

IT OUTSOURCING DILEMMAS

*How to deal with them
and find a reliable
partner for your software
development project?*

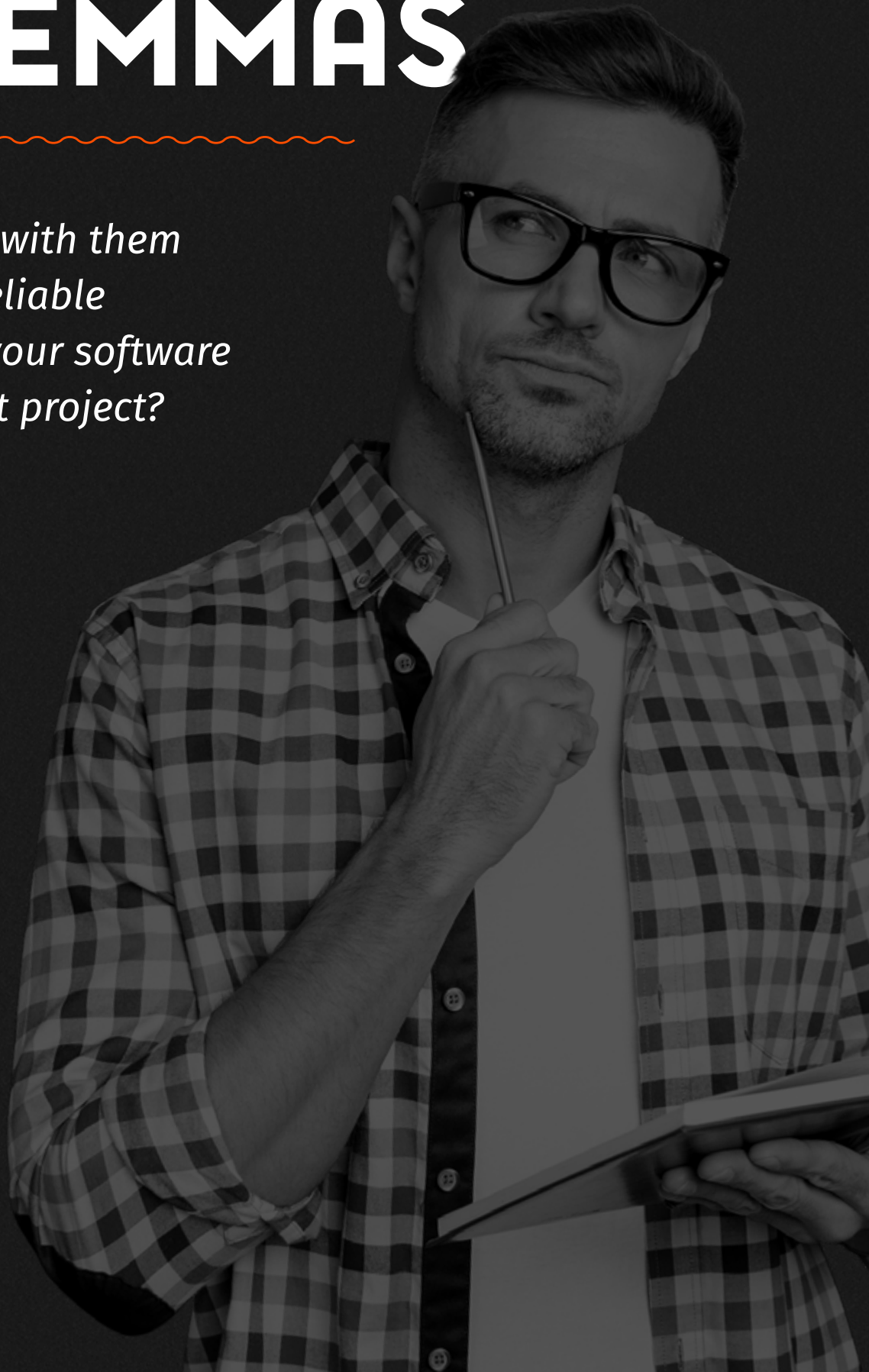


Table of Contents

03 Why outsource software development anyway?

04 Ten advantages of IT outsourcing

07 The real cost of hiring a software developer

11 Where to look for software vendors?

12 Offshoring vs. nearshoring

14 Why companies choose Poland for IT outsourcing?

16 What to consider while choosing the best partner for IT projects?

17 Software house, body leasing, or interactive agency - which one fits your project most?

20 Evaluating IT outsourcing vendors

23 Which cooperation model to choose?

24 Staff Augmentation vs. Project Outsourcing vs. Managed services

27 Fixed price or Time & Material?

30 What if something goes wrong?

31 Why do IT outsourcing partnerships fail?

32 How to hand over a project to another remote team?



WHY OUTSOURCE SOFTWARE DEVELOPMENT?

Benefits of IT outsourcing

*The real cost of hiring a software
developer*

10 ADVANTAGES OF IT OUTSOURCING

1

Cost savings

Your business can already save up to **20%** of total development costs when working with a digital team remotely instead of hiring developers in-house. Whether it's nearshoring or offshoring, every type of outsourcing is financially attractive. It's mostly because of the difference in labor costs in various countries but also about some hidden costs of full-time in-house employment.

Focus on your business

Even though running a digital project with an external team will require your engagement, you will still gain a lot of time on software development. Your IT outsourcing partner will be responsible for delivering a product so you can focus on your core business processes.

2

3

Work with experts in their fields

By outsourcing your app development, you don't have to worry about yours and your fresh-employed developer's knowledge. A software partner you'll hire has probably been doing it for years and know what are the top-notch technologies that will kickstart your business.

Devs' personal development

