

# Offshore Outsourcing: Five Lessons Your Peers Learned the Hard Way

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## Executive Summary

*“Do not learn from your mistakes; learn from the mistakes of others so that you do not make any.”* **Sean Karsten**

No doubt, offshore software development has made its mark in the industry and it's safe to say that it's here to stay. It is estimated that nearly 85% of the world's top companies have an offshore strategy; so you're probably thinking, "Isn't it time I went offshore?" If you're already offshore, you're probably thinking of ways to diversify and improve your offshore strategy.

Whether you make websites for non-profits or sell complex financial software, you're faced with the critical decision of outsourcing parts of your software development. While outsourcing development will allow you to funnel precious time and money into sales and innovation, it's important to make a sober decision before jumping on the offshore bandwagon. The large companies that paved the offshore trail haven't done so without failed engagements, breached contracts, and a little bit of resentment on both sides. As small and medium sized businesses prepare to make the offshore leap, it will serve you well to learn from the mistakes of your less fortunate peers.

### **Lesson #1: Look for Someone You Can Grow With**

*“I'm looking for someone I can grow with.”* **CTO of Insurance Claims Software Company**

You're a small company with a killer idea that's going to change the world. You've decided to work with an offshore vendor but don't know where to start. One client we worked with found an excellent vendor to do his core product development in India. Things were great for two years until the Indian vendor started growing. All of a sudden, the client became a small fish in a big pond; quality slipped, he didn't get the attention he needed to keep his company thriving and the rest was history.

When looking for an offshore vendor, look for someone you can grow with. With an insatiable appetite for “mega-deals”, most of the large vendors will shy away from SMB's seeking to outsource. Work with a firm for whom you represent a significant portion of the business. This will ensure that your project doesn't fall through the cracks in favor of bigger clients. Make sure that their growth strategy falls in line with your own as well. For example, with the incredible growth of the Indian IT market, companies are growing organically and via acquisitions. A vendor with a growth strategy focused on acquisition might lose track of the subtleties of your particular projects.

Your best bet is to look for a company that matches your corporate culture and is looking to grow with you. The real value in offshore software development is nurturing a team that can

handle your core development challenges, allowing you to focus on gaining market share and coming out with great new products.

## Lesson # 2: “What did he just say?”

*“I’ve been burned by offshore firms and have the scars to prove it.”* **CEO of Government Software Vendor**

Unfortunately many offshore engagements result in failure. This is a result of unrealistic expectations and mismanaged communication. One client hired an Indian vendor and later pulled the project in favor of a Chinese one. The result was a team of engineers who hardly spoke English; a real project killer.

The most important thing in an offshore relationship is to dedicate someone at yours and the vendors end to keep track of project progress. A native language speaking person who also speaks fluent English managing the operation from abroad is indispensable to distributed software development. You can't hire Chinese engineers who speak marginal English and expect the project to go well unless you have a fluent Chinese person on the ground or in the United States with tight relationships with the engineers.

It all depends on the scope of the project; if you're just doing a simple web site, sure, hire someone in China with no supervision. If you're outsourcing an entire engineering team for a software product that will be built over the course of a year, you need to be much more careful. Make the decision to dedicate someone on your side to keep the offshore team on track and demand the same from them. Like any relationship, a little investment and communication from both sides will lead to long-term success.

## Lesson 3: Execution is key

*“Finding technical resources is easy, finding people who are committed is key”* **CEO of Global Consulting Company**

One thing you'll learn in your search for the right offshore vendor is that there are hundreds of very good offshore vendors in countries like Brazil, China, Russia, Ukraine, India, the Phillipines, Pakistan, and Vietnam. With some of the best engineering schools in the world, these countries churn out hordes of extremely technical graduates with a passion for technology. The governments of many of these countries understand the value of courting Western business; specifically how it will transform their nations into world-class economies. Consequently, they spearhead programs to support their flourishing software industry and attract foreign business.

