# Selecting package software
## the formal approach made simple




sayer vincent
consultants and auditors

## Acknowledgements

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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 package 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 the due diligence that you would expect go through as part of a merger or acquisition.

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

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

The **formal approach** is widely used for software selections. It is recommended where the requirements are relatively simple or confined to a single department within the organisation or where the organisation wishes to control the subsequent relationship with the proposed supplier.

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

| step 1 | step 2 | step 3 | step 4 | step 5 | step 6 | step 7 |
|---|---|---|---|---|---|---|
| **Getting started** | **Establishing the rationale** | **Specifying your requirements** | **Preparing and issuing an invitation to tender (ITT)** | **Identifying preferred supplier and system** | **Negotiating contracts** | **Completing the selection** |

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

# step 1 Getting started

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 selection panel 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 selection panel
- Managing communications with suppliers

## Selection panel

The panel membership 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.

## 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

### 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 requirements
- Participation in supplier presentations
- Visits to other organisations using short-listed software

### Checklist

- What are the key dates in the selection 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 software selection?
- Are all the departments and teams affected by the change represented on the selection panel?
- Has the selection panel 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.

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 volunteers 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 selection panel discussed and agreed the business case and recommended option?

# step 3 Specifying your requirements

The business rationale you prepared in Step 2 will have included at least an outline of why your charity needs new software. Now you will want to refine those requirements so that they can be the start of detailed discussions with potential suppliers and, eventually, the basis of implementation planning and final contracts.

There are three main types of requirement you will need to think about:

- Functional requirements, which are what you need the package software to be able to do (e.g. ‘the system needs to be accessible using a browser’)
- Technical requirements, which are the technical standards you require any new software to meet (e.g. “the software must be compatible with Microsoft Office 2010”)
- Contractual requirements (e.g. “the supplier must be prepared to warrant that the software will meet the stated functional requirements”)

**Requirements**

Remember that, when you are documenting your requirements, you don’t need to list or describe *every* possible function you want the new software to support.

When choosing package software you should concentrate on the functions which are key or unique to the operation of your charity.

## Functional requirements

You may wish to focus on functional requirements first. Functional requirements are often the easiest to define and they are usually the easiest to relate to organisational objectives (i.e. “the system needs to be accessible using a browser because we want members to be able to change their personal records from home”). There are a number of different ways to analyse and document your requirements. You can:

- List the key functions you need from the new software (e.g. grouped by department or area of activity)
- Explain what you want to be able to do with the new software (e.g. using work-flow diagrams)
- Describe how you envisage the new software supporting your charity’s activities (e.g. using imaginary case studies)

Any of these methods can be successful and you may choose to combine two or even all three.

## Technical requirements

Your technical requirements will depend on the equipment and other standards operating at your charity. Typical areas you may wish to specify include:

- Use of IT systems in your organisation, e.g. the numbers of staff and volunteers using IT systems at your office, those working remotely, and how they access the systems
- Interfaces between systems, e.g. the expected interface between a

fundraising database and accounting software, or between budgeting software and an accounting system
- Accessibility requirements, e.g. organisational standards for using software

## Contractual requirements

Most suppliers will prefer to base the final contract with you on their own standards. Your charity may or may not insist on using its own documentation for at least some parts of the contract but, in any event, you need to think about your key requirements here just as you did for the functional and technical areas. Some of your contractual requirements might include:
- The need for a confidentiality agreement (to apply before and after any negotiations)
- Minimum supplier warranties (e.g. that the proposed software will operate on your charity's existing equipment)
- Evidence of compliance with your charity's standards for ethical purchasing, equal opportunities, and so on

When you have gathered all your requirements together, it is useful to have meetings and workshops with relevant staff, and potentially volunteers, to discuss the key points and to manage expectations. This will help to ensure that staff buy into the future changes and commit to helping with the implementation.

**Checklist**

- Have all the departments and teams involved contributed their requirements?
- Have they agreed the requirements?

# step 4 Preparing and issuing an invitation to tender (ITT)

It is quite likely that, in developing your requirements, you will have had conversations with potential software suppliers, establishing the extent to which they might be able to help your organisation achieve its objectives. However, those conversations will have been informal and without any commitment on either side. In this step, you need to prepare for more formal discussions, starting with supplier quotations.

