

Is Outsourcing Right for You:

Answers to Frequently Asked Questions about Strategic Outsourcing

by Decision Design Corporation

So You're Taking the Plunge?

If you've weighed all your options and decided to build the software you need instead of buying it pre-made, your next step is to figure out how to actually build it. Do you have a software development staff in house that has time for your project? Are they experienced in type of development you need? Or should you look at going outside the company, maybe even overseas. Before going forward with your project each of these questions (and many others) will need to be addressed.

As a leader in outsourced software development since 1994, Decision Design has helped many clients move their custom software projects forward. To help you with your project, below are answers to many of the questions we have been asked over the years.

What is Outsourced Software Development?

Outsourced software development is the hiring of an outside company to help design, build, test and implement custom software, built to your specifications. Most outsourced development teams work in their own offices, not on your site. This helps keep travel and equipment cost low. Communication is facilitated with internet tools and teleconferencing.

Is Outsourced development different that hiring outside contractors?

Yes. When you hire an Outsourced provider you are hiring a company, not specific engineers. The company will provide all the right resources to ensure your project is successful. This often includes project managers, business analysts, graphic designers, QA testers, systems people, and, of course, software engineers. Outsourced software providers are not just a collection of coders. They are experienced at providing full service delivery of custom software products – from beginning to end. Because Outsource companies often have multiple projects going on at once, you get the advantage of having all of these specialized skill-sets working on your project without having to pay for them full time.

Is Outsourcing Right for You?

That depends. To accomplish your goal of completing your custom built software you have several options: use in house staff, bring in outside developers, outsource the project. Each has pros and cons and what is best for you depends on your specific situation. Of course, we're biased, but we don't let that get in the way of our understanding that no one method is right for every project. Below is a look at the pros and cons of each alternative:

Type of Team	Pros	Cons
In-house software development staff	<ul style="list-style-type: none">• You have direct access to them• They should know your business, both how it does business and the technology environment• You are already paying for them. Your cost is only opportunity cost of what else they could be working on• You will have direct access to them	<ul style="list-style-type: none">• Everyone else has direct access to them as well. Many in-house teams are swamped with existing projects or have difficulty getting the time to focus on just one project• The product• Not always equipped with all required skill sets: software product design, project management, graphic design, Software QA, Networks and systems ect• The technology they know may not be the right technology for the software you need
Contract Engineers	<ul style="list-style-type: none">• They will only work on what you direct them to• You can hire highly targeted skill sets• All the skills you need will be provided	<ul style="list-style-type: none">• Charge by the hour which can be expensive if not tightly controlled• They don't know your business or industry• Engineering commitment to success may be less• Can take a long time to find and hire• You have to provide their equipment and management oversight
Outsourced Company	<ul style="list-style-type: none">• Can use their experience and best practices to avoid common development pitfalls• They will be dedicated to your project and your project's success• They use their own equipment in their own offices• Often charge by the project, so they have an incentive to get it right the first time	<ul style="list-style-type: none">• Finding the right vendor can take some time• Hiring a vendor that doesn't fit well with you or your organization can lead to project failure• Not as cheap as doing it in house, but often cheaper than hiring contractors• Communication can be difficult if your relationship isn't strong and tools are not used



The key to deciding between in-house, contractors and outsourcing is to know your company and your own resources. If you are ill equipped to take on the project in-house, even if it looks cheaper up front, in the end it will cost you more, either in a failed project or in having to hire outside resources to salvage the effort.

How Do I Choose The Best Outsource Vendor?

The most important factor in choosing an outsourcing partner is to find someone you can communicate with. The best software development team in the world won't get your software right if you can't tell them what you want and they can't tell you what they need. Decision Design has created a "10 Tips for Choosing a Vendor" document that can be found on our website here:

<http://www.decisiondesign.com/DecisionDesign/WhitePaper/TenTips.pdf>

Homeshore or Offshore?

Once you decide to outsource your project you next have to decide where you will go. Lately there has been quite a media buzz about outsourcing development overseas. The other available option is to Homeshore – using a domestic software development center.

Is Offshoring Right for You?

