

Introduction

Selecting new technology is an important decision and financial investment. Implementing new technology can also create major organizational change and upheaval. It's an important decision to get right and requires due diligence to mitigate risk.

The system you choose should meet your business and technical requirements and fit your budget. But these are not the only things to consider when making a long-term commitment to a key business relationship, and so additional due diligence checking may be appropriate.

The time needed and responsibilities for a due diligence assessment should be included in your work plan for selecting the new system.

This guideline provides an overview of various types of due diligence that may be appropriate depending on the level of investment and intended closeness of the business relationship between you and the system provider. The Sponsors for the system selection project should determine the appropriate level of due diligence effort to mitigate future risk.

Due Diligence Assessment

- **Reference checking and site visits**
 - Request a minimum of five reference customers, including some similar to you.
 - Use a reference question checklist to ensure all questions are covered
 - Ask for referees who are willing to host a site visit
- **Functional verification**
 - Conduct hands-on verification of functional requirements and perform a fit-gap analysis.
 - Check online help, documentation and training manuals.
 - Review the vendor's current defect list and list of planned enhancements.

- **Technical verification**
 - Test key integration capabilities using published APIs or other methods.
 - Review benchmarking studies.
- **Financial stability**
 - Review audited financial statements and annual reports.
 - Check financial rating with Dun & Bradstreet and other sources.
- **Corporate stability**
 - Research the vendor using independent sources, such as Forrester, Gartner, Better Business Bureau, and online search tools.
 - Assess the experience and stability of the executive team, including turnover rates.
 - Conduct a corporate site visit and meet key team members.
 - Determine if the company has any pending lawsuits.
- **Customer support and QA**
 - Request a log-in to the vendor's online customer forum. Review current and archived discussions.
 - Log into the vendor's self-service support system. Assess the quality of the search functions and knowledgebase.
 - Visit the vendor's customer support center. Review how incidents are logged, tracked, and resolved. Ask for reports of call volumes and response times.
 - Visit the vendor's QA/testing department. Review how the software is tested and how defects are identified, logged and resolved.
- **Implementation team and approach**
 - Review bios and check references on proposed implementation team members. Verify their expertise in the technology, your industry, and organizations of similar size and complexity
 - Review implementation methodology documents and verify with references that the methodology is followed.

Background and Context

Refer to *High Level Overview of the System Selection Process* for context.

The due diligence assessment is generally performed after project requirements have been defined, and a short-list of vendors has been determined.

Due diligence assessment may be performed after the vendor demonstrations or concurrently.



Bardsley Associates Inc. is a management consulting firm headquartered in Seattle, Washington, serving clients since 1987.

We provide an independent perspective on the entire lifecycle of your IT projects, from strategy and governance through to selection and implementation.

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