The conventional format for obtaining competitive quotations is an invitation to tender (ITT). An ITT sets out your functional, technical and contractual requirements in a way that competing suppliers can respond to, along with any supplementary information about your charity, the rationale for your decision to invest in new software, your selection criteria, and so on. Eventually, your ITT should be part of the contract you agree with your chosen supplier, specifying the limits of what they will deliver but also the limits of what you, the customer, will expect; a good contract is realistic, fair and equally binding on *all* parties.

## Preparing an ITT

For software selection you should, as a minimum, build your ITT from the information you collected in steps 1-3 and the eventual document should include:

- An introduction, which outlines the process for responding to the ITT 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
- A section which lists the key functional requirements
- A section which details your technical requirements
- A section which sets out your other contractual requirements

In addition, you can add sections or appendices with:

- Lists of your current equipment
- Work-flows and case studies
- Examples or templates of key reports that the new software system would need to support

## Issuing an ITT

Using the information from Steps 2-3, you'll have a list of potential suppliers and you could check with staff whether there are any suppliers that they would like to add. When the selection panel has agreed the list, you could contact suppliers to check that they are interested in receiving the ITT and to let them know the deadline for responses.

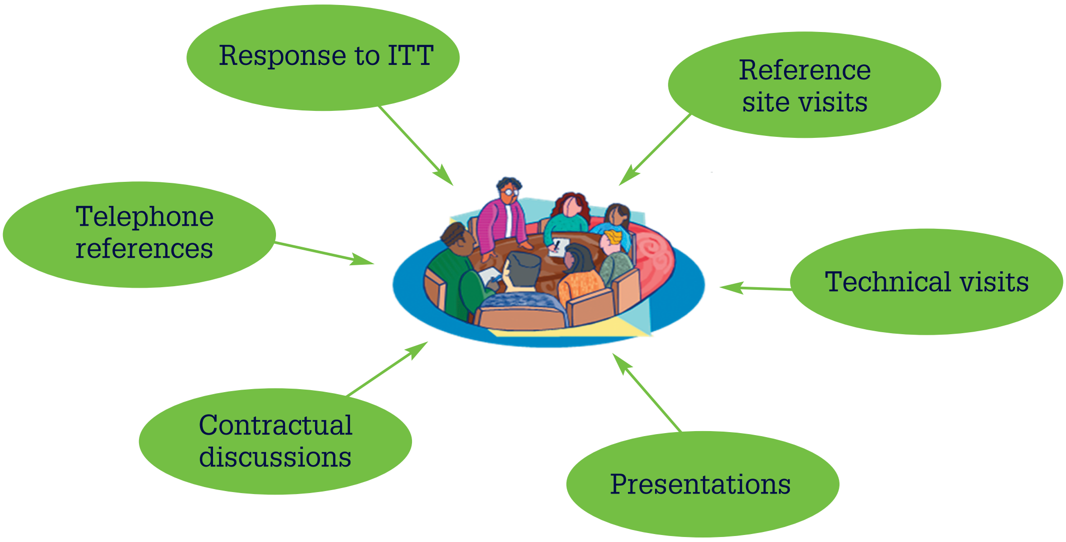
When the selection panel has approved the ITT and the final list of suppliers, you are ready to send the ITT to suppliers, reminding them about the deadline for responses and highlighting key dates for the selection process. You should also advise them about how you will deal with any questions regarding the ITT.

**Checklist**

- Does the ITT include all the relevant information and requirements?
- Will the response format help the selection panel evaluate the responses objectively?
- Has the selection panel signed off the ITT as complete?
- Has the selection panel agreed the list of potential suppliers?

# step 5 Identifying preferred supplier and system

Depending on how specialist your requirements are, there may be lots of suppliers to choose from. If there are likely to be more than three or four suppliers then you will need to go through a staged short-listing process. The short-listing can include various activities, starting with an evaluation of the responses to the ITT, followed by supplier presentations, taking up references and carrying out more in-depth tests.




## Response to ITT

Ideally, all the selection panel members should read the responses so that they can assess the extent to which each proposal will meet the organisation's requirements. However, the responses will necessarily be quite technical and so it will help if you can produce a document summarising the key points and any extra information that may have come out of your communications with suppliers. Then the selection panel will need to meet to evaluate the responses and to agree an initial short-list (typically 3-6 suppliers).

