



ANATOMY OF A SOFTWARE HOUSE

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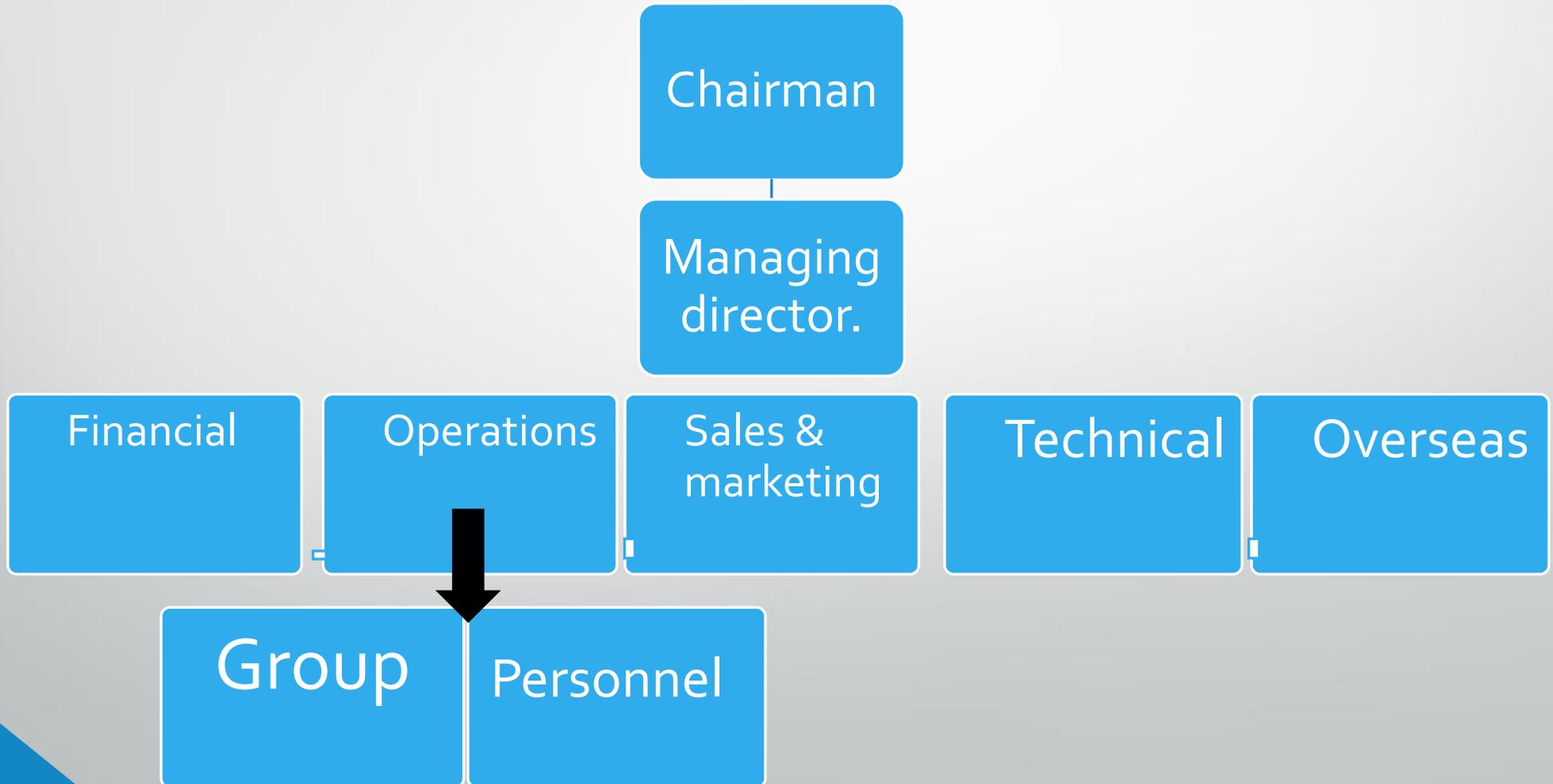
OUTLINE

