Offshore Update

BEST PRACTICE IN SOFTWARE DEVELOPMENT
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SDWORX

From outsourcing to multi-sourcing

SD Worx, the European HR services experts have been driving major change in it's operations. Here Harold Ryckaert, CIO, talks about how he's managing it.

Why has an organization like SD Worx chosen to outsource IT development?

HR: Back in 2001 we realized that if we were to develop and grow our business it was imperative for us to bring our systems up to date, to migrate them to a more modern, flexible and robust platform. We were operating off a COBOL-based mainframe system and needed to bring ourselves into the modern era with more focus on web-based and rich applications for our customers. However, when we understood the scale of what we were undertaking, we quickly realised that we couldn't go it alone.

But surely a platform migration would be relatively straightforward?

HR: True. In a simple migration from one platform to another, that would be the case. But the bottom line is this: There are no simple migrations. Especially when the driver behind your migration is to ensure you build systems that can stand the test of time as well as meet the diverse and changing needs of business.We really needed to upgrade our back-end applications to incorporate a lot of new functionality. As a consequence, we had to start from the existing platform and build a brand new platform in parallel to ensure a smooth transition for our customers. The complexity of this approach – though seemingly simple - is not tobe underestimated.

In the case of SD Worx what did this imply?

HR: In our case this implied an ever expanding business. When we started this project we were focused on payroll

services and had about 100 ICT people working for us, exclusively in Antwerp, Belgium,. Today we handle payroll for over 31,500 SME's and more complex services for 1000 large enterprises and around 200 advanced organizations. It is really no longer a business of payroll alone.

So, with these business drivers in mind, how did you set about the project?

HR: As is the case with any project of this scale, it starts in one part of the company and then awareness dawns as more and more business lines realize the importance of the transformation and the support needed from the business sides. The business divisions also had to make sure they could deliver the business requirements on time. It became clear to us at SD Worx that we were not dealing with a 'simple' platform migration. We were dealing with a major change programme.

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OFFSHORING CHALLENGES

Offshore Test Factory

With increasing complexity and high non-linearity of IT products, testing as a function either faces staffing problems or incurs large running costs. Here, Sukrit Bhattacharya explores how to strike the right balance.

IT Organizations developing complex IT products conduct testing through teams with high domain skills or high technical skills on-site, increasing operating cost in testing.
Testing can be generically divided into three categories

- Technical testing (Full scenario based test with high automation possibility)
- Functional and Performance testing (Partial scenario based test requiring some functional and technical skill)
- Acceptance testing (experience based test requiring high business domain skills)

To reduce cost of testing and to streamline testing as a function, an Offshore Test Factory approach can be highly beneficial for organizations dealing with large and complex IT products. The advantages of such a set-up are:

- Large pool of competent resources available to fit competency into test function requirement
- Minimal cost in regression testing
- Lower cost of test execution
- Less throughput
- High degree of automation

Out of the three generic testing categories, Technical Testing can be fully executed by the Test Factory while up to 75% of the Functional and Performance Testing can be placed there.

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SDWORX

From outsourcing to multi-sourcing

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What became clear is that we needed to 'professionalise' our programme. This meant bringing in structure and resource. The first, we could establish in-house. The second needed serious external support, as well as IT experts for outsourcing some of the application development.

So how did you go about picking a reliable source?
HR: Interestingly, at the time, we had no experience of multi-site development, multiple development teams for multiple tracks or of different cultures. We wanted someone here in Belgium who could do everything. Given that we were relatively inexperienced in outsourcing at the time, this was perfectly normal. In the end we went completely the other way – we chose a provider from India who had no base here. Pure offshoring.

And how did that go?
HR: It was a learning experience. For both sides I would say. Language. Culture. Formality – we couldn't just have a couple of phone conversations, decide and act – we needed to be a lot more disciplined. All of these things emerged in varying ways to be challenges for both sides I would say. Language. Culture. Formality – we couldn't just have a couple of phone conversations, decide and act – we needed to be a lot more disciplined. All of these things emerged in varying ways to be challenges for both sides. The real lesson for us though, was that the provider acted as a sort of mirror reflecting our strengths – and we had many – but also our weaknesses.

And would you say the exercise of outsourcing has been valuable?
HR: Let me put it to you this way, we may have started with the idea of outsourcing – a specific project to a local provider – but we ended up offshoring – an extreme form of outsourcing, with consequent distance and culture challenges. Having gone that far we are now doing more of what we like to call multi-sourcing: a combination of outsourcing, offshoring and multiple suppliers..

