A Structured Approach to Vendor Selection Initiatives

By

By Ted Chronis
Background

Technology selection initiatives can be a long, costly process, whereby project teams often base their decisions on subjective and tactical criteria. Similarly, IT organizations have struggled to improve their relationships with vendors. Whether you are a decision maker in the technology industry, or a casual observer who prefers to maintain an industry agnostic stance, this analysis will expose you to the varied drivers that compel business and industry alike to implement strategic vendor selection programs. Chief among them is the expectation of improving control over existing relationships while leveraging their vendors’ offerings.

The methodologies that follow are neither espoused for any one industry nor the defacto standard for all. By design, this study is not reflective of the ideal roadmap and does not strive to identify each task associated with this process. Rather, it will argue several simplified, yet popularized methods employed when doing so. It merely remains a general template and guideline for companies contemplating selection initiatives, and is equally effective for agencies and consultants charged for leading this effort on their behalf.

Duly noted, and in the interest of time, there are equally important considerations that influence outcome or execution which have not been included. They include marketing and sales channels as well as product service and support. Irrespective of the approach or tool-set you elect to apply, the objective is straightforward. The prospect of completing this undertaking successfully is greatly enhanced if you follow a systematic and well-structured approach. Most data suggests that firms following this set of general guidelines can simplify the vendor evaluation and selection process while increasing the chances of a probable outcome defined in terms of a successful vendor relationship.

Introduction

There are numerous factors to consider when evaluating and selecting a vendor. Each option contains its own set of considerations and limitations based on elements including industry, product and, most prominently, the proposed solution’s ability to address the client’s challenges. As gaining a fuller understanding of this process is one of the intended outcomes of reading this paper, this author will explore several popularized approaches to this end.

This document will progress as follows. First, the factors that motivate firms to engage in vendor outsourcing arrangements are discussed. In doing so, a common set of strategic drivers applied during the process will be examined. Included is a range of functions decision teams are expected to undergo as they research, deploy and manage services and products that support their firm’s business objectives. Following this, key determinants affecting the overall performance of the outsourcing process will be addressed. Each will be reviewed individually and, in select cases, be followed by a closer examination of their respective roles in the context of the overall schema.

Next up will be a discussion on due diligence, which is considered an essential step in many types of IT related outsourcing decisions. In their analysis (Maurer, 2006) asserts that all IT related endeavors, from outsourcing to vendor selection, should exercise proper foresight in any business transaction. In short, firms that do not perform due diligence - or that think the discovery phase alone is sufficient - typically end up dissatisfied with the outcome at best and experience failure at worst.
Lastly, a document of this nature would benefit with an explanation of the popular analytical methodologies employed during the evaluative process. Enterprises report that their technology selection initiatives take too long, are too expensive and are often based on subjective, tactical decision criteria (Blechar & Dunne, 2005). This is relevant in light of the current business climate comprised of budgetary constraints and economic uncertainty. To address this perceived deficiency, several analytical tools designed to facilitate strategic or tactical decision making will be outlined. Namely, these include the Analytical Hierarchy Process and Kepner-Tragoe.

**Strategic and Tactical Decision Drivers**

Before delving into the available tools, let’s consider the most commonly cited reasons for not undergoing a formalized selection process. The prescribed best practices advocated in this research may not be appropriate for all circumstances. Nevertheless, the five most common reasons cited by businesses for not using a more formal approach include (Understanding Technology Issues, 2005):

- The economic consequences of a sub-optimal decision are too low to justify such a decision
- The number of criteria choices examined is too low to justify the approach
- Insufficient IT skills of committed resources are available to make a difference
- Political, technical biases, cultural or organizational issues preclude decision makers from committing to a demanding, formalized approach.

