



**OUTSOURCING  
SOFTWARE  
DEVELOPMENT  
SUCCESSFULLY**

# Outsourcing software development successfully

Outsourcing provides a level of operational flexibility which is instrumental for organizations undertaking aggressive expansion and strategic diversification. Outsourcing software development has been a key driver in carving several success stories allowing firms to compete in unexplored territories with a limited budget and core-team size.

The decision to outsource should be arrived at in the light of the allocated budget, present skills of the in-house workforce, time-efficiency, long-term goals, and opportunity cost of software development. Unless the need to outsource is clearly defined and documented, there is an impending risk of non-alignment to goals.

The outsourcing market is spelling resounding success as companies, of all sizes and layouts are **comprehending to maximize** their reactivity for the highly dynamic digital economy. There has to be a fine rendezvous between the challenges of the digital economy and organizational actions to increase their responsiveness to business needs. For leaders of organizations, this means expediting the development and maintenance of applications without immolating the quality of the software.

## **GSA's 2020 outsourcing report illuminates the key rationale behind the shift towards digitalization and outsourcing.**

**70%**

of companies will invoke proceedings of outsourcing by the end of this year, out of which 35% are already doing so with full-force.

**35%**

of the companies have decided to do so because they will save on their costs.

**23%**

are looking to reduce the gap in customer interaction and enhance the overall customer experience.

**17%**

of the organizations believe that there has to be a transformational shift from legacy IT systems to new-age software solutions with scalability to accommodate new demands.

The senior leadership of organizations has now understood how important it is to let go of antiquated and obsolete software and drive the trend. It is asking its IT teams to deliver augmented value at a greater rate while narrowing down both costs and risks involved in the process. While leaders have started underlining the importance of custom software development, it has resulted in the elimination of superannuated solutions, an increase in the business value of complicated and refined applications, and all this without the need to compromise the quality of solutions. **GSA has dug deep and rationalized those organizations which have now realized the need to reverberate fresh proceedings through digital change are primarily looking at third-party outsourcing to modernize business from the following frame of references:**

## **Cost**

Every company needs an incentive to shift to modernized solutions and in this case, outsourced software development can substantially reduce the cost of IT services vis-a-vis in-house development.

## **Expertise**

If an organization's core offering does not resonate with enhanced IT applications, it will lead to a no-win deal. Identifying the in-house skills gap remains one of the biggest hurdles to innovation. When companies outsource software development, developers and software architects are utilized optimally. They specialize in their area of expertise and bring in diverse experience in delivering enterprise solutions for various domains. All this collectively contributes to accelerated yields and services to end-users.

## **Operational efficiency**

When organizations rely on outsourced software development it enables them to focus on their core business. It can thus leave software development to the experts.

## **Extensibility**

An offsite developer team allows organizations to gather a prolific team of augmented staff, for flexible scalability.

# How outsourcing is shifting its patterns

Every organization has a different stimulus to outsource its software development. A lot of it is now happening over trust and partnership. Some of the major trends all set to shape the IT Outsourcing landscape this year and beyond:

## Expansion of reach at a global level

The first step towards building relationships and a bond of trust between the client and the vendor is enhanced transparency. Apart from this, vendors can also do a world of good by establishing local offices that can prove to be an effective point of communication. Understanding client requirements is the key to begin the stages of the custom software development process. By being close, it will foster better connections and the ability to meet customer demands not just rapidly but in a more enhanced manner.

# Cost reduction is important but not the most significant

The GSA survey threw light on how 35% of the organizations want to embrace outsourcing because it will reduce costs. By reducing costs we mean, the costs of in-house development that come with several hurdles. Although saving costs presents a potent force in determining whether one needs to outsource or not, it is not the only factor. Key decision-makers can be influenced by perceptions of saving costs, but it will always be built on the premise of partnership and trust. Businesses are vouching to clasp the outsourcing services from reliable technology partners to offer value-added services and peerless expertise.

## Eastern and Central Europe - the new emerging outsourcing destinations

PwC has ranked Ukraine in the top 25 IT outsourcing destinations worldwide. Ukraine, Poland, Romania, and Belarus continue to dominate the outsourcing scenario especially with businesses shifting from Asian countries to these new destinations. More than 100 Fortune 500 companies have unanimously chosen Ukraine as their outsourcing destination. Many of them have also initiated their R&D centers there.

## RPA and AI in combination will rule the roost

85% of the GSA respondents have placed their bet on Robotic Process Automation to be the key driver in the disruption. RPA offers a major advantage because it can be easily integrated into the current working mechanism without going through the rigmarole of process redesign or changes in the existing systems. RPA is proficient enough to add value to process-driven businesses. Many vendors who possess the requisite skills and expertise in RPA will be in the best position to provide a complete evaluation of business continuity to ensure a safe, secure RPA ecosystem.

