

Package Evaluation and Selection

WISDOM to work by:

1. *Process, process, process!*
This package evaluation and selection process is a winner.
2. *Wait, wait don't call.*
Don't just pick up the phone and call a vendor. Stick to the selection process. It works.
3. *Don't fall for the "it worked there" approach.*
Don't let employee experiences from other companies taint your package selection process.
4. *Don't make that mistake.*
Avoid making the two major package selection mistakes. Don't ignore solution scope and don't ignore requirements.
5. *Manage your vendors or they will manage you.*
You must exercise strict control over the package evaluation and selection process.
6. *Make the numbers work for you.*
Develop selection criteria and a numerical scoring system.

A. Introduction

In my experience, this is the area that most SMBs fail miserably time after time after time. The most common mistake is jumping to a solution. Under the guise of research, many SMBs jump right to the telephone and call a vendor. That is basically asking them to sell you their solution. I have never seen a vendor refuse to sell the SMB anything so once that first call is made, all process goes out the window. My advice would be to simply stop. Don't pick up the phone! Buying the wrong software application is a critical and costly mistake. It can be avoided! Contained within this chapter are some very simple but effective tools and techniques for doing package evaluation and selection. This chapter alone is worth the cost of this book. Despite the misgivings of any SMB, buying a package does not have to be a long drawn out bureaucratic process. Structure and methodology does slow the process down...not much, but in a good way. A solid process can save an incredible amount of lost time and money. The SMB needs to slow down, spend some quality time and get it right.

Another common mistake in many SMBs is to buy a package based on the recommendation of a single employee. In this case, one employee with previous package experience or exposure drives the selection process. The SMB buys the back

office package that someone on the accounting or finance team has used at some other company. The SMB buys some customer facing application because a member of the sales or marketing team knows of a competitor who uses it. This approach seldom works. Each business is different. Each business has gone about solving their technology and business problems in different ways. What works for other companies or at other companies in back office or customer facing applications may not necessarily work at your company. Each SMB should strive to standardize and homogenize the back office application software components. This standardization will be limited, however, by other factors. These include the pre-existing suite of tools, the existing infrastructure and the required interfaces. These factors play a major role in the selection process.

B. The Process

Here is the recommended process for package evaluation and selection. I have included a full set of package evaluation and selection templates and some examples as Appendices 13-1, 13-2, 13-3 and 13-4. Ignore any of these steps and you increase the risk for failure.

- Define business and technical requirements
- Scope the initiative
- Prepare a package evaluation summary in the form of a request for information (RFI)
- Conduct an initial search and identify all potential candidate solutions
- Conduct initial research (buy reports)
- Eliminate all but the top four to six candidates
- Send out the RFI
- Evaluate the RFI responses
- Narrow the candidate solutions to three to four
- Schedule and conduct vendor product presentations
- Encourage written vendor questions and deliver responses
- Conduct vendor client visits and demonstrations
- Develop final selection criteria
- Map selection criteria to vendors and solutions
- Make selection
- Conduct contract negotiations
- Purchase
- Install

1. Define business and technical requirements

This is the step that I generally see skipped. It is the most important step in the entire process. What is the SMB trying to accomplish? If you don't know where you are going, then any road will do. If you don't document and agree upon your business and technical requirements, then on the surface any package will work for you. But it won't! You might satisfy some of the high level requirements but the package solution will surely

miss the mark. An excellent way to document these requirements is through an RFI (request for information) or an RFP (request for proposal). A project charter and scope document may be substituted in a smaller project. The goal of any of these documents is to define what the vendors will need to know to understand your challenges, to provide a template for your business and technical requirements and to define how you are going to meet them.

2. Define scope

The scoping exercise is critical to the entire selection process. The SMB can solve a specific business challenge or a whole series of challenges with a given solution. By this statement I mean that the selection process can simply focus on a single problem area or on several problem areas simultaneously. For example, the business may attempt to fix the problems with paying sales commissions. Conversely, sales commissions are a part of most back office application suites and can be included in a larger more comprehensive back office solution. The SMB can buy a single sales commission point solution or look at a broader array of solutions to solve interrelated problems as well.

