<u>Vendor Selection… in the real world</u>

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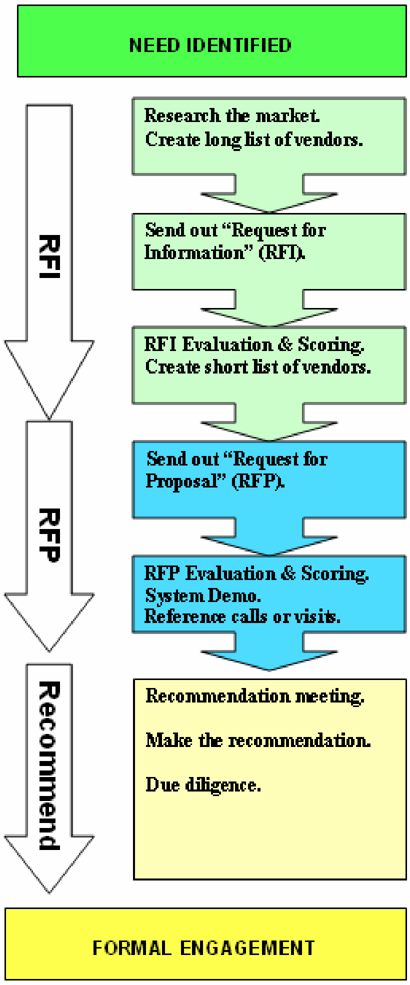
When implementing a project, there is often a key decision as to whether to build or buy a solution. If a solution is available "off the shelf", then there can be many compelling reasons to consider this. For example:

- Implementation time/cost may be less, compared with building a solution in-house
- It may be possible to benefit from "best in breed", tried and tested functionality which has evolved over many releases
- There is the possibility to adopt industry best practices
- Many vendors offer a good level of support, with solutions that are well documented.

The challenge can be knowing which software package to buy. Often there will be many Commercial Off-The-Shelf (COTS) packages within a particular area, each of which has slightly different functionality. You may also have the choice of adopting a paid-for solution (where there will be varying licensing options), or opting for an open source solution.

Each solution will have its pros and cons, and it's important to know these in advance before spending time and money implementing the solution. This article outlines some key steps that are required in order to select a COTS package, using the Request for Information (RFI) and Request for Proposal (RFP) process..

At a high level, the vendor selection process will involve the following stages:



These phases are described in greater detail below.

1. Request for Information (RFI)

1.1 Research the market : Creating list of possible solutions

Before approaching any software vendors, it is prudent to carry out market research. Compile a list of the software packages that are available, and try to establish their maturity. Consultancies like Gartner may have reports that can help here, and they may be able to point you towards software packages which are considered best within their sector.

Once you have carried out this analysis, create a **long list** of vendors. Ideally this should be around 8 - 10, but the number will vary depending on the specific product you are sourcing.

You will want to compile basic information about each vendor and solution, for example:

RFI Longlist – Vendor #001	
Vendor Name	Pragnalysis Consulting
Solution Name	Requirementize
Address	23 Street Avenue Parkway ANYTOWN AN1 1NA
Telephone Number	+1-234-5678-9012
Sales Rep (if known)	Anthony Field
Solution Description	Premium requirements management tool, runs on a local PC and stores requirements in a central database
Comments	Fits with our target architecture
Invite to RFI?	YES

At this point, you will want to consider your target architecture. There may be some products which are favourable because they integrate well with your existing architectural landscape, and these should be added to the list. However, there may be others which conflict with your architectural principles, and these can be disregarded.

1.2 Sending out an RFI

Once you have compiled a long list of vendors, the next stage will be to send a "Request for Information" (RFI). The purpose of this stage is to whittle down your list down to the three or four most likely contenders. The first step will be to make formal contact with each vendor, briefly describe the project, and ask whether they are interested in bidding. Assuming they are interested, be sure to take contact details for the sales manager who will be dealing with your account and give them an estimate of the project timescales. If you require a Non-Disclosure Agreement (NDA), it is worth discussing the logistics at this point.

