Technology Acquisition

Buying the Future of Your Business

By Allen Eskelin

TECHNOLOGY ACQUISITION

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ALLEN ESKELIN

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One Lake Street
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To Wendy
I Love You

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ABOUT THE AUTHOR

Allen Eskelin currently provides information technology leadership to Starbucks Coffee Company in Seattle, Washington. Previously, he managed projects for Gateway 2000 in North Sioux City, South Dakota, as it grew from an $800 million direct marketer of personal computers to an $8 billion global brand. During this time, he managed several successful technology acquisition projects. After reading this book, join Allen at www.technologyacquisition.com to continue the discussion and share your experiences to advance the practice and profession of technology acquisition project management.

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Reference Map

The following table is a good starting point for future reference of this book.

Process	People	Tools	Case Studies
Initiation (p. 2)	• Project Sponsor (p. 13) • Project Manager (p. 15) • Project Stakeholders (p. 18)	• Business Need (p. 5) • Project Charter (p. 7)	• Addressing the Wrong Business Need (p. 3) • Communicating the Project Charter (p. 12)
Planning (p. 24)	• Project Team (p. 51)	• Project Plan (p. 25) • Project Schedule (p. 31) • Decision Scoring Matrix (p. 38)	• Unprofessional Team Members (p. 55)
Research (p. 61)	• Vendor Sales Team (p. 119)	• Request for Proposal (p. 72)	
Evaluation (p. 123)			• Surprises That Surface after the Decision (p. 128)
Negotiation (p. 133)	• Negotiation Team (p. 144)	• Negotiation Strategy (p. 139) • Deal Sheet (p. 143)	

continued next page

Process	People	Tools	Case Studies
Implementation (p. 148)	• Internal Implemention Team (p. 152) • Vendor Implementation Team (p. 154)		• Separating Environments (p. 151)
Operation (p. 157)	• Internal Support Team (p. 162) • Vendor Support Team (p. 164) • End Users (p. 165)		

Introduction

A very large number of Information Technology (IT) projects fail every year. Some studies have shown that only one fourth of all IT projects undertaken by Fortune 500 companies are completed successfully. Others give IT projects only a 50 percent chance of being completed within time and cost budgets.

Would you invest millions of dollars in a project with a 25 percent chance of success? IT managers are increasingly answering no to this question. So what is their alternative? Their alternative is to shift this risk to a third party. The risk can be reduced by acquiring technology from outside companies specializing in building technology instead of attempting to build it internally.

The Shift from Building to Buying Technology

There are many trends that are causing IT managers to shift from building to buying technology.

One of these trends is an increase in demand for IT professionals. As technology becomes more critical to all businesses, the need for quality IT professionals increases. This increase in demand has caused the price of these resources to rise to a point where it is much more costly to develop technology in-house than ever before.

One painful consequence of the IT resource shortage is that as demand for IT professionals far exceeds supply, companies are being forced to extend development schedules and limit their growth plans.

Another trend is the increasingly high rate of change in new technology. As growth in technology accelerates, it becomes more difficult to keep up with current technology and remain competitive.

Combine these trends, the high rate of IT project failure, the shortage of IT professionals and its impact on project schedules, and the increasingly high rate of change in technology, and it's no wonder that IT managers are starting to buy instead of build their technology whenever possible.

The Ground Rules

The goal of this book is to describe a way of managing a technology acquisition project that will facilitate the decision-making process so that you select the right vendor, with the right technology, for your business. The book also discusses how to implement and operate the technology once you have selected the vendor.

Early in my career, I managed several software development projects. One day, I was asked to manage a project to acquire technology. I searched everywhere looking for information on how to manage this type of project. I perused bookstores, libraries, magazines, and the Internet looking for anything I could find on the subject. I found many books on the topics of project management, negotiation, outsourcing, software development, government technology acquisition, and business acquisition. But there was nothing that specifically addressed these topics in the context of acquiring technology for a typical business. I was forced to read several books on the topics previously listed in order to extract the information that would help me successfully manage this type of project. I eventually ended up creating my own project life cycle. After applying this project life cycle to several successful technology acquisition projects, I decided to share my findings with other project managers who are faced with the same challenges I faced. I am writing the book I wish I had before managing my first technology acquisition.

I have tried to keep the information presented in this book at a level where it will be most useful to an experienced project manager who is new to managing a technology acquisition project. However, if you have 10 years' experience in managing technology acquisitions, you shouldn't jump to the conclusion that there is nothing here for you.

This is not a book about managing government technology acquisitions or $100 million or more technology acquisitions. An experienced project manager who has never managed a technology acquisition will more than likely *not* get a chance to manage an acquisition of more than $10 million on his first project of this type.

Additionally, a process this extensive would be difficult to justify on an acquisition of less than $500,000. This book is targeted at the experienced project manager who will be, or is, managing his first technology acquisition of $500,000 to $10 million. That said, there is also value for anyone who is involved with a technology acquisition. This includes executive management, IT management, project stakeholders, project sponsors, project teams, vendors, implementation teams, support teams, or any others who are impacted in some way by a technology acquisition project.

As you read this book, you might find that this process is simple. I have elected to outline a step-by-step process that will be simple enough to use in your first technology acquisition project. As you gain experience, you may elect to modify this process or expand it to better fit your situation.

My goal is to help you through the first project successfully while providing you with practical advice and techniques and an understanding of how to deal with the most important ingredient of any project, the people.

