

# *Software Survey - Analysis*



*19<sup>th</sup> November 2001*

## **1. Background**

A survey was commissioned in May 2001 to gather information on how businesses source their software solutions and the suitability of software solutions to business needs and requirements. The survey was conducted using both online and telephone methods during June, July and August 2001 and targeted senior business executives.

## **2. Coverage**

There were a total of 38 respondents to the survey, mainly from Ireland, UK and Europe. Each respondent managed on average about 10 direct reporting staff and were employed by organisations with an average of 715 staff. The responsibility of the vast majority (81%) of respondents was either to Recommend, Influence or Approve purchases or else to Allocate Budget.

## **3. Executive Summary**

The vast majority (79%) of respondents admitted that information systems software is a key to driving their business. Ironically, 45% also admitted that their current software applications are deficient and 60% stated that in many areas of their business, information is not flowing freely enough to get the work done. Furthermore, two-thirds (64%) indicated that their business processes are becoming more complex as their business becomes more integrated, such as with customers, suppliers, partners and employees, and as a result they believe that customised software solutions are delivering better results.

<b>Information Systems are Key</b>	<b>79%</b>
<b>Current Software is Deficient</b>	<b>45%</b>
<b>Constricted Information Flow</b>	<b>60%</b>
<b>Increasing Integration</b>	<b>64%</b>

The results of the survey are not surprising. The feedback received during the survey backs up the remarks that the business community have been making for several years. Senior Business Executives recognise that there are deficiencies with the software packages they implement, and in many cases at great cost, yet they know that their businesses would perform better still with “better” software. This is an opportunity for businesses to grasp. Smart software can be layered over the software systems already have in place to provide the “better” software that’s needed.

## 4. Findings

- according to 79%, information systems are a key component in the running of businesses
- 45% said that current software applications are deficient
- 21% indicated that they source simple solutions from external parties, but 64% stated that they source from external parties for their complex solutions
- 69% require custom solutions and 40% of these are being sourced externally
- 65% do not manage their business processes actively
- 60% stated that in many areas of their business, information is not flowing freely enough to get the work done
- 85% stated that their applications were not ideal
- 76% will be investing in software for a simple business requirement
- 61% will be investing in software for a complex business requirements but most of these (60%) stated they did not have a budget allocated
- 77% of businesses are not satisfied with their large software packages
- 71% realise that there is more cost in using software than just paying for the licenses
- 53% believe that the total-cost-of-ownership (TCO) for packaged software is less when compared with custom software. However, 37% believe that total costs are the same.
- 24% stated that the main benefit with packaged software is that it is very well supported and a low 16% stated that it allowed them to follow a standard
- to improve information flow, 69% source a new solution. A very substantial 45% use a custom solution, with 24% of this outsourced to an external supplier.
- the IT workload has increased over time and 55% are using external parties to satisfy that
- 32% of respondents have an awareness of software concepts such as object technology, components, re-use and iterative development.

## 5. Analysis

- 79% of respondents stated that current software applications in use are essential to their business, and a further 18% stated that they were aids to the overall business. This puts information systems as a key component in the running of businesses. Although this finding was to be expected, the level is very high.
- 45% stated that current software applications in use were at least deficient in some areas. However, 16% stated that the current software applications are ideal for what they need to do and a further 34% stated that they are satisfactory. Thus, there would seem to be an average level of satisfaction (50%) with current applications. This finding highlights that the suitability of software applications degrade over time as business requirements change. Thus, those that are satisfied now are likely to have more recent systems and are likely to become more dissatisfied in the months and quarters/years to come. Nevertheless, 45% is a substantial level of software deficiency.
- For simple business requirements, 16% used their IT department to build a custom solution and 8% used an external party to build a solution that was customised for their exact needs. This low level of 24% is to be expected as simple business requirements can be satisfied by standard packages and programmed where necessary to deliver the required results. A further 58% bought a software product from a well-known vendor and installed it themselves and a further 13% bought a software package that was then customised by an external party to suit. Overall, 21% stated that they source their solutions from external parties.
- For complex business requirements, 16% used their IT department to build a custom solution and 11% used an external party to build a solution that was customised for their exact needs. Thus, only 27% are using custom solutions, and less than half of these (40%) are being sourced from external suppliers. 16% bought a software product from a well-known vendor and installed it themselves and a further 53% bought a software package that was then customised by an external party to suit. Overall, 64% stated that they source their solutions from external parties.
- 26% stated that their company utilises Business Process Mapping techniques and tools to drive performance improvements. 26% stated that their company didn't but a surprising 39% didn't know. It is therefore likely that the vast majority of companies do not manage their business processes effectively. This implies that increased levels of automation are needed in most businesses, both to deliver effectiveness and efficiency.
- 60% stated that at least 25% of their current business processes does not have freely flowing information, at least not enough to get the work done. This is a substantial portion of the total amount of business processes in operation, about 15% in all. 11% stated that most of their business processes have free information flow. It is likely that improvements in information can be made across the board, as this 15% is likely to only be a portion of the complete picture.
- 11% stated that current software applications are ideal for what they needed to do in the key business functions in terms of matching business processes closely. However, 71% stated that current applications did so only reasonably well and 14% said they were deficient. These answers contrast somewhat to the earlier question that found that 45% were deficient. However, overall a large proportion (85%) stated that their applications were not ideal.

