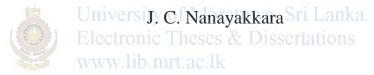
# EXTERNAL CRITICAL SUCCESS FACTORS FOR THE GROWTH OF STARTUP SOFTWARE DEVELOPMENT COMPANIES IN SRI LANKA





The dissertation was submitted to the Department of Computer Science and Engineering of the University of Moratuwa in partial fulfillment of the requirements for the Degree of MBA in Information Technology

Department of Computer Science and Engineering
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## **DECLARATION**

"I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university to the best of my knowledge and belief it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations"

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### **ABSTRACT**

Sri Lankan software industry is still in its tender stage. It is an industry which needs minimum of investment with potentially high returns in a short period of time. Therefore, many small and medium scale software firms have been started. But only a few could grow successfully, while some were struggling to survive and others have failed.

This research attempts to achieve three objectives. The first is to identify the external factors that affect the growth of infant software development companies. Secondly, we wish to identify the most significant factors. The third is to identify the relationship of firm's successes and failures on most significant factors. The focus is on software companies that develop software for the local market.

Based on literature and interviews with industry experts and entrepreneurs, a list of possible factors which may affect the growth of startups was prepared. A theoretical framework was formulated and a questionnaire was prepared to collect data. The sample was selected from among the software companies started between the year 2000 and 2006 having at least one local project completed.

Based on the responses and the data analysis carried out, unavailability of IT workforce, telecommunication, electricity, acknowledging the local products and tax holiday schemes were identified as the most critical for the growth of startup software firms.

It is recommended to expand the IT training capacity in the country to produce required professional workforce. Software development centers can be setup in the vicinity of such training centers to get capable students on a part-time basis. The government can provide an encouraging environment with the infrastructure in place and incentives for startups.

### **Key Words**

Software Industry, Startup Software Companies, Critical success factors

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### LIST OF ABBREVIATIONS

BOI - Board of Investment of Sri Lanka

CDMA - Code Division Multiple Access

CEO - Chief Executive Officer

EDA - Exploratory Data Analysis

GDP - Gross Domestic Product

ICTA - Information and Communication Technology Agency

IPR - Intellectual Property Rights

IT - Information Technology

R&D - Research and Development

SEA - Software Exporters Association

SLASI - Sri Lanka Association for Software Industry

SLCVA - Sri Lanka Computer Vendors Association

SME - Small and Medium Enterprises

SPSS - Statistical Package for the Social Sciences

VC - Venture Capital