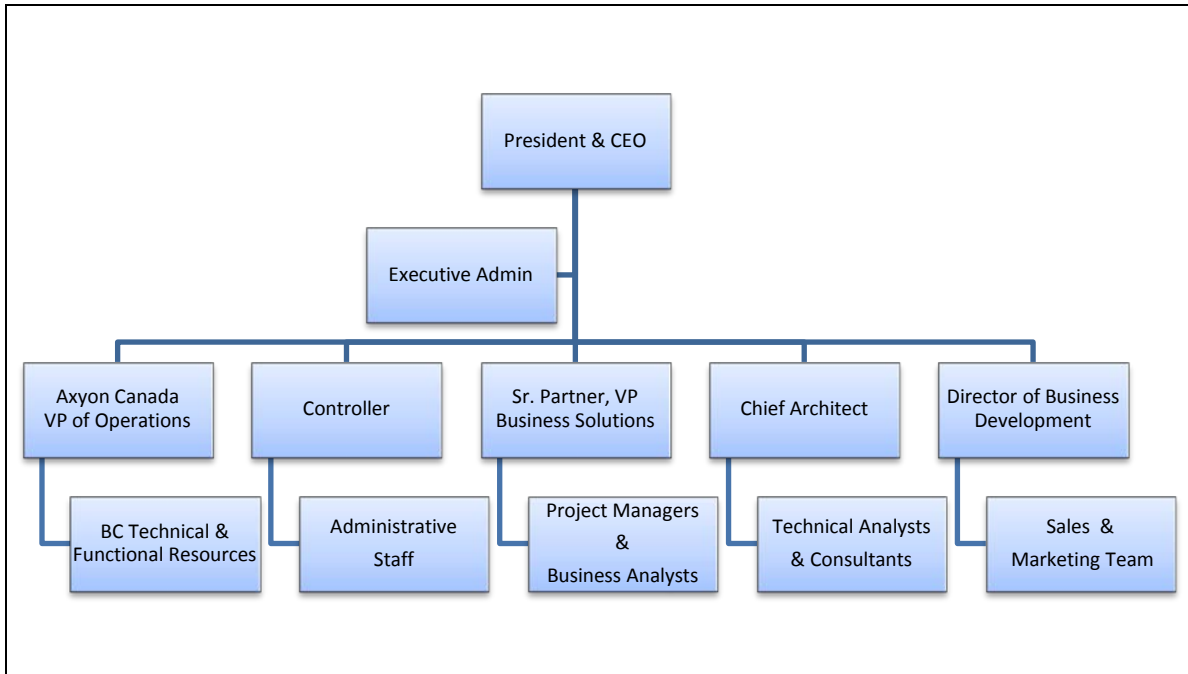
- System Analysts
- Systems Administrators
- Technical Architects
- Technical Support Analysts
- Note, a Senior Technical Architect or Systems Analyst can take on the role of technical lead in an ECM project.

The functional ECM roles consist of

- Project Managers
- Business Analysts/Business Systems Analysts
- Note, the Project Manager takes on the overall management of the customer engagement. They also possess business analysis skills and can typically double up as the functional lead, as can a Senior Business Analyst.

Exhibit 20 below portrays the integration of the Axyon Canada team into the Axyon HQ organizational structure described earlier in Section 4.3 (The Axyon Team - Exhibit 11).

Exhibit 20 - The New Axyon Consulting Organizational Structure



Source: Author, 2012

Once Axyon Canada has gained traction in the BC market, the VP of Operations will assess the need to grow its internal management team. Aside from consulting resources, there may be a need to hire administrative staff and/or a manager to take on additional operational responsibilities. This need will most likely arise in year two of operations when customer management, sales and human resourcing activities start to increase. The VP of Operations will assess this need on an ongoing basis. Any new additions to the team will report directly to the VP of Operations. Refer to Appendix 9 for a high level summary of the Axyon Canada team's roles and responsibilities.

5.5.2 Resource Deployment

In executing Axyon Canada's growth strategy, the VP of Operations must be extremely cognizant of the coordination required to balance the supply of internal resources with the demand of confirmed ECM engagements. Essentially, Axyon Canada must have committed customer ECM engagements to deploy resources to, and resources must be available to complete these ECM engagements. Special attention must be given to ensuring a high level of

coordination between the lengthy customer sales cycles and the varying recruitment cycles for consultants. This coordination in itself is a unique skill gained only with experience of managing a consulting operation. In this case, the VP of Operations should seek out support from the Axyon HQ CEO who has sound experience in this key activity.

In order to ease the human resource burden upon entry into the BC market, Axyon Canada should first secure a project related ECM consulting engagement before hiring any new consulting resources. Having customers in the pipeline and a source of new revenue ready and waiting would mitigate any potential financial risks. From a practical sense, if Axyon HQ has any existing customer engagements in BC, they may want to transfer the contract to Axyon Canada where it can be fully managed by Axyon Canada's VP of Operations (includes all account management, customer service and project management related activities for the customer). If there are no existing contracts in BC, Axyon Canada should still pursue either a new ECM engagement with one of Axyon HQ's previous customers in BC or acquire a new customer before recruiting local consulting resources (refer to Exhibit 8 for a list of current Open Text customers).

Once the first BC ECM engagement is obtained, Axyon Canada will need to coordinate consulting resources directly with Axyon HQ (as was recommended earlier in Section 5.2 (The Axyon Canada Resource Challenge). Axyon HQ must commit to provide Axyon Canada consultants from their experienced US resource pool for the first year, and as required. The cost of transferred resources would be borne by Axyon Canada. Clear communication and advanced planning with Axyon HQ's resources manager is crucial to ensure the right number of functional and technical resources are available at the required times throughout the engagement.

To kick start the first engagement, Axyon Canada will deploy resources from Axyon HQ's US operations. As local resources are recruited, they will be trained on Open Text software fundamentals and will shadow the onsite US resources to learn the Axyon ECM implementation methodology. The hands on practical experience and mentoring received will be invaluable towards their training, and will accelerate the goal to have them fully utilized as quickly as possible. If any experienced Open Text ECM consultant in BC is procured, they should be put

into the field immediately to work with the US consultants. All local experienced resources will be deployed straightaway so as to maximize utilization and contribution to the bottom line.

As new local BC resources are hired or developed, the US resources will be phased out. US resources can be deployed on an as needed basis if there is a need for any onsite deep technical or functional expertise that is not available within the local BC team. The US resources can also contribute their expertise remotely from Dallas and only fly into Vancouver as required.

In order to meet Axyon Canada's three year sales forecast, Axyon Canada must prepare a comprehensive resource strategy that ensures priority for getting the local consulting resources ready for market in a relatively short period of time. The Axyon Canada resource requirements will be discussed further in the Economic Model and Financial Plan section, and will include an analysis of utilization rates and resource costs.

5.5.3 Implementation Timelines

Exhibit 21 below outlines the key milestone activities for Axyon Canada's first year of operations, as was just outlined in the previous sections.

Exhibit 21 - Axyon Canada Year 1 Operational Timeline

MILESTONE ACTIVITY	YEAR 1											
	J	F	M	A	M	J	J	A	S	O	N	D
Establish Axyon Canada												
Company Registration	■											
Hire VP Operations	■											
Set-up Office - purchase computer, office supplies, etc.	■											
Acquire New Customers												
Secure First BC Customer & Deploy US Resources	■	■	■									
Deploy Marketing Strategy		■	■	■	■	■	■	■	■	■	■	■
Continue Building the Pipeline of Customers			■	■	■	■	■	■	■	■	■	■
Resource Recruiting												
Develop Resource Strategy - align resource roll-out with sales forecast		■	■									
Begin Recruiting Efforts			■	■								
Continue to Grow Resource Pool				■	■	■	■	■	■	■	■	■
Management Reviews												
Quality Assurance & Customer Satisfaction Review						■				■		
Internal Operational Review			■			■		■				■
Assess Need for Admin or Management Resources												■
Note: The start date is for illustration purposes only. The company may commence at any time.												

Source: Author, 2012

5.6 The Potential Risks and Assumptions

Axyon Canada can compete successfully by actively responding to the market's evolving customer and technology needs, and by minimizing the known market risks. It is impossible to predict all risk factors or when they may arise. However, it is imperative to conduct a regular review and prioritization of all the known risk factors, and implement risk strategies and management processes to mitigate them.

Prior to launching Axyon Canada, Axyon HQ must confirm the level of commitment and support it is willing and able to provide in terms of time, knowledge costs, and human resources. It will take some time for Axyon Canada to set the foundation, become fully operational and understand the nuances of the BC market (e.g. customers, competitors, resources). For the endeavour to be successful, Axyon HQ will need to contribute to the initial start-up and growth of Axyon Canada by providing executive and management team support, access to Axyon HQ existing infrastructure as it relates to the resources, systems and processes for key support functions, and by providing a source of funds in the form of a loan to sustain start-up and initial operations. This commitment and support will be required as sales volumes and profitability start to increase, and until Axyon Canada becomes self-sufficient.

The risks identified in Exhibit 22 have the ability to impact Axyon Canada's capability of generating future revenues and profits. Each risk has been assessed for the likelihood of occurrence, the impact of the risk if it occurs, the total risk potential, and the risk ranking relative to the other risks.

