

## Selecting An IT Vendor

**Do your homework, before you make your first phone call.**

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*Part One in a Three Part Series*

Selecting an IT vendor should not be taken lightly. Whether you currently have a technology vendor that you are looking to replace or your business has grown to the point that you need to secure the services of a provider, you need to invest time in considering your options. Before you open the yellow pages or call a friend, do yourself a favor ... do your homework!

First, what is an IT vendor and what services do they provide? IT is an acronym for Information Technology. An IT vendor can perform a variety of services, including: computer support services, network design and support, website development, and software development, just to name a few. Although they may use buzzwords that you do not understand, you need to remain focused on the business problem you are trying to solve. I suggest that you write down exactly what you are trying to accomplish and provide that description to any vendors that you contact. You should invite any vendor that seems to understand your problem and speaks in understandable terms to submit a proposal. You will need to read through the responses provided by the vendors. If they are good, they will help you understand how they propose to solve your business problem with a technical solution.

You do not need to be a technology wizard to get through this process, although it does help if you have someone on your staff that has had some experience in working with technology providers. It is not that different than selecting any other vendor to perform services for you. The most difficult part is determining what you need – from a business perspective. You must first focus on what your business goals are, before anyone can determine a technology solution to support your business objectives. Do not let the technology drive your business.

There are four primary steps in the process. They are:

- Define Your Business Requirements
- Evaluate the Vendor Proposals
- Select the Best Vendor and Proposed Solution
- Negotiate Contract Terms & Conditions
- Engage and Implement

### Define Your Business Requirements

Defining your business needs is the first step in selecting a technology vendor. This can be part of your business planning sessions or a separate activity. Many of my clients have said that they don't know how to define what they need, because they don't know anything about technology. You do not need to understand technology

to know what you need. Take the time to write down the business challenge or problem that you are attempting to solve.

For example, maybe you have decided that you want to automate the process for clients to submit a particular application or form to you. You already have a basic website and would like it to be incorporated into the site. That is part of a business requirement. You would provide the details about what is on the form and who it is submitted to, but how that gets done (technologically speaking) is up to the vendor.

From a computer hardware perspective, you would want to indicate things like:

- How many computers you currently have
- Are they desktops or laptops
- Whether or not you plan to hire any new employees
- Do your employees work remotely
- What kind of software are you currently using (or, will you be using)

You should request that the vendor evaluate the equipment and software that you have and determine if it will be sufficient to handle the technical solution that they present. If you have antiquated equipment or software, it may be unstable or inadequate to handle future system upgrades or installations. The vendor should suggest any hardware or software upgrades as part of their proposal, if needed. You should also request that the vendor document proposed maintenance support activities and the frequency of those activities.

Do not forget to include training as part of your business requirements. Implementing new technology is great, but if your users do not know how to use it then you have wasted your money. Your users may be internal and external. If you are implementing a web-based technology that will be used by your customers or sub-contractors, they may need training on the system (or have tutorials available to them). If you expect your IT vendor to provide this training or to perform a train-the-trainer activity, make sure that you specify this in your request.

Another important part of capturing your business requirements is the nature and scope of your support requirements, sometimes referred to as Service Level Agreements (SLA). You need to specify the hours (during business days and non-business days) that you expect the vendor to be available, whether or not you want them to be physically located at your facility, or if they are on call. If you contact them, you need to define how quickly you expect them to respond.

All of the business requirements should be defined and documented. You may choose to put this document into a formal RFP (Request For Proposal) document, or you may simply choose to relay this to the vendors who you contact for a quote. Keep in mind that all of the requests in your document cost money. As part of your internal evaluation of your business needs, you should categorize everything into

either a “Need to Have” or “Nice to Have” bucket. Depending on your budget, you may need to delay the “Nice to Haves” for some point in the future.

However, it’s very important that you specify the total scope of your project now. Even if you implement the solution in phases (over months or years), it’s very important that the vendor understand the total scope of your business needs so that they can propose the right solution.