# Outsourcing Engagement models - A synopsis

A majority of organizations opt for one of the three engagement models for outsourcing software development. The crucial questions to ask at this juncture are

**01** Which outsourcing engagement models are organizations choosing?

**02** Why are they choosing these models and what criteria determine their decision?

**03** Will this also apply for small and medium-sized businesses?

LET US ANALYZE 

# Outstaffing model

This is a remote hiring model in which a dedicated team of IT professionals that include developers, testers, QA specialists, is provided by a third-party contractor as a remote resource to the client. The dedicated team or even a single dedicated developer works on the project. The hiring clients can exercise total control over the IT team of an individual being hired for his/her project within the contract period. The client can have intermittent discussions, updates, and interactions with the resources of the dedicated development team to complete the project in its entirety.

This remote model of hiring consists of the following major procedures:

## **Recruiting process:**

It consists of the selection of profiles of talented resources, shortlisting of profile based on the screening test, conducting a short technical interview, and presenting a recruitment/offer letter

## **On-Boarding Process:**

This process consists of an allocation of sitting space, setting up of development environments, provisioning of communication, tracking and monitoring tools

## **On-Going Process:**

This process comprises regular discussions, project tracking, issue resolution, fulfilling contractual obligations, and accomplishing the assignments

# Product development

This is a fully outsourced model that calls for a fixed bid development project based on pre-set requirements. Right from customized application development, development of existing solutions, or PDS 2.0 services, this model facilitates the exchange of client needs and requirements with solutions that are tailor-made and client-specific.

# Innovation outsourcing

The R&D innovation outsourcing model evaluates the current market state in conjunction with the virtues of specific emerging technologies. The model typically includes a technical feasibility study and PoC development in order to mitigate the impact on unforeseen technology uncertainty. It also aims to ensure that the clients have selected the most innovative technology solutions so that every penny of your investment is worth the effort taken.

Merely listing out the outsourcing models does not support the cause, but choosing the right model and development partner with a methodology that will work for your organization will be the key to a successful outsourcing strategy.

# 6

## Key parameters to understand before outsourcing

01

### Identifying the distinct needs you want to address by taking up outsourcing

Taking up outsourcing just for the sake of it is pushing yourself into ambiguity. The motive behind the decision should be precise and clear. Whether it is for a new custom solution or an existing business objective, you must know what your objectives are behind the decision. You should have a definite concept of how outsourcing will impact your core business and how it will deliver more value to customers.

02

### Understanding the requirements of further assistance with market research, business analysis, or aspects not related to development?

When you are engaged in this type of cooperation, the outsourced software development organization ensures that the necessary experts including strategists, research professionals, UI/UX experts, etc are equally involved and engaged in the development process. If you need expertise beyond software development that will boost your project, you should consider a product development engagement model. The model calls for the engagement of experts in all the phases of the project so that it is good to go.

03

### A business idea that hasn't been tested for its viability yet

We highly recommend you to start from the beginning. First, determine the goals that will design the course of your journey.

Remember to ensure that the goals have to be attainable and sustainable all along the path. Hence begin with goal setting, followed by a profound evaluation of these goals in sync with market trends and technological plausibilities. This is the appropriate time to engage a team with product design expertise so that efforts could be guided towards product discovery. You can and should also facilitate short symposiums with your key stakeholders. The deliberation at the workshops will allow them the users and stakeholders to put in their requirements and wants. This discussion will be key to design a prototype that can be subsequently tested on your end-users. The best part about the prototype is that it helps in discerning bottlenecks, derives the best solution architecture, and develops a PoC.

04

### **The software development is a one-time affair or an ongoing need**

As discussed, in the outstaffing model the whole scope of work is controlled by the clients themselves who have direct access to the development team. Often, they manage the hired team (or an individual) along with their own; the payroll is handled by a contractor (an out staff company), though. If you have decided to engage external teams for skill extensibility and to reduce overall time-to-market then this model is considered the best. The project timeline will be the key to understand what your level of engagement will be. The outstaffing model has the elasticity to transition from long forms to short forms.

05

### **The control and ownership of the project you want to give way or own**

Surrendering completely the project's control to a third-party development team is an onerous task for organizations. Everything boils down to trust that you share with the third-party development team. If you are splurging your resources to such a great extent then it is important to undertake sufficient research about the software development company, evaluate its portfolio and case studies, take a look at the content it posts.

You can also look at several top websites that rate these organizations and have client reviews. This will assist you in making decisions

and understanding how much control you should be giving. In the outstaffing model, you have hired a team that is the extension of your existing team and the responsibility of the team falls with your company. But if you are vying to place the control on your core services and leave the remaining to the experts, then the Product Development Services (PDS)2.0 model will assist. It is a proactive, domain-driven, solution-based approach to product development – your company chooses app development, solution development, or the highest level of a strategic outsourcing partnership.

PDS2.0 proffers a lean product engineering approach where you will get instant market feedback. This will help you adjust along the process before the product is set for launch. What makes it work is its accentuation on leading by innovation that will accelerate your growth and engrave your position ahead of the competition in embracing novel technologies and the likes.

The model empowers companies to rely on their partners in the entire custom software development cycle. There is an enhanced display of ownership of the project by the outsourced partner that will enable you to focus on your business, reduce time-to-market, and drive tactically judicious innovation.

