7 Deadly Sins of Software Selection

professional advantage

This white paper at a glance

This white paper provides you with an industry insider's perspective on the seven deadly sins that people commonly commit that could send them to the industry's version of "hell". The information that is shared is straightforward but nevertheless is often ignored. The seven deadly sins that are often committed are:

1. Wrong people involved
2. Unclear problems
3. Fuzzy benefits
4. Buying mainly on price
5. Relying on others
6. Swayed by the pitch
7. Lack of selection process

Introduction

A software salesperson arrived at the pearly gates to be asked by St Peter whether he would like to go to heaven or hell. The salesperson being a cautious type said that he would like to check out both places before he made his decision. He was then taken to heaven where he saw people with mournful expressions floating around playing harps. Next he was shown hell where he saw a wild party in full swing with everyone having a great time. He then informed St Peter that he would like to go to hell. Granting his wish, St Peter escorted him to hell. This time however the salesperson was met with the smell of scorched flesh and saw tormented people slaving in terrible conditions. He rounded on St Peter and demanded to know why the difference. "Ah," said St Peter with a hint of a smile, "what you saw previously was the demonstration version."

Selecting a new business system is something most mid sized Australian businesses do every five to seven years. The decision to select a new system can represent either an opportunity or a threat. It's an opportunity if the right system is selected - one that can improve decision-making, customer service and decrease costs. The wrong selection however, threatens business with increased costs, damaged staff morale, loss of customers, and thwarted decision-making.

This report provides you with an industry insider's perspective on the seven deadly sins that people (punters may be a better term) commonly commit that could send them to the industry's version of "hell". The information that is shared is straightforward and commonsense but nevertheless is often ignored. Follow it and you will potentially save yourself money, time and pain. Good luck!

1. Wrong People Involved

One of the three major factors, if not the main one, in any successful system is involving the right people with the right knowledge and skills. The other two factors are implementing around the right processes and having the right technology.

Whether the selection process was successful or not will not be judged immediately after selecting the system nor immediately after going live but rather a year or more following that. Throughout that entire period it is critical to have the right people with the right authority, knowledge and skills. Several of the most critical roles are profiled below.

Executive Sponsor

The first thing required is senior executive, preferably CEO, sponsorship of the selection process and project. This visibility heightens both the likelihood of approval of the project and the involvement of the necessary people in the organisation. The sponsor's assistance will be vital to clear the inevitable internal roadblocks that organisations often raise in response to change. They are also critical for moving the project through any tough patches where confidence within the organisation may wane. If an executive sponsor with clout is not available then, for the sake of your sanity and career, give the project a miss.

Project Manager

Ideally the project manager will manage both the selection and implementation process. This ensures maximum ownership of the outcome. The success of this role is not so much determined by what the project manager knows but by what the people they bring together know. Obviously the right person will have a combination of good organisation, business and people skills. Technology skills should be considered a bonus.

Selection Team Member

Often selection teams pass over the actual workers or do not reflect the broad areas involved. This is a red flag as often a system will be selected that meets the requirements of the organisation the managers think they run as opposed to the "real" one. It is critical that people who actually do the work be involved. This ensures reality and provides an opportunity for the people who will carry most of the double load of an implementation to "buy-in". By getting people involved now you reduce the risk of "snipers" during the implementation – "snipers" find it a lot harder to operate up close.

System Owner

This is probably the most underrated role in terms of importance. The System Owner is the person who has the responsibility for the ongoing smooth and effective operation of the system. This person needs to have a good knowledge of the business and the system and above all be passionate about its objectives. They will keep users and management confidence by addressing issues in a timely fashion, monitoring the system use to ensure practices are in line with defined processes and that people have the right training. They will work with management to gain further improvements from second phase work and will liaise with the vendor to ensure that escalated problems are resolved in a timely manner and that they obtain the full benefit from subsequent changes in technology. A competent system owner is worth every cent they are paid!

2. Unclear Problems

When faced with a problem there is a human tendency to jump into solving it before spending the necessary time to clearly define the problem. The IT industry has often taken advantage of this by touting, or at the very least implying, that technology is a general panacea for business problems. More time is thus spent looking at software solutions than at the business problems. It's no surprise then, that organisations seduced by "solutions looking for problems" end up disappointed with the return on their "investment."

