

# Brown Smith Wallace, LLC

For Immediate Release

## There is More To Software Selection Than Selecting Software

By Jeff Gusdorf

*To learn more about researching, evaluating, analyzing and comparing software request our 18<sup>th</sup> annual Distribution Software Guide or Manufacturing Software Guide released this month.*

*To order a complimentary copy visit*

<http://www.software4distributors.com/resource/default.aspx>

“Architecture” is the art and science of designing buildings and also describes the act of providing services. “Software selection” is the art and science of determining the best solution for automating the operation of your business, but there is more to the process than just selecting the software. Just as a home owner wouldn’t spend thousands of dollars on a new home without assistance; we expect business owners would treat buying software as an equally complex task and call on similar outside assistance.

In some ways this complex task has become simpler. The software market is shrinking due to acquisition. The software vendors are providing graphical users interfaces (GUI) as a standard feature. The web and EDI has provided a standard approach to the sharing of data and standardized data access and data analysis tools are common place.

But the task has also become more difficult as this standardization around similar databases and interfaces make it harder to differentiate. As many have achieved a very high level of functionality you can no longer count on only a numerical ranking of features and functions to make your decision.

In response to those changes our approach to software selection has evolved as well. You may consider incorporating these changes into your own selection project.

### **Linking Business and IT goals**

You already know that buying and implementing software systems is expensive and time-consuming. If you’re lucky, you only tackle this chore once every 10 years or so. To increase the odds that your software package will last that long, it is mandatory to create a connection between your business strategy and your technology strategy.

Many methodologies recommend that you prepare a business case that outlines your business objectives, defines tactics to achieve those objectives and prepares a financial forecast before making any kind of major purchase. Unfortunately, most business cases tend to overstate benefits and underestimate the risk, especially how long the project will take and how much it will cost before success is achieved.

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Companies that have developed their systems internally are especially vulnerable to having IT make the investment decision on improvements without providing an adequate justification of the business benefits.

To prepare a realistic business case you must:

- Define all of the components of the project; including internal (people, processes, technology, etc.) and external (suppliers, customers, etc.) components.
- Define the business benefits that the investment should produce; this should include the metrics that you will use to determine if the project is achieving those benefits.
- Determine what the scope of the effort will be to implement the project (acquisition, implementation, training, change management); don't underestimate the time and costs of this effort.

This process results in a much more meaningful and realistic business case. For an illustration of this process visit our website.

### **Creating A Manageable Long List**

Consolidation has reduced the number of vendors selling software but has not always reduced the number of packages available. Distributors who start their search by reviewing product literature or browsing websites get lost in the numerous choices available. We know because we get a steady stream of phone calls from software guide users asking us how to tell the packages apart, as they seem to do the same thing.

We've found it is necessary to have a framework for assessing which packages are best for your business. Narrowing the list of potential choices is the first big step in the selection process.

When you're starting your research ask yourself these questions:

- How many users do you currently have and expect to have in three to five years? Compare this number to the existing user base of each package. Use the Guide to review the full range of users as well as the "sweet spot" where the majority of the software users fall. Don't under buy or overbuy!
- Does the technology profile match what your IT department or consultants can support?
- How much can you spend? The entry price is provided as a starting point. This is the least expense, most stripped down version of the product. If this amount is already a stretch you may not be able to sustain the investment needed to be successful.
- Does the vendor have domain expertise in your vertical market?

You can visit [www.software4distributors.com](http://www.software4distributors.com) to do a side-by-side comparison of these criteria. Here you will find information about user size, technology profile, entry price point and vertical markets for this purpose.

### **Use Business Process Driven Requirements To Get A Short List**

Back in the dark ages when we first started publishing the Software Guide, not all vendors satisfied what we considered to be "core functionality" like order management, inventory replenishment and warehouse management. When we issued RFP's we would include a list of features for the vendors to

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check off. Then we would prioritize each feature and use a point system to score the functionality. In these engagements our scoring of the software functionality would tend to be along the lines of 92.5 percent, 90.1 percent, 89.3 percent and 87.2 percent. Is the first choice really that much better than the third choice? Should the 4th ranked package really be eliminated from consideration? From a qualitative perspective the answer was no. But from a practical perspective we had to get to a short list, so the top three vendors would be invited to demonstrate their packages.