It is good practice to assemble an RFI pack to send to each vendor. The contents of this pack will vary by project, but are likely to include:

- **Briefing Document:** A document which briefly summarises the project objectives, timescales, and the RFI/RFP process. Include a table of key dates, and be sure to include information about what you expect the vendor to include in their response.
- **Architectural Diagram(s):** If relevant, it can be beneficial to include a diagram which summarises your current architectural landscape. This can help the vendor to understand the key systems that they will need to integrate with.
- **Response document:** This should be a document which the vendor completes and returns. It can be useful to use a spreadsheet, with different worksheets for different areas.
  - **High Level Requirements:** A worksheet which contains the *most significant* high level requirements for the project, along with space for the vendor to indicate how their solution would meet the requirement.
  - **Architecture:** Questions relating to the architecture of the solution.
  - **Infrastructure:** Questions relating to the infrastructure that the solution runs on.
  - **Licensing:** Questions relating to the type of licensing agreements.
  - **Support Arrangements:** What level of support is available, and how is it provided?
  - **Vendor Company:** Questions relating to the company, e.g. number of staff, locations etc. Are they capable of providing you with the level of support you need?

You may also want to consider holding a teleconference or meeting with each vendor shortly after they receive the RFI pack. This will provide them with the opportunity to raise any questions or concerns, and will enable you to explain the project and RFI/RFP process in more detail. You will need to give the vendor a reasonable time to complete the RFI, to ensure that you get a quality response.

1.3 RFI Evaluation & Scoring

Once you have received the RFI responses from each vendor, you will want to evaluate them. A common way of approaching this is to use a mixture of qualitative and quantitative methods:

Quantitative: Take the vendors responses given to the High Level Requirements and Question list, and assign a score. You might want to use a coring framework such as the one shown below:

- **4 – Perfect Fit** : Product meets requirement “out of the box”
- **3 – Good Fit** : Configuration required
- **2 – Some Fit :** Small development required (<x days)
- **1 – No Fit :** Large development required (<y days)
- **0 – No Fit & Obstructs** : Functionality not supported and product actively prevents it

Take each question/high level requirement in turn and score it.

You may also want to *weight* questions differently. For example, some requirements may be far more important than others, in which case you may want to multiply the resultant score by a factor of 2 or 3. If something is a 'nice to have' you may want to multiply the score by 0.25. It is best practice to agree the weightings against each requirement *before* carrying out the scoring exercise.

Project abc high level requirements	Vendor's response	Score	Weighing	Weighted Score
The solution must provide a unique reference for every widget produced	This is standard functionality, each widget is given a unique identifier consisting of letters and numbers	4	2	8
Widgets must be available in blue and green	The solution allows different colours to be available to users, this can be configured during the implementation	3	1	3
Both US and UK style widgets must be provided	The solution provides UK widgets out of the box. We have provided US widgets for a previous implementation, and the system could be extended with minimal effort.	2	0.25	0.5
TOTAL		9		11.5

You can then compare the weighted score for each of the various solutions, and see which is the best fit. You can also tally up the responses per worksheet (e.g. functional, architectural etc) to see where each solution's strengths lie, and you may want to consider having some "killer questions", where the entire solution is rejected if a fundamental requirement is not met.

Qualitative: You will also want to consider qualitative measures. One significant consideration may be the licencing options. It is likely that these won't be directly comparable between vendors, and you will need to take this into account. You might also want to consider your "gut feel" – i.e. did anything *feel* wrong? If so, contact the vendor for clarification.

1.4 Shortlist for RFP

Once you have conducted your RFI selection process, you will want to create your shortlist of vendors. Typically, you won't want more than three or four vendors at this stage. You should use the qualitative and quantitative information you gathered during the previous stage in order to select the successful vendors.

During the RFP stage, it is likely that each vendor will dedicate more time to their bid (as they know they have a greater chance of success), and you should take this opportunity to get to know their staff and their solution.

2. Sending an RFP

You should notify the short-listed vendors, and invite them to provide a Request for Proposal. You will need to prepare an RFP pack, which will be similar (but more detailed) than the RFI pack. It is likely to include:

- **Briefing Document:** As before.
- **Architectural Diagram(s):** As before.
- **Response document:** This should be a document which the vendor completes and returns. It can be useful to use a spreadsheet, with different worksheets for different areas.
  - **High or Mid Level Requirements:** A worksheet which contains most or all of high level requirements for the project, along with space for the vendor to indicate how their solution would meet the requirement. **At RFP, it is a good idea to ask the vendor to score themselves.** As well as providing a textural description of their solution, they should also provide a score. Make it clear that all scores should be fully justified. (It goes without saying that you will scrutinise their scores before making the selection, and may well adjust them down!)
  - **Architecture:** Questions relating to the architecture of the solution
  - **Infrastructure:** Questions relating to the infrastructure that the solution runs on
  - **Licencing:** Questions relating to the type of licencing agreements. **At RFP stage you should request that the vendor provides a fully costed quote.** This should include:
    - Hardware/Infrastructure
    - Licencing for optional "modules" or external software
    - Support costs
    - Development costs
    - Project Management/Consultancy cost
  - **Support Arrangements:** What level of support is available, and how is it provided?
  - **Vendor Company:** Questions relating to the company, e.g. number of staff, locations etc. Are they capable of providing you with the level of support you need?
  - **Referees:** You should ask for details of two or three referees who are prepared to vouch for the solution and the company