If you hire your development team, you have to take care of their personal growth. Developers in software houses have to be up-to-date. To do not strike out, software companies continually invest in courses, conferences, workshops, books, etc. for devs, Project Managers, and other employees. The team has to learn perpetually about new technologies and a reliable IT outsourcing partner bears the brunt of it.

4

5

Days off

One of your dev is sick and your lifeline, Marry, who could pinch-hit him, is on her maternity leave. Now, you just think that your startup is going to collapse. So here's another advantage of outsourcing your development process - your IT partner has to take care of continuity of work.

Multidisciplinary choice of the right technology

It's a significant benefit of full-stack outsourcing companies. You can freely take advantage of the whole dev team's knowledge, but what is more, there are QAs, PMs, UXs, and UIs - the whole range of experts in one place, available at your fingertips.

6

7

Dealing with B2B contracts

Dealing with the contracts of outsourcing services providers is much easier than with employment agreements. If you're not happy about delivered work, you can break the agreement without involving labor law.

No problems with recruitment

Recruiting, retaining, onboarding, and overseeing new team members is not your headache any more when you outsource a digital project. You can spend the time and effort saved on developing your business and networking.

8

9

Responsibility

Outsourcing companies face higher liability than in-house staff, which makes them less of a risk for your business. They just have more to lose if they don't follow through on the agreements. So when you're outsourcing your software product development, you can be sure that if anything goes wrong, a responsible business partner will do everything to fix it.

Time rules the (tech) world

Startup founders, you know it best - the faster you'll show up on the market with a final cutting-edge digital product, the better. So problems with hiring skilled software engineers just can not slow down the development and delay the release.

