Chapter 2.13

The Creation of a Commercial Software Development Company in a Developing Country for Outsourcing Purposes

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ABSTRACT

SDC has financial services knowledge with cross-industry technical skill capabilities. Their emphasis is on advanced development techniques and tools. The model they used is proving to be successful for all parties and the growth process had provided them with invaluable experience and expertise in the HR transformation. The lesson they have is that they need to ensure that they have a strong presence in the market.

INTRODUCTION

Some case studies are qualitative while some are not. Custom also has it that not everything is a case, but firstly having established the criteria for case studies, it was therefore decided to subsequently follow the case study method. This was also done because the authors felt that the creation of a software development company (SDC) justified a case study. This was further motivated because there has been a growing interest in the use of qualitative techniques in the administrative sciences and the case study could do justification to research.

This case study will therefore report on the creation of a software development company (SDC) in South Africa using a detailed description of interrelationships between perceptions of what is happening in developing countries and what is happening in developed countries. The case describes the scenario and contributions stemming from the methodological point of view. The case study also illustrates points such as the value of

following a structured method of establishing a methodology for starting such an SDC. The need is discussed for context specific measures of the characteristics for an SDC and the reporting of process measures while establishing an evaluation of the SDC that is being created. Also the need to explore the necessary relationships between the clients and the systems that are created and the perceptions of the clients are discussed. This is because the unidirectional assessment of the SDC can impact on the users and user characteristics and on computer software implementation. Despite the normative nature of the SDC the most important conclusion is the desirability for a variety of approaches to studying SDCs. No one approach to SDC research can provide the richness that information systems research needs for further advancement of the skills in a developing country.

INFORMATION SYSTEMS IN SOUTH AFRICA IN CONTEXT

South Africa is a medium sized country, 471,000 square miles at the southern tip of the African continent with a population of some 43 million people. Relative to the rest of Africa, South Africa is substantially industrialised. The Republic of South Africa is a wealthy country from an industrial and agricultural point of view and computers have been actively in use in South African business and industry since the early 1960s when both IBM and ICL opened offices in Johannesburg. Today South Africa employs computers in every aspect of industry, business, and government, as well as having a relatively high percentage of home computers among the middle class. All the major vendors are present and there is considerable interest in hi-tech.

The business and industrial sectors in South Africa are as sophisticated as anywhere in the world in the use of information systems. South Africa leads the world in deep level mining and supports this activity extensively with computer systems. The country also has a substantial financial services sector that has won international recognition for its excellence in information technology. For example, the First National Bank (FNB) of South Africa was named one of the world's top 100 computer users by *ComputerWorld Magazine* in May 1995 and in July 1996; the same bank also won the prestigious Smithsonian Institute prize for the innovative application of biometrics in their information technology.

Background

Information systems play an important role in the survival of a country and its organisations. Coupled with the lower costs, increased processing capabilities of hardware, and cost conscientiousness of many CIOs and CEOs, it becomes a vital source of deriving efficient and cost effective solutions for organisational problems. A good manager using a well-organised information system enhances any organisation's ability to compete favourably and it minimizes the assumptions and presumptions in decision making that could lead to bad performance and eventually the downfall of the organisation.

In many organisations, information technology (IT) (especially software) also shapes the process of product development. Organisations that are able to adapt new software technology into their development process have often seen increased productivity and improvement overall in product quality. This is why so much emphasis is being placed in South Africa on the correct procedure for software development. This has provided the motivation for many organisations to strive to become a software development company (SDC).

The cost of software development systems, like information systems, stems directly from the cost of resources required to provide and support the functions of systems. The decision to outsource development to SDCs can be a serious strategic change. Therefore, before managers can support

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