

# Speeding the Search for Offshore Developers

## *The Benefits of Offshore Software Development Networks*

Companies exploring offshore software development often find an overwhelming array of options. For example, is India the best choice? What about China, Russia or Brazil? Time, distance and language barriers also make it difficult to assess the quality of offshore developers. Add geopolitical instability and intellectual property issues. CEOs are often forced to make difficult outsourcing decisions that will directly affect the future of the company.

How can businesses reduce the risks of offshoring? Is there an easy way to locate developers and evaluate their quality?

To address these challenges, companies are turning to offshore software development networks. These networks provide rapid access to prequalified developers based on a range of criteria, such as location, programming skills and English language proficiency. As a result, businesses can narrow their focus to a short list of highly qualified vendors and cut months from their ramp up efforts.

This white paper will examine some of the challenges businesses face when seeking offshore development partners and reveal the many advantages of utilizing offshore software development networks.

### **Offshore Software Development Trends**

Smaller software companies are jumping on the offshore bandwagon. A significant 27 percent of software companies with revenues less than \$100 million intended to offshore development in 2006, up from 20 percent in 2005.<sup>1</sup>

*More small businesses are offshoring the software development process*

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<sup>1</sup> Briody, D. (March 6, 2006). *CIO Insight*. Small businesses struggle to offshore.

Price has been the key factor in deciding where to offshore. "Ninety percent of all outsourcing deals in the market today have been structured around cost improvement only," says Linda Cohen, vice president of sourcing research at consulting firm Gartner.<sup>2</sup>

However, certain parts of the world are experiencing significant annual rate increases. For example, in Bangalore, India, salaries of programmers are growing at a rate of 14 percent annually.<sup>3</sup> The escalating costs of labor in India combined with high turnover have prompted many American software companies to look elsewhere for talent. With the growing demand of offshore programmers, finding the right developers among a sea of choices is paramount.

### **Challenges Finding Developers**

The high costs of local programmers, difficulty identifying reputable offshore vendors and problems assessing the quality of those found are major challenges for American software companies.

#### Local Development Is Costly

Developing software within the United States is a costly endeavor. Recruiting and securing the right individuals can take months and involves recruiting, interviewing and qualifying applicants.

The median salary for beginning programmers in the United States is \$51,700.<sup>4</sup> For a team of 10 programmers, that is a half-million dollar annual investment. Add overhead, equipment and training, and the price skyrockets. Outsourcing in the United States is even more costly. Rates can range from \$40 to \$80 per hour, equating to between \$83,200 and \$166,400 per year for each programmer.

Higher rates are compounded by fewer graduates. Universities are seeing major declines in the number of students majoring in computer science. For example, between the years 2000 and 2004, UCLA computer science enrollment dropped 60 percent.<sup>5</sup> In fact, the decline in college graduates in IT-related fields is one of the most worrisome problems faced by CIOs.<sup>6</sup>

#### Finding Offshore Programmers Is Challenging

Offshoring to India is the number one choice for most American businesses.<sup>7</sup> However, is India always the best source for programmers? Working with developers in Bangalore, India, "The local engineers would start a project, get a few months experience and then bolt for greener pastures," explained Bill Wood of Ping Identity, an American Internet security software company.<sup>8</sup>

*The high costs of American programmers, combined with a decline in computer graduates, are forcing many businesses to look offshore*

*Searching for offshore programmers is often a hit-or-miss proposition*

<sup>2</sup> King, R. (December 11, 2006). *BusinessWeek*. Outsourcing: Beyond Bangalore.

<sup>3</sup> Ibid.

<sup>4</sup> Salary.com. [http://swz.salary.com/salarywizard/layouthtmls/swzl\\_compresult\\_national\\_IT10000010.html](http://swz.salary.com/salarywizard/layouthtmls/swzl_compresult_national_IT10000010.html)

<sup>5</sup> Tucci, L. (June 8, 2005). *Search CIO*. College students continue to shun computer science.

<sup>6</sup> Alter, A. (January 16, 2007). *CIO Insight*. The future of IT: What's on tap for 2007 and beyond.

<sup>7</sup> SandHill Group. (2006). Software's offshoring leaders.

<sup>8</sup> King, R. (December 11, 2006). *BusinessWeek*. Outsourcing: Beyond Bangalore.

High attrition, rising salaries and an overburdened infrastructure are causing many American companies to examine other locations, such as China, Russia and Brazil.

When searching for offshore developers, many businesses have no idea where to start. A *CIO Insight* article explained that small businesses are "using a combination of grass-roots vendor research, word-of-mouth, relationship building and just plain luck," to find offshore developers.<sup>9</sup> Many software executives rely on recommendations from friends and colleagues—a process that is only as good as the reach of the executive's network.

