

E-LEARNING



By Kevin Oakes

Paraphrasing Mountain Dew's slogan "Do the Dew," Kevin Oakes makes his slogan "Do the due"—diligence that is, when it comes to evaluating vendors.

Do the Due Diligence!

The other day I was accidentally copied on an internal email string from a company evaluating our products. It reminded me of a topic that has been around as long as the industry, but one I feel buyers often fail to master: conducting effective due diligence when selecting a vendor.

Before the suppliers reading this roll their eyes, I admit the amount of due diligence done now is far more than in the past. After the bubble burst, buyers have been spending more time evaluating their purchasing, and corporations and government agencies have never been more serious about picking the right partner. But many times, I see buyers too focused on extremely detailed product or design issues, instead of some basic business areas they should focus on.

Which brings me back to the email I wasn't supposed to see. You might think I'm about to pick on some poor unsuspecting soul who simply clicked too quickly (who hasn't?) and unwittingly exposed internal selection faults. Actually, I was pleasantly surprised by this email exchange. It showed a business maturity, and that there are buyers who understand how to access various sources for information. The email exchange went something like this (edited slightly to protect the quick clicker):

From: Evaluator

To: Decision Maker

FYI: Here's the agenda for the call with the vendor on Thursday. You may want to ask for a meeting with their CEO since you'll be meeting with the CEOs of the two competitors.

From: Decision Maker

To: Evaluator

Can you send me a quick briefing on our thoughts about this vendor?

From: Evaluator

To: Decision Maker

I've attached my assessment of their strengths and weaknesses from a feature/function and technical perspective, and their answers to our RFI questions.

From: Decision Maker

To: Evaluator

This is good stuff. Can you also do some business analysis on all three suppliers? Not just technical but also business. Before we could partner with one of them, we'd have to consider their viability, profitability, industry benchmarks (are there any consultant analyses comparing the three vendors?), etc. I'd like to know if I'm dealing with a supplier that will be around in five years.

From: Evaluator

To: Decision Maker

I agree on the viability. Because they're public companies, I can get a lot of information from their 10K statements, and from the e-learning communities. If you want reports from high-end consultants, that will cost money.

From: Decision Maker

To: Evaluator

Get all the free stuff you can, and I'd like to see their annual reports, financial analyst write-ups on each, and any pertinent news releases. Create a matrix comparison with supporting documentation once you've done this.

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The business side

This company understands the business side of selecting a partner, often the most under-explored area in the vendor selection process. Buyers do a pretty good job drilling into product functionality and features. I could lament the size of RFPs, unending checklists, and industry analyst reports on products buyers have never touched. I think the bigger issue, however, is lack of financial inspection by the industry. I'd guess more technology and projects go awry because of the financial instability of the vendor than any other factor.

One reason this basic area is overlooked is that the training and development community isn't used to buying technology. It should come as no surprise that the "Decision Maker" in the email exchange is a chief information officer. CIOs are used to this stuff. They've worked with enough large and small technology providers to understand the potential risks. Financial risks aren't just limited to whether the vendor will stay in business. It involves its ability to invest in product development, customer service and support, and keeping key employees.

The email exchange focuses primarily on a technology purchase, but there's no question that selecting a supplier is different depending on the type of vendor you're evaluating and type of products or services you need. The criteria will differ from technology providers to content vendors to consultants. Yet, there are basic tenets that apply across the board.

Use publicly available information. The learning technology industry is rife with private companies, with only a few public companies in the mix. A benefit of evaluating a publicly traded company is that all of its financial information, and more, is available free in public documents. Unfortunately, many buyers don't know how to find it, or read it.

The first place to look is in the investor relations page of the company's

Website. Typically, it has links to the latest quarterly earnings report, the annual report, other quarterly and annual financial filings, information on analysts that follow the firm, stock charts, and more. Additional information is found on the Websites of the exchange (NASDAQ, NYSE) on which the company's stock trades, and on the Website of the U.S. Securities and Exchange Commission.

 www.sec.gov

One of the most useful forms is quarterly 10Qs and annual 10Ks public companies file. They contain more information than you'll find in a press release, especially on the company's financial state. These documents can be lengthy and dry, but there are tutorials on what to look for. Focus on the vendor's available cash and whether it's generating positive or negative cash flow. That's a clue on the health and long-term viability of your potential partner. If you're evaluating private companies, most have their financials audited annually. You can ask any private company to provide its audited or unaudited financial statements.

No matter where you get your financial information, talk to the supplier's senior management to better understand the numbers. Without that explanation, it can be hard to understand what's happening quarter to quarter or year over year.

FUD. The learning industry is rampant with vendors creating FUD (fear, uncertainty, doubt) about their competition. About a year ago, a salesperson from a competitor posted some derogatory information about my company on the Brandon Hall listserv. The salesperson took a paragraph from a fairly standard "risk" section of our public documents and posted it to scare potential purchasers.

Email your questions on e-learning to be answered in future articles to kevin.oakes@click2learn.com.

Lesson: Make sure you always get your information in context.

I've never posted on a chat board before but felt compelled in this instance to answer the criticism from my competitor. Shortly thereafter, a salesperson from a different competitor sent me an email congratulating me on confronting the other poster. He said, "In all my experience, I've never seen an industry or such a large group of people that believes the best way to sell or represent their companies is by trashing the competition." Trashing the competition is never good, but it happens a lot in our industry. Still, most buyers I work with try to avoid hearing the views of a company on their competitors. In fact, many buyers try to keep the bidder list secret and not reveal the other suppliers also bidding for the business.

I'd like to see buyers take an opposite approach: Ask each vendor to list three weaknesses in each of their competitors, and their own top three strengths over the competition. Any commonalities in the responses give the buyer a good reason to quiz management of a particular vendor on issues their competition highlighted.

Hit the road. A last recommendation that seems simple yet doesn't happen often: Do a site visit to the supplier's headquarters or primary office with which you'll be dealing. Site visits let you get a flavor for the environment and meet more people than the two to five folks most vendors bring to your office. There are a lot of virtual companies out there; many are kept hidden from their customers. If your supplier is more virtual than not, you should know that going in.

There's a lot to do in selecting the right learning partner. Just remember, do the due and you'll feel better about your choice in the long run.

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