



## Vendor Versus Third-Party Planning and Project Services

### *Ensuring Implementation Success*

*By Ward Kever, CTG HealthCare Solutions Executive Director of Executive Services*

One of the most important decisions a CIO faces is how to approach and execute a strategic initiative so as to maximize its chances for success. Formulating the actual goals, defining success, gaining consensus and buy-in, identifying the best vendor applications to enable the initiative, planning the implementation, and sourcing the initiative are all vital elements that affect the risk you take, your organization's ultimate success, and your professional career.

Deciding whether to engage an outside organization is a critical and time-sensitive process, with many considerations that must be addressed and resolved. What type of outside assistance would be beneficial to my institution: strategy development, vendor selection and contracting, project planning and budget development, or implementation? When is the optimal time to deploy consulting assistance to maximize benefits and success? What type of firm would be the best 'fit' for my organization? If I engage an outside organization to lead or support the implementation of a large system, should that implementation consultant be the vendor, or a third-party consultant?

Historically, a CIO could hold a vendor accountable for the successful implementation of a system. Significant payments could be tied to the successful achievement of specified milestones at the later stages of a project: go-live, for example. Such payments might often represent 50 percent or more of the total amount due the vendor.

Current FASB regulations, however, place new limitations on revenue recognition that make vendors unwilling to accept these historical payment terms. Instead, they generally require payment at the initial milestones: contract execution and delivery of the software. Vendors may still accept payments associated with milestones later in the project life cycle, but the amounts are usually much smaller. As a result, an institution's ability to leverage financial rewards to promote accountability is significantly undercut.

Another important consideration is your goal. Are you merely installing software, or are you implementing a system that—in addition to the software installation itself—will have an important impact on your organization's culture, policies and/or procedures? What changes will be needed in order for the new system to effect the desired clinical, financial, and operational improvements? One good example is the Clinical Physician Order Entry (CPOE) systems being considered by many organizations. In cases like these, selecting a vendor as your implementation partner may not be the best choice. There may be a built-in conflict of goals—for instance, achieving overall benefits as opposed to timely payments due under a contract for installation of software. And, as many of us have learned the hard way, *successful installation of software does not equate to successful implementation of a system!* As you assess your

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options for outside assistance, here are some activities in the life cycle of the initiative where you may want to consider leveraging assistance from outside your organization:

## ***Planning and Budgeting***

- 1. Define what success will look like and what specific software features/functions are required to support this definition; then, use the definition to gain constituent buy-in.***

For example, within the context of clinical transformation, is it important to be able to practice to a new standard of care and demonstrate that your physicians are actually achieving the new higher standard? This goal requires more than just installing new software; in fact, the system is only an enabling tool.

Consider defining your vision and the metrics of success *before* contracting with a vendor. This process comprises more than a review of feature/function requirements as in an ordinary system selection. Rather, it will clarify the requirements of the supporting vendor software and enhance contract negotiations. A formal statement of the vision, goals, and steps necessary to achieve them can then be used to gain constituent approval and buy-in. You may even want to consider appending such a document to the vendor contract as a means of assuring the software will, in fact, enable the defined end point. Leveraging the expertise of personnel with experience planning and implementing your type of initiative with multiple vendors can help establish realistic expectations, timeframes, and budget at the outset.

- 2. Invite a variety of vendor expertise to the table when selecting your vendor.***

One of the first questions to ask is whether your current vendor can support your new initiative. Keep in mind that you have a sunk cost in the existing vendor. If there is dissatisfaction with that vendor, is it because you don't have all its modules or the installation has not optimized the available feature/functions through process redesign and system tuning? How do you know that switching to another vendor will bring the anticipated benefits? To resolve these questions wisely, an organization needs access to expertise in the existing legacy vendors as well as other potential vendors that can meet your needs.

- 3. Make sure you know the full total cost of ownership.***

Preliminary planning and budget preparation is crucial to the success of the initiative. Understanding the true costs up front and over time not only of installing the system, but of implementing it to your defined clinical and business requirements can obviate the need to revisit the Board for additional budgetary requests. It can also prevent those costly project delays that sap organizational energy and enthusiasm. Vendor costs are usually targeted to installation—not true implementation.

## ***Prior to Contract Execution***

- 4. Draw upon experience to identify specific changes that should be made to the contract's terms and conditions; identify modules that may not yet be available or may not work as demonstrated and ensure appropriate remedial responses and/or penalties.***

Vendor software products, as we all know, can be at various stages of refinement, even within a single vendor. Knowing their weaknesses from previous experience is crucial to



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effective vendor selection and contract negotiation. There are no products that perfectly meet every need. However, there *are* vendor products that will be an optimal match for your institutional requirements: products that take into account not only feature/function, but technology fit and ease of contracting and doing business as well as the overall cost: the *true* cost.