Often, executives must travel overseas to assess the quality of development teams. Bruce Lehrman, CIO of a \$40 million fundraising software company, explains his experience, "The Ukraine was the most difficult. I had to learn a lot about the culture, and the language was a big barrier. In the hotel, I wasn't sure if I was going into the business office or the ladies' room."<sup>10</sup>

### Assessing Qualifications Is Challenging

Once a short list of vendors is compiled, the next important step is to assess their qualifications. Issues that should be examined include:

- Does the vendor have a technology track record that matches your needs?
- Do the developers employ modern development techniques like Agile or RUP?
- Is a development manager included?
- Are costs determined by a fixed rate or by man-hours?
- Does the vendor have capability maturity model integration (CMMi) and ISO certifications?
- Who retains the rights to intellectual property and are there possible conflicts of interest?

### **Brief History of Offshoring**

The concept of outsourcing software development overseas grew during the 1990s. The Internet boom resulted in low-cost broadband Internet connections in many nations. This set the stage for American businesses to transfer data and processes offshore.

Stable software platforms such as Oracle and SAP emerged, enabling offshore developers to focus on acquiring very specific skills and technologies. Countries like India were heavily investing in the needed

*In the last decade, the growth of offshoring development has mushroomed into a crowded and confusing marketplace*

<sup>9</sup> Briody, D. (March 6, 2006). *CIO Insight*. Small businesses struggle to offshore.

<sup>10</sup> Ibid.

infrastructure to support a nation of developers and were graduating programmers en masse.

"The pace of technological change was sufficiently rapid and software investments became obsolescent so quickly that many companies chose to outsource IT rather than invest in technology and people that would soon have to be replaced or retrained," explained an Association of Computing Machinery report.<sup>11</sup>

By 2002, anyone with connections to a cousin or brother in Asia was offering offshore programming services. In addition, special websites such as Elance.com and RentACoder.com emerged, allowing direct connections between freelance programmers and American businesses.

Many businesses were using international freelancers to add specialized expertise to internal teams or complete small programming projects. However, managing multiple freelancers did not scale well and was difficult to manage. As a result, many businesses sought offshore teams of programmers that had established management infrastructures.

Today, "Software is quickly becoming like any other major manufacturing industry. Be it automobiles, electronics or IT hardware, offshoring and outsourcing of core product development is no longer the exception, it is the rule," explained a SandHill report.<sup>12</sup> With literally thousands of possible sources for offshore programmers, CEOs of American software companies are turning to offshore software development networks to streamline the decision-making process.

### **The Solution: Offshore Software Development Networks**

*Offshore software development networks provide CEOs access to a prescreened short list of developers, speeding the search for an offshore provider*

Designed to help American businesses quickly find and assess the skills of vendors from around the world, offshore software development networks dramatically reduce the effort necessary to find talented development teams. Comprised of prescreened and highly qualified software development companies, all members of an offshore software development network meet strict quality standards.

Categorized and ranked by technical focus, country, number of programmers and English language proficiency, CEOs can quickly source, screen and select vendors. All network members have a proven track record working with American companies, have positive references, focus solely on custom development for their clients and offer competitive pricing.

American businesses are provided direct access to a select list of vendors based on their unique requirements. Contact information, time zone differences, college degrees, software development methodology, technical skills and a background on each vendor are supplied.

<sup>11</sup> Aspray, W., Mayadas, F., and Vardi, M. (June 2006). Association of Computing Machinery. Globalization and offshoring of software.

<sup>12</sup> SandHill Group. (2006). Software's offshoring leaders.

An efficient process for screening and selecting vendors that match a set of technical and business criteria is important. For example, a detailed guide to help screen the vendors, including a scoring matrix to help weigh the benefits of each vendor based on the criteria should be provided.

In addition, objective information about the pros and cons of working with vendors based on their country of origin should be provided. For example, businesses considering network members in India and China should see a comparison of the challenges that could be faced in each nation.

To aid in the final selection of a vendor, effective software development networks provide suggested steps to help increase the likelihood of a positive fit. Access to an offshoring consultant should be provided to companies that need customized advice and help evaluating their choices.

### **The Benefits of Offshore Software Development Networks**

Offshore software development networks offer a number of important business benefits, as follows:

- **Speeds research:** By only presenting those vendors that meet specific needs and have a proven track record, executives can short-cut the selection process.
- **Reduces risk:** By providing access to only qualified and prescreened developers, CEOs can reduce the risk of working with an unreliable partner.
- **Lowers costs:** Eliminating the need to search through hundreds of choices, the cost of finding a partner is lowered.
- **Speeds time to market:** Only presenting offshore providers that have established processes improves the time to market because developers can begin work right away.
- **Eliminates the trial and error:** Presenting only highly qualified, prescreened vendors reduces the likelihood that a vendor will fail to accomplish its objectives.
- **Ensures informed decisions are made:** By providing detailed and comparative information about multiple offshore vendors, CEOs can make well-informed decisions.
- **Identifies challenges:** Offers world region examination of political, cultural and economic issues that could slow development.
- **Summarizes capabilities:** Aids in the selection of vendors that meet technical, business and time zone requirements.
- **Widens choices:** Provides exposure and access to all regions of the world where developers reside, ensuring no important region is

overlooked.