The Technology Acquisition Project Life Cycle

Many internal development efforts fail, and many trends are causing a shift from building to buying technology. Due to this increase in the acquisition of technology, there is a need for a project life cycle that project managers can use to manage an acquisition project. Before discussing the project life cycle, a few definitions are in order:

- *Project:* A temporary endeavor undertaken to create a unique product or service (The Project Management Institute, Project Management Body of Knowledge, 2000 Edition).
- *Project life cycle:* The division of a project into phases to provide better management control and appropriate links to ongoing operations of the performing organization. Collectively, the phases are known as the project life cycle (The Project Management Institute, Project Management Body of Knowledge, 2000 Edition).
- *Technology acquisition:* A project undertaken to acquire technology from a third party and implement it within the performing organization.

With these definitions in order, let's move on to discussing a project life cycle for a technology acquisition project.

There are many project life cycles available for the technology development project. These life cycles generally include phases for definition, design, development,

testing, implementation, and operations. Figure I-1 illustrates some of the project life cycles for building technology.

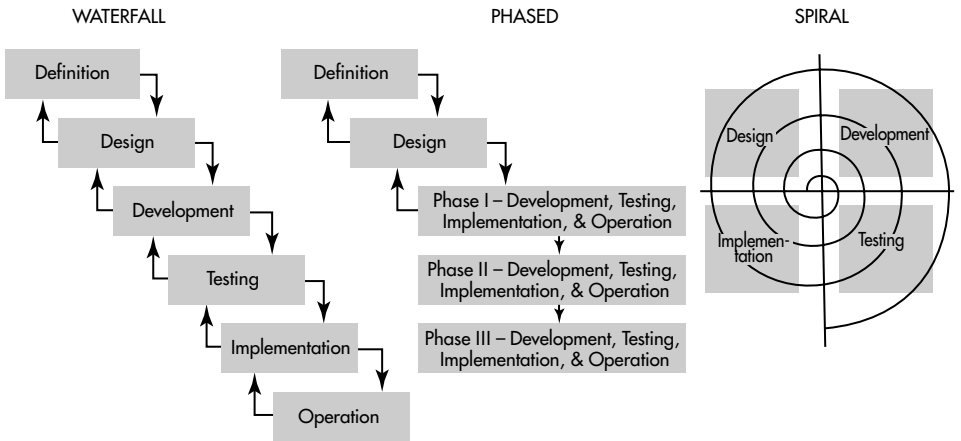

Figure I-1: Development project life cycles

Many of the phases used in a development project are also used in a technology acquisition project. But, there are additional phases needed for a technology acquisition project life cycle to be complete. Although there are many project life cycles available for development projects, there isn't a generally accepted project life cycle for technology acquisition projects. When I was faced with my first technology acquisition project, I was unable to find a project life cycle that specifically addressed this type of project. Over the course of several years and several technology acquisitions, I was able to develop and fine tune a project life cycle that addresses this need.

Figure I-2 represents the project life cycle for managing a technology acquisition project.

Figure I-2: Technology acquisition project life cycle

The process begins with the *Initiation* phase. All projects are initiated. Sometimes this process takes a few minutes and other times it takes months. The important thing to determine is what the business need is. You can then create a project or projects to implement the solution(s) selected to address that business need. The Initiation phase is described in greater detail in Chapter 1.

Once the project has been properly initiated, the *Planning* phase begins. During this phase, the following tasks take place:

- Project plans are developed
- A project team is developed
- Requirements are defined and prioritized
- A solution is defined
- Vendors are identified and contacted.

The Planning phase is described in greater detail in Chapter 2.

All activities involved in researching the vendors and their technologies are included in the *Research* phase. There are several methods that can be used to research vendors. Chapter 3 provides a detailed description of several research methods and discusses when it is appropriate to use each method.

Once you have completed the research, it is time to evaluate the results and select a vendor. These activities take place during the *Evaluation* phase. Chapter 4 provides a detailed description of the techniques used to evaluate and select a vendor.

The activities involved in negotiating a contract with the selected vendor are part of the *Negotiation* phase. Chapter 5 discusses the negotiation strategy, tactics, planning, and documentation.

After the technology is selected and the contracts are signed, the *Implementation* phase begins. Chapter 6 discusses the processes for developing, testing, and deploying vendor solutions.

The final phase of the technology acquisition is the *Operations* phase. This process extends throughout the life of the product. Chapter 7 defines the details surrounding the continuing support process.

Many case studies are inserted throughout the book. These examples are derived from real-life situations. A fictional name (Jack Smith) and company (XYZ Corporation) have been substituted in order to honor the confidentiality agreements that always exist in this type of project.

The People

Although few will argue the importance of process, the people involved in the technology acquisition are equally, if not more, important. People dynamics can make or break a technology acquisition. One of the most important objectives of the technology acquisition process is to objectify a subjective decision about which vendor and solution is best for your situation. The processes included in the project life cycle described in this book are designed to accomplish this by breaking a large subjective decision down into many small subjective and objective decisions. This will objectify the overall decision as much as possible. With that said, people will still have a significant influence on the final decision. At times, they will even override it. It is unrealistic to think that a process or a formula can provide the answer, with 100 percent accuracy, to such a complex question of which vendor and technology are best for your current situation. What a process can do is help people make a more educated decision and understand what is being decided. A significant portion of this book is dedicated to the people involved in the technology acquisition project and the roles and functions that they provide.

Many groups of people are involved in a technology acquisition. Table I-1 lists the primary groups involved in this type of project.

Table I-1: Technology Acquisition Teams and Members

Group	Organization	Involvement
Project sponsor	Customer or IT	Medium
Project stakeholders	Customer, IT, and vendor	Low
Project manager	Customer or IT	High
Project team	Customer and IT	Medium
Vendor sales team	Vendor sales	High
Negotiation team	Customer, IT, and legal	Medium
Internal Implementation team	Customer and IT	High
Vendor Implementation team	Vendor consulting	High
Internal support team	IT	Medium
Vendor support team	Vendor support	Medium
End User	Customer	High