Software Selection Process Steps

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Introduction

As in any project plan, a detailed and methodical process must commence to ensure success. A plan for software selection and purchase of new ERP software is no different than any major project being undertaken by a corporation. It requires a significant investment of time and resources, requires the involvement of the entire organization, as well as a considerable amount of research, planning, and reevaluation along the way.

This document is designed to offer an example of the typical ERP software selection process. Although this document and described process flow refers to ERP specific products, the core of the selection methodology may be utilized to search for and purchase other products such as supply chain management software, manufacturing software, or other related business software.

The best projects are well thought out and fully researched. Reviewing this document, as well as the other documents available in TGI’s Software Selection Tool Kit, is one of the first steps to a successful software selection and implementation project.
Five Phases of Selection

Software selection requires five individual elements or phases within an overall process. The entire process itself can span months or even up to a year, depending on the number of internal resources available for the project.

Within each phase are a number of secondary steps or tasks that must be completed by members of the team, once selected. Although the steps themselves may not exactly fit each organization type, they provide a solid basis for the overall structure and allow the team to use them as the core template for their individual project.

Summary of Selection Process

1. Research and Planning
   - Obtain Initial Executive Support
   - Form a Steering Committee
   - Review Key Business Initiatives and Long Term Goals (Top Down Approach)
     - Interview Corporate Executives and Senior Management
     - Interview Information Technology (IT) and Operations Managers
   - Identify Internal and External Stakeholders
   - Clarify Objectives and Constraints
   - Perform a High Level Needs or Requirements Analysis (Bottom Up Approach)
     - Evaluate Existing System Performance
     - Interview Functional Departments Managers and Key Users
   - Develop a Strategic Systems Plan
   - Develop a Detailed Project Plan
     - Define Project Structure
     - Define Project Scope
     - Identify Project Phases and Tasks
   - Prepare a Business Case
     - Prepare a Project Budget
     - Calculate Potential ROI
   - Obtain Executive Level Support
     - Obtain Approval of Project Plan & Resources
     - Obtain Budget Approval
     - Assign an Executive Champion

2. Requirements Identification and Proposal Preparation
   - Inform the Organization of the Project
     - Inform Department Managers
     - Employees of Systems Project
Form a Project Team
Educate Team on Project Plan
Establish Project Controls
Requirements Definition
  - Prepare for the Definition of Requirements
  - Interview Functional Areas
  - Prioritize Requirements
  - Review Completed Requirements with Team
Research and Identify Long List of Potential Suppliers (15 – 25)
Create a Draft Request for Proposal (RFP)

3. Supplier Evaluation
- Conduct Supplier Interviews with Long List of Suppliers
  - Define Required Response Questions and Initial Selection Criteria
  - Perform Verbal Interviews or Issue Formal Request for Information (RFI)
- Reduce Initial Long List of Suppliers (10 – 15)
- Conduct Remote Demonstrations for Long List of Suppliers
- Reduce Suppliers to Short List of Candidates (5 – 7)
- Finalize RFP and Submit to Supplier Short List
- Perform On-Site Demonstrations with Supplier Short List
  - Develop Detailed Demonstration Script and Provide to Supplier Short List
  - Perform Individual Supplier Demonstrations Based on Detailed Demonstration Script
  - Document the Team’s Initial Reaction Immediately Following Each Demonstration

4. Supplier Selection
- Evaluate RFP Responses
- Evaluate On-Site Demonstrations
- Reduce Short List to Two Top Suppliers
- Conduct Reference Check on Top Two Suppliers
- Select Supplier of Choice
- Notify Suppliers of Decision
- Negotiate Contract

5. Implementation
- Form Joint Project Team with Supplier
- Define Project Charter
- Order System Hardware
- Install Hardware
Software Selection Process

- Install Database and Software
- Perform Initial User and Technical Training of Project Team
- Validate Software
- Review Current Processes and Create Work Flow Diagrams
- Perform Value Stream Analysis for Required Process Improvements
- Define System Data
  - Populate Base Tables
  - Cleanse Existing Data for Conversion
  - Migrate Cleansed Data to New System
- Define System Reports
  - Review Reports in Existing System
  - Review Standard Reports in New System
  - Prepare Customized Report Listing
  - Create Customized Reports
- Define Modifications
  - Review Value Stream Analysis and Work Flows for Required Modifications
  - Request and Review Supplier Quotes for Modifications
  - Authorize Necessary Modifications
  - Test Completed Modifications
- Develop Integrated Test Plan
- Document New Policies and Procedures for Users
- Test System with Dual Path Approach if Necessary
- Finalize System Security
- Train Remaining Users and Technical Personnel
- Pilot System (Execution of Integrated Test Plan)
- Benchmark System Performance at Pilot
- System Sign Off
- Implement Remaining Locations
- Perform Post Implementation Review
  - Perform Additional Training if Necessary
  - Perform Additional Modifications if Necessary
Research and Planning

This phase begins with a review of key indicators or project drivers leading to the initiation of this project. It next compares those project drivers to the overall business objectives held by the corporation to ensure they are indeed aligned. Next it moves to the development of a project plan and business case, which allow for executive support and approval for the selection process. All are necessary to ensure the project is headed down the right path at the project’s onset.

