SOFTWARE THINKTANK

7 Software Selection Mistakes That Spell Failure

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INTRODUCTION

The business software selection process is a complex and difficult task that will impact your business' operational effectiveness for the next 6-10 years. Implementing, maintaining and upgrading a core business software solution over a five-year term will average $100,000 - $500,000 for the average mid-market organization.

Given this significant commitment and investment, it is shocking how few organizations invest the appropriate resources and complete the required due diligence necessary to ensure this critical business decision is predicated on empirical data and pragmatic criteria.

This white paper outlines 7 all-too-common mistakes made by many organizations during the business software selection process.

MISTAKE 1

Believing All Software is Created Equal

Many software selection processes are predicated on an assumption that because a product was developed by a leading software manufacturer, it will inherently contain the industry-specific functionality required to support your business. This belief is often reinforced during software selection demonstrations given that they all appear similar in look, feel and cost. Why is it then that some organizations implement projects successfully, while others go askew?

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The reality is that vast differences exist between software solution sets, despite, on the surface many seeming remarkably similar; a challenge exacerbated by the thousands of complementary "add-on" products developed by smaller software developers designed to address functionality gaps. So how does an organization separate fact from fiction to land on a solution that positions its project for success? The first step is to explore three high-level solution categories:

Vertical Solutions

An all-inclusive vertical application may seem like the white light at the end of the tunnel, with its industry-specific product capabilities that align to existing processes within your business. However, a number of factors need to be considered before taking this tempting plunge. Independent, fully-integrated vertical market solutions have been known to be constrained by software publishers who are unable to provide the necessary product upgrades; resulting in stagnant software. As such, the recent trend has been to move towards larger software vendors that have the financial capabilities and depth of resources to continuously invest in product enhancements.

Horizontal Solutions

A "one size fits all", generic solution set where the software satisfies requirements across multiple industries. The result is invariably a watering down of industry-specific business processes. In return, you gain in functionality and in economic benefits of local vendor/partner support, and a lower cost of ownership. This solution category is ideal for organizations that are prepared to modify their businesses processes to fit those developed within the software, as well as those open to substantial customizations.

Hybrid Solutions

A pairing of horizontal software applications with niche vertical add-ons to create functionally rich solution sets. When selecting this approach it is critical to contract a single implementation partner with deep experience integrating the entire solution set to avoid the inevitable accountability issues that arise during multi-vendor implementations. Don't attempt to piece a solution together yourself.

So how does an organization decide upon the right approach?

The best place to start is internally. Define your organization's corporate goals, objectives/metrics, and strategic imperatives, followed by a review of business requirements and challenges that are preventing your organization from meeting its objectives.

To accomplish this, it is critical to develop an internal company vision and scope document that seeks to define the above objectives and identifies and separates your "must haves", "want-to haves" and "wish-list" items.

Within this document, key information to compile includes:

- A prioritized list of each department's critical needs and requirements, including a wish-list.
- A description of how information flows and is shared between departments.
- Current manual and automated data collection systems.
- Organizational goals (e.g., improving customer service (with metrics), shipping all orders within 24 hours, etc.).
- Transaction volume data (e.g., number of customers, orders, invoices and vendors).
- Financial data and reports required by accounting, auditing and banking stakeholders.
- Reports and analysis required for management and day-to-day operations.
- Integration requirements with in-house systems and desktop applications.

Other important information that may be useful in the selection

Having any more than 3-7% of your requirements categorized as "must have" will eliminate all 500 commercially available business software solutions.

Once your organization's information is collected, compiled and organized, each potential business software solution must be analyzed in terms of how well it addresses each of your prioritized business objectives and requirements.

Place incremental focus on report output, online queries, ease and speed of data entry, processing time for updating and reporting, as well as the intuitiveness of the user interface.

MISTAKE 2

Being "Too Busy" for Involvement in the Selection Process

All too often business executives are too busy with tactical and operational challenges to focus on strategic initiatives; a disconnect that is all too common in the selection of business solution software. The result is the relinquishing of the software selection responsibilities to operational managers (many of whom do not have the in-depth understanding of strategic priorities), or worse, the IT department, which has even less insight into corporate objectives and dysfunctional business processes. This error in judgment is predicated on a belief that because business software runs on servers, the project must, by default, be managed by IT; which is the undoing of many a project and business sponsor alike.

