



The Importance of a Software Development Partner for SMEs?

Small and Medium Enterprises add up to a significant percentage of the new private sector companies all over the world. Over the years, the enterprises belonging of this sector that have stood out and emerged as leaders in world economy have had at least 2 things in common - relentless focus on the fundamentals of their businesses and an uncanny knack for identifying and riding on a market/technological wave. Meanwhile there is another common thread that connects them all, and has been witnessing an exponentially rise in its relevance - information technology as an enabling factor. Given its need and dependency, it now seems to be very much in the interest of these enterprises to figure out the 'hows' of leveraging it to the hilt; not only for existence but also for developing the competitive advantages.

Thus, not surprisingly, one of the first questions that gets discussed in any SME nowadays is: "How do we meet the software needs of the company?"

Developing software in-house is definitely an option worth considering. But it can only be pursued by trading off against investing the resources in the core business activities. Also, software development is a specialized field. It consumes time and resources to build capabilities and requires constant upgrading to avoid the risks of oblivion. For those deciding to avoid the hassles, the alternative course lies in the outsourcing of all the software development work to a partner who has the required capabilities. The challenges in this approach are quite different and begin with the most important one – having the right evaluative criteria to identify the partner who would fit-in best.

This whitepaper discusses the relevance of why it may be a better ploy to choose a software development partner for an SME. We have mentioned the factors we believe tilts the balance in favor of the second approach for an SME - outsourcing software work to an able partner.



Company Tenure

The length of time a software company has been in operation indicates how well it can adapt to the shifting demands of the industry and its clientele. It essentially means that the investment they have put in software engineering and the associated processes are robust. A company that has existed successfully for a reasonable period of time automatically ascertains the benefits of expertise and flexibility in their engagement; factors that are needed at the first place for it to achieve a longish tenure. They are expected to be well versed in their trade. The quality of service expected from such a partner is of a high level.

For SMEs, defining and implementing core business processes forms the basic blueprint for strategic growth. Core processes are the solid bedrock on which a company functions and should thus focus on. This is why the formation of internal development teams is not necessarily warranted. It places a huge strain in terms of time and money to build the right team, match that talent to the right management, and expand the team as new skills are required; in short act as a proper software development company of a certain quality ought to. This is not a one off act but one that requires ongoing investment and commitment. If left to be managed by a trusted partner, who is equipped enough, it is bound to save the SME a lot of time, resources and headache.



Technical Knowledge

A partner can provide quick access to technical skillsets with both depth and breadth of expertise. This is possible only because it is their core area of work. Building such capabilities require a lot of effort in terms of time and money. Securing aptly skilled professionals always comes at a high cost. While depth in technical knowledge has always been considered precious commodity, the rapid pace of change of the software industry has put forth breadth as another component of high value. To be good enough to match up to the needs of the fast evolving industry, software companies are required to possess both these dimensions.

Now, how prudent is it for an SME, whose core area of work could be completely different from software, to invest in building such capabilities! There is also the risk of getting stuck with an in-house team in case they fail to adapt to the industry changes at the pace needed. SMEs need to be on their feet to capitalize on opportunities in their marketplace. An in-house team that is not nimble enough or comprises of highly skilled niche individuals will deprive them of the agility they will need to capitalize.

Pulling in specific technical skills through a development partner mitigates the need to support the growth of technical knowledge in-house. Infact the services of multiple outsourcing providers can also be availed if the needs are varied and require immediate responses, thus enabling the SMEs to be in a better position to achieve their desired results.



Expense

The overall cost of establishing a software team is quite high, and it stretches in terms of the outflow that is needed for its up keeping. It has many facets to it. There is the cost attached with the hardware i.e. laptops, desktop computers and peripherals. Then there is the licensing cost involved in procuring software as well as the required cloud services. The other, and the more critical one, involves hiring the required people and investing in their development in terms of certifications, trainings, conference visits and the likes. Securing the good talent is an expensive affair. Besides offering them competitive remuneration packages companies also need to offer them challenging work to keep them engaged. Companies might also have to deal with situations wherein they are compelled to maintain a team, and bear all the related expenses, inspite of drying up of software related work.

