

# Learning to Live With Outsourcing

The Benefit of Experience



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- Outsourcing Advisors — a leading European Pivotal Provider<sup>1</sup> of Outsourcing Services
- Three UK offices, one US office, three across mainland Europe and representatives in several of the world's emerging economies
- Have advised just under 200 private and public sector organisations in UK, US, Belgium, France, Germany and Italy
- Around two-thirds have progressed to implementation management
- Leading research in the Outsourcing field

<sup>1</sup>Source: Forrester Research



- Emphasis on:
  - BPO (Business Process Outsourcing) — 25%
  - CCC (Call and Contact Centres) — 15%
  - ITO (IT Outsourcing) — 60%
- 3<sup>rd</sup> Party Outsourcing  
–VS.–  
Captive Outsourcing



- Publicly quoted company
- IT Software Manufacturer & Solutions Provider
- Sample Blue Chip Client Base
  - Dixons
  - Sony
  - FILA
  - Merrydown
  - Pitney Bowes



Who are Control Group?

Control Group are a software systems supplier. We supply BPICS and Control.ERP to manufacturing and supply chain distribution companies. We are UK based and compete head to head with some of Europe's largest ERP suppliers.

Our client base is spread across Europe and the Far East & Australia. As you can see from the names we include companies with big high street presence and many others besides.

At Control Group we have around 70 IT professionals and some, very talented programmers. We are not really any different to many other organisations.

Whether you are an internal IT department of a Software house, we are all dealing with customers. Yours may be internal customers, our are usually external customers. But I happen to think, they are very much the same.

Customers cause most of our problems.

They don't like to give the go-ahead on orders, they don't read the specification, they can't explain what they want, only what they don't want, and they want it all tomorrow.

All those characteristics cause us, IT professionals, problems.

## **eCODE** Why Outsourcing ?

- Volatile Marketplace
- Maintaining SLA's
- Achieving Economies
- Retaining Key Skills
- Language Skills



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### So Why Outsourcing?

The ERP marketplace has been highly volatile, many companies have failed in the recent roller-coaster ride that solutions providers have experienced. Big names like BAAN and SAP have made spectacular losses and there has been much consolidation in the marketplace.

The volatility of the marketplace makes it a struggle to getting your staffing levels right, not knowing the demand for programming skills is less of a problem when revenues are high. But when times are tight, we like many other organisations need to balance our budgets.

Outsourcing, if it's done correctly, can help. Cheaper than sub-contractors, and more durable! The first rule of sub-contracting is "Always leave before the project goes Live". Outsourcing companies can be contracted with financial retentions pending final sign-off from the customer. In some cases the first three months maintenance can also become part of the outsourcing deal. This can form a substantial comfort zone. The other benefits in a volatile market are the speed of ramp-up and stand-down. If you deal with a "Pivotal Provider" they can provide hot stand-by teams ready to move at incredibly short notice.

I'd better explain what I mean by "Pivotal Provider".

A pivotal provider is an organisation that acts a bit like an insurance broker, they help find and match the skill set required with the project requirements, and then manage the process of contract and project management. So it's a bit like going

- Internal Resistance
- Choosing a Project
- Defining the Objectives
- Supplier Selection
- Establishing Responsibilities
- Creating the Communications Channel
- Managing the Project



### Starting Outsourcing.

When we first proposed outsourcing many of our internal staff saw this as a threat, however we won over the key players when they realised their jobs were going to be made more interesting and varied. We have succeeded in reducing headcount, but in a controlled and managed way. We kept the key personnel and lost some of the less talented individuals.

### Choosing a Project.

We deliberately set out to choose a new project (rather than one which already had committed staff) Frequently projects choose themselves by way of being urgent, under resourced or outside core development. (Mistake No. 1)

Define the Objectives for the project. (Mistake No 2)

Supplier Selection, We looked for a well established large company with an impressive customer list and excellent quality qualifications. (Mistake No 3)

We established responsibilities & Communications Channels. We opted for weekly reporting structure on a 16 week project. It was about right. Weekly conference calls took only an hour on Friday Mornings, and established a good control over the project fundamentals.

We designated an internal manager to control the project. (Mistake No 4)

- Meeting the Objectives
- Quality
- Value for Money
- What went wrong
- What went right



Following Completion we held a Project Review.

Did we meet the objectives? Well no, we got one that met the specification, but our specification was too loosely drawn.

I suggested on the previous slide that we had made a mistake in choosing a new project where we had no committed team. In retrospect its obvious, but what happened was, we never did get ownership at our end. It was always , “That stuff that was written in India”. Nobody owned it, nobody felt they were responsible for quality or fixing bugs. Big Mistake.

That said the quality was good, and the software did exactly what we specified. But we should have been much more rigorous with documentation and the ancillaries, install scripts etc. Because of the ownership issues, nobody really understands how it works or how it should be installed.

