

## Technology Evaluation & Selection: Stop, Look, & Listen

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In recent months industry vendors and financial services executives have shared a renewed focus on technology evaluation and selection. Firms must continue to improve profitability and carefully manage expenses. Business executives seek technology solutions that will automate manual processes and enable their employees to be more productive. Financial services vendors are eager to develop and deploy new solutions and are naturally seeking new clients.

Forrester Research has indicated information technology (IT) software and infrastructure spending will increase by over 9% in 2010<sup>1</sup> and Gartner also predicts more IT spending this year by Financial Services firms.<sup>2</sup> While it may be simple for banks to meet with one vendor and sign the agreement over coffee, most technology decisions need a bit more effort. It is advised that bankers Stop, Look, and Listen.



I first learned this phrase as a young boy, growing up in a rural area with many railroad crossings. At the time, there were no automatic gates or flashing lights, only a simple warning sign just before crossing the tracks. For your own safety, it was paramount to Stop, Look, and Listen. This same

logic applies to technology evaluation and selection.

Often for technology purchases, there is a formal decision process managed by an external consultant. In this document, we will review some components of that decision making process with emphasis on the impact to the business line manager or executive. Typical items to be considered include:

### Stop

- project scope
- current and future state workflows

### Look

- detailed business requirements
- request for proposal (RFP)

### Listen

- onsite vendor presentations
- vendor references and site visits
- vendor recommendation

While it may seem exciting to immediately bring in vendors for discussions about your new technology plans, the first phase should be to “Stop.” During this phase, it is critical to define the project scope and also consider documentation of current and future state workflows. Generally a timeline would also be developed at this point. As part of this phase, process improvement ideas are generally identified. Some improvements may be technology dependent while other ideas may be implemented immediately.

The next phase is to “Look.” It is important to look internally at the organization and understand the need. This is accomplished by creating

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<sup>1</sup> Forrester Research, Inc. “Smart Infrastructure Requires IT Management 2.0,” 17 June 2010

<sup>2</sup> Gartner, Inc., Gartner Perspective: IT Spending 2010

detailed business requirements and determining the relative importance of each requirement. Another step in this phase is to build the RFP document that will include the project scope, workflows, and business requirements. Of course, the RFP will also request information about the vendor and their product(s). Some banks have standard templates that can help with the “boilerplate” language required.

The third phase is to “Listen” both internally and externally. Listen to the vendors and what they can provide. Listen to vendor references and conduct onsite visits as appropriate. Listen to the internal stakeholders and their evaluation of the vendor technology. As a result of these activities, and based on the RFP responses, the final step should be a vendor recommendation. Once a vendor is determined, the bank can work in good faith to finalize contract terms and conditions.

Successful banks and other financial services companies will benefit greatly by leveraging a structured process for technology review and selection. Wise executives will Stop, Look, and Listen. Benjamin Franklin summed it up in this comment, “by failing to prepare, you are preparing to fail.”

## Project Scope

The initial consideration is to define the project scope addressing a business problem or opportunity. The project scope should support the firm’s strategic direction. The scope may be narrow or broad, but should be well-defined to minimize the chance for misunderstanding. Some examples of high-level scope include:

- consumer lending and small business origination system
- end-to-end default management solution for all lending products
- web-based business intelligence dashboard for branch productivity.

It is important the scope is concise and defines the products and operational areas impacted. The firm may also create a more detailed scope specifically listing items that are considered out-of-scope. During the process of defining the

scope, careful attention should be given to unintended consequences.

For example, one regional bank considered consolidating loan platforms, but didn’t include all product types in the analysis. As a result, a recommendation was made to consolidate all real estate lending on one servicing system. However this “one servicing system” could not accommodate all consumer lending products which would have required the bank to maintain a separate consumer lending system for non-real estate products. Given the contractual terms for this particular client, there was no savings to be gained by moving their home equity from their consumer lending system. In fact it was going to increase the IT spend. Much time and expense could have been avoided by properly defining the scope upfront, and continually monitoring the project to make sure the scope is being met.



When evaluating project scope it is important to understand why you are looking at a new solution. Specifically, what will it give you that you do not have today? Have the new features been fully vetted and how realistic are they to deploy? Exactly what is this additional functionality worth in terms of enhanced efficiency and or effectiveness?

As part of the project scope, a timeline should be developed for the technology evaluation and selection process. Establishing this timeframe upfront will assist all participants in understanding the overall project, identifying critical milestones, and holding various stakeholders accountable. In addition, a high-level inventory should be taken of existing technology solutions and how they may be impacted by this process. This topic is further analyzed in the current and future state workflows.

