



Improve Your Software Selection Project

SoftResources LLC

No matter what type of software you are selecting, a sound software selection methodology is critical to the success of your project. With over 23 years' experience providing software selection consulting services, SoftResources has refined a best practice methodology that has been successfully utilized with hundreds of clients across many industries. We've seen firsthand companies that initially tried to select software without using a good methodology that were unable to get to a decision, selected software that wasn't appropriate, or had software that was poorly implemented. Once our best practice software selection methodology was applied these same companies achieved success. This paper offers suggestions on ways to improve your software selection project based on real life experience using a best practice software selection methodology.

Software Requirements Document

First and foremost, focus on defining your "key" software requirements. This means that you limit your initial requirements to not more than 100-300 of the most important, critical, deal-killer requirements. If your requirements document lists every requirement possible you will likely end up with information overload. It will be difficult to differentiate the vendor software and to evaluate vendor answers for clarification.

Do not make the mistake of borrowing or buying someone else's requirements document! You can use these requirements as a resource, but do the work to define and understand your business, users, processes, and strategic direction. A Requirements document that lists 1000's of requirements including those that do not truly represent your business needs and may not even be understood and may inadvertently push you to a vendor that is too complex and a poor fit. This may translate into more money, software that is underutilized, and user frustration over the long run.

We once worked with a customer who had failed in its first attempt to select new financial management software. They had a requirements document with over 4,000 requirements, and the vendor proposals were hundreds of pages long. They did not have a clear way to assimilate all the information and get to a decision. SoftResources cut the 4,000 requirements down to about 300 unique key requirements. Our customer was then able to focus on their deal-killer requirements, eliminate vendors more readily who were not a fit, and were successful making a final software decision.

Tips for Developing Your Key Requirements Document

- 1. Business Objectives.** Begin your requirements document with a statement that defines your organization's business reasons for evaluating software. From this statement the vendor should understand how the new software will support you with your business needs.

2. Functional Requirements. Your requirements document should define the functional modules that will be evaluated as part of this project. This may require you to translate terminology specific to your business processes to modules that are offered by the software vendors. For example:

- Financial modules may include: General Ledger, Accounts Payable, Accounts Receivable, Fixed Assets, etc.
- Human Resources modules may include: Time Entry, Payroll, Benefits Administration, Position Management, etc.
- Manufacturing modules may include: Shop Floor Control, Quality Control, Bill of Materials, Inventory, etc.

Within each module, list the specific functionality or requirements for that module. It is not necessary to list every single item, but your list should include enough “key” functionality that will allow you to compare and contrast the software solutions available to you.

3. Technology Requirements. Define technology-based specifications your organization has that will influence the software decision. These requirements include: cloud vs. on-premises, database preference, operating system preference, hardware specifications, programming language, interface or integration requirements to other applications, and IT support staff.

4. Request Vendor Qualifications. Include a request for information about the vendor supplying the software and for the implementation services for the software. The types of information you are seeking: vendor size, annual revenue, employee count, target user, customer profile data, certifications or partnerships with supporting technology vendors, availability, etc.

A Few More Thoughts

- Keep the wording of the requirements concise and direct with a consistent level of detail.
- Avoid vague requirements, word redundancies, or paragraphs of information that contain multiple requirements. Use terms and acronyms consistently and define them in a glossary. Avoid the use of “and/or”.
- Have realistic requirements in terms of the functionality a software application can provide. If the requirements are too extreme your only choice may be customization of applications.
- Rank the Key Requirements using a system that clearly defines which requirements are most critical to your decision e.g., required, important, nice to have, explore, etc.

Software Vendor Research

With your Key Requirements document completed, you are ready to begin researching your software options. Keep in mind, software selection is really a process of elimination based on the ability of the vendors to meet your business needs. You should also remember that there is no 100% perfect software solution for any company. The goal is to find a software solution that most closely addresses your key requirements.

Real-life Example

A large international heavy equipment manufacturer engaged SoftResources to select new software. We developed a Long List of approximately 40 vendors. Using a few high-level requirements, which included very specific multi-national and multi-company requirements we called the vendors on the Long List and were able to eliminate 20 vendors.

Another 15 vendors were eliminated because they could not meet the requirement of planning manufacturing seamlessly across multiple companies. Although many vendors could plan across multiple companies, the way that this company handled that requirement was very complex.

With the 5 remaining vendors we conducted further in-depth discussions using the Key Requirements document and eliminated the list down to a Short List of 3 vendors.

