



Guide to Strategic Software Sourcing

Accelerate Your Organization's
Approach to Digital Transformation

Introduction

The software sourcing journey can feel like an odyssey filled with vague vendor websites, relentless sales pitches, and a deluge of information requests.

When you finally make a decision, you have high hopes it's the perfect solution... only to crash land in disappointment when no one uses it. Now you still have the same problem AND you're out all that money.

Why does it feel so painful to find the right software solution?

The traditional enterprise software selection process can range between 6 and 18 months, and span over multiple IT project phases. With so many software solution vendors on the market (over 300 in some cases) manually looking at how *all* of those vendors meet your needs is simply impossible.

Filtering through the BS from marketing and sales to get to what these vendors actually do, and objectively comparing each one to your business needs takes months to do manually, yet up to now, this has been the only way to make the right choice.

And because the process of evaluating solutions is so long, convoluted, and riddled with bias, many companies skip this step and end up paying for it later.

Failure to invest the time and diligence required in collaborating with your stakeholders to determine business needs can lead to choosing the wrong solution, low user adoption rates, the software costing much more than planned, or the solution becoming a piece of shelfware. Worst case scenario, it could cost the lead decision maker their job.

We've modernized software. Shouldn't your sourcing keep up?

In this guide, we explore the strategic software sourcing of the future, including how to shift your sourcing mindset, who needs to weigh in, and how to implement this simpler, more effective process.



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SECTION 1

Defining Software Sourcing Terms

Before we dive into the *how*, we need to define the *what*. Let's talk about some terms that are often used interchangeably but actually have different functions.



What is software sourcing?

In the enterprise context, **software sourcing is the systematic process of identifying, evaluating, and selecting software solutions that align with an organization's strategic objectives and operational requirements.**

Software sourcing activities include:

- ✓ Defining software needs
- ✓ Evaluating potential vendors
- ✓ Setting a budget
- ✓ Reviewing legal and financial agreements
- ✓ Navigating vendor relationship management.

Sourcing  Procurement

Software procurement encompasses the *acquisition* of the selected software solution, managing contracts, payments, and deployment planning. It focuses on the legal and financial aspects of software acquisition.

Software procurement *relies on* strategic sourcing.

Strategic Software Sourcing

Objective

To create a well-defined set of criteria for the desired software solution.

Activities

- Defining software needs
 - Assessing potential vendors
 - Gathering insights into the software landscape
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Objective

Ensure clear requirements guide software acquisition, aligns with strategic objectives, and complies with budgetary and compliance considerations throughout the software acquisition journey.

Activities

- Define software requirements
 - Vendor evaluation
 - Contract negotiation
 - Budget considerations
 - Alignment with strategic goals
-

Software Procurement

Objective

Turn the strategic decision into a tangible software acquisition, emphasizing efficiency and compliance.

Activities

- Selecting the actual software vendor
- Negotiating contracts
- Making payments
- Ensuring legal and financial compliance
- Turning the strategic decisions into a tangible software acquisition, emphasizing efficiency and compliance



What is an RFP?

A request for proposal (RFP) is one piece of the software sourcing process. It is a formal questionnaire-style document issued to prospective vendors by an organization that intends to purchase a product or service.

What are requirements?

Your project's requirements form the cornerstone of your RFP, laying the groundwork for vendor proposals and evaluations. It's important to detail the specific functionalities the software solution must fulfill to meet your business needs

You can break down the requirements into categories such as technical specifications, functional capabilities, security requirements, and user experience expectations. Include any specific preferences or constraints related to the software solution.

Requirements form the criteria on which you'll evaluate solutions and make a decision. Each one should tie back to a specific business need.

SECTION 2

Traditional Software Sourcing vs. Strategic Software Sourcing

When we talk about "traditional" versus "strategic" software sourcing, what we're really talking about is a mindset shift.

Traditional sourcing is focused on accomplishing a very specific task; typically, procuring a point solution for a challenge that affects a small group. Strategic sourcing takes it one step further and helps solve large, complex challenges that impact large groups of individuals and departments across the organization.

Traditional software sourcing

Here's an all-too-likely outcome of traditional software sourcing:

- ↓ A department lead sees the team is having a problem
- ↓ The department lead researches some solutions online
- ↓ The department lead picks a winner then asks IT to vet the solution—or, just asks finance for approval
- ↓ Procurement handles the vendor relationship
- ↓ IT deploys the solution
- ✗ The department never uses the solution because it doesn't actually solve the original problem



The big challenge here?

