

White Paper

Save Time and Money: Shorten the Decision Cycle When Buying Software

A white paper explaining how a 10-Step Process
can help business owners simplify the software selection process

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Executive Summary

Upgrading or replacing business software is a continuous and necessary component of today's business budget. In fact, "software applications ... were due for upgrades in 2004 by 40 percent of those recently surveyed," according to International Data Group¹.

Software developers continuously enhance their offerings, often forcing an overhaul of computer systems in order to properly work the improved versions. Business owners find they must update or replace software every 30 - 50 months.

But knowing this, and actually making the decision - investing research time, and reworking the budget - is not easy. The need is for a simple, comprehensive and adaptable plan to deal effectively with the recurring situation.

This 10-Step Process covers the entire cycle - from finding out if you need to buy now or can wait 6 - 12 months; establishing the Team; extrapolating and understanding departmental requirements; getting the right fit through analysis and research; and ultimately saving time and money.

This White Paper focuses on mid-size business needs. It provides comprehensive background information; suggests a 10-point process to help you make an informed decision; and lists resources for additional information.

¹ http://biz.yahoo.com/rc/040310/tech_spending_outlook_1.html

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Introduction

So, you think you need to upgrade or replace your inadequate software system?

You may have noticed initial warning signals that the company is outgrowing the business² software: increased costs - caused by hiring additional staff to cope with extra paperwork; paying more overtime to warehouse staff; and inefficient inventory control. Generally, a company will replace or update software every 3 - 5 years.

But is it the right time for your business? Before you take a decision to purchase new software, make sure that you address all your business needs, and decide which issues are critical. The following questions are some of the critical ones you will need to answer:

- Can your business needs wait a year or two, or should you plan to buy in the next 4 - 6 months?
- If you decide to upgrade, what are your requirements?
- What systems are available?
- How much do they cost?
- How long does this take to do?
- Who's going to implement your strategic plan - you DO have one, don't you?

The 10-Step Process answers those questions, and addresses other critical issues. It will help you make a successful strategic decision through a structured and planned approach. It will simplify the selection process, shorten your decision cycle, and save time and money.

²Business software handles both your financial accounting and the logistical side of your business, such as inventory control and purchasing, job costing, and billing.

10-Step Process

Before you begin the planning process, decide if this is an important business requirement, one that needs resolution within 4 - 6 months. Once you've decided to update/replace your software, proceed to step 1.

Step 1: Define your requirements in detail.

This essential first step is usually neglected. Before you even begin to look for and evaluate software, you should document in significant detail what you want out of the software. Categorize items as “must-have”, “important”, and “wish-list”. Ideally, you should incorporate this process as part of a strategic plan that addresses overall organizational goals.

Don't do: a distribution company selected software with strong inventory and order processing capabilities. Unfortunately, company plans to open a retail division were omitted from the overall strategy. The selected software didn't have Point of Sale capabilities, and had to be replaced after just 15 months, creating expensive, time-wasting adjustments.

Step 2: Establish responsibility and authority.

One person should be tasked with the responsibility for managing the selection process and making the final recommendation. This Project Manager must be given the authority to work with other employees in defining needs and evaluating proposed solutions.

Beware: the committee approach. Often recommended by consultants, this approach can be a way to avoid making the tough decisions. A decision like this usually requires a consensus, and each individual's personal agenda can create an inability for the group to agree on finer details.

Step 3: Include all appropriate stakeholders in the process.

When defining the requirements of a new system, be sure to get detailed input from all areas of the business, including key employees. For example: in a distribution company the new solution has no chance of success if it does not address the critical needs of the warehouse staff – no matter how good the general ledger or account payable features. ¶Similarly, input from the stakeholders should be taken into consideration in the final selection/recommendation process. This, however, would be co-coordinated through the Project Manager. Not only will this help in making the right choice, but also getting buy-in from the actual end users will greatly smooth the implementation process.

However: to avoid personal objections stalling the process, the Project Manager must be empowered to say “no” where appropriate.

Step 4: Don't buy the salesperson – buy the implementation team.

Successful salespeople are likeable and personable - and many unsuitable sales are erroneously based on those attributes. Ensure you make a successful decision by checking out the vendor's implementation team - you'll be working with them long after the salesperson has moved on to his next account.