10

#The real cost of hiring a software engineer

EXPENSIVE AND UNNECESSARY RECRUITMENT

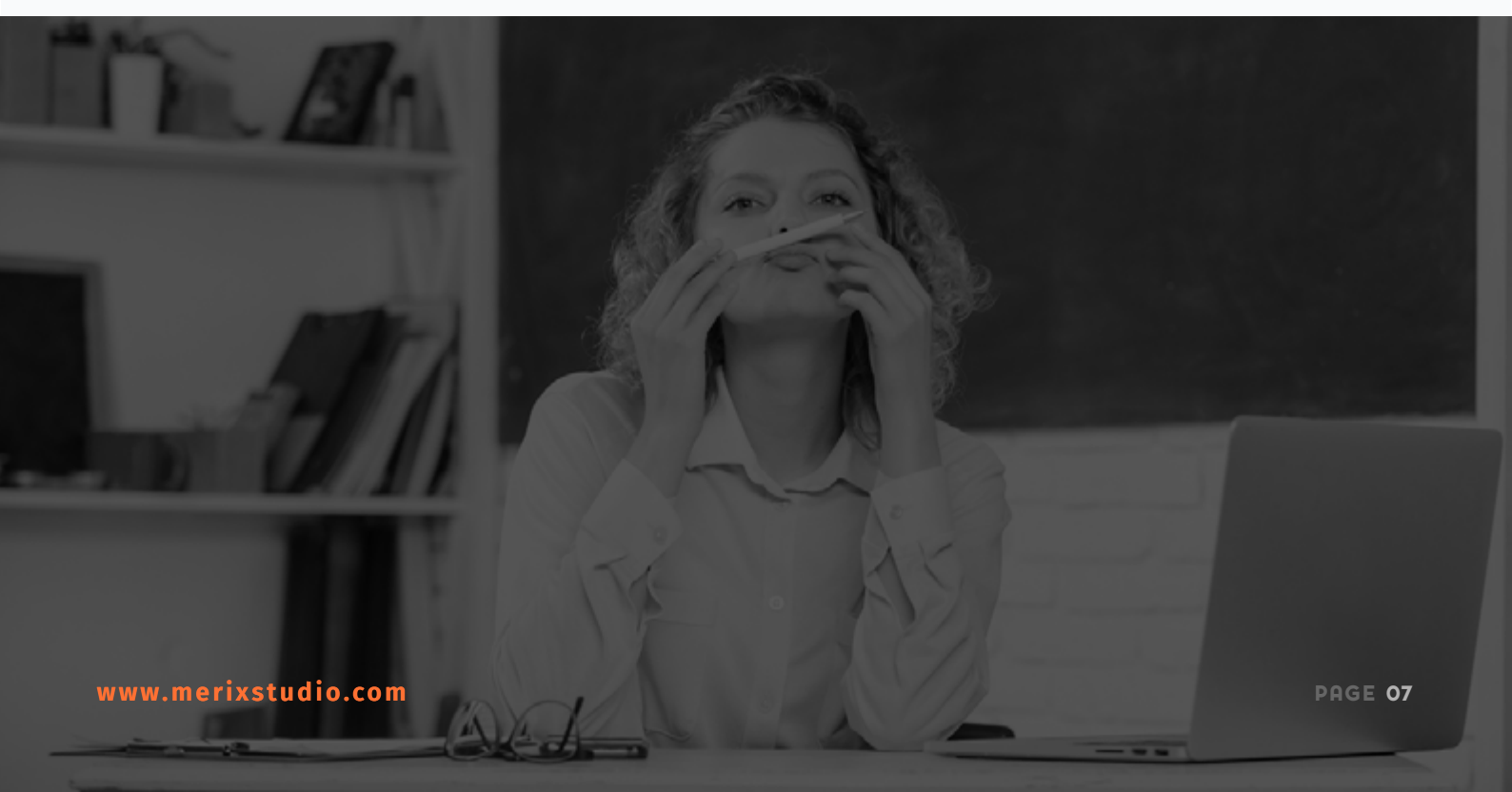
London, Berlin, and New York - 3 tech hubs with a completely different startup ecosystem are facing the same problem: the rapidly growing cost of recruitment operations.

Although **9 women can't have a baby in a month**, even new-born startups seem to operate like a top football club, increasing its spendings on scouting, seeking for most talented designers and engineers currently available on the market. C-level people accept **20-25% success fees** from the recruitment agencies as well as growing Employer Branding budgets to hire successfully. And if they want to expand in-house teams, they probably don't have a choice.

In the UK, there are **40000 recruitment agencies**, and it seems like **there is no option for a London-based startup to find a talented Python engineer without support from any of them**. Seed funding for SaaS companies in the Kingdom's capital is near to **500k-2,5 million pounds**.

