

10 Steps To Selecting Business Software



SOFTWARE SELECTION HANDBOOK





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Selecting New Business Software with Confidence

This Software Selection handbook offers step-by-step software selection methodology borne from SoftResources' experience and expertise gained through nearly two decades of providing unbiased software selection consulting services. It is designed to be a resource for small to medium sized businesses that are planning to select new business software. This handbook provides:

- 10-step software selection methodology
- 9 templates/tools to assist with your selection
- Glossary of Key Terms used in the handbook

If you are a business looking to select software in the \$25,000 to \$100,000 range with 1-10 users, this handbook is a must have. Companies of your size often do not have the budget to hire a professional consultant; this handbook is the next best thing. You will still need to invest time and resources to conduct your software selection, but now you have a step-by-step process to guide you through it.

Remember; do not try and shortcut the software selection process. The software you select today should support you for the next 5-10 years, so do your homework before making your investment! You may also be interested in downloading our white paper, "Avoiding the Pitfalls of Software Selection," at www.softresources.com. If you get stuck, give us a call at (425) 216-4030 and we can help you get moving! Good luck!



Overview

Selecting the right software that will support your business needs requires a methodology designed to differentiate your software options. The Internet offers many resources, but if you have ever visited software vendor websites you know it is difficult to find the information you need. Perhaps you have invited vendors to come and show you their products, but found you were still unable to differentiate the options. This handbook will be just the tool you need.

Following is an outline of the 10-step selection methodology and 9 templates included in this handbook:

10-Step Selection Methodology

- Step 1 – Understand the Software Market
- Step 2 – Define Your Key Requirements
- Step 3 – Identify the Vendors/VARs
- Step 4 – Request for Information
- Step 5 – Determine Your Short List
- Step 6 – Software Demos
- Step 7 – Check References
- Step 8 – Final Decision
- Step 9 – Contracts
- Step 10 – Prepare for Implementation

Templates

- A – Requirements Questionnaire
- B – Key Requirements Document
- C – Long List Form
- D – Working List Vendor Qualification Form
- E – Comparison Chart
- F – Sample Software Demo Script
- G – Post Demo Rating Sheet
- H – Reference Check Questions
- I – Final Decision Score Sheet

Included at the end of this handbook is a Glossary of Key Terms. Whenever you see a word or phrase italicized you can refer to the glossary for a more detailed definition. Let's get started.



Step #1 – Understand the Software Market

The first thing you need to do is familiarize yourself with the business software market and the capabilities of software vendors you may be considering. This initial background research will help you prepare to evaluate software solutions and work with vendor salespeople. You will also gain an understanding of the latest trends in the market, as well as new functionality offered by vendors. We will get you started by providing an initial overview of the business software market to prime the project. Then you need to do additional research for the specific functionality of the industry and type of software you are selecting.

Software Market Overview

The software market is always changing. New technology and software solutions spring up all the time with new ideas. Vendors gain and lose momentum and some get acquired. Although it would be impossible to discuss every nuance of the software market, this section provides an overview of the most important information you should know in order to understand how the vendors work during the software selection process.

1. Cloud and On-Premises Software Delivery
2. Cost Elements
3. Mobile Technology
4. Functional Modules
5. General and Vertical Market Vendors
6. Initial Market Research

Cloud Software

There is a lot of talk in the market right now about “Cloud” software and services. Basically the cloud is a software delivery method that enables you to outsource your software applications to the software vendor. Instead of buying a server and installing the software on your in-house technology, you pay a monthly or annual fee to access the application over the internet. For a Cloud solution, the only technology that you would need would be a web browser. The vendor handles all of the maintenance and upgrades which works well for smaller companies with no IT department.

In contrast, the traditional delivery of software is the On-Premises method. This is the process of buying software and installing it on your own computer or server. You have more flexibility with an on-premises solution, but you also have to maintain and upgrade the software. While there is a lot of hype about Cloud solutions, there are pros and cons with this software delivery method:



Step #1 – Understand the Software Market

Pros for Cloud Software	Cons for Cloud Software
No technology infrastructure to maintain	Total reliance on the vendor (your data resides offsite)
Rapid implementation	Software modifications for unique requirements are limited
Security is handled by the software vendor	Security breaches could result in loss of data
Upgrades and Maintenance are handled by the software vendor	Must stay current on payments or access to the system will be terminated
Vendor stores all data (less hardware cost)	Out of pocket cost may be higher in the long run because of subscription fees
Inherent remote accessibility	Rely heavily on internet connectivity

You will have to weigh the pros and cons for your business. For example, if you have a slow or bad internet connection, the Cloud may not be right for you. On the other hand if you don't want to maintain the system and don't mind paying someone else to do it, the Cloud may be a good solution. In general, we have seen the cloud to be a good option for small companies that do not have a lot of sophisticated requirements or technological infrastructure.