- **Provides a selection process:** Offers a systematic selection process to objectively compare network members.
- **Reduces problems:** Reduces the likelihood of failure, missed schedules and cost overruns by only presenting proven development partners that are verified by third parties.

### Examples

*A small list of suggested partners is provided based on the unique requirements of American software companies*

When working with an offshore software development network, the needs of the American software company are closely examined. The strengths of a select group of offshore developers are matched to those needs. Consider the following examples.

An American company had important requirements for supporting J2EE and specific XML tools. In addition, they wanted a significant workday overlap with employees working in their European location. In a few minutes, the field was narrowed to three qualified vendors in Russia, the Czech Republic and India.

Another American company had specific requirements for an offshore team that could grow rapidly when needed. They also wanted to work with an offshore partner that could eventually become a subsidiary using the build, operate and transfer approach. Quickly three vendors were identified in Panama and India.

### What to Look For in an Offshore Software Development Network

*Seek a network that covers the globe and is exclusively focused on connecting American companies with offshore software developers*

When seeking an offshore software development network, consider the following important criteria.

**Global network:** Seek a network that covers all major regions of the world, such as India, Asia, Latin America, Eastern Europe and the Middle East. This ensures a broad set of choices to help find the optimal destination.

**Focused on providing services to North American companies:** All vendors in the network should be focused on serving the unique needs of American businesses and have a history of clients in the United States with references.

**Strong background in programming:** Work with a network that exclusively focuses on the needs of software companies and is aware of the industry standards, trends and best practices.

**Technical depth:** The ideal network should be comprised of developers skilled in your unique areas of need, such as C++, .NET, PHP, SAP, JAVA, Oracle and your unique programming language requirements.

**Reasonable flat-fee pricing:** Look for a network that provides a fair flat-fee pricing model for access to the network and offers a money-back guarantee.

**Access to professional advisors:** Seek a network that includes access to an American advisor to assess your needs, increase the likelihood of finding qualified development teams and to help streamline the entire process.

**Offers a ranking system to compare vendors:** Look for a network that allows you to easily compare the prices and skills of developers based on your requirements.

**Rigorous qualification process:** Ask about the network's qualification process for offshore developers. Ideally, all companies in the network should have a pure outsourcing model and background checks should be performed.

**Objective network:** Ask how the network is funded. There should be no financial incentives for the network to present one vendor over another. All offshore members of the network should compete equally for your business.

**Short list of suggested partners:** Seek a network that will not inundate you with a large list of suggested offshore partners. Rather, work with a company that provides a short list of three or four partners that are closely aligned with your needs.

**Offshore developers held to performance standards:** Ask if the network holds developers to fairness and rate standards. All vendors should be responsive to customer changes and be in good standing with their clients.

**Consulting services:** Look for a network that can provide consulting services as needed to help you streamline the offshore software development process.

### **The Accelerance Advantage**

*Accelerance built the first offshore software development network and is fully committed to helping American businesses succeed in their offshore development efforts*

The use of programming resources from offshore vendors is a proven strategy for developing excellent software at the lowest possible cost. Accelerance is committed to helping American software companies accelerate the offshore software development process. Founded in 2001 by Steve Mezak, author of the book *Software without Borders*, Accelerance built the first and leading offshore software developer network.

Working with software companies ranging from startups to large established companies, Accelerance has helped businesses select offshore development partners and ramp-up operations quickly.

Vendors in Accelerance's global network span all major regions of the world, including India, China, Russia, Eastern Europe and Latin America. Vendors specialize in JAVA, Microsoft, .NET, PHP, C++, Linux, Windows, Macintosh OS, embedded systems, mobile applications, Web 2.0, Software as a Service, SAP, Oracle and Business Objects. Many developers also practice agile development processes, SCRUM, rational unified processes and are CMMi certified.

The **Outsourcing Rapid Ramp-Up™** service is a low-cost way gain rapid access to a customized list of offshore vendors based on your specific requirements. It includes an assessment of your needs and access to a professional advisor to help review your options.

Learn more about the Accelerance offshore software development network by visiting [www.Accelerance.com/services.htm](http://www.Accelerance.com/services.htm) or call **877-992-2235 x100** for a **FREE offshore outsourcing consultation**.