In fact most core business problems that technology can impact are process or people related, not technology related. As such all areas need careful examination otherwise the defined solution will be incomplete at best. Being able to diagnose the core problems has more to do with the ability to ask questions than give quick answers.

Process Problems

When seeking to uncover and diagnose problems in this area be aware of the interplay of process, practice and functionality. Process is to do with how things "should" be done, practice describes how they "are" done and functionality describes "what" can be done using the system. Ideally all three should completely overlap. Where they don't, then the one out of alignment should be focused on. A system may be viewed as inadequate, not because the functionality is not there, but because practices have broken down over time to the extent that they don't align with processes. Rather than functionality being addressed, users may need training to realign their practices with system processes.

The trick with aligning the three is judging the required tolerances for alignment. Because something is not aligned does not mean it should be aligned. The impact of the non-alignment needs to be established and the cost of alignment needs to be calculated before that decision is made.

People Problems

Issues that manifest themselves as system issues are often caused by underlying people related problems. These could be related to having the right people or people having the right knowledge or skills. One site we saw recently spent a considerable sum on a new system for half the benefit they could have enjoyed. This was because an accountant, who was the project manager, was not comfortable with change and thus spent much effort in getting the new system to work exactly, problems and all, like his old system.

The area of change management is one that often does not receive the attention it deserves. Change management needs to commence during the selection phase not the implementation stage. At a strategic level people need to be clear on what the objectives of the proposed new system are, in other words how it will improve their life by eliminating current problems or opening up opportunities, how the project goals align with their goals etc... Not knowing, is like setting out on a journey with no particular place to go. If you like driving then fine, but if you actually want to get somewhere then its essential to know where that somewhere is. Major pain points in your organisation in terms of achieving its business objectives and goals are a good place to start getting people's attention and obtaining their commitment.

3. Fuzzy Benefits

Having established that you have a set of business problems which technology will be an enabler to solving, you need to clearly document the benefits. The age of decision makers lightly making IT investments went with the demise of dot-coms. Systems should not be exempt from ROI analysis any more than any other type of capital expenditure.

Quantifying benefits wherever possible can be hard work but using the 3 simple questions of "So what?", "How much?" and "Bottom line?" will help you to develop a business case based on hard numbers as opposed to intangibles and motherhood statements. You will probably need to ask these questions repeatedly to identify each specific tangible benefit. This is important not only in improving the chances of obtaining the right budget and approval but also because it helps guide the implementation effort. The purpose of establishing a benefit is not about making an accurate prediction in itself. It is to clearly establish goals or targets that will drive the implementation of the new technology.

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By applying rigor to the analysis of benefits, you increase the chances of making these benefit predictions self-fulfilling. The self-fulfilling aspect occurs because once you have quantified, or set objective benefits or goals, you are then in a better position to acquire and correctly implement the technology. Let's look at a few primary examples.

Prioritising Spending

One of the top roles of a CFO is that of prioritising technology investments. Without quantitative analysis this opportunity to add value to IT spending decisions is minimised. Note the emphasis here is not on cutting costs but rather maximising the value a business receives from its investment. A selective cost/benefit approval process based on those with the higher benefits will improve the chances of limited capital being invested in those projects or parts of projects that will actually realise benefits.

Setting Project Strategy

The achievement of benefits that a business is seeking should drive the implementation plan as opposed to the pure technical implementation of systems. Planning with the vendors, including contractual conditions, should occur around the realisation of benefits. This alignment of all parties' interests will increase the chances of predicted benefits being realised.

Managing the Project

The basis for managing a project is set in the selection stage by the identification of the benefit goals. Projects need to be managed with an eye firmly on the benefits that were used to justify the project. Often the emphasis is primarily on delivering "on time" and "on budget" with achievement of business results a distant third. This thinking needs to be reversed. If a project is justified by a set of business results or benefits then the tactical project decisions should be driven by the achievement of those within the constraints of the required payback.

4. Buying Mainly on Price

The saying "quality is remembered long after price is forgotten" could not be truer for buying systems. Remember, the objective is to create benefits for the business by selecting the right system rather than to save on upfront costs but buy the wrong system.

Whether a system is the highest or lowest in price should rank down the list of considerations. The key is not what you pay for it but the net return you receive from its implementation. However if you do not have those benefits clearly established then you are likely to be unduly influenced by price and will potentially suffer accordingly. That said, obviously price has to represent good value. The first trick is then, to establish exactly what the price you are being offered is. Here are a few guidelines for evaluating what the real price is.