Assuming that the average salary is between 40-80k GBP /year, building a team of 10 can result in additional cost reaching nearly 10% of the seed investment received from the Venture Capital fund.

The real cost of full-time recruitment, according to some of the statistics, can reach the level of **10-100% annual salary of the software engineer**. According to **Forbes**, this figure in the UK is close to 14k pounds per hire. The typical recruitment process takes **42 days**.



	New York	London	Berlin
Gross pay	85 000 USD	60 000 GBP	60 000 EUR
Net pay	61 837 USD	42 815,88 GBP	34 090,91 EUR
Tax	23 163 USD (27.3%)	17 184,12 GBP (28,64%)	25 909,09 EUR (43%)

Statistic

The average annual salary of a software developer with 2-4 years of experience, nearly 25 years old, single, without children

#The real cost of hiring a software engineer

THE HIDDEN COSTS OF IN-HOUSE FULL-TIME EMPLOYMENT

It's not only about numbers on a paycheck.

The real cost of hiring experienced Python engineer, or at least junior Javascript developer can be difficult to cover even by a mature company, not mentioning startups. And the salary and income taxes are not the only costs an employer has to consider.

No matter if his business is based in New York, Berlin, or London, a company must also face challenges created by lawmakers like **annual leaves, paid vacation insurance rates, sicknesses, annual and maternal leaves**. Also, if you would like to extend your internal team, you need to provide them with **hardware and office space and run a proper onboarding process**.

Remember that depending on the role, induction takes from 8 up to 26 weeks until the moment when a new employee will achieve maximum productivity.

So a hired person will become your 100% effective employee within at least two months after the first day at work. There's also a high probability that meanwhile, you will lose some other team member, especially when you run a business in the USA. Why? An average American changes a job **even 15 times during his or her career**.

#The real cost of hiring a software engineer

IS FREELANCER AN OPTION?

Risk and chances

Collaboration with freelancer allows many organizations to the relatively accessible engineering workforce, although such a solution is strongly associated with the following risks:

- **Lack of stability:** a freelancer is often less committed, which can jeopardize projects requiring a longer duration;
- **Multi-tasking:** freelance software development might not be able to dedicate his whole time for one project only;
- **Quality of the code:** even a good developer while working alone, can make mistakes due to lack of mentorship, lack of pair-coding and QA efforts provided by a collaborator;
- **Commitment:** in remote collaboration, dedication is usually lower, then it takes place in a contract-based relationship.

Another aspect is the growing cost of hiring a freelancer in London, Berlin and New York.

Even for ad-hoc projects and tasks, demanding short-term deadlines, it can be endangered and not covered by self-employed software developers. Having a relationship with a stable partner with settled-down operations and recruitment is probably the best option in a situation of rapid growth.



For smaller companies and SMBies - yes. For mature companies and post-MVP startups, relying on a network of freelancers is a relatively risky option.

#The real cost of hiring a software engineer

LOST BUSINESS OPPORTUNITIES

Even for a company with a revenue of 10+ million Euro, and more than 100 employees, launching a new product, or developing **additional service might be slowed down just because of the recruiter's bottleneck**. It's commonly known that time is money, and every innovative solution suppose to be introduced to the users as soon as possible (before the competitors will come up with something similar, or the trends in the market will change).

Every founder and manager takes part in a race, and slow delivery, caused by a lack of manpower is converting to a revenue loss and missed business opportunity.

Can you afford to slow down the delivery because of recruitment problems?

Lack of skilled manpower is the main reason for crossed deadlines, not meeting the project's requirements, bugs, and widely introduced bad practices during design and development processes, which **seriously jeopardize the reception (and drop-down) of the final group of users**.

In a long-distance of time, in-house recruitment can be very beneficial, despite the increasing costs, however, for scaling enterprises and startups listed in the innovation race, seeking for non-domestic supporter might become a must.



WHERE TO LOOK FOR SOFTWARE VENDORS?

