

Is it worth being different?



MSM believes that it **stands out** from the software crowd through its culture of total quality, ethical values and carbon neutral operations

A decade is probably long enough for a business to establish its credentials; to follow a course through its chosen market and be judged on its performance. Compared with the average start-up company which statistics show is likely to disappear before its third birthday, any enterprise that can claim to have been in the same trade for ten years merits closer examination.

Enough water will have flowed under the corporate bridge for analysts to assess objectively the company and those involved in its direction.

The fact that Management Systems Modelling Ltd (MSM) launched into the business software marketplace back in May 1998 at a time when the smart money was moving into 'dot com' and telecoms operations, makes the company's launch and subsequent survival all the more appropriate for analysis.

We examine whether this SME developer from the West of England has more style than substance.

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Textbooks proffering advice on managing small businesses weigh heavily on the side of gaining adequate experience – implicitly at someone else's expense – before venturing out independently.

That experience, we are told, helps to avoid the more obvious pitfalls of running a business, such as failing to gauge market potential with sufficient accuracy, or not understanding the fundamentals of managing a company and its staff.

There is also the comfort blanket of a regular salary as an employee before the

model changes and entrepreneurs have to become infinitely more focussed on securing the next contract to pay not only their own salaries but those of their staff.

A cursory glance through the CV of MSM's managing director Thomas Coles would suggest that those standard SME management primers had not featured prominently on his reading list.

Having completed a degree in Computer Science at York University, Coles could have been expected to have gained a good academic knowledge of information technology, probably with a veneer of practical experience from work placements. It would have been the starting point for a career in IT.

His first step on leaving York was therefore par for the course for a graduate computer scientist - an appointment with a UK software house. It was not to be a post that Thomas Coles was to hold

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for long, however: force of economic circumstance found him projected rapidly into running his own business after nine months. While this was considerably less time than the textbook would define as being sufficient to understand the intricacies of corporate management, he had left his employer and was setting up MSM.

Whatever the underlying issues which had prompted the move, the period nevertheless provided a reference frame in which Mr Coles had developed an increasingly clear idea of the business that he wanted to create. More specifically, it highlighted the fact that quite small changes in the way that a business is run make all the difference between financial disaster and financial security.

Too rapid a move?

Within a year of leaving University, Coles had found himself transformed from a salaried member of staff in a relatively established



Running what Thomas Coles had seen initially as a lifestyle company, the MSM team sought out its early customer base from the South West of England where it was located; the majority of the clients being in Devon itself. Drawing its business from a single region, the company had to be prepared to take on almost any software development project that came its way: MSM had to start off as a 'cab rank' business prepared to deliver to all comers.

operation to being the MD of a start-up software business in Exeter. Were the new business to have been founded solely on the skill set of Thomas Coles, questions could have been raised in the marketplace whether the business had a sufficiently broad base of resources to ensure its longer term success.

Could a potential client engaging the new company have reasonable confidence that the business would be there one year or even five years down the road to ensure continuity?

An investigation of the new MSM would suggest that – subject to the volume of business being adequate – the company had the wherewithal to succeed. In terms of commercial experience, the enterprise was underpinned from the outset by George Coles working as FD. Mr Coles is Thomas's father and the founder of a number of substantial businesses over the years.

Clients monitoring the company's development would have been encouraged to note that, as the business expanded, additional skills were drawn into the business at the highest level. Six years on from the launch, for example, Geoff Rowlings, a widely experienced project manager, joined the top-table team as the company's Delivery Director.

Sevenfold increase in decade

Management Systems Modelling has outperformed its genre by growing from its initial team of five - which included the founding directors – to three dozen staff as it reached its tenth birthday in the first week of May 2008. Throughout that first decade, it has supplied what the company's management describes as premium quality business solutions.

Thomas Coles and his colleagues are rightly keen to stress the quality of their work, but quality is surely one goal to which every aspiring software producer has to commit. Developing business software is one of those activities where there is no scope for second best; where a client's operations and reputation can be threatened if a vital IT system fails through faulty software.

