

# Why Offshore Product Development Fails *Poushali Ganguly*

## Product development is different

- Product specifications keep evolving
- Products are not easily partitioned
- Time & people are always scarce

## The risk of ignorance

- Size
- Quality Certifications
- Low rates

## Planning to go offshore?

Considering moving your product development offshore? Not sure if offshore development will work for you? You are justifiably worried.

Despite availability of strong talent at low cost, many products companies have not realized cost savings by moving their product development offshore. Many more have had issues with quality.

Chances are that most of these organizations started their search for offshore partners using “tried and tested” criteria for evaluating offshore companies. Problem is, most of these criteria have been developed for large corporates looking for vendors to manage their legacy systems & internal applications.

## Product development is different

There is a big difference between building an innovative, complex software product and maintaining a legacy system.

### Product specifications keep evolving:

Products do not work in a single, well defined environment where all situations can be thought of and included in a single requirement specification. Product development is more evolving, and functional specifications keep changing till the very end of the release cycle.

### Products are not easily partitioned:

Unlike large in-house applications, products do not have well defined blocks that can be partitioned off cleanly and completed elsewhere. Teams at multiple locations need to work on the same code base and integrate their work continuously for multi-location development to succeed.

### Time & people are always scarce:

Product development teams are almost always working against aggressive release schedules and typically never have resources to spare exclusively for coordinating with offshore teams.

Trying to outsource your product development work to large IT service companies whose core competence is execution of multi-million dollar contracts with large corporations is an invitation to disaster.

# White Paper

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### The risk of ignorance

Most small and mid-sized product companies don't really have a lot of experience in offshore outsourcing. To mitigate the risk of making a mistake, they start off with "tried and tested" criteria for vendor selection. A majority of these criteria have been established by large corporations trying to outsource their IT requirements. Using the same criteria for offshore product development is a sure fire recipe for failure.

Here are a few criteria commonly used for deciding offshore vendors, and why they don't work for small and mid-sized product companies:

#### **Size:**

Bigger is not always better. How much leverage do you think you will get for your 5-25 person business with a vendor who has other customers that give him millions of dollars in revenue every year? Will such companies be flexible enough to take care of your unique requirements? After all, you are not critical to their success. They have their own agenda.

Moreover, quality and quantity don't normally go hand in hand. The more number of people a company employs every year, the lower they have to bring their entry quality bar. Wipro, a leading IT company in India, recently announced that more than 50% of its hiring this year will consist of freshers recruited from college campuses. Most other large companies in India are no different. Would you want to hand off development of your product to a team with an average experience of less than a year? Think about it.

#### **Quality Certifications:**

UIISO and CMM certifications are about building processes, not software. The goal is to build processes in such a way that they can be systematically improved over time. When applied intelligently and correctly, they could offer many benefits.

However, most companies with the certifications are not really interested in improving their software development processes. They are only interested in using them as marketing tools to sell their services.

Think about it. How many innovative product development companies in the US are CMM certified? Is Microsoft CMM certified? Is Oracle? On the other hand, every other vendor in India seems to be CMM level 3 or above!

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#### **Low Rates:**

In countries like India, not all “Software Developers” are capable of undertaking product development work. There is a wide range of quality of people available – at the top end are engineers from premier schools such as the IITs and RECs, who are capable of abstract thinking, high level problem solving and innovation. These are equivalent to graduates from Ivy League schools in the US.

At the other end of the spectrum, you have people who have done a two or three year course in application programming – probably equivalent to technicians who have solid training, but can only take responsibility for routine tasks.

Obviously, they are paid differently – the highest end get paid almost ten times the lowest end. Unfortunately, most vendors pass both these category of people as “developers”. Unless you pay attention to who is recruited to work on your software, you might end up getting the low end engineers who work well only against very detailed specifications.

### **In Conclusion**

Your best bet in the long term is to have your own offshore development team. This is the only way you can get a team that is competent, has a strong sense of ownership for your product, and integrates tightly with your core team.

A less risky option is to choose the build-operate-transfer approach. Get a vendor start up an Offshore Development Center (ODC) for you, and buy it out at a later time.

Since the end is a subsidiary, treat the ODC members as your own employees from the first day. Choose a vendor who can provide you people from the top engineering schools with relevant experience in the domain/technologies you use. People, who can analyze your requirements, propose and implement solutions with minimal communication overhead to you.

**All the best!**

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