- 24% stated they will need at least 1 new software solution for a simple business requirement in the next 12 months, and a budget is already allocated for this. A further 11% stated they had a need and a budget was allocated but they did not know when it would be sourced. A further 39% stated they had a need, but did not have a budget allocated. Only 21% stated they did not have a need. This shows that a very healthy 76% will be investing in software for a simple business requirement. However, most of these (51%) did not have a budget allocated.
- 19% stated that they will need at least one new software solution for a complex business requirement they have in the next 12 months, and a budget is already allocated for this. A further 5% stated they had a need and a budget allocated but did not know when. A further 37% said they had a need, but did not have a budget allocated. A sizeable 34% said they did not have a need. This shows that a very healthy 61% will be investing in software for a complex business requirements area. However, most of these (60%) did not have a budget allocated.
- 11% stated that large packages gave them everything that they wanted. 45% stated that large packages needed to be coaxed and a further 32% thought that large packages are far from perfect and must be lived with, warts and all. Thus, a vast majority (77%) of businesses are not satisfied with their large software packages.
- 16% stated that custom software solutions are needed on a regular and increasing basis and 53% got custom software solutions from time to time for specialist areas. 21% never use such solutions. Thus, the majority (69%) of businesses have a need for custom-built solutions.
- 29% stated that the main portion of software costs, in terms of total-cost-of-ownership (TCO), are for licenses. 16% stated that the main costs are for maintenance. 34% stated that the main costs were for the implementation. And 16% stated that the main costs went on the ongoing time that is consumed by staff when using the software. There is no clear opinion as to where the main costs go when acquiring software. It is heartening to hear that only 29% select licenses as the main cost portion when acquiring software and a further 16% realise that software is costing them further when it contains inefficiencies for their staff. This at least shows that businesses realise that there is more to running software than just paying for the product itself.
- 53% stated that the total-cost-of-ownership (TCO) for packaged software is much less than for custom software. However, 37% stated that the TCO for packaged software and custom software are equivalent. Only 5% stated that TCO for packaged software is much greater than for custom software. Therefore, packaged software is seen as a lower cost option than custom software by the majority, but a sizeable proportion see the costs as being equivalent.
- 24% stated that the main benefit with packaged software is that it is very well supported. 34% stated that because other customers use the same package, software costs are shared and hence the price is lower. A surprisingly low 16% stated that it allowed them to follow a standard. And only 11% stated that it allowed them to benefit from improvements made with each release. There is no dominant benefit for packaged software apart from costs and the expectation that support would be easier to come by.

- 29% stated that their business was not sufficiently complex to require investment in custom software. 34% stated that they had complex requirements but that these were satisfied by packages. 21% stated that they would use custom software in some areas, such as integration. 11% stated they had complex areas that custom software would meet. These figures show that 32% of businesses are in favour of acquiring software that is custom built. However, a substantial (63%) did not have that need or inclination.
- 47% stated that they would be interested in custom software, if it can be delivered with the benefits of a product and at a suitable price, but they would still have questions. However, 42% are mainly interested in products.
- 16% stated that they would adjust the information flow to their suppliers and customers by regularly adjusting their packaged software, and this was working fine for them. 11% stated that they also do this but it was cumbersome and expensive to do so. 24% stated that they source a new product and integrate it when they have to do this, 34% stated they use their IT dept to build a custom solution and 11% use an external party to build a custom solution. Overall, to improve information flow, 69% source a new solution. Of those that didn't, 41% found it awkward. A very substantial 45% use a custom solution, but only 24% of this is outsourced.
- 39% stated that their IT departments were getting larger. 50% stated that they were outsourcing tasks to external parties and their IT dept are either staying the same size or are shrinking. Only 5% stated that they have outsourced their whole IT dept. Overall, this indicates that the IT workload has increased over time and the majority (55%) are using external parties to satisfy that increasing demand. However, there is likely to be a proportion of the 39% that also use external parties.
- In terms of packages installed, of those that replied, only 50% stated they had packages for Office, 26% had ERP packages, 18% had CRM packages and 0% had SCM packages. 16% had other types of packages installed. This indicates that most businesses do not have large packages installed, or else the senior executives do not realise this!
- In terms of familiarity with software concepts, 26% stated that they were familiar with Object Technology, 32% stated they were familiar with Software Components, 21% stated they were familiar with Software Re-Use and 24% stated they were familiar with Iterative Development. However, 8% stated they were unfamiliar with all of these. It is heartening to know that quite a few are at least familiar with one of these terms and 21%-32% is a substantial level of awareness. However, it should be caveated that this question did not ask respondents to outline their understanding of a particular concept, so the actual awareness may be less.

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