

CQ Outsourcing Strategy

1 Introduction

The demand for offshore outsourced software development services is booming. Companies are sending software development jobs overseas in the hope of saving money, reducing time-to-market, and ultimately improving their processes, and hence quality. The use of offshore contractors has grown dramatically in the past few years due to the flexibility offered by new IT infrastructure.

2 Risks in IT-Offshoring

However, offshore IT projects do not come without risks. Mega Firms such as IBM, PWC, EDS, Accenture and others offer end-to-end outsourcing with offshore centers. The prices of these long term deals are large; nevertheless, there are very few success stories to corroborate these deals. Many of the offshore projects carried out ended not reaching the originally targeted goals. The common risks can be summarized in the following:

- The difficulty of communication between software vendors and end-users.
- Concerned issues about data privacy and intellectual property.
- Geographic distance and time lag heightens the potential risk in a project.
- Political, socio-economic, or other factors may amplify any of the traditional outsourcing risks.
- Credit Risk: a vendor may not be able to fulfill its contract due to financial losses.

3 Ensuring Success in IT-Offshoring

Our solution to the above issues is to tackle the problem head-on – by creating transparency in the supplier market, and by helping our clients to define a suitable offshore strategy.

More often than not, the Achilles' heel in an offshore project is the lack of a sound strategic plan when the decision for offshoring is made. CQ helps its customers to provide a balanced approach to determine a business strategy for its IT offshoring services. Instead of only price and performance, we take into account business dimensions such as risks, maturity (both on customer side as well as supplier side), partnership model and the effect on the business value. We see the process of selecting IT offshore outsourcing as a strategic decision due to the complexity of risks, hidden costs, business model challenges, and issues that are often overlooked.

4 The Process

Our process of realizing an IT-offshoring project is approached incrementally, in our 5 steps standard process model. Throughout the process, CQ remains as a neutral coordinator, taking an independent position, with the success of the project as our core interest. For the following, the term *customer* refers to our clients in the German speaking countries (Germany, Austria and Switzerland); the term *supplier* refers to the offshore software vendors that provide the outsourcing services.

1. **Definition Phase:** In the definition phase, we help to define the fundamentals for a possible offshore partnership.
On the customer side, we assist our customers to define a suitable offshoring strategy. Is the company or project matured enough for offshoring? Where, how and what can be offshored to achieve the greatest benefits? Should it be a selective or a total offshoring? We help our customers to conduct feasibility studies, assessing the advantages that can be gained from concentrating on their core functions.

- On the supplier side, we establish partnerships with leading IT outsourcing vendors by carrying out due diligence, thus gaining trusted information of our partners. The information obtained in our due diligence process will be used to help in making a decision in the matchmaking process that follows.*
2. **Preparation Phase:** In the preparation phase, we help to bring our customers a step further towards a possible co-operation with the suppliers.
On the customer side, we assist them to define the parameters required to help in the selection of an ultimate ITO partner. We also assist our customers in the process of requirement engineering, as well as optimizing the change and configuration management to adapt to the outsourcing environment.
On the supplier side, we provide promotional services for our committed partners in several ways: via our website, direct marketing within our customer networks, through external/internal conferences round about outsourcing or software development, and also through articles that we publish on well established print media in the German speaking countries.
 3. **Matchmaking Phase:** The matchmaking process is carried out individually by our dedicated consultants to the customers. We help our customers look for true software development expertise that can provide added-value in the development process, rather than just low-cost labor. Thus, emphasis is given in the early stage of carefully evaluating the leading providers' services and experiences rather than simply giving work to any provider that offers the cheapest services. Including in the evaluation is the assessment of how committed the vendors would be in their projects and the experiences and expertise they have in the development project in question. When our customers come to a short list of possible candidates of vendors, we accompany the candidates throughout the tendering process. We provide advices and recommendations to the candidates to help them to come out with the best offer that bring mutual benefits to both parties. In the case of an unsuccessful tender, we provide our partners with feedbacks, helping them to analyze their weaknesses, so that improvement can be made to increase their chances in future project acquisitions (including those that are not acquired through CQ).
After a selection has been made. We help the involved parties to define a service level agreement and contract.
 4. **Management Phase:** In the beginning of the management phase, we can provide assistance in establishing the project team. We also assist the project team to develop specifications for requirement management as well as test management throughout the entire project. If there should be a demand, CQ can also provide assistance in the high level design of the project. In the unfortunate cases of conflict, CQ serves as a neutral judge, providing impartial insights and suggestions to help resolve the conflicts.
 5. **Operation Phase:** Once the project is in progress, CQ tends to remain in minimal involvement. However, upon request, CQ can stay in further monitoring and benchmarking the development process, providing assistance whenever and wherever necessary. CQ is dedicated to assist our customers as well as suppliers in the successful completion of offshoring projects, including the project roll-out. Upon completion of the project, CQ assists both parties in reviewing and analyzing the entire project and help making suggestions for improvement in future projects.

With our expertise and experience, we are a well versed facilitator helping to ensure successful completion of IT offshoring projects.