

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. The first part (available separately from www.kenelmsystems.co.uk/whitepapers.htm) looks at how managers within SME organisations can efficiently develop the business case for custom software applications. This second part 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 Two

Shrewdly selecting a software company

It's not all about the cost

The decision to outsource is not purely an economic consideration. The ability to react to changes within your organisation or market with timely delivery of quality custom software can provide you with a competitive advantage.

To determine whether it makes sense to outsource, you must understand what makes for a successful outsourcing partnership

Developing software can be difficult, time-consuming and expensive. Choosing the best strategy for getting the job done can be complicated. Simply evaluating the long-term costs - the proverbial "Total Cost of Ownership" - can be next to impossible as one is building something new.

Software companies can recruit and pay the best employees in the field. As a result, they can succeed where other solutions fail. The downside can be cost. The hourly rate of software development, particularly from the larger software development companies that have bigger overheads, may seem excessive.

However, because of the quality that you receive - meaning less maintenance costs - and shorter development time, the overall project cost typically ends up being the preferable option compared to employing and managing your own software developers.

Moreover, the software company will provide quality project management, which is something that tends to stretch resources if an SME develops its custom applications in-house.

However, as with any industry, there are good and bad software companies. There are also software companies that are not properly geared to satisfy the demands and requirements of SME organisations.

Use the checklist and questions listed below to identify the software company that is right for you.

Part-time or Full-time Services for Hire

Do you have a "day job"? Are you moonlighting?

Solo Practitioner or True Consulting Firm

What do you mean by the "we"? Are there any other people who work at your company? Are they employees or contractors? What are their names, specialties, and backgrounds? How long have they been with the company? Will they be involved with this account?

Small Business or Large Company Experience

What "size" is your typical client, in terms of number of PCs, employees, and annual revenue?

Generalist or Specialist

What industries have you worked with and in what particular aspects and software applications? What types of products and services does your company shy away from? Do you work with specialty vendors?

Reseller, True Consultant, or Hybrid

Does your company resell products, such as hardware and software? Is this a "profit centre" or do you mind if we shop for our products elsewhere? Are there any other vendors, such as ISPs or telephone companies that your firm acts as an agent for?

Costs and Billing Practices

What are your payment terms, rates, and minimums? What type of work is billable vs. non-billable? How do you charge for travel time? Phone support? E-mail/online support? Remote support?

**Reference
Accounts**

Can you tell me about one of your more long-term accounts?
Can you tell me about a client who didn't work out and why?
Can you provide references?

**Training Approach
and Philosophy**

How do you feel about handholding? What kind of user and technical training can you provide? Will you train our internal computer administrator to become more self-sufficient, even if it takes away from your "job security" and revenue opportunities?

**Fancy Cars, Fancy
Offices or Spartan
Business Model**

What kind of overhead is built into your rate structure? What am I paying for?

Don't fall into the trap of hiring a computer consultant or consulting firm that isn't a good fit for your organisation. Be sure to use some of these questions as the basis for making a more informed "hiring" decision. And if you have any doubts, don't be afraid to seek out a second opinion.

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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