We don't think offshoring is right for most outsourcing projects.

On the surface, the logic for offshoring seems simple and straight forward: a U.S. software engineer in Silicon Valley will earn \$60-100K per year while an offshore equivalent may earn \$30-50K. Pundits continually state that low labor costs in India, China, the Near East, the Philippines, and Vietnam translate into 50%-plus savings for application development and technology support services.

Unfortunately, for many companies the reality is much different. Hidden costs and differences in operating models are significantly altering cost expectations. Additionally, timelines and costs are exasperated by serious problems with quality control, knowledge transfer, cultural differences and employee turnover. And the biggest problem of all? Low rates do not equate to low cost. High productivity operations like we have at Decision Design ensure that work is performed in half the time of many developers in offshore centers. This fact alone wipes out the touted 50% savings.

Because of these issues, we closed our offshore shop at brought everything home. In the end, our poor experience with offshoring was about the quality of the software. We just could not accept the poor quality coding, testing, and delivery. Our clients were not happy and our onshore developers were continually having to rewrite the offshore code. It was written properly, inefficiently, and not for the long term. The bugs were difficult to fix and the products were difficult to enhance. And this was from a CMM Level 5 rated company!
(CMM observers, beware)

When Is Offshoring Best?

There are scenarios we believe are good candidates for offshore outsourcing:

- When you have tight specs, tight project management, and fully defined projects. Offshore resources are not good at change and are not good at figuring out what needs to be done, what makes good business sense in any particular situation. They are best when tasks are uncomplicated and straightforward. Projects that are not fully defined ahead of time will fail to exhibit offshore cost advantages.
- When you need commodity or routine tasks, tasks for which inductive reasoning, continual change, or business expertise are not necessary. Data conversions, Peoplesoft to SAP conversions, perhaps even a C++ to Java conversion project would be a good candidate. Call centers and Help Desks are frequently cited as good examples for offshoring, though even those can present some customer backlash.
- When you are investing for the long haul. Large corporations invested for the very long haul, willing to work through the complex issues they face with an offshore initiative can make offshoring successful. Organizations looking for a short term bang on a short term project (less than 12 months), will most likely see higher cost and lower quality by taking the offshore route.

What is Homeshoring?

Homeshoring is about bringing task-centric, cross-functional development teams together in small groups where our developers work in close proximity. Homeshoring development centers are located away from the higher rent, higher labor areas of the U.S., providing significant cost savings over San Jose, Boston, L.A., or NC's Research Triangle. Homeshoring providers build and use high speed, high productivity-producing development technologies that support using lower cost resources around the country. Homeshoring uses resources in the U.S., resources that understand U.S. business, culture, and work ethics. Decision Design's Homeshoring model requires minimal travel, labor, training and project management costs that are often required in offshoring models.

Decision Design's Homeshoring strategy allows us to deliver savings from 30% to 60% below other onshore development costs. And we are dead-on cost competitive with offshore or blended offshore/onshore companies.

How Does Outsourcing Work?

That depends on the vendor you choose. An experienced outsource provider will have a well tested client engagement method.

Beware of companies bearing sophisticated technical methodology diagrams and preaching heavy jargon about the latest and greatest software development method. The most recent approaches (really just fads and clever marketing language) include such clever names as "Agile Methods" or "Extreme Programming". Pick any of one of them, it doesn't matter, they're really all the same anyway. They all focus on the technology, the work process, the gathering of requirements, the specification of a design, the process flow, etc.

But there is a huge problem with these methodologies; they focus on the technology and ignore the missing critical element to a successful software project, you, the client. When choosing a vendor, make sure you understand where you fit in their methodology picture.

At Decision Design, our clients are at the center:



Our Client Service Methodology has 4 key components, each with the client at the core. The basic premise of our Client Service Methodology is that software is developed for clients, by clients, with clients.

Any Other Questions?

Let us know if we've missed any of your questions. We can be reached at info@decisiondesign.com or by contacting our main office at 888-263-8130. We'd love the opportunity to help you address the questions facing your situation. To learn more about Decision Design, find us on the web at www.decisiondesign.com



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