Exhibit 22 - Potential Competitive Risks for Axyon Canada

Risks, Problems & Assumptions	Probability	Impact	Risk Score	Risk Ranking
❖ Risk of high turnover - intense competition to attract and retain consultants <ul style="list-style-type: none"> - consultants leaving to work for competing companies or to become freelance consultants - may result in increased compensation costs - improved productivity or charging higher consulting service rates may not offset costs 	4	5	20	High
❖ Yearly financial forecasts are not attainable <ul style="list-style-type: none"> - due to inaccurate sales forecast (lack of BC market data) or operational inefficiencies, or resource risks outlined below 	3	5	15	Medium
❖ The economy in BC does not fully recover, customer sales cycles become lengthier or fail to materialize due to tighter spending budgets <ul style="list-style-type: none"> - may cause current and potential customers to delay, reduce or cancel ECM related purchasing decisions - results in significant fluctuations of when revenues are recognized 	2	4	8	Medium
❖ Rapid technology changes result in further ECM software industry consolidation <ul style="list-style-type: none"> - loss of market share as unforeseen competitors that were initially not viewed as threats may enter the BC market 	2	4	8	Medium
❖ Axyon HQ resource may not be available <ul style="list-style-type: none"> - Axyon HQ experiences an increase in the number of customer engagements/workload or is faced with high resource turnover 	2	3	6	Low
❖ Larger consulting players in the BC market may acquire other Open Text ECM players to increase the number of in-house experienced resources, therefore changing the competitive landscape	2	3	6	Low
❖ Open Text customers dwindle or become obsolete because current and prospective customers choose other ECM software solutions instead of Open Text ECM (i.e. MS SharePoint)	2	3	6	Low
* Probability: Likelihood of risk occurrence (scale: 1-5, with 5 being almost certain) * Impact: Impact of the risk if it occurs (scale: 1-5, with 5 being high) * Risk Score: Total risk potential (Probability x Impact) Maximum score is 25 * Risk Ranking: Risk priority determined by the relative ranking of the risks				

Author, 2012

In response to the risks, a high level summary of the mitigation measures has been provided below. To minimize any adverse impact on the business and ensuing operating results, the measures must be implemented in a timely manner.

- As a sales forecast may be an unreliable predictor of sales activity, increase market knowledge and intelligence as quickly as possible. Keep abreast of ECM and BC market trends by ensuring ongoing competitive intelligence and market research in collaboration with Axyon HQ and Open Text Partnering VP/team.
- Revise and adjust growth strategies, competitive pricing and costs as required. Ensure ongoing management and coordination between the market trends, sales forecasts, sales pipeline and the human resources plan.
- Focus sales on industry and market sectors that have recovered from the economic downturn.
- Identify the customer's key purchasing decision maker(s) and establish strong relationships to gain better insight into the procurement process and future budgets.
- Ensure resource recruitment and sustainment remains a key priority - the resource strategy will include a comprehensive plan to identify, hire, train, retain and motivate consultants, including an attractive and competitive compensation plan. Continue building the Axyon brand so that company becomes one of the best to work for in BC.
- Ensure the resource strategy highlights the need to be agile in transferring skill sets to provide consulting services for other leading ECM software, if and when required. The strategy will outline the approach to retrain and retool employees. In addition, with slight tweaks, the current Axyon ECM implementation methodology can be utilized for application to other ECM software implementations.
- If Axyon HQ resources are not available, then Axyon Canada will delay entry into the market until resources are secured. If non-experienced resources are initially acquired, they will need to be trained, and entry will be delayed further. Precise coordination will be required between resource recruitment and the first ECM engagement. Axyon Canada will need to establish an MOU for commitment on resources.

- If the number of Open Text customers decline or become obsolete, it will still take at least a few years for them to change their existing ECM software and move to newer technologies, and they will experience high switching costs doing so. If there is any indication of this potential risk, there is enough lag time for Axyon Canada to put the sales and resource contingency plans into action, before it actually becomes a reality.
- Axyon Canada must maintain the level of expertise and quality services to compete with all sized players in the market. Larger consulting companies exist today and compete successfully alongside the smaller players. Even if the larger players acquire other players, it is not the size of the player that is important, but the level of Open Text ECM expertise and quality services that matters.
- If larger players are acquiring other consulting companies to increase the number of in-house consultants, Axyon Canada may want to consider being acquired in the future. Once the desired level of growth been sustained, it may be a profitable exit strategy.

5.7 The Economic Model and Financial Plan Summary

The economic model is the foundation upon which the financial plan is built, and is the logic of how the profits are earned. This section will begin with an overview of the key economic model components that form the basis of the financial plan, and will continue with the financial plan summary, which includes the financial assumptions and key financial highlights.

As a private company, Axyon Consulting would like to maintain confidentiality of Axyon Canada's actual sales forecast and financial projections. However, for the purposes of this report, a general analysis has been provided to illustrate the potential growth and profitability as the organization scales. The sales forecast will show growth that doubles year over year. Conservative estimates have been used in the calculations, and the financial outcome portrays a scenario in a tight labour market. All these financial details are explained in the financial assumptions section.

5.7.1 The Economic Model

The key considerations and framework of Axyon Canada’s economic model, including the revenue drivers, sales and consulting resource forecasts, profit margins and costs are described below.

Revenue Drivers - Sales of Open Text ECM consulting services is the primary source of revenue from all the major market segments being served in BC. Open Text ECM consulting services are comprised of a mix of functional (75%) and technical (25%) services, as described in Appendix 6. In addition to consulting services, Axyon Canada has the ability to sell Open Text ECM software to existing and new Open Text customers, and benefit from a percentage of the sales. This is a potential secondary source of revenue for Axyon Canada. However, for the purposes of this report and the financial analysis, the focus will remain on Axyon’s core competency of selling Open Text ECM consulting services, and the software sales will not be taken into consideration.

Sales and Resource Forecast - The three year revenue streams in total dollars and billable hours, along with the number of consultants required to meet the yearly sales targets are presented below in Exhibit 23. As mentioned, the sales forecasts below are for illustration purposes only. The assumptions and calculations for the billable hours and required number of consultants are discussed in the resource utilization and contribution margin calculations sections, and in Appendix 10.

Exhibit 23 - Axyon Canada's 3 Year Sales & Resource Targets

Year	Sales Forecast in Dollars	Sales Forecast in Billable Hours	Year Over Year Growth	Total Consultants Required to Meet Sales Targets
1	\$750,000	4286	--	3
2	\$1,500,000	8571	100%	6
3	\$3,000,000	17143	100%	11

Source: Author, 2012

ECM Customers - Axyon Canada will sell Open Text ECM consulting services to either new or existing Open Text customers from all industries in BC, including sales to the Open Text Strategic Partner Customers (SAP, Oracle or Microsoft), as described in Section 3.4 (The BC Target Market and Customer Segmentation).

- *New Open Text Customers*
 - Potential new Open Text customers have not yet purchased Open Text ECM software. These customers may be looking to replace their existing ECM systems with Open Text products, or they have previously not had any ECM systems in place. Potential new Open Text ECM consulting customers can be targeted from any industry.
- *Existing Open Text Customers*
 - Existing Open Text customers have either recently purchased Open Text ECM software, or they have already had it for some time. Customers who have recently purchased the software may have not yet implemented it. These customers would require an Open Text ECM consulting company to implement the initial ECM solution. Customers who have had the software for some time often require additional and ongoing consulting services for activities such as upgrades, implementation enhancements, new software module installations, business process improvements, and technical support.

The average ratio of Open Text ECM consulting services to ECM software sales is approximately 2:1. It is typical for a company who purchases \$1 million in software licenses, to require nearly \$2 million in consulting services.

Contracts & Negotiations - Many ECM consulting buyers are moving towards establishing longer engagements with one consulting firm, but prefer to have multiple and shorter contract cycles. Although this contract approach is beneficial to the customer, it is less cost effective for the consulting company to have a number of smaller contracts than larger ones, as the time and overhead costs devoted to negotiating and managing (contract creation, monitoring and enforcement) multiple small contracts increase.

Transaction Costs - If not managed effectively, the transaction costs for sales and consulting resources can escalate. To curtail the potential of rising costs, special attention will be given to the overall management of search related costs for locating and securing ECM consulting engagements (e.g. bid process, RFQs and RFPs, negotiations), for recruiting the specialized experienced Open Text ECM consultants, and for managing the employee turnover rate.

Resource Model - a number of resource options were discussed in Section 5.2 (The Axyon Resource Challenge). For initial entry into the BC market, it was recommended that Axyon Canada commence operations by subcontracting Axyon HQ resources, unless experienced Open Text ECM skilled resources are available immediately at an acceptable rate. Axyon Canada would then strive towards a mix of Axyon HQ resources and Canadian resources, and ultimately transition to an entirely BC based resource pool. Subcontractors are only to be utilized when absolutely necessary.

Although subcontracting resources would reduce the high fixed costs associated with hiring employees, it would cut into the profit margins as freelance consultants' rates and Open Text GS consultants' rates are significantly higher than the costs of employees. Even with competitive salaries and the labour burden associated with each employee, the costs of an employee are still far less than hiring a subcontractor.

ECM Consultants' Salaries - Axyon Canada's consultant salaries will range from \$60,000 for a junior entry level consultant to \$100,000 for a more senior experienced consultant. Resources will be hired in a combination of experience levels and salary ranges. The lower the salaries, the lower the costs of resources, hence the higher the profits.