Obtain Initial Executive Support

Executive support is imperative for project success. The executive staff will not only provide valuable insight on the corporation’s direction and future, it will force organizational support and provide approval for the project budget.

Form a Steering Committee

A steering committee is the group that provides overall guidance in the system development. This group will help guide the project team along the selection process.

Review Key Business Initiatives and Long Term Goals

This is also referred to as the top down approach because it starts with the executives of the organization and then flows down to the functional levels. The new ERP system must be able to support not only existing user requirements, but also allow the growth and future direction of the organization. Since this direction is established at the executive level, the executive staff must be the starting place for building the system’s requirements. Note it is best to begin at the highest organizational level, which is the president. Once the president is engaged, lower level middle managers will be quick to follow.

Executive Level Questions

1. What is the vision of the company in regards to growth and expansion?
2. Do you have an ideal operating environment for the team to base technology requirements against?
3. Looking at the current operating environment and software, if you could change something or start over again, what would you do differently?
4. Do you feel the current software supports the company’s mission statement? If not, where could we make improvements?
5. Do you know of any existing policies or procedures that you would like eliminated with the new software?
6. Are there new or unreleased policies or procedures that that the team should consider when developing the requirements listing?
7. Are there any customer satisfaction problems that need to be resolved with the new system?
8. Are there any functional areas you would like the team to focus on when developing the requirements listing?

9. Are there any areas of waste or possible cost reductions that stand out as possible achievements in the new system?

10. Are there any current issues with either personnel or facility related resources that the new system needs to address?

11. Do you feel you receive adequate reporting from the existing system? What additional areas of reporting or type of information would you like to see with the new system?

12. How do you feel we compare with our competition? Do you feel they have a competitive edge that the new system needs to address?

After interviewing the executive staff, the process needs to move to senior management, including the IT and operations managers or directors. These individuals will provide a high level approach to the organization’s needs and provide a platform from which to build the individual departmental requirements. The questions will focus on support and maintenance with an emphasis on business processes.

**IT and Operation Manager Questions**

1. Does the current system manage existing user volume in regards to active users and transaction volumes?

2. If the company were to see growth, could the existing system manage this growth?

3. If you could increase system capacity, how far would you need to increase it to feel secure enough to handle existing volume and additional volume due to potential growth?

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**Interview Guidelines**

- Ascertain the interests, background, and responsibilities of the person you are interviewing before the interview takes place.
- Gather facts concerning the matters to be discussed beforehand.
- Prepare a list of the questions to ask during the interview.
- Obtain approval for the interview from the immediate supervisor or manager.
- Make an appointment that is convenient to the interviewee.
- Provide the interviewee some information prior to the interview and allow the interviewee to gather their thoughts if desired.
- Open the interview by explaining the individual’s role in the process and the importance of their information.
- Listened carefully to the interviewee’s answers and let them speak without interruption.
- Do not use industry or technical buzz words; talk at the interviewee’s comfort level.
- Be natural, but businesslike to facilitate open discussion.
- Ask permission to document the discussion and quote the user if necessary.
- End the interview with a summary of the discussion and thank the individual for their time and assistance in the process.
- Provide written feedback shortly after the interview. Allow the interviewee to review your notes and correct any errors if needed.
- Provide a forum for the interviewee to express continued comments if they feel necessary.
4. What do you feel are the largest inadequacies in the current system? How do you currently deal with these issues?
5. How would you rate the existing supplier in regards to technology, service, and support? What learning lessons can be taken from this supplier and system?
6. Would you recommend using the existing software supplier as a potential supplier for the new system? Why or why not?
7. Do you have enough resources to manage the existing system? Do you have concerns about needing added headcount to support a new system?
8. Do you feel you can adequately support the user base in regards to training, documentation, report requests, etc?
9. Would your department be capable of leading the implementation and training phase of the new system or would you require substantial outside assistance?
10. List your top five requirements of the new system?
11. Does the existing system have a recovery plan? Would the new system require the new supplier to provide a disaster recovery plan or is your department capable of handling this in house?
12. Do you have a preference for ASP or leasing?
13. Is there anything the team should know that has not already been covered?

**Identify Internal and External Stakeholders**

Stakeholders exist both inside and outside of the corporation. They include the various functional departments, as well as outside parties such as customers or suppliers. Functional areas should include: accounting, customer service and sales, support, manufacturing and planning, purchasing, inventory control and warehouse personnel, transportation, etc.

The customer is the future of the organization and therefore plays an important role in developing the needs of a new system. The organization must ask if it is currently meeting and exceeding the customer’s expectations. If the answer is anything other than “absolutely we exceed the customer’s expectations”, the customer must be a top priority in creating the requirements listing.

