Executive Brief

Best Practices for Software Selection

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In today's rapidly evolving business climate a paradigm shift is beginning to unfold. The lowering of deployment obstacles for organizations to purchase enterprise software is on the way to becoming the "new normal". The proliferation of smarter customers, end user bill of rights, newer technologies, the maturing of service oriented architecture (SOA), cloud computing and client engagement by vendors all contribute to the shift now taking place. Organizations and vendors must adapt to the new way of doing business especially in the acquisition of enterprise software selection.

Issues such as non-realized return on investment, failed or partially successful implementations, incomplete data on solutions, political and operational biases; both internal and external, lack of an evaluation process, lack of needs prioritization and misunderstood vendor communications are common problems that have occurred and can be mitigated by employing a best practices approach for enterprise software evaluation. This brief will examine the need for a structured evaluation methodology for software selection, needs prioritization and vendor engagement best practices. These topics will be discussed within the context of software evaluation and the significance in which they hold for the selection portion of an evaluation process.

Best Practices for Software Selection

#1 Structured Selection Methodology

A major stumbling block for organizations is not having a proper evaluation methodology. Best practices suggest that organizations should adopt a systematic comprehensive approach to software evaluation. A proper selection methodology provides a framework in which the evaluation portion of the project is to be performed. A valid method contains a repeatable process that quantifies the results of the findings accurately, consistently rates vendors, and aligns your business objectives with the best solution possible. A checklist is not a substitute for an evaluation method. A checklist is a list of tasks that need to be completed, and the list only offers a "yes" or "no" answers. This does not allow a company to effectively, consistently and quantifiably rate vendors and solutions. A quantifiable rating system will enable organizations to definitively evaluate vendors without bias and present the best fit for the company's business requirements.

Organizations tend to underestimate the scope and timelines required for a full evaluation. This often results in omissions of steps/stages and phases that need to be executed during a software evaluation. Not having a systematic consistent procedure to follow during the selection process can lead to not fully understanding the complexities of the software. Too many features/functions and processes may confuse the selection and may cause unnecessary project delays and or budget overruns.

The complexity of the software may cloud the original intent of the software purchase by not identifying the true scale and functions required. Having a methodology for software selection assists in the clarification and differentiation between solutions.

#2 Prioritization

This is the aspect that aligns your current and future business objectives to the capabilities that the new system will provide. Prioritizing your organization's needs allow you to differentiate among vendors and choose the correct software to achieve your business requirements. Often scope creep enters the project lifecycle when organizations cannot differentiate between necessities and wants. Complementary modules stemming from existing main enterprise software may confuse organizations such as Enterprise Marketing Management as a component of a larger CRM system while negating the original intent - a CRM system.
This needlessly extends the project lifecycle, increases consulting costs and adds to further cost overruns which results in a project that is not on-time, over-budget and may invoke the perception of a failed implementation throughout the organization.

A best practice approach for defining the difference from an actual business requirement or a want is as follows:

- Identify the current business practices currently in use
- Categorize and delineate where each business process begins and ends
- Identify which processes are being completed and equate that to the corresponding module that is required for the new system
- Be cognizant of the holistic organizational view that the new software must cover
- When identifying key components and supporting modules do not allow scope creep to define new systems to be added
- Co-existence with existing systems should be considered as there may be overlap from system to system

Following these simple tips should provide a framework that will allow the organization to delineate between needs and wants

#3 Vendor Engagement

An often overlooked piece of the selection equation is how organizations engage and communicate with potential vendors. Since few documented methods for a proper

system evaluation exist, current methods used are very generic, and it is no surprise that this aspect of software evaluation is misunderstood.

Best practice recommends that open lines of communication with vendors be established. Organizations often withhold information as a method to evaluate a vendor's knowledge of the industry, but such a strategy can result in disqualification of a capable vendor and a very suitable solution. Open communications allows the vendor to gain a clear understanding of the organization's requirements and the scope of the entire project. By disclosing the proper information to the vendors such as budget, amount of users, sites, support requirements, timeframes, obstacles, anomalies, industry requirements and specific proprietary processes and functions allows the vendor to provide an accurate solution that addresses the organization's needs within the organization's budgetary constraints.

Full acknowledgement to vendors about your business needs permits the vendor to design a custom solution that best suits your organization usually without any major customizations. For specific industry expertise or processes where a vendor may not be too familiar, a vendor will have enough information to possibly remove themselves from the evaluation process due to the disconnect between the organizational needs and their solution. For example; a company requires a process based manufacturing solution but one of the vendors included within the evaluation process offers a system for discrete manufacturing which will not fit what the organization is looking for. Remember: providing accurate and complete information to the vendor during the selection process will facilitate a smoother implementation and lowers the risk of a failed implementation.