Billable Rates - Axyon Canada's consulting rates will range between \$150 and \$225 CDN per hour. Competitor rates (as discussed in Section 3.7 - ECM Consulting Services in BC) range from \$150 to \$350 per hour. All players in the BC market charge the customer additional costs for travel and related expenses when utilizing resources not based in BC.

As the local resource pool is developed, Axyon Canada will not have to charge the customers any additional travel related costs. However, to enter the market and maintain competitive

rates, Axyon Canada may consider not charging customers all or portions of the travel related costs for the US resources utilized in the first few years of operations, or for US resources with specialized expertise that may be required as needed. Axyon Canada can negotiate with the customer to lower overall rates (by reducing or eliminating the travel expense surcharge) based on the size and length of the engagement, and commitments for future business.

Billable Hours - Axyon Canada's inventory is made up of the total billable hours of all the available consulting resources employed. Most ECM contracts are based on the number of billable hours required to complete the ECM engagement, therefore billable hours are sold to ECM customers. The billable hours are generated by billable resources, and are perishable. An hour of billable time can only generate revenue once at the billable rate. Every billable hour not sold to an ECM customer is an hour of lost billable time.

Increasing the number of billable hours by just one hour a day (5 hours a week) for each consultant will significantly increase profitability. However, the challenge is to get employees to work more hours on a fixed salary. Providing overtime incentives may motivate employees to put in more time (i.e. bonus at the end of the customer engagement, sharing a percentage of the overtime profits, etc.). To maximize revenue generation, it is imperative to maintain a healthy customer pipeline and maximize resource utilization.

ECM engagements can last a few weeks, a few months or even a few years. Customers may purchase billable hours to be delivered in a short duration or over a period of time. Effort is the number of billable hours required (e.g. 100 hours) to complete the project and duration is how long (e.g. 2 months) the project will take to complete. Depending on the duration and effort required for a project, the resource requirements will vary. Axyon Canada will sell billable hours in a combination of duration and effort, and the key will be to balance the sales commitments with the resource availability.

Resource Utilization and Contribution Margin Calculations - The calculations for determining the number of consultants required to meet the projected sales target can be quite complex. This market potential formula includes the following elements: average billable rate, costs per consultant, number of consultants, capacity and availability of all consultants, utilization levels,

resource experience level and timing of hiring new recruits. Making accurate estimates requires balancing and reviewing all the elements on a regular basis.

There are 1800 billable hours per year for each consultant. The goal would be to reach a target of 100% utilization as much as possible. Even after factoring time off for vacation, statutory holidays, personal matters and interruptions, and for training and career development, there are often unexpected circumstances that keep consulting resources from being deployed. Moreover, it is sometimes challenging to time ECM engagements to start or end exactly right after one another. As a result, it becomes common to have approximately one to two weeks of resource down time between projects. To keep with the conservative calculations, it would be prudent to use a more realistic minimum utilization target level of 83% (that is 1500 hundred billable hours out of the 1800 available billable hours). Many consulting companies often target minimum utilization levels between 80% and 85%.

Once the variable resource costs are deducted from the sales revenue, the resulting figure is the contribution margin. Exhibit 24 below provides a breakdown of the potential marginal profit per sale of a billable hour. For the purposes of this analysis, the example uses an employee salary of \$90,000 and utilization target levels of 100%. Exhibit 25 is the contribution margin calculation at target levels of 83%. The contribution margin difference between the two utilization levels is 5%, and in terms of dollars is \$52,500. As demonstrated, to keep profit margins high it is imperative to target and maintain utilization levels at the highest possible levels. A contribution margin analysis for salaries ranging from \$60,000 to \$100,000, at target utilization levels of 83% and 100% can be found in Appendix 10.

Exhibit 24 - Contribution Margin Analysis Based on 100% Utilization Target

Average \$\$, Rates and Time <small>(All figures have been rounded)</small>		Notes & Assumptions
Annual Employee Salary	\$90,000	<ul style="list-style-type: none"> • Average employee salary includes total compensation and labour burden (i.e. all employee taxes and benefits) • Salary Range: <ul style="list-style-type: none"> ○ Junior Entry Level Consultant = \$60K ○ Senior Experienced Consultant = \$100K
Work Weeks per Year	45 Weeks	Billable weeks per year <ul style="list-style-type: none"> • Total number of weeks per year = 52 <ul style="list-style-type: none"> ○ Less three weeks (15 days) for vacation ○ Less two weeks for the ten federal and provincial statutory holidays ○ Less two additional weeks for potential <ul style="list-style-type: none"> ▪ personal matters and interruptions ▪ training and career development
Work Hours per Week	40 Hours	<ul style="list-style-type: none"> • Average number of work hours per day = 8 • Average number of works days per week = 5
Total Billable Hours per Year per Consultant	1,800 Hours	45 weeks per year * 40 billable hours per week
Target 100% Utilization		
Utilization Level	100%	Potential of 1800 billable hours per year <ul style="list-style-type: none"> • $1800\text{hours} \div 1800\text{hours} * 100 = 100\%$
Employee Cost per Billable Hour (Variable Cost/Unit)	\$50	$\$90,000 \text{ Annual Salary} \div 1,800 \text{ Work Hours/ Year}$
Billable Rate per Hour (Price/Unit)	\$175	Rates can range from \$150 to \$225
Contribution Margin per Hour	\$125	$\$175 \text{ Bill Rate/Hour} - \$50 \text{ Employee Cost/Hour}$
Contribution Margin %	71%	$\$125 \text{ CM per Hour} \div \$175 \text{ Bill Rate per Hour}$
Total Contribution Margin per Employee per Year	\$225,000	$\$125 \text{ CM/Hour} * 1800 \text{ Work Hours/Year}$

Source: Author, 2012

Exhibit 25 - Contribution Margin Analysis Based on 83% Utilization Target

Average \$\$, Rates and Time <small>(All figures have been rounded)</small>		Notes & Assumptions
Target 83% Utilization		
Utilization Level	83%	1500 minimum target billable hours per year <ul style="list-style-type: none"> • $1500 \text{ hours} \div 1800 \text{ hours} * 100 = 83\%$
Employee Cost per Billable Hour (Variable Cost/Unit)	\$60	$\$90,000 \text{ Annual Salary} \div 1,500 \text{ Work Hours/ Year}$
Billable Rate per Hour (Price/Unit)	\$175	Rates can range from \$150 to \$225
Contribution Margin per Hour	\$115	$\$175 \text{ Bill Rate/Hour} - \$60 \text{ Employee Cost/Hour}$
Contribution Margin %	66%	$\$115 \text{ CM per Hour} \div \$175 \text{ Bill Rate per Hour}$
Total Contribution Margin per Employee per Year	\$172,500	$\$115 \text{ CM/Hour} * 1500 \text{ Work Hours/Year}$

Source: Author, 2012

Business Entity: Legal Structure and Tax Implications – Axyon Canada will be registered in BC and incorporated as a Limited Liability Corporation (LLC) at the federal level in Canada. Incorporating at a federal level will allow Axyon Canada to conduct business under the same name in all provinces and territories, which becomes important when Axyon Canada expands its operations outside of BC. There are potential significant tax advantages if the LLC qualifies as a Canadian Controlled Private Corporation (CCPC), which means the majority of the company must be controlled by either private corporations or individuals who are Canadian residents. The CCPC status allows the corporation to claim significant tax benefits such as lower tax rates (e.g. for the first \$500,000 taxable income, CCPC’s are taxed at 13.5% vs. 26.5% for non CCPC), tax deferrals via the corporation’s retained earnings, investment income neutrality, and capital gains exemption for sales of small incorporated businesses. (Industry Canada, 2012) To qualify as a CCPC and take advantage of these taxable benefits, Axyon Canada may, in the future, consider taking on a majority share partner who is a Canadian resident, and consider partnership agreements that include equity investments, share capital, profit sharing plans, etc.

5.7.2 The Financial Plan

To maintain confidentiality of Axyon Canada's actual financial projections, the detailed financial information and key financial statements have been removed. However, the financial assumptions, and the high level financial summary and highlights have been provided.

Financial Plan Assumptions - The following outlines the general assumptions that were taken into account when completing the financial analysis and creating the financial statements:

- Axyon HQ will contribute to the initial start-up and growth of Axyon Canada by providing executive and management team support, access to Axyon HQ existing infrastructure as it relates to the resources, systems and processes for key support functions, and by providing a source of funds in the form of a loan to sustain start-up and initial operations.
- Cost controls - Axyon Canada will make every effort to reduce financial and infrastructure overhead. Initially, the Axyon Canada office will be run from a shared commercial office space. Considerations of a larger commercial office space will be reviewed after first few years of successful growth. All costs will be monitored closely, particularly in the first two years of operations. If cost overruns are incurred, Axyon Canada will seek to reduce expenditures in the areas of sales and marketing, travel, meals and entertainment, and office supplies. Ongoing efforts will be made to develop cost effective on-boarding and training programs (either in-house or with Open Text). The goal will be to quickly increase the new consultants' productivity, thereby reducing the employee down time and overall training costs.
- Other than depreciation of furniture and equipment, all expenses are forecast to be paid in the period they occur. The target collection period for all accounts receivable is net 15 days, as per Axyon HQ policies. Exceptions are made on a case by case basis. Rates for sales commissions are assigned at 3%.
- Labour costs - employee salary estimates includes total compensation and total labour burden (approximately 20% of salary). Benefit costs include life and health insurance costs, provincial health care plan premium, pension plan or RRSP payments, retirement

payouts, maternity leave top ups, and perquisites (i.e. club or professional membership dues). The estimated employee costs also takes into account bonuses and yearly increases.

