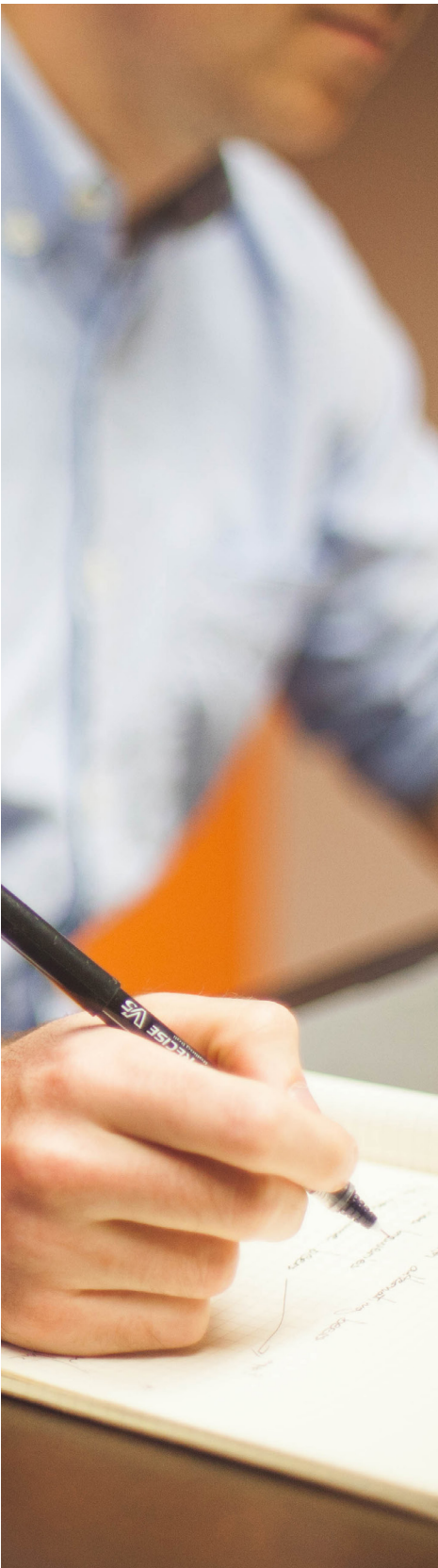


OUTSOURCING 101:

How, when and where

to outsource your software development





INTRODUCTION

You have a project and you don't have the in-house capabilities to make it happen, or you are new to software development and are looking at having a provider do the work for you?

Before you actually start working with a software development provider locally or with an outsourcing firm, **there are a few questions that need to be answered to make sure you're giving the most chances to your project to succeed.**

In this eBook, you will find answers to the following questions:

- What drives companies or startups to outsource a project, part of a project or an entire team?
- How can outsourcing help a company or a startup achieve better performance?

And most importantly, **if you wanted to outsource:**

- Should you actually outsource?
- Are you ready to do so?
- What factors to take into account when you are working with a software development provider?
- Who to outsource to? A freelancer or a company?
- Where on the planet should I outsource to?

Why do companies and startups usually outsource?

Companies or startups outsource for various reasons, but the main reasons are usually linked to **finding the right people at the right time with the right experience at a reasonable cost**, and often, only for a limited time.

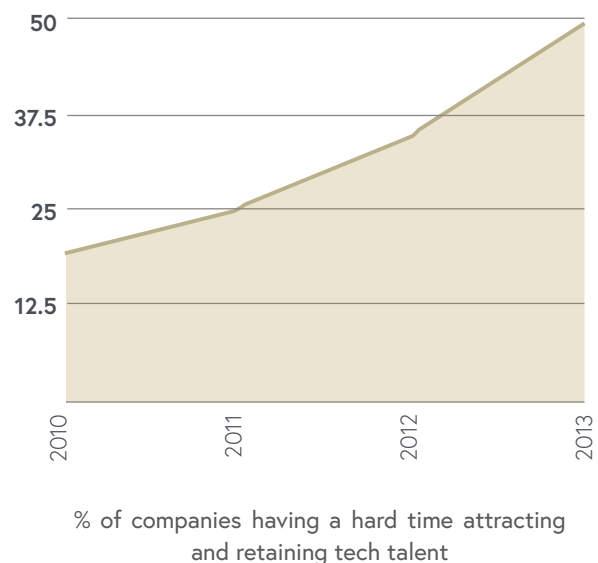
These are lots of factors to juggle with, and oftentimes, having someone else qualified do the job is a great idea because the following issues are solved:

- No worries hiring or retaining the tech talent
- Getting the most experienced people for the job
- No worries about the headcount increase on the long term
- Keep the focus on the core business
- Important cost savings if done in a lower-wage country

Today, **the talent pool of software developers is globalised** and there is a lot of competition to retain an in-house A-team.

