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Changing the Software Outsourcing Game Multi-sourcing: The New Global Trend

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Leveraging Specialists to Assure Software Performance

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Multi-sourcing: The New Global Trend ...

Offshore outsourcing is nothing new to the software industry as it was one of the first areas to really embrace the offshore outsourcing model. The abundant workforce and lower labor costs overseas lulled buyers into thinking that dramatically reduced overall costs were guaranteed from outsource arrangements. Unfortunately, reality and perception are not always the same. Despite a maturing outsource industry and constant improvements in infrastructure, every year countless software projects

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*either outright fail or experience massive cost and schedule overruns, costing companies millions if not billions of dollars. **Why is this happening?***

A single-minded focus on direct cost reduction has led many companies to select outsource partners that are really generalists in their fields, basically offering bodies at a discounted rate. They then task the outsource partner with multiple, interdependent specialized functions. Is it realistic to expect a generalist partner to provide enhanced value, and to do so in multiple independent functions? Of course not! The best that can be hoped for is average performance, and therein lays the problem.



*While cost is obviously an important factor, the overriding goal for any outsource decision must be to achieve enhanced value and an overall competitive advantage through improved return-on-investment, product quality, and time-to-market. The outsource decision moves from tactical to strategic, where it must result in **increased value to both the end customer and the business**. The bottom line? An outsource decision is far more complex and important than a lower hourly rate for a resource.*

*As companies fully understand the strategic nature of outsourcing decisions, it becomes increasingly clear that selecting outsource partners based solely on price is not the best answer. Additional value **must** be created by improving the way things are done, improving business processes, and this is the domain of **specialists**, not generalists. A new paradigm has started to emerge to address this reality and it represents the next generation of outsourcing: **multi-sourcing**.*

What is Multi-sourcing Anyway and Why Should You Care?



Put simply, multi-sourcing involves leveraging multiple specialized teams to deliver enhanced value to the enterprise. These teams can be internal or they can be outsource partners. The idea is that a specialized team focusing on a single function (i.e. software testing and verification) can do that function far more efficiently and effectively than a team of generalists. A multi-sourcing strategy allows companies to break down key organizational requirements into multiple specific functions, and then align specialized teams with those functions that can execute in the most efficient and effective manner possible. How does this differ from a generalist approach and why is it so important?

Advantages of a Multisourcing Strategy

- Ability to leverage industry best practices
- Significant improvements to both quality of service and cost
- Better diagnosis of problems and more comprehensive solutions
- Higher quality, more stable teams
- Better visibility into real project status information
- No conflict of interest between functions and better visibility into real project status

The specialist is much more likely to be abreast of industry trends and best practices in their function, and to have a purpose-built process and operational infrastructure in place to efficiently and effectively execute on those best practices.

Specialist teams, focusing in a single function, are likely better-trained, more experienced, and more knowledgeable in that function.

As teams specialize, project status information timeliness and reliability improves. Why? The conflict of interest inherent in a single generalist team handling multiple interdependent functions is removed. It is in every team's interest to point out real and potential issues upstream and downstream in the process.

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Companies can either build specialized capability in-house, OR they can leverage a multi-sourcing strategy to tap capability without the need to invest in internal infrastructure. In many cases, it makes far more sense to work with multiple, specialist partners than to try and build all capability in-house. Trying to do everything in-house can distract from the company's core revenue-generation activities, not to mention that finding and hiring good people is expensive and organization building is inherently high-risk in today's environment. Companies, in general, are leaning more on outsource partners for enabling functions and processes to allow more focus on core revenue-generating business activities and processes and that trend can be expected to accelerate.

A multi-sourcing strategy may offer less risk and more predictability and certainty of results

Even five years ago, a multisourcing strategy may not have been possible as true specialist partners didn't really exist, but this is changing. As the outsourcing market has matured, and as competition among providers has increased, providers have been forced to specialize to gain market share and competitive advantage. A multisourcing strategy leveraging multiple specialist partners now represents a significant opportunity for companies to achieve much more than a better hourly rate for resources. A well thought out multisourcing strategy really can offer companies access to enhanced value and an overall competitive advantage through improved ROI, better product quality, decreased time-to-market, and an overall reduction in risk associated with software product development.

