



**Successful Application Package Evaluation and Selection:
*Eight Steps to evaluating, selecting and buying software to stay on course
and out of court***

Make your investments count when you buy packaged applications. Do it right, do it smart, and protect yourself. This step by step approach fills in the gaps to avoid project failure and blame.

CIO's know that the best practice for adding applications to a company's portfolio is through buying a package rather than by custom development. Thirty years of software evolution has taken us from building to buying and the rationale is obvious:

There are five main reasons to buy:

- Licensing costs are a mere fraction of in-house development costs
- Time to benefit is minimized
- Project risks are minimized
- Support contracts manage timely and ongoing enhancement
- Vendor functionality includes industry best practices

Make vs. Buy, projects still fail

Given these obvious advantages, it is surprising that the failure rate of package implementation projects is only slightly lower than that for custom development projects. That means that almost equally, these



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projects are not on-time, on-budget, or don't deliver the business benefit originally committed. Why is this so?

Before we answer that, another interesting trend that goes with the migration to packaged software is the upward trend in application package litigation. Our work on quite a few of those cases over the past ten years, including ERP, CRM, financial, human resources, healthcare and liability insurance solutions, has revealed one of the major causes for project failure. In virtually every case, the outcome of the project was decided before the implementation began. Evaluation and selection activities set the stage for what was to come.

How do you buy your car?

An analogy can be drawn between buying packages software and buying a car. People take two approaches to buying a car: impulsive and deliberative.

The impulsive person decides that he needs or wants a car. He goes to one or two dealers he's heard about on TV or in the news, test drives a car or two, hears about all the great features are and what he can get after-market and how great a deal he can get if he buys right now—and the next thing you know he's driving down the street in a new car.

The deliberative person starts out defining why she needs a new car. She then does research, maybe on the web, reading reports, asking neighbors, friends and family what they like about their cars, and narrows her search down to a few possible models she might like. She does some price checking and figures out what she's willing to spend. She then goes down to the dealers, goes on test drives in her area, discusses warranties, service, and financing, and then makes a reasoned decision and buys her new car.

Perhaps we all see ourselves somewhere in the middle, and we know quite well that the deliberative approach is the best one, and yet most car purchases are made on impulse.

Unfortunately this is also true for packaged software.

Even though most buyers will start with an affirmed deliberate approach, somewhere along the way they will switch to the impulsive and emotional approach, maybe because taking the time and effort to deliberate isn't as much fun. Even so, in contrast to buying a car, an impulsive packaged software purchase can have disastrous results to the company.



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This article defines the process and critical success criteria for Application Package Evaluation and Selection. Doing this right sets the state for downstream project success.

The Application Package Evaluation and Selection Process



The above graphic shows the eight major steps that need to be done to begin an implementation project with a reasonable probability of success, and the general objectives of each step. The process of deciding on a package solution and completing all of the associated agreements, while beguilingly simple on the surface, involves making complex and often difficult decisions and negotiations. Rushing through the process or skipping steps usually results in failure and possible eventual litigation.

The Eight Steps of Software Evaluation and Selection

Going into detail on each of the eight steps, the activities keep you focused on business value and strategic problem solving:

Define Requirements:

- Define the business need or problem that requires changing your technical approach
- Identify the business sponsor willing to articulate the business case for change



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- Define the business case, with business value, for a solution. Be specific.

Go to the Marketplace

- Become familiar with the overall software presence for the solution you are seeking
- Identify the vendors that operate in that space, and the general approaches to technology and functionality they take
- Discuss the solution with peers, to see how other companies like yours are handling the business need
- Develop a list of interesting vendors you'd like to investigate further.
- Get a general sense of the investment needed, considering software, infrastructure, implementation and ongoing support.

Clarify Requirements

- Based on the market, refine the business case. Is there enough value for the investment?
- Stop the evaluation at this point if the answer is “no”. Continue if the answer is “yes”.
- Work with affected organizations to develop a set of requirements that addresses functionality, technology, and usability. Be specific.
- Refine the list with “must-have’s” versus “nice-to-have’s”

Refine Vendor Inquiry

- Revisit the list of interesting vendors from your first trip to market and refine if necessary to create the “short list”.
- Define a vendor-neutral request for proposal (RFP) that addresses requirements of both the vendor as a company and the products themselves.
- Distribute the RFP to your vendor list, with an established deadline and contact requirements.
- Receive your RFP responses and evaluate them against your must-have’s
- Identify the vendors you want to come to demonstrate their products, the “short-short list”.