As we further review the outsourcing model, an additional yet unanswered question remains – what factors are contributing to this phenomenon? In particular, why are firms outsourcing IT related tasks at such unprecedented rates? This is particularly relevant when you consider the context. Applied Information Technology has never been more critical to a company’s success. The primary reasons, as indicated in the current literature, for why IT outsourcing has gained such widespread acceptance can be summed up as follows (Volker Mahnke et al):

- Companies must constantly strive to lower their cost structures and respond with greater flexibility to changing market conditions in particular and market uncertainty in general
- Most if not all of the elements of running a firm are becoming more competitive and complex
- There is a growing pressure on management to remain efficient and effective by accomplishing more with fewer resources at a faster pace
- Competitive advantage also increasingly rests on value chain linkages not just from a simple organization perspective but also from an industry wide and even cross-industry perspective.

**Preparatory Steps**

The data in this study strongly suggests the following determination be made prior to embarking on a vendor relationship. Decision teams must establish what they hope to achieve by embarking in such relationships, and should strive to reach consensus on the following actionable items:

- The expected business outcome of the service, i.e. cost reduction, or improved processes.
- The best model for delivering the service, whether it is customizable, standard, or out of the box issue.
- As participants of a global economy, decisions must be made in-terms-of business model selection, i.e. domestic or offshore model.
Once these factors are determined, it is expected that decision makers be better prepared to review their options. One suggested approach is to evaluate your organization's internal competence, compare the results to industry benchmarks, and assess the solution's ability to deliver strategic value or competitive differentiation in the respective service space. As demonstrated in the subsequent magic quadrant, Abrose, Cohnen and Cox, et. all, suggest the decision team identify four general outcomes when evaluating these factors (figure one).

- If internal competence and service differentiation is low, then it's often best to outsource these services
- If internal competence is low, but service differentiation is high, then outsourcing is the preferred method. The firm should select service leaders and structure the deal so that their core service is improved and knowledge is transferred back to the company
- If internal competence is high, but service differentiation is low, then a company faces several options. You may want to sell or spin off this service capability, as it may be of greater value to a 3rd party
- If your internal competence and service differentiation are high, the study advises against outsourcing. The recommendation here is that the organization continues to invest in the internal competency, although the continuous use of external service providers can be used to enhance or improve service.

![Figure 1: Vendor Outsourcing (Modified Gartner diagram)](image)

Once the need is ascertained and the decision to move forward conclusive, it is recommended you embark on a strategy known as due diligence. As will follow, this is the process by which a firm requests, collects and reviews information to test and validate assumptions, refine technical and pricing proposals, and confirm or update initial findings (Maurer, 2006). Unembellished, due diligence can simplify the overall process and increase the chances of having successful relationships with your providers.
Due Diligence and Vendor Viability

While covering the vast array of portals or their various classifications lies outside the scope of this paper, it remains worthwhile to emphasize several vendors’ approaches to platform engineering. Enterprise portal design is influenced in part by the need to provide customers, employees, and vendors with consolidated access to its information and applications. A recent interview with Gene Pfifer, Vice President and research analyst at Gartner (Infogain, 2005) yielded interesting insight on current portal engineering platforms. Portal vendors come in a variety of flavors. Along the continuum, there are traditional, user-centric based portals, application providers, infrastructure providers, contact manager providers, and search engine vendors. Since portals are merely a framework for assembly and organizing applications and services for different customers, vendors have begun to provide as much pre-built functionality out-of-the-box (see Liquidhub - Vignette Case Study below). A variety of application models, referred to as portlets, allow companies to build functionality including calendars and e-Mail integration. Certain versions embed portlets that integrate specific web-based content in a personalized format (Portalsmag, 2004).

Vendor Viability

Due diligence often is confused with discovery, but in reality, it is two different processes that should be completed at separate times during the selection process. Discovery is completed during the Request for Proposal (RFP) process, whereas due diligence is completed just before an outsourcing contract is signed. Some organizations use the discovery process completed during the RFP evaluation in lieu of due diligence (Maurer, 2006).

