

White Paper

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1. Introduction

It's been touted a numerous times but if the IT industry was monitored half as closely as the car industry most current vendors would be forced to close. Hardware, but software in particular, maintain its own rules; rules which are heavily stacked in the interests of the vendor and not the customer. However, there are many ways in which the inherent risks of choosing software to support strategic and tactical business objectives may be mitigated. Some of these are common sense; others have been learned through years of exposure and through personal experience.

The scope of this article cannot address every potential issue or risk in the management of suppliers. Its intention is to introduce some of the issues that need to be considered before, during and after a purchasing decision has been made.

The purpose of this article is to highlight some of the major considerations when choosing an IT solution. These considerations include:

- RFX content and timing; Data Sheet overhang; ROI metrication; Niche hype;
- Real life examples, sales, implementation and support; Independent validation of performance claims;
- What drives the vendors sales cycle; sales and after sales commitment; risk sharing strategies
- Methods for staying in control; Post Sales obligations

2. Issue One – Information Overload

One of the most common problems faced by any customer looking to purchase an IT Solution is the overabundance of information available; there are far too many claims of what can be achieved, far too many unique selling point that is used by suppliers to differentiate themselves from their competitors, far too much complimentary and contradictory information.

- **Timing of externalising requirements is essential if you are to get the solution that the strategic business requirement needs.** The full needs of the system must be considered and codified prior to any invitations being sent via the typical Request for Information (RFI), Request for Quotation (RFQ) or Invitation to Tender (ITT) stage. Often it is noted that “preferred” suppliers are introduced early in the cycle, and similarly often at this stage of the proceedings the influence of a vendor can be seen. This is not wholly detrimental to the selection procedure, preferred vendors are such because they are trusted in some way by the customer, however, the number of times that solutions are shoe-horned into environments because they were supplied by “preferred partners” and have not succeeded in delivering the requisite outcomes is well known within our industry.
- **Info glut is certainly an aspect of solution choice which obscures successful correlation between key strategic business drivers and features within a solution framework.** Frequently, it is recognised that the features deemed essential requirements of the information system solution become lost within the Unique Selling Points (USP’s) of each potential vendor. It is relatively simple activity for the vendor to consider the key requirements in your RFI/RFP/ITT and word responses that cover at face value your need. However, the ways in which these features are delivered in a working system frequently do not achieve the non-functional requirements on performance, security, and other system aspects that the solution requires. At the demonstration system stage it is fairly easy to create features that work very effectively in the sales cycle or in early lab trials but that do not scale to the holistic performance envelope required by the overall solution.
- **Can you believe the Data Sheet?** Audit the data sheet carefully. Data Sheets frequently have considerable marketing overhang on them. Are the features identified on the Data Sheets fully functional, or purely a step forwards in the perceived direction. If possible, get the previous version of the data sheet and compare the features. If the architecture has changed fundamentally between the builds be very wary of implementing the solution. It’s simple; very few companies buy the first version of a product for other than limited trial purposes – experienced companies know that the re-architected products or brand new products are raw. Internal and external verification cycles have NOT ironed out the bugs, and frequently the early adopters of the solution/product pay the price. Implementing software on the bleeding edge can only be classed as a job for the strong willed and risk savvy. There is little doubt that bleeding edge implementations can give substantial strategic advantages to an organisation, however, as always there is a balance between the potential advantages and the inherent risks.

- **Problems are often encountered if the customer is not fully aware of what they really need.** If you don't know what you want to do with a technology now and more importantly what you will need to use that technology for the future then leveraging high ROI's (or a positive ROI) is very unlikely. Since the Y2K boom, vendors are aware that selling is more difficult; however, there are still easy wins to be had just by pressing the flesh and finding an organisation within which they can implement "a" solution. Before considering IS implementation understand precisely what you need to achieve from the solution on a feature by feature basis.
- **Don't believe the HYPE.** Software niches are created to sell new products into an environment that did not exist until the Chief Marketing Officers created them. It's really that simple, even when the niche solution does actually address a definitive business need, the overhang evident between the marketing communications, pre-sales activities and the demonstrations rarely reach parity with the fully implemented solution. The vendor's vision may address many of the pains that your organisation faces; however, its vision is generic and has been tailored to capture as many industry hot buttons as possible.

During the sales cycle, the vendor will do it's best to address many of your concerns by showing as fully as possible (NDA's notwithstanding) how its solution has been utilised within allied environments. This is when the Alarm bells should at least make their presence evident. Whatever worked within a competitor's environment will not necessarily work within your environment. They may be competitors in business, but their infrastructure, environment, culture, and strategy is unlikely to mirror yours unless they are a recent entrant who has modeled themselves on your organisation.

