



Elegant MicroWeb
Delivering the Value of Technology

White Paper

How to Select and Partner with an Offshore Service Provider

Delivering the Value of Technology



ISO 9001:2008

Elegant MicroWeb

How to Select and Partner with an Offshore Service Provider

Abstract

When you engage an offshore service provider, you must predict measurable results and achievements in order to justify the cost of acquiring the service. Ideally, the value of the service should exceed, or at the very least, be equal to, the monetary investment. If the value of a service or product is particularly unique, the organization may be willing to pay more for that service or product. This document includes some recommended value factors for your consideration. We have also included two approaches to analyze vendor value. One is a 'risk' assessment and the other is a 'weighted value' assessment. You may use one of these two methodologies to calculate the value of a vendor service offering versus the quoted cost or fee.

<http://www.elegantmicroweb.com>
[Contact Us](#)

MicroWeb Copyright@2009. All rights Reserved.

How to Select and Partner with an Offshore Service Provider

When your enterprise engages an offshore service provider, you begin a journey toward a short term project goal, or a partnership for long-term support. But, the successful offshore partnership does not happen by accident. There are several things to consider and plan in order to ensure that your enterprise will achieve positive results and enjoy a successful partner relationship with an offshore service provider.

If you want your project or relationship to be successful, you must fully analyze your requirements and the qualifications of each vendor you consider.

Assessing Enterprise Requirements

The first step in the process involves analysis of enterprise requirements. Whether your enterprise has determined a need for supplemental resources, or your management team has made a long-term, strategic sourcing decision, it is tempting to pick up the phone and begin calling service providers.

However, if the enterprise does not fully understand its requirements, it will be difficult to refine your strategic or tactical objectives for offshore projects, and to assess the compatibility of the services, business models and delivery models under consideration.

Most enterprises develop detailed technical and functional requirements for an IT project, but few pay as much attention to their requirements for a service provider relationship. When you are considering an offshore service provider, you should make a list of your expectations and needs. Talk to all the stakeholders in your enterprise and list and prioritize the needs.

You should also assess whether you have the in-house resources and skills to develop a thorough Request for Proposal (RFP) to accurately and concisely explain your requirements. If you do not have experience in writing technical and project RFP documents, you might consider hiring a consultant to help you analyze and document your requirements.

If your RFP does not contain detailed project or long-term offshore requirements, or if your technical, staffing, timing and budgetary requirements are incomplete, it will be difficult for prospective service providers to predict their readiness to serve your needs. Even the best offshore service provider is likely to fall short of expectations if they do not have a complete picture of your project requirements.

It is important to note that not all projects are complex in nature. If your project is short-term or simple, you will not have to provide a lot of tactical or strategic requirements documentation to get the project moving. A simple Request for Information (RFI) may be adequate.

Regardless of the level of complexity of your project, it is imperative that you assess the service providers under consideration to determine which one can best satisfy your needs for rapid response and provide timely, accurate results with limited direction.

Don't be afraid to use industry associations or other professional organizations as a resource to get you started. Talk to your colleagues, and industry peers to find out what they have done, how they started and managed their projects and what references, if any, they might have for good service providers. Learn from the mistakes made by your colleagues!

Developing Requirements

To develop an accurate picture of enterprise requirements you must consider each of the key components of project success. We have listed some considerations to get you started. Your unique project needs may make it necessary for you to add other factors to your list.

Project Goals and Objectives

1. **Tactical vs. Strategic** - The definition of a project as tactical or strategic will change the way you look at requirements. If your project is a tactical engagement, you will be looking at things like cost savings, availability and flexibility of resources, and vendor business models.

If the project is strategic and will function as an extension of your organization or act in lieu of IT staff, your analysis must include a more thorough risk assessment, with clear strategic goals and future resource requirements, as well as required vendor skills and your requirements for committed resources and skills.

Among the factors included in a long-term, strategic engagement, your organization should consider their need for scalability of technology and solutions, the requirements related to vendor location and how vendors must handle time zone differences.

For tactical or strategic projects you will need to develop requirements for project return on investment (ROI). For strategic projects with a larger investment, the ROI metric will be a more significant consideration.

