

# Selecting package software

## the adaptive approach made simple

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## Acknowledgements

This guide was produced with help from the partners and staff at Sayer Vincent.



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Published by Sayer Vincent

First published 2011

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# Introduction

Charities, in common with organisations in the public and private sectors, depend increasingly on information systems in the drive for more efficiency and greater impact. Good technology can bring enormous benefits but the choices – and the risks – are also huge. Finding the right software – and supplier – for your charity can be one of the greatest challenges your organisation will face. However, with the right approach to software selection, you can avoid the pitfalls and make sure you get the most from your investment in IT.

The key to successful software selection is to realise that the software itself – what it can do and how it works – is often less important than the choice of supplier. Of course, functionality, performance, scalability and many other technical considerations are important and you will need to take all those factors into account when you are looking at the options. However, your choice of supplier will be at least as important because, in the end, it will be the quality of that relationship that determines the success or failure of the implementation. In fact, the best way to view the process of software selection is not so much as a conventional exercise in procurement but more like a process of ‘test driving’ a supplier’s approach and ability to work with your organisation effectively, as you carry out your ‘due diligence’ and confirm that the software itself is suitable and has the functionality you need.

There are two main approaches to procuring package-based software:

- An **adaptive approach**, which aims to identify the preferred supplier before defining the system requirements in detail
- A **formal approach**, based on a competitive Invitation to Tender (ITT).

This guide describes the **adaptive approach** and sets out the seven simple steps to choosing the right package software for your charity – and to finding the right supplier.

The guide **Selecting package software – the formal approach made simple**, in this series, describes the activities involved in the formal approach.

## Choosing an adaptive approach

For organisations that have precisely-defined, clearly understood requirements and are fully informed about the software alternatives and how they are suited to their organisation, a formal tender process is fine. But, from experience, many organisations aren't like that. In these circumstances, and particularly when the relationship with the supplier is as important as the software functionality itself, a different approach can be more suitable. The adaptive approach recognises that:

- Many organisations that require new software often don't really know exactly what they need, until they've seen it. You may have an overall idea of what the software needs to help you achieve, but even with first-rate advice from an impartial and knowledgeable expert, you may well find that your idea of what you need changes once you've seen what's available and how it can support your organisation's processes.

Limiting your options by preparing a lengthy, prescriptive requirements specification can be counterproductive; far better in most instances to take a flexible approach, involving suppliers in the discussion (in a controlled way, of course), and being open to their ideas and suggestions for achieving your objectives.

- Attitudes towards business relationships have changed. While 'the customer is king' may still ring true, a tender process that involves lengthy, prescriptive and often inflexible specifications and an arms-length transaction may not be the best way of starting out on a relationship with a potential long-term business partner (and one which, once selected, your organisation will no doubt become highly dependent upon even if there is no contractual or practical tie-in involved for the software).
- The lengthy requirements specifications and comprehensive lists of information that suppliers are often required to provide in their response to an invitation to tender can be a source of frustration for software buyers and suppliers/vendors alike. Detailed tender documents can be unnecessarily prescriptive, closing off opportunities for suppliers to draw on their expertise to propose ways that processes could be improved or objectives better achieved.

Suppliers are asked respond to a comprehensive document which may not make much sense to them; they may find it difficult to gauge what's important and what's less important if they themselves have not been part of the requirements gathering process.

- The traditional tender process approach tends to bind both parties, contractually, to completing the implementation as it was planned.

In most organisations, different teams and individuals use information in different ways, which means that implementing a system across departments – or organisation-wide – can be a complex challenge. In these situations, it is usually only once the system is actually in use that it is clear what is needed, and if that varies greatly from what is included in the contractual specification, it is unlikely to be delivered.

### **Checklist When should you use adaptive procurement?**



- Overall objective and reason for needing the system is understood (i.e. the business case has been made), but the exact detail of how the various software alternatives can be applied to most effectively support your organisation and processes is less clear.
- Requirement is complex and/or strategic, possibly requiring integration with other systems and forming part of an overall change programme to improve processes and organisational outcomes.
- System will be part of an overall 'solution' and a productive, long-term relationship with the supplier ('partner') is desirable.
- Flexibility to change your approach, particularly as you learn more about the software's capabilities, is important.
- Suppliers' expertise is valued; involving prospective suppliers in planning and defining the project is likely to improve outcomes.