In the past years, **a lot of companies have been having issues attracting and retaining tech talent** and have decided to hire a specialised company to help them with their needs.

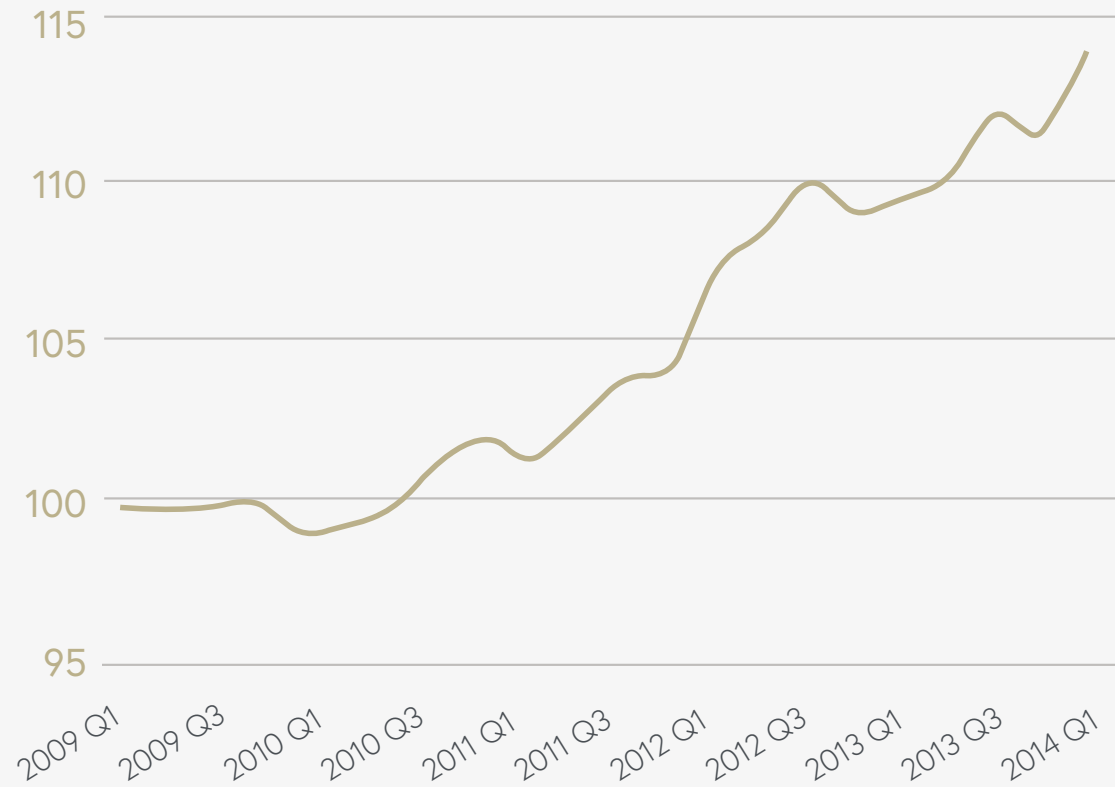
In addition to this, the software developers wages have been increasing more than the inflation over time, making it really expensive to have a team on-shore on the long run.



Source: <http://www.manpowergroup.us>

Software Developer Wage Growth Over Time

Index Value



But also:

- 1 Lack of experience
- 2 Budget constraint
- 3 Headcount increase
- 4 Distraction

Source: PayScale

When outsourcing an entire or part of a software development project, it allows you to:

- Focus on your core competencies while other experts handle other areas of your business
- Conserve your capital by hiring only the skills you need at a specific time, which increases the utilisation of those resources
- Leverage the best practices and innovation management if things are handled by experts in their area
- Keep resource flexibility by having the freedom to ramp up and down quickly in sync with your business needs
- Reduce the time to market of your products, so that you can generate revenue more quickly



Should you outsource?