These expenses can quite well make a dent into the annual budgets of SMEs. Outsourcing offers the privilege of flexibility, for ramping up and down of resources, and of getting access to the exact type of technological experts to handle work needs and fluctuations in their generation. This can save the companies of a significant drain of money. The concept of pay-per-use has its absolute application for infrastructure needs already. Variants in partner engagements models allow its application on the people front as well.



Domain Knowledge

Seasoned developers with a track history of successful project execution in the same domain can recommend the best of the industry practices while offering solutions. In addition to pure technical specialization, domain knowledge helps in gaining a thorough understanding of business; critical for both, offering precision in technological solutions and identifying opportunities for improvisation.

Without doubt, it becomes a significant advantage for an SME if its technology partner can bring in informed opinions to the table during discussions and execute projects with a strong understanding of their effectiveness from a business viewpoint. It generally translates to better and faster identifications of gaps, thus avoiding disastrous steps in the wrong direction. Also, the best of the industry practices get interwoven into the solutions that are developed, courtesy the knowledge base that exists with the partner.



Crisis Management

An increasing pace of technological change and its demand for quick adaptation has increased the intensity of volatility and uncertainty that is experienced when crises hit.

In-house developer teams are culturally aligned and therefore susceptible to greater stress when their company is confronted with a major roadblock. Also, their experience of handling software crisis is likely to be limited, both in terms of the numbers and types, given that their overall exposure is going to be limited only to work that is related to their company.

A well-established outsourcing company, on the other hand, generally comes with a broader experience base. This happens as a result of their dealing with multiple clients, and so they possess the experience of handling larger and wider range of crises. Also, as an outside yet functioning component of the SME structure, they are more likely to not get bogged by such situations as much as an in-house team otherwise would be prone to. Thus it positions them better to bring in more objectivity to problem-solving.

As the outsourcing relationship evolves with an SME, the ability to perceive, and later even preempt, crises gets better and contributes significantly to lessening of the ensuing negative impact. This allows the SME to actively manage its problems effectively.

Operational Efficiency

Efficiency is simply not just a reduction of overall costs and deploying the right amount of resources at every constituent process in the overall system. It also encompasses effectiveness, i.e., the ability to recognize where talent is being used in a suboptimal manner and then repositioning that talent so as to improve the overall outcome.

This can be an extremely challenging task for SMEs. Their scale deprives them of the luxuries otherwise enjoyed by larger enterprises. For the later, efficiency plays a significant role in reducing costs. For the SMEs efficiency could mean the difference between existence and shut down.

Roles in the software field have transformed over the years and new ones have emerged as a response to the need for efficiency. DevOps is one such concept which has shown considerable promise and continues to deliver excellent results.

SMEs need to decide whether it would be a worthwhile investment of their resources to build such operational competencies in a field which for them would not be a primary function. An easier way out would be to leave their partner to deal with such headaches and rather focus on building efficiencies in activities that drives their own engines.

Summary

SMEs face the inherent need to optimally utilize the limited resources they possess to give themselves the best opportunity to grow.

If the benefits of outsourcing to a partner seem businesswise prudent, then caution needs to be exercised in its execution. Just identifying a player is not good enough for the purpose. One runs the risk of being limited by the capabilities of the services provider in such cases. It needs to be ascertained that the partner is doing enough to keep pace with the technological innovations that are happening in its field and investing enough in developing the capabilities of its people. Besides that, exploring various models of engagement is also an important aspect of any partnership. Owing to its direct impact on cost, flexibility is a key factor to be considered for this.

As it seems evident, SMEs that decide to implement outsourcing strategies, can gain by simplifying their operational structures and deploying their key talent to build the core competencies required to drive growth. How much an SME truly gains out a partnership with a software development company is directly proportional to these factors mentioned above.