Lack of additional stakeholder engagement. The loudest voice in the room gets their way, while others suffer in silence. This leads to huge inefficiencies in some departments and software bloat in others. The technical and business requirements are never in alignment, and the solution becomes shelfware.

There's a reason traditional software sourcing has been around so long: it's *good enough*. But with so many solutions readily available, there's no reason for organizations to settle for "good enough" when they could be making better decisions faster.

Strategic software sourcing: a better way to source

Strategic software sourcing prioritizes collaboration, iteration, and a business-centric approach while harnessing the power of technology and AI to optimize the process.

This strategic mindset enables teams to tackle challenges through automation and integration. The focus is on fostering shared gains in a long-term partnership, driving innovation, increasing ROI, and ensuring commitment from both sides.

This alternative approach recognizes the importance of traditional methods while advocating for a more balanced and comprehensive strategy. There are 2 rules for strategic software sourcing....

RULE 1

Lead with business needs first

RULE 2

Leverage the power of AI to streamline the process

By merging external insights with a deep understanding of your unique requirements, you optimize the software sourcing process and ensure that the chosen solution truly aligns with your organization's goals.

That deep understanding? It doesn't happen in a vacuum. To adopt this framework, you'll need to embrace the beauty of collaboration.



SECTION 3

Who Should Be Involved in Strategic Software Sourcing?

Successful digital transformation relies on gathering all of the necessary requirements. However, this isn't possible without first talking to stakeholders and understanding their needs.

Inviting the right people to the table creates a compounding benefit throughout the software buying process. With their input and validation, **you guarantee a seamless implementation and high user adoption.**

Stakeholder

Examples

Direct users : They're the only ones who can ensure successful adoption.

Direct users interact with the software most frequently; the new solution should solve a problem this group is experiencing.

- Sales representatives use customer relationship management (CRM) software.
- Customer service agents use helpdesk software.
- Project managers use project management software.

Indirect stakeholders : They might not be using the software, but it makes a big impact on their work.

Indirect stakeholders are the secondary users who are impacted by using the software. They can be internal (e.g., another department) or external (e.g., vendors).

- The finance department relies on data entered into the accounting software by direct users.
- Suppliers or vendors interact with inputs from order management systems.
- Supply chain managers make decisions based on data in inventory management software.

Beneficiaries : They enjoy the fruit of the direct and secondary users' labor.

Beneficiaries are anyone who derives a benefit from an improvement in the overall service mechanism.

- Customers experience improved service quality due to the efficiency gains enabled by new software.
- Executive leadership gain visibility into key performance indicators and strategic insights derived from analytics platforms.
- Support staff benefit from streamlined processes and improved resource allocation facilitated by the new software.

Relevant authorities and decision-makers : They're the ones who can shut this whole thing down.

In some cases, you may need to satisfy any software certification, shareholder approval, or other regulatory requirements.

- Compliance officers ensure that the selected software complies with industry regulations and data protection standards.
- The Board of Directors approves major investments in software solutions and provides oversight to ensure alignment with organizational goals and budgetary constraints.
- An IT Governance Committee evaluates the technical feasibility and alignment of proposed software solutions with existing infrastructure, security protocols, and long-term IT strategy.

Business analysts: Your best resource for software sourcing efficiency

In addition to the stakeholders mentioned above, there's one key team member who can really execute on strategic sourcing: the business analyst (BA).

As the linchpin between business needs and technological solutions, BAs are prime candidates for carrying out digital transformation initiatives.

"Business analysts (BAs) are responsible for bridging the gap between IT and the business using data analytics to assess processes, determine requirements and deliver data-driven recommendations and reports to executives and stakeholders."

- CIO.com



Here are five reasons why BAs are the perfect internal resource for leading the software sourcing process.

- 1 BAs can bridge the IT-business gap.** BAs facilitate effective communication by translating technical jargon into understandable language for non-technical stakeholders, aligning everyone toward a common goal.
- 2 BAs own the digital transformation roadmap.** BAs drive digital transformation by crafting strategic roadmaps aligning software sourcing with broader business goals.
- 3 BAs are committed to driving business value.** BAs serve as trusted advisors, leveraging their deep understanding of customer needs, market dynamics, and innovative technologies to identify business improvement and growth opportunities.
- 4 BAs facilitate stakeholder collaboration.** Stakeholder collaboration is paramount to the success of software sourcing projects (see above). BAs play a pivotal role in facilitating effective communication among stakeholders.
- 5 BAs are experts at managing timelines.** BAs are skilled at developing comprehensive project plans that outline key milestones, dependencies, and resource requirements. These plans enable teams to proactively track progress and identify potential bottlenecks.

