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

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.

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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.

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

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