06

## **Budget distribution**

You cannot just proceed with the project without working out an estimate prior to deciding which approach you will opt for. Undertake a cost/time calculation and begin by planning out the rubrics that will be the key determinants of the decision. Following this, decide whether it will be better to outsource the project completely or develop it in-house. If you prefer the product development cooperation model, it offers a market-ready product much on the lines of turn-key solutions that many software companies offer. But you have to deliberate whether you want to fit in the ready model or you are looking at something that will be tailor-made as per your need.

**Outsourcing Pitfalls - a relevant image for pitfalls watermarked in the background. Again different colour for heading and text. You can also draw a line after every pitfall.**

## **Vendor selection process**

Finding the right outsourcing partner for your software project is a complex and high-stake process which should be done with due diligence. You must devote enough time to understand and evaluate several vendors' offerings and capabilities before proceeding with one. It is essential to consider all the necessary factors like competency, cost-effectiveness, past delivered projects, team skill set, and the vendor company's industry expertise. The idea is to have a partner with whom you can work in cohesion instead of collision and get maximum value. The Quality Triangle tool can aid project managers for better decision making and prioritizing. It helps identify risks, pros, and cons, optimal price, and level of expertise to support the right decision making.

## **Defining objectives and building a roadmap**

Consider the following questions before outsourcing a software development project

- Why do we need an external party to complete and deliver our software project?
- Can this be done in-house more efficiently?
- Do scalability, cost, and efficiency get better if we outsource it to a third party? Will it bring overall profit and efficiency if we get it done by someone else?

Well, it is crucial to address the above questions and have a clear perspective of why you need outsourcing.

The identification of the reason helps you define the goals and objectives you want to achieve in the process. To deduce the highest benefits from outsourcing partnerships, you should have a clear idea of what you want; only then you would be able to communicate your expectations with the vendor.

*You must have a strategic plan to understand your objective and then create the right roadmap for your project. It is crucial to understand the objective of your software and what you want to achieve through it.*

## **Responsibility Distribution and ownership**

The overall project execution and control responsibility and ownership should be clearly defined before the project commences. This helps in streamlining the stakes well in advance. You may consider different engagement models as per your need. If you chose to rely on the vendor or manage in-house, you must have clearly identified stakeholders for every role, including decision making, communication, and acceptance of deliveries.

RACI matrix defining roles, responsibilities, and accountability is helpful for the smooth execution of the project.

## **Setting Goals and managing risks**

Software development is all about planning and implementation. While much before the core coding starts, there is a need to outline the vendor's objectives and chalk out a detailed plan on timelines and expected outcomes.

- This helps the vendors to define their plan of action to deliver things on time and with expected quality. Initial planning and communication help a lot in reducing conflicts and confusion.

- Thus, it is advisable to take time to identify potential risks with the vendor and decide the course of action in case of emergencies and unexpected failures.
- There should also be thorough communication and clear guidelines for handling sensitive information and intellectual property. It's advisable to talk about vendor's security practices and evaluate their processes to ensure your data security in advance.

## Establishing a Communication Process

Communication is of utmost importance in the businesses especially when it comes to outsourced software. One should create highly streamlined processes and chalk out a thorough communication plan to ensure that both vendors and the company are on the same page.

- It always helps keep a tab on the critical milestones and monitor the progress of the project.
- A quality check at every step helps to address gaps within the software development project promptly. It should be a transparent, result-oriented, and highly engaging communication plan that allows every stakeholder.

The point of contact should be well communicated. There should be an overall cordial and harmonious relationship between vendor and company.

## Managing Attrition

- Businesses face a significant challenge when the resources within a team leave impact the flow of processes and create a gap that takes a considerable time to fill. In a software development project, each employee plays a specific role, which is pivotal in overall business value.
- When any SME or process specialist leaves the team, the implications are severe, and it takes time to find, train, and allocate the role to a new resource. There is no assurance that they can deliver the same amount of diligence in the role.

- Moreover, new people take much time to understand the work started by someone else. Thus, firms must employ the right policies to keep employees motivated and avoid attrition. One of the ways is the planned rotation. In the case of outsourcing, firms should duly discuss this with the vendor.

**Outsourcing software development to climb the ladder of success - This will come in the last page...should be a separate page. Design a nice outsourcing image for conclusion and have some nice background colour..Design it with the same colour combination as the first page**

In current times when digitization is the new trend and key factor in achieving success all the major businesses can't survive without having a software application. Right from automating internal processes to improving customer experiences, a software application (in one form or the other) is a major driver of businesses regardless of the industry. Outsourced software development empowers businesses to connect with the world's best specialists, no matter the time difference. While a company will provide the software developers with a clear brief and targets to hit, the specialists can identify opportunities to make a product even better and put plans in motion on their initiative.

We live in an age that is dominated by software, and businesses must produce quality products to secure a firm foothold in a crowded market space. Hence trusting an external team with the ideal skill set will go a long way to create a product of high value to users and with the potential to pay off.



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