

## Five Tips to a More Effective Software Selection

As the economy turns around and begins to make its way out of the recession, many companies will be looking to replace their business software. They may wish to update their Financial or Enterprise Resource Planning (ERP) system, or take advantage of new software functionality such as Customer Relationship Management (CRM) or E-Commerce. These new systems will enable companies to grow and improve their business processes, but with hundreds of options to consider, finding the right software is the big challenge. As software selection projects are inevitable, here are five tips to make your selection process more effective.

- 1) **Create a Long List** – If a software package is not on your Long List, it will never be selected! Include as many viable software products as possible at the beginning of the process. You will want to include both general Financial/ERP software vendors as well as vendors that focus on your particular vertical industry. Vertical market software will frequently offer greater functionality for a specific industry than the general vendors. To give you an idea of the software products available, consider the following industries and the number of packages that serve them:

- a) General Financials/ERP – 200+
- b) Manufacturing – 200+
- c) Distribution – 100+
- d) Construction – 30+
- e) Professional Services – 50+
- f) Non-Profit/Government – 80+
- g) Healthcare – 100+
- h) Payroll/HR – 200+

Although this may appear overwhelming at first, we'll show you how to quickly evaluate them later. The problem is that many organizations fall into the trap of just looking at a few of the name brand vendors without considering others that are not as well known but have great products for the right situation. This can result in the selection of a less functional system that must be customized, or they end up spending more money than was necessary. In fact, the biggest mistake we see companies make is they spend too much money for software and implementation.

General internet searches are a good place to start your list, but you may wish to enhance it by checking product information in other locations. A few sources for general Financial/ERP software products include Capterra ([www.capterra.com](http://www.capterra.com)), Soft Select Systems ([www.softselect.com](http://www.softselect.com)), The Accounting Library ([www.accountinglibrary.com](http://www.accountinglibrary.com)), CTS Guides ([ctsguides.com](http://ctsguides.com)), and CPA Software News ([www.cpasn.com](http://www.cpasn.com)). For vertical market software, industry magazines and web sites are excellent places to gather information.

- 2) **Focus Requirements on the Differentiating Criteria** – Through the hundreds of software selection projects we have seen as software selection consultants, we have found that organizations actually make software decisions based on a few key criteria. Although they may have hundreds or even thousands of functional requirements, the criteria that make the difference between elimination and selection of a software vendor can usually be listed on two to three pages. We call these key requirements "Differentiating Criteria." Examples of Differentiating Criteria might include:

- Budget for the new system
- Unique functionality (i.e. Multi-Currency, Multi-Company, Budgeting, Workflow)

- Technology preferences (i.e. Database, Hardware platform)
- Reporting
- Scalability
- Vendor stability (i.e. Years in business, Install base, Vision)

Use these few high level criteria to eliminate inappropriate software products from your Long List quickly and objectively. This will save you a tremendous amount of time and you will know why each vendor is on or off the list.

- 3) **Select the Value Added Reseller** – Many of the major software vendors sell their software through local Value Added Reseller's (VARs). Some of these vendors include Accpac, Best Software (MAS 500, MAS 90, Platinum), Epicor, Exact Macola, Microsoft Business Solutions (Axapta, Great Plains, Navision, Solomon), Open Systems, Red Wing, etc. The Value Added Resellers will demo, sell, and implement the software product. Because they are independent of the software vendor, there may be many VARs in your geographic area that sell the same product. They each have strengths and weaknesses and it is very important to the success of your implementation to find a reseller that has a strong history with the software product and understands your industry. In fact, the selection of the right VAR is so important you may need to eliminate a viable product if there is no VAR with experience in your industry.

For software products that are sold through a Value Added Reseller channel, make sure you talk with the software vendor's VAR Channel Manager before you begin the software evaluation process. They will work with you to find the right VARs to evaluate and consider. This is a very important step at the beginning of the process because once you start down the sales path with a particular VAR, it is very difficult to change.

- 4) **Hold Scripted Demos** – When you get to a short list of about 3 software vendors, you will want to investigate more of the details through a scripted software demonstration process. The scripted demo forces the software vendor or VAR to modify their product demo to show how they will solve your specific business needs. If you do not create a demo script, the vendor will show you a standard presentation that highlights their strengths and hides the weaknesses making it very difficult to compare the products.

The demo script should be long enough to get to some of the details, but not so long as to make it impossible to complete the demo in a reasonable time. You may wish to include a Business Case Scenario of a critical business process for your company (i.e. Purchasing, Order Entry, etc.). These scenarios include entering sample company data into the system. Make sure to leave time for the vendor to show some of the bells and whistles that may be of interest to you.

- 5) **Negotiate the Contract** – When you get to the negotiation stage, you will want to negotiate business issues (i.e. Warranty, Payment Terms, Milestone Delivery, Issue Raising, etc) and pricing. You will sign three contracts with the vendor:
- a) Software License Cost – Usually based on the number of modules bought and users that are on the system.
  - b) Implementation Services Cost – Can be roughly determined by the Implementation to License cost ratio. In other words, for every dollar you spend on the software license, you will spend X dollars on the implementation. At the mid-market level this ratio is usually in the ballpark of 1 to 1, but will vary depending on the complexity of your project. This cost will be a function of implementation consultants' hours, the blended hourly rate, training needs, etc.

- c) Maintenance Cost – Annual fee charged by the software vendor to maintain, support, and upgrade the software. Expect to pay between 18-25% per year of the full license cost. (Not the discounted license cost you negotiated at the beginning of the contract.)

The key to negotiation is to come to an agreement that both sides feel comfortable with. The software vendor or VAR will be more willing to help you in the future if they feel that an equitable agreement has been made.

Software selection is not an easy task. By incorporating these five tips into your selection process, you can be more effective and efficient in getting the right software.

*Spencer Arnesen is a Principal at SoftResources LLC an unbiased software selection company. Since 1995, they have conducted over 400 software selection projects working with clients of all sizes throughout North America. SoftResources does not resell, implement, or represent any software package to remain completely objective. For more tips on the software selection process, visit [www.softresources.com](http://www.softresources.com) or call Spencer at (206) 860-2400.*