# The key elements of an adaptive approach to procurement

The adaptive approach to software procurement is a technique that Sayer Vincent has developed as an alternative to the traditional and well known tender process method to selecting software. It is becoming recognised as good practice for acquiring strategically-important software that has a user base spanning several departments or the entire organisation, and is particularly beneficial in situations where the organisation is required to proactively manage the complex situations presented by today's rapidly-changing business environment.

The early focus on functionality can be one of main weakness in the traditional, tender process approach to software procurement. A review of key business processes can mitigate a number of the risks involved, but the resulting solution – and, therefore, the final choice of software and supplier – may be based on a supplier's written proposal and a high-level demonstration of the software, rather than on hands-on experience of the software.

The diagram below shows the main stages of an adaptive approach where the focus is on evaluating and 'test driving' both the relationship and the software prior to making a final choice. The key steps are described in more detail on the following pages.

step 1	step 2	step 3	step 4	step 5	step 6	step 7
Setting up the project governance	Establishing the rationale	Reviewing the business processes	Preparing a request for information and shortlisting suppliers	Prototyping	Selecting the preferred supplier	Planning the implementation and negotiating the contract

# step 1 **Setting up the project governance**

Often organisations have specific target dates for implementing new software – you might need new software to support a new strategic initiative or service, or to help you manage a new campaign. It's good to plan out key dates in the selection process and to allow sufficient time for the various activities, discussions and feedback.

The process of selecting software counts as a project in its own right and that means you will need to think about a suitable approach to managing the work involved. The right management framework will depend on the size of your charity as well as the significance of the investment. In most cases, though, you will want to set up a project working group to coordinate the activities and choose the best combination of software and supplier.

## **Project management**

Because selecting software constitutes a project, you will need someone to manage the process. Managing software selection involves a considerable amount of organisation and communication and typical project management activities will include:

- Managing the selection activities
- Briefing the project working group
- Managing communications with suppliers.

## **Project working group**

The project working group should include representatives of the main areas likely to be affected by the purchase of the proposed software. Beyond that, you should decide who you want to involve directly because they have information or a stake in the selection. As well as members of your charity's senior management team and other staff, you may want to consider involving trustees, volunteers, or members.

### **Stakeholder engagement**

Your chances of a successful implementation improve if you can get the stakeholders actively engaged early on. Ways in which you can involve stakeholders in the selection process include:

- Workshops to discuss and agree your needs
- Involvement of key staff in developing prototypes with suppliers
- Participation in supplier meetings
- Visits to other organisations using similar software.

## Admin support

The software selection process also calls for a lot of coordination and documentation. You should consider identifying admin support to help with the arrangements and collating the documentation. Typical admin support activities include:

- Arranging meetings
- Collating and distributing information
- Taking meeting notes
- Setting up and maintaining filing systems.

### Checklist



- What are the key dates in the evaluation process?
- Who are the key decision-makers for the project?
- Who will be affected by the change?
- Which staff need to be involved in the evaluation and prototyping work?
- Are all the departments and teams affected by the change represented on the project working group?
- Has the project working group agreed the process?

# step 2

## Establishing the rationale

The starting point for any proposed change should always be a clear understanding of the aims and priorities of the organisation and of how the change will help to achieve them. The choice of new software will be the start of a process which changes the way your charity works and so your first step should be to establish the rationale for the proposed purchase.

A realistic analysis of the likely costs alongside the expected benefits is crucial to establishing a sound foundation for the selection process. The best way to articulate this is in a business case; this is crucial to the success of an adaptive procurement exercise and should be reviewed as the selection proceeds and revised in the light of more realistic information about either side of the rationale.

The rationale needs to be appreciated and supported by your charity's stakeholders and so you will need to think about the best way to present it. There are a number of standards to choose from, including a formal business case (see **Business cases made simple** in this series) but, whichever method you choose, you need to make sure that you:

- Can explain the reasons for the investment in new software and can show why it will be worthwhile
- Are clear about the scope and impact of the subsequent implementation
- Are confident that the staff and any supporters involved will be able to manage the change
- Have the informed commitment of the senior managers in your charity.

As part of this work, you may find it useful to carry out some initial research about the different software packages available and services offered. You could do this by attending exhibitions, asking other organisations about the systems they use, and obtaining general information from software suppliers.

