

# Introducing Packaged Solutions

**Why enterprise software customers should understand  
and consider packaged solutions**

by Michael Krigsman  
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*Statistics state that up to seventy percent<sup>1</sup> of IT projects run late, over-budget, or do not meet planned goals; this situation is pervasive among organizations of every size and geography. Consequently, implementation risk is a critical factor for all participants in the enterprise software ecosystem—including customers, vendors, and system integrators.*

*Responding to these concerns, software and services vendors created packaged solutions to reduce risk, increase transparency, and align stakeholders around specific implementation outcomes. Packaged solutions modularize the implementation process into smaller, well-defined units that are easier to manage and less expensive to deploy than traditional methods.*

*More importantly, packaged solutions holistically address the entire implementation value chain – including business purpose and scope, approach and fit, selection, and deployment. This overarching view brings together process, customer goals, and governance to reduce risk and create predictable results.*

*This white paper discusses why enterprise software customers should consider packaged solutions.*

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## DEFINING PACKAGED SOLUTIONS

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Packaged solutions involve software and/or services tailored to achieve a specific scope of work. For example, a packaged solution for CRM sales might consist of pre-configured software, related implementation services, and training bundled together as a single unit. Packaging creates a repeatable solution that produces consistent results.

Enterprise vendors developed packaged solutions in response to customer concerns over the length, cost, and lack of predictable outcomes on implementations. The author of this white paper, Michael Krigsman, has written publicly about this topic since 2006:<sup>2</sup>

*[C]ustomers are demanding lower consulting and implementation costs, forcing service vendors to rethink how they price and deliver their offerings.*

A third-party white paper, called “Service Productization,” states the importance of client concerns in driving packaged solutions:<sup>3</sup>

*[C]lients often seek various forms of assurance that their problems can in fact be solved by the prospective supplier of professional services.... Professional services firms can alleviate some of these concerns by attempting to attach more tangible features and benefits to their offerings.*

Although there is no standard industry-wide definition for packaged solutions, Asuret believes that complete packaged solutions should include pre-determined software scope, fixed price, specified deliverables, process content, and related training / enablement materials.

By clearly defining requirements, process, deliverables, schedule, and costs, these solutions increase transparency, which reduces uncertainty for both IT and the lines of business.

## Introducing Packaged Solutions

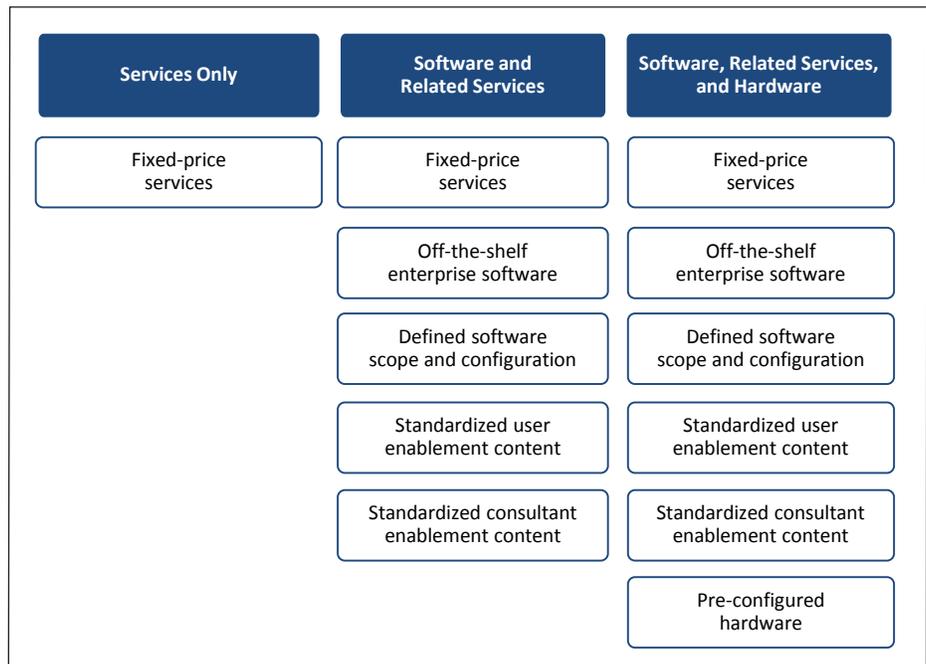
Asuret categorizes packaged solutions into three variants:

- Services only
- Software and related service
- Hardware, software, and related services

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Packaged solutions include off the shelf software, configuration and enablement content, pre-defined price, and specific deliverables.

The following diagram illustrates these three variants:



Types of Packaged Solutions Source: Asuret Inc.

### Services only

At the most basic level, vendors sell defined services (based on fixed price, scope, and deliverables) that cover a particular software module or business process. Asuret calls these packaged services. Packaged services generally support a specific, and well-defined, implementation issue, problem, or need.

### Software and related services

To offer a more complete solution, some vendors create a package by bundling software configured for a specific business process with fixed-price implementation services.

To be complete, these packaged offerings, such as SAP Rapid Deployment solutions, should include:

1. Off-the-shelf enterprise software with defined business processes
2. Configuration information, such as content configured for a specific industry or process, use cases, scenarios, business rules, and reporting features (such as dashboards)

## Introducing Packaged Solutions

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Most implementations are performed with time and materials billing. Packaged solutions offer a lower-risk alternative to hourly professional services.

3. Standardized user enablement and education content such as help systems, training, courseware, workshops, including pre-defined content
4. Standardized consulting enablement content, such as installation and configuration guides, templates, accelerators, and test scripts
5. Fixed-price services for installing, configuring, and implementing the pre-configured software, delivering the standard user enablement content, and guidelines for integrating with other systems

### Hardware, software, and related services

To achieve higher levels of integration, vendors can add pre-configured hardware to the mix of software, content, and services. Adding hardware (either server or appliance) to a packaged solution further decreases the extent to which customers must consider system, infrastructure, and integration issues during an implementation.

This packaging simplifies the buying and implementation process by controlling implementation variables. Software as a service (SaaS) goes even further, by moving infrastructure responsibilities from the customer to the cloud provider. We discuss SaaS later in this white paper.

## IMPLEMENTATION DELIVERY CHOICES

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Implementing enterprise software is not a core competency for most organizations. As a result, these companies lack the necessary staff and technical experience to implement software without engaging external professional services vendors, including system integrators, which perform this work on a full-time basis.

The relationship between customer, professional services provider, and software vendor is a critical link in the implementation process. The financial, operational, and administrative aspects of these relationships play an important role in determining how project risks are distributed and shared.<sup>4</sup>

In a blog post describing packaged solutions, Michael Kringsman explains how project delivery affects the sharing and distribution of risk:<sup>5</sup>

*[T]here is a place for open-ended consulting arrangements, especially on complex and strategic projects taking place in a changing, dynamic environment.... In contrast, fixed-fee engagements tend to shift project risk away from the customer to the consultant. In many cases, this risk shifting forces the vendor to be more efficient.*

By creating a transparent process, packaged solutions align vendor activities with customer goals. Lack of clarity, related to either vendor or customer, is responsible for many challenged implementations, making this a critical issue.

## Introducing Packaged Solutions

IDC's Group Vice President of Software Business Solutions, Michael Fauscette, explains the value of packaged solutions:<sup>6</sup>

*Managing risks to an acceptable level is the goal. Packaged solutions offer the convergence of clearly defined outcomes with learning and best practices honed over multiple implementations and use cases. There's no better way to get an outcome that matches expectations.*

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Packaged solutions solve specific business problems by “productizing” software, services, and knowledge content into defined fixed-price, fixed-scope offerings.

We can better understand the context of packaged solutions by examining two primary approaches for delivering professional services: hourly engagement and fixed-price projects.