2. **Project Scope** - Your needs will vary, depending upon the scope of your project. Is your project a short-term, targeted project to accomplish specific goals? For example, you may need to engage a service provider to design and develop a Content Management System (CMS) to be used for internal team collaboration.

If your project involves long-term support requirements, your approach to requirements will be a different process. A long-term support objective might include the need for 24/7 support, system monitoring, data protection standards, and remote management of systems and infrastructure to supplement or act in lieu of the enterprise technology team.

How will the scope of your project impact the skill set and response time you need, and the project tasks included in the schedule? What type of internal resource requirements will you have? Do you need a full-time project manager or other resource working as a point of contact within your own enterprise?

3. **Project Deadlines and Methodology** - Is your project on a short deadline? What schedule will you need to accommodate to get the work completed? Will you work on more than one task at a time (concurrent) or is your project path linear (one task is dependent on the completion of the last task)?

What formalized project management methodologies will support your requirements? If your project is complex or significant, you will want to consider vendors who have experience in standardized project management methodologies like Waterfall and Agile. These processes will provide more measurable results and allow your vendor to better align specifications, schedules and budgets to your requirements.

What kind of effect will time zone differences have on your project timeline? Will you be able to communicate with the service provider off hours? If you are working on a staggered schedule, will the hours lost or gained in time zone differences and models that support vendor resource flexibility impact your project deadline?

4. **Visibility and Criticality** - If your project has stakeholders at the top of your enterprise or customers, clients or partners who are dependent upon or invested in the project, your project success or failure may be more important than the average project within your enterprise.

Financial Considerations

1. **Budget** - If your budget is limited - and whose isn't these days – you must use every dollar wisely, and show measurable results and return. Do you have enough information to assess the available budget and determine whether it is appropriate to fund the project?

If your project is complex, you will need detailed requirements in order to effectively plan the budget. The question of whether your enterprise should consider a fixed price project bid or a time and materials bid will be based on how well you can predict your budgeted project cost and what it will take to complete your project in terms of time and resources and project scope.

2. **Return on Investment (ROI)** - However you choose to develop your criteria for ROI, be certain you understand how you will 'sell' the project to your management team and stakeholders, and take the time to succinctly convey these ROI requirements to your prospective service provider. If you are not in agreement that you can achieve the ROI expectation, your project results may be in question.

Business and Functional Considerations

1. **Skills and Experience** - What type of skills does the project require (technical, business, specialized)? For example, does this project involve tasks that are commonly required in a general technology arena, or does your project require industry specific skills, domain knowledge or platform experience?

If your project is based on a specific platform, framework or environment, the service provider must have appropriate technical and project experience. Unique technology components or system configuration requirements will add complexity to a project and your service provider must be prepared to address these requirements.

It is important to note that technology projects can often be extremely complex. For example, if a project includes migration from, or integration with, a custom developed legacy system, or a migration to a new platform, the project may require that internal resources are coordinated with one or more outsource service providers.

Even if your organization has the skills to manage or coordinate multiple vendors, it will spend significant time and money outside the planned project budget.

Where specialized skills and dynamic or complex project needs require support from more than one provider, you will want assurance that the service provider can coordinate and manage partners and other vendors who may be working on phases of the project. A seasoned service provider will have experience working with other vendors and may have established partnerships with the vendors you need to work on your project.

Choosing a vendor with flexible, adaptable processes and project and partner management skills will ensure that the requirements are met and that the organization can focus on other critical activities.

What kinds of skills will the vendor need in the realm of quality and test management, process management, change management or other skill sets that are important to the successful completion of your project?

Will you require the service provider to staff your project with a dedicated account manager and/or project manager? Is your project a simple one with only a few steps or is it a complex project that will require a thorough understanding of project management practices?

The RFP and requirements documentation must consider all phases of the Software Development Life Cycle (SDLC) to determine the skills or knowledge you will expect from the service providers you consider.

2. **Roles And Delivery Models** - How might your project evolve over the course of the project lifecycle? You may only require part-time support or targeted programming support now, but if the project is complex, or your long-term strategy requires you to modify your approach, you may need other types of systems, technology, programming, or IT business support.