Experienced solution providers will request and require time with both strategic and operation members of your organization to conduct information gathering about corporate objectives and business processes in order to craft and price an appropriate solution set. It is imperative that you make the necessary time commitment to empower and inform the solution provider to make an educated, pragmatic recommendation. Yet all too often business executives will exclaim, "I do not have the time to spend with them," or, "I can only give them an hour." Business system implementation projects are the brain surgeries of the technology world. Imagine needing surgery and telling your doctor to hurry up because you have another meeting to attend.

Every company has a unique business model and business processes. If you want to truly maximize the potential value of this business project, it is critical that you invest the necessary time up front. If other business priorities are currently consuming an inordinate amount of your time, postpone this project until you can afford it the time it requires.

The average business software implementation lifecycle is 6-8 years. Investing the time, energy and resources necessary to architect an appropriate foundation and business process framework, one that contemplates both current and future business requirements, will pay significant dividends in the long run.

Foregoing an immediate solution is better than rushing into the wrong solution.

MISTAKE 3 Deciding That the Cheapest Solution is the Best Solution

Your heart and brain are the most vital organs in your body. If you required surgery on one of these organs, would you interview three doctors and then select the least expensive? Of course you wouldn't.

Business software and process automation are critical to organizational productivity, capacity, throughput, effectiveness and success. Evaluate price in terms of value received, as measured by a solution provider's knowledge, experience, professionalism, and depth of resources. Inexpensive (cheap) resources generally (but not always) deliver pedestrian, uninteresting, inexperienced work. Project managers and business analysts with deep industry-specific application and business process expertise do not come cheap; and while premium rates do not always guarantee seasoned, experienced professionals, discount rates seldom result in a tier one resource.

As with most things in life, you get what you pay for. Selecting a solution provider based upon price alone is equivalent to selecting the cheapest surgeon. In addition, low prices come with thick contracts. Fixed bids hide inflated contingency funds and come with a promise of future change orders and inevitable conflict.

In the long run, the cost of a poor solution is substantially more expensive than doing it right the first time. Decreased cost always comes with increased risk.

MISTAKE 4 Believing That Tightly Controlling Vendors Will Result in Lower Costs

The software selection process often pits vendors against vendors, and vendors against the buyer, in an ineffective effort to maintain (an illusion) of control; a strategy that often results in increased project risk for the buyer.

There is an outdated belief that keeping treasured corporate information under tight wraps and only providing a vendor with piecemeal information will somehow reduce costs and decrease project risks; this couldn't be further from the truth. In reality, this is a risky and expensive strategy with negative long term business consequences.

Although the vendor carries the risk throughout the early stages of the selection process, with pursuit costs ranging from $10,000 to $50,000 per opportunity, businesses fail to understand that treating sales professionals as cheap entertainment, adopting a win/lose negotiation strategy, and denying requests for critical project information (business drivers, budget expectations, etc.) and the appropriate access to the leadership team ultimately leads to increased project and financial risk. Doing this transfers ALL of the project risk OFF the vendor and ONTO the buyer in the long run.

Business sponsors often fail to understand that providing limited data sets leads to the vendor inflating project estimates in an effort to mitigate risk of the unknown. More importantly, strategic insights and advice that could have led to significant business process improvements and potential economic benefits are left out of the puzzle because of the limited data set shared to the vendor. Further, by treating suppliers as commodities throughout the selection process, a strong relationship is not developed between the vendor and buyer. This produces a situation whereby both parties must default to the terms and conditions of the contract, rather than common sense, when project challenges or misunderstandings arise; a game the vendor will more often than not win.

Organizations purchase or upgrade business systems once every 6-8 years; whereas vendors implement 6 -8 business systems (at a minimum) each and every year. At the end of the day, who is more qualified to leverage these complex solution sets to greater advantage – an organization in crisis (why else would they embark on the technological equivalent to an anesthetic-free root canal?), or a partner that solves business problems with technology solutions on a daily basis? Which begs the question; why keep the experts on the outside of such a strategic, transformational investment?