A wide range of projects can be outsourced, but not all. There are 2 main rules we think are important to remember to help answer that question:

- If the process you are thinking about is a key differentiator you probably should not outsource it
- It is important to eliminate, automate or outsource any of the non-transactional work, says Google. We tend to agree because it can free yourselves up, but it's an exercise to constantly refine.

There are many software or tech companies that outsource part of their development. It really depends on what the core of their business is to decide what can be or cannot be outsourced.

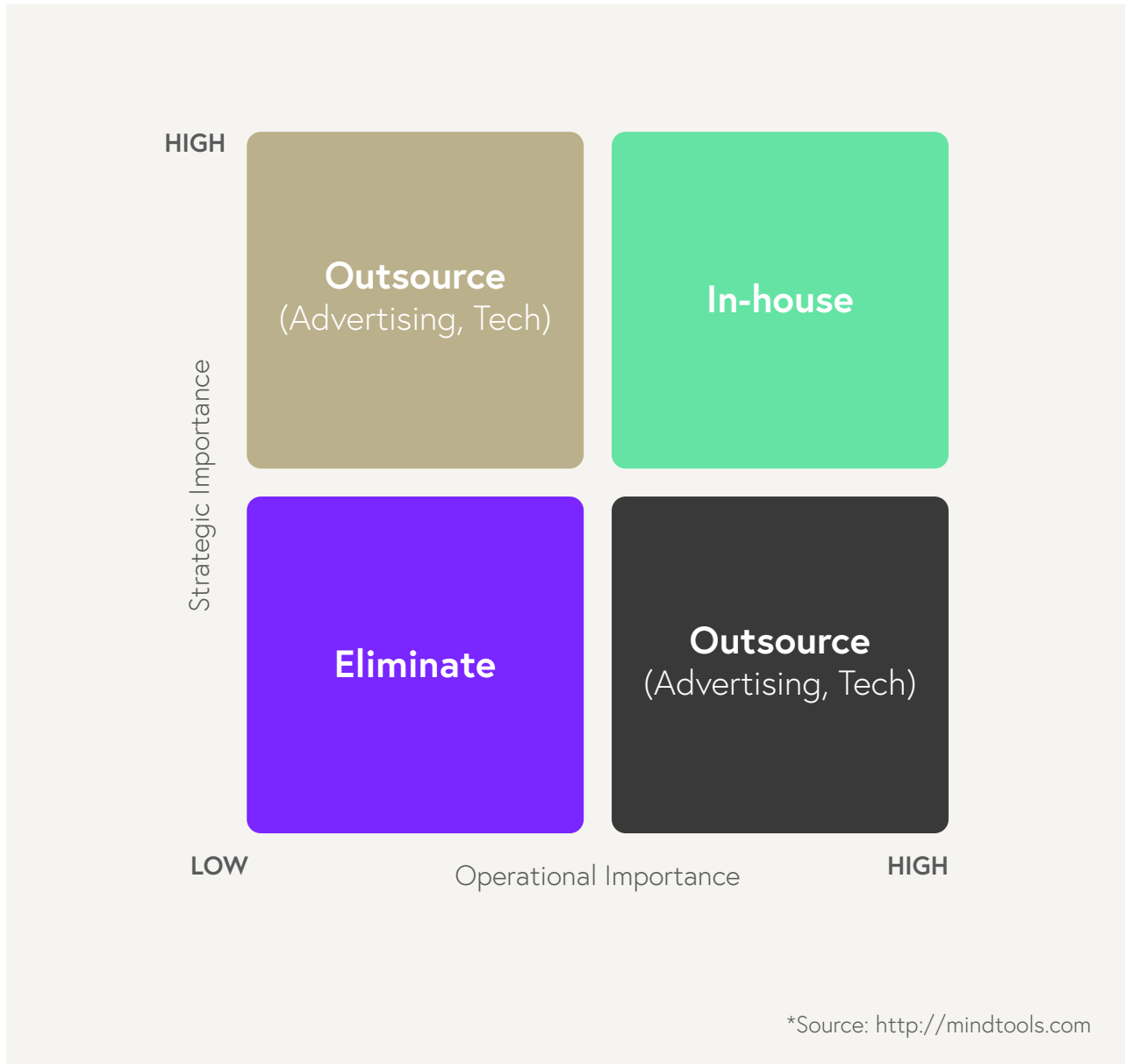
If you think about Google, **they probably should never outsource their search algorithms** for PageRank as this is one of the main differentiators for them in the search engine market. But besides that, there are **other areas they can consider for outsourcing.**