But we know this is not the best solution. As a publisher, our one-on-one work with the software vendors allows us to discuss the latest issues and to gain valuable insight into their experiences with successful implementations.

Based upon our research we suggest the following changes to defining the requirements used to select the short list vendors:

- Identify the business processes that are critical to your business. These processes are the ones that drive your competitive advantage. These processes consist of a series of events or actions.
- Document the events that are included in those critical processes. This can reveal faults in your current processes that you need to correct. It provides a starting point for defining future process changes the software package must support. This documentation also provides a context for discussing process changes with the software vendors during the implementation planning sessions.
- Separate functional requirements into two groups – commodity and differentiating. Commodity functionality are the functions and processes (such as financial accounting or human resource management) that are similar from package to package and don't provide a competitive advantage. Differentiating functionality (order taking processes, gross margin maximization, or inventory replenishment) are the functions and processes that create competitive advantage.
- Devote 80percent of your software evaluation time to the differentiating functionality. This will allow both the software vendor and your project team to be more efficient and complete their work faster by reducing the volume of information that you will have to review and understand.
- Rank the functionality based on quality of the vendor process, not just its existence.

### **Evaluating The Vendor Is As Important As The Software**

The provider of the software package that you select is more than just another vendor, they will become your strategic partner. They will help you plan the implementation, install the software, convert data from your existing application, work with your staff to determine which features you'll use, how you will use those features and will train your staff. Once you "go live" they will provide ongoing help desk support. As such, you should spend as much time evaluating the vendor relationship as the software.

With the consolidation in the software industry you will come into contact with three types of software companies:

- The vendor who will focus on a specific niche that may be defined by vertical market or size.
- The vendor that has bought other companies and sells multiple products under one brand.
- The reseller who is providing services selling a product developed by someone else.

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To determine if the vendor you are working with is a fit for your business you should know:

- **Do they have the experience needed to implement the software?** It's critically important that the vendor has implemented their software for companies that are similar to yours - vertical markets, number of users, number of branches and type of complexity. Don't skip checking references.
- **Do they have the expertise needed to implement the software?** It is critical that the members of the vendor's implementation team assigned to your project have the appropriate expertise to assist your team. The expertise may be by business process (warehouse, financial), by line of business (electrical, fastener), or by software module (CRM, BI).
- **How do they allocate those scarce resources?** It's great that your vendor has experts, but how many are there and when will they be available for your project? If you are purchasing software from more than one vendor or there are multiple vendors involved in the implementation, who has the experts on their staff and how will they be assigned to your project? Where are they located and how expensive will it be for them to work on your project? It's critical to clarify the answers to these questions.
- **How will they implement the software?** The vendor should present a draft of an implementation plan for your review prior to signing a contract. Determine how long the project will take and how many internal resources you'll need. Have they addressed installation, training, data conversion, configuration and go-live support? Do they have post go-live support planned? When will their consultants work with you? Working through these issues with your prospective supplier is important to realizing the benefit from your investment.

### A Final Thought

Buying and implementing software is expensive, time-consuming and risky. Technology related products and companies change at a rapid pace. Update your selection process using the best practices in the industry. To access more information and resources about software selection check out our website [www.software4distributors.com](http://www.software4distributors.com).

### About The Author

Jeff Gusdorf, CPA is a Principal in Brown Smith Wallace's Consulting Group. He is the managing consultant and is responsible for IT strategic consulting, software research and evaluation. Jeff has more than 20 years experience as a financial manager and technology consultant in the manufacturing, distribution and service sectors.

### About The Brown Smith Wallace Consulting Group

The Brown Smith Wallace Consulting Group has been serving the distribution community for more than 20 years through the publication of the Distribution Software Guide, speaking at industry programs, giving free telephone advice to distributors and providing fee-based consulting services to companies who need help selecting the best software packages for their business. For more information visit [www.software4distributors.com](http://www.software4distributors.com).

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