3. Issue Two – Narrowing down the choice

When the Key Performance Criteria have been selected for the solution and the strategic drivers mapped to the functional requirements of the solution the pertinent steps can be made to narrow down the choice of supplier. Normally, this process is facilitated by an initial “internal short listing” exercise that uses external help or is driven by the experience of the incumbent IT/IS department. Commonly, the more time spent analysing the potential options at this stage gives better returns in the longer run – in reality this is always a trade-off. The RFX process needs to address the features/performance envelope/scalability issues that are required for an effective solution implementation. Frequently, well thought out questions allow potential architectures to be defined, especially important if the solution needs to fit into an existing infrastructure, which is most commonly the case.

- **Proper phrasing of RFX responses will also allow you to find the best fit.** Commonly, smaller suppliers struggle in responding fully to these activities; however, frequently smaller suppliers are much more responsive both during and after implementation. Ensure that your RFX does not preclude these suppliers from your shortlist. One company we have worked with recently estimated that an RFX response required considerably over two man month’s worth of effort – to a smaller supplier this much bandwidth is rarely available.
- **Returning on Investment.** During the short listing process, ensure that the project mechanisms for tracking and metricating the ROI are emplaced (if they have not been done earlier as part of the internal “selling the idea” process). In the past it has been evident that many projects have not been properly metricated, there is slightly more emphasis being placed on them presently, however, ROI is often left to last, or completely ignore. Why..? Basically because ROI is often difficult to determine and often because is a cultural component. IT professionals recognise ROI as a double edged sword; often it’s easier not to metricate ROI after the budget has been assigned.
- **How committed to your organisation do the ISV’s seem..?** Can they substantiate their claims with “real-life” evidence? This is an important part of the supplier choice equation. Can they provide an independent reference site within the same business area as yours..? If so ensure you fully evaluate this opportunity. If they can’t show an allied example but can show a reference site outside your business environment, ensure you see this. The key advantage of visiting reference sites is that you get second hand experience of the issues associated with the implementation. Accept that rarely does an implementation gate every deliverable fully, however, the insight such a visit allows you is priceless in your short listing activities.

- **In addition to reference sites, what do their other customers say about them, and all the parts of their business?** Customer testimonials, especially, if they allow you to contact named people are also extremely useful in the short listing stage. Our experience suggests that ISV's asked such questions openly fidget whilst trying to articulate a response. It's important to also know about those customers that have encountered problems. It's important to understand how the vendor resolved the situation and how pro-actively they managed the account. In essence check the references thoroughly, if possible you make the decision of which customer to see and not what they propose – see the customer solution in action, talk to their users – make sure what they do resembles what you plan to do in future.
 - When visiting a reference site, ask these questions:
 - Timescales
 - Undocumented features
 - Resources
 - Responsiveness
 - Major and minor problem encountered
 - Dependencies
 - Criteria

- **Similarly, do they practice what they preach?** The best proof of effective software is when the vendor actually uses it within their production systems. Ask your short listed suppliers to demonstrate how they use the system internally?

Not all software vendors have their products independently tested and benchmarked. To ensure that the proposed solution will perform as expected within your firm, ask them to provide independent statistics that have been carried out on the product for stress/environment testing to see how the product behaves when there are a varying number of users. In general software vendors test their products internally with limited resource, so that you find when applied to your environment, the software performance can start degrading after the number of users applied increases. Having worked in more than one production environment, imus are fully aware that early adopters generally act as verification sites for a newly developed product or range of products. Ensure that if your site is an “in service trial” site that you get all the support that you will need.

- **Other technically related questions that need to be asked include; how often do the potential vendors have a minor or major upgrade of their products?** This does not include patches to operational systems. Find out the Major and Minor upgrade schedule. If, in the past there have been more than two releases per year, be very wary. Similarly, try to determine if any of the products have been re-architected recently. If they are established products that have been re-architected, treat them as if they were new products, for that is what they are. Whilst considering the production cycle of the software vendor, determine the proportion of R&D that works on customer derived critical defects, the proportion that are working on feature enhancements and the proportion of engineers that are working on the products that you are purchasing. Large numbers = good future for the product range; smaller percentages...Finally, ask them to provide you with the percentage of software lines of code (SLOC's) that have been defect resolved in the production cycle.

4. Issue Three – Negotiating

The hard work has been done, outline cost figures have been discussed with the preferred vendors, and the technical workshops are completed. Now, consider what drives the supplier selling process. Some due diligence at this stage will prove very beneficial over the medium and long term.

