Research Note

3SIXTY INSIGHTS

The Software and Technology Decision-Making Cycle—How it Has Changed

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By: Nicholas W.J. Biron – Founder and CEO

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3Sxity Insights recently spoke with an HR director based out of the UK. She supports an organization of more than 6,000 international employees. After spending more than a year to acquire a new learning management system, her team saw a need to also implement a new applicant tracking system as part of the employer's suite of technology for human capital management.

This evaluation process took six months, during which time the organization reviewed five different vendors' solutions across different criteria that met companywide staff's needs. Ultimately, the employer landed on one vendor, which also happened to be the same vendor as that of their LMS. The ATS's overall functionality was impressive to the line-of-business team, who recognized the value in how the two systems would integrate. After building a business case for the CEO, the team obtained executive approval to move forward with the purchase.

Because a new CTO entered the equation late in the process and exercised the unilateral authority of executive oversight, the line-of-business team had to begin the yearlong evaluation process anew for a new applicant tracking system.

Late in the process, a new chief technology officer joined the organization. Naturally, the CEO wanted to ensure the organization's new CTO also agreed with the decision to move forward with this new ATS. Following a short assessment, the CTO elected to require a review of this vendor—along with all the others considered—according to new decision-making criteria.

In other words, because a new CTO entered the equation late in the process and exercised the unilateral authority of executive oversight, the line-of-business team had to begin the evaluation process from the beginning: reevaluating all vendors, attending new demos, and building new business cases for the CTO. As explained to us by this HR director, who has only just begun the re-vetting process, the resulting circumstances have been painful, delaying the implementation of a much-needed new ATS and impeding the productivity of her team. As part of their original evaluation process, they had outlined how they had been tracking their applicants manually via electronic spreadsheets, emails, and other means. What they uncovered was that this solution could potentially save them 50 percent to 70 percent of their time in the process. Each day that passed without an implemented system was costing the organization significant time and money.

Navigating Changes in Buying Decision-Making

3Sixty Insights has spoken to many organizations. Our aim is to learn about their decision-making process, and we've found similar stories of frustrating circumstances delaying important software-buying decisions across the gamut of stakeholders.

Compared to 15 years ago, today's buying process is dramatically different. It starts with line-of-business owners, who now lead the charge to acquire solutions. But they contend with other stakeholders. What is the blueprint to do so? 3Sixty aims to unearth clues through discussions

The story is not unique. 3Sixty Insights has spoken to many organizations. Our aim is to learn about their decision-making process, and we have found similar stories of frustrating circumstances delaying important software-buying decisions across the gamut of stakeholders. As part of the 3Sixty Insights model, we focus on the voice of the customer in order to understand how to help organizations more efficiently navigate the buying process, which has changed dramatically. Our research is a view into the voice of the customer. We continually speak with the end-user community to understand their decision-making processes and the lifecycle of a solution. We find it just as important to understand the entire decision-making process as it is to understand how a solution has impacted the organization. These stories translate. They can help others navigate their processes and build effective business cases.

Changes in the Technology Landscape

The past 15 years have seen dramatic changes in software and technology: leaps from flip phones to smart phones, desktop computing to laptops and tablets, on-premises software to cloud, big data, the Internet of Things, and others. With these new technologies and platforms have come an explosion of software vendors profoundly shifting the information technology and software landscape. As an example, we've seen a jump from 1,876 vendors in the marketing space to over 8,000 in just the past five years in marketing technology—not the only industry that has seen this exponential rate of growth. Almost every technology and software segment over the past few years has seen similar growth. However, we are not just seeing a fundamental change in the solutions available; there have also been almost continental shifts in the way organizations acquire new technology and software.

Changes in the Technology Buying Process

Putting it into perspective, you really have to think back to how organizations acquired solutions many years ago vs. today. When it came to technology and software acquisitions, it was completely in the realm of the IT Department. They led the charge with respect to what technology and software an organization would acquire. This meant leading the entire process from vendor evaluation to solution deployment and management. They were also given the annual budget and there was little to no scrutiny over how they spent those funds... What this meant, is that an organization was forced to use whatever solution they acquired, regardless of if they liked it or not. Simply put, the buying process was much more linear back then and a far smoother process.

Today, we are a looking at a dramatically different process, and it starts with line-of-business owners who are now the ones leading the charge with respect to acquiring solutions. They are the ones developing the solution selection criteria, issuing RFPs, and driving the sales process with vendors. When entering the sales process, these buyer-side stakeholders typically come in fully educated with regards to the problem they are looking to solve and how they believe the vendors can help them. But herein lies the problem: unlike their counterparts in the IT department years ago, line-of-business owners are not the only buyer-side participants in the decision-making process. We now have committees composed of IT, financial, and executive teams. Depending on the size of the buying organization, these other stakeholders typically hold great sway over these decisions on solution acquisition. They all care about their own priorities, and only a few of these potentially intersect with line-of-business owners' needs:

Changing Buying Personas

- **IT Department:** In today's buying process, we find they are brought in much too late. This can bring conflict and confusion to the process: Who is going to manage the new solution? Is it the right platform? Is it the right technology? Are there other existing solutions in place that can do the same thing?

  With the permeation of IT outsourcing and growth in cloud, IT teams have been stripped down to a skeleton of what they once were. Any new technology or software coming in from outside their department can be seen as a threat that might exacerbate these dynamics and strip away more responsibility. These concerns of theirs potentially bring the additional conflict of internal politics into play, which can derail or scuttle any deal.

- **Financial Oversight:** The economic downturn of 2009 brought financial oversight into the buying process as never before. Suddenly, every new purchase necessitated financial oversight. This is a problem as the office of the CFO is now attempting to make decisions from its standpoint in areas where it lacks depth of knowledge (in this case, business software). All a stakeholder from finance really wants to understand is how this purchase is going to fit within the financial profile of the organization and, ultimately, what is the total cost of ownership and return on investment of the purchase?

- **Executive Oversight**: More recently, executive oversight has become another layer of stakeholder to join the decision-making process. New purchases now require an executive sponsor to oversee the activity, and their signature has become a prerequisite for purchases. And, of course, they have their own criteria they're evaluating as part of the process, too. Ultimately, they want to understand the big picture: how is this solution going to impact the organization? How is it going to make the organization more efficient? Is it going to reduce cost? Is it going increase revenue?

3Sixty Insights' goal is to share the observations we make and findings we obtain in our efforts to better understand how others have navigated today's buying process.

We have watched these new dynamics unfold for the better part of two decades. Even so, we see many end-users and solution vendors alike that still struggle to grasp or navigate the new reality. As each new layer of the decision-making process takes hold, we see a delay in buyer and vendor reaction and response. These delays come from needing buy-in from each party, going backward in the process and realigning justification for the purchase—essentially, starting the process over from the beginning to reconcile all stakeholders' needs.

Finding the New Paths to Decisions in Buying

3Sixty Insights' goal is to share the observations we make and findings we obtain in our efforts to better understand how others have navigated today's buying process. What processes in the buying process worked or did not? What were the roadblocks that needed overcoming, and what might have been done differently? These and others are the questions we seek to shed light upon. And 3Sixty Insights also looks to understand the nature of the value that business software brings to organizations. How did it make them faster, more efficient, reduce cost, or increase revenue? This is information critically important to helping others further their current investments or, for new ones, build their own business case. If your organization has a great story to tell about its own journey, 3Sixty Insights wants to hear it.