2.1 RFP Evaluation & Scoring

Once the vendors have returned their RFP responses, they should be scored. A similar approach should be taken to RFI scoring, and a similar approach to weighting should be taken. One thing that is worth considering is should there be a *minimum acceptable score*. That is to say, is there a minimum "threshold" that needs to be achieved in order to purchase *any* of the solutions.

If a minimum score isn't set, then the project team are implicitly agreeing to invest in one of the solutions, whatever the score. So there is a presumption that at least one of them will be suitable. But what happens if they all turn out to be less than desirable? Setting a minimum score can help alleviate this.

However, setting a minimum score can lead to the difficult situation where the result of the RFP actually eliminates all the contenders. Therefore it needs to be done alongside clear expectation management and buy-in from all relevant stakeholders.

Whether you choose to introduce a minimum threshold or not, at the RFP stage it is prudent to take some additional steps before finalising the scoring, these are described below:

2.2 System Demo

Before finalising the scoring, you will almost certainly want to *see* the solution. It is important to get past the "sales spin" and "vapourware", and it can be advantageous to ask the vendor to stick to a rigid agenda.

The use of a scripted demonstration can be highly effective. In this approach, the vendor is given a number of business scenarios, and asked to specifically demonstrate how their solution can meet it. Specific details of each scenario are given, and the "success criteria" can be agreed in advance.

At the system demo, you will want to have a range of stakeholders present. As a minimum this should include a solution architect, business SME and project sponsor (or representative). It is incredibly important to get early buy-in!

You should consider whether it is necessary to adjust the scores after the system demonstration. You may find that seeing the application being demonstrated enables you to "imagine" how it will fit in your organisation, and you may have a more accurate view of how closely the application will fit.

2.3 Reference calls or visits

It can also be incredibly illuminating to speak to existing customers. It needs to be recognised that the vendor is likely to provide *satisfied* customers as referees, but nevertheless useful information can be gained. The vendor may ask to be present during the referencing procedure, this is best avoided if possible (as you are more likely to get frank responses).

Consider asking questions like:

- Why did you choose this solution?
- Did you consider other solutions, if so which ones?
- How long did the solution take to implement?
- Has there been continuity in resource?
- Has the solution failed in any way?
- Has the solution fully met your expectations?
- Have you realised the benefits (financial or otherwise) that you expected
- What were your three biggest learning points from this implementation?
- What are the three best features of this product?
- What are the three *worst* features of this product?

3. Recommendation meeting and report

Once you have compiled the information above, you will need to make a decision. Since a number of project stakeholders have been involved, it is worth involving them all at this stage. You will need to consider the **quantitative** measures (e.g. functional fit) and also the **qualitative** measures (e.g. what the system looked like, what was learned during the reference calls etc) and make a sound recommendation. It is prudent to put together a fully costed estimate at this stage, including both internal and external costs, and also an estimate of any ongoing maintenance of licencing costs.

In the report, you will want to draw on the pros/cons of each solution, and justify the chosen solution. This should help your sponsor to make an informed choice.

4. Formal Engagement : Due Diligence & Contract Negotiations

Assuming your recommendation is accepted, you will want to notify the successful vendor. It is also good practice to let unsuccessful vendors know that they have not been chosen, and provide some specific feedback as to why the solution is not suitable for your business. This will maintain a good relationship with the unsuccessful vendors, help them improve and make them more competitive for future projects (which can only be good for your company).

It is then prudent to carry out a "due diligence" procedure, immediately before (or alongside) the contract negotiations. At this point, you will need to obtain specific legal advice, which is beyond the scope of this article, however you might want to consider the financial standing of the company, its longevity and its ability to provide you with an ongoing service.

Conclusion

The RFI and RFP process can be an incredibly effective way of comparing and evaluating competing software providers. Using a mixture of qualitative and quantitative measures will enable you to make an unbiased decision.

About the author

Adrian Reed is a UK based Lead Business Analyst, author, speaker and qualified practitioner of change. He is an active member of the UK Business Analysis community and a member of the team that launched Pragnalysis.com (a site providing a free BA toolkit including templates).

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