

Understanding Your Choices

With Membership/Professional Association Systems

This white paper at a glance

This whitepaper outlines what our experience has demonstrated to be the most important considerations for Professional Associations, Membership, Not-for-Profits and other event-centric organisations, when deciding on whether to 'buy' or 'build' their business system(s).

Specifically this document discusses:

1. What basis do we make such a suggestion?
2. Total cost to implement and support
3. Unique needs and strategic value
4. Time to implement
5. Internal skill sets
6. Domain expertise
7. Calls Industry Standard of 2007
8. Change management
9. Internal bias
10. Conclusion

As a one of Australia's leading providers of IT products and services, we are regularly approached by organisations who are initiating the process of deciding whether to "buy" or whether to "build" the business systems they will be dependent upon. The system would be used to manage their membership recruitment, retention and financials.

In reality, what they are deciding is which approach to adopt. It's rare that the approach is to only "buy" or to only "build" the future system. Instead the approach is based on a weighted mix; for example weighted towards "buy" with customisation of commercial software or weighted towards "build" with custom development based on pre-existing libraries. The addition of variables such as outsourcing and the choice of cloud based offerings make it even harder to compare apples with apples and thus increases the risk of not making an informed decision.

This document outlines what our experience has demonstrated to be the most important considerations for organisations such as Professional Memberships, Associations and Charities ("Member Organisations") to make that decision.

If your answer is no to any of the following questions, then we suggest you should be adopting an approach weighted towards "buy".

1. Do you want your organisation to be a software development business?
2. Do you have the skills, processes and management to be a software development organisation?
3. Are your needs truly unique?



So on what basis do we make such a suggestion?

Firstly, the questions above are not intended to be exhaustive, but rather leading indicators as to whether a "buy" weighted approach is better suited than a "build" weighted approach for your organisation's needs.

A general wisdom built up over the years is that you buy for generic processes and build for processes that differentiate. It's the distinction between generic and differentiated that reveals what you really need, and only then are you able evaluate the true cost-benefit of the alternative approaches.

Important factors for member organisations to consider are:

- Total cost to implement and support
- Unique needs and strategic value
- Time to implement
- Internal skill sets
- Domain expertise
- Change management
- Internal bias



Total cost to implement and support

When comparing the costs between the two approaches, it is important to include all costs over the life of the system. For member organisations, a system life of 7 years or more is not unusual.

	Buy costs	Build costs
License costs	The initial license costs of the software	License costs of the software development tools
Software annual maintenance and support	% of license costs for the life of the system	% of license costs for the life of the system
Software development	Not applicable	Costs related to detailed design, build and test.
Software development maintenance	Not applicable	Costs related to maintaining the software e.g. to reflect changes in legislation or to be compatible with new versions of platform components such as SQL
Platform infrastructure (hardware and software)	Production environment and test environment.	As for the buy approach plus the development environment(s)
Implementation services (external)	All project aspects such as design, configuration, testing, training and data conversion	As for the buy.
Opportunity cost of user involvement (internal)	Internal resources applied to tasks above.	As for the buy approach plus all their involvement during the detailed design tasks.
Ongoing support services	Ongoing support services - being a mix of internal and external costs.	As for the buy approach.

All other things being equal, you would expect the costs of the build approach to be higher than that of a buy approach, given that for pre-built software the overall effort is shared between multiple users of the system. Indeed it has been our experience, that the external costs, the design stage alone for a “build” approach have been substantially greater than the full implementation costs of a bought system. The typical justification of this additional cost is based on perceived unique needs and strategic value.

As a word of caution, we recommend when quantifying the costs above, that you ensure the basis of the costs and related assumptions is clear. We have seen project cost estimates used for decision making, that are grossly incorrect for reasons such as:

- Inconsistent assumptions being applied for tasks that are common across both approaches, leading to a bias to one or other approach; and
- Materially underestimating the effort involved especially for design and development, through a lack of understanding of what is required
- Relying on experience that is not relevant and/or relying on vendor assertions about how easy it is



Unique needs and strategic value

Strategic value in this context refers to processes that differentiate a member organisation. It is not a measure of how important the processes are to the organisation, which would be considered their business value. The requirement for a general ledger with cash book, accounts payable and accounts receivable can hardly be called unique, yet it is absolutely core to most organisations.

We often see member organisations declare themselves to be different and therefore unique in their needs. Most member organisations are different in the services they provide, otherwise they wouldn't exist, however the majority of the systems needed to provide those services are common e.g. membership management, renewals, sale of products to members and event management. Charities may not have members as such, but they do have supporters and sponsors that regularly donate; which functionally is very similar to inviting a paid member to renew their membership.

Therefore, following a "buy" approach may well deliver a system that meets most of your needs without compromising your ability to be different in provision of services. Your decision should then be based on the proportion of needs that are met, the importance of the gap and the ability to customise to meet the gap.