Was it value for money? Well we certainly got a lot of quality development for a very competitive price, but we failed to get the best from it.

Our internal Project manager left the company shortly afterwards.

- We got the wrong product
- We failed to document sufficiently
- We didn't get ownership
- We mismatched supplier/project

**WE UNDERESTIMATED OUR OWN CONTRIBUTION  
NECESSARY FOR ONGOING SUCCESS**



So in summary What went wrong.

We got the wrong product

We failed to document sufficiently

We didn't get ownership

We mis-matched the supplier to the project.

In Short:

**WE UNDERESTIMATED OUR OWN CONTRIBUTION**

- Not a lot

But we learnt a few lessons.....



What went Right.

Well not a lot.

But we learnt some valuable lessons.....

- We improved ownership
- Matched Supplier/Project
- Internal team responsible for QA
- Improved documentation
- Improved Project control
- Better Communications



You would have thought after the first attempt at outsourcing we wouldn't bother again. NOT TRUE!

The Second time was forced upon us:

We install 8-12 systems a year, our resources are all geared around those levels, normally the mix will be 2-4 small systems, 4-6 medium systems and one large (Over 200 user) systems.

Inevitably the large systems bring a bigger volume of bespoke requirements, maybe 200-500 man days development. Usually interfacing and links to external systems, maybe specialist sub-units or local considerations, German Tax reporting, to name but a few!

In 2001 we landed two such deals at short notice, customer driven deadlines meant outsourcing was the only economic possibility.

This time we went about the process differently.

We improved ownership by bringing together a dedicated in-house team, Programmers, designers, QA & Documentation. These people would own the developed product and be responsible for its acceptance and installation at the customer.

We did not go for the biggest & most impressive Indian Software house, we

- Too much time on Communications
- Right Product
- Good Ownership
- Delivered on Time
- Delivered to Budget



So how did we get on?

Well, this time things were much, much better.

We spent too much time on communications, lots of emails going backwards and forwards, the morning emails were taking until lunchtime to clear. But this was probably a by-product of insufficient training on our product in India.

But, we got the right product, it worked!

We got good ownership both in the UK and in India, both teams worked hard to get the result right.

It was delivered on time & to Budget.

I put much of the success down to the external project manager. By sitting in neither camp directly he kept both sides honest, and in doing so avoided the blame culture.

We had a very much more successful project but we had spent a lot of management time getting the supplier selection and initial contracts right. We used an intermediary and to be honest I think we couldn't have done it without them.

- Used Pivotal Provider
- Balanced Supplier Skills with Project
- Reduced Project Risk
- Improved Communications
- Improved Project Control
- Improved Quality



Third Time Lucky.

Or should we say third time right!

We used a “Pivotal Provider” and that organisation helped us:

Define the project

Document our Quality & Procedural requirements

Get tenders from possible suppliers

Evaluate the suppliers

Draw up the contract & Negotiate Terms.

They then went on to project manage the project and administer Change Control & finally arbitrate on project extensions.

We balanced supplier skills with the project requirements

Reduced the project risks

Improved Communications

Improved Project Control

Improved the quality of the product produced.

- Match Supplier Skills with Project Demand
- Use a quality Project Intermediary
  - Define responsibilities
  - Maintain Communications records
  - Oversee Project meetings
- Don't underestimate your internal team requirements
- Get Ownership



My recipe for Outsourcing Happiness.

Match Supplier Skills & Size with the Project Demands.

Use a quality Project Intermediary, they can really add value:

Defining the Project, Help in specification, Documentation, Training & ramp-up.

They can help draw up suitable contracts, retentions, change control.

They help define responsibilities, and hold the ring when there are disagreements.

They help flagging potential difficulties, they maintain the communications & project administration record. They show both sides of any point of discussion.

They chair the project meetings. Leaving Senior staff out of day to day administration and providing an escalation path for any important issues.

Don't underestimate the contribution required of the internal team, they must take ownership of the project and product. They will represent the product internally and with your customers.

In other words GET OWNERSHIP!

## **eCODE** Outsourcing Benefits

- Improved Corporate Flexibility
- Improved Service Levels
- Reduced Costs
- Improved Competitiveness
- Enhanced Key Employee retention



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### Outsourcing Benefits.

The Control Group has measurably benefited from Outsourcing some of its software development.

We have achieved flexibility and know that we can resource projects even if they contrive to all bunch up together.

We have stabilised our service levels and maintained good customer service responses despite heavy new development commitments.

We have reduced costs (and headcount) in the development area, we currently employ two thirds of the staff we had in 2000 but with revenues 15% higher.

That has lead to improved competitiveness and that has help us maintain margins in difficult trading conditions.

We have enriched the job functions of our key employees and made their jobs more interesting and rewarding.

I believe Software Development & Maintenance outsourcing is a major benefit to all sorts and sizes of organisation, I hope that my talkn has been of interest and I will take any questions you may have now, or over lunch. Thank you