

SOFTWARE EXPERTS

Critical software... delivered on time!



A BEGINNERS GUIDE TO RISK MITIGATION IN SOFTWARE OUTSOURCING

THE ONE
“TRUE PATH”
to success

SOFTWARE EXPERTS
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<http://www.osmxp.com>

Anyone who wants to try outsourcing software can locate wide variety of experts, tools and rules for success. But know that behind every rule or tool there is a horror story.

One major reason there are so many failures is due to a fundamental misunderstanding of the outsourcing process. People search for the holy grail of outsourcing - a search for one right way to do it.

The problem of finding "one true path" which is best for outsourcing success for everyone - all the time - is there simply is not just one way to do it. This belief of 'only one way to do it right' manifests itself in failure. Rather than seeking the 'One True Path' consider outsourcing as being about options for risk and reward. Thus there is not one path which is always best for you, but there are many paths and the right one for you will always be based upon your specific needs at any specific time and circumstances.

Like going to the grocery store, you may walk one time. Next, take a cab, later perhaps later drive the SUV, or another time take the pickup. The solution is all about time, circumstance and need.

Outsourcing success is all about balancing risk-and-reward then mitigating that risk.

Risk Tolerance:

The first choice in selecting paths should consider your risk tolerance. It is finding the right balance and harmony for you, between your time, your energy, and your budget.

This balance is rendered to this simple choice called the **'Law of choices'**.

PICK ANY TWO:

Done Fast

Done Right

Done Cheap

These choices are immutable. Knowing them can help you decide what balance or tolerance is best for you.

Can you accept a sliding deadline? Can you budget for a fast delivery?

Risk by type

First assessment for risk is knowing that in outsourcing, resources usually fall into two categories, freelance and outsource; there is a difference and each one brings its own set of risks.

By definition:

- Freelance software developers are those developers who do not belong to any organization and often work from home.
- An outsourcing developer is often a company or business which only does software development. They may be a staff of 2 to 2000.

The biggest advantage of using a freelancer is price. They usually charge a fraction of what a professional organization would charge.

The biggest advantage of a development company is the professional methodology and business processes they have.

But the pitfalls of both are numerous, especially when there is a serious or long term project. Software development is always consistent with the law of choices. Here below is a very simple risk assessment by type of risk and option by developer.

Risk (type)	Freelance	Development Company
Skill	May not have the skill to develop all portions of the application	Usually can find the needed talent in the work pool. But the talent may be on another project.
Timely delivery schedule	Is this their part time job? Are they between jobs?	Are there assurances for timely delivery.

	Will they be available for follow-up?	
Cost escalation	Frequently cost will often rise when the freelancer discovers they under bid the project.	Will usually follow a precise statement of work (SOW) or application development model supplied and require a change order for each 'modification' if the SOW is not clear and comprehensive the cost will appear as a change request.
Continuity	Will they be available post delivery for follow up?	What is the turn over of the company? Will the team be available post delivery for follow up?
Scalability	Freelancers cannot take up very large sized projects.	Teams are often reassigned frequently. Though not instantly the teams can usually be increased to meet deadlines.
Timely deliveries	Freelancers work at their own pace and often do not consider deadlines seriously	Many outsource companies are infamous for not sticking to their commitments. The reasons vary but not all companies keep their deadlines.
Infrastructure	Freelancers often do not have the requisite software and hardware infrastructure or even have good connectivity	Most companies have decent infrastructure but connectivity can be intermittent throughout the world. The larger more professional companies have handled these problems, but outages occur.

If you plan to use freelancers for a project in the near future, it is advisable that you enter into the business relationship with your eyes open.

Risk by process

Looking at the law of choices from another angle. Suppose you have decided to use a freelancer or development company. Now the paths are forked here:

You have choices on how to administer your project development and each has a risk

□ **Do it yourself** -- □ **Hire a consultant** -- □ **Use a Broker/Agent**

	Do it yourself	Hire a consultant	Use a¹ Broker or Agent
Risk			
Cost	Highest if it fails, but usually high in hidden costs and late deliveries. Though the contract looks lowest, often total -final- costs can be highest when you consider the extra charges..	Modest, and when the consultant is an experienced professional. This is most often lower in the final than the freelancer.	Usually the lowest overall due to administrative oversight and clear communication channels provided by the broker/agent assures controlled costs and delivery schedules don't slip.
Timely deliveries	Highest risk almost always late, especially when the project exceeds a few weeks.	Modest to low usually late but within reasonable parameters.	Typically late deliveries are identified early and adjustments made to keep on schedule.
Supporting Documentation	Inconsistent	Usually monitored and reasonable	Always monitored

¹ Software experts (WWW.swxperts.com) is your broker using it's leverage to reduce risk and control both product and cost.

Tracking systems	Inconsistent and often non existent.	Usually monitored	Always monitored
Communications	Usually Email and IM	Often some tracking system	Always use a system with audit of both communication and project progress.
Functionality	Highest risk whether you will get what you want	Often the consultant will build a good SOW and then the risk is reduced.	Pre engagement parameters are set to assure functionality and performance.

From this simple chart you can see the risk of failure is inversely proportional to the initial (bid) cost. Meaning cheaper initial cost (do the administration yourself with a freelancer) carries the most risk while using a broker/agent carries the lowest risk. The risk can be offset with a set price and delivery when using a consultant or broker.

Of course there are obviously more choices, like fixed price or open hourly; what platform or language should you use; is it best to use open source as a core; .net or Java; refactoring, layered and on. But the biggest choices, the ones with the highest risk are these above.

Conclusion

Clearly there are many paths and risks. Only the big ones are here. But there is one way to find the best path. It is the same path as building a home, calculating your taxes or repairing your car. You rent the expertise.

Just as you hire a CPA to do your taxes, work with a Realtor to buy a home, and go to a auto repair shop when your car is broken. The advantage of choice is balanced and understood.

Do it yourself or rent the expertise. For example, you can study to become an expert, a CPA, auto mechanic, or Realtor but you already understand the advantage of hiring a professional - the risk and reward. It is translated to your time , your cost and your probability for success.

If you outsourcing any serious software development (serious is defined as "critical to you") it is usually best to engage a professional, at least for the first few times, to understand the path, process and risks. There is no such thing as a risk-free outsourcing relationship any more than there is a guarantee that every CPA will give you the best return on your taxes, but these are the ways you currently mitigate your risks, control your costs and get what you want when you want it.

In business there is no such thing as a free lunch. And just because you don't see the traps or understand them doesn't eliminate them or mean you won't get hurt.

Horror stories are, after all is said, belong to the dominion of those who went it alone and failed. Those who said: *"I should have done..."*

You don't have to join that group. The choice is yours.

About Software Experts.

We guide our clients through the risk-reward maze We don't guarantee the lowest price or are we the highest, but will place your project only with an affiliate developer who has demonstrated a track record and with an ability to meet delivery standards. Our value is in delivering critical software that meets spec, is on time and at the agreed price.

Can Software Experts' vendors provide you with a guarantee? Yes! You can request a performance or delivery guarantee from our vendors.

But you are in business and know success is a balance of risk and reward. We know the risks and rewards and can share our experience and expertise.

Let Software Experts help you succeed.

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