Financial viability includes an assessment of the vendor’s overall financial health, the fiscal and practical success of the business unit, and the likelihood that the business unit in question will continue to invest in and offer the product within the vendor’s portfolio of offerings (Gartner, 2005). Let’s take a look at an IT related industry example. As the software industry continues to consolidate, more and more application vendors are under pressure to demonstrate market viability (Forrester, 2004). Clients who intend on purchasing new software and reassessing their existing application portfolios should make a concerted effort to understand the viability of their application vendors. Doing so will help to mitigate or avoid risks such as loss of support and, in some cases, having to replace the application. Vendor viability assessments should be based on financial, product, technical, and customer dimensions. Further, tolerance for risk should be balanced against whether or not the application supports a mission-critical business need and if a close substitute can be quickly deployed.

When evaluating a vendor, you should think about whether the proposed candidate will remain a viable business entity. Only the largest vendors — such as Computer Associates International, Hewlett-Packard (HP), IBM, Tivoli, and Veritas — would be difficult or impossible to acquire suddenly. Ergo, one pressing question to consider before proceeding is this: what are the chances that the proposed candidate is acquired either during the evaluative process or after contract signing? In a worse case scenario, a vendor who is acquired in the midst of an active contract may not be able to fulfill their service agreement.

In the sake of equity, not all buyouts have negative consequences. Acquisitions, as with most predicaments are paradoxical, i.e. they can extend and enhance product life of an investment or facilitate its demise. Gartner recommends a Vendor Ratings System (VRS) to assist with the qualifying process (See Appendix A, Appendix B). The VSR, like any tool, is not intended to be used in isolation. Rather, it should be used in conjunction with the review of financial reports and agreed upon metrics. For instance, Gartner (2005) suggests not choosing a vendor on the sole criteria of sheer size or that they are more established.
Innovative vendors may best address your problems. Similarly, smaller vendors often understand the specifics of your client’s problem much better and, therefore, may create a more effective, scaleable solution that is easier to implement and sustain. These vendors often create quicker time to value and better return on investment. Conversely, smaller vendors are known to have more questionable viability. Lastly, when you use Gartner’s VRS, even a “positive” or “promising” rating does not imply the vendor will not be acquired (See Appendix C). The system is designed to provide an overall vendor snapshot, and specific product areas may rate higher or lower than the overall rating. In short, Vendor Ratings provide a starting point for gauging a vendor’s ability to execute.

Reference Validation

Reference validation is also a viable option to the decision team (Berger, 2005). Historically, firms may have requested that vendors supply a list of references, although they were rarely pursued aggressively, if at all. Over the years, buyers have discovered the importance of telephoning and visiting vendor sites for benchmarking. A great deal of information about the strengths and weaknesses of your prospect can be gleaned at every level. Reference checking is an opportunity to discuss Critical Success Factors (CSFs) regarding implementation, managing the vendor relationship, and other division or industry-specific topics.

Attending the favored vendor’s “User Conference” is another evaluation input. It gives prospective buyers a chance to query a large number of users about problems they are experiencing with the vendor and its package (Berger, 2005). Additionally, the conferences provide a sense of the vendor’s future, financial stability, product R & D, corporate culture and service delivery.

Moreover, the likelihood of making a sound business decision is greatly enhanced if a multi-step evaluation process is followed. With this, a Request for Information (RFI) can be used to obtain market information, which, in turn, helps inform the decision makers about the next phase of the procurement cycle, the Request for Proposal, or RFp. In the interest of time, the RFp process will not be examined as closely as the RFI’s. However, the differences among them and value each offers will be clearly delineated.

Request for Information

Many organizations omit the RFI process when selecting a service provider (Scardino, 2006). Instead, they move directly from defining their requirements to issuing RFp’s. This is a detailed document that includes the questions included in the RFI, and ones covering contractual details (see Appendix D). However, the RFI process can yield numerous benefits. Among them, an RFI provides a relatively quick, inexpensive way to collate information in a less formal manner than an RFp (see figure two). The former should be used to solicit a large body of potential respondents and the latter sent to the vendor shortlist – or final top choice candidates (Knox, 2005).

