Due Diligence Pays Off...

You may have an immediate need, but rushing into aligning with a technology vendor is not the right move.

By Craig Bechtle

We've all seen more than our share of slick PowerPoint sales presentations, flush with ambiguous statements and vague references. It always makes me wonder if more time was spent on its creation than on development of the actual product.

Years of experience in the mortgage technology and related lending sectors have shown us that you have to look beyond the sales presentations and take the time to complete a thorough due diligence process. Even the seemingly minor issue can have significant impact if you don't take the time to fully absorb the potential impact.

During our 30 years in the mortgage industry, we have answered hundreds of Requests for Information/Proposals. In addition, being a vendor gives us a unique perspective, not only do we sell software and services, but also we purchase them and we've learned some valuable lessons being on both sides. Over this time, we have learned several key points; find the right product for the problem being solved, look for a partner not just a vendor, don't rush, check then check again and lastly, check all references you can.

THE RIGHT PRODUCT

Typically, an internal need has been identified when the decision is made for a major systems purchase. Often, by simply asking yourself the question "What problem are we trying to solve?" you can eliminate a lot of the distraction that can come from slick sales presentations. Common objectives include a desire to increase productivity, to cut internal ex-

> " Take your time, spending an extra month in **researching your vendor** can make all the difference in the world. "

penses, improve communications or to become more competitive. But what really makes us buy something are the answers to a few simple questions, "What does it do for me? Can it fix my problem? Are they reliable?"

How you determine those answers is something of a science and requires a true due diligence process. In our business space, many prospective customers take up to two years to complete that process.

REAL FUNCTIONALITY

When reviewing an RFP response or product demonstration, how do you know if you are looking at "real" functionality or just what the vendor wants you to see? Ask for a hands-on demo. No one buys a car without driving it first,

why shouldn't you test drive your new system? You can also ask them to deviate from the planned overview, reputable vendors are happy to do so.

Sometimes during a sales meeting, politics can get in the way to a free flowing information exchange. When staff and management are grouped together for a presentation–the former may be intimidated by what the latter is thinking, resulting in unasked questions and grumbles later. Having several product demonstrations for different staff groups can alleviate this problem.

DEDICATE A TEAM

This is an important decision and can be a pricey one. Choosing the right staff that can assess all aspects of the product, including vendor capabilities, is crucial to project success. It is vital to have input from all of your business teams that are impacted by or that will be using the new product. Preferably a technology team, an operations team and a business team. Each area should be provided direction relative to your corporate and operational goals.

CHECK TECHNOLOGY CLAIMS

It is critical to verify the vendors' technology claims. Ask about development tools that are being used, what is the deployment process, how the network is configured, where is the single point of failure. Check the data structure. You should perform a code review, request architecture diagrams and ask for a database review. The code review helps uncover the existence of legacy code. Some vendors wrap their old legacy code with new .NET code which is then misrepresented in totality as .NET. Make sure you are getting what you think you are.

A simple way to validate the system's

modernism, is to review their tailoring tools. Tools that are readily accessible to users that are simple to use without programming assistance and that are flexible are key to adapting your system the way you need, whenever you want.

Have these items written into the contract as minimum requirements with early termination if they prove to be untrue. RFP response inclusion in the contract is becoming a common practice.

THE BEST FIT

There is no best system; however there is a best system for your needs. All products have their strengths and weaknesses and it is part of due diligence to find them. The standard sales presentation may be positioned to hide those weaknesses. A presentation that shows the product operating, where you can see all the functions, where the vendor allows hands on demonstrations, is one where you can see what you're buying.

Some other business considerations include, the type of technology you need, are you a .NET shop? Is the technology a good fit for what you already have in place core banking, business platform, etc? Do you originate Government loans? Are the staffing and financials supportive of your project?

For a major systems purchase you aren't just buying software, you're establishing a new business partnership.

A PARTNER OR A VENDOR

Installing a loan origination or servicing system is seldom an effort you would choose to undertake yourself. There are many factors to consider and one of the most important is the vendor's willingness to partner with you during the implementation and beyond. Becoming a true partner is crucial to the acceptance and continued business success of the project. Partners involve customers in product development, maintain user groups and promote open communications with their customers. Take the time during your due diligence to determine if you are talking to a software vendor or a

business partner.

One of our newest customers, Bob Phelps, business applications manager for Standard Pacific Mortgage agrees and was recently quoted in Mortgage Technology Magazine, "I think one of the strong points for any vendor has to be that they partner with us rather than saying, this is the way we built our system, take it or leave it."

The best implementations occur when a true partnership is created between the vendor and the lender. Look at the vendor selection as if you were hiring for your own staff. Do their staff skills compliment your staff? Are your comfortable with the vendor? Is the vendor a good fit for your organization?

ALLOCATE ENOUGH TIME

We often encounter lenders who state that they are on a tight schedule (read "in a hurry") to make a final selection. This strategy is seldom very successful. Decisions tend to be made that can have costly, sometimes disastrous results down the road.

We all know that rushing through a project can cause us to overlook details, resulting in issues that could impact the project. These efforts are expensive and you want to give yourself the best opportunity to achieve your goals-a rapid return on your investment, operational improvements, qualitative improvements or increased automation. Short changing the vendor due diligence process could materially affect your ability to achieve one of these goals.

CHECK AND CHECK AGAIN

Lastly, the most important measure is if the system has been successfully implemented in more than one location. Check the vendor's implementation history. Ask for references, customer site visits and personnel implementation history. We offer customer site visits so prospective clients can see our product in use and verify our sales claims in a real-life setting. Look for site visits where the client is of similar size and business model.

ABOUT THE AUTHOR

Craig Bechtle is EVP and Chief Operating Officer at MortgageFlex Systems, Inc. A seasoned technology executive, Bechtle possesses over two decades of management, technical product and services experience and project management expertise. He has held Director and Vice President positions at Fiserv and PNC Mortgage. He can be reached via e-mail at cbechtle@mortgageflex.com.

Utilize all your resources for reference checks. Look for old new articles, check to see if those customers are still using the product. Another option is to use your network. Call people you trust. We all know people in this business and inevitably they know someone who has deployed the vendor you're investigating.

Equally important in the decision process is finding a vendor that has experienced staff that understands the industry as well as the software. A company is only as good as its people. And, how they are trained, coordinated and then assigned, all adds up to how successful they will be in reaching desired business objectives.

During one of our customer's extensive due diligence, they not only wanted to know about the company personnel with whom they would be working but ran individual reference checks and requested face-to-face meetings with the entire project team.

Consequently, we took an entire implementation team to their location to answer core questions about topics like change management control and system conversion issues. Real life concerns-not your run-of-the-mill sales presentation questions!

Prospective buyers should also visit the vendor at their location to get a feel for their office and meet the people behind the product.

One final remark on personnel. It's not unusual for vendors to hire contract workers for a project or set of tasks. It can be cost-effective to match specific expertise to a particular project and if you can find someone with specific previous experience, that's good but rare. For core competencies and implementations, bet-

ter results are generally achieved using full-time employees that are intimately familiar with their product. Contract workers have no ownership or sense of product pride.

And, don't stop your investigation at the implementation team level. Investigate management stability too. If a vendor is constantly experiencing turnover at the management layer, that's a major red flag.

Lastly, we always enter into major systems purchases expecting them to be wildly successful and selecting the right vendor can make or break the project. Take your time, spending an extra month in researching your vendor can make all the difference in the world and will have a significant influence on the success of your project. ❖