



## **Outsourcing – Fact, necessity and reality**

Outsourcing is a fact of life for many IT groups. Enterprise customers and ISV's are under increasing pressure to do more with less.

The good outsourcers, don't merely focus on saving time and money, but on what they derive as competitive advantage. Aspects like higher skill levels, improvements to quality, productivity enhancement, one-stop solution etc.

Organizations that outsource offshore, can see more benefits over time. In addition to savings in cost, organizations with a long-term agreement can leverage on service provider's process expertise, best practices and add project management as a core competence.

### **Due Diligence Exercise – Key to Success**

When selecting an outsourcing provider, it is important to be rigorous during the due diligence process. As part of its due diligence, the customer should leverage various means like industry connection, referrals, prior-experiences, perform a prototype or pilot stage if possible, visit vendor premises at India etc.

The factors to consider during identifying service provider are whether the outsourcer know your business line, their familiarity with the products and technology you use etc.

### **Right Pricing**

Arriving at a comprehensive pricing scheme and establishing SLA's and metrics to measure performance are also critical to success.

Offshore service providers typically offer variety of pricing models like fixed cost, T&M basis etc. Few of them even offer combination of plans.

The SLA should include factors like productivity expectations, online availability, uptime and response time for production support.

### **Setting expectations correct**

Another key to a successful outsourcing engagement is to clearly define the scope and requirements of the work.

Some organizations keep the design and requirements work in-house and outsource the engineering; others involve the outsourcer in the design phase. As an outsourcing relationship evolves and the outsourcer becomes more knowledgeable of the client's business, responsibilities may shift.

### **Where to outsource?**

Outsourcing arrangements can be onsite, near site or offshore. More outsourcers are moving to offer all three options. However, the best cost advantage is when most of the activities move offshore.

The majority of offshore outsourcing takes place in India, the attraction being language, due to which communication barriers are not quite as significant as they are in other parts of the world. Other reasons in India's favor are time zone, ready availability of skilled IT professionals etc.

Labour rates should not be the only criteria. Aspects like infrastructure, delivery framework, expertise in related domain/technology should be the prime areas to work on.

### **Management, Macro or Micro**

Arriving at a Management Structure, escalation mechanism, communication plan etc are key to success of the offshore outsourcing assignment.

Management structure could vary based on factors like the size, nature, knowledge available etc. Its advisable that both the outsourcer and the offshore service provider set up a dedicated PMO to handle such management issue and arrive at standards for communication, management, reporting etc.

The outsourcer can consider managing the project at a micro level, where he controls and monitors the performance of the project activities. This could call for tremendous investments on time and resource. The other alternative is that the offshore service provider will do the project management and report at set intervals on status and issues faced etc.'

### **Process & quality**

While cutting down costs is a driver, achieving more disciplined development processes and improving quality should be of paramount focus. Part of the selection criteria may be an outsourcer's expertise in the ISO, Industry / technology standards & conventions adherence, use of standard process tools etc.

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