

Pitfalls and challenges during solution evaluations

What to watch out for when evaluating new (IT) solutions

In today's rapidly changing environment, virtually no stone is left unturned. This means that every business is undergoing an ongoing transformation process and constantly adapting to stay competitive and compliant. Organizations need to transform for a variety of reasons, for example:

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Transformation implies change throughout the entire organization, including people, processes and technology. In today's digital world, technology is the glue that holds everything together: it is one of the key value creators and drivers, if used correctly. This is also the reason why profound solution evaluations have become more complex and important than ever, completely irrespective of the type of technology or solution that needs to be evaluated (e.g. infrastructure, software, competence, services etc.). The significance of accurate, professional and meaningful solution evaluations is still incredibly undervalued. Solution evaluations that lack professionalism, sufficient detail, alignment and focus can lead to the failure of projects and cause extremely high follow-up costs.

With the following brief white paper, which is based on our professional, cross-industry experience, we would like to provide insights into the key pitfalls and challenges that can arise during solution evaluations.

Preparation is the key

Any change should produce some sort of business value, where solutions are only the means or tools to provide a benefit to the business. It is therefore vital to have a reasoned **business case** which outlines the strategy, goals and targeted business value, and to appoint a **business sponsor**, who takes full business ownership of the project within the organization (and is able to make decisions).

Regardless of the solution being evaluated, evaluations require **sufficient resources and experience** to be successful and meaningful. The evaluation project needs to be supported by business and IT subject matter experts who formulate their various requirements towards the new solution and accompany the evaluation. The project needs to be managed by an experienced project manager who coordinates the project, involves the right subject matter experts and challenges requirements and solution providers. It is important not to underestimate the resources and experience required: The quality of the RfP (request for proposal) is one of the key factors which will help you to evaluate the right solutions to suit your organization and needs. It will also have a direct impact on how long and intensive your project planning phase will be.

Before properly starting the solution evaluation process (i.e. drafting the RfP document(s), shortlisting potential vendors etc.), it is important to have several discussions within the organization to make certain **fundamental decisions and define the scope**: What is the precise goal of the future solution (initial high-level requirements and scope)? Which parts of the business capabilities need to be adapted?

What are the current challenges and problems? What functionality and added value is required? These fundamental questions will determine the establishment of the future setup. For example, does there have to be a fully integrated ERP system or is the focus just on one part of the firm, such as the HR processes?

The initial requirements and scope will help to identify the type of solution required by the organization. It will also build the foundation for the project, defining the necessary effort, level of detail, budget and type of potentially qualified / suitable solutions. When defining the high-level requirements and scope of the future solution, it is important to identify, discuss and answer fundamental questions (e.g. cloud vs. on-site vs. hosted, pricing models, preferences in terms of technology, data locations, security & governance, etc.). An unclear scope, unaligned high-level requirements and unanswered fundamental questions are major factors which often result in the failure of solution evaluations.

In order to carry out a successful, efficient and meaningful solution evaluation, **market expertise, insight & research** are indispensable: The markets are complex and barely transparent. There are hundreds of solutions for all kinds of requirements, with new niche-solutions popping up every year – most are not transparent either in terms of the full functionality they offer or with regard to their pricing models. It is crucial to keep an eye on market developments, as they may have a direct impact on your own IT roadmap (e.g. due to the launch of new innovative solutions, or the expansion of the product portfolio of established vendors through acquisitions or a complete change in product strategy etc.). It is also important to keep in mind that some of the new innovative cloud solutions may look very fancy and modern, but might not be able to cater for your specific requirements and might not have a large (tested) track record on the market. Based on the work already completed (e.g. high-level requirements, scope, fundamental decisions, budget, etc.), the solutions on the market need to be analysed to form a solution “longlist” which potentially fit the initial requirements.

Another key factor to consider before starting the evaluation process is to **define an initial budget**. An initial budget is important for two reasons: On the one hand, it is vital to identify which solutions to look at, as the cost of different solutions varies widely. It makes no sense to look at solutions that significantly exceed the budget. On the other hand, a budget helps the organization to prepare and plan for the upcoming transformation (in terms of change management, mind-set, importance and finances).

The devil is in the details

Proper solution evaluations **require sufficient time**. Organizations must ensure that evaluation projects have enough time to be conducted in a holistic, professional and realistic manner. Rushing this kind of project will lead to considerable complications and consequences at later stages of the process. **The better the quality of the RfP documents, the better the quality of the respective offers**. RfP documents need to provide a clear overview of your goals, challenges, current situation and target situation. The description of the target situation should also include a detailed requirement catalogue with specific descriptions of what the future solution needs to provide. Therefore, **detailed requirements need to be analysed, collected and specified in the RfP**. Remember, at this stage, the RfP is the only source of information the vendor has about you and your goals. Unless they have accurate information, vendors cannot offer solutions tailored to your needs and make a financial offer that is not guesswork but represents the facts.

If the RfP needs to include internal and / or confidential information to be as detailed and accurate as possible, we suggest **signing a NDA** (non-disclosure agreement) with all the vendors who are involved in the process. This is best practice and all major vendors can provide standard NDAs. In these cases, you need to plan enough time within the evaluation process, as NDA negotiations between the different legal departments (of the vendor and your organization) can take rather a long time.