### Time and materials billing

Most third-party professional services vendors work on a time-and-materials basis. In this model, costs to the customer are directly proportional to the amount of billable hours that vendors spend on the project. Open-ended, hourly billing has the advantage of providing customers with complete and total flexibility – vendors have a financial incentive to work according to the customer's direction, regardless of the budget impact. However, scope creep can drive up costs, if the customer does not establish clear goals from the start.

Time-and-materials projects trade flexibility against higher risk and less predictable outcomes.

### Fixed-price packaged solutions

Packaged solutions solve specific process-related problems by “productizing” software, services, and knowledge content into fixed-price, fixed-scope offerings.

All packaged solutions include a fixed fee and defined scope of work tied to a specific project approach, which lowers uncertainty and produces repeatable, consistent outcomes. Standardizing project scope, price, deliverables, and schedule raises the predictability and transparency of packaged solutions. In addition, it reduces the time required to determine size and scope when a project starts.

The remainder of this white paper discusses packaged solutions that combine software and services.

## UNDERSTANDING PACKAGED SOLUTIONS

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Packaged solutions consist of fixed price bundles, each of which includes some combination of packaged software and related, pre-defined professional services. In addition, bundles contain pre-built content to help with training, integration, rapid configuration, and so on. Each bundle covers implementation of a specific software product or business process.

By focusing on specific business issues, rather than attempting to cover all possible variations and scenarios, packaged solutions create a standardized response to the most common implementation tasks.

## Introducing Packaged Solutions

Packaged solutions simplify the entire technology lifecycle, from initial software evaluation to go-live. They help buyers avoid open-ended projects, substantially improving predictability and success.

### Overview of key benefits

Packaged solutions offer a predictable and consistent implementation experience, based on the vendor's consolidated knowledge and experience. This predictability allows customers to calculate a more refined TCO (total cost of ownership), create a higher quality cost-benefit analysis and business case, and perform more accurate budget allocations.

Packaged solutions bring several important benefits to enterprise buyers:

- **Easier buying process.** Pre-defined packages are simpler to understand and faster to purchase than custom-designed, bespoke implementations.
- **Lower cost and faster time to value.** By purchasing only the specific packages they need, customers can reduce cost on both software licenses and implementation services.
- **Reduced uncertainty and risk.** Before buying or implementing packaged solutions, customers are clear on costs, schedules, deliverables, which reduces uncertainty.
- **Modularity and flexibility.** Packaged solutions can provide a modular approach to buying and consuming enterprise software, by allowing the customer to buy smaller units on a pay-as-you-go basis.
- **Increased governance, transparency, and predictability.** By making process and deliverables more explicit, packaged solutions simplify IT governance and improve predictability around results.

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Compared to alternative implementation approaches, packaged solutions are easier to buy, faster to implement, and offer lower risk.

### Easier buying process

Traditional implementation solutions involve an array of choices and decisions, many of which have unclear downstream implications, creating substantial risk that forces the buying process to proceed slowly.

In contrast, packaged solutions offer a complete and pre-defined approach to implementation that simplifies the customer's buying process. Purchasing off-the-shelf products is always easier than buying bespoke, custom-built solutions.

### Lower cost and faster time to value

By standardizing and defining the components needed to implement software for a particular business process, packaged solution vendors can offer customers a fixed fee and efficient process.

Without sufficient planning rigor and execution discipline, the open-ended flexibility associated with hourly billing creates an environment for implementations to suffer scope creep. In contrast, packaged solutions drive lower cost and faster time to value by creating bounded projects based on the most common buyer requirements.

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By standardizing core components, packaged solutions reduce risk and improve consistency from one project to another.

### Reduced uncertainty and risk

Every business initiative, especially those involving significant investment and coordination among multiple stakeholder groups, creates some degree of risk and uncertainty. For enterprise implementations, much of that risk arises when designing the solution itself.

With bespoke implementations, the enterprise buyer creates custom software configurations, training materials, and other project components from scratch; this development increases uncertainty and risk. In addition, development quality depends on the skill and experience of the particular individuals involved, which further lowers consistency and repeatability.