1. **5 Year Cost of Ownership**
   When evaluating price, ensure you look at the 5 year cost of ownership which should include software, services, maintenance and related infrastructure costs like servers, operating system licences etc. You should also factor in costs for regular training and upgrades. Given the condition of the IT industry today, consider the risk of the vendor not being around in 5 years and the potential implication of this.

2. **Cheap Software**
   Be particularly wary of "cheap" software particularly from Tier 1 vendors, as they often sting with implementation costs. The "thin edge of the wedge" strategy can also apply to vendors who either are offering you older software or are the only service provider. Once you have taken the bait you may find yourself subject to captive pricing given your lack of choice.

3. **Low Rates**
   Don't be seduced by a lower rate per hour;- it's the rate x the hours taken that takes money out of your bank account. Ensure you get guarantees as to the experience of the person you are getting.

4. **Fixed Price**
   That fixed costs bargain, particularly if it is very low, is often not the bargain it may appear to be. All it guarantees is a fixed cost – not a system that works on time and delivers the expected benefits. Once the billable hours run out on a project you'll find staff and the vendor a lot less likely to provide motivated or timely service.

5. **You're Special**
   Be wary of the "used car salesman" types that offer discounts, particularly upfront to get your business because you are "really important" to them. Sure it's flattering but you'll usually find they have been using that line on everyone. As a result businesses employing this tactic usually have cashflow problems and low service capability (though of course they claim the opposite). The industry is going through some consolidation at present so this tactic to generate cashflow is reasonably common.

6. **Scope**
   Often the buyer and seller having agreed on a price in the past, find they had not spent enough time agreeing what the price included. This effectively means there never was an agreement! Time should be spent defining specifically what is included and just as importantly, what is excluded. Arguments down the track are usually expensive for both parties.

Intelligent ways to keep costs down include:
1. Buying only software you absolutely need now. Surveys show 20% or more of software ends up as "shelfware".
2. Keep the design very focused on addressing your big issues.
3. Avoid customisations where possible.
4. Finance the software which spreads the cashflow impact.

5. Relying on Others

It is worthwhile to take on board the advice and experience of others but do not place undue reliance on it as everyone's frame of reference will be somewhat different. At the end of the day it's your reputation that is on the line so you need to take the responsibility. The "devil made me do it" type defence will not be very useful if things fall apart. Two sources of opinion that can be either helpful or unhelpful are reference sites and consultants.

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Reference Sites

The absence of reference sites certainly is a red flag, but the fact that an organisation can produce reference sites only indicates a success percentage indeterminately greater than zero. You certainly want to talk with satisfied customers but be wary of obviously cultivated "tame" clients. To get the most value from the interview, concentrate equally on their experience and thoughts regarding selection and implementation, as on their opinion of the service provider and software.

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It should not be necessary to talk to more than 3 or 4 sites if you are provided with relevant sites in terms of size, industry that vary in terms of length of time since installation. Respect people's time in that they are not being (or shouldn't be) paid to talk to you.

Independent Consultants

If you are very unsure of selecting a package, you may think of using self styled "independent consultants" – an oxymoron if ever there was one!

It's quite unreasonable to expect that anyone with experience does not have bias and there are many ways you can be affected by a consultant's bias without you realising it.

Recently there was the case of a well known company that conducted an evaluation and put their selection to the board for approval. The board for reasons known only to itself asked for an "independent" report from its equally well known second tier auditing firm. The "independent" report resulted in overturning the selection decision. And surprise, the auditing firm ended up implementing one of the packages it did business in. That company is now looking to throw the system out after a year or so. Blatant conflicts of interest like this are more common than you may think with people proving surprisingly susceptible to the "independent" sales approach adopted by some accounting/consulting firms.

That said, there are also very good consultants who are professionals and can add value to the selection process particularly by providing you with a selection methodology and acting as a sounding board. They also can offer good skills in process reengineering which client and vendor organisations often lack.

6. Swayed by the Pitch

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This joke may let software salespeople off the hook but certainly not you. To be forewarned is forearmed so here are a few of their favourites.