### Evaluate Vendor Proposals

Now that you know WHAT is that you are trying to achieve, you can start to analyze and evaluate the options that are available to you. Again, there are a few steps that you should take before opening up the yellow pages or hitting Google. The first thing you need to do is define the criteria that you will use to evaluate the vendors. Some of the things that might be important to you, your business or organization include:

- Support Hours
- Vendor Stability
- Price of Solution
- Training Requirements
- Backups and Security
- Deployment Timeframe
- Vendor Experience
- Use of Sub-contractors
- Usability of Proposed Solution
- Service Level Agreements

These categories can be further broken down into very specific areas, if you choose to do so. You should create a simple spreadsheet or chart that defines the key requirements and give each vendor points relative to each. Your chart might look something like this:

| <b>Requirement</b> | <b>Vendor A</b> | <b>Vendor B</b> | <b>Vendor C</b> |
|--------------------|-----------------|-----------------|-----------------|
| Hours              | 3               | 2               | 1               |
| Deployment Time    | 3               | 2               | 1               |
| References         | 2               | 1               | 3               |
| Price              | 2               | 3               | 1               |
| <b>Total Score</b> | <b>10</b>       | <b>8</b>        | <b>6</b>        |

Obviously your chart will have many more requirements than are listed here, but this gives you an idea of how you might structure a scoring sheet. You could even weight the items if there are some requirements (such as, the “Must haves”) that are more important to you than others (such as, the “Nice to haves”). By establishing this evaluation process up front, you can remain focused on the goal and not get moved by emotion or get caught up in comparing how many features a solution has (regardless of its importance or applicability to your business needs).

The next step is to develop a targeted list of vendors that you would like to consider. This list should not be done randomly or haphazardly. Again, this should be driven by your business requirements. If you only need a website, it doesn't matter that a particular vendor has great networking and desktop support skills.

Make sure that the vendors you contact provide the services you need as part of their "core business." You can research vendors in your local phone book, on the internet, through business colleagues, or even through your local Chamber of Commerce. After conducting some preliminary research you should narrow it down to a short list of 3 – 5 vendors.

Contact each vendor by telephone and invite them to meet with you. Although they may request it, do not just send them your requirements document and attempt to handle this through email. If you are in a situation where you are working on a tight timeframe, you could provide the documented requirements in advance of the meeting, however, you should require a meeting as part of any bid process. You should never forego a face-to-face meeting with the vendors that you are evaluating.

### **Select the Best Vendor and Proposed Solution**

After meeting with the vendors and sharing your requirements with them, they will need some time to put together a proposal or quote for you. During this time, there are some other things that you could be doing to continue to evaluate them. You should, if possible, plan a visit to their location. This is especially important if you are planning to host your technology solutions on servers at their location.

Another thing that you can do at this time is check the vendor references. Obviously you will call the references provided by the vendor, but you should also go a step further. Look at the vendor's website. Since this is an IT vendor, they absolutely should have a website. On the website, they will likely have a list of customers, or a portfolio of work. Call some of the companies that they did not include on their list of provided references. These sometimes yield important information that you might not otherwise have known.

After the proposals are received, you should complete the evaluation process. This should be done as a formal process with the evaluation committee. Provide a forum for candid discussions and allow enough time for the evaluation and scoring of each proposal. Use the score sheets that you created. You may find it necessary to ask some/all vendors additional questions to clarify the response of a specific vendor, or ask a question of all vendors to help differentiate their proposals.

After completing your evaluation process and ranking the vendors responses, notify all vendors in writing that you have completed your evaluation and that one vendor was chosen as being "most responsive" to your requirements. Indicate in your

letter that if a final contract cannot be negotiated within a specified time you will notify the next "most responsive" vendor.

Send a separate letter to the "most responsive" vendor. Indicate that a "final award" will be dependent upon your being able to negotiate a contract agreement with them. It is strongly recommended that you indicate that this must be accomplished within a specific time period (e.g., within 30 or 60 days, or by a specific date). Ask them to schedule a meeting to negotiate the final terms and conditions. You should indicate that if you are unable to negotiate a contract within this time period, you reserve the right to terminate negotiations with them and begin contract negotiations with another vendor. This is typically the vendor that scored next highest in your evaluation of bids.

Vendors often will ask why they were not selected. This is very important to them and you should be candid and upfront with them about why they were not selected. It is recommended that you not discuss why the winning vendor was selected, other than to say that they were judged to be "most responsive." Keep any feedback to other vendors specific to how they responded to your business requirements (or, where they fell short). You should schedule any debriefings with vendors only after a final contract has been signed with the selected vendor.