By standardizing core components, packaged solutions reduce risk and improve consistency from one project to another.

### Modularity and flexibility

Every packaged solution solves a specific business problem, improves a particular process, or addresses another business challenge. For example, packaged solutions may cover implementation of CRM sales, program and project management, and so on. Each of these packaged solutions is a standalone product that includes schedule, business process content, concrete deliverables, fixed price, and so on.

Because each package is self-contained, customers may choose only those specific packaged solutions appropriate to their particular business situation. This approach gives customers the flexibility to start their implementation quickly and then grow based on evolving business needs.

Customers can combine individual packaged solutions together to create a broader solution. In this way, packaged solutions are standalone modules that can also serve as modular building blocks, thus offering the customer cost and time efficiencies along with downstream expansion opportunities.

### Increased governance, transparency, and predictability

Packaged implementation solutions include a standard process used for all customers of a given type. Stakeholders gain visibility into the steps, tasks, and resources required to complete the project, which allows all parties to plan more thoroughly than would otherwise be possible.

To the extent that packaged solutions increase transparency and align expectations, project governance becomes more effective at controlling scope creep, cost overruns, and schedule delays. A transparent implementation process helps make clear the expectations of enterprise stakeholders (including IT and lines of business), software vendor, and external professional services providers.

## Introducing Packaged Solutions

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Packaged solutions increase transparency and align stakeholder expectations, while creating a single point of vendor accountability.

Packaged solutions also add these benefits, which support increased governance and project control:

- Splitting large, and often ambiguously defined, projects into smaller pieces, each with explicit scope, process, and deliverables
- Increasing the number of touch points for software and services vendors to receive customer feedback and sign-offs
- Giving all stakeholders early visibility into potential warning signs, or deviations from expected progress
- Creating a single point of accountability

## BUYING PACKAGED SOLUTIONS

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The difficult economy during recent years has caused buyers to re-evaluate project risk and its impact on ROI, spurring renewed interest in methods that lead to more efficient and successful implementations. For that reason, software and services vendors are rapidly moving to incorporate packaged solutions into their offerings.

The growing importance of packaged solutions has created variable quality in the market. When evaluating a packaged services vendor, ask these questions:

- When did the vendor start offering these solutions?
- How mature and complete are the vendor's packaged solutions?
- What templates, sample reports, training materials, and other content is included in the packaged solution?

In addition, customers should evaluate the solution, ask to see the contract, and be clear about both vendor responsibilities and their own. The contract should clearly specify key deliverables and mutual obligations.

### Choosing packaged solutions versus traditional consulting

Packaged solutions assume the presence of certain conditions in the customer environment, for example, company size (based on revenue, employees, or number of users); industry; or geography in which the company operates. In addition, each package covers a finite set of defined business processes and scenarios. The goal of these solutions is addressing the typical features and functions most organizations need to perform these processes.

Packaged solutions work well for most organizations. However, if the processes inherent in a packaged solution do not fit key aspects of your business, or misses a significant number of critical elements, then a packaged solution may not be the best choice. Packaged solutions always trade off lower cost, risk, and time to value against flexibility.

Despite the value and importance of packaged solutions, buyers should ensure the right business fit when evaluating any implementation choices.

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By consolidating knowledge and best practices learned over time, packaged solution vendors create products that work in most customer situations.

### Understanding constraints, trade-offs, and risks

To reduce time and cost, packaged solutions always match a fixed fee with specified scope of software and related services. Vendors have a responsibility to publish the exact scope of their packaged offering and to describe the constraints clearly. Likewise, customers must determine whether these constraints and tradeoffs are workable in their own environment.

Success with packaged solutions depends on clear, shared expectations between vendor and customer. Buyers must be sure to understand the vendor's definition for what the packaged solution includes and what it does not. If expectations on the two sides are ambiguous or not aligned, buyers risk disappointment and confusion regarding the solution, delivery method, or fees.