The RFI plays a particularly important role in-terms-of information access such that your selection team can canvass a wide mix of suppliers -- from product companies with vast experience in this market space to niche players who speed time to market (Scardino, 2006). In addition, the RFI responses can provide the team with the opportunity to compare approaches while objectively narrowing the list to those that best demonstrate their ability to overcome the firm’s challenges.
Several recommended variables for RFI inclusion are:

- Service and maintenance issues, i.e. fees, duration, service levels, etc.
- Cost of service implementation
- Determination of which party will provide the services and along what scale, i.e. what level of service will be provided
- In what manner will the vendor provide training and in what fashion, i.e. how will skill transfer occur?
- The degree of manpower allocated to administer vendor’s system
- Hours of service coverage: this should clearly dictate the hours of coverage and the manner of issue resolution, i.e. phone, e-Mail, etc

**Common Errors**

Thought RFI’s can benefit the selection process, it is reported that the first impulse and largest mistake involves the excessive focus on product or service functionality. While essential, this should not overshadow the chief benefits. To the point, having an excessively detailed RFI can make it difficult for the vendors to demonstrate once they have reached the final stages.

Finally, it is advisable to document the rationale for determining the shortlist of providers receiving the RFP. It is not atypical for competing business units within the same company or business unit to contest the rationale for vendor selection. Maintaining logs of conversations, meetings and e-Mails can aid in clarifying disagreements as they arise.

As evidenced, a great deal of research, scrutiny and examination occurs during this process. Too many choices coupled with a flawed qualifying methodology can result in an unsatisfactory selection or, at best, a protracted selling cycle owing to a firm’s inability to identify which vendors are appropriate for their needs. Various business aids are commonly employed to assist with this effort. Two such decision support tools will now be examined.

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**Figure 2: Use of RFI’s and RFp’s**

<table>
<thead>
<tr>
<th>Comparative Features</th>
<th>Request for Information</th>
<th>Request for Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Information gathering</td>
<td>Formal evaluation</td>
</tr>
<tr>
<td>Length</td>
<td>Short</td>
<td>Long</td>
</tr>
<tr>
<td>Detail</td>
<td>General</td>
<td>Specific</td>
</tr>
<tr>
<td>Distribution</td>
<td>Many service providers</td>
<td>Fewer service providers</td>
</tr>
<tr>
<td>Response</td>
<td>Customer summary with preexisting company collateral</td>
<td>Customer response with proposed service offering and pricing</td>
</tr>
</tbody>
</table>

Source: Gartner (April 2006)
Analysis of Evaluative Criteria

When evaluating options, companies encounter three significant challenges that frequently create inefficiencies in their selection process (Gartner, 2005). One principle obstacle involves the difficulty associated with identifying key decision criteria. This includes selecting potential criterion and allocating the time and effort to transform them into a comprehensive decision set. A second challenge is that many companies lack a structured approach to decision making even if criterion are identified. In other words, teams rarely follow through in terms of objectively weighing these criteria relative to each other. The third challenge is the lack of objective data on true vendor capability. Simply stated, decision makers are subjected to a reasonable degree of risk as vendors may embellish their solution's capabilities.

These analytical tools are commonly used to limit the conscious and unconscious biases that tend to track a decision away from its primary objectives. Among those considered are Kepner-Tragoe, an industry recognized vendor selection aid. Additionally, we will cover Analytical Hierarchy Process (AHP), a viable decision support technique that has gained even deeper support in the academic as well business communities. These methodologies are equally applicable in all circumstances where selective processes are warranted -- from product marketing to vendor selection.