Summary

Lack of a selection method, needs prioritization and vendor engagement are three areas where organizations either neglect or do not address with the required significance. These procedures exist within the framework of an evaluation but do not comprise the entire software selection method. By adding these procedures and combining remaining tasks within a software evaluation methodology framework will allow organizations to reduce risk, optimize ROI, decrease project lifecycle lengths and most importantly – find the right software to fit the organization's needs.

Common Mistakes and Lessons learned

#1 Strategic Fit

Here is an example of a company that had just engaged us in an evaluation. It turns out the company's CEO was coming back from a business trip and as luck would have it he was sitting next to an SAP account executive. After several hours of speaking with SAP it was decided by the CEO that this was the system that they selected and the evaluation process was subsequently scrapped. This was a mid-sized company (approximately $50 million in revenue) and they were sold the Enterprise Business Suite. After the implementation was completed, a follow up with company revealed that the system was too large for their capacity. The external scope creep, clouding of objectives, management of the project (both internal and externally), budget over-runs, time delays and administration proved to be problematic throughout the selection and installation process. It turned out that SAP was too much of a resource drain on this particular company for financial resources, people and essentially paying for what was not being used. The company also had to bring in full-time resources for Administration and internal support and internal support who also covered the excess training that was required for everyday use of the software. The resource drain on the organization and the additional expertise to deal with SAP and of course the additional costs incurred proved this was not a good idea to bypass the evaluation and strategically finding the right vendor for your organizational size.

The lesson here is strategic vendor fit, and software fit are crucial when selecting enterprise software. The organization should feel comfortable when selecting a vendor in terms of support, functionality, maintenance and matching like sized vendors to your business model as selecting the wrong vendor may have detrimental effects.

#2 Wrong system type

A customer contacted us about how slow their ERP system was performing thinking we might be able to do some ERP tuning to speed up their system. We had tried several database tuning techniques to increase the system performance, (although this is not something we offer).

While the fixes we suggested had minimal efficiency gains it was clear that further assistance would be required by an additional programming resource that could tune their proprietary database. After several weeks of implementing and testing the fixes offered by the programmer it did speed up the database significantly but not to enough to continue on the way. Their business had also dramatically increased and the new

business processes and the additional performance that was required to accommodate the change were not present. System scalability and lack of research from their part and misleading information from the vendor contributed to selecting an inappropriate system type for their operations. After speaking with the company in more detail we discovered they were sold a discrete ERP type system and they were indeed more of a contract manufacturer as their core business. In this case, the correct system type would have been an Engineer-To-Order system with sufficient MRP scalability for the part intensive components that this company produced. The ERP they had selected was not the correct fit for what they had set out to accomplish originally.

The lesson here is do not let scope creep or a fancy vendor demo win you over, stick to your guns and find out everything that your organization is trying to accomplish with the new system. Whether it is to automate processes, maximize efficiencies, accommodate growth, addressing scalability or finding a system that can also keep up with a rapidly changing organization system agility should also be considered.

#3 Unnecessary vendor disqualification

A best practice approach for conducting a proper software evaluation is that organizations do not withhold information on how you run their business to vendors. When organizations hold back information about their needs and implementation requirements they measure the vendor on if they can fill in the blanks within their industry and own company on features/functions and business processes which may disqualify a very capable vendor. This is not fair for the vendor as well as it could change your organizational requirements by each vendor demonstration causing you to lose sight of the original objective. The risk here is that your requirements could possibly be changed after every sparkling vendor demonstration. After all vendors are future business partners not just suppliers. The vendor would also like for you to be a customer who is truly happy with their software purchase and can be used a reference site.

A best practice here is to fully disclose what your needs are so that the vendor can guide you as well as put forth their best effort to solve what you are looking for.

#4 Previous selection experience becomes the method for evaluation

A common mistake made by organizations is that people who have been through a software selection projects at previous companies become the subject matter expert for the software evaluation is to be performed. Their experience of methodology, biases and market knowledge are all introduced into the new software evaluation process which has not fully begun yet – already putting the company at a disadvantage. Often familiarity will introduce biases (political, organizational, functional, vendor and technical) in the evaluation process. *An evaluation is a project that precedes the implementation to prepare the organization for selecting the best possible software for its requirements.* This is a certain set of skills validated with a proven method that drives consistent results to finding the right software for your company.

While someone with previous experience is a valuable tool it should be added in conjunction with a proper systematic method of software selection that can produce quantifiable results. If that person were to leave for another company as is now quite common you may be stuck with a system that does not have full support and does not meet the original intended requirements.

The lesson here is to take under advisement the previous experienced staff available within your organization and add that to a proven methodology of software selection to create a full functional and technical roadmap for the selection process.

Summary

As can be seen, strategic fit, wrong system type, unnecessary vendor disqualification and previous selection experience becomes the method are all avoidable mistakes that organizations can benefit from. These lessons of repeating failed practices and learning how others have learned the hard way you may be able to avoid your own painful lessons for software evaluation and not make the same mistakes. If these strategies are followed a successful software evaluation may be in your organization's future which may avoid your company becoming the next IT failure story.

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