- **What drives the Independent Software Vendor..?** Don't be fooled by end of month, end of quarter or end of year deals. After software has been created, the actual cost of the software development follows a law of increasing returns. The more market share the company can get equates to a direct reduction in the cost of the software's development. If you are trailblazing or implementing on the bleeding edge be aware that you should get heavy discounts on both the costs of software, implementation and support. Understand the strategic importance of the sale to the vendor. Will you be one of the first implementers within the marketplace? If so, a 30% discount should be considered as the start and not the end point in negotiations. This 30% should not just be on product, but Professional Services, Training and on-going support. Remember that training and professional services generally return 80% of the billed amount as direct profit.
- **How committed are they to you and your organisation?** Are they willing to share the risk? Companies promise the Earth in the initial sales stages, however, the vendor is ultimately judged on the delivery against these commitments. A vendor who is committed to you and your project should be willing to share in the risk of the project; this is achieved through the granular definition of your business objectives and expectations. By sharing risk, they will be sharing in your success and are committed to a long term relationship. Service level agreements often cover these points, however, note that the bigger suppliers have been around the block on more than one occasion and are expert at mitigating/negating the conditions of their contracts and SLA's.
- **If so, how?** Vendors should jointly draw up the scope of the requirements with you and agree the terms of delivery in terms of time, resources and cost. They should be willing to commit the team who will be participating in the project and based on the scope of the requirements agree the total cost of the project. Similarly, if there are key personnel involved in the tender, then these should be loyalty bonded to the contract. Effective Programme Management, Architects, Technical Leads are rare resources, if your project depends upon them ensure that they are tied into the delivery. Similarly, there should be a penalty clause for both sides that ensures if either party fails to deliver on the commitments, that they would be penalised – see later point.
- **Keep three vendors in the loop until the very last stage.** It is always a good idea to review the solution offering of more than one vendor. To ensure fairness all vendors should be aware of this process and made to understand that this is to make sure that a fair comparison is fully undertaken. Ultimately, keeping a number of vendors in until the last opportunity will strengthen your negotiations.

- **How important are you to them?** All vendors profess that each customer is God. Some are, but most are not. Irrespective of all the CRM enhancements emplaced, your worth to a vendor is directly related to the financial exposure between the parties. Make sure you remain God. One method to achieve this that mitigates many downstream issues is through a staged implementation with staged purchase dependent upon a positive correlation between the SLA terms and the real life experience. Similarly, it allows you to test customer support and defect resolution and is strongly recommended.
- **Press Release & Reference usage.** Suppliers count on press releases, and usually as part of the negotiations both press releases and case studies are considered. If the press release is part of the overall negotiation keep it simple, by only acknowledging that the company has decided to select the particular solution as part of their overall strategy. Keep it vague at this stage. Once everything has been implemented successfully and both parties have met their commitment, then a more detailed press release can be made, not only about the solution but a well deserved praise for the supplier and their solution. It is very difficult to withdraw a press release, apart from anything else it can be seen as your own confirmation of misjudgment.

5. Issue Four – How can you get the best out of your suppliers

- **Stay in control.** At all times be aware of what it is being proposed, what are the skills and expertise required to ensure success of the project and take full ownership of the project yourself. The supplier's team should form part of the overall project team with their Project Manager reporting to the Project Board etc. Unless essential do not relinquish your control over the project. However, ensure you always listen to the vendor, most often if what is being proposed sounds like common sense then it's likely to be the best way forward.
- **Determine their Pre and Post Sales obligations.** In many cases in order to win the deal, suppliers tend to flood the customer with their best resources technically. These are people who usually work within a pre-sales environment and their job is to ironing out any issues that might arise during the sales cycle. However, these are not the people who would be involved in the project. In some cases those who will be taking over the project are not even in the loop until the deal has been signed and commitment made. It is important to meet the actual implementation team, assess their understanding of the project and what they can actually bring to the table. This is to ensure that what has been committed by pre-sales is in line with the understanding of the post sales team. Similarly, involving the post sales teams during the sales cycle allows a full understanding at the initiation of the project. Everyone understands the strategic/tactical drivers of the project, the issues so far faced and how the project needs to be moved forward.

If you are using independent or channel supplied implementation consultants ask yourself “How independent are they?” Can they still be totally objective if their revenue stream comes from one or more vendor? Partnership and alliances is another way of saying we all drink from the same bowl, and we will all work together to ensure the optimum return.

6. Conclusion

The aim of this short paper has been fairly simple, to articulate some of the issues that you should be aware of within the sales cycle. Many of the points addressed are common knowledge within the Independent Software Vendor community. However, frequently due to time or resource constraints many of them are overlooked during the sales process.

Finally, remember that the chosen Vendor also needs to succeed and survive in an ever more hostile and change oriented environment. Work in partnership with them; negotiate so that you both end in win-win situation. Ultimately, the customer/vendor relationship is best optimised if it synergistic. Your success depends upon them, their success depends on you. However, remember that it's you paying for the service...