Kepner-Tragoe

Provided here is a summary explanation of the Kepner-Tragoe approach as applied to the selection process. The Kepner-Tragoe Analysis provides a methodology designed to assist with decision-making. This structured approach is commonly used for the identification and ranking of all known factors critical to the decision making process.

In so using Kepner-Tragoe, a user is expected evaluate alternative courses of action to optimize the ultimate results based on explicit objectives. Equally important -- and this applies to all methodologies listed in this document -- is that the goal is not to select a single outcome, in-terms-of product, location, or service. Rather, one could expect to select all feasibly viable options.

The Kepner-Tragoe process divides the decision making process into six logically oriented steps. While demonstrated in full in Appendix E, they are:

- State the Purpose
- Establish Objectives
- Classify Objectives
- Weight he Wants
- Compare Alternatives: Appendix F
- Choose the Best Course of Action

Analytical Hierarchy Process

AHP is an acceptable decision support technique that has gained more support in the academic as well as business communities in recent years (Nydick, 2006). As a comparative tool, it is recognized as being a consistent, structured, and repeatable methodology that is critical to choosing external service providers. An important component of this approach is a formalized decision support tool, such as a vendor evaluation model (Karamouzis, 2005).
AHP is a powerful and flexible decision making process to help people set priorities and make the best decision when you must consider both qualitative and quantitative aspects. By reducing complex decisions to a series of one-on-one comparisons, then synthesizing the results, AHP not only helps decision makers arrive at the best decision, but also provides a clear rationale that it is the best. Designed to reflect the way people actually think, AHP continues to be the most highly regarded and widely used decision-making theory (Liberatore & Nydick, 2004).

The AHP and Expert Choice software engage decision makers in structuring a decision into smaller parts, proceeding from the goal to objectives to sub-objectives down to the alternative courses of action (Expert Choice, 02 August, 2006). Decision makers then make simple pairwise comparison judgments throughout the hierarchy to arrive at overall priorities for the alternatives. The problem may involve social, political, technical, and economic factors. The AHP helps people cope with the intuitive, the rational and the irrational, and with risk and uncertainty in complex settings. It can be used to predict likely outcomes, plan projected and desired futures, facilitate group decision making, exercise control over changes in the decision making system, and do cost/benefit comparisons, to name a few.

**BPMS – A Case in Point**

A well-managed approach in business is to present what other companies have done. Before closing, I have elected to explore this business strategy in the context of an IT environment and will include drivers and considerations unique to this end. Specifically, a select aspect of the process undertaken while evaluating a BPM suite will be exposed.

More and more organizations are recognizing the value of Business Process Management Technology (BPM). Some of the realized benefits include increased process efficiency, the ability to gain visibility into the organization’s financial structure and achieving a greater level of flexibility and responsiveness with respect to core competency management. The recognition of these needs have fueled the BPM and related BPMS suite markets and, along with it, an increase in vendors who have made themselves available (Metastorm, 2005).

Metastorm, a leading provider of BPM software, suggests your decision team focus on five topical areas when considering a BPM suite (see figure three). While each of the five suggested activities follow, those interested in reviewing these salient points in more exhaustive detail can select Appendix G:

- Consider the vendor’s core competence
- Consider the vendor’s reputation
- Validate the essentials
- Evaluate implementation and maintenance requirements
- Ensure the solution can support your companies unique process needs.
When considering a vendor selection initiative, it is apparent that too many choices – coupled with flawed qualifying methodology – often results in an unsatisfactory outcome defined in terms of a protracted, costly selling cycle. Many decision teams find it difficult to identify which vendors are appropriate for their needs. As well, the sheer proliferation of vendors provides yet another layer of choices, further adding confusion to the overall selective process.

To address these deficiencies, this paper outlined a variety of approaches commonly employed to facilitate decision-making. Firstly, several factors that motivate firms to outsource or collaborate with a vendor were reviewed. Ranging from strategic and tactical drivers that influence decision makers to internal assessments designed to benchmark competence, the data defined in this research represents a broad array of the most common set of guidelines for companies contemplating this methodology.