**Clarify Objectives and Constraints**

By this point the steering committee should have a clear understanding of overall company issues that the new system needs to address. These issues begin to layout the objectives of the system at a summary level. Once these high level objectives are documented, the lower level user requirements can be matched up to provide the entire requirements listing for the system. This detailed requirements listing will be completed via an extensive interview process with users and will occur later in the identification phase of software selection. At this stage it is important to understand the basic organizational needs and system requirements to allow for the development of the
system or business plan. Keep in mind that these objectives need to encompass both the objective of the firm and the objectives of the functional areas.

**Generic Business Objectives**

- Efficient and Economical Operations
- Adequate Capacity for Expected Growth
- Timeliness in Responding to Inquiries and Reports
- Reliability of System Hardware and Software
- Accurate, Up-to-Date, and Relevant Information
- Security of Data and Facilities
- Flexibility and Adaptability to Changes and New Demands
- Simple and User-Friendly Operating Environment
- Ability to Meet Customer and Industry Compliance Requirements

**Perform a High Level Needs or Requirements Analysis**

**Evaluate Existing System Performance**

This requirement is completed by the IT department and is based on historical system performance. The information should be specific in nature and provide detailed information on existing performance versus desired performance and industry benchmarking. These areas can include both statistical and financial data.

**Interview Functional Departments Managers and Key Users**

At this stage, the functional interviews will remain more high level and will focus on the overall system on not the specific requirements for the new system. Answers will be used to develop the business case to obtain initial project approval and funding.

Questions should be given to individual functional area managers and their savviest user. The interview will not only provide the interviewer with information, it will provide an initial entry into this functional area and facilitate discussion within the department for usage in developing the detailed requirements document. Or in other words, while the team is busy developing the business case and obtaining executive approval and funding, the functional area can begin reviewing their departmental needs and their view of the current system in more depth.

**Functional Questions**

1. Do you feel the current system adequately supports your needs?
2. Do you feel the current system is capable of supporting the needs of the customer?
3. Can you currently access information as needed and in a timely manner?
4. Do you currently perform any manual processes or ‘work arounds’ due to existing system constraints?
5. Do you feel knowledgeable with the current system’s processes and capabilities?
6. Do you feel you need additional training on the existing system?
7. Is there sufficient documentation on the existing system to help you in your daily job or assist in training new employees?
8. Are there any existing company or system policies and procedures that prevent you from successfully doing your job and meeting the customer’s requirements?

**Develop a Strategic Systems Plan**

A strategic plan is in effect a blueprint for system development in the coming years. Many times this is also referred to as a technology road map. It provides a means to coordinate system planning and other strategies, as well as provides a basis to build a business case.

**Develop a Detailed Project Plan**

The project plan includes a definition of the project structure, project scope, and individual project phases and tasks. At this time a project manager should also be fully established and leading the team’s efforts. It is important to maintain a single point of contact to form continuity to the project.

The project structure refers to the style used to manage the project, the responsibilities of those parties involved, and the method by which to communicate this to the organization. Do not underestimate the value of effective communication to the organization. Good communication of the project’s overall goals and possible rewards will foster a more positive organizational response and engagement in the process.

The scope refers to the functional areas covered by the new software, as well as the involvement level of each department. The initial interviews should provide sufficient information to successfully document the scope. By this point, the interviews may have even provided some surprising developments not anticipated in the original business objectives. Examples of this could include the discovery of the company’s inability to fully capture RF and bar code technology both for internal usage and to meet customer needs.

### Strategic Systems Plan

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Appendix A – Summary of Existing Equipment

Appendix B – Forecast of Hardware and Software Developments
compliance requirements. Another example is the desire of human resources to exclude payroll from the software selection and maintain existing third party processing.

Finally the project phases and tasks must be outlined and timetables established for each element. This is necessary to provide management with an understanding of the project undertaking, as well as a timeline for possible return of investment (ROI) or project payback. Although there are some general standards associated with the selection process, it is highly altered by the internal resources available to work on the project. Most projects run from six to twelve months for the selection process itself.

**Prepare a Business Case**

A business case is required to communicate the project’s direction, provide high level information such as the project’s objectives and deliverables, as well as communicate the project’s budget requirements and potential ROI. It is the primary means of obtaining executive support and funding.

The business case should be well organized and easy to read. Technical jargon or buzz words should be avoided. Information should be high level with detailed supporting documentation as required.

**Elements of a Business Case**

- Executive Summary
- Current State Assessment and Problem Statement
- Project Description
- Solution Description
- Cost and Benefit Analysis
  - Budget Requirements
  - Potential Return on Investment (ROI) or Net Present Value (NPV)
- Implementation Timeline
- Critical Assumptions and Risk Assessment
  - May Include a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats) of Existing System
  - May Include a SWOT Analysis of New System
- Conclusion and Recommendations

*TGI’s Software Selection Tool Kit offers individual documents to assist in the preparation of budgets, calculating the project’s potential ROI or NPV, and creating the business case.*
**Obtain Executive Level Support**

Once the business case is complete, it must be presented to the executive staff for approval of the project plan and resources, budget authorization, and assignment of an executive champion. All are important for the project to progress.