Three Main Elements Necessary for Evaluating Your Software Options

1. Develop a Long List. Develop a list of vendors that you think could be a fit. The goal is to throw as many vendors as you can find onto the list, because if a software product is not on your Long List, it won't get selected no matter how good a fit it may be! This effort shouldn't take more than a few hours. Search the Internet, browse industry magazines, utilize trade shows, talk to peers, etc. Look at both large general vendors as well as smaller vertical-focused vendors in your research. Smaller less known vertical-focused vendors may offer superior functionality at a lower cost to the larger general vendors who are looking to reach across many industries.

2. Get to a Medium List. Perform thorough research on vendors using as many resources as possible including independent studies, articles, websites, and consultants. Use your Key Requirements document as the basis to eliminate vendors on your long list that can't support your needs. Start with a few high-level

requirements e.g., what type of database is required, your required modules, budget for the software, specific unique business process requirements, etc. All remaining vendors will be moved to a Medium List.

If your organization uses a Request for Proposal (RFP) process, be sure to notify all vendors on your Long List in addition to the standard publishing requirements. After vendor proposals are received, use the high-level requirements, such as those listed above, to eliminate vendors that are not a fit. All remaining vendors will be moved to a Medium List.

- 3. Determine the Short List.** Continue to research the vendors on your Medium List (typically 5-10 vendors) by contacting the vendor's technical staff directly and hold in-depth phone interviews to discuss each point of the Key Requirements list. The idea is to understand not only "if" the software may be a fit for your unique requirements, but to clarify "how" it is done. Because every organization is unique, you can't just rely on a database or an RFP response of yes/no answers. You need to talk with the vendor to understand how they would solve your business need, and clarify what yes answers mean.

This effort takes time, but the detailed data gathered is worth the effort. The detailed fit analysis with the vendors on the Medium List will allow you to continue to eliminate vendors down to Short List of approximately 3 vendors that appear to most closely meet your business needs. The whole idea of software selection is to spend more and more time with fewer and fewer vendors until you get to the point that you can make a final decision and spend the most time with the selected vendor to validate the final decision.

Software Demos

Next you need to conduct Software Demos using a Demo Script with the short-listed vendors. This means that you will be asking approximately three vendors to show how they will handle your specific requirements. You do not want them to give you their standard sales presentation typically offered by vendors.

Developing the Demo Script

The key to successful software demos is to develop a quality Demo Script. The script should accomplish the following purposes:

- Allow you to see how the vendor will solve your specific requirements.
- Allow you to schedule your personnel so they participate only in the demo sessions specific to their functional area(s).
- Allow you to compare the short-listed vendors in side by side manner.

To develop your Demo Script start with the Key Requirements document and adapt them into a format that will allow the vendors to show how your requirements will be handled in their software. Business Case Scenarios of one or two of your unique processes may also be developed. The following tips should help you as you develop your Demo Script:

- Organize the demo by functional area or process. This makes comparative analysis and ranking easier. It also enables your staff to participate only in the sections of the demo that are relevant to their job.
- Put a time constraint on each functional/process area of the script. For example, you may have a time constraint of 1 hour for General Ledger. The length of software demos is dependent on the number of modules/functionality to be evaluated. Remember, you are not looking at everything the vendor can do, you are just looking for a good overview that allows your staff to see the software in action. The 3 short listed vendors should demo their products as closely together as is feasible to allow for the strongest comparative analysis.
- Collect feedback from all staff who attend the demos. We suggest you provide a place for notes to be written on the Demo Script. A standardized ranking system also allows your staff to provide feedback regarding the solution's ability to handle their needs. This is also an important step to encourage change management and user buy-in. Demos should be held in a place that allows staff to be away from their immediate duties. Staff who are responding to email or texts cannot be focused on this important part of the project!

Conducting Successful Demos

- 1. Prepare the Vendors for Successful Demos.** Make sure that you give the short-listed vendors the Demo Script in time for them to prepare properly for the demo. We suggest

that you give them at least 2-4 weeks to schedule resources and to prepare. The vendors should also be given an opportunity to come in for a pre-demo meeting so they can ask any questions regarding the script and your company.

- 2. Prepare Your Demo Evaluation Team.** Hold a meeting with your Evaluation Team and staff that will be attending the demos to orient them as to how to score and rank the vendor demos. This will establish a standard whereby you can determine which vendors were better able to meet your needs.
- 3. Assign the Demo Police.** Be sure to designate a member of the Evaluation Team or a third-party consultant to act as the Demo Police. This person will keep the demo under control by monitoring the time and making sure the vendor sticks to the Demo Script and covers the functionality requested. The Demo Police will also need to monitor the questions fielded by attendees to keep the demos on track and to note any follow up actions or clarifications required.
- 4. Hold a Demo Wrap Up Meeting.** After all vendor demos are completed, the Evaluation Team and other decision makers should convene for a Demo Wrap Up Meeting. Feedback collected from all demo attendees should be reviewed and decision makers should discuss the strengths and weaknesses of each short-listed vendor. Data gathered to date should be part of the discussion too. After the demos are complete, you should gather all of the feedback from the user attendees and hold a meeting with the decision team to discuss the strengths and weaknesses of the vendors. The outcome of the Demo Wrap Up Meeting is to come to a decision of one or two vendors to focus your final due diligence activities on.