Vendors do not share a cohesive view of how any particular SMB works. Instead, they have developed their own view and have built and tailored their solutions to meet that view. If the SMB does not share or closely align with that view, the solutions offered by the vendor may be less than applicable. The scoping exercise puts bounds on what solution sets will be considered and what the SMB wishes to accomplish. Please refer to Chapter 3, Section C where I discuss the scoping exercise in great detail.

3. Prepare a package evaluation summary in the form of an RFI

Remember that the purpose of the RFI is to both summarize the package evaluation effort and to solicit feedback and information from potential vendors about their solutions. As with any recommend process in this book, try to keep the document as brief yet comprehensive as possible. Try selecting the most critical components from the list below. Please refer to Appendix 13-2 for a workable template.

- Company overview (include basic revenue and market information)
- Project overview
- Project background and details
- Project scope
- Project purpose
- Project objectives
- Project benefits
- Project requirements
- Business requirements
- Technical requirements
- System interfaces
- The request for information or proposal itself
- Purpose of the request
- Response and evaluation schedule

- Evaluation criteria
- Evaluation process
- Response instructions
- Confidentiality
- Disclaimers and disclosures

A couple of comments about the RFI are warranted. The point here is that you have taken control of the project and the process while denying that control to a vendor. You have also answered many if not all of the questions that the vendors are going to ask. You have done it once all in one place. This act alone saves an incredible amount of project time and speeds up the selection process. Last, and most critically, you have defined what you are going to accomplish.

4. Conduct an initial search and identify all potential candidate solutions

There are numerous compiled lists of solutions available for any back office suite or of tools for building customer facing ones. Most IT and business publications run these lists periodically. They are basically a pick list of the available package solutions and vendors. Importantly, they are usually segmented by company or market size so you do not waste time and energy on Fortune 500 appropriate solutions. If you are looking for back office accounting applications try the publications targeted for the accounting or finance groups. If you are looking for generic back office tools like fax servers, try the office management publications for office or building services. It may take a little effort. You do ensure that you are not leaving out a key potential solution. The goal is to start the process with the known available universe of solutions for your particular business problem. There are numerous publications and websites targeted at IT professionals that build and maintain these lists. They are the natural starting point for the package selection exercise.

It is always important at this juncture to include any recommendations from internal employees. To be a candidate these should be included on the appropriate resource list and fit roughly within the initial screening parameters. This assures the input and participation of the business in the process.

5. Conduct initial research (buy reports)

This is another critical step that is often ignored. It includes reading periodicals, researching potential solutions and buying product comparisons. Product comparisons show functions and features of all products in an application space but do not make package recommendations. The SMB must still match their specific requirements to the strengths and weaknesses of the package solutions to select the most appropriate ones. These reports do make the job much easier to accomplish. One of the hidden responsibilities of any IT organization should be research on package solutions. One member of the team needs to take responsibility for knowing what products play in the relevant market spaces and what the competition is doing in regards to software applications solutions. Obviously the internet is the place to start. Research should be done in a structured and repetitive manner.

6. Eliminate all but the top four to six candidates

Use your initial research to narrow the field of potential solutions to a manageable number. You can not thoroughly research and fully comprehend all of the available solutions. Focus on the most appropriate ones. Your initial research should consist of matching your business and technical requirements to the strengths and weaknesses of the solutions and selecting the ones that appear to be the most closely attuned. This underscores the importance of clear and concise business requirements. It also allows you to use your strategic drivers as a way to assure the packages are consistent with your strategy. Please reread the sections on strategic drivers and apply these to your selection process.

7. Send out the RFI

Now send out the RFI to the top four to six candidates. Just an aside here, I prefer an RFI to an RFP since an RFP usually brings the process right away down to pricing. While pricing is important and must be addressed, you are more concerned at this juncture about functionality and fit. When you distribute the RFI, be sure to provide rigid guidelines for both delivery of the written responses and how the vendors can ask questions. I recommend a brief period later in this process where vendors can submit written questions. The SMB answers all questions in written form and copies the questions and responses to all vendors. This eliminates the one on one selling that all vendors strive for and keeps them from wasting your time trying to establish a sales relationship. If the SMB does not go the RFI route, then all research must be done in sort of a vacuum. This is much more difficult to do. I recommend the RFI approach.