The MD explained that the company had set out to price its services at a premium level

Given the lower maintenance and support costs of projects which start off on a quality footing, the total cost of ownership of MSM projects is claimed to be lower than for a less 'expert' development

to ensure that it had the resources not just to aim for quality, but be able to deliver it on every assignment. That question of a premium price was one to which the discussion was to return later.

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The company was later to specialise in a number of key business sectors, but it had been necessary to achieve critical mass quickly. Failure to have done so could have found the business being saddled with the supporting resources needed to achieve the quality goal, but without the volume of business to absorb those costs.

Perhaps unusually for a start-up company, MSM met the targets set out in its business plan for its first year. With the first milestone reached, however, there was the basis for constructive expansion: both profits and profitability would rise if the business could continue increasing its turnover while keeping fixed overheads contained.

Doubled size in two years

Taking the company from five staff to 37 in the past ten years marks a responsive business but not necessarily one that is an outstanding performer: if the business had grown at the same pace as its headcount over the same period, that would have represented a sustained annualised growth rate of around 22%; a figure not untypical of the software sector as a whole.

As half of the growth in staff numbers has occurred in only the past two years, however, the rate of expansion has been much more dramatic recently and that situation was worth investigating further.

Thomas Coles maintains that the high growth rate derives from a compelling sales

The power to convince

“The high growth rate derives from a compelling sales message. We have continued to follow the line of premium quality even if that has meant that we go in to competitive situations with far from the lowest price.”



message. “We have continued to follow the line of premium quality even if that has meant that we go in to competitive situations with far from the lowest price.”

Accepting that premium quality means more than writing programs that have all the correct code, how is this parameter assessed in a way that allows the MSM team to charge more than many of its competitors – it is frequently the highest price bidder - yet continue to win new business?

Simple numerical criteria such as mean time between failures would be one way of assessing a software developer's performance: it is better, of course, to have in place practices which reduce the risk of any failure by several orders of magnitude.

Demonstrating a sound management of business process has therefore proved a more convincing gauge of the company's abilities. The appointment of Geoff Rowlings with responsibility for project management demonstrated the company's ongoing commitment.

Raising the game

Thomas Coles outlined a number of specific steps that would implement that commitment. “During the course of the current trading year we are committed to securing TickIT certification, a quality-management certification program for software that is based on ISO 9001 with industry-specific extensions.

“While we are satisfied that our practices and processes already conform to those standards, formal certification at that level will allow us to target larger companies which have standard procurement questions that they ask their suppliers, and accreditation to standards like TickIT is one of them. As we are growing, and our practices are so good that we can target larger clients, we have to be able to tick their boxes.”

MSM has made a conscious decision to target customers who need Microsoft solutions. The company's management feels that they offer the best price performance. “We are not looking to compete for Open Source projects, which do not easily fit with our message of premium quality rather than lowest price. We have secured Microsoft Certified Partner status for Custom Development Solutions and are aiming for the Microsoft Gold certification later this year.”

Two of MSM's not-for-profit customers:
(right) The National Trust, as illustrated by
Waddesdon Manor in Buckinghamshire.
(opposite): The Eden Project, Cornwall



High profile, large-scale organisations figure prominently: The National Trust, The Royal Society, The Eden Project, and the logistics company TNT are typical of the company's client base. Three of those four operations, and a higher than average proportion of the total client list, are from 'not for profit' (NFP) organisations whose objective is to plough back net revenues into their activities.

Focus on specific sectors

Noting Mr Coles' comments about the requirement for TickIT in securing business from larger customers, it would be reasonable to assume that his company still has to concentrate on the SME community for the majority of its revenue.

The company's current order book and client list would indicate otherwise. High profile, large-scale organisations figure prominently: The National Trust, The Royal Society, The Eden Project, and the logistics company TNT are typical of the company's client base.

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When it was put to him that these 'worthy' organisations might be less critical than commercial clients, Thomas Coles clearly did not agree. "Many are big budget organisations and the people responsible for information technology are highly skilled individuals, most of whom have come from equivalent posts in the private sector.

"Apart from knowing precisely what they require, these experts scrutinise the services we provide more stringently because they are employing donations and sources of funds such as bequests."

