The Surround Strategy

RESEARCH NOTE

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Change is inevitable in technology and we celebrate disruptive change because it often delivers significant benefits. Those benefits are not without risks and managing them has become intertwined with capturing benefits. IT wasn't always like that. When enterprises installed their first systems the risk was primarily about being left behind for failing to adopt technology. Today major risk comes with changing systems, so risk management is now also a major part of new system adoption especially if it means swapping out systems. This Beagle Research note outlines how the surround strategy can be used when considering replacing inefficient document productivity solutions.

Introduction

The strategy for implementing enterprise software called "rip and replace" fell out of favor at the turn of the century when businesses everywhere needed to update their accounting and manufacturing systems to handle four-digit date formats. Rip and replace was so traumatic, and hurt so many careers and businesses, that it is effectively gone as an IT implementation option except in dire circumstances.

But as initial implementations age it's natural for users to evaluate competing solutions again to ensure they are getting the best solution for business needs that continued to evolve after a system was first implemented. Identifying an alternative to ripping and replacing document management systems that enables continuing business evolution is necessary to help organizations better evaluate competing vendor claims.

A new strategy

Enterprises are increasingly turning to a new strategy for gradually and methodically replacing their old document productivity solutions. In various business situations the strategy calls for old and new systems to operate harmoniously delivering value while the business contemplates whether or not to cut over or operate with two systems sharing the load. That's the "surround strategy" and it has been used successfully in large deployment situations for ERP and financial systems, as well as for CRM, in both SaaS and on-premise models. Generally, it can be used in any major software replacement where failure is not an option.

The surround strategy takes time and some patience. It also requires cooperation by all parties involved including the incumbent vendor who may be in danger of losing business or at least down shifting to a shared deployment. It's therefore important for any organization contemplating the surround strategy to organize and plan the effort and to allow sufficient time to do the job right and avoid contractual arguments.

Strategy basics

Many vendors including Financial Force, Microsoft, NetSuite, and others have all used surround strategies to deploy regional or country specific accounting and ERP functions that feed in to master ERP systems. Often the original ERP system lacks some functionality for global deployment but it can't be easily removed and replaced without causing business chaos so satellite systems are brought in to surround and supplement it.

The new systems are capable of running larger businesses' ERP functions and they may take on additional functions over time because they're easier to work with than an incumbent system. They may be less expensive too thanks to their cloud heritage. Over time, the surround strategy can squeeze out an incumbent but that's not a foregone conclusion.

In another example, Zuora, a subscription billing provider, has used this approach to provide subscription accounting services (which can vary significantly from accounting for traditional licensing) to augment traditional ERP systems. Zuora appears as a black box to the ERP system, crunching subscription numbers and providing monthly billing and revenue data to the conventional ERP systems, which are not set up to handle subscriptions. Zuora has enabled many companies to begin subscription businesses without a painful replacement of core financial systems. The implementation can be completed in less time and at much lower costs and therefore provide an ROI that supports entering a new line of business.

Beginning: managing the software portfolio

The surround strategy is a good option for enterprises seeking alternatives for aging document productivity solutions, too. As a regular part of software portfolio management it's a good idea to re-evaluate any deployment during the year before renewal to give an enterprise time to assess how its needs may have changed and to evaluate all vendors—including the incumbent and any potential challengers—along the lines of functionality and cost as well as any other parameters that seem appropriate, such as pending improvements to business processes.

In today's hyper-competitive business environment, it's highly risky to stand pat and avoid re-evaluation. Technology advances provide greater price-performance characteristics and businesses that fail to re-evaluate can sometimes miss important inflection points that can support greater competitiveness. That's why taking the time to pilot competing solutions can be so important.

A prototype plan

With so many competing solutions in so many areas of enterprise software today it makes sense for IT to be re-evaluating solutions nearly all the time. A re-evaluation effort should have three analysis goals for business process, technology, and business relationship.

Business process evaluation

A company's business processes reflect what its technology portfolio allows so any re-evaluation effort should begin by evaluating relevant business processes. Understanding your current processes and how they may need to change will provide fresh criteria for assessing the competencies of all vendors including the incumbent. Skipping this step reduces the evaluation to a pure examination of price which the incumbent is in the best position to win. So skipping process evaluation and needs requirements is detrimental to the rest of the re-evaluation.

Technology evaluation

Armed with an updated business process analysis the organization can look at all vendors with fresh eyes and have the assurance that the result of the effort will add clarity to the decision-making process. The technology evaluation must include assessing how the technologies support the current need as well as any additional needs uncovered in the business process evaluation. This should include both high volume and lower volume business processes because as solutions become successful they spread to more areas of a business. In turn, maximizing the rollout will drive other business considerations.

Business relationship

Price or conversion cost should be the last area examined. Just as the technology evaluation can only be done effectively after a thorough process evaluation, pricing can only come into focus after other business considerations are evaluated. Some evaluation criteria may include support availability for mission critical systems, payment terms and duration, and end of life contingencies that should be part of any vendor agreement.

