The Importance of Hiring the Right Software Vendor

By Donna Payne and Shirley Gorman, PayneGroup, Inc.

I recently met with a CIO who spoke for 20 minutes about what a disaster the hiring of another software company had been for his company. Similar stories from other CIOs and CEOs reinforce that this is a common problem. So the question presents itself, why do these astute C-level managers end up buying into the gift-wrapped "dog and pony shows" from vendors who ultimately over-promise and under-deliver?

When choosing a software vendor it helps to use a structured selection process, distinguishing between "hard" and "soft" criteria. The hard criteria is easy – typically costs and technical requirements (these are designated as hard criteria because they are easily measureable). Soft criteria requires a degree of subjective criteria – finding a vendor you feel comfortable working with that has the greatest potential to meet your needs, keeping in mind that no matter how much skill and expertise the vendor has, if you can't stand to be in the same room with them, the project will probably still not be a success.

This article concentrates on the "soft" criteria and why it's just as important as "hard criteria" in order to achieve the desired outcome (success).

Reputation and Track Record

While there are many ways to hear about software vendors, one of the most common ways is via word of mouth. Perhaps the vendor worked on a project for a mutual client or for other organization where you know someone who works there and has worked with the vendor. These referrals typically carry the most weight. Other ways to hear about vendors include seeing them mentioned on a private LISTSERV or seeing that the vendor has referenced a company you know of on their website. You could also have read an article or case study by the vendor or heard that vendor speak at a conference.

No matter how you have learned of a company, if that company is just starting out, it may not have an extensive work history, and as a result, they haven't established a solid client base for reference purposes. While these new companies have their unique appeal (generally lower costs and a fresh set of eyes on a problem), they typically don't have the proven track record that most companies require when hiring third party vendors. In an economy where every dollar is carefully scrutinized, the appeal of these start-ups is strong. However, making the wrong hiring decision could have disastrous consequences for the person who brought them into the organization if the company doesn't fulfill your company's objectives.

Company Size

Size may be a factor as well. You will want the vendor to have the resources necessary to successfully accomplish all goals as well as expedite solutions to any unanticipated problems that may arise. This is not to say that a small consultancy team new to the industry may not be highly capable; however, there is a risk factor involved. Arriving at the right hiring decision may require flexibility in weighting the criteria. The best way to accomplish this is to keep the assessment as objective as possible and use a criteria scoring system that lists and assigns a weight to each of the criteria.

Longevity

How long as the vendor been in business and what do you expect is their long-term viability? You may not only need the vendor to complete the software implementation, but if they are supporting the software, you need to feel confident that they will be around long-term. While a company may have been around for a long period of time, how long have they specialized in the software you are evaluating? Some software vendors may just be capitalizing on a trend and have a track record of "in and out" when it comes to software. It is best to avoid these firms primarily because they may have spread themselves too thin by taking on too many projects at once, may not have the in-depth knowledge needed, and the risk that they may have moved on to the next hot trend after your purchase when you are in desperate need of their support.

Vetting Process

The starting point begins with the marketing material provided by the software vendor. The ABC rule is a great guide – *Accept* nothing, *Believe* nothing, *Challenge* everything.

- Search online for comments about the vendor (this has limited value due to legalities that limit content).
- Ask if the vendor has a user group and then check it out.
- Ask for references and contact all of them with a prepared list of questions.
- Ask if the vendor is involved in any pending or ongoing litigation.
- Ask for a copy of the vendor's customer support terms and conditions.
- Ask if the vendor can provide a software testing matrix.
- Ask what their average support ticket timeframe is from open to close.
- Ask if they have a client only support portal that is accessible 24x7.

Not all firms can or will provide this information, but it is worth asking. The form of the responses (and non-responses) can be very telling.

Relevant Experience

This is an area of prime importance in order to assess whether the vendor has the expertise to carry out the project as required. How many similar projects has the company completed or is this new ground for

them? You'll want to know that this project is right in their wheelhouse. Bottom line – you don't normally want to pay for someone's learning curve.

However, this criteria also requires some flexibility of judgment. For example, a project to upgrade a software application to the latest (new) version may never have been done before by any vendor. In these circumstances, check that the software author is providing upgrade support to the vendor. You can also ask the vendor for a list of relevant projects of similar type, scale, size and technical complexity.

A Talented Team

To assess the talent of the team, start with the resume of the manager or project manager. Depending on their involvement, it may be helpful to know more about other key players who will be participating on your project. If the project involves a team of people, then it is important to meet the project manager. If it is a more substantial project, then meet the lead consultant(s) as well. This is where chemistry is a key factor – you will need to get along with them in order to feel comfortable working closely with them on the project.

