

# How to Reap Maximum Benefit from Offshore Development Centers

*Be ahead with the latest technology or else perish is the latest mantra to succeed in today's world. And if you are smart, get it done in a smart way. That's what offshore software development (i.e. outsourcing software development into any country different from your own) is all about which is being preferred by most of the IT companies today. Offshore Software Development has emerged as one of the most successful business strategies in today's world. Offshore Software Development, being a significant part of Offshore IT Outsourcing market facilitates the companies to focus on their core activities while at the same time providing them with a means of fulfilling their business requirements and that too in a cost effective manner. It has thus, become a necessary strategic tool for companies to gain the competitive advantage by staying ahead in their own market in ways different than their competitors.*

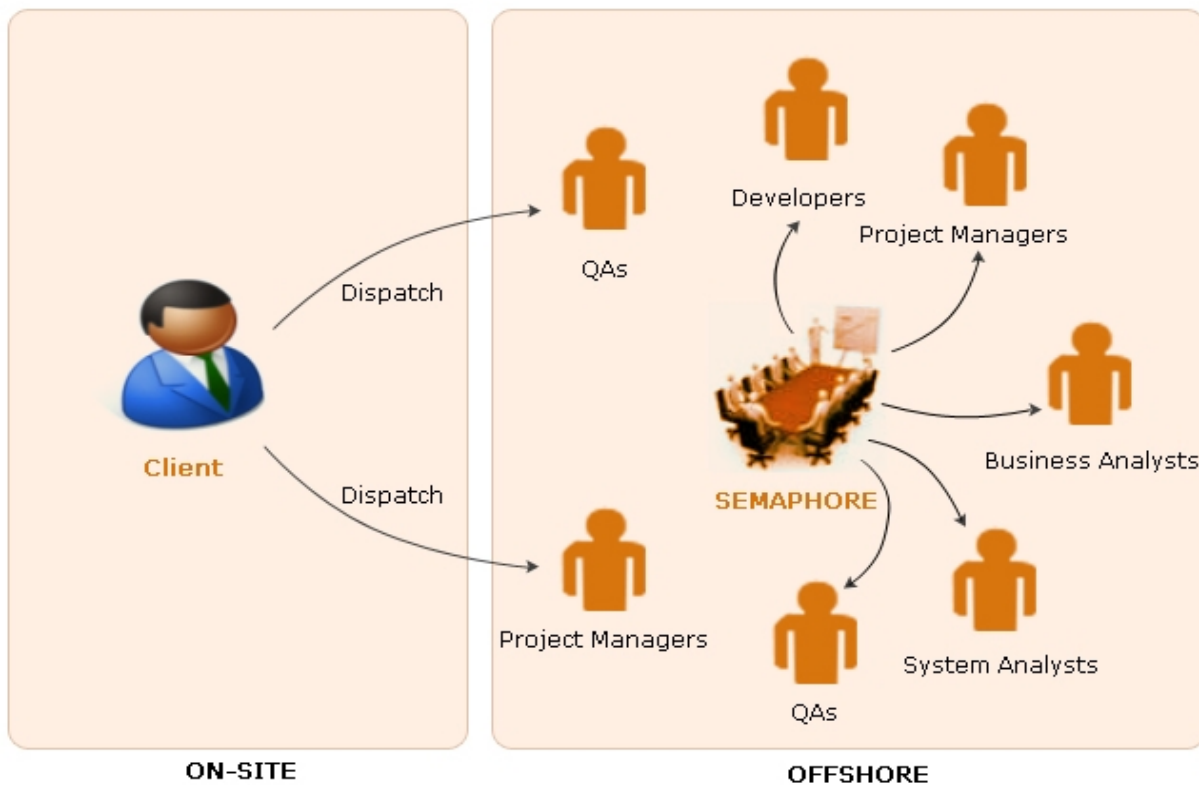
It is a trickle that has become a flood – from the early days of Y2K when global companies hesitantly started outsourcing their non-core work to offshore locations such as India, the concept of outsourcing has come full circle, and has now rapidly moved to a stage where organizations are even outsourcing core services such as R&D. While initially, the focus was only on cost, the sustained focus on quality has meant that the growth of outsourcing has continued unabated. Dynamic business environment, growing complexity and increased competition pressures are preventing organizations to focus on core business. This ultimately leads to loss of market share and impacts the brand image. It is imperative for an organization to stay competitive by focusing on core operations and adopting global sourcing strategy especially for IT & ITES services.