### Checklist



- Will the proposed project help your organisation meet its objectives?
- Is there sufficient information to take an informed decision about the change and investment required?
- Is the change worth the time and cost involved?
- Is the analysis objective?
- Has the project working group discussed and agreed the business case and recommended option?

# step 3

## Reviewing the business processes

A key objective of implementing the new software is to enable your staff to work more efficiently and effectively. By identifying and focusing on a handful of key processes that makes your organisation different from other suppliers, you can avoid the need to prepare a lengthy specification of functional requirements; it is more important that the software supports your processes than provides specific functionality.

There are many approaches to mapping and identifying improvements to business processes, however the key point is that the end result is a flow chart that clearly and unambiguously describes the key tasks in an area of activity that results in a useful output that is valued by your end service users or 'customers'.

Documenting your processes is beneficial, because in addition to describing what it is that you need the software to support, you can also use the process maps to encourage suppliers to draw on their experience and propose ways in which their software can help make your organisation more efficient and effective.

### Checklist



- Are the process maps clear and logical?
- Have the staff who will be affected by the process improvements been consulted for their ideas and input?
- Have you clearly identified the key areas where you believe there is scope for improving the processes?
- Have you identified which processes could be most easily changed to make best use of the software with minimal customisation?

# step 4

## Preparing a request for information and shortlisting suppliers

Assuming the business case has been made, the question becomes one of how to identify which suppliers to include in the evaluation process. The adaptive approach to selection is particularly suitable for situations where the customer organisation is not yet in a trusted relationship with any appropriate suppliers but wishes to evaluate options in a structured, low-risk and flexible way. Suitable suppliers can be identified by drawing on contributions from a number of trusted sources:

- Experts within the organisation
- Recommended specialists from outside the organisation (e.g. consultants)
- Colleagues from similar organisations
- Independent research material – e.g. website reviews, articles, research gathered from trade exhibitions.

After having preliminary discussions with a manageable number of suppliers (ideally recommended by one or more of the above), a request for information (RFI) is prepared. This RFI will be used as the basis for obtaining the information you require to reach a short-list of 2-3 that will be asked to participate in the subsequent prototyping activities.

The RFI will typically contain:

- An introduction, which outlines the process for responding to the RFI and key dates, together with the format for responding
- A background section, which explains the background to your procurement, the benefits you are seeking and key success criteria
- A section which summarises your organisation's current IT systems

### Questions from the suppliers

When you start talking to software suppliers, they will want to ask a number of questions. The seven questions below come up regularly. There are no right or wrong answers but it will help if you have thought about them beforehand:

- Do you have a budget for this project?
- When do you expect to make your choice of software/supplier?
- Who will be involved in making the choice of software/supplier?
- When do you expect to start implementing the new system?
- Which other suppliers are you talking to at this stage?
- Are you using a consultant?
- Can we come and see you before we submit our response?

- A section which lists the key benefits required from the system
- A list of the key functions (say, 10-20) that the solution will be required to support within your organisation
- The criteria by which you will evaluate suppliers, both initially from the written responses, and later during the detailed prototyping.

For larger software projects, your IT staff may find it useful to include preliminary technical elements to satisfy themselves that the software and the supplier's approach will fit with your organisation's standards. You should agree with IT staff the areas that will be checked as part of the RFI, and this is likely to include:

- Supplier background, structure of the company, and teams
- Supplier's technical strategy and development standards
- Architecture of the system and hardware requirements.

When the project working group has approved the RFI and the long-list of suppliers, you are ready to send the RFI to suppliers, reminding them about the deadline for responses and highlighting key dates for the evaluation process. You should also advise them about how you will deal with any questions. Once responses are received back from the suppliers, they are then reviewed by the project working group in order to agree the short-list of suppliers that will be asked to engage in the prototyping activities.

### Checklist



- Does the RFI include all the relevant information?
- Will the response format help the project working group evaluate the responses objectively?
- Has the project working group signed off the RFI?
- Has the project working group agreed the list of potential suppliers?

# step 5 Prototyping

Prototyping is a key stage in the adaptive approach to software selection. It enables you to 'test drive' how the supplier will work with you to configure and set up the software, and to experience how it will support a significant change in the way people work. It also provides real reassurance that the system is likely to meet your operational requirements.