Solution evaluations require a great deal of time for administration and communication, as there are many stakeholders involved – both internally and externally. It is **vital to closely manage the process and the participating vendors**. Based on our experience, depending on the solution being evaluated and the industry the client operates in, less than 50% of the vendors contacted actually agree to participate and submit an offer. It is therefore advisable to contact at least 2-3 vendors per industry solution if you want an offer for each solution. Consider this as a safeguard to prevent a solution being left out of the evaluation process. No matter how detailed and specific your RfP documents, there will be questions and they will need to be answered properly. Set aside slots for Q&A and announce them right from the start of the process. If questions remain unanswered, bidders will lose interest in participating or the offer will not be accurate and contain assumptions that might not fit your requirements.

You are no doubt familiar with the compliance regulations usually used for public authorities or state-owned organizations. Although these kinds of regulations do not exist for firms in the private sector, we strongly recommend that all solution evaluations are run and **managed to be fair, transparent and highly independent**. In other words, all bidders are treated and managed in exactly the same way and have an equal chance of being awarded with the project. This also means that key internal project members, especially the project manager, need to guarantee independence. This allows you to identify and implement the solution that best fulfils your needs and requirements. Vendors also appreciate fair and independent evaluation processes, as they have an equal chance of being selected and will put time into proving their “fit” to you.

Step by Step

We have learned that evaluations can become very complex, which is why we tend to **split the whole process into pieces**, even during the actual evaluation and comparison of the solutions offered. For this step, we recommend dividing the process into two parts. Firstly, we suggest conducting an initial evaluation of the offers received according to the most important functional and technical requirements, the vendor’s organization, and the price and compliance with RfP deadlines / instructions. It is also vital to evaluate the implementation partner and the proposed team, ensuring a personal “fit”, as your organization will need to work closely with this team during implementation. Can you imagine working with this team? Do you have faith in the external project manager and believe that he can implement the solution successfully? Does the team include the specialists and subject matter experts you need?

From this initial offer evaluation, only the best-fitting solutions are selected to continue the evaluation process. Secondly, we recommend (depending on the solution that is being evaluated) conducting showcases. Invite the top candidates to present their solution, based on use cases and processes you have identified with your business representatives. This way, you will be given the possibility to see a live presentation of your potential future solution and meet the potential vendor’s implementation team.

As for the internal evaluation team, we suggest including representatives from all key departments and management levels. This will give your business representatives the chance to see the solution, as well as involving them in the decision making process, which will help ensure the acceptance of the future solution from the outset.

Don’t be afraid or reluctant to **start price negotiations at an early stage**. You can start negotiating early on, at all reasonable stages within the evaluation process (e.g. after the first offer evaluation and then after the showcases). Often the early price offers still include several open questions or assumptions that can be discussed, and this clarification will affect pricing. Vendors also have the opportunity to discuss and negotiate licence / subscription discounts with the solution manufacturer. As for price comparisons, market research and insights can help to gain a better understanding at

this stage. In addition, we recommend checking references and getting to know the strengths and weaknesses of the vendor from other clients.

The final spurt

Before signing any contracts, you should sit down with the chosen vendor **to create a master plan / concept** (e.g. proof of concept), discuss the requirements in detail and clear up any potential questions and uncertainties. Based on the master plan / concept, the vendor should finalize the offer and contract. **Ensure that the contract not only secures the vendor's interest, but also the interests of your organization** (e.g. SLAs, data ownership, costs, efforts, payment terms, timelines, etc.).

In the same way as for the initial solution evaluation, the implementation also has many requirements that need to be met in order to be successful. Topics such as a **mutual vision, management backing, visionary leadership, stakeholder buy-in, change management, timely benefit realization** and **“transformation marketing”** are vital and often undervalued. The vendor's implementation team needs to be closely managed and the project should be aligned to the organization. And finally, **successful implementation requires sufficient resources**. Based on our experience, the resources required for implementation are the most neglected topic and the major pitfall which results in many projects failing. Regardless of the solution and implementation, these projects need a dedicated, experienced project manager to manage and challenge the implementing vendor, align the internal and external project teams, ensure that the necessary functionalities are implemented in the way in which they were intended, and ensure proper change management. Projects should have a fully dedicated project manager for the majority of the implementation phases of a project. Also, implementation projects require internal subject matter experts from business and IT to ensure that requirements are collected, implemented and tested as intended. As a rule of thumb, the effort needed from internal representatives from business and IT can be anywhere between 100%-200% of the person-days the implementing vendor estimated on his side.

How we can help

PwC's CIO Advisory team offers cross-industry strategy and technology consulting services aimed to assist our clients in the most flexible and holistic manner while increasing their business value.

Solution evaluations are one of our core competencies and we can help you by offering a variety of services, such as ad-hoc support, evaluation coaching and market insights, or even support throughout the solution evaluation process. We have extensive cross-industry and cross-solution experience, know the market well, have experts and partnerships with all major solutions, while remaining completely independent and neutral.

For additional information or to have an active discussion with us, without any obligation, please feel free to get in touch with our Swiss CIO Advisory Practice.

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