Firms are subjected to a reasonable degree of risk as vendors may embellish their solution's capabilities. As such, a select set of business tools designed to compare provider approaches while objectively narrowing the list of prospective providers was submitted. These include concepts and processes such as due diligence and vendor viability. Additionally, we outlined evaluative methods such as reference validation, RFI's, and RFp's. Lastly, a brief glimpse into the various analytical and empirical methodologies applied in business and industry was submitted.

This foundation, coupled with an example of an actual application, is included in a final attempt to illustrate the varied tactics available to your company. Similarly, it also provides you with a diverse option set to choose from to ensure your decision team selects the best solution for both your immediate and long-term needs.

References:
Books:
Online:
Expert Choice. 02 August, 2006.
http://www.expertchoice.com/customerservice/ahp.htm

Electronic:


Scardino, Lorrie. (10 April 2006). Effective Use of an RFI Adds Value to IT Services Procurements. Gartner.


Appendix A

Part One: Questionnaire

Execute based on ability to provide ongoing service and support

- Please describe your escalation support process. Describe your support severity levels and requisite timeframe(s) allocated for issue resolution.
- Please describe your experience within the (SELECT VERTICAL). Please provide examples of your implementation experience.
- Please describe any program that allows (COMPANY) to have input into future development or product enhancements.
- Please describe the process for engineering support of service patches, beta software or new released versions of your product.
- Please provide the process for issue escalation and resolution. Does your organization support an executive sponsor program for strategic customers?
- Outline your company’s proposed account management and customer service representative teams to support all locations in the United States based on markets (COMPANY) currently has a presence in as well as announced new markets. This outline should include each associate’s name, title, location, qualifications, responsibilities, years of experience in the role for which they will serve the (COMPANY) account, reporting relationships, and their availability to the (COMPANY) account (i.e., 100% or part-time). Also, include at least three references, for each individual, from other clients they have serviced.
- Please describe your support models. Describe your company’s customer service performance standards. Please indicate how these performance standards are actually monitored and measured.
- Describe your company’s approach to coordinate the activities and compensation of account management and customer service representatives to provide a national, yet “localized” service program to (COMPANY).
- Describe any formal quality or continuous improvement process programs currently in place within your company.

Appendix B

Execute based on established business relationship

- Please describe the largest implementation to date of your product.
- Please provide a list of your proposed account team and the current, projected workload.
- (Ease of transition) Do you have a current business relationship with (COMPANY)? If so, what initiatives have you been involved with?
- Is this technology considered a core business function and strategic direction of your organization? How many resources and R&D dollars are committed to it?
- (Acquisition risk) Who are your top three competitors and state your basis for choosing?
- (Acquisition risk) Also, describe your competitive position relative to these competitors (i.e., market share, trends, etc.).
- Briefly describe the nature of all of your business operations (i.e., major lines of business, major markets served, product history, etc.). (Fiscal viability - Revenue stream).
- Describe your company’s ownership structure.
- Indicate whether your company (i.e., management, key employees, and large stockholders) would enter into any conflicts of interest by conducting business with (COMPANY).
- Identify and list any intellectual property rights, patents, trademarks, or copyrights you hold.
- Lease provide a copy of your company’s last audited financial statements or annual report, along with
a D&B financial statement. Please include your Audited Financial Statements and D&B Report as an Attachment within your response to this RFP.

