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Choose WISELY

How insurance carriers should approach, leverage and build upon analyst tech evaluations.

by K. Ram Sundaram

If there's one concept insurers understand, it's risk. Core IT transformations, like all business decisions, are essentially risk/reward calculations. If a new and better system can be fielded in a reasonable time frame, at a minimal cost and with a high probability of success, it's typically worth the investment.

But over the past few years, our industry has watched more and more of these projects buckle under the weight of skyrocketing development costs, never-ending time lines and downward-spiraling forecasts.

In short, the old model of building IT systems from the ground up is quickly turning unsustainable. And increasingly, CIOs are finding commercial off-the-shelf solutions to be highly tempting alternatives.

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But there's a catch: How to select the right COTS product amidst a roiling sea of competing technologies and vendors. Choose poorly, and a \$50 million tech investment could sputter, stall or disintegrate two years after the fact. But spend time and resources evaluating every possible technology option on the market, and an endless dissection of minutiae nullifies the whole point of a commercial shortcut.

Enter the Analysts

Faced with this dilemma, insurance carriers typically turn to the analyst community—either larger, broader research firms like Gartner and Forrester or smaller, more focused groups like Celent and Novarica.

Regardless of size or scope, analysts stay relevant by keeping track of the high-level movements and trajectories of competing technology companies. Thus, they're in the perfect position to shortlist COTS candidates by ranking vendors according to their comparative attributes and capabilities.

But it's crucial to remember that individual buyers have individual needs. In fact, rarely do insurance

Key Points

- ▶ **The Situation:** The old model of building IT systems from the ground up is quickly turning unsustainable.
- ▶ **At Issue:** Analyst rankings are a fine starting point for technology selections, but there will always be a need for more-personalized assessments of vendor compatibility.
- ▶ **What Needs to Happen:** Smart carriers will approach and vet COTS solutions from a number of discrete, albeit complementary, perspectives.

carriers implement a COTS solution without significant customization of its data footprint, business rules, screens and work flows.

Obviously, analysts performing vendor evaluations aren't considering the distinct requirements of individual customers, but rather broadly applicable traits such as innovation and performance.

Hence, analyst rankings are a fine starting point for technology selections, but by no means an acceptable endpoint. There will always be a need for more-personalized assessments of vendor compatibility.

Choice Advice

In many instances, there's a common factor among COTS selection errors—a lack of in-depth reasoning

and critical thinking in favor of cursory comparisons and so-called “conference-room pilots.”

Often, insurance carriers rely far too heavily on either industry benchmarks or their own scorecards—spreadsheets that superficially quantify technology points and functionality. Sometimes, carriers go so far as to choose vendors solely on the basis of their popularity with competitors or partners. (“If my neighbor has something, I probably need it too.”)

There’s also a common tendency to view prospective solutions through an excessively narrow and myopic lens. Frequently, the question is asked, “Does this solution meet the immediate needs of my individual department, with an enticing array of bells and whistles?” without ever asking, “Does this solution meet the long-term needs of my inevitably evolving company, with provisions for flexibility and sustainability over the next 10-to-20 years?” And the difference between those two questions—in a major business technology initiative—can easily equate to millions of dollars and thousands of hours wasted.

Correction 1: Dig Deeper

Traditionally, analysts refer to their highest-ranking vendors as industry “leaders,” which makes it all the more tempting for insurance carriers to simply grab the top two or three selections as an instant short list. Doing so, however, ignores the fact that certain vendor attributes (which are highly desirable in a specific context) may be completely missing from the so-called leadership class.

For instance, a carrier lacking IT manpower might require a vendor with the ability to host and maintain all aspects of an application (i.e., the Software-as-a-Service model).

Likewise, a large carrier wishing to circumvent the corporate bureaucracy of capital acquisition in the quest for speed-to-market might

seek the same model as an interim solution. And yet, there’s no guarantee that the top analyst-designated “leaders” could support either of those scenarios.

It’s also likely for the top analyst selections to be among the most expensive, and there’s little benefit in overpaying for superfluous performance or unnecessary capabilities. A luxury car can be an unwise investment in cases where an inexpensive one will do admirably. But it’s equally true that—having opted for the cheaper car—one expects to

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find far less sympathy in the face of mechanical failure.

The operative point, of course, is that an analyst’s rankings are a tool, not a sacred doctrine. And success when using this tool is directly proportional to a carrier’s ability to incorporate that information into its own, more thorough selection process.

Correction 2: Upgrade the Team

Having established a short list of candidates, insurance carriers must select a team of product evaluators, just as vendors must select a team of product ambassadors.

The problem is that typically, neither side chooses the desired starting lineup.

For the insurance carrier, it’s paramount that enough team members be able to analyze the com-

plex, underlying architecture of a given solution, as opposed to merely reviewing a checklist of its hardware and software building blocks (e.g., Windows, Java, Oracle, etc.).