Offshoring vs. nearshoring

*Why companies choose Poland
for IT outsourcing?*

OFFSHORING

The relocation by a company of a development process to a distant location.

NEARSHORING

A company contracting parts (or all) works to an external firm located across national borders but within its own region.

PROS

- lower costs
- time zone benefits (can receive round the clock support)

- the same time zone
- few cultural differences
- cost-effective
- nearness (face-to-face meetings and faster communication)
- timely decision-making (problem-solving)

CONS

- communication barriers
- culture and work habits differences
- distance (expensive travels)
- completely different time zone (it makes communication a lot more difficult)

- usually higher cost than offshoring
- cultural kinship (still there are some aspects to be considered such as holidays)

#Offshoring vs. nearshoring

CHOOSING THE RIGHT-SHORING

As you can see, both types of IT outsourcing have their benefits and disadvantages, but no matter which one you will choose, there are a few tips which can help you **turn its cons into the pros**, and it's worth to follow them. Some of the disadvantages may look scary, like e.g. cooperation in different timezones. At first glance, it can be overwhelming, but the truth is that it makes the whole process more fluent and provide constant development. In other words -

When the product is developed by teams in different time zones, they can pass their work to other developers, who can start working on it immediately in their daytime.

And it's not empty promises here, our team has experience in such projects, just to mention **SportsHi**, a React Native app, which we created in cooperation with New York-based startup.

Projects that can be precisely specified can be offshored effectively. This is why software development is often completed in offshore locations. On the other hand, the project that needs **deep cultural knowledge or a higher degree of control should be nearshored**. In this case, it's

Which option is better for your project?

worth to look for software houses in the closest neighborhood. Thanks to this, you can meet the digital team personally and be sure that they understand our culture and habits.

So, both options have their cons and pros that should be considered depending on the nature of the project and business' goals.



5 REASONS WHY COMPANIES CHOOSE POLAND FOR IT OUTSOURCING

1

Low Costs and High Code Quality

Poland has the lowest labor costs within the European Union. **You can find and hire highly experienced Polish developers for under \$3.000 a month.** Try doing it in Berlin or London, not to mention Silicon Valley, where you have to pay about \$100.000 a year. Multiply it by 20 or 30 developers, and big money come to play.

Small Culture Gap

English is a standard in Polish schools, so our programmers usually use it very well. Also, a lot of software houses provide English courses to their teams. As a result, **Poland is ranked 13th in the world for English skills in the EF English Proficiency Index 2018,** so you shouldn't be afraid of communication problems.

To be honest, we probably watch more American and English TV series than Polish ones, so we have the western culture at the fingertips.

2

3

Experienced Programmers

Poland has one of the best programmers in the world, and **according to the HackerRank report**, only Russian and Chinese developers are ranked higher. When looking for the right destination, you should focus on finding the **best software developers**, and Poland can provide them.

First-Class Education

Almost 70K IT students in the academic year 2017/2018 provide an extensive tech talent pool. These statistics prove that Poland can be called the next software development hub that is at the top of cutting-edge technologies.

4

5

Location

Poland's strategic position is advantageous. It allows both clients and developers to find solutions in a quite short time. Outsourcing to Poland from the UK or Germany means practically no time zone differences because it's just one hour. What's more, Poznan, where Merixstudio is located, is only **3 hours drive from Berlin**, which makes it a perfect place for German companies to nearshore their IT projects. And what about the USA? **It's a maximum 9 hours difference between Poland and the US - it's not that bad, isn't it.**





WHAT TO CONSIDER WHILE CHOOSING THE BEST PARTNER FOR IT PROJECTS?

*Software house, body leasing,
or interactive agency?*

Evaluating IT outsourcing vendors

#Software house, body leasing, or interactive agency

INTERACTIVE AGENCY

What can you expect from cooperation with an interactive agency?

The primary duties and goals of an interactive agency are to **promote the product, reach particular KPIs, bring higher revenue**, and so on. However,

An agency does not create and build the product from scratch

After getting a brief from the client, an agency is working on the branding and concept of the campaign. If, for example, a website or an application is a part of the campaign, it will also be done - might be outsourced or done by the agency's in-house developers.