In another case, think about airBnb. **Their strength does not lie in the platform itself,** it lies in the ability to drive home owners to list their properties on their website and travellers to rent those properties on their site, which is mostly a marketing feat along with a well executed platform. **AirBnb could outsource their platform development.**

One of our clients, **Batmaid.com**, which is the airbnb for house cleaners, has been building the main part of their software development with us in an outsourced mode. As the marketing and cleaning operations was their main strength, while we took care of building a robust platform.

So, as a business or a startup, should you outsource?

The table below might help you answer your questions.



If you are not sure whether to outsource your project or not, feel free to **contact us** for an analysis. We will tell you if your project can be outsourced, if you have the right setup for it, or if it's too risky.

Where do I start if I want to outsource?

First things first, **are you ready?**

For anything you delegate, preparation is key.

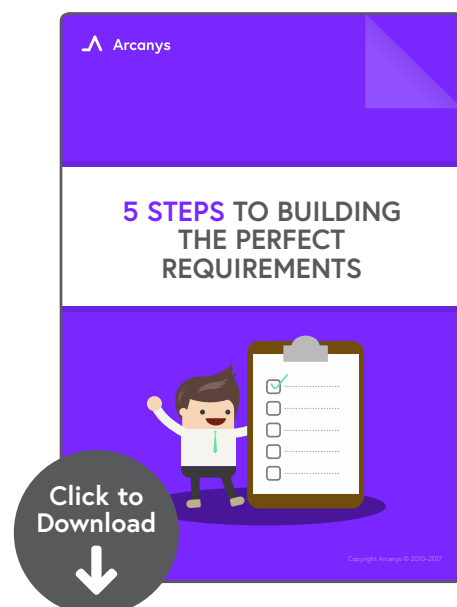
A. Do you have thorough requirements?

Undocumented processes, approximate requirements and blurry idea of the expected outcome of any project are not enough to succeed, and are most likely going to make you fail. **Professional providers** should not even give you quotes for ill-specified projects, they **should help you sorting out your specifications first**. You don't build a house based on a sketch, not software either.

We often see prospects coming with sort of a sketch or a few lines of specifications asking us for a rough quote and timeline for a new revolutionary project.

As much as we would want to be able to answer requests for quotes, **whatever we can say based on a few sketches is likely to be wrong**. We therefore have explain how requirements should be prepared for proper assessment.

We actually have prepared a document called "The 5 steps to perfect requirements", which you can download here:



Thorough specifications are necessary if you don't want to take any chances with what the provider is going to understand and interpret from your documents and designs to build your application.

We usually encounter 2 kinds of clients:



1 The ones who have a complete set of requirements, with wireframes or even designs, with clear explanation of each function of the application. With those, we can quickly have our team of developers estimate the work needed to build the application, provide a cost estimate and a timeline for the project completion. There might be one meeting to clarify a few questions, but it's very likely we can come up with some pretty solid estimation and technical analysis..



2 On the other hand, we have clients who do have a clear idea of what they want in their head, but have not written or designed anything yet. In this case, we usually tell them what we expect from them to be able to work with them, or suggest them to work with our team of business analysts and designers to come up with the specifications of the project

B. Do you know your budget?

If you know your budget and you have clear specifications for your project, it will allow you to know if your project is doable within your budget or not.

If the budget is tight, we usually recommend to strip down a few features to check if the market potential is here by starting with a MVP (or minimum viable product).

Once the traction has been confirmed and you might have some more available funding, then you can carry on with the rest of the development. In a lot of cases, people who have little experience dealing with software projects, the real price of the project comes as a surprise. **If a quote is too good to be true, then it probably is.** Software development projects are not cheap, they require a lot of work from developers.

We are used to recovering a lot of projects where the client has started with a company that was promising a quick and cheap delivery, which never happened. It is therefore important to chose the right partner from the start (and we know it's not an easy thing to do).

