

# Collaborative Due Diligence with DecisionDirector

Last Modified on 07/20/2017 4:02 pm MST

The term "**due diligence**" refers to the reasonable steps that a prudent person or group would take to ensure that a future action would produce the desired results and not cause injury or harm. When procuring an enterprise software system, for example, careful evaluation (due diligence) of vendors is essential to avoid project disasters, cost overruns, and a host of other head- and heart aches.

This article focuses on how you can use DecisionDirector's collaboration facilities to provide structure, ease, and transparency to support software vendor due diligence after the proposals have been received.

## Typical Vendor Due Diligence Steps

Software vendor due diligence typically consists of the following steps:

- Proposal Review\*
- Response Analysis
- Pricing Review
- Product Demonstrations\*
- Security Review
- Reference Checks\*
- Site Visits\*
- Executive (or Summary) Review\*
- Legal/Contract Review

Some of these steps, such as **Legal**, **Pricing**, and **Security** reviews, are handled by specialized individuals (or teams), with findings and recommendations presented in a document. Organizations usually have people, policies, and procedures in place to manage these reviews, so we won't cover them here.

Other steps, such as **Proposal Reviews**, **Product Demonstrations**, **Reference Checks**, **Site Visits**, and **Executive Reviews**, are conducted by groups of stakeholders (the evaluators), each representing their particular departments or disciplines. Often, these steps are supported by structured rating or scoring sheets which result in the calculation of points to be awarded to the competing vendors. These "**collaborative**" due diligence steps are well supported by

DecisionDirector and are marked with an asterisk ("\*") above and explained in more detail below.

**Response Analysis†** refers to the calculated scoring and analysis of those portions of the RFP, such as detailed functional requirements, that are supported by uniform, structured responses.

## Collaborative Due Diligence Activities in DecisionDirector

All collaborative due diligence activities will have a set of criteria that are used to guide the evaluation. Good evaluation makes it easier for the evaluators to do a great job, and for the project team and organization to make (and, if necessary, defend) the best decision possible.

The following table summarizes the types of evaluation criteria typically involved in these activities:

Due Diligence Activity	Criteria
<b>Proposal Review</b>	The most common criteria to use in a Proposal Review is the RFP's table of contents. This approach allows the evaluators to clearly delineate the evaluation based upon how the RFP was organized. (This approach also encourages the thoughtful creation and organization of the RFP).
<b>Product Demonstration</b>	Typically, a set of real-life scenarios with bulleted "must-see" items that the vendor is asked to specifically demonstrate. Since demonstration time is usually rather limited, a balance must be struck between the time needed to adequately cover the must-see items and the time desired by the vendor to show other strengths and benefits of their solutions. Time must also be granted to the vendors so that they can adequately prepare for the demonstration(s).
<b>Reference Checks</b>	Reference checks refer to brief interactions with current or past clients of the vendor. Reference checks are best when guided by a pre-defined set of questions, typically related to product,

<b>Due Diligence Activity</b>	implementation, and support, along with background on the <b>Criteria</b> reference and general wrap-up comments.
<b>Site Visits</b>	Site visits refer to visits by one or more stakeholders to (or, if virtual, with) one or more vendor client sites and, often, vendor headquarters. Client site visits typically involve an agenda that calls for meetings with various functional and technical counterparts who can discuss and demonstrate their experiences, operations, issues, and plans involving the vendor and its products and services. Site visits represent a significant investment of time, money, and effort on everyone's part to plan and conduct.
<b>Executive (or Summary) Review</b>	The Executive Review typically consists of a small set of high-level criteria that, after all the other due diligence activities have been done, measure the confidence of the executive or project team in the vendor. Of all the other reviews, this is the most subjective, but if done well, it will reflect highly-informed reviews by those involved.

We have sample criteria for many of these activities. If you'd like to see some, let us [know](#) .

## Evaluation Rating Scale

Since there can be many due diligence activities and many people involved in those activities, it is often best to use a single standard model for recording the evaluators' ratings. This avoids confusion, reduces the likelihood of errors, and increases the confidence of project stakeholders in the due diligence process overall.

A typical and powerful rating scale that has proven useful over time is shown below:

Rating	Points	Definition
Exceptional	10	Beyond normal expectations, delightful
Good	7	Above average
Acceptable	4	Sufficient
Marginal	1	Cause for concern