**Obtain Approval of Project Plan & Resources**

Approval of the plan and resource requirements initiates the project. It allows the project leader to develop the team and begin the allocation of assignments. Most importantly, it allows communication of the project to the organization.

**Obtain Budget Approval**

While budget approval is the start to release of funds, it also places constraints on the team and provides the first step in the elimination of potential hardware and software suppliers. There is no project without budget approval.

**Assign an Executive Champion**

While some may argue with the requirement of an executive champion, the need exists. This individual will serve as a mentor and sponsor for the group. He or she will also be an invaluable resource in the event the team struggles with difficult departments or managers.
Requirements Identification and Proposal Preparation

Now that the project has been approved and initiated, it is time to move into the second phase of the selection process which focuses on forming the project team, identifying key software requirements, and effectively communicating these requirements to the potential software suppliers.

**Inform the Organization of the Project**

Once the project is approved and the executive sponsor is named, the project leader may begin informing the organization of the project. The actual method for doing so will vary drastically and must be tailored to accommodate the organizational dynamics of each unique company.

It is important to note that the avenue to communicate the project is not nearly as important as the information conveyed. The project leader must ensure that the project is not only communicated timely, but that it is also communicated clearly by providing the original reasons for entering into the project and the corresponding benefits the project will produce. Remember that most departmental or functional managers will want to fully understand the project before they buy into supplying the required resources. Generally this is the time to utilize the executive sponsor. By doing so, the organization quickly sees the magnitude of the project and the importance the project will play in the company’s future objectives.

If the selection process is on track, by now the department managers already have a heads up that the project is on the horizon and the majority of them have already played a role in defining the high level needs analysis. If this step has not taken place, do so now before communicating the project to the entire organization.

Again, when communicating the rest of the organization of the project, the method of information transfer can vary significantly. Whether you hold a town hall style meeting or meet individually with the various departments, the information conveyed is the key for success.

**Key Points for Project Communication**

- Provide Clear Project Information
  - Reasons for Entering into the Project
  - Project Objectives and Expected Benefits
  - Estimated Project Timeline
  - Identification of Already Established Team Members
  - Identification of the Executive Sponsor

- Establish and Provide a Process for Follow Up Inquiries

- Provide Timely Project Updates Throughout the Process
Form a Project Team

In forming the project team it is important to choose a diverse group of individuals that have a solid knowledge of the current system and current operating environment. To that end, they must come from different departments and have a keen understanding of how their own department interacts with other departments within the organization. Those 'super users', with cross functional experience, are often times the best project team members.

Key Points for Assembling the Project Team

- Chose Members Based on Knowledge and not Tenure
- Keep the Group Size Between Five and Ten People
- Identify Not Only the Team Members, but Departmental Back Up Representatives
- Chose Members That Can Dedicate the Time Required for Project Participation
- Chose Members that are Well Liked, Well Known, Considered Knowledgeable, and Respected within the Organization
- Chose Positive Individuals Who Welcome Change

Ensure the project team includes representatives from all of the major functional areas, i.e., manufacturing, inventory control and warehousing, customer service and accounts receivable, purchasing and accounts payable, finance, and of course the individual responsible for leading the post implementation support of the new system.

Educate the Team on the Project Plan

It is crucial for the team to adequately understand the project. This education will serve many purposes throughout the life of the project and will be worth the time invested to make sure the entire team understands the endeavor that lies ahead.

An educated team member will be able to focus on the principle objectives and won’t be bogged down by unnecessary details or tasks. An educated team member will be able to clearly define the new system’s requirements and properly evaluate potential suppliers. An educated team member will fully understand both the duration of the project and the time requirements it will require. An educated team member will be able to respond to organizational inquiries confidently and will serve as a project cheerleader, instead of a project naysayer.

In short, those who do not understand the project will quickly be disillusioned by the project, and in the end they will provide little benefit to the team.

Establish Project Controls

One last step of the project initiation process is to define and communicate the project controls. These project controls concern the anticipated requirements associated with
personnel time (both regular and overtime) and the available expenditures within the project budget.

Generally such communication and tracking of controls is accomplished in Gantt charts, PERT networks, and progress reports. These subjects are well defined and information is widely available; therefore this document will not delve into details on these items. The important information to ascertain from this discussion is that the project team needs to fully understand the scope of the project, the project constraints, and be cognoscente of these constraints as the project progresses.

**Requirements Definition**

The requirements definition portion of the selection process is of vital importance to successfully purchasing, implementing, and utilizing the new software. The team can only review and select the best software if it is aware of the business requirements driving the new software purchase.