- Productivity and utilization levels will vary for each consulting resources. Additional time for on-boarding and training has been included for all new hires that do not have Open Text ECM experience. As new hires require time for training and on-boarding, they are procured early to ensure they are ready for deployment. It is assumed all new hires will require training. Utilization, productivity and capacity levels have all been considered in the personnel plan and financial calculations. See Appendix 11 - Sample Axyon Canada Personnel Plan for more details. The personnel plan and associated costs, including the labour burden, are based on the total headcount required to meet the sales forecast, regardless if an Axyon HQ resource or a locally based resource is procured. All annual salaries are calculated at \$90,000 in the sample personnel plan. For ease of analysis, rather than calculating numerous sales combinations of billable hours, the sales of billable hours have been allocated consistently across the year, except for the first two months of operations (as per implementation timelines). Accordingly, the personnel plan is designed to meet this sales assumption.
- The start-up costs required are for any initial travel to Axyon HQ, business incorporation, and office set up. Included in these costs are professional fees, (i.e. accounting, legal, registration fees, etc.), computers, printers, furniture and other office supplies.

Financial Summary & Key Highlights - The cost structure is comprised of variable costs for sales commissions, consultants, and yearly training/development costs for all consultants, with more funds allocated to training the newer, non-experienced recruits. The fixed costs are comprised of the remainder of expenses. The largest expenses for all three years are the labour costs, accounting for a significant portion of the operating expenses. This is typically the norm for the consulting industry and other labour intensive service industries. Cash flows will be positive in the first month due to the cash infusion from Axyon HQ. Without this loan, positive cash flow would not be reached until year two. Once breakeven is reached, much more of the revenue

streams will flow straight into Axyon Canada’s bottom line, increasing profits significantly. Revenue generation is expected in the first quarter of operations and gross margins of 66% are achieved for all three years.

For illustration purposes, a sales forecast summary is provided in Exhibit 26 below. The example uses an average rate of \$175 per hour for all billable hours sold, and an average annual salary rate of \$90,000 (all inclusive of the labour burden) for all consultants, with utilization rates at 83% of the total available billable hours.

Exhibit 26 - Axyon Canada Sales Forecast Summary Example

Axyon Canada Sales Targets	Year 1	Year 2	Year 3
Unit Sales (Hours of Consulting Services)	4,286	8,572	17,143
Price Per Unit	\$175	\$175	\$175
Total Sales	\$750,050	\$1,500,100	\$3,000,025
Direct Cost Per Unit	\$60	\$60	\$60
Total Direct Costs	\$257,160	\$514,320	\$1,028,580
Gross Margin	\$492,890	\$985,780	\$1,971,445
Gross Margin %	66%	66%	66%

Source: Author, 2012

Profit Potential: In reality, Axyon Canada will more than likely sell billable hours at varying rates between \$150 and \$225 per hour, and will hire resources in a combination of experience levels and salary ranges. The potential to increase profits will increase as

- more billable hours are sold and delivered
- billable hours are sold at the higher end of the rate range
- more experienced resources are hired
- resources are hired at less than the \$90,000 used in the financial analysis example
- new and non-experienced resources are trained quickly
- overall capacity and utilization levels of existing resources increase

6. Conclusion

There is tremendous potential for Axyon Consulting (Axyon HQ) to debut Axyon Canada, their Canadian subsidiary, in the BC market. The ECM industry is growing and the BC market currently has a shortage of experienced Open Text ECM consultants. The market opportunities and competitive environment in BC is attractive and the BC market is able to sustain a number of companies of various sizes. Companies in this niche market compete on the basis of location and quality, and the differentiator is the level of Open Text ECM knowledge and experience.

Existing and established companies have an easier time entering the ECM industry, and the demand for specific Open Text ECM knowledge enhances the opportunity to transfer their core competencies to new market segments. Axyon HQ has the depth and breadth of Open Text ECM experience that is required of any successful Open Text ECM consulting company, and has a business model that is simple and proven. With Axyon HQ's sponsorship, Axyon Canada has the capability to become a strong leader in the BC market. Axyon Canada can leverage the proven business model and adapt it as needed to address the various nuances of the BC environment.

Establishing a Canadian subsidiary in the BC market represents an exciting opportunity for the company. However, entering requires caution with respect to the ECM consulting resources. The opportunity is lucrative, but the consulting resource risks can be just as high if not managed. Resource management should be given the highest priority and utmost importance at the start of the initiative, and striving to reach maximum utilization levels will be integral to increasing profit margins. The market expansion plans included strategies and recommendations to address the resource challenges, with respect to recruiting, deploying and retaining resources. These strategies and recommendations, as well as the other elements provided in the plan should serve as an implementation model for Axyon Canada.

To remain competitive, Axyon Canada must quickly build a team of Open Text ECM experts, offer an attractive price advantage, and ensure the overall offering is comprehensive, practical and timely to meet their customers' needs. Furthermore, Axyon Canada must

continue to capitalize on the Open Text Partner relationship in BC. The combination of consulting resource capabilities and knowledge of the Open Text products will allow Axyon Canada deliver a variety of quality ECM services. If properly funded, implemented and supported, Axyon Canada will be well positioned to achieve its market expansion goals and become the recognized Open Text ECM consulting experts in BC.

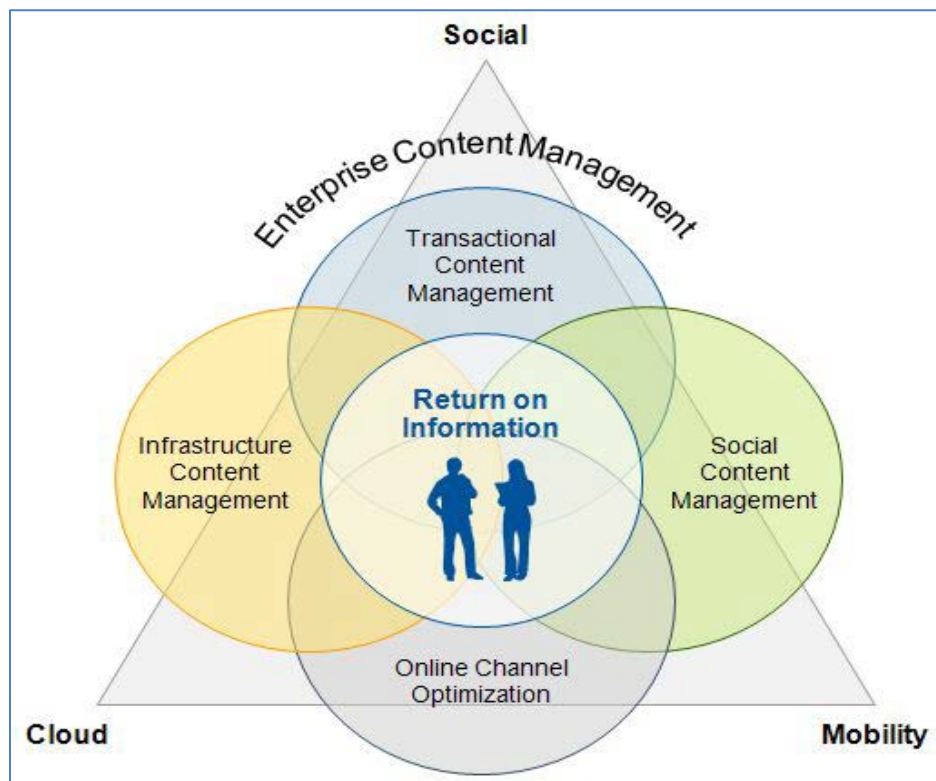
Appendices

Appendix 1 - Gartner's Four Worlds of ECM

Source: Excerpt from Gartner's Agenda for ECM 2012 & Gartner's Magic Quadrant for ECM 2012 (Gilbert, Shegda, Chin, & Tay, 2011)

Gartner's four worldviews of ECM are 1) Transactional Content Management, 2) Social Content Management, 3) Online Channel Optimization and 4) Infrastructure Content Management. Changing delivery models, new value propositions, solution configurations and partner ecosystems make ECM relevant to every business. Understanding the four usage scenarios of ECM can help put enterprises on the path to success. Very few vendors have market-leading emphasis and ability in all four. Though many implementations span several scenarios, almost all will have to relate to content management as infrastructure. The four major usage scenarios or "worlds" of ECM are as follows:

The Four Worldviews of ECM



Source: Gartner Agenda for ECM 2012

1. **Transactional content management** solutions focus on imaging, workflow/business process management (BPM), compliance/archives, records management and e-forms. Content contained within applications in this category tends to be static, rather than dynamic, though this may change as XML representations become more common. Processes tend to be stable, long-running and have a high volume of forms or documents that demand scalability, life cycle control and human approval, primarily for exceptions. An application

interface is almost guaranteed. CCAs like those for invoice automation, case management frameworks, and other horizontal and vertical market templates and solutions are key considerations in vendor selection. Examples of solutions include offerings for customer communications management, processing of loan applications and electronic patient files. **Sample vendors: EMC, Hyland Software, IBM, Open Text, Perceptive Software, Saperion.**