Prior to your initial meeting with the team, prepare a list of technical questions for those individuals in order to assess their competence. Be sure to ask other relevant questions, such as whether the team has worked together before, how they respond to feedback (negative as well as positive), and what their methods are for keeping a project on scope, on budget and on time.

Finally, it's worth checking whether the vendor's team has undergone training and certification by the software author. For example, if it's a Microsoft product based project, it's a good idea to hire a Microsoft Certified Gold or Silver partner with the awarded competency relative to the project. Other software packages and platforms have similar partner programs and certifications.

Current Knowledge

A little known secret in the technology industry is that almost all vendor knowledge is outdated. The reason for this is that software versions and deployments are happening at a rapid pace. It used to be that companies like Microsoft would release software every 18 months. This has accelerated to quarterly, if not sooner. One reason that software is rapidly changing is that there is a need to use software on various platforms, not just on Windows desktop computers. It's important not only to find someone with current and future platform knowledge, but also someone who admits that it's a struggle to stay current.

Assessing expertise will involve information from the two criteria listed above, but can further be evaluated simply by asking for an explanation of some of the new features of the latest version of the software in question (details which can usually be obtained online in advance).

Problem Solving Experience

Ask the vendor to describe some of the technical challenges faced in previous projects and how those challenges were resolved. Make sure that the vendor delineates how these challenges or points of failure

were addressed in the related communication plan. Situational questions about technical issues in your proposed project can also be included (*e.g.*, "What would you do if...?"). Careful vetting of these questions prior to the interviews and then comparing the answers received from the short-listed candidate firms can be very helpful in selecting the right software vendor. Your in-house project team may also find it informational to read/hear the various answers to these questions, which leads directly to the next criteria.

Knowledge Transfer Ability

Since communication, or lack thereof, is the most common cause of project failure, you'll want to monitor the vendor's written and oral communication style, clarity and content to ensure that your team will benefit from the vendor's expertise. There are many techniques for transferring knowledge from the vendor to your in-house staff as well as tools for doing so. A good software vendor will propose a structured process which, at a minimum, involves the following:

- Training (*e.g.*, classroom, online, individual/one-on-one, on the job)
- Well documented code when you have a development project for hire (not applicable with software licensing)
- Collaboration tools, such as Confluence or Rally
- Central storage of knowledge (project documents, designs, test scripts and results) using tools such a SharePoint
- Project FAQs and Wiki

The transfer of knowledge is a critical project process and essential when protecting the investment made in a software vendor. This hand off of knowledge enables the company to take on responsibility for supporting the application internally without being locked into an unending business relationship with the vendor. This is different than obtaining a maintenance agreement with the software author, which is normal in these circumstances.

Why is It Important to Make the Right Choice?

It goes without saying that it's important to hire the right software vendor in order to meet your targeted goals. The cost of a poor choice has many ramification, including:

- A failed project offers a zero, or even negative, return on your investment dollars. It's important to acknowledge that a cancelled project can be less costly than a poorly, even partially, implemented solution.
- Projects that are not well managed may experience cost overruns. This impacts the return on investment ("ROI") and total cost of ownership ("TCO").
- Projects not completed or completed late will also impact the ROI and TCO since this also postpones the beneficial effects of the new software.

- Key functional features may not be implemented due to cost, lack of technical ability, or both. This can result in frustrated staff and customers, and even a loss of competitive advantage.
- Poorly executed deployment demoralizes staff, resulting in higher employee turnover. This turnover may result in the loss of specialized skill sets so the company incurs additional recruiting expenses, which impact operating costs. So once again, ROI and TCO are negatively impacted.
- The vendor may become a permanent fixture, continuing to stay onsite while trying to resolve an unending list of problems. And the impact? You've guessed it – higher operating costs and hits on the ROI and TCO.

I know I'm preaching to the choir when I say hiring the right software vendor is absolutely critical. Investment in a structured hiring process using established and weighted criteria, plus objective scoring, is an essential component in achieving project objectives and a positive financial return – besides positively engaging your staff. And don't hesitate to walk away from a disagreeable vendor that you anticipate having problems working with – even if they meet all other criteria. A good rule of thumb is to do business with someone whom you'd be willing to sit down and share a meal.

About the Authors

Donna Payne is CEO at PayneGroup. She is the recipient of the 2013 ILTA Thought Leader of the Year and is a keynote speaker at conferences worldwide. Payne is a member of the Women's President's Organization and is active in mentoring programs and STEM education.

Shirley Gorman is VP of Client Relations at PayneGroup. She's seen more than her fair share of contracts in her professional careers and has extensive experience personally selecting software vendors (and lived to tell).

PayneGroup has authored 13 books on Microsoft Office, develops globally used products and offers training and professional services worldwide. PayneGroup is a great vendor to partner with on your next software project.