With the strategic team assembled, it's finally time to begin the software sourcing process!



8 Steps to Strategic Software Sourcing

Ok, what actually makes strategic software sourcing so different from how you've been doing it? Let's walk through the steps for pain-free software sourcing driven by strategy (not bias).

Step 1. Define your business case

Establish a robust business case to ensure that the software investment aligns with the organization's overarching business goals, not just departmental needs. Assess the potential benefits to validate the solution's necessity, and explore alternative approaches if applicable (e.g., upgrading current software or improving business processes).

This is only step 1, and there are a lot of conversations ahead. Having a solid business case for embarking on the software sourcing journey will make it much easier to make your case to others. Think of it like marketing for your idea.

Step 2. Gather requirements

What do you need, really? Ideally, answering this question is a collaborative process involving all key decision-makers. Consider factors such as the direct users' problems, business goals, future growth, budget, and success metrics.

These questions can help you get started with requirements gathering:

- ✔ What are our business goals for the next year?
- ✔ How could the right solution benefit our company?
- ✔ What areas of the business are growing, and what areas are shrinking?
- ✔ What's our budget?
- ✔ What does success look like for our business?

Step 3. Collaborate and refine

When you and your team are aligned, the next step is to rank and define your must-have requirements list, the non-negotiables that the software solution must have.

Key considerations include:

Cost		Functional Requirements	
Integrations with current enterprise software infrastructure		Security	

Step 4. Issue an RFP

Prepare a detailed RFP document that includes your business goals, specific requirements, and evaluation criteria. Vendor responses to your RFP provide invaluable insights into their understanding of your specific needs.

Step 5. Research vendors

While you wait for RFP responses, you can also do your own research to find as many vendors as possible that meet your organization’s general requirements. Online review sites like Capterra and G2 can provide user insights about factors such as customer support or potential use cases.

A word of caution: companies typically pay platforms for visibility and may incentivize reviews by offering customers gift cards. Having clear criteria for vendor evaluation helps you cut through the bias.

Step 6. Short-list best-fit solution vendors

Create a short list of best-fit vendors or products that will work for you using your *specific business needs* as the filter. Refine your shortlist based on both initial research and the evaluation of RFP responses. Eliminate vendors that do not meet the detailed criteria outlined in the RFP.

Step 7. Demos and decision-making

When you have a short list of 3–5 vendors who meet your requirements, it's time to request demos. Take your time listening to the demo, and ensure other stakeholders are demoing the product at the same time. Stakeholder surveys can help with collecting feedback.

Step 8. Select the right software vendor

Based on the product demos, you will likely have a favorite. Remove bias from the decision-making process by comparing your top pick once more to the ranked list of requirements. Do your due diligence to ensure that you are choosing a solution based on your needs, without bias, with plenty of input from various stakeholders.



Congratulations! If you stay true to your business needs, you'll find a solution that will best serve your organization's goals and foster IT innovation.

Strategic sourcing in action

A restaurant chain wants to improve the guest experience in their stores. After analysis, they realize that staff are not adequately trained.

When speaking with stakeholders, including franchisees, HR, and IT, it is clear that the company needs to invest in a learning management system (LMS). They dive into the requirements with their business case top-of-mind, which leads them to a right-fit vendor.

By using this process, they will reduce ramp-up time for new employees, easily maintain service standards, and improve guest experience.

The Future of Software Sourcing

Gone are the days when bespoke systems were the norm; today, off-the-shelf enterprise software solutions abound, automating and innovating standard work practices. The challenge now lies in finding the precise solution or combination of solutions that cater to your business's unique needs—a task akin to locating a needle in a haystack.

Olive's AI-powered software sourcing and RFP platform transforms the software selection process, avoiding the pitfalls of traditional methods.

Olive empowers organizations to easily make complex software decisions and choose the *right* software—no more wading through a sea of wrong-fit vendors.



Worried you're wasting time on software sourcing? Olive can help.

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