2. **Social content management** solutions focus on compound content object control and library services; document collaboration; workflow automation with alerts and calendaring; social content like wikis, blogs and videos; task tracking; browser or portal viewing; mark-up, annotation and version control. The focus is on systems of engagement — orchestrating high-value people involved in the project-based or long-running development and delivery of high-value documents, content or knowledge management, and optimizing the processes, interfaces and objectives that relate them through collaboration. Examples of these solutions include offerings for new drug discovery, new hire recruiting, on-boarding and training, and construction project management. **Sample vendors: Alfresco, IBM, Microsoft, Open Text.**
3. **Online channel optimization** solutions focus on Web channel sets of technology, including WCM, DAM, portals, electronic forms, Web and content analytics, social software, XML authoring, rich-media management, social content and collaboration, mobile device support and so on. The aim is to "idealize" them to serve as Web-delivered, context-aware engagement platforms for a variety of industry-focused solutions. Most important in delivering value is a focus on relevancy and consequent measurable increases in the impact of the delivered experience. Examples of templates or solutions to engage customers more fully include online retail optimization, Web channel distributed claims processing, and constituency self-service in government. **Sample vendors: Adobe, Open Text, Oracle.**
4. **Infrastructure content management** as infrastructure solutions are increasingly being delivered by infrastructure vendors such as IBM, Oracle and Microsoft, which are embedding content management capabilities into their stacks. They are also increasingly becoming infrastructure platforms for supporting multiple CCAs. For example, when Microsoft SharePoint takes hold in an organization, users naturally begin exploring its suitability for a wider range of content management applications and its potential as a replacement for existing solutions. Essential considerations for this category include abilities to manage rich metadata, enable full life cycle control, allow easier migrations from other repositories, network drives or file servers, and to bring some analytic or business intelligence-like capability to unstructured data overall. Understanding how content relates to larger enterprise information management disciplines will also become critical. **Sample vendors: IBM, Microsoft, Oracle.**

Appendix 2 - Open Text Overview

Open Text Company Website: www.opentext.com

Source: Excerpt from OneSource Corporate Overview Report for Open Text Corporation (OneSource, Open Text Corporation Corporate Overview, 2012)

Open Text is engaged in providing ECM software solutions that focus on people, processes and content. Open Text is headquartered in Waterloo, Canada and employs approximately 4,410 people. It supports approximately 46,000 customers in 114 countries in the Americas, Europe, and Asia Pacific, and in 12 languages.

The company builds software that combines collaboration and process optimization. The company's main product offering include Open Text ECM Suite, which provides a complete set of content management technologies and solutions to manage the entire life cycle of content. The product suite brings together content management capabilities needed to manage various types of enterprise content, including business documents, vital records, web content, rich media (images, audio and video), emails, reports and business correspondence. The Open Text ECM Suite also provides business process management tools that are designed to allow organizations to streamline the processes that connect their people and content.

The Open Text ECM Suite is comprised of the following components: document management, collaboration, records management, web content management, email management, archiving, capture, digital asset management, business process management (BPM), portal, social media, customer communications management and case management.

The Open Text ECM Suite offers solutions for customers with investments in SAP, Microsoft and Oracle. Due to the company's large customer base and significant market share in the ECM sphere, Open Text has acquired substantial industry knowledge in many verticals. The company also offers industry-specific solutions based on the Open Text ECM Suite for the following sectors: government, high-technology/manufacturing, energy, financial services, pharmaceutical and life sciences, legal, and media.

Open Text offers a range of services such as consulting, learning services, hosting services, and customer support services. The company's consulting services include operational modelling, governance assessment, user experience, and system design. The consulting services allow customers to build solutions that enable them to leverage their investments in technology and in existing enterprise systems. The implementation of these services can range from simple

modifications to meet specific departmental needs to enterprise applications that integrate with multiple existing systems.

The company markets its products globally through its partners' enterprise software and hardware organizations. It markets its products and services principally to Global 2000 organizations, mid-market companies and government agencies. Open Text has worldwide operations through its subsidiary and sales centres in North America, Europe and other countries. The company sells and markets its offerings directly through its subsidiaries and indirectly through its channel partners. Open Text forms mutually beneficial relationships with systems integrators, consultants, and software and hardware developers and operates through its field offices across the US and Canada.

The company has strategic alliances with Microsoft, Oracle, Accenture Ltd, SAP, Deloitte Consulting, Cap Gemini, Logica Holdings, and ATOS Origin. The strategic partnerships with SAP, Microsoft and Oracle continue to be successful as they report increasing partner demand for ECM solutions in archiving, records management, compliance and business automation solutions, and the interoperability with their infrastructure and applications are fundamental to success.

- SAP is a significant reseller of Open Text's products and has been especially instrumental in driving revenue through this channel with Extended ECM for SAP Solutions.
- Open Text continues to work closely with Microsoft on application integration, joint sales and marketing efforts. They were the first major ECM provider to obtain US Department of Defence certification for SharePoint 2010. In 2011, Open Text was named Microsoft Global Launch Partner for SQL Server Denali.
- Open Text continues to build on the source code that Oracle shared with them in an effort to integrate tighter ECM functionality into Oracle's Fusion Middleware.

The ECM market is highly competitive, and as the market continues to consolidate, the competition is expected to intensify. Open Text competes with a large number of ECM providers, web content management businesses, and workflow, document imaging and electronic document management companies. IBM is the largest direct competitor. Other large competitors are EMC Corporation (storage technology company), Autonomy Corporation (UK based search software company), as well as the large infrastructure vendors Oracle and Microsoft. There are also numerous small ECM software vendors and systems integrators who configure hardware and software into customized systems.

Appendix 3 - CMC Canada's 2011 Management Consulting Industry Study

CMC-Canada's Website: <http://www.cmc-canada.ca/>

Source: Excerpt from *Canadian Association of Management Consultants (CMC –Canada) 2011 Industry Study* (CMC Canada, 2011)

Key Highlights

Stability in median target billing rates: Overall, standard target billable rates have barely moved since the last industry study, although the median target rate for experienced ('level 2') consultants has edged up at the largest firms (100+ full time consultants).

- The large firm premium is greatest at the most senior level. At 'big brand' firms, the target hourly rates range from \$600 to over \$800 for top level consultants. For higher revenue firms (over \$100 million), the median hourly rate for the highest level professional is \$617, compared to \$264 at mid-tier firms (\$1 to \$100 million).
- Focusing on the smallest revenue firms (under \$250,000) - principally independent freelance consultants - the median hourly rate is \$188, although the range is very broad, from below \$100 to over \$400.

Discounting remains widespread: Pricing pressure is still intense: the fees actually realized can be substantially lower than the target standard rates.

- Bigger firms (100+ full-time consultants) are the most prone to propose fees below their standard target rates: 79% discount sometimes/often. Moreover, 27% say discounts of 30% or deeper are typical. Discounting to increase utilization is still common, but fee cutting to support customers through their tough times has dropped markedly (29%, down from 48%). The most common reasons for discounting are to secure high value contracts, win government business or protect customer relationships.
- At medium sized firms (10 to 99 full time consultants), discounting to win government business is less common than at larger firms, but otherwise motivations are similar. However, with lower standard fees, medium sized firms have less flexibility and tend to offer shallower discounts, typically less than 15%.
- Although smaller firms (<10 fulltime professionals) vary widely in the frequency and depth of fee cutting, discounting to support a not-for-profit customer or a good cause (56%) is almost as common as discounting to secure a high value contract (59%).

Profitability under pressure: At smaller firms, profitability is wide ranging, but distributions remain similar to previous years. However, larger consultancies see gross margins being squeezed.

- At the largest firms (100+ full time consultants), only 7% reported gross margins of 50% or more in their most recent fiscal year (vs. 29% for the 2008 fiscal year).
- In general, medium sized firms (10 to 99 full time consultants) have suffered the most margin compression: just 4% generated gross margins of 50% or more (vs. 20% for the 2008 fiscal year).

- Moreover, 32% reported gross margins below 20%. They get squeezed by the small single freelance consultants who have no infrastructure at all and by the big firms who have many resources.

Optimism in the maturing market: Most consultancies expect to grow, and in a slow to moderately growing market, achieving ambitious growth targets demands outperformance. Across all size categories, 73% plan to pursue expansion in existing markets, while a substantial minority expect to venture into new services (41%) or markets (36%). Targeted hiring is seen as a growth strategy for 85% of large firms (100+ full time consultants) - signaling resourcing costs will likely rise in the struggle to attract and retain talent.

- Non-organic strategies also figure prominently: 49% of firms with 100+ full time consultants expect to grow by merger, acquisition or joint venture in the next two to three years, essentially continuing the brisk M&A activity of 2010 and 2011.
- Among smaller firms, a minority indicate no plans to grow, suggesting that the business is already operating at the desired scale or that the principals plan to scale back or exit within three years.

Building brands: Most consultancies use formal marketing channels to help build awareness, reinforce brand, demonstrate thought leadership and generate leads.