**A recent study by renowned research Institute shows that the potential cost savings from a typical global sourcing engagement will be in the range of 45% - 55%. Global Sourcing with a focus on business transformation will add another 15% - 22% in the total cost savings.**

However, as history has shown us, not every global organization has managed to achieve the full potential of an outsourcing initiative despite the obvious advantages of cost, quality, and resource flexibility. The most typical mistake made by organizations is to base their assumptions on labor arbitrage alone. For example, a wage difference of say, 50%, will not directly translate into cost savings of 50% as there are other cost elements involved. In reality, the total cost savings of an outsourcing engagement will differ based on the staffing costs, costs related to infrastructure and related support costs, governance and program management costs, and transition related costs.

Hence, to take advantage of the full potential of an outsourcing initiative, organizations must look beyond the temptation of short term staff augmentation and project-based approaches, and look at forming a strategic and long term relationship.

An offshore development center or ODC is a dedicated development center located in locations such as India, for carrying out software development, testing or related support and maintenance activities. Organizations can choose from setting up an ODC on their own, or give the mandate to setup an ODC to an experienced offshore service provider. The latter model is far more beneficial as offshore providers share infrastructure components among many clients – and hence the total cost incurred per client comes down drastically.

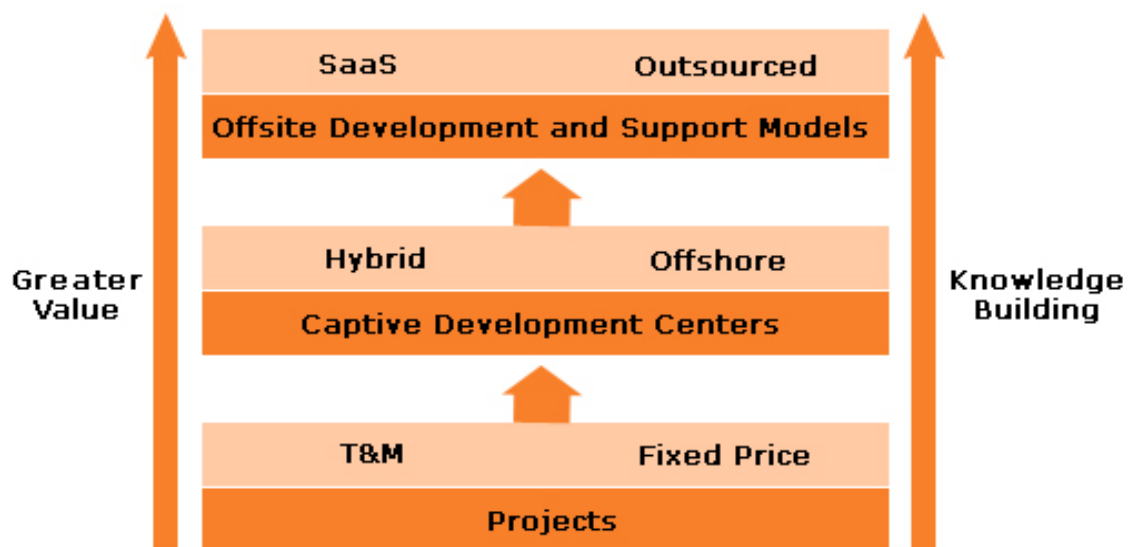


**ODC MODEL**

## Different Models for ODC's:

In today's rapidly changing scenario, no company can survive in a stand-alone manner. Each company whether big or small has one or more of its services, especially those related to software development, outsourced (benefits of outsourcing) so that it can concentrate more on its core activities in a much better way. There are a number of ways in which a company can go for software development outsourcing. The six types of software delivery models through which service providers provide software development outsourcing services to companies are:

1. **On-site Model** wherein the service provider completes the outsourced work at the client's premises.
2. **Off-site Model** wherein the service provider will be located near to the client's premises.
3. **Offshore Model** wherein the service provider is located in a country different from that of the client.
4. **On-site/Offshore (also called Hybrid) Model** wherein the client's task will be distributed between an on-site team working at the client's premises and an offshore team working in a different country.
5. **Off-site/Offshore Model** wherein the client's task will be accomplished by an off-site team working near to the client's premises and an offshore team working abroad.
6. **Global Delivery Model** wherein the client's work will be completed by a team working in close conjunction with the client and a group of offshore teams working from different parts of the world.