Below is an estimation of the average price of a project by project type based on our experience. While this is not an exact figure, it will give you an idea about the price range of a project.

Project Type		Budget (USD)
	Smartphone app	5,000 to 50,000
	Web application	10,000 to 100,000
	Website	3,000 to 15,000
	UX / UI Design (no coding)	1,000 to 10,000

C. Do you know when you'd like to start?

Quite often, we hear that this project should have been started yesterday.





While we understand the urgency to get a product to market, it is also important to make sure that the provider you have chose is putting his A-team for the skills your project requires.

It's usually better to wait a couple weeks to have the right team for your project rather than have it staffed with whomever is available right now.

D. Do you have a clear idea about the delivery date?

It is very important to communicate your deadlines to your provider as soon as possible. The setup of your team will depend on it. The shorter the deadlines, the bigger the team. However, having 10 developers work on a project for 1 month is not the same as having 2 developers working on a project for 5 months even though the number of hours can seem to be the same. **Bigger teams for short periods of time can create some inefficiencies inherent to the communication needs of the stakeholders in the project.**

Below is an estimation of the average duration of a project by project type based on our experience. While this is not an exact figure, it will give you an idea about the price range of a project.

Project Type		Deadlines
	Smartphone app	1 to 4 months
	Web application	3 to 12 months
	Website	1 to 3 months
	UX / UI Design (no coding)	1 to 2 months

D. What are your preferences?

Be sure to inform the provider about your preferences. Sometimes your preferences are based on things you've heard or read, and deserve a second opinion.

In other cases, they are based on your knowledge and experience and your provider will be happy to work with these requirements:

- **Programming language, frameworks, other technologies?**
Do you have an existing code base that needs to be worked on? Do you have specific needs in terms of technologies we might need to interact with? Does your CTO (Chief Technology Officer) have specific needs / requests?
- **Time zone and geographic region?**
It is important to have at least a couple of hours of synchronised working hours, but a full 8 hours per day of overlap is not necessary.

- **A specific knowledge in an industry?**

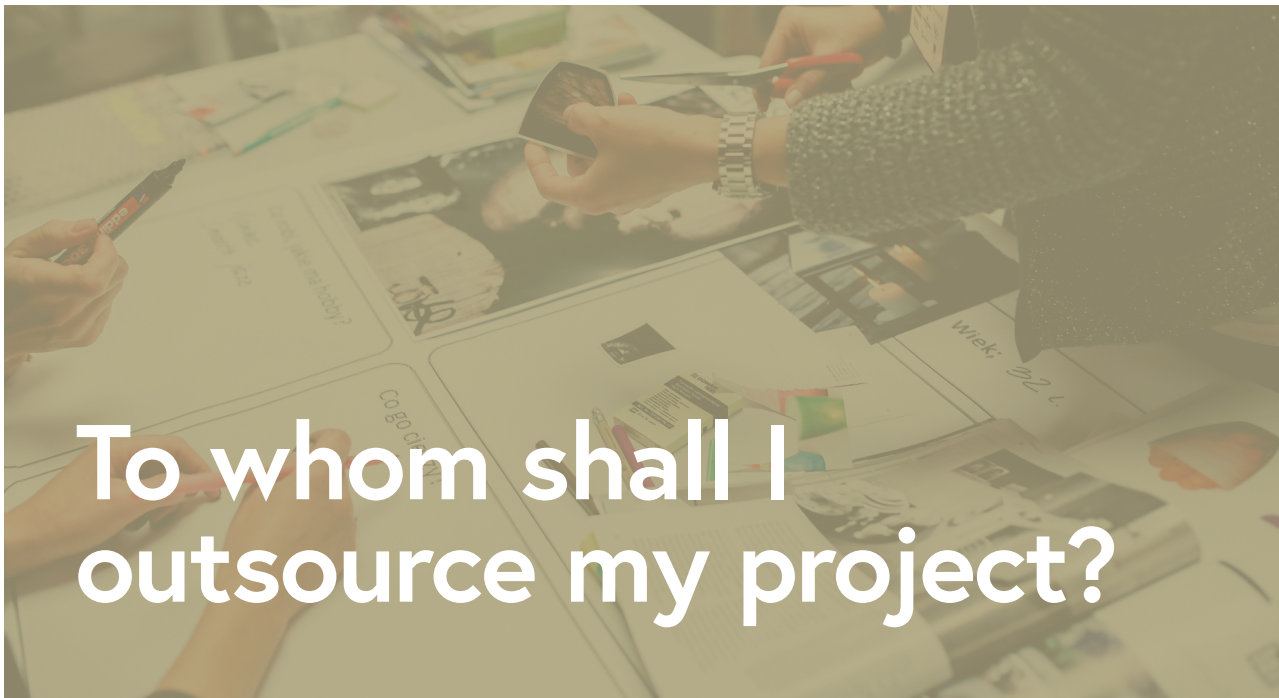
A certain type of certifications for your provider? etc.