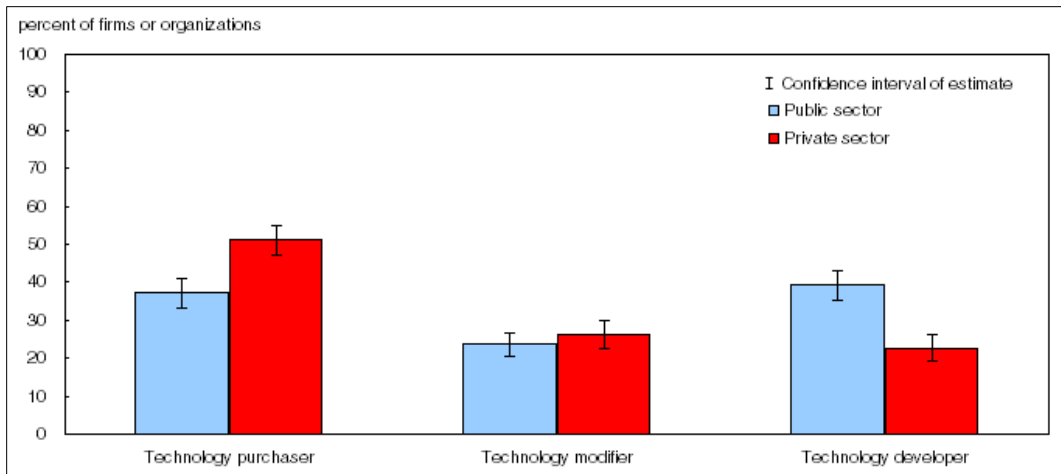
- Not surprisingly, the largest firms use the broadest marketing mix – and also tend to rate effectiveness more highly. At the other extreme, about 20% of freelance consultants invest no time or resources in formal media.
- In person presentations at third party events are commonplace and well rated. Webinars are less frequent (41% usage) and also perceived as less effective - although large firms have notably better regard for that medium. Publications and sponsorships are also fairly widespread (64% and 59% usage, respectively).
- Approximately half the firms advertise, but enthusiasm is muted. Even at larger well-resourced firms, only 23% think their advertising is very/extremely effective.
- Newer media have relatively low adoption and perceived effectiveness: overall, only 44% post blogs and
- 31% produce podcasts. Among users, less than one in five rate these media as very/extremely effective.

Sector Growth: The not-for profit sectors experienced a 5% decrease, compared to the public and private sectors which remained almost evenly split. Dominating the public sector were the provincial governments and municipalities, accounting for two thirds of the public sector market (66%). Within the private sector, the financial services (i.e. banks and insurance companies), technology, telecommunications and media drove demand in 2010.

Appendix 4 - Technological Change in the Private and Public Industries

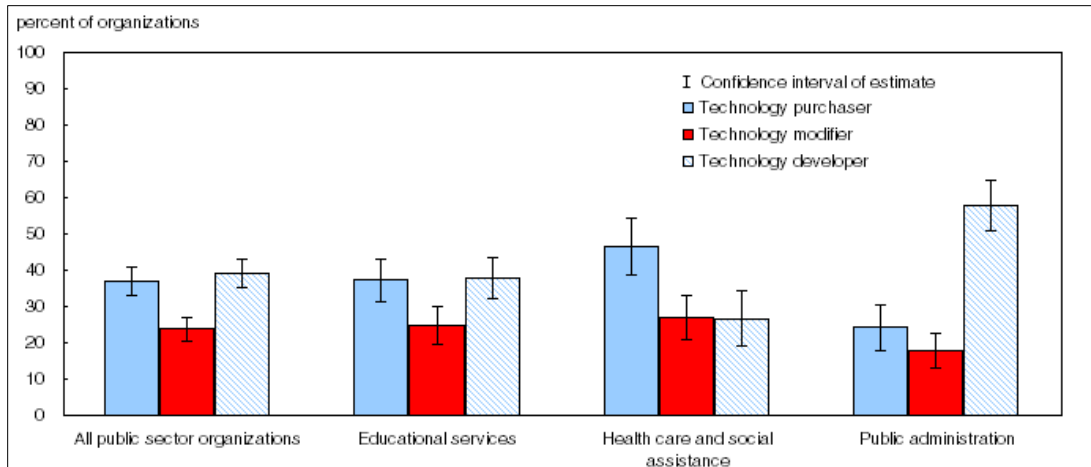
To remain competitive, both private and public companies need to continue to evolve and adapt to new technologies with the goal of improving their productivity, providing more effective and efficient services and increasing production capabilities. The acquisition and adoption of new technologies by the public and private sectors are portrayed below. (Statistics Canada, Technological Change in the Private and Public Sectors, 2009)

Public & Private Sector Technology Use



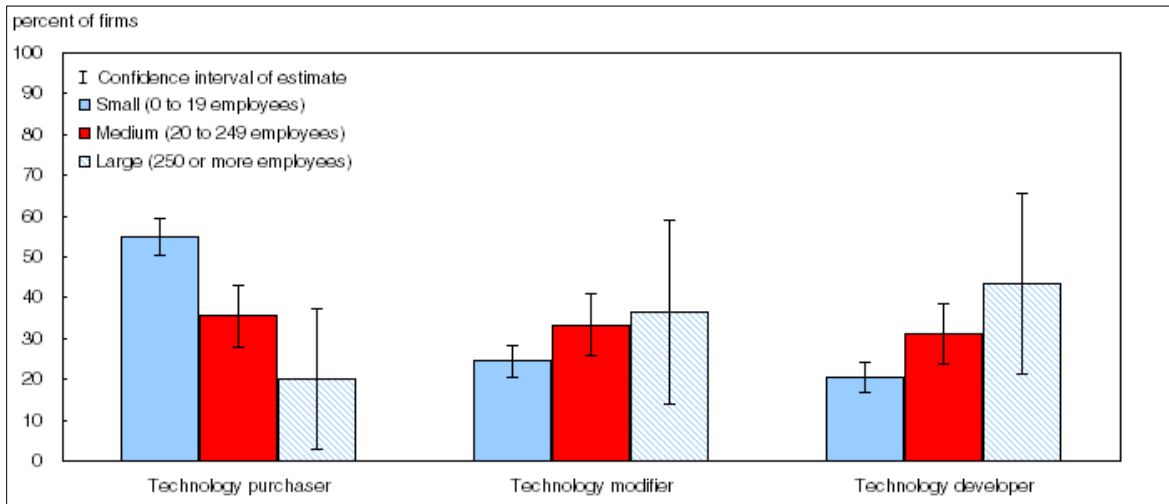
Source: Statistics Canada 2009

Public Sector Technology Use: By Size & Type



Source: Statistics Canada 2009

Private Sector Technology Use: By Size & Type



Source: Statistics Canada 2009

Appendix 5 - Summary Performance and Milestone Based Contract Risks

Both the performance based and milestone based contracts come with several risks for the consulting company:

- The ECM initiative may not have direct impact on the customer's company performance, or the customer's performance in other areas/business units may negatively impact the performance outcomes. Additionally, trust is a critical factor for ensuring the customer provides the consulting company with accurate and honest results.
- The turnaround time for performance outcomes to be realized is often lengthy. The consulting company would lose the short term revenue opportunity as months or years could go by before the outcome could be measured and known. In essence, this would equate to the consulting company providing the services on credit, giving the customer an interest free loan.
- Full customer buy-in to the proposed ECM solution by the owner or project Sponsor, and internal resource cooperation is imperative. If the customer does not have all their internal resources available, aligned and committed to delivering its part in the initiative, the consulting company's ability to complete the initiative would be compromised.

Most ECM consulting companies only engage in performance or milestone based contracts if they have strong, trusting relationships with their customers. Some add a contingency and some get creative and go so far as charging a base rate, and then adding the performance or milestone fees on top. Either way, they are successful by establishing clear written rules of engagement and parameters of delivery within their contracts. To maintain their relationships and ensure a steady stream of work with these types of customers, the consulting companies focus their efforts on delivering quality solutions with exceptional customer service, rather than on the short term financial gains.

Appendix 6 - Axyon Consulting List of ECM Services & Solutions

ECM Service Type	ECM Solutions & Services
Needs Identification & Approval Stage	Proposals & Business Case Development
Program/Project Management Definition & Planning	Strategy Development Analysis & Planning Technical & Functional Solution Design Information Architecture Design Technical Architecture Design
Software Purchase	Open Text Products Sales - Software Licensing, Services & Maintenance
Implementation	Technical Installation & Integration, Including Open Text Suite for Microsoft & Oracle Legacy System Conversion Content Migration Open Text Content Server Upgrades Project Management & Change Management Training & Certification Customizations
Performance Monitoring & Control	Implementation Reviews & Audits Performance Optimization & Capacity Planning
Post Implementation & Operational Support	End-User Support (Training, Enhancement, etc.) System Maintenance & Support System Administrative Support
Staffing Solutions	Training & Development Remote System Administration Services Staff Augmentation for Project Managers, Business Analysts, Systems Analysts, System Admins & Technical Support
Information Lifecycle Management	Document Management Electronic & Physical Records Management Email Management eDiscovery, Compliance & Governance Archiving Collaboration Web Content Management & Social Media Content Mobility Solutions Digital Asset Management
Information Transaction Management	Transactional Content Management Case Management Capture & Imaging Optical Character (OCR) & Intelligent Character (ICR) Recognition
General ECM Point Solutions Independent of Open Text Products & Tools	Contract Management Solutions Transmittal Management Web Reporting Business Process Optimization & Workflows Case Management Solutions
Open Text Customer Liaison	24/7 Access & Tight Alignment to Open Text Field/Bench of Resources
Additional Strategic Partnerships (Note: These Alliances Complement and Enhance Axyon's Customer ECM Experience & Open Text Relationship)	Microsoft Oracle Blubaker Global Cents Resonate Knowledge Solutions

Source: Author, 2012

Appendix 7 - Axyon Executive Team Profiles

Daryl O. Blackwell - Senior Managing Partner, President and CEO

With more than 21 years of experience in Information Technology and Operations, Daryl founded Axyon Consulting in 2003. Daryl has extensive experience and knowledge in the industries of energy, technology and security and is a senior advisor for several companies. During his tenure with such companies as Texas Instruments, IBM, Raytheon, and Pinkerton Investigations, Daryl fostered his reputation for a common-sense and a customer-centric approach.