Cost Elements

There are three main cost elements of software to understand and consider as you evaluate your software options. They vary slightly between Cloud/SaaS or On-Premises.

1. Software License (On-Premises Solutions)
or
Service Level Agreement (Cloud Solutions)
2. Implementation Services (Both On-Premises Solutions and Cloud Solutions)
3. Annual Maintenance (On-Premises Solutions)
or
Annual Fees (Cloud Solutions)

The Software License is how much you will pay for the software. It is typically calculated based on a combination of the modules you will be using and either the number of named users or concurrent users.

A Service Level Agreement, specific to Cloud Solutions, is the agreement to pay for the monthly or annual hosting cost and is also typically based on the user count.

Implementation Services – Unless you can implement the system yourself (as may be the case for the smallest companies), you should plan on paying for



Step #1 – Understand the Software Market

implementation services. The larger and more sophisticated the company, the higher the implementation cost. In general for small to medium companies, you can expect to pay about \$1 in implementation cost for every \$1 in software license cost.

Annual Maintenance is recurring fees paid annually to the vendor to maintain on-premises software. These fees vary by vendor; however, they are typically 20% of the initial license cost per year which entitles you to upgrades and some level of support.

Annual Fees for Cloud solutions are fees that are charged monthly or annually for the use of the software based on the current number of users and include all upgrades and some level of support. Additional support for both types of solutions can be purchased either on an hourly basis or with blocks of support time.

Mobile Technology

The use of smart phones and tablet computers in the business world is increasing rapidly. Software vendors are now developing their applications to run on mobile devices (including the iPhone, iPad, Android, and Windows platforms) but the level of mobile technology capability currently varies depending on the vendor.

Functional Modules

Software vendors offer functionality in suites called modules. These modules are defined by area of functionality such as General Ledger, Accounts Payable, Order Entry, Customer Relationship Management (CRM), etc. Make sure that you identify the modules that you require and match that with the functionality (or functional footprint) offered by the software vendors you are considering. Many of the more well-known software vendors have an ecosystem of Independent Software Vendors (ISV) that develops add-on functionality for a particular area of functionality or industry. These ISV solutions are written in the same toolset and are seamlessly integrated to the main software solution.

General and Vertical Market Vendors

General vendors focus on many different types of companies, they are more well-known, have a much broader install base, and are typically more advanced technologically. However, these systems need to be configured to a particular industry. There are also vertical market vendors that focus on a particular industry. These vendors offer specific functionality for a particular market, but are typically smaller and not as well known. You should consider both types of vendors in your analysis.



Step #1 – Understand the Software Market

Initial Market Research

You need to do some research on the specific solutions for the type of software you are considering. This will give you ideas and help to uncover software vendors that may be a fit for you. Look for magazines and web sites that focus on your industry in order to find possible vendor solutions. The following are some other great resources to help you get familiar with vendors in your market:

1. General Internet Search (Google, Yahoo, Bing, etc.)
2. Industry Magazine Advertisements
3. Industry Tradeshow Advertisers
4. Vendors that you are familiar with
5. Vendors that your competitors or business partners are using

Pick a few vendors that appear to be a fit and browse their capabilities on the internet, watch web demos, and/or gather literature so you can get some ideas of the capabilities of systems and help you gain a vision for how you can use technology in the future. The idea is to become educated about the vendors and key functionality that will be useful to you in your business. You will learn things from some vendors that you can ask other vendors.



Step #2 – Define Your Key Requirements

Defining your key requirements is one of the most important steps in the selection process. If you don't know what you want, how will you know when you find it? For that reason we recommend that you create a requirements document so that you can specifically define your requirements and effectively communicate your needs to the vendors. A written requirements document also helps you to efficiently (and objectively) evaluate software vendor solutions.

Make sure that you focus your requirements on the "Key" requirements. Many consultants and websites offer lists of thousands of possible functions. Creating a long list of requirements can make it very difficult to focus your evaluation on the most important criteria and may inhibit vendors from responding to your inquiries. A long requirements list also results in so much information that you can become overloaded and it may actually become more difficult to make software decisions.

Instead, we recommend that you focus on your most important requirements that can be condensed to 2-3 pages. Because much of what the software vendors offer is standard functionality, focus your research on the requirements that are 1) most important to you, and 2) differentiate the software vendors. For example, if you were going to buy a car, you would assume that it has 4 wheels, but a key differentiator would be if it has 4 wheel drive.

To help you focus your requirements document, we have provided a template Key Requirements document for you to fill out. Simply answer the questions of the main differentiators in the questionnaire if they are applicable to your situation and then populate the answers on your requirements document. If a question or requirement does not apply to you, or if you don't know what the question/requirement is, then delete it from your document. You should then add requirements specific to your organization to complete the requirements list.

