How to Become Your Customer’s Software Provider of Choice

2005 CMMI Technology Conference

The David Consulting Group
Achieving Software Excellence

www.davidconsultinggroup.com
DISCUSSION POINTS

- Why are organizations wanting to move IT offshore?
  Level 5 service providers promise to deliver high quality software

- How can internal IT compete with offshore Level 5 providers?
  What matters most to your customer?
  How can you maximize current practices?

- At what level does your IT organization need to perform in order to be considered a top performer?

- How can you become customer's software provider of choice
## WHY DO WE OUTSOURCE

### Reasons for Outsourcing

<table>
<thead>
<tr>
<th>Reason</th>
<th># Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce/control costs</td>
<td>44%</td>
</tr>
<tr>
<td>Free up internal resources</td>
<td>20%</td>
</tr>
<tr>
<td>Gain access to world-class capabilities</td>
<td>13%</td>
</tr>
<tr>
<td>Increase revenue potential</td>
<td>13%</td>
</tr>
<tr>
<td>Reduce time to market</td>
<td>11%</td>
</tr>
<tr>
<td>Increase process efficiencies</td>
<td>11%</td>
</tr>
<tr>
<td>Follow company philosophy of outsourcing</td>
<td>11%</td>
</tr>
<tr>
<td>non-core activities</td>
<td></td>
</tr>
<tr>
<td>Compensate for lack of appropriate skills</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Computerworld and Interunity Group, Inc. Concord Mass, April and May 2003
FINDING THE HIDDEN COSTS

- The process of outsourcing incurs cost
- Costs incurred after contract signed
- Travel
- Employee turnover
- Communications

THE OUTSOURCING MODEL

IT Dept.

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Validation
  - Verification
- Service Level Management
- Contract Management

Business Requirements

Offshore Provider

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Validation
  - Verification
- Service Level Management
- Client Management
- Status Reporting
- Delivery

Software Deliverables
RISKS ASSOCIATED WITH OUTSOURCING

- **Communication**
  - The greatest barriers or challenges in the IT offshore outsourcing market are cultural and language differences; this often results in communication difficulties between customer and provider
  - **IMPACT:** Requirements Management, Status Reporting, Problem Resolution

- **Staffing**
  - The ability to retain highly skilled developers and/or customer-specific knowledgeable staff is always a problem, particularly in a competitive marketplace such as India
  - **IMPACT:** Engineering

- **Project Management**
  - Project managers are asked to manage both products and services; often their skills are more technically oriented, and they might not have the appropriate skills to manage a client
  - **IMPACT:** Project Management
KEY AREAS FOR CONSIDERATION

- **The delivery model.** Which attributes of a high maturity provider impact my project deliverables the most?

- **Risk management.** Staffing, communication and project management are risks we all share; what can you do to mitigate those risks?

- **The strategic business drivers.** If cost control is a main issue, how can we compete with offshore pricing models?
THE INSOURCING DELIVERY MODEL

Customer

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Verification
  - Validation
- Service Level Management
- Contract Management

Business Requirements

Provider (Your IT Dept)

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Verification
  - Validation
- Service Level Management
- Client Management
- Status Reporting
- Delivery

Software Deliverables
OUTSOURCE-PROOF YOUR IT ORGANIZATION

- Compete on process
  Repeatable development and project management processes
- Develop an enterprise architecture
  More flexible and productive across different areas of the business
- Sell service levels
  Focus on quality
- Re-educate your staff
  Transform into collaborators
- Get transparent
  Show actual costs to customer

Source: CIO Magazine, “How to Outsource-Proof Your IT Department”, 10/15/2004
LEVEL 2 FOCUSES ON PROJECT MANAGEMENT

- **Requirements Management** - Creates a common understanding of the customer’s requirements and aids in the communication of changes to those requirements
- **Project Planning** - Creates and communicates plans for managing the software project
- **Project Monitoring and Control** - Tracks and reports project progress so that interested parties can respond and take action when actuals vary “significantly” from the plan
- **Process and Product Quality Assurance** - Provides insight into the process being used and the products being built
- **Configuration Management** - Maintains the integrity of the software products throughout the software life cycle; this practice is of particular significance to the customer if the software is going to be developed and maintained on the customer’s platform
Several of the Level 2 (and 3) practices are very beneficial in terms of promoting better communication on a project-by-project basis.

- This would include Requirements Management, Project Planning and Project Monitoring and Control

- Level 3 includes Organizational Process Focus and Organizational Process Definition, which could be a positive contributor to defined roles and improved communication

- Measurement and Analysis creates an atmosphere that lends itself to the establishment of meaningful, quantitative service level measures
STAFFING

- Being a Level 3 maturity provider probably ensures a greater level of consistency (roles and responsibilities are well defined) and may have some impact on the long-term effects of staffing variations.

- The CMMI® addresses Organizational Training (Level 3) and generally accounts for well-defined procedures and practices.

- The CMMI® emphasizes that adequate resources are applied to all PAs and that personnel must be prepared to perform their assigned tasks.
PROJECT MANAGEMENT

There are numerous process areas at Levels 2 and 3 that support effective and efficient project management practices.

- Project Planning, Monitoring and Control, Configuration and Requirements Management and Measurement and Analysis are among them.

- At Level 2 the CMMI® focuses on project-specific tasks at the project management level, requires procedural documentation and at the higher maturity levels process performance is measured, stabilized and improved.

- All in all, the CMM® Levels 2 and 3 are best suited to address the more critical issues associated with project management.
IMPROVEMENTS FROM CMM

- Productivity (increase): 35%
- Time to market (reduction): 19%
- Post-release defect reports (reduction): 39%

Savings vs. cost of software process improvement (median) 5:1
A REVIEW OF THE ESSENTIALS

- Cost is a business driver - know your costs, show your costs
- Effective communication builds good relationships - service providers are in the relationship business
- Understand current capabilities and set reasonable (measurable) expectations
- Adopt the essential Level 2 & 3 practices - project management, requirements management and quality control
ASSESSING CAPABILITIES

- Internal Assessment
  - Conduct a self assessment
    - Identify Gaps
    - Develop an Action Plan
  - Focus on key processes that have the highest impact
    - Control, communicate, perform
  - Set expectations
    - Improvement takes time
    - Show measured improvement
BASELINE PERFORMANCE

- Create a measured profile of key performance indicators
- Use results to properly set SLA targets
- Make comparisons to industry benchmark performance levels

Create a measured profile of key performance indicators
Use results to properly set SLA targets
Make comparisons to industry benchmark performance levels
WEIGHING THE PROS AND CONS

The Pros of Using a High Maturity Provider…

Levels 4 and 5 of the CMMI® emphasize performance measurement. The ability to measure is a key ingredient in evaluating the success of the relationship and the adherence to contractual commitments. However, you don’t have to be a high maturity organization in order to effectively measure levels of performance.

A high maturity organization brings to the client a greater exposure to “best practices” software development procedures and stresses the need for continuous process improvement. Process improvement is a mindset that can be ingrained into the current culture.

One con of Using a High Maturity Provider …

There are no guarantees that a high maturity CMMI® provider will be successful in producing lower cost software or higher quality software, or will reduce the barriers for successful delivery.
ACT LIKE A SERVICE PROVIDER

- Establish good relationship management practices
- Improve your credibility
- Establish service levels
- Reduce your costs – improve productivity
- Practice effective change control
- Accentuate your positives – on site, business
- Outsource smart – what stays vs. what goes
CONTACT INFORMATION

David Herron
Principal
dh@davidconsultinggroup.com
The David Consulting Group
www.davidconsultinggroup.com