- **Introduction**
- **The Company (Software House)**
- **Structure of Company**
- **Management of Staff**
- **Producing the budget**
- **Monitoring Financial Performance**
- **Long term Planning**

The Company (Software House)

- A Hypothetical Company (based on possible ideas or situations rather than actual ones.)
- Syniad Software Ltd was founded some ten years ago by four friends.
- All four are members of the Board of Directors, along with two others who were recruited later.
- The company specializes in the production of bespoke software for clients who demand work of high quality.
- Syniad's head office is in London. Other offices are in Manchester, Delft, Netherlands.

Company Structure



Operations Director

- The Operations Director is responsible for all the revenue-earning operations of the company.
- It is his job to ensure that all projects are completed satisfactorily
- And resources are available to carry out the projects that the company wins.
- The personnel reports to him.

Technical Director

The Technical Director is responsible for:

- Quality management.
- Research and development.
- Marketing at a technical level (e.g. arranging for staff to give papers at conferences)
- Technical training (as opposed to training in, say, project management or presentational skills, which are the responsibility of the personnel function).

Syniad's Organizational Structure Type

shows elements of all three of the types of organizational structure.

1. Functional division of responsibilities
2. Geographical element (represented by the director responsible for overseas operations)
3. Centralization and decentralization have little meaning (Centralized policies and procedures are widely used but they have usually been developed within one part of the company and Have been adopted by general consent.

Management of Staff

New employees (OUTSIDER) vs. Old employees...

Staff Appraisals:

- Employees' achievements and contributions to the company were properly recorded.
- Staff knew what was expected of them and what they needed to achieve to gain promotion.
- Proper plans for training and career development were made and regularly reviewed.
- Employees were aware of the company's opinion of their performance

Producing the Budget

Staff in the company are broadly divided into

1. Technical or Revenue earning staff and
2. Nonrevenue earning staff

Both require different capital to work.

Monitoring Financial Performance

- Monitoring Syniad's performance against the budget should, in principle, be straightforward.
- Each month, the income and expenditure under the various heads are compared and, if significant deviations are observed, corrective action is taken.
- In practice, this simple procedure presents many difficulties.
- To monitor financial performance, the company focuses on:
 - Cost & Revenue
 - Project costing
 - Sales

1. Cost & Revenue

A major problem is caused by random fluctuations, themselves the product of many individual factors, for example:

1. Annual Budget and Staff hiring
2. Large projects cause deviations in the Budget
3. Fixed Price Project Estimation

2. Project Costing

- Because of these difficulties in monitoring the overall performance of the company, Syniad also tries to monitor the financial performance of individual projects, through a project costing system.
- The costs and revenue of each project are calculated each month and the cumulative gross margin (i.e. the difference between total costs and total revenue to date on the project) calculated as a percentage of the total revenue.

3.Sales

- The budgeted increase in revenue derives partly from increased charge rates, partly from better staff utilization, and partly from an increased number of staff.
- All these factors are influenced by the forward sales position, that is by the staff required and the rates earned on the work to which the company is committed in the coming months.
- Two reports are used for assessing and monitoring the sales position.

3. Sales (conti...)

1. The confirmed sales report shows, for each grade, the number of staff in that grade who are committed to contracts in each of the following twelve months and the total expected revenue from that grade in each month.
2. The sales prospects report shows, for each sales prospect, the potential value of the sale, its likelihood, and the likely start date.

Long Term Planning

- Strategic Planning for the Future
- The ability to plan strategically and to achieve strategic objectives is the hallmark of well-run, successful companies.
- Strategic planning in Syniad has two related aspects.
 1. The first is to identify appropriate long-term goals
 2. The second is to identify and formulate plans to overcome those problems that are inhibiting it from attaining these

Long Term Planning involves

- Expansion Plans
- Company Image
- Product mix (Fee based revenue vs. Package Software)
- Finance (under-capitalization)



THANK YOU!