



Outsourcing Process Issues

Paragon Design Limited
Level 2, 119 Queens Drive, Gaskin Avison House
Lower Hutt
+64 (4) 5703870

shane.harrison@paragon.co.nz

Identify the objectives of outsourcing

Outsourcing can be used for arguably four reasons:

1. To solve a skills based need
2. To cover small variations in resource needs above that available in house. Often referred to as using contractors.
3. To create a development team to support a particular extraordinary opportunity
4. To increase size of development team during times of employment freezes

Identify the base criteria for successful outsourcing

To meet objective 3, the outsourcing arrangement must not require the use of in-house personal to the extent that it would delay or inhibit existing project plans.

Furthermore plans that include outsourcing as a mechanism for resourcing must fully deliver a useful outcome in normal project timeframes. It is pointless to have hardware outsourced if software needs to be done in-house and people are not available or if were made available would delay existing plans.

Breadth of offering

You need to be assured that the outsource team are self-contained and have required management and processes in place along with good communications skills.

Competency

You need to be convinced outsource team are technically competent and understand your business - use of references may be appropriate here.

Relationship

There needs to be a cultural match and trust between you and the outsourcing company.

Identify criteria for suitable projects

What are the expected general size of the projects being outsourced and hence what size organisation best meets that?

Suitable projects might be those that

- don't require specialised in-house knowledge that can't be gained from documentation or code
- are critical enough within the organisation to get some attention but not striking to the heart of your core competency
- are acceptable to the internal engineers ie. acceptable to outsource
- don't require brand new architectural decisions unless you are happy that the outsourcing company is involved in those sort of discussions

Initially, it may be best to build up trust by targeting a smaller project.

Identify an outsourcing framework

What documents & processes need to be in place?

Producing the development documents your current processes specify and in the form you are used to is key to transparency. The outsourcing company should be able to show how their processes map into your standard development life cycle. Often up front test plans are a deviation from the customer's normal process flow, other than that I would expect development processes to be similar.

In addition a “Statement of Work” is required to cover the project brief, contractual terms and payment terms.

What are the top level milestones and deliverables for outsourcing?

- Identify project and scope it.
- Identify key skills require and measure potential outsourcing companies against that.
- Either develop functional specification internally or get selected outsourcing company to do it
- Delivery of estimates and possible schedule
- Delivery of test specification
- Finalise contractual terms including acceptance criteria
- ...series of development deliverables with payments attached as agreed
- Hand-over and acceptance

What is a preferred hand-over process?

How can system testing be best performed?

What level of project reporting is required?

What development tool chains are required?

Can remote secure connections into be useful eg. use of source code repositories?

What processes do we use to ensure communication and build up levels of trust?

Change management process

Contact person and their responsibilities, including internal recognition for project success

What are acceptable terms of trade?

Most outsourcing companies will not offer fixed price terms until the end of a “definition phase” when substantial agreement has been reached regarding the scope of the work.

Fixed price offers some security to you but clearly the outsourcing company needs to build significant risk into the price. This is also likely to consume more time managing contract variations - works best if project well defined up-front.

Time and materials is clearly the most flexible arrangement and will result in the lowest cost when integrated over a number of projects.

Payments need to be spaced over the development cycle but tied to milestones.