In addition to creating specific requirements for your company, add some of the capabilities you discovered in your initial market research in Step #1. Be careful that you don't put all of the functionality from one vendor on your wish list. The vendors are well aware of the capabilities of their competitors and if it looks like you are focused on one particular vendor, the others may not respond.

Once you have identified the key requirements, you should categorize them into 2 levels: 1) Required – most important, and 2) Nice to Have – these are requirements that are useful, but will not be an elimination factor.

If your organization is bigger, you should do an interview process to gather requirements from functional groups within your organization and end users. Contact us at (425) 216-4030 and we can provide tips on conducting requirements interviews for larger organizations.



Step #2 – Define Your Key Requirements

In summary, the requirements document should be brief and focused on the most important criteria so you can get the information you need to efficiently evaluate the vendor's fit to your requirements. The purpose of the requirements document is not to make the final decision, but to eliminate inappropriate vendors from your long list to get to a short list of software solutions that you can then conduct more in-depth analysis.

TOOLS:

A - REQUIREMENTS QUESTIONNAIRE

B - KEY REQUIREMENTS DOCUMENT



Step #3 – Identify Software Vendors/VARs

The next step is to create a list of software vendors that could be a fit for your organization that you will evaluate in the selection process. There are 2 types of vendors you should consider:

1. General ERP software vendors – These vendors are general in nature and cover many different industries. Features of these vendors include:
 - a. Offer more extensive functionality
 - b. Provide more flexibility
 - c. Larger software vendors
 - d. Larger install base
 - e. Typically utilize more advanced functionality
 - f. May partner with a network of authorized resellers or VARs
 - g. May have 3rd Party add-on ISV solutions to fit certain industries

2. Industry Specific Vendors – These are vendors that focus specifically on your industry. Features of these vendors include:
 - a. Offer specific functionality to support a vertical industry
 - b. Offer more basic functionality with less flexibility
 - c. Often smaller and privately held
 - d. Upgrades are slower and directed by user base
 - e. Slower at adopting the latest technology

For most small to mid-sized companies, the general vendors offer sufficient functionality for your needs. However, do not discount the value of niche vendors that offer some very specific functionality that can make a difference in your selection process. You should include at least one industry specific vendor on your list.

Creating the Long List

You should start with a “long list” of software solutions. You may already have a list of vendors that you would like to consider for this project. We recommend you at least take a quick look around to add any other vendors that may be a possibility. Sometimes you will find a good software solution where you least expect – a “diamond in the rough.” The following are a few places you can go to build out your long list of software solutions:

1. Industry Associations – trade associations often provide lists of software vendors that focus on your industry.
2. Industry Magazines – Magazines have many vendors that advertise in industry magazines which are a great source for finding those vendors.
3. Trade Shows – Visit both technology trade shows as well as industry tradeshow.



Step #3 – Identify Software Vendors/VARs

4. Internet Search Engines – Google, Bing, and other internet search tools are good ways to find possible software solutions.
5. Word of Mouth – Talk with customers, competitors, and others to get an idea of possible vendor solutions.
6. SoftResources - If you need help to get started, call us at (425) 216-4030 and we will give you some ideas of software solutions and where to start to put together your list.

We have included a Long List Form that you can use to fill out your list of vendors. This “long list” should then be researched using a few key high-level criteria. Call the vendors and ask them the following questions:

1. Functional footprint – What modules do they offer? Make sure to have your list set up from the Key Requirements document. Now is not the time to go into details of specific functionality. The focus is to find out if the general functionality matches your requirements. You should also identify any add-on or ISV solutions (See glossary of Terms) that may be necessary for that vendor solution.
2. Cost – Get a quick idea of ballpark cost. Most likely the cost will be driven by the number of modules purchased in combination with the number of users. Let the vendor know that you would like a ballpark idea of what to expect for an implementation similar to your situation.
3. Industry experience – Ask the vendors what industries they focus on. Find out how many total installations they have completed and ask them to name a few similar companies that they have implemented.
4. Similar Customers – Ask them if they have any similar customers to you – this is both an industry question as well as a question to get a feel for the size of the organizations they focus on. You should ask what their target company size range is and where 80% of their customers are. Many vendors are very scalable, but the majority of their installations fall in a certain size range.
5. Cloud vs. On-Premises – Ask them if they have a Cloud strategy and get an idea of how many installations they have for both On-Premises and Cloud software delivery methods. This will help you know if you should focus on a Cloud or On-Premises installation with that vendor.
6. Technology – ask them to discuss their technology and make sure that it fits the direction that you are looking to move.



Step #3 – Identify Software Vendors/VARs

7. General Questions – Ask them about a couple of very key requirements that are specific to your situation such as multi-company, multi-currency, project billing, process manufacturing, or a few other criteria that are major differentiators for you. The point is to find out if there are any key criteria that will eliminate that vendor from consideration or find a vendor that focuses specifically on functionality that is most critical to you.