Basically, an interactive agency is offering what traditional advertising agency would offer but with full awareness and understanding of the Internet.

It is a mix of different techniques, Internet marketing, e-commerce consulting, and web design/development. It is essential to bear in mind that the **marketing strategy and execution is the main service**, but due to increasing demand on the market, it is becoming more flexible. Agencies also deal with new media and digital solutions: display marketing and retargeting, mobile-first optimization, SEO, content and email marketing, texting, social media, online reputation management, and so on. There is a bunch of services and could include way more, but an interactive agency is dealing with a ready product that needs to be delivered to potential clients. Of course, it might include, i.e. changing landing pages or providing a new user's flow path, but those are cosmetic **changes on the already existing website or application** while a software house is actually creating them.

An interactive agency is the right choice if:



- you already have a product (might be a physical product which needs a presence in the digital form or just start existing on the Internet),
- your company/startup needs help with online marketing,

- you want to check how the solutions made till now are performing,
- you want to mark your presence on the web and promote your brand across channels,
- you need a boost and come up with a new campaign,
- you can't measure and analyze the collected data by yourself.

#Software house, body leasing, or interactive agency

SOFTWARE HOUSE

As the name suggests, this type of company deals with software! Usually, the team is built from tech-savvy developers, project managers, business analysts, testers, UX designers, and so on.

A software house is focusing mostly on developing or improving a product and its usability.

The marketing plan is not the main goal here, but if you have one on this stage, it will for sure, be taken into account! A perfect, tailor-made and user-friendly web application or any end product based on the produced software - yes, it is!
In a full-stack agile software house, you can build

What can you expect from cooperation with a software house?

web applications, websites, and cross-platform apps **as a full package**: business analysis, design, and branding, top-notch lines of code, and tests of the end product. Some software houses specialize more in consumer software, while others in Software as a Service (SaaS), but you can also get service like a UX audit in a bigger SH.

The difference between a software house and an interactive agency is that the first of them actually develops and distributes software products while the second focuses on monetizing what is already given.

A software house is the right choice if:



- you need to produce a useful (not only business-wise) program,
- you need solid data and technical insights (and a professional team which knows how to analyze it),
- you need product design workshops or UX audit to develop the best possible solutions which will be beneficial for your company and the user,
- you need digital solutions to problems (and bring real value),
- you need corporate systems or tailor-made website,
- you need not only a custom software development but also a UX (User Experience) and UI (User Interface), IA (Information Architecture), Product Design or more in-depth understanding of IoT (Internet of Things),
- you want to improve your website's performance, but even a great marketing strategy doesn't seem to work.

#Software house, body leasing, or interactive agency

BODY LEASING AGENCY

What can you expect from cooperation with a body leasing agency?

Companies offering body leasing lend their in-house specialists (software developers, testers, etc.) to other companies, charging them for a day rate or working hours spent on the project.

The main difference between staff augmentation and custom software development companies is flexibility.

In the body leasing model, the specific team engineers are dedicated to working on the client's premises, or at the provider's office. The second option is becoming more common, not only due to the preferences of the staffing agency but also

because of the lack of office space and long distances from the client's offices. In these circumstances, **maintaining a well-going communication is mainly transferred to the client**, which is enforced to dedicate experienced project management. In another scenario, a software development company dedicates a scrum master/project manager to maintain communication. In agile methodologies, every team member is an active participant in the processes, and the high involvement of each team member has become a standard. The on-site manager can significantly increase the performance of the team, schedule internal meetings, and take care of the paperwork related to the project, ensuring that the engineers can focus on their daily-based tasks.

A body leasing agency is the right choice if:

- you've got your own dev team,
- you need experts in a particular field for a definite period of time,
- you're looking for the most flexible IT outsourcing option.
- you want to outsource tasks that are clearly defined and don't need a deep understanding of the whole project and profound onboarding,
- the cooperation is temporary,

#Evaluating IT outsourcing vendors

WHAT TO CONSIDER WHEN COMPARING THE OFFERS?

