When SME organisations reach the limits of standard software packages

This guide is targeted at small to medium sized UK organisations that are currently assessing their requirement for custom software systems, and considering outsourcing to a software company.

Many Small and Medium Sized (SME) organisations operate within specialist or niche marketplaces. With many working practices and processes being unique to particular market sectors, the need for business software systems is only partly met through standard software packages such as Microsoft Office®. Industry specific practices, as well as the need to increase an SMEs organisational efficiency, result in a raft of custom software applications being required, including:

Quotations and Sales-Order-Processing systems with complex pricing rules	Workflow systems to manage special reporting requirements for public sector contracts
Stock control systems operating within a disparate and complex distribution environment	Management reporting systems collecting data from multiple and wide ranging data sources

However unless your company's offerings are concerned with providing your own customers with software systems, then software development is never going to be one of your organisation's core competencies.

For this reason, SMEs often choose to outsource custom application development to companies that specialise in this area. In fact, trends point to a very strong software outsourcing market over the next few years, particularly amongst UK-based SMEs.

This guide is divided into two sections. This first part looks at how managers within SME organisations can efficiently develop the business case for custom software applications. Part two (available separately from www.kenelmsystems.co.uk/whitepapers.htm) examines how to go about selecting the right software company to produce these applications.

Drawing on over 20 years experience of providing outsourced software development services to over 50 UK companies, the author of these straightforward guides provides a useful insight into how successfully to manage both the selected outsourcing partner and interested parties within your own organisation.

Part One

Justifying your company's need for custom software

"What's in it for me?"

When justifying the requirement to use custom-written software, you will need buy-in from several groups of people within your organisation. Depending on cost involved with developing this software you may need to put your sales hat on and develop some form of business case.

A common mistake made is to assume that the business case should be presented to each interested party in the same way.

Each interest group within your organisation will have its own set of priorities and decision-making criteria. In its broadest sense, these interested parties can be categorised into three groups:

The Users
Focus on Functions

"What can I do with it?"

The Managers
Focus on Advantages

"How is this operationally better than my current system?"

The Board of Directors
Focus on Strategic & Fiscal Benefits

"Why should I invest in this?"

So, determine the way you articulate your justification for a software project based on who you are dealing with, and remember that different groups will naturally focus on different areas of your business case. Put yourself into the shoes of each group and adopt the mantra "What's in it for me".

Back of a fag packet or a complete ROI study?

With the financial and people resources that large organisations can call upon, a business case can be developed by undertaking a detailed ROI (Return-on-Investment) study.

Teams of business analysts are employed to investigate every aspect of a proposed software application development project. Their job is to identify, test and document all of the tangible and intangible benefits that will be incurred from implementing a new system.

Working for an SME company, the likelihood is that you just don't have the financial resources, time or staff available to undertake such an exhaustive and expensive justification process.

This accepted, it does not mean that you cannot devise a business case justification process that is appropriate to the size of your organisation and the resources that you can call upon.

In these circumstances, it's definitely best to start off small and add layers of sophistication over time.

Where do you begin and what do you do? Here are a few indicators that we have found to be particularly effective for SME companies:

(**Definition** – The term "metric" in the context of this guide is defined as a business measurement, created as a result of implementing a custom software application. Examples could include reduced administration time, lower stock levels, greater sales volume or a faster delivery service).

Get ahead of the game.

The bedrock of developing an effective business case is selecting the most appropriate metrics. If metrics haven't yet been defined within your company, be the first one on the block. You'll get more input into what and how you measure and how those measures are used.

Make sure you know what's important to your boss and his / her bosses

Sometimes managers will have favourite projects or departments. If you can establish a link to one of these fast-track initiatives, your business case challenge may become a far easier task.

Measure what's important, not just what's easy.

Your new custom application will probably impact several sides of your organisation. Be sure to consistently measure those elements that have the greatest effect on your organisations overall stated goals and objectives

The executive summary is your best friend

Of course your business case should be as comprehensive as time and resources allow. However, most decision makers don't have time to wade through the data. They want to know the conclusions and how you got there. This is your opportunity to frame the discussion.

Ask for help

Following the "What's in it for me approach" mentioned earlier, ask decision makers and accountants how they make their decisions and what information (and data) they find helpful.

Keep it simple and keep it up

Consider what you can do with a small number of consistently applied metrics. Far better for your business case (and your own sanity!) to consistently use a small number of metrics rather than using a changing set of metrics over time.

Don't fall into the trap of relegating your business case document to a bottom drawer once you have the go ahead for your software project. The business case should be a living document and continually updated before, during and after the implementation of your software application. After all, how do you justify the development of your next software application if you can't point to the planned and realised benefits associated with your last project?

About the Author:
This paper was written by Godfrey Philbin, a veteran of the software industry with over 35 years experience. For more than 20 years, through his software company Kenelm Systems, Godfrey has helped numerous SME's to thrive through adopting robust and flexible custom software solutions.

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