Interact with Vendors

- Write your demonstration script, based heavily on your business requirements. Work with the affected organizations to refine it and potentially create a demonstration data set for the vendor to use.



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- Detail your requirements for a demonstration, including how long they have, what they must do, and what they must not do.
- Send out your demonstration requirements to the short-short list.
- Plan for your demonstrations, including inviting decision-makers and job function personnel from sponsoring and affected organizations
- Create demonstration tools for your people, including demo script checklists and evaluation sheets.
- Conduct demonstrations, capturing perceptions and performance against the script

Analyze Gaps

- Identify and prioritize remaining gaps between software capabilities as demonstrated and business requirements. Are we close? Can the gaps be bridged?
- Identify how the gaps will be bridged and what that means to the effort:
 - Product configuration
 - Product customization (by whom?)
 - Process change
 - Or some combination of all of the above
- Evaluate the impact of bridging the gaps. Is the business value of this change worth this effort?
- Stop the evaluation at this point if the answer is “no”. Continue if the answer is “yes”.

Negotiate Agreement

- Establish software agreement requirements, including versions, components, maintenance, support, participation in user groups, license costs and maintenance fees, etc.
- Establish service provider agreement requirements, including deliverables, timelines, resources, costs, and payment schedules.
- Negotiate with each vendor.

Execute Agreement

- Perform comprehensive legal review, including any corporate background checks, etc., that your company requires.
- Include all protective language, including intellectual property, ownership, and non-disclosures.
- Approve agreements with your selected vendors.



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Some “Do’s and Don’ts”:

Step	Do	Don't
Define Requirements	<ul style="list-style-type: none"> • Spend time on the business case • Identify a committed executive sponsor 	<ul style="list-style-type: none"> • Skip over to shopping too early • Forget to identify business value for change
Go to the Marketplace	<ul style="list-style-type: none"> • Check with peers by function and industry • Take the time to research 	<ul style="list-style-type: none"> • Engage with vendors too soon • Get caught up in hype and forget business case
Clarify Requirements	<ul style="list-style-type: none"> • Be prepared to stop and hold off until there’s more out there to buy 	<ul style="list-style-type: none"> • Call everything a need and create an impossible wish list
Refine Vendor Inquiry	<ul style="list-style-type: none"> • Spend time on your RFP • Confirm with affected groups 	<ul style="list-style-type: none"> • “Let the vendors tell us what’s possible.” • Forget to check the vendor AND the product.
Interact with Vendors	<ul style="list-style-type: none"> • Be organized and manage your demos • Work with affected groups for involvement, commitment and decision-making 	<ul style="list-style-type: none"> • Let demonstrations turn into a vendor free-for-all pitch-fest. • Take a loose, perception-based approach.
Analyze Gaps	<ul style="list-style-type: none"> • Be prepared to stop. • Be strategic about gap scope, remembering the impact any change has on the organization. 	<ul style="list-style-type: none"> • Underestimate the scope on your technology, your business processes, and your organization.
Negotiate Agreement	<ul style="list-style-type: none"> • Be specific. Deliverables, time, acceptance criteria, roles, responsibilities are all valid parts of agreements. 	<ul style="list-style-type: none"> • Accept boilerplate agreements and hammer on price. • Get focused on the software side and shortchange services agreements.
Execute Agreement	<ul style="list-style-type: none"> • Perform every legal review you would do for any business supplier affecting your end-customer presence. 	<ul style="list-style-type: none"> • Sign because you’re tired.



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Conclusion

After successful completion of the selection, the next step is to plan and manage the implementation of the package, a subject of another perhaps more lengthy treatise. But before that, by setting the stage properly with realistic expectations and agreement about functionality, organization change, time, resources, cost and risks, the journey ahead now has the potential for success. Maybe if we took this approach with our cars, we'd all be happier with the one we bought.

One last DO:

DO maintain a formal paper trail of all steps, including meeting notes, presentation materials, evaluation templates, feedback results, communications with vendors, etc. Communicate your understandings and expectations, in writing, to the vendors. In this way, not only will there be better communication throughout this process, but, in the unfortunate but probable circumstance that a dispute may arise, you will have clear undisputable evidence on your side.

Good luck and may all your projects be successful and free from litigation.

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