While this kind of forward planning is sometime hard to accomplish, projected support requirements allows you to analyze prospective vendors based on current and future needs and it can prevent the disruption caused by having to change vendors in mid-course. Consider the vendor experience with a particular delivery model and whether the vendor delivery models can scale to meet future requirements. If you may require onsite services in the future, you should include these considerations in your RFP. You will want to understand the availability of other models to accommodate your changing needs.

You should also detail the areas or phases of your project for which you will require vendor support versus the phases or tasks you want your internal team to complete. These areas might include research, architecture, design, planning, programming, testing, project management, and reporting or database tasks, and maintenance and support.

When you develop your business and relationship requirements you may add other considerations as appropriate. You can use the listing above as a starting point. Consider the unique needs within your industry and market, and the needs of your employees, customers, partners and other stakeholders in your enterprise and create a detailed list of requirements. This listing will become your assessment tool as you interview prospective service providers.

Assessing Prospective Service Providers

Imagine your enterprise intends to hire an individual as a member of your in-house IT staff. In the process of hiring an employee, you would most certainly check references, and assess training, technical skills, interactive and soft skills and the ability of the individual to work appropriate hours, as well as their record of success in completing past projects and tasks.

These same questions are also appropriate to ask of a prospective service provider. Start with the requirements list you developed above and use it to assess the offshore service providers. Look through the web site, the collaterals and the press information for each of the vendors, and use an online search engine to perform keyword searches and streamline your list of prospects.

After you have chosen a short list of offshore service providers, create a list of interview questions or assessment factors. You will use these to analyze each vendor and its offerings, services and processes. If the fit is appropriate between the enterprise requirements and the services and skills provided by the offshore service provider, the project and relationship will be more successful.

Developing a List of Interview Questions

Here we have listed some recommended considerations to help you build your list of interview questions and assessment criteria. Your project may require that you add or remove factors from consideration.

Stability, Flexibility and Proven Results

1. When you consider your short list of service providers, look for stability and history. How long has the service provider been in business? Has the management team remained stable and consistent? If a service provider does not have a stable business, you may be subjected to a discontinuation of services, or inadequate scalability, at a critical time during your project.
2. You should also consider the geographic location and city, and the supporting infrastructure and economy of the offshore location in which the service provider does business. If the service provider does not work in a location with a reliable operational infrastructure, or if the area in which the company operates does not have an adequate talent pool, the vendor may not be able to offer dependable services.

When considering an offshore provider, you will also want to understand the stability of the location in which the vendor does business. Does the economic, political, community and societal environment provide a stable place for the vendor to operate a business or will your project be subject to disruption because of instability in the region?

3. If your project is complex or long-term, you may want to consider a visit to the offshore facility. This is not always possible, but an onsite visit can be productive, and it can provide a lot of information about the facility, the team and the capabilities of the service provider. A visit to the vendor location also provides the opportunity to meet and build rapport with the offshore team.
4. When you develop your interview questions, you may wish to ask about other options besides offshore delivery. Does the service provider offer onsite, hybrid or mixed delivery models? While your project may have an offshore focus at the outset, a complex project might take a turn during its course and you may want the service provider to be flexible enough to accommodate other delivery models.
5. Ask about staffing capacity. Is the service provider flexible to increases and decreases in staffing needs?
6. Ask for (and check) references. If at all possible, get references for projects that are similar in scope to the project you are considering. It is always a good idea to ask for written case studies or testimonials, but there is no substitute for talking directly to a reference. This access allows you to ask specific questions about expectations, services and results.

Skills, Experience, Training

1. Find out about the technical, functional, business and interactive skills within the offshore organization. If there are specialized skills required for your project, you will want to ensure that the team members you need will be available to perform the tasks required. Team members with specialized skills are in high demand and may be pulled away to work on another client project. Make sure this does not happen to you!
2. If you require skills or services like project management, specific reporting capabilities or other special services, you should discuss these requirements in your RFP and interview the prospective service provider to get specific answers on the professional training and knowledge within their organization.
3. Find out if the service provider has a process in place to keep team skills current and to develop and use new skills as required by clients. You will want to know that the service provider has a comprehensive training program in place, to keep team member skills up to date and to develop new skills as required.

