

## ABOUT THE AUTHOR



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Ron joined Linedata in 2010 and is a Senior Business Advisor for Capitalstream.

He is responsible for directing the company's credit-related systems initiatives and enhancing data governance and stewardship efforts.

With over 27 years of banking experience and a particular focus on commercial lending, Ron has worked in a multitude of lending positions including credit origination, administration, servicing and asset risk management. Prior to joining Linedata, Ron served as Vice President and Loan Operations Manager for AMCORE Bank N.A. and Vice President and National Operations Manager for Banco Popular.

## ABOUT LINEDATA

Linedata is a global solutions provider dedicated to the investment management and credit community, with close to 1250 employees in 20 offices across the globe. Linedata has been at the service of the financial industry from day one, and applies its market and client insight to provide innovative and flexible mission-critical software and services that help its clients grow in over 50 countries. As a pioneer for over 15 years with the setup of SaaS infrastructure for the financial industry, Linedata remains committed to this model throughout the global financial community and for its full range of products. Headquartered in France, Linedata achieved revenues of EUR 166.8 million in 2016.

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## Fixing the RFP: Considerations for financial institutions to improve the software vendor and selection process

The financial services industry relies heavily on best practices. These are implemented throughout normal day-to-day business operations covering almost all areas within the lending and leasing lifecycle. However, when it comes to the software vendor evaluation and selection process, there is no consensus best practice among financial institutions. For most firms, this means software vendor evaluation and selection is a time consuming, paper intensive and expensive endeavor. Often failing to achieve its stated objective, many financial institutions never complete the process and revert back to maintaining legacy systems already in place.

Through many years of experience, Linedata has identified important considerations missing from this process and why so many vendor evaluations and selections fail to meet stated objectives.

Often overlooked at the inception of the project is the creation of a formal charter. The charter clearly defines the expected outcome of the project, progress milestones and key roles and responsibilities of the parties involved. While this does not have to be an exhaustive and lengthy document, it does form the basis of the project and aligns team vision.

The most critical component of the charter is the inclusion of a project lead with decision making authority and reliable team members. A team with a strong leader, who has the authority to make decisions, will ensure realistic expectations are set and project deadlines are met on time. In our experience, over 70% of the requests for proposal (RFP) received have timelines which are overly ambitious and as such, are not met. The problem becomes compounded when these unrealistic expectations are taken on by the financial institution, giving the illusion the process of vendor evaluation and selection is a simple exercise. The financial institution then understates the impact of the project to their own organization which becomes apparent in the evaluation process. You can see how this can be particularly damaging, given that any software purchase can be disruptive to an organization, especially if it enables a change in business processes.

The next most important aspect of the process is requirements gathering within the financial institution. Collection methodology, requirement standards and limits on requirements are common issues in the requirements gathering process that an organization encounters. This results from the RFP process being divided among several business units or credit disciplines with the goal of having their requirements met by a software vendor and solution. This tends to cause overlap in requirements, since each team may be looking for the same overarching solution to an issue which is organizational and not specific to the business unit or credit discipline. This results in a duplication of requirements with the vendor often making reference to a previous requirement. Referral to a prior response adds no value to the RFP.

# Market Insight

An ideal solution to this challenge is establishing standards to the requirement itself. In other words, each requirement should be clearly defined and unique. Often, organizations tend to list multiple requirements in a single ask. This leads to an exhaustive vendor response and makes a scoring system (if used) ineffective, since the vendor can only choose a single answer (Yes, No, 1, 2, 3 etc.), generalizing the solutions fit to multiple requirements.

Also, it's important to remember that more isn't necessarily better. Focus on what is important to your organization and what you are seeking a software solution to accomplish. An RFP with several hundred requirements may appear to be comprehensive but in reality, this only slows the evaluation and selection process. You will learn much more about the vendor's proposed solution in the next stage of the process when you ask for a configured demonstration of the product utilizing your organizations real world scenarios.

Finally, when your organization is ready to make a decision, make sure your process includes a comprehensive vendor evaluation. The following are some key questions to use as a guide when going through the vendor evaluation process.

## **While the vendor may appear to have the ideal solution, does this vendor align with your expectations regarding financial stability, keeping pace with the market and client satisfaction?**

After all, you are forming a partnership with this vendor and most likely for an extended timeline. Evaluate the vendor's financial stability the same way you would treat an applicant for credit. Gather financial information and review performance trends.

## **Is the spend on the proposed solution greater than or equal to peers?**

It's important (and more than fair) to ask the vendor about their approach to R&D. This can be a signal as to whether or not the vendor solution is keeping up with market demands.

Following up on this question, ask the vendor what significant enhancements have been made to the solution over the last two years.

## **Do you have client references?**

Finally, you should always ask for client references and an opportunity to speak with them about the proposed solution. This is valuable from both a solution and client relationship standpoint. Be sure to ask questions about solution use, user perception and the overall relationship the reference has with the vendor. In the end, the vendor selection is just as important as the solution they provide.

In summary, an effective vendor evaluation and selection process starts with a defined plan that properly sets expectations, focusing on what is important to your organization and what it is attempting to achieve. A thorough evaluation of RFPs once they are received involves asking the right questions to paint a clear picture of the vendors behind the solutions, and how they fit with your organization's mission and philosophy. Ensuring these are a part of your vendor evaluation and selection process will increase your organization's probability of success.