To help you with these initial vendor qualifications, we have created a form (Initial Vendor Qualification Form) for you to fill out that will help you organize the information so you can determine which vendors should be eliminated and which vendors should move to the Working List of 4-6 solutions for more detailed evaluation.

Selecting a Value Added Reseller (VAR)

Some of the general ERP software vendors require you to buy the software through a Value Added Reseller (VAR) channel, which is an independent vendor that will sell and implement the software for you. These include vendors such as: Microsoft, Sage, Infor and others. When you contact the vendor, find out if they sell their software through a VAR Partner channel and then ask them for a local VAR with experience in your industry. They should provide the contact information for a VAR they recommend. Do some research on the VAR's website and call them and run through the same questions that you did with the vendor. After that conversation, if you do not feel comfortable with them, then call the vendor and ask for another VAR to consider.

It is important to note that once you go into more detail with the VAR and start going down the sales path, it can be difficult to get a new VAR because they register the lead with the vendor and do not want to spend a lot of money in the sales effort if they don't have a good chance at winning your business.

Continue with the vendor questions until you have reasons for elimination of the vendors to get to a Working List of 4-6 vendors. Follow your instincts. Sometimes there are vendors that appear to be a good fit on the surface, but after you talk with them, you don't feel comfortable. Feel free to eliminate those vendors.

You should get to a list of about 4-6 software vendors/VARs who you will evaluate in greater detail and move to the next step in the process. The Working List contact form will help you organize the contact information as well as a few notes that you will need for the rest of the evaluation process.



Step #3 – Identify Software Vendors/VARs

TOOLS:

C - LONG LIST FORM

D - WORKING LIST VENDOR QUALIFICATION FORM



Step #4 – Request for Information

Make contact with each of the 4-6 vendors on your Working List and inform them that you will be sending the Key Requirements Document. Talk with the vendor to discuss the goals for the project and your situation in greater detail. Answer any questions they may have. The idea is to open up the lines of communication and give the vendor every opportunity to get the information they need to properly respond. You will also begin to develop a relationship with them to get a feel for their compatibility with your organization.

Send the Key Requirements document that is already set up to collect responses for the functional requirements. Make sure the vendors understand they need to identify any 3rd Party or ISV solutions that need to be included in order to handle your requirements. In general we recommend you allow the vendors about 1-2 weeks to respond and you should be available during that period to answer any questions the vendors may have. They should be able to respond fairly quickly because you are sending a concise and focused requirements document and not asking them to create a big response.



Step #5 – Determine Your Short List

The goal of this step is to move from a Working List to a Short List of approximately 3 vendors.

When you receive the responses from the vendors to the Key Requirements document, make an initial review to see if there are any apparent holes in the vendor's response that will enable you to quickly eliminate a vendor that does not meet the major requirements. Also look at the ballpark estimated pricing to determine if any vendor is either too high, or too low in their cost estimate. This should give you an idea of the strengths and weaknesses of the vendors and allow you to eliminate one or more vendors.

The next step is to modify the Comparison Chart template to fit the requirements identified in the requirements document. All of the rows should match exactly with the rows in the Key Requirements document. Now you simply cut and paste the vendor responses into the columns on the Comparison Chart. This will enable you to see the vendor responses in one comparative chart.

For those vendors that remain in contention, schedule calls with each of them to clarify their responses. During the call, you should discuss the line items of most importance and identify the requirements that you would like clarification. For example, they may have responded that a requirement requires a 3rd Party or ISV solution. Ask the follow up question to determine what 3rd Party or ISV would be required and how many implementations have been completed together. During these calls make sure you investigate the following:

1. Requirements: Discuss any key requirements, that you would like additional information. For example, the vendor response may be vague, or may be substantially different from the other solutions you are considering. Ask follow up questions such as "How does the software handle this requirement?" or "This is how we do this requirement today, how would your system handle this?" or "When do you expect this functionality to be released?" or "How much modification would be required to fulfill this requirement?"
2. 3rd Party/ISV Solutions: Make sure that you identify any 3rd Party/ISV solutions that would be required to fit your needs. Ask them how many times they have worked with that partner and make sure you understand who will be the first line of support if there are problems and the impact of any upgrades.
3. Cost: Make sure that you understand the cost components and what the annual cost would be for 5 years. This gets you past the initial discounting to understand the true system cost over the long run.



Step #5 – Determine Your Short List

Plan on spending 1-3 hours with each vendor to discuss their response and gather the information you need for the analysis. Add notes from your calls to the Comparison Chart and then take a step back to compare the vendor solutions on your chart. Highlight the strengths and weaknesses and make a determination of the finalist Short List of vendors based on your observations. Remember, there is no perfect match and every vendor will have strengths and weaknesses. Focus your efforts on vendors with significant strengths for your company, and those vendors with whom you can compensate for any weaknesses they may have.

