

The Offshore Development Center

ODC – A closer look at the trends and benefits



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Executive Summary

Nearly all of the Fortune 500 use offshore development services or have their own branches set up offshore. Solution providers ensure well-connected ODCs emerging with ISO 9000 and / or SEI CMM certifications.

The option and ability of executing any software project offshore is available, now.

The following White Paper explores the outsourcing trends, Offshore Development Center Concept and Benefits.

Offshore Trends

- Global 1000 companies will continue to replace local contractors with offshore or near shore support
- Companies will continue to demand and opt for offshore or near shore components in almost every major outsourcing deal
- US-based outsourcing and consulting organizations continue to increase their offshore resource pools
- There will be merger and acquisition (M&A) activities involving North America and Indian IT services vendors (e.g. Wipro acquisition of utility practice of AMS and Headstrong merger with TechSpan)
- Attrition will skyrocket in the Indian IT services arena
- Fortune-class companies will continue to require offshore vendors to have mature processes in place before they engage them

and the client-partner type of experience will distinguish vendors

- Companies will and must put in place centralized program management offices (PMOs) or governance structure

Source (Gartner, Forrester, NASSCOM)

The Offshore Development Center (ODC)

Offshore Outsourcing has become a dominant theme among the IT Outsourcing trends worldwide and India has become the leading destination for Offshoring

Thus, the concept of an Offshore Development Center (ODC) evolved to provide its pool of specially trained resources, well designed infrastructure and proven and time-tested processes. It can be defined as, a dedicated, customized, and secure software development center established for a customer that needs to outsource substantial and/or continuous software development and maintenance work. The ODC service model evolved from the traditional project service model in order to accommodate the specific needs of individual customers, more efficiently. The major advantage of an ODC is that it takes project services few steps further – technical resources are dedicated to the customer exclusively, fulltime, and for an extended time period. This approach gives the customer better control over the process of product development, and it leads to higher resource efficiency at lower rates (up to 30% lower than regular project services and up to 60% lower than with internal resources).

The offshore development concept evolved from these compelling factors. Under this concept it provides the entire infrastructure and a full-time IT team of pre-decided size to the client as an “Offshore Development Center” (ODC). A part of the development team may be located on site, at the customer's facility. The processes, methodologies, and standards of the ODC are designed keeping in view the client's concerns on offshore development and development requirements. It requires longer-term commitments and the center can be expanded to meet the clients' growing needs.

Five high-level business strategies exist for offshore implementation: Tactical Outsourcing, Captive ODC (Offshore Development Center), Build-Operate-Transfer, Do-It-Yourself ODC, and M&A

- Companies will increase their first time investments with offshore service providers
- Companies will continue to experiment with reverse auction to secure the lowest possible price for offshore engagements
- Some Indian vendors will improve their relationship management and account management capabilities in order to establish higher-level and more secure relationships with clients. It enables longer business associations between user companies and Indian firms. In the future, relationship management will be a distinguishing factor for vendors. Low-cost, high-quality labor will no longer be the measure for the right vendor. Strong Relationship Management practices

Typical savings of setting up an ODC can be to the tune of 50 to 60% of traditional development & support cost and are derived from solutions developed and supported with combined on-site/offshore resources. Offshore development Centers are equipped to support applications management, development, or testing effort. It also benefits the service consumers (customers of the clients) with minimum of disruption within the client's facilities and greater utilization of client 's internal resources.

Steps in ODC Setup

The following are typically the steps for setting up an ODC for a seamless extension of your software development facilities:

Step 1: Team Identification

The setup activity begins with the hand picking of technical/domain experts and programmers with the required skills.

Step 2: Acclimatization of Client's processes

After this core team is in place, application and systems knowledge are transferred with the coordination of client experts. This activity typically takes place at the client site.

Step 3: Process Definition

A process methodology is defined and customized to meet client requirements. This is a key step in the whole process; as teams separated by time and space need to follow agreed procedures and processes to ensure high quality of deliverables. This methodology also includes checkpoints, protocols and review mechanisms, to remove ambiguities in communications. Use of standards and tools is identified and incorporated.

Step 4: Offshore Environment

a: Simulation

The defined methodologies and processes are tested and fine-tuned, often with the core team working from the client facilities for a brief period in a simulated offshore environment.

The initial results and early deliveries are checked against the agreed norms for compliance. If there are any deviations, the services level agreements are further refined. This cycle is continued until the requirements are met, confirmed and signed off.

b: Infrastructure

As a sub-step to this activity, a seamless IT environment is created offshore with communications links to client facilities. Depending on the requirement the ODC team is inducted at the offshore site. Some of the core team members return and train the offshore team on specific systems and applications, thus completing the offshore setup of resources.

Step 5: Project Execution

The ODC is now ready to execute projects for the said client. This will ensure on time, on budget deliveries using the Quality process and methodologies.

Typically the ODC Setup can save 30% and even higher costs for the outsourcers

Key Benefits of the ODC

- Significantly reduced cost
- Offshore model, higher volume commitment and agreed rates
- Higher utilization and productivity
- Retained knowledge, quantum of work, efficient resource allocation
- Enhanced protection of intellectual property
- Client-specific R&D activities as value adds
- Significant emphasis on offshore activities
- Quick ramp up and ramp down

About Infogain

Infogain, The Customer Knowledge Company, develops and delivers Customer Asset Strategies to increase tactical and strategic decision-making capabilities across the enterprise. As a leading provider of CRM, ERP, integration, and business intelligence services to the Global 2000, Infogain turns customer data into strategic knowledge that positively affects the entire enterprise. Established in 1990 with international offices, Infogain has a long-standing commitment to global delivery and is uniquely qualified to deliver end-to-end solutions through valuable strategy consulting services and highly skilled engineering execution. Strategic and technology partners include Amdocs/Clarify, BEA, BroadVision, IBM, Genesys Telecommunications Laboratories, Netezza, PeopleSoft, Siebel, and Tibco. For additional information on Infogain's full range of services, please visit our website at www.infogain.com or mail us info@infogain.com

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