Appendix C
PART TWO:

This section is used to gauge a variety of risks when engaging in the vendor selection process. These evaluations provide an overall view of a vendor, and specific product areas may rate higher or lower than the overall Vendor Rating.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Viability</td>
<td>N/A</td>
</tr>
<tr>
<td>Strategy</td>
<td>Promising</td>
</tr>
<tr>
<td>Financial</td>
<td>Promising</td>
</tr>
<tr>
<td>Marketing</td>
<td>Caution</td>
</tr>
<tr>
<td>Organization</td>
<td>Promising</td>
</tr>
<tr>
<td><strong>Market Offerings</strong></td>
<td>N/A</td>
</tr>
<tr>
<td>Product/Service</td>
<td>Promising</td>
</tr>
<tr>
<td>Application Management</td>
<td>Promising</td>
</tr>
<tr>
<td>Systems Management</td>
<td>Promising</td>
</tr>
<tr>
<td>Technology/Methodology</td>
<td>Promising</td>
</tr>
<tr>
<td>Pricing Structure</td>
<td>Caution</td>
</tr>
<tr>
<td><strong>Customer Service/Support</strong></td>
<td>N/A</td>
</tr>
<tr>
<td>Sales/Distribution</td>
<td>Promising</td>
</tr>
<tr>
<td>Support/Account Management</td>
<td>Caution</td>
</tr>
</tbody>
</table>

This information then gets entered into the Ratings Definition Matrix that follows.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strong Positive</strong></td>
<td>Solid provider of strategic products, services or solutions.</td>
</tr>
<tr>
<td></td>
<td>• Customers: Continue investments.</td>
</tr>
<tr>
<td></td>
<td>• Potential customers: Consider this vendor a strong strategic choice.</td>
</tr>
<tr>
<td><strong>Positive</strong></td>
<td>Demonstrates strength in specific areas, but is largely opportunistic.</td>
</tr>
<tr>
<td></td>
<td>• Customers: Continue incremental investments.</td>
</tr>
<tr>
<td></td>
<td>• Potential customers: Put this vendor on a short list of tactical alternatives.</td>
</tr>
<tr>
<td><strong>Promising</strong></td>
<td>Shows potential in specific areas; however, initiative or vendor has not fully evolved or matured.</td>
</tr>
<tr>
<td></td>
<td>• Customers: Watch for a change in status and consider scenarios for short- and long-term impact.</td>
</tr>
<tr>
<td></td>
<td>• Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this initiative or vendor.</td>
</tr>
<tr>
<td><strong>Caution</strong></td>
<td>Faces challenges in one or more areas.</td>
</tr>
<tr>
<td></td>
<td>• Customers: Understand challenges in relevant areas; assess short and long-term benefit/risk to determine if contingency plans are needed.</td>
</tr>
<tr>
<td></td>
<td>• Potential customers: Note the vendor’s challenges as part of due diligence.</td>
</tr>
<tr>
<td><strong>Strong Negative</strong></td>
<td>Difficulty responding to problems in multiple areas.</td>
</tr>
<tr>
<td></td>
<td>• Customers: Exit immediately.</td>
</tr>
<tr>
<td></td>
<td>• Potential customers: Consider this vendor only if there is no alternatives</td>
</tr>
</tbody>
</table>
Appendix D
Sample RFp Table of Contents

I. Introduction
   ➢ Purpose
   ➢ Confidentiality agreement
   ➢ Overview of ABC Company
   ➢ Background of company/division products and services
II. General RFP requirements
   ➢ Timetable for submission and evaluation
   ➢ Vendor briefing
   ➢ Questions concerning requirements
   ➢ Proposal submission requirements
   ➢ Evaluation criteria
   ➢ Evaluation procedure
   ➢ Additional terms and conditions
   ➢ Response format
III. Technical environment
   ➢ Current environment
   ➢ System plans
IV. Business environment
   ➢ Employee totals by functional area
   ➢ Services business area
   ➢ Application workload
V. Proposal content
   ➢ Vendor company information
   ➢ Product and hardware information
   ➢ Technical information
   ➢ Support services
   ➢ Pricing
VI. Specification content
   ➢ Overview
   ➢ How to respond to the specifications