TOOLS:

E - COMPARISON CHART



Step #6 – Software Demos

Agenda

The next step is to create a Demo Agenda that will allow you to see the vendor solution for the requirements that you would like to see. The Demo Agenda enables two things:

1. It forces the vendor out of their canned presentation to show the requirements that are most important to you.
2. It allows you to evaluate the vendors on an equal (apples to apples) basis.

We have included a template Demo Agenda with this handbook, but it should be modified to fit your specific requirements. This agenda is brief, focused on smaller organizations, and will work for either a web demonstration or an on-site presentation. We recommend about a 4 hour demo for smaller companies. Larger organizations that have multiple groups should plan on at least a full day demo in order to cover the modules required in enough depth to evaluate their fit to the organization.

Use the major requirements in your Key Requirements document to fill out the Demo Agenda. You may also want to add a Business Case Scenario which is a real-life scenario (such as walking through the processing of an invoice) that you would like to see the vendor show. You should prepare the sample data that you would like the vendor to input when you send the Demo Agenda so they can prepare.

The following summarizes key tips to building the Demo Agenda:

1. Use the template and add requirements from the Key Requirements document. You will not be able to see everything in the Demo, so make sure you include only the functionality you are most interested in.
2. Optionally, you can prepare a business case scenario by providing information so the vendor can walk you through the key process that you would like to see.
3. The demos can be held either on a web conference or on site.
4. Put time limits for the various sections of the script so you can make sure that you cover everything you would like to see.
5. Include a brief discussion regarding implementation issues at the conclusion of the demo.



Step #6 – Software Demos

6. Send the Demo Agenda to the vendors at least 2 weeks prior to the demo and provide any information about your company they request. Allow them to call you to ask questions prior to the demo so they can prepare.

You will notice that we included a ranking mechanism for the demos (A = Excellent, B = Adequate, C = Deficient) for each section and then again for the vendor as a whole at the completion of the demo. As you move through the demo, make sure you rank each section while it is fresh in your mind. This will help you with the final ranking of the vendors. Please note that the demo rank should not be the final rank in your analysis of the vendors. While this is a key point of information, there are other factors to include in your analysis as you move to the final decision phases.

TOOL:

F - SOFTWARE DEMO AGENDA

Demo Facilitation

The next step is to see the software in action using the Demo Agenda. The first thing you need to do is schedule the software demos with the vendors. This can be challenging as you coordinate your team's schedule with the software vendor's schedule. Most vendors prefer to be the last presenter, but we find that the order of the vendors has little to do with which vendor is selected, so schedule them in the order you would like to see them. However, we do recommend that you hold the demos as close together as possible, preferably over a 3 day period so everything is fresh in your mind. While it is preferable to have the vendor come in to do the demo on-site, a web demo can be sufficient for smaller companies.

The next thing you need to do is set up the Pre-Demo meeting. This is a conference call with the vendors that is conducted after the vendors receive the Demo Agenda. It allows the vendor to ask any question regarding the script and/or your company. The goal is to provide them with the information they need to adjust their presentation to your requirements.

Make sure that you assign someone to be the Demo Coordinator, or the "Demo Police." This person will be tasked with making sure the vendor stays on track, and manages questions from the project team. The facilitator will also make sure that the script is followed and that questions are answered, and will note any follow-up action items.

1. The Demo Coordinator (Demo Police) has the following responsibilities:
2. Timekeeper – Makes sure that the vendor stays on track.



Step #6 – Software Demos

3. Question Gatekeeper – Monitors the questions and answers with the vendors to make sure the demo moves expeditiously, while at the same time making sure that questions are answered or they are documented for additional follow up.
4. Ranking – Compiles and summarizes the notes and rankings from the evaluation team.

In summary, the following are some tips for managing an effective Software Demo:

1. Schedule the demos close together, preferably within the same week.
2. Send the Demo Agenda to the vendors at least 2 weeks prior to the demo so they can prepare.
3. Hold pre-demo meetings with the vendors to answer their questions regarding the agenda and your company.
4. Ensure that all demo team members have a copy of the Demo Agenda.
5. Keep the demo on track and hold to the Demo Agenda as much as possible.
6. Identify and document unanswered questions and follow up items.
7. Collect and summarize the Demo Ranking.

After the Demos

After the Demos are complete, hold a Demo Review meeting with the project team to discuss the strengths and weaknesses of each vendor, review the rankings, and make decisions for moving forward. You should also review the follow up items that will need to be addressed as well as any areas that you will want to do a follow up web demo at a later date with the vendors. The key questions you should discuss in your Demo Review meeting are:

1. How do the software solutions compare?
2. What were the strengths and weaknesses of the vendors?
3. Now that you have seen all three demos, do you agree with the rankings? What ranking would you modify?
4. Is there an obvious front runner or two vendors that you feel would be the best fit?
5. Can we eliminate one or two vendors?
6. What are the open issues or questions with each vendor?
7. What are the next steps with each vendor?
8. When can we schedule follow up demos with the finalist vendor(s)?