**5. *Identify any areas of the standard vendor-supplied contract that have been significantly modified by other clients and accepted by the vendor.***

All contracts are different. So are the negotiating cultures of the various vendors. Advance knowledge of a given vendor's approach to negotiations and willingness to seek winning agreements is a critical success factor in developing your negotiation strategy. (For more information on negotiations, see *CTGHS Insights* December 2005, "The Top Ten Keys to Successful Negotiations.")

## **Project Planning**

**6. *Set realistic expectations with your constituents.***

Key to a successful implementation is the creation of a workable project plan that includes multiple check points, early alerts of pending delays, reasonable estimates of efforts, and sufficient contingency time to absorb unexpected, but inevitable delays. It's important to create a schedule to provide a reasonable chance of meeting published expectations. The schedule should also demonstrate incremental benefits to encourage ongoing constituent buy-in and sustain focus over the long haul.

## **Project Design**

**7. *Bring all the organization's available operational expertise to the table to ensure optimal design with the selected vendor products.***

If the goal is to implement a system, and not merely install software, it's important to include operations-savvy resources in the design phase: that is, people who have actually worked in the desired environment. These resources are responsible for reengineering processes to achieve maximum results. They must be aware of best practices and present them for consideration as part of the design phase in terms of what is and is not workable. For example, when installing an Enterprise Master Patient Index system, what are the benefits and costs associated with active registration (real-time) as opposed to passive registration (finding the potential conflicts after registration). Passive registration is certainly less expensive and faster to implement, but it also involves serious concerns that should be understood by all your constituents.

## **Project Implementation**

**8. *Be sure to have the right mix of proven methodology, project leadership, product expertise, clinical/financial/operational experience, implementation experience, and organizational knowledge to implement effectively.***

Experience is a wonderful thing. It minimizes missteps that can cause delays and unreasonable expectations, and helps recognize design features that may look good on paper, but are not maintainable in actual practice. While many organizations have very



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capable personnel, they are often unable to bring the experience of multiple large implementations to bear on the new product.

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**9. Are you positioning your organization to support the new system once it is deployed?**

Often, your own staff would prefer to be involved with implementation of the new system rather than be assigned to maintaining the old applications. Third-party organizations are now offering "transitional sourcing" contracts under which they support the old applications and reduce contract staff as the new software comes online for each area/department being affected. This is an excellent way of showing your employees that you are concerned about their career development and not just installing software.

### System Acceptance

**10. Do you have a proven approach for training your constituents that reaches beyond how to use the system to ensure acceptance and realization of benefits?**

A key to a successful project is quality training of the end-user. I have seen great software fail and mediocre software be extremely successful based on the training and the acceptance of the end-user. For example, CPOE training must be focused on facilitating a physician's practice of medicine, and not simply how to operate a computer. An enthusiastic physician will ensure a successful project. Who can create training programs with this emphasis, and provide specific examples of previous attestations that will result in enthusiastic acceptance? Who can provide a professional, experienced teaching staff who understand not just the vendor application, but the healthcare delivery process?

### Closing Thoughts

While there are organizations that have talent that can define requirements, select vendors, negotiation contracts, lead projects and supply talented resources, the real challenge is having the *specific* requisite knowledge and the resources available to leverage in such activities.

Two sources of external expertise are your software vendor and third-party consulting firms. The software vendors bring vendor knowledge, but often can't provide the operational, clinical, and process redesign expertise necessary to address comprehensive implementation activities. A third-party consulting firm can provide the expertise needed in all phases from strategy development and selection through negotiation and project planning, and ultimately implementation. They can be of particular benefit in the planning and contracting stage, bringing to bear experience negotiating with that vendor for other clients. They also provide an objective third party to assist in navigating the software vendor organization and culture and



*Ward Keever serves as Executive Director for CTG HealthCare Solutions' Executive Services. As a former CIO, he has over thirty-five years of experience in the healthcare IT industry, with a strong background in strategy development and implementing strategic and tactical IT systems in large health system settings and specific solutions for applications within the healthcare industry.*

*For more information, contact:  
Ward Keever  
[ward.keever@ctghs.com](mailto:ward.keever@ctghs.com)*

resolving issues throughout the initiative. No matter your source of external assistance, reference checking on the specific expertise and KLAS reports can help you sort through the real credentials and benefits that various vendors can bring.

In summary, it is important to understand whether you are installing software or implementing a system and to select resources that will deliver an agreed-upon result on time and within budget. A well-considered decision to contract with a vendor or a consultant, staff with in-house FTEs (and back fill with a consultant organization), or use some combination of all three, will go a long way to assure a successful outcome that meets your constituents' expectations and retain a committed and well-developed group of employees. Making an informed choice about when and where to obtain external assistance can also significantly reduce the stress in your professional life.