Unacceptable Rating	0 Points	Failure Definition

# Recording Evaluation Ratings in DecisionDirector

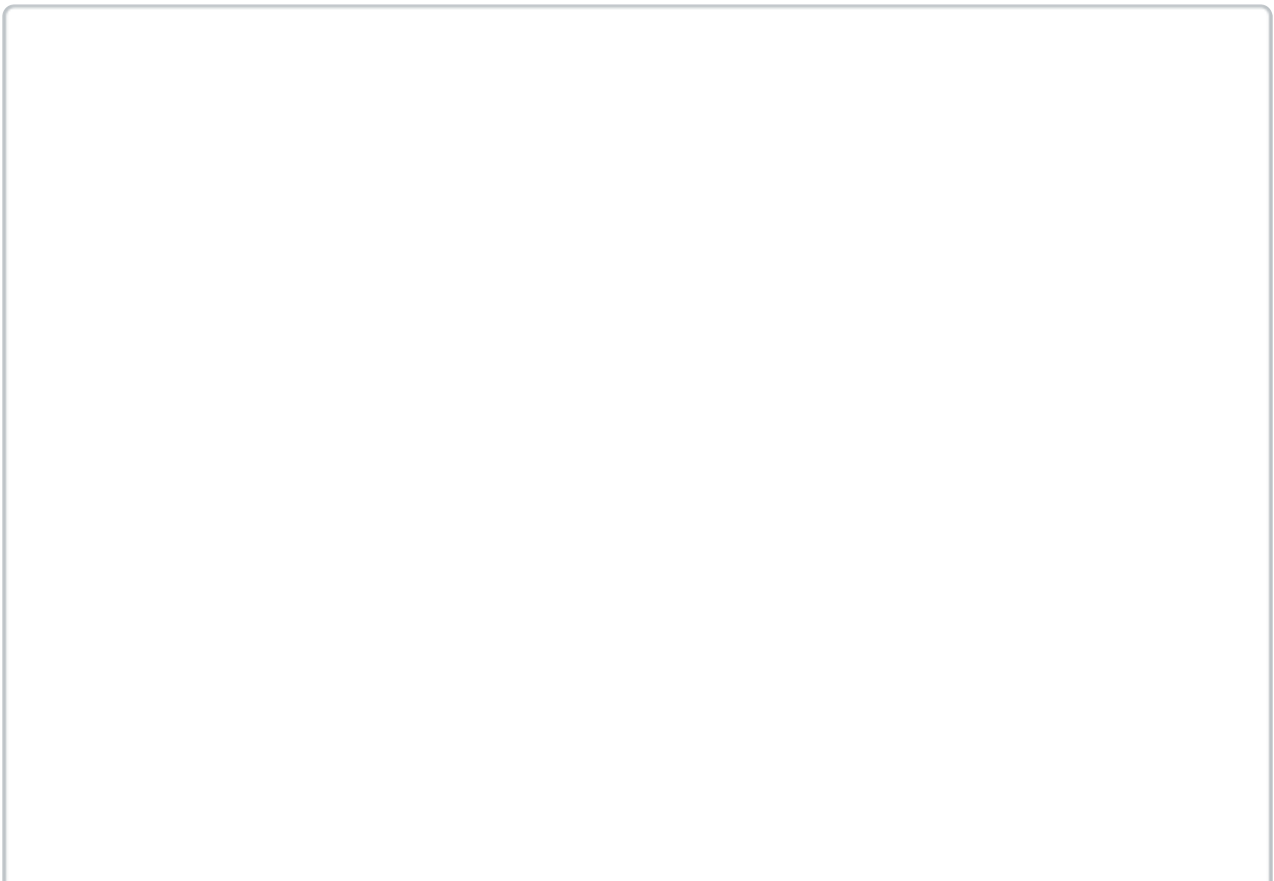
Due diligence activities are handled just like any other collaborative activity in DecisionDirector. The text below is taken from the instructions for a sample evaluation rating, as is the image that follows.

*"You can use the tree on the left to open any evaluation document and navigate to the sections that pertain to your area of interest or assignment. Each section contains one or more criteria, and each criterion has its own evaluation rating form.*

*For each criterion, select the Rating that you feel is appropriate for the vendor you are evaluating, and please provide a brief (or longer if necessary) statement in the Rating Comment field explaining your rating.*

*If you desire additional information from the vendor for the criterion, check the Inquire Further box and explain what you need in the Inquiry Request field.*

*You will be prompted to Save your work. You do not have to complete all of your ratings in one sitting, You can come back at anytime to continue or alter your ratings."*



**AD VU** Activity: Executive Review  
 Organization: [Advantiv University](#) > Workspace: [HR/Payroll RFP Project - 2015](#)

Dashboard Workflow Collaborate Administration

Step: Capture Ratings (7/20/2017 8:00 AM MST - 12/28/2017 8:00 PM MST)

Documents Collaboration Summary Responses Bookmarks: 0 Step Mode: Edit

Progress: 2/7 items answered, 1 answers to be saved. Save Cancel

**1 - Economic Review** Reports / Extracts Summary

**1 - VIABILITY:** The vendor has demonstrated financial and business viability; there is a high probability that they will be around to service us for the useful life of our investment in their product or service.

* Rating	Inquire Further
Acceptable	<input type="checkbox"/>
Rating Comment	Inquiry Request
The vendor seems to be in good condition presently, although there are no warning signs for the future, their growth seems flat.	

Last saved: 7/20/2017 3:52 PM MST |  Input Complete

**2 - CORE COSTS:** The cost information the vendor provided for the proposed core system, including all necessary licenses, services, project expenses, and equipment, was complete, credible, and competitive.

* Rating	Inquire Further
Good	<input type="checkbox"/>
Exceptional	
Good	
Acceptable	
Marginal	
Unacceptable	

Input Complete

**3 - OPTIONAL COSTS:** The cost information the vendor provided for the proposed optional products and services, including all necessary licenses, services, project expenses, and equipment, was complete, credible, and competitive.

\* Rating Inquire Further

Vendor Evaluation Example

# Interested in Adding Collaborative Due Diligence to Your Project?

Send a note to [support@advantiv.com](mailto:support@advantiv.com)