Appendix E
   ➢ Statement of Purpose: commonly referred to as the decision statement and is a general overview of key objectives. The statement presents the boundaries and intent of the decision process.
   ➢ Establish Objectives: Takes the general decision statement and identifies specific objectives and results that will be obtained by implementing the process.
   ➢ Classify Objectives: Process of characterizing and sorting the decision criteria into two basic
categories. 1) Criteria that must be achieved in order for the effort to achieve a high probability of success. These criteria are classified as MUSTS and are absolute yes's and no's. For example, in the case of a vehicle selection, this would be the engine. The inability of an alternative to meet the requirements is considered a fatal flaw. (2) Those that are critical to achieve a viable outcome but are accepted in lesser degrees. These criteria are viewed as WANTS. Using the same car example, this would be a comparative picture of how the alternatives compare to each other, i.e. leather seats in relation to cloth seats.

- Weigh the WANTS: individually weighs each WANT criterion to establish priority among the decision factors. The factors are weighed on a scale of 1 Least important – 10 (Most critical).
- Compare Alternatives: validate the objectives by testing that they satisfy objectives and compare them against each other.
- Choose the best course of action: Final recommendation of the selected course of action. Included in this step is adequate due diligence in that all of the steps are reviewed to ensure the recommendation adequately meets the decision objectives. (Wadley – Donovan Group, 2004)

Appendix F

Illustrative Example of General Factors for Relative Kepner-Tregoe Analysis

<table>
<thead>
<tr>
<th>Factor</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Contiguous developable site ≥ 25 acres</td>
<td>“Must”</td>
</tr>
<tr>
<td>2 Favorable physical site attributes</td>
<td>6</td>
</tr>
<tr>
<td>3 Competitive location costs</td>
<td>7</td>
</tr>
<tr>
<td>4 Access to quality trainable workforce</td>
<td>8</td>
</tr>
<tr>
<td>5 Quality transportation access</td>
<td>10</td>
</tr>
<tr>
<td>6 Capacity and flexibility of utility services</td>
<td>5</td>
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<tr>
<td>7 Regional air quality designations</td>
<td>8</td>
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</table>

(Wadley – Donovan Group, 2004)

Appendix G:

- Reviewing this area first will help narrow the field of options. Many of the solutions marketed for BPM were not actually developed for BPM. One suggestion is to consider candidates whose core competency maps to your needs and select a solution development purely for BPM from inception.
- Once the pure play vendors have been isolated, your company can further narrow your choices by considering market leadership position, firm performance and maturity, and vision. Earlier in this document, we explored organizational performance, under the subsection titled vendor viability. Criteria to consider include:
• a seasoned management team
• consecutive quarter over quarter growth
• strategic partnerships and overall growth strategies

➢ It is generally accepted that a BPM solution should contain certain essential elements. Missing most or all of these subjects a firm to an undue degree of risk. Further, you stand to protract the implementation cycle at best or fail all together at worst. The essential criterion includes but is not limited to (Metastorm, 2005):
  • execute and manage both simple and complex processes via a robust, scaleable process engine
  • easily provide access to and manage the content people need to make intelligent decisions during the process
  • leverage the latest technologies, i.e. web services, to maximize the value you get from your investment and ensure optimum interoperability across business units both internal and external to your organization
  • enable real time changes or additions to process flows, roles and forms and the ability to quickly and easily add new processes without slowing down or impacting business operations
  • Easily configure the solution to meet your unique process needs.

➢ Strong consideration on how a product delivers essential feature functions. Also essential is a determination regarding what is required to implement your specific process needs. Custom developed applications can be lengthy in duration and costly to maintain. Along these lines, pay attention to the degree of difficulty involved with the creation of forms, re-usability of process modeling and the inherent degree of complexity supported in-terms-of product architecture.

➢ Remain focused on your company’s unique process requirements. A BPMS package can meet an entire spectrum of criteria. However, unless they have the ability to support your companies most unique processes, it will fall short of offering you optimal value.