Finally, there must be a business return or business case for moving forward. A return on investment (ROI) analysis should provide a compelling reason for moving forward. A high-level business case should be prepared and approved upfront whether the project is self-funding or included in the budget. Often business process improvements (BPI) can be included in the business case. BPI could be related to the installation of new technology or independent of the technology solution. The entire technology selection process can be time consuming and expensive for both banks and vendors. No one wants to get to the end of the process only to find there is no funding to support the initiative.

## Current and Future State Workflows

Once the project scope is defined, it is helpful to create current and future state workflows. These can be high-level or more detailed. Workflows will typically include both operational and system inputs, as well as the alignment of people, process, technology, and policy. Part of this process is detailed documentation on current technology and associated interfaces. If the desired technology will support new functionality, the future state workflows can help define critical need areas.



Of course, the actual future state workflows will be dependent upon the vendor selected, but firms who take the time to complete this process will often identify redundancy and inefficiencies. Furthermore, this future state vision will help avoid a common request of employees who want the new system to “work just like the old system.”

One bank acquired a new technology solution that supported cutting edge processes and policies. Instead of embracing these capabilities this bank

spent significant dollars in customizing the new technology solution to essentially reduce functionality and productivity so it would work just like the old system. A future state vision would help avoid this situation and the associated cost.

It is highly recommended to meet with your current vendor(s) and share the current and future state workflows to verify accuracy of the information and determine potential options. Existing technology may support productivity gains with little or no investment. Some organizations may not effectively utilize the technology they already have in place or may be able to add-on functionality at a nominal fee to dramatically increase productivity.

## Detailed Business Requirements

The process of defining your detailed business requirements is often started by outlining the capabilities of your current platform and overlaying additional needs not currently being met. This information can often be obtained through interviews and conversations with various stakeholders of the process and current users of the existing technology.

After finalizing the detailed business requirements, the next step is to identify the appropriate weighting of each requirement. In short, which requirements are “nice to have” and which are “must have.” Since there are multiple stakeholders there could be various different weightings for each requirement based on the input from operations, technology, risk, product, marketing, and other representatives.

Taking the time to prepare the detailed business requirements will pay solid dividends as you proceed through the selection process. Without this level of detail, banks must review individual vendor proposals which will often reflect a wide array of approaches, capabilities, and pricing options that are difficult to compare. The detailed business requirements allows for a consistent and objective evaluation.

## Request for Proposal (RFP)

Some banks prefer to avoid the RFP process, since it can be difficult to manage. Naturally many vendors would also like to avoid this time-consuming process and move straight to the onsite presentation or perhaps selection. However, for most situations an RFP is going to help the bank make a more educated decision and provide the vendor with more information on the actual need.

Once an RFP has been created, an important consideration is determining which vendors should be included. Typically any existing vendors would be included as a courtesy unless there are mitigating factors. The remaining vendors will be identified by the bank and the resource coordinating the RFP effort. It is generally wise to include all leading vendors in the space in the initial RFP process and then use the responses to “short-list” a group to be invited to present onsite based upon their responses.

There should be ample time to allow a vendor response to the RFP, typically two or four weeks depending on complexity. Some banks try to rush the response time, resulting in a vendor boilerplate response with a cookie-cutter approach. It is advised to give the vendor adequate time to fully consider the bank needs, requirements, and respond appropriately. Some firms may use an initial “intent to respond” so they can confirm which vendors will be participating.

During the RFP response the bank should have a point person available to answer questions and provide clarifications. Sometimes conference calls are held or updates may be shared via e-mail. It is considered standard protocol to share all questions and the associated bank responses with all participating vendors.

RFP responses should be delivered by the vendor in a timely manner in the format requested. For easily comparing documents side-by-side some banks request hard copies while others prefer electronic versions. It is advised to require an appropriate format which allows for easy comparison for responses between vendors.

Primary benefits of the RFP process include:

- Allows multiple respondents.
- Encourages competitive process that demonstrates vendors’ best efforts.
- Requires the bank to clearly outline the proposed purchase.
- Ensures standardized responses tied to identified requirements.
- Typically provides one contact person for questions, clarifications, and coordination.
- Demonstrates impartiality by a structured evaluation and selection process.

## Onsite Vendor Presentations

Once the RFP process is completed, the responses are generally “graded” against the detailed business requirements and associated weighting. Those firms who substantially meet the requirements and responded on time would be included in the short-list and invited to provide onsite presentations.

Most banks limit the number of onsite presentations to no more than three vendors due to time constraints and the ability to conduct in-depth analysis. The timeline for the presentations is important and generally the target dates would be included in the RFP.



It is also suggested to clear the calendars of the required bank executives upfront so all designated stake holders are available for the meetings. Typical timeframes may be 90 minutes to three hours depending on the scope and the complexity. Major bank-wide initiatives may require several

meetings to accommodate needs of all stakeholders. The meetings will allow bank executives to clarify any items from the responses received and should also allow the vendor to ask questions. An onsite demonstration can help facilitate solid communication.