Prior to launching Axyon, Daryl was a partner and Chief Information Officer for Texas Commercial Energy - where he was instrumental in guiding the technical and business platforms that allowed the company to grow to a single-year revenue increase of \$96 million. Daryl holds a Bachelor's Degree and Master's Degree from Lamar University and is a graduate of the Southern Methodist University School of Applied Sciences.

Kristi Fruge - Senior Partner, VP Business Solutions

Kristi is an Axyon Consulting co-founder, Senior Partner and VP of Business Solutions with more than 13 years in the technology and business consulting. Kristi directs Axyon's development and implementation efforts for all Business Solution initiatives. Her unique combination of extensive business solution experience and fresh, innovative thinking allows Axyon to provide its customers with successful solutions that meet their specific needs.

Kristi's expertise includes design and development management of enterprise business solutions, web-based business solutions, financial forecasting, business analytics, and cost reporting recognition. She has extensive experience in the industries of telecommunications, energy, and consumer goods. Kristi is also well known within the Texas electric utility market for her expertise in establishing industry solutions that provide detailed financial measurements for retail electric providers. Kristi holds a BBA in Management Information Systems from the University of Texas at Austin.

Curtis Price - Chief Architect

Before he co-founded Axyon Consulting, Curtis honed his technology skills in a number of roles with leading national systems integrators and Value Added Resellers. He has held such titles as Manager of Corporate Infrastructure Systems Engineering, Professional Services Project Manager, Professional Services Consultant, and Director of MIS. Curtis' business experience spans the energy, real estate, professional services, and municipalities markets.

In one of his most significant successes, Curtis led the migration of a 900-user network to an outsourced data centre. His planning and direction resulted in 0% system down-time. He holds a BBA in Management Information Systems from Texas Tech University.

Cindy Dobson - Director of Business Development

Cindy has over 25 years of successful enterprise software business development and sales management experience. She has extensive experience building successful sales teams for both Enterprise Content Management (ECM) and ERP solution providers.

Prior to joining Axyon, Cindy spent 14 years at Open Text in various roles including Regional Sales VP, Channels Director and Field Marketing Director. Other experience with channel partners of Microsoft, IBM, and Infor included numerous revenue focused roles such as VP of New Business.

Her teams have consistently delivered against the targets set for them by concentrating on developing key senior management relationships and delivering solutions with clear, critical business value. Her focus has always been on achieving high customer satisfaction by a deep understanding of an organization's requirements and developing value based solutions by combining the right products with key professional services and on-going support. Cindy studied Business Administration at Western Kentucky University and the University of Kentucky.

Appendix 8 - Axyon Canada Promotional and Sales Tactics

The following is a list of the potential promotional and sales tactics for Axyon Canada:

- Axyon Consulting website – expanded to include an Axyon Canada Page
- Access to Axyon HQ customer database (Customer Relationship Management (CRM) database from salesforce.com)
- Speaking engagements, trade booths and sponsorship at ECM trade associations, and Open Text Content Days (with local user groups) and Content World, ARMA, AIIM, BC Technology Industry Association (BCTIA) etc.
- Social Media strategies (e.g. LinkedIn, Facebook)
 - Promote Axyon Canada’s profile
 - Create professional groups and networks
 - Participate in established ECM groups such as Open Text Livelink Professional Group, AIIM, etc. - these groups often put out requests for ECM consulting resources or ask Open Text software/ECM business process ‘how-to’ questions (responding to these requests provides an opportunity to display expertise to a wide and captured audience)
 - Blogs, podcasts, webinars
- Open Text Learning Services
 - Deliver functional and technical training webinars on behalf of, or in collaboration with Open Text
 - Present customer case studies & success stories
- Sponsorship of various customer events
- Incentive based customer referral programs
- Networking with formal and informal Open Text channels
- Alliances and partnerships with Open Text software resellers
- Participate in private and public sector online bidding and RFP/RFQ websites such as
 - Biddingo.com - online portal that connects suppliers to buyers from the provincial, municipal, education, crown corporation, housing, construction and healthcare sectors, and various private companies from across Canada
 - BC Bid - provides access to public sector bid opportunities in BC
 - BidsCanda.com - specializes in finding bid solicitations
- Establish a BC based Open Text ECM user group
 - BC does not have a user group – the closest group BC residents participate in is the Calgary User Group
 - Host networking events for this group

Appendix 9 – Summary of Axyon Canada Team Roles & Responsibilities

A high-level summary of the Axyon Canada team roles and responsibilities are listed below. As the team evolves, the roles and responsibilities will be adjusted accordingly. During the initial stage of the operation, the VP of Operations will manage the strategic and daily operations of the organization and will take on multiple roles including, sales, marketing, market analysis, strategic growth and resource recruitment. Once Axyon Canada has gained traction in the BC market, the VP of Operations will assess the need to grow the internal management team and/or administrative staff to take on some of the daily responsibilities. To reduce initial overhead, Axyon Canada will work in close collaboration with the Axyon executive team, and will leverage Axyon HQ's existing infrastructure as it relates to the key systems and resources for support functions.

Role	Responsibility
Management Team	
Axyon Canada VP of Operations	<p>Strategic and Operational Management</p> <ul style="list-style-type: none"> • Provides clear leadership and direction in executing the company's vision, strategies, goals, objectives and resulting tactical plans. • Directs short and long term planning to meet strategic and financial goals, with input from Axyon HQ executive team. • Oversees the company's day-to-day operating activities, including sales, marketing, recruiting and administrative organization. • Safeguards the assets of the organization for future growth while ensuring sound returns to current owners. • Identifies, establishes and manages strategic alliances and relationships with key external stakeholders, including Axyon HQ executive team, Open Text Partnering and sales teams, suppliers, customers, partners, industry and government. <p>HR Management</p> <ul style="list-style-type: none"> • Builds, manages and maintains high performance consulting and operational teams through effective performance management. • Develops and executes a comprehensive resource strategy and roll-out plan, with key focus to ensure alignment with the yearly sales forecast. • Develops exceptional recruitment and sustainment strategies • Develops on-boarding and training programs to ensure smooth transitions for new consultants. • Allocates resources and establishes operational and HR policies and performance goals. • Promotes and fosters team culture consistent with the organization's values. <p>Financial Management</p>

Role	Responsibility
	<ul style="list-style-type: none"> • Develops, directs and aligns the financial plans to the strategic business plan for company growth and market opportunities. • Working closely with the Axyon HQ Controller, oversees the financial operations, including treasury, working capital, capital expenditures, debt and tax management, budgeting, general accounting • Directs all financial and operational controls and metrics. <p>Marketing Management</p> <ul style="list-style-type: none"> • Oversees and directs the sales, marketing, business development and public relations operations. • Working closely with the Axyon HQ Director of Business Development, develops and manages strategic market planning and sales strategies, including corporate positioning, market and competitive analysis, customer segment selection, and market penetration, demand creation and lead generation programs plans. • Establishes key customer relationships and builds portfolio of customer success stories and references; works with Axyon HQ marketing team to capitalize on these existing positive customer experiences. • Builds and manages the sales and business development teams, and establishes compensation, training, and sales incentive programs. • Builds positive customer relationships that ensure high customer satisfaction and continued loyalty. • Develops and tracks metrics and success criteria for all marketing programs.
Functional ECM Consultants	
<p>ECM Project Managers</p> <p>Note: the Project Manager takes on the overall management of the customer engagement. They also possess business analysis skills and can typically double up as the functional project lead, as can a Senior Business Analyst.</p>	<ul style="list-style-type: none"> • Effective facilitation, collaboration and coordination of all ECM stakeholders (Business, IT, Axyon Consultants and ECM End-Users). • Determines the project objectives and ensures the key deliverables are completed within time, scope, budget, and meet the quality standards of the customer. • Coordinates all project resources (people, space, equipment, materials, etc.) for each ECM customer engagement. • Executes on the project management methodology and related processes, and ensures strict adherence to Axyon ECM implementation methodology standards. • Provides status reports to the customer throughout the project and evaluates project results upon completion. • As primary contact for the customer, provides excellent customer service and resolves customer concerns in a timely and efficient manner. • Proactively manages multiple stakeholder ECM expectations, priorities and requirements.