To avoid unhealthy and unnecessary project risk:

1. Examine your buying process for transparency and executive availability to determine if you are setting up a dynamic that promotes confusion rather than collaboration
2. Clearly define, then share the project's anticipated measureable business benefits with the vendors
3. Proactively solicit the vendor community for incremental business benefits, process improvements or cost reduction measures that your organization may not have contemplated

MISTAKE 5 Allowing IT to Run the Selection Process

A common failure in the business software solution procurement process is handing over the process to the IT department for no better reason than that this particular business solution runs on desktops and servers.

IT tends to filter business requirements (the backbone of successful software selection) through their understanding of the organization's business processes, as well as their own technology bias. All too frequently this leads to an all-inclusive feature/function wish-list. Technology compatibility and process compliance become more important than business benefits.

IT communities are historically uninformed of the breadth and scope of the potential capabilities contained in the dozens of available commercial solutions. They are also traditionally less aware of overall business objectives, processes and goals than an organization's leadership or executive team.

When embarking on the adventure and discovery process of business solution software, it is critical that the business sponsors understand the current and anticipated business challenges and are able to document and measure them.

Despite the fact they come on shiny disks, ERP/CRM initiatives are BUSINESS projects, supported by IT, not the other way around.

MISTAKE 6

Falling into the Demo Trap

Heed the old adage, "Don't judge a book by its cover".

Over the course of the last 20 years, organizations have convinced themselves that watching a software demonstration will assist in the software selection process. Unfortunately, to the great expense of many, this false assumption has proven that choosing software based on orchestrated, self-serving demonstrations can be an incredibly expensive mistake.

There are dozens of factors involved in choosing the most appropriate software for your business; the least important of which is the graphical user interface or the demo. Many solution providers still rely upon this technique when attempting to convince prospective buyers that they have the right software for the job. And many businesses are lulled into a false sense of comfort by the "look and feel" of the software.

Instead, selection teams should focus on the software and vendor/partner elements that represent significant risk and/or cost, such as:

What is the design and architecture of the software?

Is the software current? How proven is it?

Will the software work harmoniously with my current network?

Will my employees readily accept it?

Can it scale as my organization grows?

Quite often, when Solution Providers are asked for information about the products they implement, the first thing they do is insist on showing you a demo. This approach is misguided and irrelevant; and can lead you down the wrong software selection path.

MISTAKE 7

Not Getting References

Once comfortable with a Solution Provider, you should contact a minimum of three industry-relevant references (i.e. existing clients) to discuss their experience with the vendor. It is important to be considerate of the time request when calling a reference; it is also important to ensure there is structure to the questions you ask. While it is unlikely that a solution provider provided you with the name of an unhappy customer, it is important to ask questions that are of primary concern to you.

Here is a list of some of the top questions to ask the reference:

Score = Response total x weight total
Example: Question 1. If you answered 1-3 yrs your response total is 5 x 1(weight) = Score of 5

Questions	Response	Weight	Score
1. How long have you been working with this particular solution provider?	>3yrs = 10 1 – 3yrs = 5 >1yr = 1	1	
2. Have they kept their commitments?	Yes = 10 No = 1	3	
3. What are the project managers, consultants and technical support people like to deal with?	Excellent = 10 Good = 5 Below Average = 1	3	
4. What are their other departments like to deal with?	Excellent = 10 Good = 5 Below Average = 1	1	
5. Did they deliver the project on time as per the project plan agreed to in advance?	Yes = 10 No = 2	3	
6. Did they deliver the project on a fixed price contract or completed exactly on budget?	Yes = 10 No = 2	3	
7. Did you get all of the functionality you were promised?	Yes =10 No = 2	3	
8. Did they show up on time as promised to perform the contracted services?	Yes = 10 No = 2	2	
9. How quickly and professionally has the Solution Provider addressed the project and technical support	>4 hours = 10 4 – 8 hours = 8	3	
10. How satisfied are you with the solution provider's overall performance?	Very =10 Average = 5 Not very = 1	2	

Selecting a solution provider that does not retain above 90% of its clients could be indicative of an implementation partner with rudimentary project management experience, a cursory understanding of your industry, weak technical skills, or limited business acumen (or worse; all of the above).

Don't put your project at risk by choosing the wrong implementation partner.

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About Software ThinkTank

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