So you would recommend looking beyond the four walls of your own organization or the frontiers of your country for resource?
HR: Definitely. We need to find 'complementors'. We cannot do it all alone.
Using a multi-sourcing approach gives us the flexibility to work on multiple projects in parallel. It offers us attractive pricing options. And it allows us to play to the skills of the providers to ensure that we get the best results and value from them.

What about today? In the context of a global crisis, crunched budgets and tight liquidity, would you say your approach is bearing fruit?
HR: In every crisis there is an opportunity. Having a multi-sourcing 'machine' means you're better prepared for the next time things get tight. In our case, we werebetter prepared for the downturn simply because when things were well with the global economy we were battling issues of business alignment. We were establishing reporting and performance-criteria mechanisms that enabled us to monitor our businesses, our projects, and our progress.
This meant that we knew where we were going, how we were going to get there, and how we were doing. So when the markets turned, we were ready and now it's just continuing the projects and programmes we started. This is a clear example of IT becoming a 'value' and not a cost.

What advice would you give to an organization that wants to embark on a path of outsourcing, offshoring or multi-sourcing?
HR: First, get organized. Ask yourselves what you want to achieve – cost savings, innovation, streamlining – whatever before you even start the process. It will prove a lot more valuable in the long run.
Two, don't limit yourself. Look at big players, look at small players. Look near, look far. And then decide which ones could provide you with what you need while playing to their strengths.
Three, establish early on how important you are to your provider's business. Is your project small compared to their scale? If it is, then you risk not being given the attention you would expect. And if you're too big for your provider, you risk not getting honest, direct and clear advice. It's a fine balance.
Four, actually visit your providers' premises. I can't over-emphasis the importance of this. Wherever your provider happens to be, go there. See what they have. See what motivates the people who will work on your account; better still, get to know the team who will be working for you, find the key players in the team. And then... Five, negotiate! ■

SDWORX AT A GLANCE

Total Turnover: 2008: 180 million euros
2000 employees in europe
1650 employees in Belgium which includes 700 ICT staff.
36.400 clients which accounts for 653.000 employees

OFFSHORING CHALLENGES

Offshore Test Factory

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Regression testing can be conducted periodically in the Test Factory through suitable automation, independent of changes in IT products. In effect, the only parts of testing that the contracting IT organization would fully retain are:

- Unit Testing conducted by the Developers.
- Acceptance Testing executed by the Business Domain experts and the customers.

Organizations embarking on this path typically follow the roadmap below:

1. Split testing function into three categories
2. Outsource non-core technical testing to an offshore set-up
3. Move complete Technical Testing to offshore set-up and utilize the on-site technical resources for more productive purposes
4. To de-risk offshore investment, proceed towards multi-sourcing or captive competence option from outsourcing (Typically till this stage contracting organization uses offshore as a supplier of resources and functions in non-core area. Once the complete technical testing is moved to offshore, offshore set-up becomes a competence centre in technical testing. Contracting organization no longer retains any competence in technical testing on-shore. Hence the contracting organization needs to de-risk the investment)
5. Initiate automation and related investment in parallel
6. Build functional competence and architectural (specifically data architecture and performance) competence in the offshore set-up
7. Move up to 75% of the Functional and Performance Testing and leverage the functional resources on-site

- Typically within 2-3 years, the Offshore Test Factory would be fully operational at 100% target efficiency.
- Strong collaboration and seamless communication between the on-site and offshore teams
- Careful change management and effective managerial communication towards the on-site team
- Investment in powerful test and defect management tools
- On-site defect management and prioritization team with collaborative members from offshore space
- Ability to re-use test scenarios and test set-up among different products
- An approach to de-link testing as much as possible from the operational pressures of a typical project management.

With Offshore Test Factory, the return on 2-3 years of investment is realized within additional 1-2 years. Net cost saving could be upto 75% in testing when the freed-up resources are properly utilized on-site. This approach, however, requires the scale to be large enough. The benefit realized is minimal (or can even be negative) with lack of scale as multiple environments, test automation and resource re-utilization/re-allocation could require substantial upfront investment.■

Sukrit Bhattacharya runs his management consulting company KRIT Consulting in the Netherlands. Sukrit is a strategic business associate of Applied Development NV, Belgium. SD WORX vzw, Belgium; NXP Semiconductors NV, Belgium; KMD AS, Denmark; JTI International, Switzerland and HEG, Switzerland are among Sukrit's major clients. Prior to starting on his own, Sukrit held various senior management positions for Philips Consumer Electronics in India, France, Belgium and the Netherlands. With over 20 years of multi-industry, multi-country experience, Sukrit consults on IT strategy, offshore captive competence, CMMI, portfolio management, business balanced scorecard and test optimization.

Applied Development

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