The promise of fixed fees and explicit solution results can be seductive to buyers accustomed to the uncertainties of traditional software delivery and consulting. Although fixed price is important, especially in determining the cost-benefit justification and ROI calculation, buyers must be sure that a proposed packaged solution is an appropriate fit and will address their business needs and goals. Choosing the wrong solution, no matter how inexpensive, creates risk of business disruption, wasted effort and money, and lost opportunity.

### Packaged solutions and software as a service (SaaS)

By standardizing software and delivering a single version to all buyers, cloud vendors reduce costs to users. Software as a service customers therefore buy software defined by a standard configuration. Although buyers can adapt cloud software through configuration and integration, the economics of software as a service depend on standardized delivery.

Similarly, packaged solutions allow software and services providers to deliver standardized offerings to customers on a uniform basis. By consolidating knowledge and best practices learned over time, packaged solution vendors create products that work in most customer situations.

By consolidating knowledge of common customer scenarios into their offerings, both software as a service and packaged solution vendors rely on economies of scale. For SaaS vendors, a shared software delivery infrastructure creates the economies of scale; with packaged services, economies of scale arise from standardizing software, content, and services. Although SaaS and packaged solutions are different, they both respond to customer demands for more efficient, modular, and cost-effective enterprise software.

Both cloud computing and packaged solutions offer buyers efficiency in exchange for standardization. In addition, both cloud and packaged solutions help match software consumption to cost, reducing the burden to pay for unused software licenses.

Many organizations connect their cloud software with existing legacy systems, which often requires system integration services. If appropriate packaged solutions exist, they can be used for this purpose.

## SAP RAPID DEPLOYMENT SOLUTIONS

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Be sure the vendor's contract explains roles, mutual responsibilities, deliverables, price, and schedule for the entire packaged solutions engagement.

SAP developed its rapid-deployment solutions in response to customers demanding shorter implementations and faster time to value. The enterprise software market has changed and customers have become less tolerant of implementation risk.

The president of SAP Global Services, José Duarte, president of Global Services, explains further:<sup>7</sup>

*SAP Rapid Deployment solutions help customers achieve fast time-to-value and immediately address essential business and process needs. Customers know exactly what they're getting with SAP Rapid Deployment solutions – how long projects will take and what they will cost – combined with lower total cost of implementation and ownership.*

After examination, Asuret believes that SAP Rapid Deployment solutions address the five defining elements presented in "Software and related services," on page 3 of this white paper.

### Customer status

As of January, 2011, several dozen customers, of all sizes, have purchased SAP Rapid Deployment solutions. These companies represent a range of industries, including product manufacturing, media, energy, transportation, chemicals, research and professional services, publishing, and process manufacturing.

These early adopters expressed common reasons for choosing SAP Rapid Deployment solutions, including:

- Modular and flexible deployment strategy that can build over time
- Cost efficient, fast implementation, and rapid time to value
- Lower risk compared to other implementation options
- Tight integration with other SAP products

### Contract examination

Asuret reviewed the SAP Rapid Deployment solutions statement of work to understand how SAP defines the following key points:

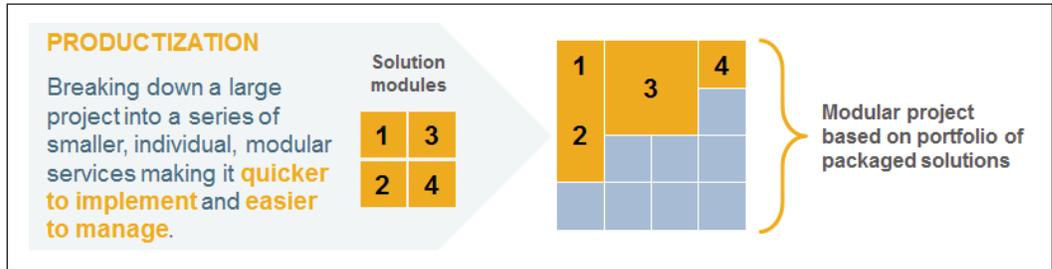
- Project cost, schedule, deliverables and scope, including software modules and configurations to be installed, are outlined in detail
- Project process and roles are described, including explanations for both vendor and customer responsibilities
- Composition of the project team is described, including a list of key project activities, along with their associated roles

The standard customer contract describes costs, schedule, inputs, process, deliverables, and distinguishes responsibilities for both SAP and the customer.