The goal of this meeting should be to eliminate at least one of the vendors. We find that there is usually a clear front-runner with a close second vendor, so you should



Step #6 – Software Demos

be able to focus your efforts on one or two vendors for the final decision process.

Follow Up Demos

Now that you have identified one or two vendors to focus on for your final evaluation; review any questions from the demo that need to be followed up on. Then schedule calls and demos with the vendor(s) to clarify the capabilities of their solution. These demos are typically done via web conference and focus on a specific module or area of functionality that was not clearly demonstrated or there was not enough time to see details during the initial demo. These demos typically last 1-2 hours and can be done concurrently with reference checks and other final decision activities.

TOOL:

G - POST DEMO RATING SHEET



Step #7 – Check References

Now that the demos are complete, you should be down to one or two vendors that look to be a fit. The next step is to request a few references (we recommend about three) from the finalist vendor(s) to confirm the capabilities of the software vendor.

Take the lead when asking the vendors for references because you want to be sure that the references are relevant to your situation. When requesting references it is important to ask the vendor for customers that:

1. Are similar sized to your company.
2. Are in a similar industry to your company.
3. Have a similar functional footprint.
4. Use the same version of the software that you are considering implementing.
5. Has already gone live with the system.

We have included some reference check questions for you to use in your reference calls with some space for you to add other questions specific to your situation. You can write notes directly in the Reference Check document.

In addition to gathering information to help you make a decision, you should also take the opportunity to ask questions of the references that will help you prepare for the implementation. Ask them what worked well and what did not, as they moved through the implementation process. This will enable you to learn from their mistakes and successes to improve the implementation in your organization.

TOOL:

H - REFERENCE CHECK QUESTIONS



Step #8 – Final Decision

Final Proposal

After the Demos are complete, you should request a final proposal from the finalist one or two vendors that you feel most comfortable with.

At this point, the vendors should have enough information to provide a more defined cost and implementation proposal. Make sure that you consider the cost over a 5 year period so you can get a true picture of the cost of the solution over the life of the solution. The final proposal should include the following components:

1. Scope of the project – This should include all of the modules necessary for the implementation, including any 3rd Party or ISV modules.
2. Implementation – This should include implementation estimates for the project including a Statement of Work for the work to be performed.
3. Maintenance/Support Agreement – This should include identification of what is included in support and maintenance.
4. Cost – The cost proposal should include the following components:
 - a. Software License or Service Level Agreement (Cloud) – This is the price you will pay for the software and is typically based on the modules you purchase and the number of users that will be accessing the system. If you are buying an on-premises system, this will be a one-time cost, if you are buying a Cloud solution, this will be an annual cost.
 - b. 3rd Party Modules – These are any additional 3rd Party or ISV modules that you will need in order to fit your footprint for the project.
 - c. Annual Maintenance/ Annual Fees – This is the annual maintenance fees that you will pay for the system. This typically includes upgrades as well as some level of support.
 - d. Implementation Fees – This is the cost of setting up and implementing the system. For very small systems, the implementation can be done by the end user.



Step #8 – Final Decision

Make the Final Decision

At this point you should be ready to make a final decision. We recommend you consider 8 decision points in your final evaluation process. We often put them in a puzzle format to illustrate the fact that you need to put all of the pieces together for your final decision.

1. **Functionality** – Does the software functionally work for you? How do the vendors compare? What are their strengths and weaknesses? Are there any workarounds required?
2. **Technology** – Does the technology of the software match our direction? Do they offer a Cloud or On-Premises solution? Does the software offer advanced functionality that will give you an advantage over your competitors?
3. **Cost** – How does the total cost of the solution over 5 years compare? Does it fit the budget? Do you feel you will get value for the money spent?
4. **Software Vendor** – Is the software vendor viable for the future? Are they dedicated to moving the solution forward in a manner that would be helpful to you? Are you comfortable with the culture of the software vendor?
5. **Implementation Partner/VAR** – Does the implementation partner have experience in your industry? Do you feel comfortable working with them? What implementation resources will be required of you?
6. **Project Timing** – Will you be able to implement in a reasonable timeframe? Is there functionality available in the next release that you need? When will it be available?
7. **Training and Support** – What training and support options do you have? What is the upgrade process like?
8. **Organizational Compatibility** – Do you feel comfortable working with this solution and the vendor? Does it feel like a good fit?

We have provided a Final Decision Score Sheet to help you put notes into the 8 Decision Points that will allow you to rank the finalist vendors. Simply answer the questions apply the scores and add them up. This gives you a numeric score and ranking for your final decision.