All too often, a corporation enters into a software selection project, interviews suppliers, reviews the various suppliers’ software packages, and purchases the software without ever knowing the true needs of the organization’s users. These are the same corporations that later fault the software supplier for “selling them a bill of goods”. They are also many times the same organizations who never fully implement the software or once again find themselves in the selection process within a few short years.

These companies truly have been sold, but have done so by their own doing. As with any product for sale, the software supplier will provide their software solution in the best possible light and generally in the manner to which they have become accustom. It is therefore, not the software supplier, but the selection team that is at fault. This may sound harsh, but TGI has experience many cases where the selection team is unwilling to review their own functionality requirements and thus is incapable of truly determining the fit of various software packages. It is a very unnecessary and disappointing outcome for many software selection projects.

Putting this is more simplistic terms, skipping the requirements definition step is similar to walking into a Miami, Florida car dealership and purchasing a new vehicle with a $4,000 four wheel drive option. It is unnecessary, a waste of money, and provides a purchase that is not matched to the buyer’s requirements. Knowing what vehicle specifications are needed prior to entering into the dealership makes the purchase a much more valuable and rewarding experience, because the buyer not only knows what he needs to purchase, he is armed with knowledge and is equipped to purchase the best possible product for his individual needs. Software selection is no different and a reputable software supplier will encourage a prospect to define their requirements to alleviate any potential for buyer’s remorse.
Software Selection Process

Four Steps of Requirements Definition

- Prepare for the Definition of Requirements
- Interview Functional Areas to Evaluate Needs
- Prioritize Requirements
- Review Completed Requirements with Team

Each step provides value and is imperative for an educated purchase decision. Thankfully there are numerous consultants who will help in this step, as well as, numerous sources of templates that assist for those who prefer a more self service approach.

There are many different versions of existing requirement templates in the market and many are available on the internet for immediate download. The majority of these sources require the user to purchase these documents and the purchase price can range anywhere from $100 to $5,000 for a 500 to 5,000 line questionnaire. Since TGI believes strongly in the needs analysis process, **TGI provides a free 1,100+ questionnaire as a standard document within the Software Selection Tool Kit.**

That being said, a template is only the beginning. The project team must continue its due diligence and thoroughly review the template to select those needed features and functions. The best templates will provide a means to categorize the needs list and provide weighted scores in the following manner:

**Function Priority Level**

- ‘Must Have’ or Required Function
- Desired Feature
- ‘Wish List’ or Future Use Item

**Supplier Response Level**

- Software Fully Meets the Requirement
- Software Meets the Requirement with Customization
- Software Meets the Requirement with Third Party Add On Products
- Software Does Not Meet the Requirement

It is important to not only prepare the list via interviews with the various functional areas, but to also reconfirm the department’s requirements prior to submitting the listing to potential suppliers. The functional representative is responsible for reviewing and confirming that the list captures all of the known requirements.

One final word of caution should be given on over stating the organization’s needs. Suppliers review and respond to hundred of requirements lists and it is best to have the list include only those needed requirements. A supplier will spend more time in responding to a well thought out list, then an exaggerated list. In addition, it also allows
the supplier to see the true needs of the organization and better respond to a functionality fit.

**Research and Identify Long List of Potential Suppliers**

The list of software suppliers is ever changing. Researching this potential pool of products is important and necessary to be able to focus on a manageable number of potential companies. Free information is widely available to help in the task. Sources of information include internet search engines and directories, consultants, industry associations, IT and business magazines, trade shows, hardware vendors, and local CPA’s and accounting firms. Personal referrals are also a great way to objectively learn about the supplier and gain a more personal view of the sales, implementation, and post live experience.

**Create a Draft Request for Proposal (RFP)**

After initially reviewing the available software suppliers, it is time to begin preparing a request for proposal or RFP. Do not skip this step as it is the best way to communicate the full project requirements to the potential software suppliers.

At this point only a draft RFP is necessary. Fortunately, as with the functional requirements listing, many RFP templates are available via consultants or for purchase on the internet. There are many variations of RFP’s available today. The key is to begin with a generic format and tailor it to the meet the more specific needs of the company and the industry it represents.

