

White Paper: Software Selection

Community IT Innovators (CITI)

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This white paper provides a basic overview of the process organizations should use to select a software solution (e.g. constituent relationship management systems, fundraising systems, or association management systems, etc.). We outline the steps of a software selection project and provide a summary of key concepts. This paper is geared toward small to mid-size projects where the functional requirements fall mostly within industry standards and where an organization has a fairly clear understanding of its business processes. As such, we do not cover business process re-engineering, large customization projects, or enterprise and government-class RFP-based projects.

Basic Definition

Software selection is the process by which an organization strategically evaluates and acquires new software applications to support its operations. This process is far more important than just picking a tool. It's about improving the way the organization accomplishes its mission and expanding the effectiveness of services it offers, and thus increasing organizational impact. Fundamentally, software selection is about organizational development. Incorporating new technology is an opportunity to refine business processes, increase efficiency, and build capacity. This process will only achieve its maximum impact if it is part of a larger Information Systems Management effort that is guided by the strategic Information Technology plan of the organization.

Questions to Ask Before You Start

1) Does the organization, from top to bottom, fully support the project and understand its value and impact?

There are few operational projects more time consuming and difficult than selecting and then implementing a new software system, especially when it affects the whole organization. Consequently, these projects cannot be isolated in one department, and require the support of all senior management. They are difficult because staff must continue to manage their normal day-to-day duties, while at the same time trying to choose and implement a system they likely have never used, and to translate their current processes into the way the new system will work. Moreover, as technology becomes further embedded in every aspect of an organization, especially its public-facing side, there is less and less room for error, which increases the risks and raises the importance of the new system.

2) Are the main goals and expected return on investment (ROI) of the process clear?

It is imperative to know your organization's true objectives. Are you improving current processes, implementing new functionality, or striving to reach entirely new goals? What will the organization gain, and how much is that worth both monetarily and to the mission? Make sure the costs you consider incorporate the total cost of ownership (TCO – see below), and that your ROI calculations



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include “soft” benefits like improved staff morale and retention, and better-served clients or constituents. Not addressing information management needs can hamper an organization’s overall success because staff lose their motivation the more time they spend on monotonous or inefficient work as opposed to providing the service that compelled them into their field of service.

3) Do you really need a new system? Or do the real problems lie in the lack of strategic vision, proper processes, and right support structure?

Your organization may not need new software, or even an upgrade. But even if it does, it is far more important to make sure a proper environment is created in which any system can succeed. Otherwise, you will soon be facing the same struggles you had with the “old” system. Is there an information systems (IS) governance team that regularly meets to determine the priorities and challenges to address over the next quarter and year, and lines those up with the strategic objectives of the organization? Does someone own the vendor relationships? Are staff properly trained? Many good systems are greatly underutilized because organizations have not invested the time and funds to properly support staff and maximize the benefit. Applications are complex and robust enough these days that most organizations should have at least a part-time database administrator that leads the ongoing process of managing and maximizing the benefit of the system.

4) Should you buy a new application or build one?

There are different benefits and risks to buying a commercially available system and choosing to build a custom software application, and a case can be made for either in some situations. However, in general there are fewer instances where building a custom system can be justified, as available solutions have grown quite powerful, and many are quite configurable and customizable and provide interfaces for integrating between systems. This is especially the case if the functional requirements are fairly standard, like those of customer relationship management (CRM), fundraising, accounting, e-Business, event registration, association and membership management, etc. Organizations tend to greatly underestimate the costs, difficulty, and management overhead of building a custom solution. They should take into consideration not only the functionality required, but long term costs of not being on an industry standard platform, even in terms of recruiting staff. If a custom solution is required, open source solutions should be seriously considered as the foundation, and then at least there is an ecosystem of support that already exists.

5) Do you need a consultant?

Software selection requires a significant time investment and is greatly aided if led by someone that has experience evaluating the available software in the field. Also, the selection process itself can take months, not to mention the time and effort required to implement the solution. If your organization does not have the internal expertise or staff time and energy to lead the process, a consultant can be a very valuable resource. Even with a consultant, however, it will still require an organization-wide effort and plenty of time commitment by staff to analyze processes, review systems and make decisions. A consultant cannot make a decision for you without a significant amount of input.



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How to Go About It

- **Project team:** Form a multi-disciplinary team that will lead the internal project of analyzing your organization's processes and technology needs, and that will serve as the core decision-making body. The team must be led by a strong project manager, and its direction and composition must have the blessing of senior management, if not their direct involvement. Software selection of key systems cannot be relegated to the IT department, as it is not mainly a technology issue. It should be a business development project with strategic value to the whole organization.
- **Document Requirements:** Through a discovery process that involves every appropriate department, create a summary of requirements where you prioritize the functional needs, list the main strategic drivers, describe the scope of the project, and note technology and integration requirements. This document will serve as the initial basis of evaluating the software systems and vendors. This will be a working document, as you will become aware of other needs as you evaluate systems.
- **Initial Research:** Explore potential vendors and products, keeping track of the strengths and weaknesses of each software. You will want to request information and initial ball park estimates from the vendors that seem like the best fit (you can formalize it into an RFI if appropriate). You can check websites that list vendors by category and offer reviews, but you will likely be overwhelmed by the options. It can be productive to contact other colleagues and to post questions on forums and listservs, but be aware that both positive and negative references should be understood as opinions and taken with a grain of salt. At this stage, a software selection consultant can provide a lot of value and guidance on where to start, given their knowledge and experience in the field and with particular products.
- **Initial Demonstrations:** Schedule initial demonstrations so that you can get some first hand knowledge of the systems. The goal is to find the primary differentiators between the systems, and hopefully to find those vendors and products that are best aligned with your mission as well. Keep good notes and try to grade each presentation and product in a consistent fashion. Establish the criteria by which you will make the selections ahead of time, and give different weight to each category of factors and functional areas. However, be aware that it is extremely difficult to make decisions based "on the numbers," as establishing precise scales and grades is difficult, and biases can easily skew results. Be open to the fact that your criteria will likely change during the process.
- **Select a few finalists:** There are many ways to narrow your choices down to a short list of three or four vendors. In general, it should be a group decision that is based on the comparative matrixes created during the initial demonstrations. Make sure to incorporate both the quantitative and qualitative information gathered up to this point. In addition to the product meeting your needs, it is equally important that the vendor is a good fit and has the type of culture that your organization can respect and work with. Be sure that they can provide an appropriate level of support, that they can work during your business hours, that they have a variety of ways of providing training, that they are