Following the vendors' onsite presentations, stakeholders are asked to provide feedback that can be incorporated into the decision matrix. Most successful evaluations use a pre-determined matrix that can be completed by the attendees. This format allows each attendee to rate the vendor on each factor and provide additional comments as appropriate. This feedback should be fact-based and focused on selecting the vendor that best meets the requirements versus selecting a vendor for the wrong reasons.

If a selection team does not follow a structured process, "a system might be selected because of:

- The glitz of its bells and whistles.
- A good rapport with the sales representative
- The system is well known. ("Nobody every got fired for hiring IBM".)<sup>3</sup>

## Vendor References & Site Visits

Following the onsite vendor presentations there are generally one or two solutions that may appear to fit your needs and requirements. If you have not already done so, obtain references of other users of this specific technology then call and talk with these individuals. Depending upon the complexity of the solution consider conducting site visits of current users to see how they are deploying the solution. While some technology vendors have a great sales pitch, the features and functionality they are selling may not actually be fully deployed, tested or in use by other users.

Additionally, when preparing for your final decision, considerations such as service, competency, flexibility, and responsiveness of the vendor are every bit as important as the capability of the technology itself. As you check references, attempt to determine how the vendor manages their current relationships and if they are serving

as a vendor or as a valuable business partner to their clients. Additionally, ask if the current user was required to request customizations, and if so, how quickly and effectively was the vendor able to respond. Take time to inquire about the conversion experience. Finally, listen to how the current users feel about ongoing support since completing the implementation or conversation.

## Vendor Recommendation

The goal of the vendor recommendation is an objective document that encompasses all the efforts and results from the technology evaluation and selection process. While some bank executives will position this as a "business case" that is often misplaced. The business case should happen at the very inception of the process to validate funding and obtain executive support for moving forward. The vendor recommendation is simply a process to help the bank make an educated and unbiased vendor decision.

There are some third-party firms who may continue the process past the vendor recommendation and aid the bank with vendor negotiations. One industry third-party recently spouted, "Hire us and those vendors will be shaking when they see us coming." Really? Is that how a bank wants to begin a long-term vendor/partner relationship?

While there may be some value in having assistance in negotiating a vendor contract, be cautious about a third-party who may provide vendor-specific information about rates, fees, service-level agreements, and contractual terms. Most vendors provide custom pricing based on specific client scope, volumes, and needs. A third-party who is "loose" with someone else's confidential information should be avoided. At the end of the day, the goal is not to necessarily receive the lowest rate, but the best value. A good value creates a positive long-term working relationship for all parties involved.

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<sup>3</sup> LaDove, Brett. "Seven Sins of Technology Selection," LaDove Associates, 2006.

## Conclusion

As you consider new technology solutions, it is important to Stop, Look, and Listen.



By conducting preliminary activities such as defining the project scope and building current and future state workflows, the bank will be in a better position to accurately describe the need.

By interviewing managers and executives to build detailed business requirements and determining the rankings for these requirements it will be clear what is necessary in the desired solution. This information is incorporated into the request for proposal (RFP) that will be sent to appropriate industry vendors.

After the RFP responses are graded, the short-list of vendors will be invited onsite for vendor presentations. References and potential onsite visits to current vendor clients will narrow the

field to one or two leading providers. The final step will be a clear recommendation. By using this structured process and potentially hiring an external third-party industry consultant, banks will find an opportunity to make wise decisions, maintain desired timelines, and create defensible and documented solution recommendations.

As you consider technology evaluation and selection, some final thoughts for you to ponder:

- What is the business reason for new technology?
- Is there a business case with a positive ROI and approved funding?
- Are all stakeholders included in the process?
- How has the bank mitigated its risks?
- Does the bank have dedicated and experienced resources to lead the project?

As you proceed on your quest for new technology, remember to Stop, Look, and Listen. Following these simple steps will assist you in maximizing the value and minimizing the risk to your organization.

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**Wisemar** is a management consulting firm providing dynamic solutions for the alignment of people, processes, products, and technology. The firm specializes in helping financial services clients through business process improvement, change management, and corporate strategy engagements. Wisemar was founded based on one simple principle – “client satisfaction.”

Wisemar leverages experienced senior consultants with a structured engagement process to deliver consistent positive results for clients. Wisemar executives and consultants have worked with the majority of the top 50 US banks; regional, community, and direct banks; and many of the top vendors and partners in the financial services space. This diverse experience helps provide the framework necessary to deliver innovative best practices to clients to help them improve performance. Wisemar is headquartered in Charlotte, NC.

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