Processes, Certification and Standards

1. Ask about processes and procedures for data security, and the protection of proprietary information.
2. You will also want to find out about standards and certification. If a service provider is ISO or CMM certified, or has achieved industry certification, or complies with specific regulations or standards, these achievements demonstrate a consistent quality assurance process and consistent results.
3. What user acceptance or sign-off processes exist to verify expectations and satisfactory completion of a particular phase of the project, or to verify delivery of all specified requirements? You should also find out if the service provider has a suitable sign-off process within its own organization to ensure that deliverables are validated by the vendor organization before scheduled delivery.
4. Ask about communication processes and procedures for reporting and day-to-day interaction. You want to know that you can reach the offshore team when you need an answer and that you will receive appropriate, timely updates on the status of the project or ongoing tasks.
5. Find out about standard and overtime business hours and vendor accessibility. Can the vendor comply with your work hours if necessary? Does the vendor provide 24 x 7 availability? How often will your teams interact? Will you need face-to-face meetings and if so, can this vendor comply with that requirement? Be sure you understand the standard holiday and vacation schedules for the country in which your vendor operates. You do not want to be surprised by days or weeks of downtime during a critical period of the project.

Financial and Contractual Considerations

1. Consider the budgetary requirements and needs you have defined. Ask the service provider to specify rates, available fee structures (fixed vs. time and materials).
2. You should also find out about contractual terms, including termination clauses, service level agreements (SLAs) that define deliverables, sign off or approval processes, as well as any available service bundling or discounting.
3. Ask about interest rate or currency exchange (FOREX) rate fluctuation based on market or economic factors. When you are working with an offshore service provider, it is important to understand the fluctuating exchange rate and how it might affect your budget. Will the vendor stabilize your contract fees to ensure that they are not inflated, or will you be subject to daily, monthly or quarterly rate fluctuation?
4. Investigate any unique or special tax implications involved in doing business in a particular country, city or location. It is important to understand the legal, tax and contractual implications before you commit to an offshore service provider.

Once your list of interview questions or vendor analysis document is complete, perform a final review to be sure you have enough detail to give you the information you need to make a decision. Finally, prioritize the interview questions so that those that are more important are weighted more heavily.

Managing the Process after Vendor Selection

Remember that the selection of your offshore service provider is just the beginning! Once you choose the service provider and the project begins, you must focus on the relationship and on mutual project success. Some enterprises incorrectly assume that the relationship will manage itself, or that the service provider does not need to communicate with the enterprise in order to complete tasks.

While some projects may not require much day-to-day interaction, the methods and timing of communication are always important. Work with your service provider to develop a list of appropriate contact information and to agree on the timing of meetings, reports, phone calls, email and chat or IM interaction.

When and how do you prefer to be contacted? How often will you expect to hear from the service provider? What do you want the service provider to handle independently? What kinds of issues do you want to discuss with the service provider before action is taken? How often will you meet as a team and how often will your manager(s) meet with the service provider project manager? How will you establish goals and Key Performance Indicators (KPI) for your project?

It is important that you and your service provider agree on the definition of success and how it will be measured.

Summary

The concepts and recommendations presented here will get you started on the path to successful offshore partner selection. If you give appropriate attention to the selection of the offshore service provider, and to the management of this partnership, you will significantly increase the likelihood of a continued relationship, increase your enterprise productivity, and ensure that you achieve your goals for ROI and the strategic objectives for your offshore project or long-term service provider relationship.



Elegant MicroWeb

A-305, Shapath IV, Opp. Karnavati Club,
SG Highway, Ahmedabad-380051 India

Email: contact@ElegantMicroWeb.com

URL: www.ElegantMicroWeb.com

EMR1002WP - How to Select and Partner with an Offshore Service Provider - Version 1.1 - Published 2009
Copyright © Elegant MicroWeb Technologies Pvt. Ltd (EMTPL), all rights reserved

This document contains information that is proprietary and confidential to EMTPL, which shall not be disclosed, transmitted, or duplicated, used in whole or in part for any purpose other than its intended purpose. Any use or disclosure in whole or in part of this information without express written permission of EMTPL is prohibited.

Any other company and product names mentioned are used for identification purpose only, and may be trademarks of their respective owners and duly acknowledged