# Introducing Packaged Solutions

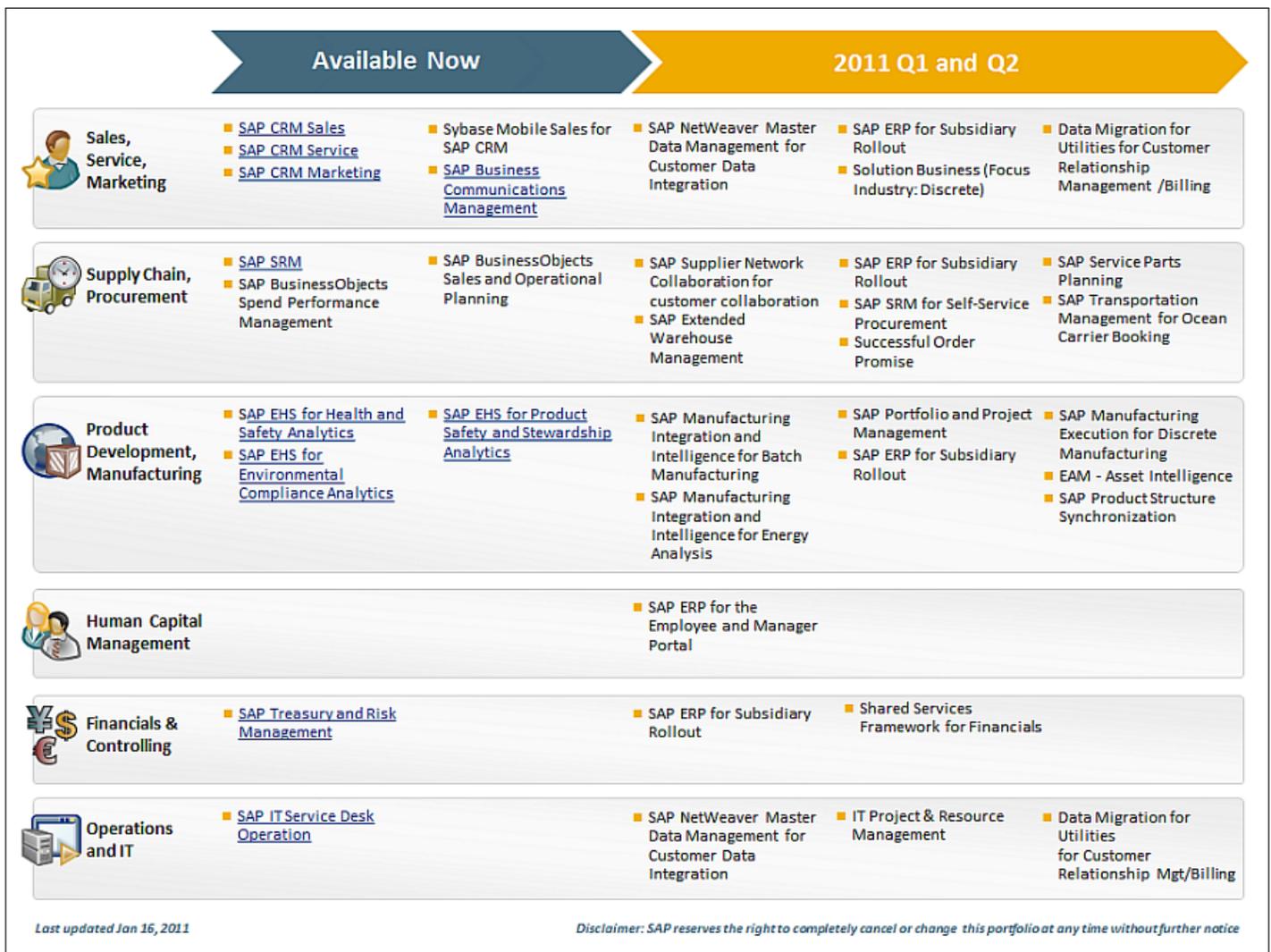
## Release roadmap

The following diagram illustrates how SAP “productizes” its solutions, by breaking a large project into smaller standalone modules:



“Productizing” SAP Packaged Solutions © Copyright 2011 by SAP AG. All rights reserved.

The SAP Rapid Deployment solutions roadmap (January 2011) is shown below:



SAP Rapid Deployment solutions Roadmap © Copyright 2011 by SAP AG. All rights reserved.

### Recommended research

SAP's internal TCO Lab performed a study showing that SAP Rapid Deployment solutions can reduce total cost of implementation (TCI) by approximately 40% while lowering TCO (total cost of ownership) by 20% (relative to traditional projects of similar scope). To verify accuracy, SAP should engage an independent third party to repeat the study, validate the numbers, and confirm all assumptions.

In addition, Asuret recommends that SAP study early adopters after one year, to determine their overall satisfaction with SAP Rapid Deployment solutions. In particular, it is important to understand whether SAP Rapid Deployment solutions helped each customer realize its initial project goals. This evaluation should compare cost, time, and customer satisfaction relative to traditional implementations of similar scope (ideally performed by the same customer).

### CONCLUSION

Today's enterprise customers want modular software, flexible pricing, and vendors that take concrete responsibility for ensuring successful projects. The era of "big bang" implementations, and seemingly unlimited budgets disconnected from project outcomes, is over.

Packaged solutions create predictable, clearly-defined outcomes for both IT and lines of business. They offer a straightforward approach to achieve faster business results with less risk and greater consistency.

### ENDNOTES

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1. IT failures rates are well-documented, although various researchers report different numbers, depending on their methodology and definition of failure. For example, see the following sources:
  - Michael Kringsman, IT Project Failures blog, ZDNet, [Study: 68 percent of IT projects fail](#)
  - Michael Kringsman, IT Project Failures blog, ZDNet, [CRM failure rates: 2001-2009](#)
  - Projectsmart.co.uk, [The Curious Case of the CHAOS Report 2009](#)
  - For an intriguing look at the possible worldwide cost of IT failure, see Roger Sessions (PDF), [The IT Complexity Crisis: Danger and Opportunity](#)
2. Michael Kringsman, IT Project Failures blog, ZDNet, [Productized Consulting Services](#)
3. Technology Evaluation Centers, Joel Radford, [Service Productization](#)
4. For an examination of conflicts that arise among enterprise customers, software vendors, and system integrators, see Michael Kringsman, IT Project Failures blog, ZDNet, [Exploring the Devil's Triangle](#)
5. Michael Kringsman, IT Project Failures blog, ZDNet, [Reducing Consulting Costs with Productized Content](#)
6. Comments from an unpublished email exchange
7. Quote supplied by SAP

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*This white paper was written by Michael Kringsman, CEO of [Asuret Inc.](#), a consulting company dedicated to successful enterprise implementations. Asuret's software tools improve the success rate of enterprise deployments by quantifying and measuring governance issues that cause most project failures. Lisbeth Shaw, also from Asuret, conducted research included in this document.*

*Michael has been quoted hundreds of times in media outlets such as television, newspapers, trade journals, magazines, books, and blogs. He has written almost 1,000 posts on his ZDNet blog, called [IT Project Failures](#), which analyzes why IT projects fail and offers advice for success. He has been writing about packaged solutions since 2006. Michael contributes regularly to [Focus.com](#) and writes thought leadership analyst reports for IDC.*

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