For example, what provisions are available if the customer decides to move in a different direction that causes the decommissioning of the incumbent document productivity solution? This might sound highly hypothetical but consider what happened when customers began switching from mainframe computers to PC networks. Many customer organizations needed bridging business solutions to make the move practical. The same may be true of nearly any system change today. Lacking some consideration of this eventuality could leave a business with expensive decommissioning costs. It's best to know this in advance so that you can work to avoid some or all of the costs.

Pilot process

With the evaluation complete, an organization is ready to pilot a new document productivity solution. A pilot should have three parts:

1. Needs gathering. This is taken care of in the evaluation process noted above. But in addition, vendors and customers need to take care that they are provisioning andquately for change management challenges such as training and integrating unique workflows.

2. Real life operation. This includes implementing changes through training and cutover to the new system. A natural part of this effort involves data capture for the whole process with particular attention paid to what's learned earlier in needs gathering.

3. Reporting. At the end of the pilot both the vendor and the customer should have a concrete understanding of several things including: the implementation process, personnel training and change management challenges, and business process change.

Summary

If you are considering changing vendors for a document productivity solution, it's a good idea to evaluate the replacement system in a pilot—a real world setting—before making a decision. A pilot process is a controlled experiment and a data gathering exercise designed to test earlier findings and prove conclusively which solution best meets the enterprise's current and future document productivity challenges and needs.

During a pilot all of the information from the three phase evaluation should go into demonstrating product fit. Furthermore, a smart vendor will gather performance data to prove the fit to the customer. At the end a challenger should be able to concretely prove the superiority of its solution leaving little doubt in the customer's mind about the success of cutting over.

Executive Q&A

Steve Bower is Vice President of Customer Success & Solutions at Nitro. With 25 years of Engineering, Sales Engineering & Professional Services experience, Steve is an integral part of driving product adoption across all regions at Nitro. He shared some ideas about customer success and the Nitro pilot program with us.

Beagle Research Group:
Is ROI the main driver of the deployment and how do you measure it?
Steve Bower:
Yes, ROI is a main driver and measuring it is critical to ensuring that you are getting the most out of your purchase. We deliver ROI through both qualitative and quantitative analysis. We measure how organizations utilize our solution while at the same time working closely with end users to ensure adoption. Analytics provide key insights into a deployment and, often, provide surprising results. For instance, during a recent pilot engagement we found that many users in an organization were not equipped with the tools to do their daily tasks. With both qualitative and quantitative data, we proved the ROI and productivity increase by arming more workers with the appropriate tools.

BRG:
Ok, let's unpack this. What data do you collect?
Bower:
Nitro Analytics captures events without capturing any personally identifiable information (PII) or document content. By collecting anonymized event data, we are able to provide key insights to organizations on their usage and patterns. These key insights are gold resulting in key changes in an organization. For example, recently we worked with a healthcare company that discovered they printed way too many documents. We were able to demonstrate to them that if they increased usage of certain digital workflows such as e-signing they would make a solid dent in their print reduction initiative.

BRG:
To do this I assume you need to get familiar with the people and the company's business?
Bower:
That's right. Our Pilot program is the start of this journey. By seeing how organizations work today and gathering these key insights we can make impactful suggestions. Nitro Analytics enables us and our customers to become very aware of their document workflows in a way they never could before. The insights gained along with targeted training to end-users drives efficiency, reduces time on task, and allows knowledge workers to gain back valuable time. This type of approach and focus on analytics is unique to Nitro, in our space, and a key differentiator for us.

BRG:
So how does this roll up to the roll out?
Bower:
The Nitro Pilot is the start of a linked process in which we guide enterprises through all phases of rollout and adoption. Key insights derived from our analysis helps organizations to set KPIs for their deployment and with these insights organizations can watch and track progress. We believe the key is to focus on Customer Success through change management. Our program includes end-user training, webinars, a thoughtful rollout plan and ongoing support. So, the journey starts with the pilot and transitions to successful rollout using the key insights from the pilot.

BRG:
Does the ROI prove out right away?
Bower:
Yes, organizations realize ROI out of the gate. Organizations come to us because they realize they can lower their overall spend with a better document productivity solution. As we move into expanded adoption, using Nitro Analytics, we are able to track further productivity and ROI gains.

Our key insights helped a recent customer to identify a printing problem—they were printing too many documents rather than receiving the benefits of digital workflows. It was a bad habit they'd developed with a prior vendor's implementation. So we provided training to show people how to avoid printing and instead use a digital document and e-signature solution instead. Our customer found that by increasing use of our signing workflows they could get immediate ROI from reduced print costs.

Conclusions

Very often incumbent systems have been purchased without consideration of conversions or end of life scenarios. The surround strategy represents a practical solution to a thorny problem facing enterprise software deployments all over the world because no enterprise should be permanently stuck with vendors and products that no longer meet their business needs. Initiating re-evaluations of incumbent systems long before a renewal avoids a bottleneck, constitutes a best practice, and is already a part of sound management in many IT shops. Software vendors are well aware of the need for re-evaluations because they are both challengers and incumbents. What's left is for customers to formalize their re-evaluation best practices so that they can take advantage of technology changes in the fast-moving software market while avoiding excessive costs.

Denis Pombriant is the founder and managing principal of Beagle Research Group, LLC and the author of several books on CRM, most recently, *You Can't Buy Customer Loyalty, But You Can Earn It.*