Role	Responsibility
	<ul style="list-style-type: none"> • Liaises with Axyon HQ Chief Architect and/or Open Text Support team as required. • Keeps abreast of ECM technology trends.
<p>Business Analysts Business Systems Analysts</p> <p>Note: a Senior Business Analyst can take on the role of Functional Lead in an ECM project</p>	<ul style="list-style-type: none"> • Ensures the business requirements are accurately stated, impacted business processes are identified and business functionality is delivered. • Leads the analysis of business requirements and the design of the solution to address customer requirements. • Design, documents, configures and implements ECM business solutions. • Ensures the customer ECM requirements are identified, documented and delivered. • Collaborates with the customer’s ECM team, IT department and Business Units to recommend strategy and requirements through strong analysis and documentation of business processes and models. • Identifies operational and organizational requirements for development of business process change transition plans and ensures smooth integration of business process improvements. • Designs, coordinates and delivers the customer testing & training program. • Communicates to the customer’s End Users the benefits, best practices, and tips and tricks for using the ECM Application. • Collaborates with the ECM Project Manager to manage the tactical day-to-day execution of the project (from requirements gathering, design, implementation, testing through to training), within the agreed upon scope, cost, time and quality parameters. • Collaborates with the Systems Analyst and all other technical resources to transition from functional business requirements to implementation of the ECM solution. • Liaises with Axyon HQ Chief Architect and/or Open Text Support team as required. • Evaluates and recommends change management programs/activities to ensure implementation of realistic change management processes and objectives; assesses user preparedness for change and identifies critical success factors necessary to achieve change. • Proactively manages multiple stakeholder ECM expectations, priorities and requirements. • Responds to requests from business users in a timely, efficient, and customer focused manner – a genuine desire and commitment to serving customers. • Keeps abreast of ECM technology trends.

Role	Responsibility
Technical ECM Consultants	
<p>Systems Analysts</p> <p>Systems Administrators</p> <p>Technical Architects</p> <p>Technical Support Analysts</p> <p>Note: a Senior Technical Architect or Senior Systems Analyst can take on the role of Technical Lead in an ECM project</p>	<ul style="list-style-type: none"> • Determines the technical solution, and ensures the technical requirements and technical functionality is delivered. • Provides technical leadership and coordination of technical resources and activities. • Identifies impacted technical processes and systems across the customer’s organizations. • Designs, develops, configures, implements, tests and documents all technical solutions such as: <ul style="list-style-type: none"> ○ ECM technical configurations, system modifications, interfaces, conversions, reports, and test processes. ○ Technical architecture solutions. ○ Installation and configuration of ECM server and modules. ○ Implementation of ECM system upgrades, software patches and configuration changes. ○ ECM systems backup and recovery solutions and procedures. • Conducts technical user acceptance testing. • Ensures ECM system troubleshooting procedures and technical support processes are defined and documented. • Provides essential ECM system administration functions, including creation of customer user accounts and group memberships, troubleshooting issues, risk identification, and contingency plans. • To ensure post-project ECM reliability, provides the customer with knowledge transfer on ECM systems administration and maintenance tasks, and delivers training on security administration processes, day-to-day system support responsibilities and maintenance activities. • Completes knowledge transfer to the customer’s IT department. • Coordinates technical implementation activities with customer’s IT department. • Liaises with Axyon HQ Chief Architect and/or Open Text Support team as required. • Collaborates with the Project Manager and Business Analysts to ensure the project successfully delivers the technical functionality within the agreed upon scope, cost, time and quality parameters. • Troubleshoots the ECM system and ensures system integrity and reliability. • Proactively manages multiple stakeholder ECM expectations, priorities and requirements. • Keeps abreast of ECM technology developments.

Source: Author, 2012

Appendix 10 - Axyon Canada Contribution Margin Analysis

Contribution Margin Based on Utilization Levels

The tables below provide the breakdown of the potential marginal profit per sale of a billable hour, for salaries ranging between \$60,000 to \$100,000, and utilization levels of 100% and 83%.

Utilization Level = 100%					
Average \$\$, Rates and Time	Estimate #1	Estimate #2	Estimate #3	Estimate #4	Estimate #5
Annual Employee Salary	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000
Work weeks Per Year	45	45	45	45	45
Work Hours Per Week	40	40	40	40	40
Total Billable Hours Per Year Per Consultant	1800	1800	1800	1800	1800
Employee Cost Per Billable Hour (Variable Cost/Unit)	\$33	\$39	\$44	\$50	\$56
Billable Rate per Hour (Price/Unit)	\$175	\$175	\$175	\$175	\$175
Contribution Margin Per Hour	\$142	\$136	\$131	\$125	\$119
Contribution Margin %	81%	78%	75%	71%	68%
Total Contribution Margin Per Employee Per Year	\$255,000	\$245,000	\$235,000	\$225,000	\$215,000

Source: Author, 2012

Utilization Level = 83%					
Average \$\$, Rates and Time	Estimate #1	Estimate #2	Estimate #3	Estimate #4	Estimate #5
Annual Employee Salary	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000
Work weeks Per Year	45	45	45	45	45
Work Hours Per Week	40	40	40	40	40
Total Billable Hours Per Year Per Consultant	1500	1500	1500	1500	1500
Employee Cost Per Billable Hour (Variable Cost/Unit)	\$40	\$47	\$53	\$60	\$67
Billable Rate per Hour (Price/Unit)	\$175	\$175	\$175	\$175	\$175
Contribution Margin Per Hour	\$135	\$128	\$122	\$115	\$108
Contribution Margin %	77%	73%	70%	66%	62%
Total Contribution Margin Per Employee Per Year	\$202,500	\$192,500	\$182,500	\$172,500	\$162,500

Source: Author, 2012

Annual Employee Salary = Average employee salary includes total compensation and labour burden (i.e. all employee taxes and benefits)

- Salary Range:
 - Junior Entry Level Consultant = \$60K
 - Senior Experienced Consultant = \$100K

Work Weeks per Year = Billable weeks per year

- Total number of weeks per year = 52
 - Less three weeks (15 days) for vacation
 - Less two weeks for the federal and provincial statutory holidays (10 days)
 - Less two additional weeks (10 days) for potential
 - personal matters and interruptions
 - employee down time due to project transition
 - training and career development

Work Hours per Week

- Average number of work hours per day = 8
- Average number of work days per week = 5

Total Billable Hours per Year per Consultant

- 45 weeks per year * 40 billable hours per week

Employee Cost per Billable Hour (Variable Cost/Unit)

- Annual Salary ÷ 1,800 Work Hours per Year

Utilization Rate

- Potential of 1800 billable hours per year
- Minimum target hours ÷ 1800hours*100

Billable Rate per Hour (Price/Unit)

- Rates can range from \$150 to \$225

Contribution Margin per Hour

- \$175 Bill Rate per Hour - Employee Cost per Hour

Contribution Margin %

- Contribution Margin per Hour ÷ \$175 Bill Rate per Hour

Total Contribution Margin per Employee per Year

- Contribution Margin per Hour * 1800 Work Hours per Year

Utilization Levels Based on 1800 Billable Hours per Year

Billable Hours	Utilization Levels
1200	67%
1300	72%
1400	78%
1500	83%
1600	89%
1700	94%
1800	100%

Source: Author, 2012

Sales Targets and Required Number of Consultants Calculations

Year	Sales Forecast in Dollars	Sales Forecast in Billable Hours	Year Over Year Growth	Total Consultants Required to Meet Sales Targets at 100% Utilization Level	Total Consultants Required to Meet Sales Targets at 83% Utilization Level
1	\$750,000	4286	--	2.5	3
2	\$1,500,000	8571	100%	5	6
3	\$3,000,000	17143	100%	10	11

Source: Author, 2012

* Sales Forecast in Dollars ÷ \$175 per Hour Billable Rate = Sales Forecast in Billable Hours

* Sales Forecast in Billable Hours ÷ Billable Hours at Target Utilization Level = Number of Consultants Required to Meet Sales Targets

Appendix 11 - Sample Axyon Canada Personnel Plan

Resource Type	Year 1	Year 2	Year 3
VP of Operations	\$150,000	\$150,000	\$150,000
Sales & Marketing Manager (or Admin)	\$0	\$60,000	\$60,000
Consultant 1	\$82,500	\$90,000	\$90,000
Consultant 2	\$82,500	\$90,000	\$90,000
Consultant 3	\$52,500	\$90,000	\$90,000
Consultant 4	\$0	\$90,000	\$90,000
Consultant 5	\$0	\$90,000	\$90,000
Consultant 6	\$0	\$90,000	\$90,000
Consultant 7	\$0	\$0	\$90,000
Consultant 8	\$0	\$0	\$90,000
Consultant 9	\$0	\$0	\$90,000
Consultant 10	\$0	\$0	\$90,000
Consultant 11	\$0	\$0	\$90,000
Total	\$367,500	\$750,000	\$1,200,000

Source: Author, 2012

ECM consultants' salaries range from \$60,000 for a junior entry level consultant to \$100,000 for a more senior experienced consultant. However, for the purpose of this example, the salary of \$90,000 has been used for all consulting resources, regardless of their level of experience and expertise. In reality, resources will be hired in a combination of experience levels and salary ranges. The lower the salaries, the lower the fixed costs, hence the higher the profits. All employee salary estimates includes total compensation and total labour burden (20% of base salary), including annual salary increases and adjustments for inflation. Furthermore, as new resources require time for training and on-boarding, they are procured early to ensure they are ready for deployment. It is assumed all new resources will require training. Consultants #1 and #2 do not start until the second month of operations. Utilization, productivity and capacity levels have all been considered in the financial calculations.

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