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financially sound, etc.. Of course, they must still be able to provide a high quality product, or the relationship will not work no matter how good of a fit it is.

- **Create an RFP:** Use the previously documented requirements and any additional insight discovered during initial demonstrations to create a Request for Proposal (RFP) to send to the finalists. For small to medium-sized projects, CITI prefers not to send an RFP to all potential prospects early in the process, as it creates a lot of work for both vendors and the organization that often has little value. Most vendors with smaller products will not respond to RFPs, so in this case you will ask for a proposal that addresses your requirements. For larger projects, an extensive RFP may be created even before the initial demonstrations because it is important to gauge vendor capabilities and to provide as much detail as possible up front. Sometimes it is required by due diligence procedures. Even so, CITI still believes it is important to do some preliminary research before the RFP is created, as it will impact the quality of the end result.
- **Final Demonstrations:** Schedule demonstrations with each of the finalists. You should create a fairly detailed demonstration script that will guide the presentations. Remember to document your reactions, the strengths and weaknesses, and the key differentiators in a way that people can refer to it. Once again you will have to refer to the comparison matrixes and make the best decision possible based on the criteria that have already been established. Do not be swayed purely by stylistic issues or presentation skills, although those are factors.
- **Due diligence:** For the top two options, talk with or visit the references provided, and if possible, talk with organizations that are not on the vendor's reference list. Keep an open mind and a holistic perspective. Both positive and negative references can be misleading because vendor/customer relationships succeed or fail for many different reasons that may or may not be replicated at your organization. Negotiate further price reductions with the two finalists. Once you have made a tentative choice for a winner, perform any remaining due diligence. Confirm the vendor's financial health, make sure you understand the risks of the choice you have made, and negotiate a contract to get the lowest price possible. Pay very close attention to all the details and have the contract reviewed by legal counsel before signing

Summary

The steps and concepts described here can guide your organization through a successful software selection process. But bear in mind that the vendor selection process is very challenging, as there are many details to consider. Not only are organizations trying to make a decision based on partial information, in many cases the staff who have been asked to evaluate have little experience in such projects and limited technical background. If an organization is struggling to know how to proceed, it is likely a good time to hire a consulting firm like CITI that has a fuller context of the field, knows what questions to ask, and can judge whether vendor responses are realistic and reasonable.



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Key Concepts

- No perfect solution exists - There is no perfect software that will meet all of your needs, can be learned within days of taking it out of the box, or that does not require significant ongoing oversight.
- With proper due diligence, you can find very good products - There are many good products that can increase your efficiency and help you achieve your mission. If you know your needs well, invest in your people, and take the time to evaluate products against your specific needs, you will have a good chance of succeeding.
- The evaluation process is as important as the solution – If there is not buy-in from staff members, constituents and key stakeholders, then adoption of the new system will not go smoothly and the organization may never realize the product’s potential value.
- What really matters is people, not software and hardware – No matter how good the product, it is not “the solution” on its own. If people are not prepared for the change, trained on the product appropriately, and encouraged to develop the professional skills required of their position, the return on investment will be greatly diminished. Investing in people makes the greatest difference. Also, there should be an *information manager or database administrator* that stays abreast of how the system is being used, what new features and training are needed, whether the data is accurate and being used correctly, and keeps staff accountable to procedures.
- The inability to perform job duties is usually far more expensive than the software - Full featured database systems are not inexpensive. However, organizations should calculate the full costs involved when employees spend hours performing tedious work that could be done by “expensive” systems, or when there is constant downtime because of poor systems or equipment. Wasted time is expensive not only in terms of salary costs and productivity, but it often means that the main mission is not accomplished as effectively.
- More expensive is not necessarily better, cheaper is not necessarily more cost-effective – Certain products are not worth the extra costs because their features are not needed, or because their complexity will make people stop using the system. On the other hand, inexpensive products that are unstable or cannot perform many of the necessary functions will in the long run cost far more in terms of wasted staff time and lost productivity.
- Information management is an ongoing process - Your needs will change, and your organization will grow. There should be an information systems team that meets regularly to evaluate the effectiveness of the systems and keeps abreast of standard operating procedures that may need re-evaluation.
- Always keep the Total Cost of Ownership (TCO) in mind – The cost of any software solution includes much more than just the list price for licenses. The costs you should consider include: user licenses, hosting, customizations, hardware, installation, ongoing support, training, database administration, and consulting. You should also evaluate the organizational effects and risks of staff downtime and lack of productivity, including mission drift, decreasing morale, and high turnover.