Reference has already been made to the pricing of MSM services which positions the company above many of its competitors for these prestige clients. Is that consistent with one of the company's main focuses being NFPs who must surely be seeking the cheapest solution?

"In our experience, the major not-for-profit organisations are seeking value for money even if that means paying a premium rate for the solutions they require. They prefer to spend what it takes to ensure that they are acquiring the highest standard software as that meets their objective better."

Operating as subcontractors to high profile IT solutions developers is a second market for MSM, where absolute reliability is the minimum that those players require in what are often components of much larger strategic systems.

Informed base for selection

As Coles observed, a feature which the IT sector shares with MSM's other target markets is that the prospective purchasers have sufficient knowledge and understanding of software development to accept that the cheapest option is rarely the best value.

"That contrasts sharply with the small business community where price is the dominant factor in selecting a supplier." Financial services account for a large

share of the remainder of the company's turnover: this is another sector that demands value for money in mission-critical applications even if that means the initial investment is higher to secure it.

That is a reasonable argument for the company to make. Seen in the context of the lower maintenance and support costs associated with projects which start off on a quality footing, the total cost of ownership of a project is lower than it would be if a less 'expert' development had to be followed up with increased levels of support.

How far is cost a deterrent?

The MSM chief has stressed the premium pricing of his company's services at almost every turn in the discussion. Does cost ever act against the vendor? "It probably would if we had retained our early strategy of following up every business opportunity.

"Half of our turnover comes from existing clients. This is good practice as it costs less to retain a customer than find a new one. Of the 50% that is new business, nine tenths originates from pay-per-click promotion on the web search engines. Having sought out MSM in this way, we know that these contacts are hot leads by the time we speak with them.

"We then qualify those prospects carefully, seeing perhaps 10% and rejecting

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the remainder on one ground or another." Whether a prospect will have the chance to mature into a client is determined from a flow chart: only if an organisation clears all of the hurdles in the MSM qualification process would it be worth the company pursuing the enquiry.

"We secure a great deal of advantage from telling prospects when we believe we can do the job they require, and admitting when we cannot. It has brought enormous credibility to the company over the years."

Veneer of green culture?

The most casual exposure to Management Systems Modelling would reveal a company that is as strong on its green credentials as it appears to be on the quality and ethical fronts.

Would this 'asset' have been cultured, perhaps, to help the company win business from the increasingly large number of organisations – the public sector in particular – for whom the environmental policies of suppliers now forms part of the procurement process?

Coles addressed the public sector comment first: "That is one marketplace which we prefer not to operate with as, in our experience, there are too many

In the increasingly competitive world of IT services, it would be easy to interpret the stance taken by Thomas Coles on premium pricing as verging on the arrogant. He heads a company which 'appoints' its clients rather than the other way round. That view would be justified if MSM had not secured such an outstanding client base and reputation for quality.

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hurdles imposed by the public sector to make it worth our while."

Any analysis of the business would indicate that its green ethic comes from the personal convictions of its management team. There has been a conscious effort on the company's part to achieve carbon neutrality in its operations.

Its policy, for example, is not to attract overseas clients who would require carbon-emitting travel if they were to be supported. Staff are encouraged to cycle or walk to work, and re-cycling has been standard for several years.

How MSM operates as a commercially successful business while achieving a complete spectrum of green objectives will be examined in greater

detail in the next Energy edition of The Informed Executive.

Has being ethical and green actually won MSM new business? Coles gave a qualified response. "I am certain that it has done so because clients make reference to our approach and use these to differentiate between ourselves and competitors. But we could not easily quantify that in terms of its impact on the bottom line."

Taking a view of MSM

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If MSM had not been so successful in securing business from the most blue-chip of organisations in the sectors they address, such a view would be justified.

To be able to cite its highly impressive client list, however, must go a long way to change any lingering perceptions of the company. Its philosophy on quality cannot be faulted; its green credentials are to be admired.

The odds must be heavily stacked in favour of finding that Management Systems Modelling is being reviewed in these pages on its twentieth anniversary. §