Meanwhile, on the vendor side, it’s crucial for senior product or technology architects to join—if not lead—the standard assembly of business developers.

When neither side fully grasps the technical strengths and weaknesses of a proposed solution, it only short changes the evaluation process; carrier teams don’t know the salient questions to ask, and vendor teams can’t provide the necessary insight.

But when you assemble the right crew, magic happens: Vendors are thrilled by the elevated discourse and can better articulate the true strengths of their solutions, as well as workarounds for any potential weaknesses. Likewise, carriers walk away with a substantive view of the vendor and its offerings. Instead of a superficial dance, the meeting becomes a mutually beneficial information exchange.

Conversely, with the wrong crew, the conversation can quickly devolve into a high-pressure sales-pitch (“We’re No.1—but hurry, the sale ends Monday night!”) or a genuine waste of time (“Great question—we’ll get back to you.”)

Correction 3: Unplug PowerPoint

With the right crew, it’s time to begin the assessment process.

Here, successful evaluations seek to strip away superficiality on both sides. So it’s essential that insurance carriers push beyond the PowerPoint decks and simplified (often staged) vendor demos—which might educate buyers on standard product functionality, but likely won’t address any real-world implementation or integration challenges.

A canned presentation no matter how vividly produced can never be as useful as a live, interactive

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demonstration of actual software. (The old maxim “show, don’t tell” is a seller’s best friend.)

Truly, the only way to fully convey architecture flexibility is to show it. And if vendors can’t accommodate this request, it should raise an instant red flag.

Equally important to remember is that with large investments, it’s insufficient to make a final selection without a true hands-on experience. So in addition to vendor-led demonstrations, savvy insurance carriers know to validate finalists with a two-to three-day “smoke test” on-site with the vendor—road testing real business and technical use cases.

This might sound like an inordinate investment, but in the context of a multimillion dollar IT transformation, it’s more than warranted.

Correction 4: Remember the Architecture

Because insurance carriers are practically assured of making changes to even the most compatible COTS solution, standard functionality is often much less important than the flexibility to accommodate a carrier’s unique requirements. It’s about the architecture, first and foremost. (Vendors take note: Real discussions of your solution’s architecture should start replacing your shiny product demos; a few carriers may still be impressed with a slick presentation, but most will prefer an in-depth, architecture-focused analysis.)

It’s for this very reason that standardized scoring systems (e.g., spreadsheets that itemize specific features and functionality) are at best insufficient and, at worst, wholly misleading. Debate, reasoning and critical thinking must replace the false comfort of a seemingly foolproof numerical scoring approach.

More than feature sets, we’re interested in how a system accommodates the need to expand or contract claims data, how it handles a change in the number of questions

or fields in the quoting process, how it customizes work flows and business rules. Or more simply: How the solution is architected.

Analysts measure vendors against broad criteria: innovative functionality, execution, client-base, for example. However, architecture constitutes a more specific dimension that, due to its complex and variable nature, cannot be standardized in a high-level assessment of the vendor space. In fact, one carrier’s perfect architecture might be another carrier’s downfall.

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The argument goes like this: It’s not enough to have innovative functionality and dependable execution. A vendor also must offer a product that’s sufficiently “elastic”—that is, capable of molding to an organization’s unique business and technology considerations today and tomorrow.

Because an architecture is inherently the product of trade-offs, it can only be evaluated in the context of a unique business problem. First, one must create a conceptual vision for the problem/solution, agnostic of technology or strategy. Then, one evaluates architecture’s strengths and weaknesses within the context of that vision.

There are, of course, certain give-

aways. If, for example, vendors can demonstrate how they’ve logically separated underwriting and rating modules in a policy administration system, or how they’ve separated the business rules and logic from the data, you’re likely headed in the right direction. If, on the other hand, vendors can’t demonstrate that you can deploy their current Web functionality on an iPad or iPhone, you’re likely headed in the wrong direction.

It’s only by carefully examining architecture-focused solutions that one can sense how easy it will be to configure and integrate those solutions after the fact—which is the heart of a successful COTS implementation.

Speaking of which, just as a surgeon can’t merely drop a new heart into a patient’s chest cavity, a new IT system must be meticulously and intricately connected to all the elements of a carrier’s current technology environment. This is what we call the integration architecture. And if it can’t be achieved quickly, easily, and effectively, even the brightest new solution is dead on arrival.

Yet, there’s much more to architecture than just integration. Smart carriers will approach and vet COTS solutions from a number of discrete, albeit complementary, perspectives—e.g., logical architecture, physical architecture, deployment architecture and security architecture, to name a few.

Similar to the human body, all aspects of a successful COTS architecture must work efficiently and effectively in concert with one another.

Analyst rankings are the start. But it’s only by augmenting those rankings with in-depth, critical due diligence that one can truly conquer the commercial technology landscape.

After all, if there’s one concept insurers understand, it’s risk; and the more you know, the less you’ll have. BR