In a way, prototyping is a small-scale version of the process you will go through during when you fully implement the chosen system.

To develop supplier prototypes as part of the selection process, you need to:

- Focus the prototyping exercise on the key business processes that you have identified as being critical to your charity,
- Describe them to the short-listed suppliers, for example through meetings and workshops to discuss in detail the briefing document that contains a description of the chosen processes
- Allow time for the suppliers to meet with you and representative staff to understand the business processes, and to develop their prototypes
- Organise for the prototypes to be demonstrated - again, you could consider having two groups for this, the project working group and wider groups of stakeholders.

## Developing the prototyping brief

A prototyping brief will be required in order to clearly and unambiguously communicate to suppliers exactly how you wish to engage with them in order to develop a prototype, and how you will evaluate the end results and the experience of working with them. The brief also forms the basis for staff engagement in the process.

Building on the information already provided in the RFI (step 4), the brief should include:

- A description of the key business processes that the system will be required to support, possibly also including diagrammatic process maps
- Timescales for developing the prototyping
- Details of the staff that will be involved in working with the supplier to develop the prototypes
- A section which sets out any key technical or contractual requirements.

## Checklist



- Which processes do you need to see demonstrated in a prototype, in order to convince you that the software is able to support your key operational requirements?
- Who needs to be involved in the prototyping development activities?
- Have you explained the process clearly to staff involved in the prototyping process, to ensure that they participate fully and to manage their expectations?
- Have you made it clear who will bear the prospective suppliers' costs of developing the prototypes (often, they are happy to do this as part of their pre-sales work)?
- Has the project working group approved the shortlisted suppliers that will develop the prototypes?

# step 6

## Selecting the preferred supplier

Towards the end of the prototyping activities, you'll have a good sense of the preferred supplier, but the project working group will need all the documentation from the different activities to be collated and summarised those for them to review and discuss and formally agree the chosen supplier. You will also want to communicate the final decision to everyone who was involved in the selection stage.

At this stage, it also becomes practical to make visits to a small number of organisations to take up more detailed references. These visits can cover:

- Functional areas, e.g. to see how the organisation is using the software
- Implementing the software, e.g. to learn from the organisation how they managed their implementation and what helped make it successful
- Relationship with the supplier, e.g. on-going support arrangements and managing upgrades and developments

You will at this stage already also have your own views on the above areas.

### Performance tests

System performance should always be a key consideration and, for larger projects, you may need to ask the short-listed suppliers arrange for performance tests to be carried out. This will involve the supplier demonstrating that their proposed system will be capable of supporting the number of users you expect and that those users will be able to carry out their tasks (e.g. data entry, production of reports) at a reasonable speed. In some cases you may be asked to reimburse the supplier for the cost of setting up the tests but, in any event, the results will provide you with the reassurance that the proposed system would perform adequately. You should try to incorporate the results of the tests into your final contract and you can use the benchmarks later on as part of your acceptance testing.

#### Checklist



- Have the selection activities been completed satisfactorily?
- Are the summaries complete?
- Has the project working group approved the preferred supplier?

# step 7

## Planning the implementation and negotiating the contract

Towards the end of the selection process you will need to confirm the detailed requirements and implementation plans with the preferred suppliers. Areas to consider include:

- Timescale for the implementation
- Key activities and deliverables, their expected duration and dependencies
- Resourcing requirements including roles and responsibilities of the supplier and your organisation
- Approach to user and technical training.

You will also need to confirm and finalise contractual terms. Of all the things that come out of the selection process, your contract with the chosen supplier is one of the most important. In fact, comparing suppliers' approaches to contract negotiation is a good indicator of how your relationship with them would continue to develop.

A good contract lays the foundation for a successful implementation and, as such, it needs to be:

- Balanced and fair to all parties
- A reasonably complete representation of the roles and obligations on all sides
- Realistic.

### User training

User training will be a key element in the implementation of your new software. There are three main approaches you can think about:

- **Supplier training** – i.e. where the supplier provides their own trainers to train your users. This is often the most effective form of training but can be expensive if you have a large number staff.
- **Train the trainer** – i.e. where the supplier trains a small number of your staff who then roll the training out to others. This approach can be very cost-effective but only works well if your staff have the necessary training skills.
- **Third party training** – i.e. where either you or the supplier sub-contracts the training to a third-party trainer or training company. This approach can be an attractive middle option but depends on finding a reliable third-party who can be reasonably flexible if your implementation timetable has to change.

