



SoftResources LLC



HOW TO MAKE YOUR **SOFTWARE SELECTION PROJECT** MORE EFFECTIVE

No matter what type of software you are selecting, a sound software selection methodology is critical to the success of your project. SoftResources has over 24 years' experience providing software selection consulting services and has refined a best practice methodology that has been successfully utilized with hundreds of clients across many industries.

We have watched companies that initially tried to select software without using a good methodology and were unable to get to a good software decision. We want to help you avoid these mistakes! This white paper will teach you how to improve your software selection project based on real life experience using a best practice software selection methodology.

SOFTWARE REQUIREMENTS DOCUMENT

Everyone knows that you need to define requirements in order to find a solution that fits your organization. However, we recommend that you not focus on every requirement, but instead define 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 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 requirements that do not truly apply to your business needs, 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.

Do not make the mistake of borrowing someone else's requirements document!

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 most important requirements, eliminate vendors who were not a fit, and were successful making an informed software decision.

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. 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 ANALYSIS

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.

Three Keys for Evaluating Software Vendors

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! 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 than the larger general vendors who are looking to reach across many industries.

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.

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

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., cloud vs. on-premises, required modules, budget for the software, and specific unique business process requirements.

3. Determine the Short List. Continue to research the vendors on your Medium List (typically 5-10 vendors) by contacting the vendor's functional/technical staff directly and hold in-depth phone interviews to discuss the most important points on 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 needs, and clarify their response for your situation. This research should get you to a Short List of 3 vendors.

SOFTWARE DEMOS

After you have identified the Short List of 3 vendors you should schedule and conduct Software Demos using a Demo Script. The Demo Script should accomplish the following purposes:

- See how the vendor will solve your specific requirements.
- Schedule your personnel so they participate only in the demo sessions specific to their functional area(s).
- Compare the short-listed vendors in a 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:

The length of software demos is dependent on the number of modules/functionality to be evaluated.

- 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 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!

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 the demos are complete.

FINAL DECISION

At this stage, you will have narrowed your vendor options to 1 or 2 finalists that you will gather the additional information you need to make a final 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 areas of functionality that you may not have seen the level of detail that you need and will want to conduct follow up demos with the finalist vendor(s). This may be on-site or via web conference, 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. 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, and feedback on the vendor as a partner.

3. Update Price Proposal. After the demos, the vendor should have a better understanding of your requirements and company needs. Ask the finalist vendor(s) to provide an updated price proposal. This will be more detailed than the initial proposal estimates.

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.

Hold a final decision meeting with the decision makers to review the information gathered and make a decision.

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 decision makers 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; it is 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 on-premises software license and somewhat negotiable for a Cloud vendor subscription. You can get some great deals at the end of the quarter and especially at the end of the software vendor's fiscal year.

Pay close attention to the definition in the contract terms.

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.