E. Do you know your priorities?

What really matters to you? We all have financial constraints, time constraints, etc. It is therefore important for you to list all the priorities you have by importance and to communicate them to your provider.

They can be:


- Design priorities
- Scalability wishes
- Security needs
- Deadlines constraints
- Budget constraints
- etc



To whom shall I outsource my project?

It depends on the project you'd like to outsource. We've come up with an analysis grid to help you understand who can do what.

Who to outsource to?

	TYPES OF PROJECT	PROS	CONS
 Development Teams	<ul style="list-style-type: none"> ✓ High risk projects ✓ Medium to Large size ✓ E.g. Mobile app, ERP 	<ul style="list-style-type: none"> ✓ Higher certainty ✓ Less oversight ✓ Easier to scale team 	<ul style="list-style-type: none"> ✓ More expensive than freelancers
 Freelancers	<ul style="list-style-type: none"> ✓ Low risk MVPs or CMS based ✓ Small & straight forward ✓ E.g. Slicing PSDs, Static mobile app 	<ul style="list-style-type: none"> ✓ Cheap ✓ Flexible ✓ Easy availability 	<ul style="list-style-type: none"> ✓ High risk of failure ✓ No vetting ✓ Need extensive management

A freelancer can generally handle **small projects with a very well defined scope which do not require multiple skills** (front-end vs back-end or Android vs iOS), as they can't be good in all aspects of a project.

A strategic project should usually be given to a reliable company for which you have been able to do a serious background check.

Freelancers, as you can see, are usually cheaper and more flexible for small projects requiring a few hours of work here and there as they usually are working for multiple clients at the same time.

Working with a freelancer is however usually more dangerous because if one of the client needs him full time, he can simply ask him to work more and maybe raise his wage, and then suddenly he forgets about your project or has no more time to work on it.

On the other hand, a reliable and reputable software development company can be more expensive and less flexible (you will probably have to commit to a certain amount of time / money for them to consider your project), but there are **more chances for your project to succeed.**

A company usually has many developers with various skills, and each developer will have the required strengths and experience to work on your project.

In general, working on a software development project is not easy, and a freelancer with no experience is a risky way to go if you don't know how to manage a project yourself.

Moreover, if the project becomes more important, a company is more likely to be able to ramp the team up, as a freelancer will have very little room to do so.

In short, you need to know what kind of project you want to work on and what are the needs associated to this project.



A woman with her hair in a ponytail, wearing a white long-sleeved shirt and carrying a black bag, is seen from behind looking out a train window. The background is blurred, showing other passengers and the interior of the train.

Where should you outsource to?

There are good and bad developers everywhere on this planet, but each region has pros and cons.

For example, communication can be easier with a local provider in your country, but it depends on the quality of the provider. Communication might be excellent, but the cost very high.

Differences in the costs are mostly dictated by the cost of living in the countries, but also by the structure the companies put in place around the projects and the support to their staff (training, perks, etc). Prices also can vary depending on the client tier the company is targeting, as the provider has to get some certifications, or have specific trainings etc.

All measures to train, specialise, certify are pricey and have an impact on the final cost to the client.

One other aspect to take into account is the organisational needs on the client side and on the provider side. **There usually is a threshold under which a provider will not engage in a project** because the setup cost is too important for the size of the project. Each new project requires a lot of preparation and planning to make sure that all the factors of success are in place at the right time.



Arcanys has its operations in the Philippines, where the development costs are interesting, and we are a western management team on-site to guarantee the training and the process-adherence of our team, increasing the quality of the output for our clients.