## How to reap more benefits :

Performance of the vendor can be managed effectively through risk and reward strategy, using tools like Business scorecard, which is aligned to organization goals, objectives, targets and key initiatives. Also, to take advantage of the full potential of an outsourcing initiative, organizations must look beyond the temptation of short term staff augmentation and project-based approaches, and look at forming a strategic and long term relationship.

## A coordinated effort:

When you participate in a development project with staff which lives far from you, many time zones away and with cultural perspectives and expectations different from yours, you'll face a number of concerns. In particular, you need to communicate well to keep the development process running smoothly, and you must make sure that code-writing and infrastructure issues don't hinder your ability to turn out great results.

### ➤ Assess the talent of the workforce:

**Help choose.** If you can, get involved in the selection process. Conduct technical interviews with at least two developers you would be working with to assess their skill level. Work with your own developers to create a set of questions for each development language, you require expertise in, with low-, medium-, and advanced-level questions. This is to make sure that you understand how they can apply the knowledge and services they're selling.

**Get references.** Find out how many offshore projects the candidates have completed successfully and how long they've been working with such projects. Determine the complexity of the applications they've already developed and make sure that it matches your needs for development.

**Get ratings.** Find out where the company rates, if at all, in the SEI Capability Maturity Model for Software (SW-CMM). At the very least, the level should match your own. If you can find a company that exceeds your own level, even better; you can expect them to teach you some best practices.

➤ **Timing is everything:**

**Take advantage of shift work.** Working with a group in a time zone that sleeps while you work and works while you sleep offers some benefits. Task the work out to your ODC and look forward to seeing the fix or workaround when you arrive at work the next morning. This extended workday can be especially handy for projects that demand quick turnaround.

**Prepare to be flexible.** Unfortunately, operating across time zones can make it difficult to talk face-to-face, or even on the phone, especially when you're working with a company located on the other side of the world.

➤ **Technical issues:**

**Start small.** Begin with a small application project to test the waters. Make sure the development team can meet deadlines, return good code, follow best practices, and work well with your existing team before you entrust them with larger projects. Choose someone to call the shots. Probably your architect, the lead person should be prepared to provide clarification when differences of opinion or design preference issues arise. He or she should be familiar with the business-unit needs, the requirements of the project, and the complexities of the business logic. It helps if this person is tactful, clear, and friendly in carrying out these decisions.

**Set up a Web site.** Using a Web site as a central repository for code documentation, task clarification, schedule listings, etc., can be useful for any distributed team. By keeping the latest version of documentation on the site, both sides of an offshore development effort are operating on the same page.

**Know your reasons for the design.** If the design work was done in-house, be prepared to justify it when another group comes in. Anytime new resources are brought into a project, they bring their own ideas and expectations and even their desires for skill development. In fact, the ability of the offshore development resource to work with your designs should be an important evaluation factor if you have the option of selecting this outside group. It's equally important that you remain receptive to suggestions that might improve the design.

**Clarify and communicate your best practices:** Code standards, source control, and bug fixes. Identify and communicate your development standards. In the beginning, you may want to conduct frequent code reviews to make sure that development styles mesh well and that code documentation is adequate. Even if your standards are published, a new team may interpret them in a completely unexpected way.

➤ **Infrastructure problems:**

Continued strides in infrastructure development in the developing countries should make problems with voice and data network infrastructure less of an issue, but glitches and disruptions will happen. Develop a good backup plan for the exchange of information should a breakdown of expected capabilities occur.

**Conclusion:**

To reap the full benefits of an offshore outsourcing initiative, it is imperative that organizations plan for a long term engagement in the form of an ODC. By adopting this approach, organizations can reduce the fixed costs over a long term period. For example, change management, transition, governance and project management costs will gradually keep reducing over a three-to-four year period. As the relationship matures and the service provider continues to introduce new techniques to boost productivity in an ODC, the costs of managing the ODC will go down - while efficiencies continue to go up.

## About vEmployee:

vEmployee is a leading IT Service provider based out of India. With services spanning over the technology value chain, vEmployee is a one stop shop for enterprise wide IT needs. With over a decade long experience in the industry, vEmployee has established itself as a trusted partner to various companies by providing timely project delivery coupled with high quality. Our parent organization Clarion Technologies is a SEI CMMi 3 level assessed company whose singular focus is on 'client satisfaction'.

## Start Today:

For more information on partnering with vEmployee, contact us at [sales@vemployee.com](mailto:sales@vemployee.com) or visit our website at: [www.vemployee.com](http://www.vemployee.com).

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