## Presentations

When you have a short-list of suppliers, it is important to give them the opportunity to meet you to discuss their response and to present their proposals. You need to decide who you would like to involve in those supplier presentations – this could be just the selection panel or could include other members of staff. It can work well to arrange two presentations on the same day – one specifically for the selection panel and another for other groups of staff.

To ensure consistency, you will find it useful to provide suppliers with an agenda for the presentation, including timings, and to brief them in advance. If you have a separate presentation for staff, you'll need to agree how that group will feed back to the selection panel about their impressions of the software and supplier.

**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 proposal?

## References

As part of the ITT response, you should ask suppliers to provide details of other organisations that use their software package. You should be able to select from this list the organisations that are likely to have similar ways of working so that you can take up references with them.

You can take up some references by telephone. Telephone references can be particularly useful if you need to involve several different individuals or teams – for example, IT, fundraising and finance staff are likely to have their own specific questions and may want to speak to their counterparts.

## Further short-listing and detailed references

After the initial presentations and telephone references, you should arrange for the selection panel to meet again and agree a final short-list of 2-3 suppliers. From that point it 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

For larger software projects, it is also useful for your IT staff to carry out technical visits to satisfy themselves that the software and the supplier approach will fit with your organisation's standards. You should agree an agenda with IT staff and this is likely to include:
- Supplier background, structure of the company, and teams
- Supplier's technical strategy and development standards
- Approach to support and developments
- Architecture of the system and hardware requirements
- Technical aspects of software implementation, e.g. approach to data migration

## Performance tests

System performance should always be a key consideration and, for larger projects, you may need to ask the short-listed suppliers to 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.

## Implementation planning

Towards the end of the selection process you will want to discuss their approach to the implementation with the preferred suppliers. This will help you assess the extent to which the supplier's approach and culture will fit with your organisation. 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

**Checklist**

- What selection activities will be appropriate and help your organisation choose the right supplier and software?
- Who needs to be involved in the selection activities?
- Are the summaries and supplier comparisons objective?
- Has the selection panel approved the preferred supplier(s)?

### 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.

# step 6 Negotiating contracts

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 develop and so it can actually be one of the most important inputs to your selection.

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

**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 take longer than planned and possibly pay more as well?

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 problems and resolve them

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

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

### Checklist

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

# step 7 Completing the selection

Towards the end of the selection activities, including the contract negotiation, you'll have a good sense of the preferred supplier, but the selection panel 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.

Finally, you will also want to communicate the final decision to everyone who was involved in the selection stage – and this is also a good opportunity to celebrate the achievement!

**Checklist**

- Have the selection activities been completed satisfactorily?
- Are the summaries complete?
- Are the supplier contracts ready to sign?
- Has the selection panel approved the recommended supplier?

# Roles and responsibilities
## *a summary checklist*

| | |
|---|---|
| **Step 1 Getting started** | |
| Project manager | ▪ Draft terms of reference for the selection panel<br>▪ Develop high level plan for the selection process<br>▪ Plan and attend selection panel meeting |
| Selection panel | ▪ Agree terms of reference<br>▪ Agree process<br>▪ Agree staff involvement |
| Admin support | ▪ Establish project filing<br>▪ Arrange selection panel meeting<br>▪ Take notes at selection panel meeting<br>▪ Circulate documents |
| **Step 2 Establishing the rationale** | |
| Project manager | ▪ Draft business case / project rationale document<br>▪ Research options |
| Selection panel | ▪ Agree business case and recommendation (may need senior management approval) |
| Admin support | ▪ Collate information<br>▪ Arrange selection panel meeting<br>▪ Take notes at selection panel meeting<br>▪ Circulate documents |
| Suppliers | ▪ Provide information about their software and services |
| **Step 3 Specifying your requirements** | |
| Project manager | ▪ Ensure that all the relevant staff and volunteers are involved<br>▪ Organise and facilitate feedback workshops |
| Selection panel | ▪ Identify staff and volunteers who need to be consulted |
| Admin support | ▪ Collate information<br>▪ Arrange workshops<br>▪ Document meetings and workshops |
| Suppliers | ▪ Provide information about their software and services |
| **Step 4 Preparing and issuing an ITT** | |
| Project manager | ▪ Convert requirements into ITT format<br>▪ Produce list of potential suppliers<br>▪ Liaise with suppliers to confirm their interest in receiving the ITT |
| Selection panel | ▪ Attend selection panel meeting<br>▪ Approve ITT<br>▪ Approve list of suppliers |
| Admin support | ▪ Collate information<br>▪ Arrange and take notes at selection panel meeting<br>▪ Send out ITT and monitor responses |