Hence, we believe that we are able to offer a very high value for money by combining these 2 factors.

Where to outsource to?

PRICING-TIERS	Enterprise Grade For Fortune 500	Mid-market Grade For funded startups	Startup Grade For new startups
PRICING-ZONE			
Zone 1 US & Canada Western Europe Australia	\$150 - \$250/hour Min. size: \$125,000	\$110 - \$150/hour Min. size: \$75,000	\$80 - \$110/hour Min. size: \$30,000
Zone 2 Eastern Europe Middle East Central & South America	\$80 - \$110/hour Min. size: \$50,000	\$50 - \$80/hour Min. size: \$30,000	\$30 - \$50/hour Min. size: \$10,000
Zone 3 South & East Asia South East Asia Africa	\$50 - \$80/hour Min. size: \$30,000	\$30 - \$50/hour Min. size: \$15,000	\$20 - \$30/hour Min. size: \$5,000



You might have some other preferences

A. Timezone

A question that comes back pretty often is the time zone issue. For Asian, US West coast or European clients, it's pretty easy for us to work and communicate because the maximum of time difference is 8 hours, and it is easy to slightly adjust our working hours. **You don't need constant communication, usually 3 to 4 hours a day of simultaneous time is more than enough.**

This is also why, for example, we work very little with the East Coast in the USA, because we are 12 hours apart, which makes communication a bit more difficult. We however have some clients there for 24/7 customer support.

B. Full agency or only development?

A company that only does development might limit you because there are often some design needs in a project. Design usually requires a lot of communication, and it is important to put all chances on your side for your project to succeed.

We think that if the project is very much design centered, it could be interesting to work with a local provider and then outsource the development part.

However, certain clients want the design done by the same company as the one who is going to develop the software, for better synchronisation.



C. Cultural proximity

We think it is important to work in an environment where the provider can understand the value system and culture you come from.

This will help reduce misunderstandings and ease communication. In our case, as we are working with a lot of western clients, we have chosen the Philippines for their very high level of english, as well as the fact that they have been dealing with western presence for the last 400 years.

The americans have put the current educational system in place and Filipinos are fond of western cultural content, which makes them closer to us than other countries in South East Asia.

D. Certifications and security

Often clients require certifications from their providers as the clients are themselves certified and require to work with certified partners. In other cases some security elements are very important to the client. **You have to understand what your needs are and chose a partner that fits your criteria.**

We hope that this introduction to outsourcing guide will be useful in your search for the right provider, and has given you the reasons why outsourcing can be beneficial for your project.






Don't let your business or startup ambitions die before you give them a chance to become a winner on the market. Use a professional software development outsourcing firm to get an A-team working on your project and start generating revenue as soon as possible!

If you are interested in knowing more about how to avoid an outsourcing horror story, contact me to get more insights!

We can get you started by a free strategic analysis of your project and provide you with additional insights such as

- 5 key benefits of outsourcing for startups / businesses
- 7 mistakes of outsourcing and how to avoid them
- 5 steps to building the perfect requirements
- 7 dangers of outsourcing and how to avoid them.
- How to structure outsourcing contracts & protect your IP
- Outsourcing 102: Manage, communicate and release effectively

Final reminder: The 5 key outsourcing benefits are the following:

-  Focus on your core competency
-  Conserve your capital
-  Leverage best practices and Innovation
-  Keep resource flexibility
-  Speed product to market



ABOUT ARCANYNS

Arcanys is a Swiss software development company with a delivery center in Cebu City, Philippines. Our focus is in the development and implementation of great and innovative ideas into smart software solutions for enterprises and startups.

Our core business is to help our clients from the design of the specifications to the release of a software project. We provide and manage teams of full-time software developers collaborating with offshore IT teams who are primarily based in North America, Europe, and Australia. We are dedicated to helping clients spot areas for improvements in their innovation process, from solid specifications to limiting errors and bugs, with a keen interest in delivering projects on time; just as you expect it.

With our extensive experience in dealing with onshore and offshore clients, you can be assured not only with the quality of the output, but also with the quality of your outsourcing relationship with us. Talk to us today to find out how we can help you achieve your software development goals.

CONTACT ARCANYNS

For business inquiries, drop us a line at fred@arcanyns.com or leave us a message through our contact form at <https://www.arcanyns.com/contact/>.