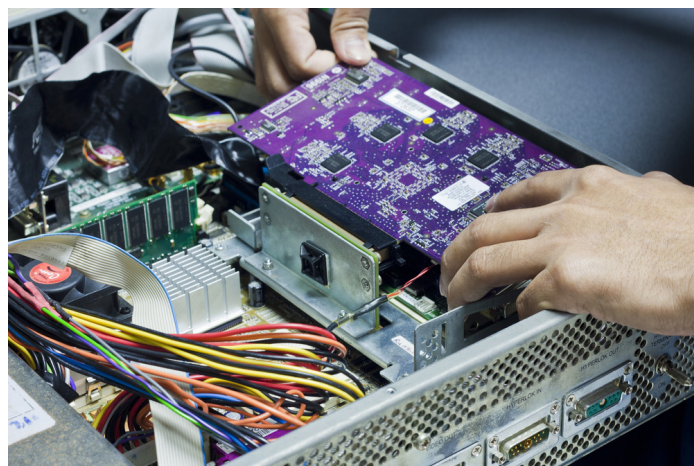
Where your needs are genuinely unique and they provide the strategic value to separate you in your market-place then a "build" approach is effectively the only option.

Time to implement

A comparison of realistic project plans for both approaches will show many tasks to be identical – e.g. acceptance testing, training, data conversion. The "build" approach by necessity includes many more tasks to be performed around design, develop and unit testing. Therefore you would expect a project based on a "build" approach to take longer than one based on the "buy" approach. Indeed if there isn't a difference, it's a clear warning sign that one or both plans are grossly inaccurate.

Internal skill sets

Successfully implementing a system using a "buy" approach requires a member organisation at the very least to have skills around project management, change management and data conversion. In addition to these, a "build" approach requires a member organisation to take on the skills to effectively be a software developer.



This is far more than just hiring some developers for a period of time and represents high risk. Things to consider and manage include the development methodology to be adopted, development processes around source control, version control and bug control, software standards and documentation, maintaining a support desk. These skills and resources are required for the life of the system albeit to a lesser degree once the system is merely being supported.

The risk can be partially mitigated by outsourcing to specialists. In return for taking on the risk, specialists will cost more. Even with outsourcing, strong internal project management skills will be needed to ensure the software development is meeting the challenging objectives of required functionality, on time and on budget.

Domain expertise

In addition to the skill sets described above, the need for domain expertise should also be considered. For member organisations domain expertise is required in areas such as:

- **Privacy** – the legal requirements around managing and using personal information under the Privacy Act and other state and territory legislation
- **Payment Card Industry Data Security Standard (PCI DSS)** – industry standards for dealing with credit card holder information
- **Telemarketing** – the legal requirements imposed under Australian Consumer Laws and the Telemarketing and Research Calls Industry Standard of 2007

Whilst your organisation needs to be aware of these requirements, it's another matter to know them well enough to be able to design and maintain systems to be compliant i.e. the "build" approach. Adopting a "buy" approach simplifies this as the systems will already have the features and functions incorporated in them.

Change management

Change management is a critical component of any project; it's also a component that is often ignored or otherwise under-managed especially in IT projects.

For member organisations, change management can represent an even bigger challenge. The very nature of these organisations and what they do tends toward embedded and static processes. System changes are not undertaken as willingly or as frequently as commercial businesses.

When they are made, they have a bigger impact on the processes and the resulting change management needs are greater.

A "build" approach may appear to be desirable as the new system can be designed to follow the current processes.

However the savings may not be realised as the design tasks can be quite lengthy when trying to define and reproduce current processes. Additionally, inefficient processes get reinforced rather than reengineered, thus mitigating some of the streamlining that can occur during an implementation.

A "buy" approach may appear to be undesirable if there is a perception of needing to change to meet the system. The additional change certainly needs managing, however with best practice being embodied in the software, the reduced risk and reduced process design time is significant.

Internal bias

All organisations have an innate bias towards a "buy" approach or towards a "build" approach. That predisposition should be acknowledged, and the reasons for it understood so that they can be addressed directly. There may be valid reasons for the bias; equally though they may be based on past one-off experiences that are no longer relevant or based on misconceptions. In the worst cases they reflect personal agendas such as perceived career advances. If the organisational bias is not recognised and understood, the decision making process can easily focus on the wrong issues and an unsubstantiated decision made.

Conclusion

Both approaches and combinations thereof have proved to be successful and with proper management will be successful for you. Deciding which approach is more appropriate for you is a matter for deliberation. As you go through the process of making the decision, you need to ensure that you have all the facts, to be clear about what your organisation is and what makes it unique. Taking an objective view and removing the emotion can do wonders for clarifying the decision.



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