TOOL:

I - FINAL DECISION SCORE SHEET



Step #9 – Contracts

The contract is typically written by the vendor, so make sure you review the contract prior to signing. As a small company, you have less negotiating power, but you should at least review the contract and take into account the following tips:

1. Make sure that you negotiate the Statement of Work (SOW) prior to signing. You need to know what will be done by the software vendor, and what will be expected of you.
2. Make sure that you understand how the software is priced and what assumptions you make with regard to pricing. (For example, most software vendors price the software according to the number of users.) Be careful not to overestimate the number of users as that directly impacts the cost of the solution. You can add users at a later date.
3. Negotiate for growth prior to signing the contract. For example, if you are getting a discount on the price per user, try to negotiate a discount for adding users later on.
4. Make sure you understand your support options prior to signing the contract.
5. Identify the implementation project team members that will be assigned to your project. Review resumes and meet them and see if you feel comfortable working with them.



Step #10 – Prepare for Implementation

At this point you need to prepare for the implementation. Implementation is no easy task under the best of circumstances. It requires long hours, prompt decision making, and dedication. Proper preparation can make the difference between a successful and unsuccessful project. Consider the following tips:

1. **Dedicate Resources** – Make sure that you dedicate the time necessary to properly implement the solution. Whether you are doing it by yourself or have a team for the implementation, it is critical that you budget significant time for the implementation. Your responsibilities should be outlined in the Statement of Work from the vendor.
2. **Review the Implementation Plan** – Work with the vendor to map out the implementation plan. Make sure that you understand who will be doing what and when.
3. **Make Decisions** – Empower yourself or your team to make the decisions necessary in an expeditious manner. You will not have the same business processes you did with the old system. Take this opportunity to use the best practices built into the new system to improve the way you do business.
4. **Personnel** – Assign your most experienced personnel to the project. They should be the best people that know how you operate and will be able to make the long term decisions for your company.
5. **Monitor the Vendor** – Make sure that you closely monitor the activities of the vendor/implementation partner. You need to stick to the schedule provided and make sure the vendor complies with the timeline.
6. **Take Ownership** - This is your implementation, not the software vendor's implementation.
7. **Move Quickly** – Move as expeditiously as you can through the implementation project. Projects that are long and drawn out lose momentum and have a higher risk of failure. The most successful implementations are completed quickly. Although it can be difficult to take the time out of your busy schedule to move quickly, the faster you can go live with the new system, the less disruption to your organization.
8. **Convert Summary Data** – In most cases it makes sense to only convert summary data to the new system. Converting detailed transactional data requires significant effort to clean the data and map it to the new system.



Step #10 – Prepare for Implementation

9. Adopt Best Practices – Be prepared to change your processes to fit the best practices of the software solution you are implementing. This will speed the implementation and allow you to improve your processes at the same time.
10. Configure, Don't Customize – Software systems are very flexible and allow you to configure the software to fit your needs. Customization is much more involved and may take you off the upgrade path. Stay within the bounds of the software solution.

You will notice that most of the implementation tips center around moving as quickly as you can through the implementation process. Although painful and difficult, the sooner you can get up and running, the less costly and disruptive to your business. Implement fast and efficient!



Conclusion

As we mentioned at the beginning of the Software Selection Handbook, the software selection process can be difficult and requires commitment, money, effort, and time. This handbook was built to enable you to focus your efforts to efficiently evaluate software solutions in order to select a good solution for your organization. If you get stuck, SoftResources is just a phone call away, so feel free to call us at (425) 216-4030 and we can spend a few minutes with you on the phone to get you moving. If you need even more assistance, we can set up an engagement to help you take your organization through the software selection process.

Good luck!



11411 NE 124th Street, Suite 270
Kirkland, WA 98034
425-216-4030
info@softresources.com
www.softresources.com



Glossary of Key Terms

The following is a glossary of the key terms and ideas that you will find helpful in the software selection process.

Cloud or Software as a Service (SaaS) – Software delivery method where the software is hosted by the software vendor in a multi-tenant environment, or in other words where it is shared between a number of companies; this is also known as Software as a Services or SaaS. The software is not owned by the user, but is leased.

On-Premises – Traditional software delivery method where the software is licensed to the user and the software is installed on the client site.

Software License – The software license is typically calculated based on the number of users (either named or concurrent – see below), and the modules purchased (see below). For On-Premises solutions the software license purchase enables implementation at the client’s site. For Cloud solutions a service level agreement is signed and payment is made on a monthly or annual basis for the license to use the software via the Internet.

Module – Functionality offered by software vendors is typically divided into “modules.” General Ledger, Accounts Payable, Point-of-Sale, Forecasting, Budgeting, etc. are all examples of modules that may be offered by a vendor. Many vendors allow you to select the modules or suite of modules that you will need and only pay the license for the functionality used. These modules can be turned on or off in the software system.

Concurrent User – Many software vendors price the software license based on the number of Concurrent Users which is the total number of users that will be accessing the system at the same time.

Named User - Some software vendors price their software based on the number of Named Users - or all possible users that will be accessing the system at any time.