*TGI offers a free RFP template in the Software Selection Tool Kit for download.*

**Elements of a Request for Proposal**

- Cover Letter Summarizing the Request for Proposal
- General Information and Scope of Work
  - Introduction
  - Company Overview and Background
  - Objective of the Project
  - Scope of the Project
  - Relationship to other Systems
  - Project Schedule and Deadline for Supplier Response
- Proposal Instructions
  - Project Contact Information
  - Expected Proposal Response Format
    - Supplier Profile
    - Proposed Software Solution
    - Proposed Hardware Solution
Software Selection Process

- Functionality Response
- Source Code
- Custom Modifications
- Technical Support Services
- Implementation Services
- Training Services
- Data Migration Services
- Warranty Period and Annual Maintenance
- Software Upgrades
- Cost Breakdown
- Seller’s Terms and Condition
- Sample Contract
- Available References
- Company Literature
  - Detailed Response Instructions
  - Detailed Proposal Information
    - Description of Current Hardware and Software
    - Listing of Functional Requirements
    - Listing of Technical Requirements
    - Description of Proposal Criteria and Weight Associated to Answers
  - Supplemental Information
    - Buyer’s Special Terms and Conditions
    - Confidentiality Agreements
    - Post RFP Actions
      - On-Site Demonstrations
      - Reference Checks
      - Contract Negotiations and Award
    - Disclosure of Pending Litigation

After the initial draft is complete, it is time to move onto the supplier evaluation portion of the process.
Supplier Evaluation

It is time to begin to narrow down the list of viable suppliers. By now enough information is available to reduce down to a ‘long list’ of suppliers. Begin this list with around fifteen to twenty-five companies. This will allow the project leader to spend time personally interviewing the individual companies and reviewing their literature and initial demonstrations. Most software suppliers offer literature and self serve demonstrations on their websites, as well as industry specific information and customer success stories. However, do not be sold by the glitz and glamour of sales presentations. An internet based demonstration will allow a much more focused look at the software and its potential fit for the organization’s needs.

Conduct Supplier Interviews or Issue a Request for Information (RFI) for the Long List of Suppliers

It is important to write the RFI or complete the interview process with a structured set of questions. Preparation allows the project leader to control the discussion and focuses the conversation, or information flow in the case of the RFI, on the critical elements of the selection search. It also provides a basis by which to compare the suppliers objectively and in a uniform manner.

Key Supplier Questions for the RFI or Supplier Interview

1. Technology Offering
   a. Platforms - UNIX, OS/400, Linux, or Windows
   b. Databases – Oracle, MS SQL Server, DB2, Informix, Progress
   c. Development Language
   d. Source Code Availability

2. High Level Functionality Offering
   a. Review of Major ‘Hot Buttons’
   b. Review of Must Have Features

3. Supplier Profile
   a. Supplier Longevity
   b. Support and Service Offering
   c. Initial Product Release

4. Budget Restraints
   a. Per User License Fees
   b. Annual Maintenance
   c. Average Implementation Costs

Again, to ensure a successful interview, keep the conversation focused on a list of prepared questions. This will provide enough information to begin comparing supplier against supplier and will probably allow for the immediate elimination of a few suppliers.
**Conduct Remote (Internet) Demonstrations for Long List of Suppliers**

Based on the initial RFI response or interview, reduce the long list of suppliers down to about ten to fifteen companies. For those remaining suppliers, schedule a remote demonstration to review the system flow and ease of use. This is also a good time to request the supplier to explain how their software will work in addressing the teams hot buttons and to ensure those must have items are available in the potential package. Most internet demonstrations generally last between one and three hours. This should be sufficient enough time to review the system at a high level and determine if the package and supplier representative is worth pursuing.

**Reduce Suppliers to Short List of Candidates**

After supplier interviews and internet demonstrations are complete, the time comes to reduce the available supplier pool to the short list of candidates. Typically this will be anywhere from five to ten suppliers. Keeping the list small encourages a complete review of each supplier and allows the team to delve deeply into each supplier’s offering.

**Finalize RFP and Submit to Supplier Short List**

With the short list of suppliers in hand, it is time to finalize the RFP and submit it for vendor evaluation and response. A realistic expectation is to have the RFP due date scheduled two to three weeks from the date it was issued. Some may believe that this is too long to allow, although those that have completed an RFP know it is a time consuming process if done correctly. Since the supplier is required to review 1,000 or more questions, formulate a technical proposal, and formulate a cost proposal, significant time is required.

One key point to remember is to continue dialogue with the supply base even after the RFP is out and under review. For example, if one supplier submits a question to the project team, generally all of the suppliers will need the same answer. Publishing a post RFP issuance update is beneficial to both the buyer and seller. The more information that is provided on the onset of the RFP process, the less likely misinterpretations and misunderstandings will occur later in the process.

**Perform On-Site Demonstrations**

Moving into the final stages of the software selection process, it is time for the on-site demonstrations. This is, without a doubt, one of the most significant steps in any software selection process. Unfortunately, it is typically one of the most poorly managed steps in this process.

Again, it is important that this occurs with only five to seven suppliers. If more suppliers are added, the team will have difficulty distinguishing one supplier from another. This may seem unbelievable, but time and time again the team will review so many
packages the members will have a very difficult time remembering which supplier showed them which feature and which supplier best met the team's requirements.

Two steps can be taken to preempt this from occurring. The first is to have a well-defined demonstration script for all of the suppliers to use and follow in their demonstrations. The second is to review sheet ready to document each team member’s thoughts at the end of the demonstration while the information is still fresh and meaningful.

Many may ask why the team should use a demonstration script? There are multiple reasons which justify the time in doing so.