8. Evaluate the RFI responses

I find it valuable to have a small committee appointed to evaluate the vendor responses. This approach usually instigates some good discussions and allows for a more critical evaluation process. One critical component of the RFI should be not only to ask the vendors whether they can handle a specific requirement, but to also ask how it is done. This is the telling factor. If the response is that the requirement is handled by the application as part of the core functionality, then the requirement is met. If the response is some sort of modification, change or work around then the requirement is not going to be met. The RFI response should give the SMB a “feel” for how the application is constructed and how data is kept and organized. A quick comparison of the RFI responses should enable the SMB to eliminate several from the competition. Again the SMB is driving the process and the time lines.

Do not be surprised if one or more of the vendors fails to respond to the RFI. They may feel they do not want to expend the effort to reply or do not want to participate in a sales process that they cannot control. I weed out these vendors immediately and I do not take telephone calls from them. I see it as them trying to subvert the process. Expect less than a one hundred percent response, but rest assured that those vendors who do respond are going to be better to work with over time.

9. Narrow the candidate solutions to three to four or less

The previous exercise should allow the SMB to now pick the best vendors from the larger group. This part of the evaluation and selection process has both elements of an art and of a science. In addition to evaluating how well the solution meets the business and technical requirements, the RFI responses will give the evaluators an overall “feel” for the products. Once you are immersed in the selection process, the evaluation allows for a ranking based on both business and technical requirements as well as how the vendor handled the RFI. Do not be surprised if several of the application options appear to be a fit. Once again your business is not unique. Back office applications all do basically the same job. The challenge to the SMB is to pick the one that meets the most requirements and allows the SMB to avoid custom add-ons and custom development. It is important now to limit the candidate solution set to three to four vendors or less. Each vendor who stays in contention will require a large time commitment. Each one that stays in contention increases the energy that must be expended to give them a healthy look.

10. Schedule and conduct vendor product presentations

Contact each remaining vendor and explain to them that you are allowing them to make a one time fixed length presentation. Schedule the presentations as closely together as possible but not more than one in a single day. Select a comfortable duration like three to four hours. Have a hard stop when the time limit has been met. Again, the business must continue to control the vendors and the vendor interactions. The agenda for the presentation needs to be prepared by the SMB and should be the same for all vendors. I recommend something like the following:

- Participant introductions
- Company introductions
- Review of the entire selection process
- RFI review and clarification
- Review of the candidate application in detail
- Review of the navigation and flow of the system
- Review of the functionality of the system
- Review of the data storage and data structure
- Review of system reporting
- Review of interfaces
- Review of any other linked or connected applications
- Discussion of installed base and current customers
- Discussion of markets served and market focus
- Policy on written questions and responses
- Close

Here is where SMBs often get off track by being wowed by a sales person or otherwise becoming enamored with a given product before the selection criteria is applied. Take your time and follow the process. Vendors with strong sales capabilities will try to move in and take over the selection process. It is critical that the SMB does

not allow this to happen. The goal of the presentation is to focus on how the vendor will address the requirements and on their experience with similar companies and similar projects.

11. Encourage written vendor questions and deliver responses

Now that you have met the sales teams for the various candidate solutions it becomes even more critical to maintain control of the process. To keep the vendors busy and not calling you for an update every other day, set up a question and response process. Notify all vendors via email that you are soliciting questions. The window for questions should be a preset prescribed timeframe. I recommend one week. Ask them to submit all of their questions in writing. Discourage them from contacting you in any other way. This allows you time to digest the presentations and work on your selection criteria. Take all questions submitted by the deadline. Provide written responses to all questions from all vendors to each vendor. This keeps the playing field level and keeps you from answering the same question over and over again later in the process. Late questions are left unanswered and all other queries are denied. This allows you to continue to control both the communications and the selection process.