Size Matters! Well it may or may not. It really depends how size is used. Big does not necessarily mean better, nor does small mean more personal service. The things that are attributed to size need to be verified in their own right rather than just attributed automatically. That said, the minimum size of a mid market service provider is increasing because of the resource demands of technology and what it takes to be a full service provider.

Buy Aussie! Maybe it's a good way to select what brand of peanut butter you buy but it's not logical as a point of reference for buying software. As long as systems comply with local tax and reporting requirements then their country of origin is not that important. Whether the development team is 1,000km away or 10,000km away makes little difference to any mature software package i.e. developers should not need to come on site. Be careful however in buying from organisations that do not provide you with a choice of local service providers if you are interested in experiencing post implementation competitive service pricing and quality of service.

Legendary Customer Service! You won't meet a software company that does not claim this and can't produce a few tame reference sites to back this up. To get to grips with the likely reality for you, review their customer service processes, insist on visiting with their customer service/support team and if possible go to a customer event such as a user group meeting (these should be held quarterly if they are a good service provider).

100% referenceable! This is a real favourite so we'll spend a little more time debunking this. If you believe doctors never lose patients then you might believe this one. To claim this, an organisation really has to have a low opinion of your analytical ability. Given that the success of an implementation does not rest 100% on a software provider's skill (just like a patient's recovery is not 100% based on the doctor's ability) then it stands to reason that some implementations will be unhappy ones although not primarily because of the software provider. In addition, obviously there are the unhappy ones caused by vendors. The point however, is that even assuming a service provider is perfect (which you never should) any organisation that has implemented any reasonable number of sites will have a number of detractors.

The question therefore, is not if the service provider has implemented unhappy sites or sites that were unhappy at one stage, but how many? To claim 100% satisfaction in the face of this reality is a clear indicator of the lack of the general reliability of any of the organisation claims. However, to back the claim, organisations will then show you their "client list and invite you to call any. This trick works a couple of ways. One is that they gamble that the odds are that the couple of names you select to call won't include the awkward ones. (Notice how they never let you keep the list they flash in front of you.) The other way is to simply remove awkward names and obviously it does not include the names of clients that may have left them (the really unhappy ones). If you want to have some fun with people pulling this stunt ask to see them print there debtors aged trial balance report so you can compare the two lists!

7. Lack of Selection Process

It should not be surprising that the quality of the selection process will directly impact the correctness of the decision.

The process should be structured so as not only to ensure disciplined analysis but also to reduce unnecessary cost of the selection process which is often an underestimated cost component of the overall decision to implement a new system. System selection is a project in itself and as such should have a planned timetable. This will make it easier to work with vendors and the internal people involved in the selection process, and helps set appropriate expectations.

A selection process could be structured as follows:

1. Assemble selection team.
2. Perform Needs Analysis taking into account business strategy and objectives.
3. High level review of possible vendors.
4. Prepare Business Case and obtain approval.
5. Prepare Statement of Requirements for vendor response.
6. Short list 3 vendors.
7. Complete scenario based evaluations.
8. Select preferred vendor.
9. Complete Implementation Planning Study engagement with preferred vendor.
10. Obtain final approval.

Compile a statement of requirements before you have detailed discussions with vendors. This will ensure focused discussions and enables the vendor to more effectively provide you with information. Make sure when developing a statement of requirements that you talk with the right people in your organisation and stay focused on where the potential business value lies in changing systems. Be wary of statement of requirements completed by consultants. While they often look impressive they can be unnecessarily long and are more intent on generating fees than ensuring quality of response.

Often undue reliance is placed on long lists of functionality requirements. While these are easy for consultants to churn out they have shortcomings because 1) vendors interpret the requirements generously (because everyone else does!), 2) functionality in packages is converging and 3) it largely ignores the importance of process or ease of use. More powerful than a functionality requirements list but seldom utilised is the compiling of demonstration scenarios complete with scripts and sample data. This, more than anything, will protect you from innocent misunderstandings or demonstration sleight of hand.

Once you have selected a preferred vendor don't rush into signing a contract. Work with them first on further defining your requirements with system walkthroughs and design sessions. Also spend time together better scoping and planning the project. This will provide you with a much better feel for the quality of their work and what will actually be delivered at the end of the day. While this work is chargeable, the relatively small investment up front enables you to validate your selection decision. It is cheap insurance compared to the cost of a wrong decision.

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About Professional Advantage

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