



**Michael Mino** is president and CEO of PropertyBoss Solutions. He became a landlord in 1977 when he purchased his first rental units. A serial entrepreneur, he has started a number of software technology firms. For more information about Michael or PropertyBoss Solutions, visit [propertyboss.com](http://propertyboss.com) or call Michael at 864.297.7661 x26.

## *Has the Plug Been Pulled?*

Switching software solutions is never easy. Converting or re-entering your data into the new software is always a challenge. Deciding on the best way for your staff to use the new software takes time away from running your business. Training your staff proves to be expensive and, for some of them, very challenging.

With the memories of these experiences still lingering in your subconscious, you receive word that the software vendor you placed your trust in will no longer support their product. This unanticipated situation can result from the vendor's decision to retire an unprofitable product (often following an acquisition from a competitor) or the vendor has gone out of business. Although you have options at this point, they are limited.

Let's take a systems view of this issue and look at the three phases leading to this unfortunate event:

1. Software Selection: Identifying the right solution
2. Danger Signals: Ominous clues
  - Changes in the relationship
  - Atrophy of the product
  - Lack of marketing and sales efforts
3. Discontinuation Notice: Worst fears realized

### **PICKING THE RIGHT SOFTWARE PARTNER**

The best way to avoid an undesirable outcome is to eliminate the root cause. In this case, it is performing appropriate due diligence in the selection of your software partner. I said software partner and not software product because *who* is behind the product is often more important than the product itself. The product will evolve over time, but as they say, "a zebra rarely changes its stripes." Raise your antennae the moment you initiate the search process. Are the software company's people interested in your needs (finding the best value software solution most closely automating your business processes) or their needs (making a quick sale)? If the vendor is not responsive during the sales process, you can be certain that they will not be responsive after the sale.

There are many items on your evaluation checklist to consider in selecting any supplier such as:

- longevity (it takes a minimum of eight to ten years to weather a complete business cycle and accumulate the knowledge of a number of different business approaches),
- financial stability (an unprofitable company cannot last very long unless the owners/investors receive a return), and
- right-sized company (large enough to have the resources you need, but not so large as to not care who you are).

While these items are important, they can be much less important than the softer traits like:

- company (and leader) personality,
- passion for the product, and
- partnership attitude.

Your business is absolutely dependent on the capability and availability of your enterprise software. Most property management companies would practically stop functioning if their software were to cease operating. This is why we advocate that you look upon this relationship as more of a partnership than a more traditional customer-vendor interaction.

The company's leadership and future plans are critical to the on-going success of your company. Are the principals of the company actively involved in the on-going development and plans for the company? Do the goals of the company and its future development plans mesh with the needs and goals of your company?

All successful software companies are driven by people who have a passion for improving their products. Is this reflected in your interactions with each of their people? Do they show an excitement about how their software can improve your business?

So, what does it mean to a partnership with your vendor? Foremost, a partnership requires communication—how else can your supplier understand your business? Through regular dialog, you will know the direction your software developer is headed (a danger signal is if they do not have an articulated vision), and

you can provide feedback to help them keep their development priorities aligned with your evolving business needs. A second element is trust; you can better respond to a changing environment if you can make deals on a handshake and know that you will receive outstanding value (performance/price). The right partnership will help you stay ahead of the competition, enable rapid functional development, and ensure the delivery of best-in-class software and services at affordable rates.

#### **DANGER SIGNAL: CHANGES IN THE RELATIONSHIP**

You have completed the process outlined above and found the right software partner for your business. This is not the end of the process, but the beginning of what is hopefully a long relationship. You have continuing responsibilities to monitor the condition of your partner and the quality of your interactions. Unfortunately, there are situations you cannot control.

Two areas in particular to be mindful of are if the supplier goes out of business or is acquired. There are often signs you can observe signaling a pending bankruptcy or business termination:

- the help desk is less responsive (restricted hours, reduced staffing),
- new product releases are less frequent or discontinued, or
- account managers are more aggressive or nowhere to be found.

Rumors in the marketplace will generally precede the acquisition of your supplier. There are more subtle things to look for that can portend a change in ownership of the vendor. Any of the above signs related to company weakness place the supplier in a vulnerable position ripe for acquisition. How about the age or orientation of the owners? Are they likely to be looking for an exit strategy?

Many property management software companies have changed ownership during the last few years. Some of the transactions have been friendly acquisitions, and others have been forced as a result of a bankruptcy proceeding. It is very rare that the new owner shares the objectives or the philosophy of the previous owners.

#### **DANGER SIGNAL: ATROPHY OF THE PRODUCT**

A clear danger signal is that the product you are using is not changing to reflect new technologies and capabilities you need. Some of the warning signs that the vendor is not keeping up with technology include:

- Each new version of Windows brings new capabilities and new issues for software vendors. Does your vendor support new operating systems as they are delivered?

- Another common issue is the user interface of the product does not change to reflect current trends in interface design.
- With customers, vendors and owners depending more and more on web technologies, is your software giving you web capabilities for your business?

#### **DANGER SIGNAL: LACK OF SALES AND MARKETING**

Often, along with lack of new releases and innovation, you will see companies slowly withdraw from the marketplace. What you are seeing is the slow death spiral of a tired company. Lack of innovation leads to declining sales, and lack of resources leads to less innovation. At some point, the company makes the decision to just support existing customers and live off whatever recurring revenue they are receiving.

When a company reaches this point, you are basically stuck with a dying product that may immediately meet your needs, but will not provide you with the technology or business logic enhancement necessary for changing regulatory, financial and technology changes. You are standing on a banana peel poised to slip into the final step.

#### **YOU RECEIVE THE FORMAL NOTICE**

Often you will not receive official notice of a bankruptcy or acquisition until after it has occurred. The standard communication typically contains assurances that you will be better served by this expanded organization, you will have more options (a clever way of obscuring the fact that you will lose many of your current options and may not find the added options attractive), and you should have no reason for concern (often a tip-off to the contrary).

At what may seem the darkest hour, when you believe that you have no choice but to follow the path dictated by your vendor—stop. You have other options to consider. Next month, we will suggest a number of actions and strategies available to you at each of these phases. 🏠

**Lack of innovation leads to declining sales, and lack of resources leads to less innovation.**