12. Conduct vendor client visits and demonstrations

Nothing is more telling than seeing an application in full blown production. It is appropriate now to ask the vendor to set up a visit with one of their customers. The visit should be structured such that the product is viewed in a real time production environment. This will allow you to see the flow of the system as well as the general look and feel. The key is to select a customer who is using the software the way you intend to use it. For example, if the product is a call center product, the SMB should make sure it is used for the same functionality. If the SMB call center is an inbound center and the vendor's customer focuses on outbound calling, then the visit has less value. Pressure the vendor to provide several options and do the visit selection yourself if at all possible. The vendor will be trying to select a client who is thrilled with their application whether the usage is similar to yours or not. Vendors are selling products. Your goals are different. You are trying to gather information. Since the next step is finalizing your selection criteria the pre-visit work should involve preparing a series of questions. These questions, when answered during the customer visit, will support your effort to provide detailed selection criteria.

13. Develop final selection criteria

The first criteria for package selection will naturally be meeting requirements. All candidate solutions at this point should clearly meet the basic business and technical requirements as given in the RFI or they should be eliminated. Usually several vendors will be able to meet the requirements at this juncture. The next step is to assure that you select the best solution from this list. You accomplish this by developing additional selection criteria to which each solution and vendor will be subjected.

Here is where all of the other factors about the vendor and the potential solution come into play. All solutions and all vendors are not created equal. The purpose of this step is to establish the critical criteria that will be applied to narrow the field to one. Some examples are as follows:

- Cost
- Service (cost plus terms)
- The viability of the vendor in the market place
- The healthiness of the company
- The company's reputation
- Other products offered
- Contract details
- Conduct during evaluation process (tells a lot)
- Ease of doing business

14. Map selection criteria to vendors and solutions

The work is done and the selection can begin. Some criteria are more important than others and these can be weighted. Please refer to Appendix 13-4 for a sample of how this matrix should look. Develop this one page matrix with the vendors scored against the criteria to make your selection. One or two vendors will “pop out” at the top. If one or more vendors are equal or very close in the scoring, you can use a little discretion and apply the art portion of the process. By that I mean that some of the softer factors may be considered, like how comfortable you are with the vendor.

15. Make selection

Pick your vendor and notify all vendors of their ranking. Let each vendor know that the process is not totally complete but that you are going into contract negotiations with a selected vendor. This is another time when a vendor may start to hard sell you. You must find a way to close off that dialogue. Expect some blue light specials and some one time pricing. You must communicate again that the process will be followed and that you will only reopen the relationship should the contract negotiation process falter or fail.

16. Conduct contract negotiations

You have selected the best vendor. It is time to go into contract negotiations and work on pricing and other issues like support and maintenance. Unless the IT leadership has a skilled and experienced contract negotiator, they will need both financial and legal assistance in these negotiations. There are numerous issues that need considered and negotiated. Many SMBs without the proper background or experience find themselves signing boiler-plate contracts yielding few concessions and little wiggle room. The vendor wants to sell the SMB a product or service, so the SMB should maintain control of the negotiations. Never to go into negotiations on a deal you cannot walk away from.

17. Purchase

Contract negotiations are about pricing, terms and timeframes. Make your expectations known. Let the vendor know your timeframes and expectations and expect compliance with them. There is no need for a long delay between contract signing and the completion of the installation project.

18. Install

Make sure that you are following the standard simplified project management methodology as given in Chapter 10. The focus on the project now becomes planning, communication and testing.

C. Summary

This simple, but effective, methodology will enable the SMB to focus on the important factors in application software and vendor selection. It forces attention to the two most critical factors of scope and requirements. It will allow the SMB to drive and manage the process and go at a rapid but respectable speed. It takes the vendor's salespeople out of the equation and does not allow the SMB to be sold on a less than perfect solution. It takes the needs of the SMB, the requirements and provides a structured way for those needs to be met.

I do now wish to be disrespectful of vendors and salespeople. I have excellent relationships with all of my vendors and there is usually mutual trust and respect. I was trying to point out in this chapter that the vendors and salespeople are trying to sell products. It is up to the customer to make sure that what they are buying is right for the SMB. This is not a decision that should be left to any vendor.