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| | |
|---|---|
| Suppliers | ▪ Confirm interest in receiving ITT<br>▪ Prepare written response to ITT |
| **Step 5 Identifying preferred supplier and system** | |
| Project manager | ▪ Organise activities<br>▪ Liaise with suppliers and staff to answer questions<br>▪ Produce templates for supplier comparison (e.g. reference site questionnaires)<br>▪ Prepare agenda for meetings and presentations<br>▪ Prepare supplier briefs, e.g. for prototyping |
| Selection panel | ▪ Attend selection panel meetings<br>▪ Review documentation – responses to ITT, summaries of other selection activities<br>▪ Approve preferred supplier(s)<br>▪ Communicate decision to staff |
| Admin support | ▪ Produce summaries of selection activities<br>▪ Arrange meetings, including selection panel meetings, supplier presentations, prototyping<br>▪ Take notes at meetings |
| Suppliers | ▪ Prepare and attend presentation meeting<br>▪ Provide references and contacts for reference calls and site visits<br>▪ Provide additional information as required<br>▪ Prepare software and other materials for prototyping events<br>▪ Attend and present at prototyping events<br>▪ Prepare for and attend technical visits<br>▪ Carry out stress tests |
| **Step 6 Negotiating contracts** | |
| Project manager | ▪ Co-ordinate and attend contract meetings |
| Selection panel | ▪ Agree priorities for contract negotiation<br>▪ Agree contracts |
| Admin support | ▪ Arrange and take notes at meetings |
| Suppliers | ▪ Attend contract meetings<br>▪ Update and agree contracts |
| **Step 7 Completing the selection** | |
| Project manager | ▪ Produce report summarising the selection, findings and recommendation<br>▪ Prepare agenda for selection panel meeting<br>▪ Communicate decision to suppliers<br>▪ Ensure that the contracts are signed by the relevant senior staff |
| Selection panel | ▪ Review documentation<br>▪ Approve recommended supplier<br>▪ Confirm that the selection process is complete |
| Admin support | ▪ Produce summaries of selection activities<br>▪ Arrange selection panel meeting<br>▪ File documents and information |
| Suppliers | ▪ Sign contracts |

# Conclusion

Software selection can be risky. Finding the right system for your charity takes time and energy but, with a structured approach, you can reduce the risks involved and help ensure your charity makes the right choice in the end.

The best software in the world will achieve little if the implementation fails. Your chances of a successful implementation increase enormously if, at the outset, you are clear and realistic about the benefits you expect to the new system to deliver and if, during the selection, you focus on the supplier as well as on their technology. A good selection process will get the functional requirements right but it will also keep the organisational objectives in mind and make sure you find the right partner to help you achieve them.

# Further information

**Sayer Vincent and CFDG made simple guides**
www.sayervincent.co.uk/publications/made_simple_guides

**The Chartered Institute of Purchase and Supply**
www.cips.org

**CRM Implementation**
Articles and case-studies from the charity sector
Charity Finance Directors' Group, ACEVO and Institute of Fundraising, 2011
ISBN: 978-0-9567860-0-5

**Introduction to Public Procurement**
Published by OGC
www.ogc.gov.uk/policy_and_standards_framework_introduction_to_public_procurement.asp

**IT Procurement Handbook for SMEs**
David Nickson
published by British Computer Society, 2008
ISBN: 978-1-902505-98-5

**Procurement**
OGC (Office of Government Commerce)
www.ogc.gov.uk/procurement.asp

**Procurement Insights**
procureinsights.wordpress.com/about

**Procurement, Principles and Management**
Peter Baily *et al*
published by Pearson Education Limited, 2008 (Tenth edition)
ISBN: 978-0-273-71379-1

**Procurement step by step: a short guide to buying**
BIS (Department for Business Innovation and Skills)
www.bis.gov.uk/about/procurement/buyers-guide

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