In addition to the obvious criteria of the software's features, functionality, benefits and costs, the successful implementation of your new system depends on the quality of that team and your relationship with them.

Confirm: before finalizing your decision, ask for a meeting with the primary implementation personnel. See whether your confidence in your decision increases or decreases after that meeting.

Step 5: Don't shop on price alone.

It's important to get a "good deal", and to minimize the amount of money you spend on an appropriate solution. But spending any amount on a poor solution is far worse than over-spending on a good solution. So, when comparing proposals from different vendors, pay specific attention to estimates of service costs, such as implementation and training.

Vendors: they frequently like to low-ball the service costs. Your final bill will be based on the actual hours/days, so this common ploy is used to keep down the overall cost in the proposal. Implementation and training costs are usually 1 - 1.5 times the software license costs, and occasionally as high as double the costs.

Step 6: Industry Standards and Open Architecture.

It's a new system, so make sure it uses modern technology. Avoid systems that use old development languages such as COBOL, or don't provide a true Windows interface. They should use a standard, widely used and open, database - such as Microsoft SQL-Server - to store information, not some proprietary file structure.

Be sure: you must be able to get at your key business data using industry standard tools (like Excel). No matter how good a system is at processing transactions and storing information, a basic, non-customized 'out of the box' solution is not going to give you all the reports and management information that you'll need as your business grows.

Step 7: Get the right fit.

You may be in an industry where an inexpensive off the shelf package will meet most of your needs. If that solution addresses both current - and future - requirements, then that may be your right fit.

If not, then you will need to consider an industry-specific solution - one that may cost more but does meet all your requirements. Sometimes, this fit can also be achieved with an off the shelf package. At other times, however, you may need to look at an alternative solution - one that can be configured to meet your individual needs with the addition of specific components. The final option to getting the right fit is a custom solution.

If you determine that an off-the-shelf solution doesn't fit: look for a solution that facilitates either the easy addition of appropriate components, or specific customization - rather than building a solution from the ground up. Make sure the system is upgradeable with all custom capabilities. Look for a vendor with a large user base and a successful track record of upgrading customized installations. And find out the upgrade costs - including your customized portion - up front.

Step 8: Do not make assumptions.

If a feature is important, and it's part of a proposed software package, it should be easy to see in action as part of a demonstration.

Demo Mode: if salespeople tell you that your requirement is a standard feature, but can't be demonstrated because the "demo data is not set up to show this", ask them to return at a later date with appropriate data.

Step 9: Data Conversion.

Even though you're getting a new or upgraded system you'll still need to access data originally stored and processed with your previous software. The old data must be incorporated correctly into the new software. This will be of varying degrees of importance to you. For example, you may need to access sales account information, where thousands of transactions provide your clients' previous buying patterns.

The old system: data that has been saved in an old/outdated software language must be transferable, in a useable format, to the new system.

Step 10: Check References.

The importance of a well-qualified, experienced, and successful local consultant increases with the complexity of the software system. Most experienced businesses rate the developer's track record as much more important than price.

(http://www.blytheco.com/pdf/misc/top_ten_criteria_for_selecting_software.pdf).

Ideally, your software provider should be able to understand and appreciate your overall business requirements

Qualifications: personnel at the software company should have business experience, proven IT knowledge, accounting, and customer service skills. For example, the new CA•IT designation from the Canadian Institute of Chartered Accountants recognizes professionals who help organizations succeed by combining business acumen with IT knowledge. Check out if anyone on the software company team has "cross-over" credentials that combine business and accounting with technology skills.

Conclusion

The decision to upgrade or replace business software has to be based on proven data. These facts are drawn through objective situation analysis, a structured approach to the solution, and forward planning.

Company requirements, appropriate software, and calculated present and future costs, are all important factors in determining the final business decision.

Having an effective plan will result in a simplified process, timely decisions, and savings in time and money.

Resources

http://www.cica.ca/index.cfm/ci_id/640/la_id/1.htm

Welcome to the Alliance for Excellence in Information Technology
Answers the question: What is a CA•IT --- a CA-designated IT Specialist?

http://www.cica.ca/index.cfm/ci_id/640/la_id/1/province/ON.htm

Find a CA•IT Specialist in your area of Ontario.