Implementation Services – Unless you have very simple requirements, you should plan on having assistance with the implementation. The larger and more sophisticated the company, the longer time will be required to implement and the higher the implementation cost will be to configure the software.

Annual Maintenance or Annual Fees – This is the annual maintenance that entitles you to upgrades and support. It is typically 20% of the license cost for on-premises vendors. It is included in your Service Level Agreement for Cloud vendors as an annual or monthly fee (based on the number of users) for the use of the software.



Glossary of Key Terms

Value Added Reseller (VAR) – This is a sales channel delivery method that is used by many of the larger software vendors. In many cases the software vendor will not sell you the software, but refer you to a local reseller. The VAR will sell, implement, and support your software solution. In some cases you have the choice to implement direct from the software vendor or through a local VAR.

Independent Software Vendor (ISV) – Many of the larger ERP software vendors that sell through a VAR channel also allow those VAR's to develop add-on functionality for specific areas of functionality and/or specific industries. These add-on modules are built using the development tools of the base product and seamlessly integrate with the ERP software and are called ISV solutions.

General Software Vendors – These are software vendors that focus on many different industries. They typically offer more advanced functionality and technology, have a large install base, but require configuration for certain industries. Many of these vendors sell and implement software through a VAR channel.

Vertical Market Software Vendors – These are software vendors that focus on a particular vertical market or industry. These vendors have specific functionality for an industry, but are typically smaller companies, have a smaller install base, and typically lag technologically. Many vertical market software vendors sell direct to the customer.

Long List – The starting list of many potential vendors that you will research in the software selection process.

Working List – List of 4-6 vendors that you will analyze in greater detail in order to get to a Short List of 3 solutions.

Short List – List of approximately 3 vendors that you will invite for demos.

Key Requirements – Requirements that you will use for evaluating software solutions. This is not all of the requirements, just those that will be decision making criteria.

Demo Agenda – Script that you will provide the vendors so they can show how they will handle your key requirements.

Implementation Ratio – Ratio of cost of services to implementation. In other words, for every dollar you spend on the software license, you will spend X dollars to implement the software. In standard mid-market solutions, this ratio is typically 1:1 for both On-Premises and Cloud software solutions.



Glossary of Key Terms

Software Modification – Modification of the software to fit unique business requirements and processes that are within the parameters of the configuration tools in the software. Modifications generally do not affect upgrades to new versions of the software for on-premises solutions.

Software Customization – Customization of the software to fit unique business requirements and processes that require changes to the underlying source code of the solution. While customization may be required for certain functional requirements, this frequently results in the inability to upgrade to the next version of software for on-premises solutions, and is typically prohibited in Cloud Solutions.

Upgrade – This is the release of upgrades to the software which includes new functionality and technology advances. These are typically made at a minimum on an annual basis, but in most cases every 6 months. Some upgrades are minor changes, while others are major changes to the system. If you have implemented an on-premises solution, then you will need to manage the implementation of the upgrade. If you are using a Cloud or Software as a Service solution, then the upgrades are automatically installed.

Beta Release – This is the final testing stage for new functionality. Software vendors will frequently promise that new functionality is in beta and will soon be released for general application.

Vaporware – Slang term for a software vendor's claim that certain functionality is close to being released, but gets delayed or is never actually developed.

Install Base – The number of total installs of the software solution. Software vendor's will respond in one of three ways (1) the number of companies that are using the solution, (2) the number of sites or locations (could be multiple sites within a company), and (3) the total number of users across all companies that are using the system. They usually do not subtract any customers that may have moved off the system.

Functional Footprint – The modules and areas of functionality that the software vendor offers. You need to find a vendor that will closely match your functional footprint needs.

Add-On Modules – Additional modules that can be purchased from ISV's that increase the functionality of the ERP software solution for certain vertical industries or areas of functionality. These modules are usually developed by partners with the ERP software vendors (ISV's) and written in the same toolset as the ERP solution.



Glossary of Key Terms

3rd Party Solutions – Additional modules that can be purchased from other software vendors that increase the functionality of the base ERP system. They are typically not built with the same toolset as the base ERP solution, and may require integration services to connect the systems. These modules are typically introduced by the VAR to cover a client's functional footprint requirements.

Web User Interface – User interface that allows access to the software through a web browser. The only user hardware requirement is the ability to run a web browser and an internet connection. All Cloud solutions solely offer a web user interface, and many on-premises vendors offer this capability as well.

Client Interface – User interface that requires software installed on the client hardware (desktop, laptop, tablet, etc.). A Thick Client would require a more high-powered computer, and offer more functionality at the user station, whereas a Thin Client has smaller end-user computer requirements.

Database – Where the data resides in a software solution. The majority of databases that software vendors use today include Oracle, Microsoft SQL, IBM, and Pervasive.

Source Code – The programming language that the software vendor writes the software solution.

Development Tools – Toolset that the software vendor uses to code and make modifications to the software.