In our experience, the demos are a pivotal step in the software selection process. In fact, most of our clients can focus in on one vendor after this step.

Final Decision

Ideally, you will have your vendor options narrowed down to 1 or 2 vendors that you will conduct final due diligence with, and gather the additional information you need to make a final decision.

Information Needed to Make the Final Software Decision

Every company approaches this phase differently because they have different needs and require different information. Following are some commonly performed due diligence tasks that help provide additional information very useful in making the final decision.

- 1. Follow Up Demos.** Follow up Demos allow you to take a more detailed look at functionality and capabilities of certain aspects of the software critical to your success. The initial software demos should have given you a good overview of the software capabilities.

However, there may be certain groups or areas of functionality that you will want to conduct follow up demos with the finalist vendor(s). This may be on-site or via WebEx, and should be focused only on areas of functionality critical to the decision.

- 2. User Reference Visits/Calls.** User reference calls are an important part of the evaluation process and should not be overlooked. At a minimum, you should talk to (or visit) 3 similar organizations who have implemented the software you are considering. References are often candid about the software, the implementation successes/challenges, the challenges, and feedback on the vendor as a partner.
- 3. Headquarters Visits.** Visiting the vendor headquarters is a great way to meet their executive team, assess their product development and product support, and get a general feel for the vendor's operation and culture fit. Keep in mind that the willingness of the vendor to provide a visit will depend on the size of the vendor, the size of your organization, and the vendor's interest in winning your business. If the software is being sold through a Value-Added Reseller (VAR) channel, you may want to visit the VAR offices.
- 4. Additional Due Diligence.** Additional due diligence may include follow up questions with the vendor, analysis of the vendor's financial strength, cost equalization between the top two finalists, and other activities.

Vendor Proposal Pricing Refined

After the demos, the vendor should have a better understanding of your requirements and your company needs. We suggest you ask the finalist vendor to provide an updated price proposal. This will be more detailed than the initial proposal estimates. Your team will need to review and discuss the updated pricing. Pay close attention to the implementation team that will be assigned to the project. Look at their experience relevant to your industry, team availability, and hourly rates.

The Final Decision Meeting

After you have gathered and summarized the due diligence information you need for your decision, you should meet with the Evaluation Team and decisionmakers to review the information, discuss the strengths and weaknesses of the vendors and decide on the final solution. When we help our clients through this process, we list the key areas of consideration and rank the vendors together as a group. This is a great way to build team consensus; we find it amazing how this process can bring people together on the decision.

Contract Negotiation

Software vendor contracts are written to protect the software vendor. You will need to carefully negotiate key terms and clauses that will protect your interests in the contract. Because you are partnering with the vendor, we advocate negotiating a fair contract. There are

3 separate contracts you will most likely sign with the software vendor/implementer. These contracts are: 1) Software License/Service Level Agreement, 2) Software Maintenance (for on-premises solutions), and 3) Implementation Services.

Tips for Negotiating the Software Contract

- 1. Negotiate the Software Pricing.** Price is very negotiable for the software license. Virtually every client we have helped through negotiations over the last 23 years has negotiated a discount of some sort for the software license. You can get some great deals at the end of the quarter and especially at the end of the software vendor's fiscal year.
- 2. Negotiate the Contract Terms.** Make sure that the terms of the contract are specifically defined up front. Pay close attention to the definition of a "user," "installation", "go-live" and other terms. For example, "installation" can mean loading the software onto the server, or it can mean completed implementation. This is important because milestone billings can be based on when "installation" occurs.
- 3. Negotiate the Implementation Statement of Work (SOW).** Make sure that you negotiate the SOW before you sign the contract. The SOW defines the scope of the implementation project and identifies both what the vendor is responsible for and what you are responsible for. Many companies that do not include the SOW in the contract are surprised by the work they are required to do in the implementation that they assumed the vendor would cover.
- 4. Engage a Consultant.** Software contract negotiation is one area where it can be very helpful to have a consultant involved. There are many standard clauses and discounts that are negotiable in the contract that a consultant well versed in software contracts will help you negotiate including: discounts, key clauses, terms, and protections.