**Perceived Quality & Value vs. Actual Quality & Value**

Earlier in this document, the discussion focused on the companies who are ‘sold’ in the selection process. Now is the time to ensure it does not happen. Regardless of the industry, there is a very large difference between perceived quality and value vs. actual quality and value. This occurs in both the presale and post sale experience. Although this is true within the industries such as the automotive industry and the electronics industry, it is especially true within the software industry.

Many times a person may test drive or even purchased a vehicle only to perceive the quality of the vehicle to be low or high due to the touch and feel of a specific feature such as a radio control unit, a steering wheel, or even a cup holder. In actuality the actual value and quality of the vehicle extends well beyond the interior of the vehicle and reaches as far out as the warranty recalls or the vehicle’s overall product life span. The same is true for a more simplistic electronic component that utilizes a remote control. The user’s interface to the remote control plays a significant part in the user’s perceived value of this electronic device. It may be the most advanced DVD player in world, but if the consumer fails to feel comfortable with the remote control, the overall experience will be perceived as negative. Thus the consumer will perceive the DVD player as poor quality with little value. Automotive and electronic manufacturers are well aware of this phenomenon and to that end they pay an extraordinary amount of time to ensure those items the user interfaces with are perceived in a positive light, thus creating a positive purchase experience.

The purpose of this analogy is to relate an every day experience to the software selection process which occurs very infrequently for the average individual. It is very important to maintain control of the on-site demonstration to ensure the users experience the actual value of the software and not just the perceived value the software suppliers wants to portray. If the sales representative spends the majority of the demonstration reviewing PowerPoint presentations and little time in the actual live software, the supplier is forcing the users to perceive a higher level of quality and value that is necessarily present in the package. The most reputable suppliers, who are
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confident in their products, will spend their time working in the actual software and demonstrating the true quality and value the product offers.

The Familiarity Factor

Another reason for the demonstration script is to provide the suppliers with data the users are accustomed to seeing in their everyday experience. Viewing an order entry or inventory screen with familiar products makes it much easier to envision how the system will function in real life application. A small amount of sample data will go a long way in providing the project team a solid view of the software’s future capabilities in their operating environment.

Supplier Due Diligence

In addition to the justification already provided, the demonstration script provides a means of evaluating the suppliers’ willingness to invest in the sales process. If a supplier is unwilling to input basic information for the on-site demonstration, chances are the after sales support of that vendor will not meet the organization's expectations. This type of situation should be a very large red flag for the selection team.

An Apple to Apple Comparison

Finally, the demonstration script provides a basis for evaluating the suppliers on a fair playing ground and provides tangible information by which to objectively view the fit and functionality the software offers. It allows the users an objective basis to compare one supplier to another, without the added complication of unnecessary sales presentations and empty promises. If the supplier states “we can do that”, have the representative show the team how the software “can do that” so the members can compare one solution to another properly.

For further additional information, review TGI’s separate document dedicated to demonstration scripts within the Software Selection Tool Kit.
Supplier Selection

Up until now the process has focused on the research phase of the selection process. It is now time to move into action by evaluating the short list of suppliers and determining which supplier is the best fit for the company’s individual requirements. Caution and objectivity are key elements to this phase is in the process. That being said, if the team has had due diligence in the process, it is well armed to make an educated decision.

A recent study by the Yankee Group was recently published in InformationWeek. It focused on major well known ERP suppliers and how their individual customer base viewed the ERP purchase experience. The surprising fact is that the majority of those polled did not have a positive enough experience to recommend the supplier to other company. Even the largest ERP supplier, SAP, “failed to attract recommendations from nearly three out of four buyers”. The article continues to state the large, well known suppliers do not place an importance on “high integrity, fast return on investment, inexpensive operation, easy implementation and excellent service”. The point to take away from this article is this – the project team is currently in total control. Now is the time to review and reprioritize what elements of a supplier are most important and how much weight those factors should play in the overall decision process.

Evaluate Request for Proposal Responses

Evaluating the RFP responses sounds easy enough, but if the team has solicited numerous companies, the task may feel overwhelming. Hopefully a short list of suppliers was made prior to sending out the RFP’s and the team can spend a significant amount of time reviewing and grading the suppliers’ individual responses.

Consider Some Basic Questions for Each Supplier

1. Is the RFP response well thought out and well written?
   This is important because the team needs to be confident the supplier had enough interest in their potential business to fully review and respond to the RFP.
2. Did the RFP respond to each and every question posed by the team?
   The answer should be yes, because if it is not, there could potentially be information the supplier is hiding.
3. What was the supplier’s weighted average rating for the requirements list?
4. Did the supplier quote include all known requirements? Can you compare one supplier quote to another?
   This is important, as many times a supplier will provide a low cost estimate solely because they failed to include all necessary elements of the project. Providing a fixed hardware or network configuration to the suppliers to quote will help alleviate this potential problem.
5. Was the quote within the allowable budget?
Remember that the RFP is only one of the elements for the overall supplier rating. It should be combined with the on-site demonstration, supplier reference check, and the team’s overall assessment of the supplier.