Making Multi-sourcing Work

The potential advantages of a multisourcing strategy are clear and compelling, but, as always, results will depend on effective execution. A shift to working with specialists



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will naturally open the door to multiple outsource partners as opposed to a single one-stop-shop. Working with multiple partners can create a myriad of management headaches and introduce unacceptable levels of risk if not managed properly. There are four critical success factors for any effective multisourcing strategy:

- A well-defined engagement model that clearly delineates internal and outsource partner responsibilities, expectations, and measures of success.
- Near real-time end-to-end process visibility with dependencies between upstream and downstream partners well understood
- A well-defined measurement system that defines Key Performance Indicators (KPIs) and considers both output and in-process measures.
- A well-defined management review and feedback mechanism to assure effective governance

If these factors are executed upon effectively, overall complexity and risk can actually be reduced. First, working with specialists allows you to develop focused communication protocols and feedback mechanisms to assure that you have a realistic view of project status. Maybe more importantly, it allows you to establish well-defined, meaningful Key Performance Indicators (KPIs) that not only gauge the true state of the project, but the efficiency and effectiveness of the outsourcing relationship. These KPIs become the management scorecard for the engagement and the overall relationship, and a meaningful and reliable feedback mechanism.

An Example of Where a Multi-sourcing Strategy Can Pay Dividends: Software Testing and Verification:



Software development by its very nature is a very complex process that is fraught with risk. Post release system and software defects are incredibly painful for companies, creating incredible expense, revenue, and market risks. More than half of software projects fail

to meet objectives and suffer significant schedule and budget slippage because of defects, the most significance being those defects discovered late and/or post-production! Studies have shown that it can cost 50 times more to correct a defect discovered post-release than it does if that defect is discovered during earlier stages.

Clearly, effective software testing and verification should be a priority. Why then do companies continue to miss delivery schedules, overrun budgets, and release defect ridden software that requires countless rework loops to get even close to acceptable performance?

Some key root causes include:

- Most development organizations focus on architecture and design because they consider it of strategic importance to the business. They lack the time, resources, and expertise to execute a true software performance assurance process.
- Companies outsource all phases of their software development to a single partner, without the necessary process in place to get accurate and timely project status information. If a single partner is used for all phases of the software product development, there is an inherent conflict of interest in that the partner will not want to highlight real or potential problems.
- The high cost of onshore software performance assurance activities. In many instances, budgets constrain a company's ability to build an effective performance assurance infrastructure.
- The time it takes to build the infrastructure, processes, and QA team.

The problems described above have reached a chronic stage in industry. They have been around and unsolved for so long, many companies have simply accepted that this is the best they can do with their quality control processes. It is a clear case of Learned Helplessness. However, the need to mitigate these risks is now drawing

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more and more attention as the business impact to the bottom line becomes better understood.

The answer to this problem is not to just do *more* testing, but to improve the overall testing and QA process. A true *Software Performance Assurance* strategy, process, and plan for execution could mitigate significant risk factors that companies face. It is by its very nature a complex, resource intensive activity that requires significant infrastructure and specialized skills to be performed efficiently and effectively. It is **clearly a domain for specialists**.

Building an effective internal software performance assurance infrastructure and team of specialists from scratch is certainly possible, but can take significant time and resources, and there is no guarantee of success. Finding, hiring, and retaining qualified experts in the testing and QA field can be extremely difficult. Defining and implementing the infrastructure, environments, processes, and tools can be very time consuming and expensive as well.

A viable and possibly much more attractive alternative may be to work with a partner that specializes in software testing and performance assurance. Expert partners add value by providing specialists in the space and proven, repeatable processes that have been optimized through multiple client engagements, and for a multisourcing environment. Typically, these expert companies have well-tested frameworks and intellectual property that dramatically speed up and improve the effectiveness of testing. They can put together teams of expert testers in matter of weeks as compared you spending months to hire, build the team, and put processes in place.

Partnering with a specialist in the Software Performance Assurance arena addresses these problems by offering companies an efficient and effective solution for software testing and verification. A competent partner and a well-defined engagement model should:

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- Reduce the risk of defects on released products, thus reducing overall product support costs
- Reduce the time and resources required to verify a software product
- Reduce the overall cost associated with verifying a software product

The key, like other outsourcing initiatives, is in successfully managing the effort.

Conclusion

Multisourcing can provide a number of significant benefits to client organizations, with proper planning and judicious selection of partners. Multisourcing is an innovative discipline that takes organizations beyond "quick-fix" cost cutting to enable capability building, global expansion, increased agility and profitability, and competitive advantage.

However, multisourcing requires a new mind-set and frameworks for communicating, interacting with, and overseeing multiple partner relationships, both inside and outside the organization. These considerations will be discussed in detail in future executive briefs.

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