In an offshore engagement, technical talent is not enough. Firms looking for offshore partners need to closely evaluate the software development process of their vendors. Does the vendor have an established development methodology (RUP, Agile, etc.)? How strictly does the firm

adhere to deadlines? Is the vendor oriented towards long-term relationships with the client or do they prefer transaction-based projects? These questions are important to ask because they reveal the underlying culture and beliefs that govern the vendor's development process. In offshore development, as with anything, unanticipated problems appear, but at the moment of truth, your vendor should be mature enough to roll with the punches and get the job done.

You should look for a vendor that is focused on business principles and development methodology rather than technical skills. You want an offshore partner that understands your business and how their development process enhances it. The value in offshore software development does not lie in cheap labor. The value lies in finding a company that understands what you're trying to do, identifies your main challenges, and has a solid process to execute. Looking for vendors based on principles will help you qualify out those firms that sell solely on low price.

#### **Lesson #4: The Relationship Makes Everything Worthwhile**

*"We're looking for a firm focused on a relationship and longevity."* **CEO of Canadian Web Development Company**

The operative word here is "chemistry". Make sure that both you and your potential vendor are looking for a long relationship. A solid offshore team is an indispensable part of building a sustainable company; good offshore vendors know that and introduce new ideas, propose alternative solutions, and foreshadow problems so you can focus on building your enterprise.

Many offshore firms will be happy to take over your QA work, but what if you have a new product release coming up and your lead developer quits and takes some of his buddies with him? Ideally you should have such a tight relationship with your offshore vendor that they can pick up with no problem. We had a prospective client with the same situation. He was working with two vendors in India, but apparently he didn't have the type of relationship with them where he could have them take ownership of the work. He contacted us and was looking for us to help get his product out on time. We had another similar scenario where a firm had a development team in Bulgaria but still needed our help to create a web-based version of an existing desktop application. Although these firms had an offshore strategy, they couldn't fully benefit from their relationships and had to look for support elsewhere.

Although this point seems similar to Lesson #1, it is worth stating that looking for a vendor that is focused on a relationship and becoming a valuable partner is critical when looking for offshore vendors. Vendors focused on finite tasks rather than the health of the relationship will never understand your business challenges and won't fully adopt your interests as their own. If you're going to hire developers 10,000 miles away, you better make sure that they're in it for the long haul.

## Lesson #5: Be Realistic

*“Cost, quality, and speed, you can only have two.”* **CTO of California-based software firm**

Of course you'll be realistic, but will the vendor? This quote really sums up the attitude you need to take when going offshore because it gives you leverage. “Yes-men” vendors that promise the world will be careful not to promise too much if you display a healthy dose of skepticism. Gone are the days of expecting 60% in savings and drastically reduced development cycles when sending work over the pond. That's not to say that you won't save a significant amount of time and money; it's just important to view outsourcing as a modern-day necessity to remain competitive, not a panacea.

Mature offshore vendors understand that their value is to help you “see around corners” and build a sustainable business, not act as cheap labor. Today's outsourcing buyers have to be more aware of offshore development trends and have realistic expectations. Although the cost savings can be tremendous when sending software development offshore, it's important to understand that it requires an investment at your end. In most cases, offshore failure is a result of both sides not being clear about what the other wants, assuming expectations are aligned. It's wise to start with an attitude of caution until the vendors prove themselves by meeting incremental milestones. This will allow you objectively evaluate their process and absorb the consequences of unexpected issues as you nurture the relationship. By approaching the offshore engagement with a realistic attitude, you're seeking progress, not perfection.

## Summary

Offshore outsourcing is certainly a surefire way to speed innovation, save money, and reduce time to market. However, as with anything in life, it has its set of challenges. To ensure success, it's important to identify and acknowledge the risks, and communicate them openly with your vendor. Increased awareness and careful planning will make the process worthwhile.

## **Adaptive Solutions, Inc**

Adaptive Solutions, Inc. is a global IT consulting and services provider. Founded in 2003 and headquartered in Chicago, Illinois with an offshore software development center in Islamabad, Pakistan, our firm seeks to make reliable offshore software development accessible to North American small businesses. With a keen understanding of the North American market, we're focused on providing world-class service, enabling our clients to focus on innovation and growth.



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