

Are you in the Software Business?

By
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The key to managing a successful organisation today is recognising that the success of your operation is highly dependent on your ability to gain competitive advantages using information systems. This is relevant for all sectors, including public services, as well as for internal divisions within large enterprises. Information systems are based on software and a large portion of the software is often implemented in-house by the organisation itself or by consultants. Consider the following three questions:

1. *Do your customers use your software?*
2. *Is your software business-critical?*
3. *Is your software valuable?*

If the answer is YES to any of these three questions, you are in the software business and should manage your software as products, independent of whether your external customer offerings are related to software.

In answering these questions an information system usage model emerges that describes the software business in relation to internal and external information system usage.

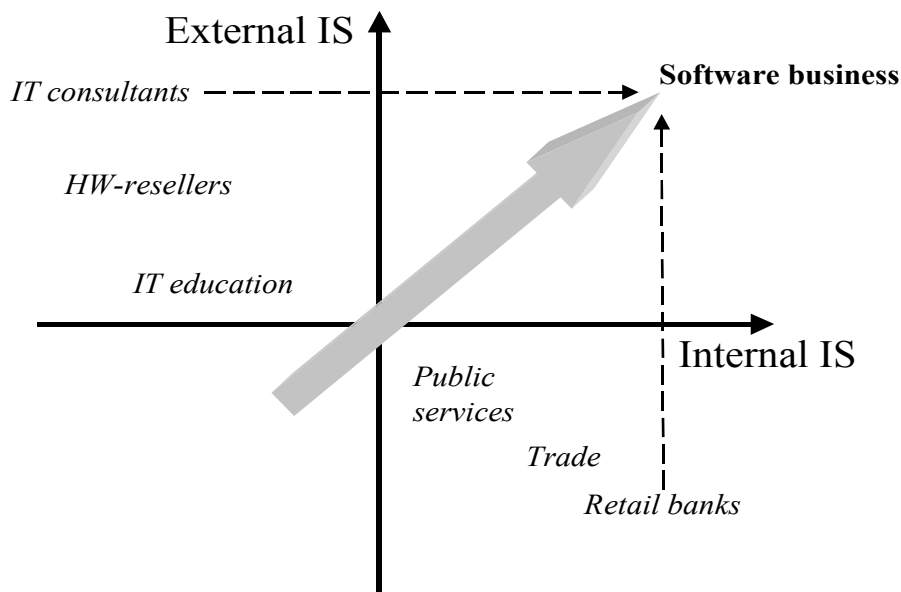


Fig. Information System Usage Model

1. Do your customers use your software?

An increasing number of customers are using their supplier's software on a regular basis. The major driving forces are:

- a) *Increasing level of self-service.*
- b) *Increasing level of embedded software in electronic equipment.*

The *increasing level of self-service* is achieved using the Internet as the service distribution channel. When accessing an interactive service via a web page, you are using the supplier's



software. Another area of software supported self-service are call-centres and interactive services using traditional telephones. Typical examples are financial services, travel agents, government services, bookstores and telecom providers.

The *increasing level of embedded software in electronic equipment* is driven by the demand for competitive advantages in electronic products built on an increasing level of generalised standard components. The competition is moving from the common set of basic features towards user interface and extended functionality, often achieved through vendor specific software. When operating the equipment, you are using the supplier's software. Typical examples are cell-phones, TV-sets, game-boxes, cars and vacuum cleaners.

2. Is your software business-critical?

An increasing number of organisations are heavily dependent on their software. Bad software quality is a major risk for the organisation and will often lead to high operations and maintenance costs. Software dependency may occur in different areas.

- a) *Customer deliveries or usage.*
- b) *Front office.*
- c) *Back-office.*
- d) *Competitive advantages.*
- e) *Business intelligence.*

The impact of a major software failure in any of these areas will typically be classified as somewhere between critical and catastrophic.

3. Is your software valuable?

An increasing number of organisations are investing large amounts of money in software development. It is obvious that the software constitutes an increasing share of the organisation's core assets. In certain cases, probably more often than you think, the organisation's core assets will be evaluated with respect to external value in the context of:

- a) *Change of business strategy*
- b) *Partnership*
- c) *Insourcing/outsourcing*
- d) *Acquisitions and mergers*
- e) *Bankruptcy*

Protecting your software investments means safeguarding the external value of your software product.

4. About Plogen

Plogen is a Norwegian consultancy company offering a wide range of professional services related to software product management.

<http://www.plogen.no>