For most software purchases you will need to sign at least two contracts:

- **The software licence** This sets out your entitlement to use the software but also the supplier's terms and conditions, general warranties and detailed obligations. The software licence will also set out your obligations.
- **The support agreement** This explains the supplier's arrangements for providing help to users and upgrades to the software. The support agreement should also set out the supplier's promised levels of service, including the maximum time they will take to respond to a problems and resolve them.

### Contract priorities

Just like you, software suppliers have pressures and have to prioritise their resources. So, when you are discussing contracts with your short-listed suppliers, it will help if you are clear about your own priorities for implementation. Typically, there are three factors to consider: timescale; cost; and the scope (or the range of functionality) of the software.

It is very likely that, during the implementation, at least one of those factors will be at risk and, quite possibly, all three. During contract discussions with suppliers, you can take steps to protect the factors that will be most important to your charity, for example:

- Do you want to fix the price for the implementation, even if that means you have to settle for less functionality than you originally expected?
- Do you want to fix the deadline for completion, even if that means you have to spend more money to get the necessary resources?
- Do you want to be sure that the software will do everything you want, even if that means you have to take longer than planned and possibly pay more as well?

### Checklist



- What are the contractual points for negotiation?
- Who will be responsible for negotiating the contract?

When discussing contracts with suppliers, there are four golden rules to follow:

- Be clear about your own priorities before you begin
- Make sure you understand all the sections of all the contracts (or ask someone to help you)
- Pay as much attention to the commitments on scope, timescale and resourcing as to the sections that deal with cost
- Negotiate the contracts before you make your final selection.

## Conclusion

Finding the right software – and the right supplier – for your project can be one of the greatest challenges your organisation will ever face. However, with the right approach to selection, you can avoid the pitfalls and make sure you get the most from your investment in IT. The key is to realise that the software itself – what it can do and how it works – will always be less important than the right partner to implement the changes the software will bring.

Of course, functionality, performance, scalability and all the other technical considerations are important and you will need to take all those factors into account when you are looking at the options. However, experience has shown that an arms-length, transactional tender process is not the best way to select a system where the requirements are complex, strategic or uncertain. Structure and rigour is still important in a selection process – but involving suppliers in the discussions, drawing on their experience and ideas, working collaboratively to experience the working relationship at an early stage, and seeing real prototypes before making an expensive and long-term contractual commitment, can provide all of the benefits of a traditional tender process without any of the drawbacks.

### **Differentiating features of the adaptive approach to procurement**

In the adaptive approach:

- The focus of the selection is on finding the right supplier to work with rather than on finding the best software to use. Ideally, the prototyping stage involves sessions between the potential supplier(s) and the organisation's staff to discuss and refine the processes from which both parties collect a better understanding of how the implementation would be likely to work.
- The final requirements are arrived at collaboratively between the organisation and the preferred supplier (thereby minimising the risk of misunderstanding while maximising the opportunity for the supplier to contribute their knowledge and experience).

## Further information

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[www.sayervincent.co.uk/publications/made\\_simple\\_guides](http://www.sayervincent.co.uk/publications/made_simple_guides)

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[www.ogc.gov.uk/policy\\_and\\_standards\\_framework\\_introduction\\_to\\_public\\_procurement.asp](http://www.ogc.gov.uk/policy_and_standards_framework_introduction_to_public_procurement.asp)

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ISBN: 978-1-902505-98-5

### **Procurement**

OGC (Office of Government Commerce)

[www.ogc.gov.uk/procurement.asp](http://www.ogc.gov.uk/procurement.asp)

### **Procurement Insights**

[procureinsights.wordpress.com/about](http://procureinsights.wordpress.com/about)

### **Procurement, Principles and Management**

Peter Baily *et al*

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### **Procurement step by step: a short guide to buying**

BIS (Department for Business Innovation and Skills)

[www.bis.gov.uk/about/procurement/buyers-guide](http://www.bis.gov.uk/about/procurement/buyers-guide)

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The content of guides is correct at the time of going to print, but inevitably legal changes, case law and new financial reporting standards will change. You are therefore advised to check any particular actions you plan to take with the appropriate authority before committing yourself. No responsibility is accepted by the authors for reliance placed on the content of this guide.

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