### **Negotiate Contract Terms & Conditions**

When you meet with the selected vendor the first thing you should do is discuss any details that you may want to add to the original requirement, if there are any. Be aware that this may change the proposed price if the scope of work has increased. If your company requires or desires a contract, you should provide the contract to the vendor at this meeting. Give them the opportunity to review the contract and possibly share it with their attorney, if necessary. This is typically an iterative process. It is possible that the vendor may require that you sign a contract for their organization. The contract(s) should contain the start date of the engagement, all payment terms and conditions, product and service warranties, penalties, and other legal details relative to the products, services, and support to be provided by the vendor.

### **Engage and Implement**

As part of the engagement process, you must identify an internal resource that will serve as the primary liaison to the vendor. This person should be dedicated to managing the client as well as coordinating the internal tasks that are assigned to your own staff members. Be very clear with both the vendor and your staff about the expectations of the vendor's products, services and support as well as the internal tasks that must be completed. While much of this has been defined in the requirements document and in the contract, it must stay visible to everyone to ensure continued focus.

Conduct a kick-off meeting with the vendor. If necessary, define transition activities from any current vendor. Transition plans can be complicated and sensitive and should be carefully planned.

Two of the biggest issues that come up with technology projects or engagement are meeting dates and budget. The early focus and efforts that you have given to requirements definition will protect you down the road. In order to avoid problems in both of these areas you must "plan the work and work the plan." Obviously, you cannot think of everything up front, so there will be changes. Understand that if you change anything after the initial requirements are defined it will cost you in terms of time and probably, money.

Changing business requirements is sometimes called "scope creep" in the IT world. If your requirements change, you need to develop the specific details of the business change and how it impacts the original business requirements, used to plan the project. Your vendor should evaluate the request (to evaluate the impact of the change, and whether it will add complexity and hours to the project) and provide you with an assessment of the impact and additional cost for this change.

You (and your project team and management decision-makers) need to evaluate the vendor's report as to the additional time, cost, and potential impact to other planned aspects of the project to decide whether or not the change is really needed. This is usually more of a business decision, than a technology issue, but it can involve both. It is your responsibility to manage the scope.

Use the checklist at the end of this article to help you through the process. If all of this is still too overwhelming for you, consider hiring a business and technology consultant to help you through the process. If this person is a neutral, third-party they can provide an objective perspective that can help you evaluate all of your options. Most importantly, this type of consultant will act as your advocate. They can help you understand the technical and project management issues and make recommendations that a vendor may not offer. You also could engage them to provide "oversight" of the project.

### **Summary**

After selecting the IT Vendor, your job is not done. This is an ongoing relationship that requires constant focus and attention. The success of this partnership is the responsibility of both the client and the vendor. Make sure that you designate someone internally who is responsible for managing the vendor. This person should be responsible for making sure that the technology vendor is honoring their commitments, meeting the SLAs, and treating you like a customer should be treated.

Remember that you do not have to use one vendor to do all of the work. If there is a particular vendor that has a great graphics shop and are very focused on website development, but they do not have a great desktop support program, don't exclude them. Consider using multiple vendors.

This process seems like a lot of work, and depending on the size, scope and complexity of the project it can take a lot of effort. However, if you follow the steps outlined above, it will be well worth it. Even small businesses are spending a lot of money on technology solutions. This process can be applied to both small and large scale initiatives. However, no matter how much you are spending on technology remember this, "There is nothing as expensive as a failed technology engagement."

By following this process you can improve the chances of having a successful outcome. You will have business requirements driving technology solutions. This will help ensure that you get a solution that will actually solve a business problem or challenge, and ensure that you don't make a costly mistake in selecting and/or managing a vendor solution.

If you are uncomfortable with pursuing this on your own, you should consider hiring an independent consultant to advise you along the way, or to act as your project leader and liaison to the vendor. While this will be an additional expense, it may also represent the difference between a successful and failed project.

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## Vendor Evaluation Checklist

### Define Business Requirements

- Business Requirements Defined
  - Business Plan Reviewed
  - Marketing Plan Reviewed
  - Technology Plan Created
- Business Requirements Documented

### Evaluate Options

- Define Evaluation Criteria
- Create Scorecard for Evaluation
- Develop Vendor List
- Contact Vendors
- Conduct Meetings

### Select and Negotiate

- Contact provided references
- Identify other references
- Visit the vendor locations
- Receive and review proposals
- Make selection and notify selected vendor
- Notify other vendors of selection
- Conduct negotiation meetings

### Engage and Implement

- Identify Internal Project Manager/Vendor Liaison
- Establish Implementation date and kick-off meeting
- Define Transition Plan, if needed
- Establish vendor management tasks and tools