**Evaluate On-Site Demonstrations**

If the supplier presentation followed a concise demonstration script, evaluating the suppliers should prove relatively easy. The team will be able to review the supplied script and judge how well the supplier addressed each key element of the script. At the end of each on-site demonstration, have the individual team members review the supplier’s handling of the demonstration script by answering a few critical questions.

Note that in reviewing and documenting the demonstration immediately, the team has provided a point of reference to further review after all of the demonstrations are complete. It will significantly reduce potential confusion when comparing one supplier against another.

**Consider Some Basic Questions for Each Supplier**

1. Did the demonstration follow the format or demo script provided?
2. Did the representative review all of the team’s must have items?
3. Did the system appear easy to use?
4. Does the team feel the software can effectively operate the business?
5. Is the software significantly better than what the team is utilizing today?
6. Does the team feel the software can achieve the potential benefits listed in the ROI analysis and business case?
7. Did the team feel comfortable with the supplier representatives?

Now that the team has reviewed the demonstration and answered the above questions, it is time to compare the team’s responses of each supplier. Most likely the team has much more positive feelings towards one or two of the suppliers. If the process was handled properly, the team will not only feel good about choosing one supplier over the other, it will also have the data to support the decision.

**Reduce Short List to Two Top Suppliers**

At this point the team has possibly selected the supplier to which it intends on awarding the business. Even if this is the case, it is best to have an alternate supplier selected in the event there is a problem with the supplier reference checks or contract negotiations. Although rarely occurring, this does happen, thus causing the second choice supplier to quickly jump into first place.

**Conduct Reference Check on Top Two Suppliers**

Generally reference checks can be done via the phone and in person; however at this stage of the process, it is best to perform an on-site reference check to talk face to face
with an existing client. It will not only give a more personal feel to the reference site, it will allow the team to talk to multiple people in various departments.

**Supplier Reference Check Questions**

1. How would you rate the supplier’s implementation and training services?
2. Did the supplier’s meet its original quoted implementation time?
3. Did the supplier exceed the quoted implementation costs?
4. Do you believe you achieved the return on investment you projected?
5. What was the biggest challenge in the implementation?
6. How would you rate the supplier’s post implementation support?
7. Would you recommend this supplier to another company?
8. If you knew then what you know now, would you select this supplier again?
9. Are there any positive or negative aspects of this supplier that I should be aware of at this time?

Although it is difficult to view everything you would like to see in one day, an on-site reference check will be worth the time spent. In the end it should either validate the team’s decision or provide enough questionable information to force the team to rethink its top supplier choice. Regardless, the on-site reference check is invaluable and should be utilized in calculating the supplier’s overall score.

**Select Supplier of Choice**

It is now time to award the business to one of the final two suppliers. Before formally communicating this to the supplier it is wise to verify that there are no unanswered questions for the supplier.

**Notify Suppliers of Decision**

If no open items exist and the team is satisfied with the decision, communicate the award to the supplier in writing and request a final contract for review. Do not forget to notify the remaining suppliers that the team has concluded the selection process and that it has chosen another supplier.

**Negotiate Contract**

The world is full of advice on contract negotiations and the approach varies widely depending on the source of information. The important thing to note is that this task is the last step before entering into a long partnership with this supplier. The negotiations must resolve any open issues and provide a solid basis to begin the implementation process. That being said, it is not the time to alienate the supplier who is providing a valuable resource the company is soon to become tied to for many years.
Go into negotiations focused on resolving any open issues and clarifying any points of confusion. Review the contract provided, submit the contract to the company’s legal staff or attorney, and clarify any questionable contract points with the supplier.

If the team has selected the right supplier, this process should be no more than a formality. If the team has selected a less desirable supplier with limited integrity, the task may prove enough to force the team to return to the number two choice.
Implementation

The magnitude of the implementation stage of software selection truly warrants a separate document in itself. For this reason, the software selection process will end at phase five to allow for a full review of the implementation phase separately and in its entirety.
Conclusion

The software selection process is an extensive process which requires planning, research, and due diligence on the part of the project team and project leader. Handled in a methodical and well thought out manner, success is easily obtainable.

For a full listing of TGI’s Software Selection Tool Kit, please refer to TGI’s website at www.tgiltd.com. All documents are free and available as needed.
About TGI

TGI is an industry-leading enterprise software solution provider to small and mid-market manufacturers and distributors. TGI’s exclusive focus is on the development, implementation, and support of Enterprise 21, the company’s fully-integrated business management software solution. TGI is a privately-held organization with one of the highest revenue per employee ratios in the ERP software industry.

Find out more by visiting our website at www.tgiltd.com or by calling us at (800) 837-0028 or (419) 841-0295.