Experience

Although IT is rather young industry, the companies' experience is pretty well demonstrated by how long they have been performing on the market. Of course, you can't stop here. Examine their previous **works** and ask for a **full portfolio**, not just a few hand-picked "the very best of" examples

featured on their home website. Look for specific **experience fit**, similar projects, and clients. See their **GitHub** projects and code samples. Check their position within the independent rankings on websites such as The Manifest or read clients' reviews on **Clutch**.

QUESTIONS TO ASK

- 1 Can I see your portfolio? I mean a full portfolio, together with references.
- 2 Can you provide code samples?
- 3 What experience do you have with a particular technology?
- 4 Have you cooperated with companies from my industry and/or country?

Technology expertise & range of services

Every project requires harnessing different technologies to unleash its full potential. Software development companies need to mix the programming languages, frameworks, libraries to create perfect bespoke tech-stack. To achieve that, they have to know the most popular technologies like **Python** or **JavaScript** inside out as well as explore new solutions. So the **measure of tech expertise shouldn't be only their knowledge in a particular software field but also the ability to propose**

creative combinations of different technologies. The same rule also applies to other areas of software development. As most IT projects require not only programmers' work, a vendor should be able to provide experts like Testers, Project Managers, UX specialists, and UI designers. A software house with a well-established workflow for sure will help you compose the best team for your demands, and prepare an evaluation based on the materials you've presented.

QUESTIONS TO ASK

- 1 What are your core strengths? What technologies and tools do you use?
- 2 Do you support and use open-source technologies?
- 3 Have you run projects using solutions like React Native, Flutter, Kubernetes, Go, etc.?
- 4 Do you offer only coding services or have a full-stack team?

#Evaluating IT outsourcing vendors

WHAT TO CONSIDER WHEN COMPARING THE OFFERS?

People&Skills

Stable but, at the same time, flexible team is the essence when you're looking for external software development support for your fintech company. The number of employees can tell you a lot about the vendors' ability to **dynamically scale up the crew**. Nevertheless, put a spotlight on the model of cooperation with employees they use - a wide collaboration with 3rd party contractors and freelancers might result in communication and

teamwork problems. Ask about the **attrition rate** to evaluate the potential partner's ability to retain employees and secure the resources. Investigate team motivation tools and processes, browse social media profiles to discover the corporate values, see if the team is well integrated, and just like working together. Check if they are engaged in developing the IT community and share their knowledge within blogs, events, and **open-source projects**.

QUESTIONS TO ASK

- 1 How many employees do they hire?
- 2 What is the attrition rate in your company?
- 3 How do you contribute to the IT community?
- 4 Do you run your own open-source projects?

Communication

Remote cooperation needs to be rooted in **transparency and constant communication**. To ensure this, first of all, verify the English fluency of the team members you will contact. Secondly, check how do they provide access to a schedule or workflow plan and **inform about the progress or any changes in the scope**. Find out what tools

and devices (like these supporting smooth and high-quality video calls) the vendors use to handle communications and how they organize their work. Emails are not enough to maintain daily contact, so in remote cooperation, the most frequently applied communication combo is probably Slack + Jira + Google Hangouts/Skype.

QUESTIONS TO ASK

- 1 What are the ways of reaching the representative?
- 2 What is the time zone you are in? How do you handle time differences?
- 3 What project management tools you use to streamline communication?
- 4 How do you provide information flow and continuous communication?

#Evaluating IT outsourcing vendors

WHAT TO CONSIDER WHEN COMPARING THE OFFERS?

The processes and project management

Meticulously developed processes based on the Agile approach prove the vendor's maturity. Examine the specific **design and development processes** and the ones that determine a successful project running. Experienced PM's are able to make use of them to speed up work and boost effectiveness.

Considering that, try to contact some of the vendor's Project Managers to find out more about their internal processes and PM team itself. Ask also about the estimation procedures, especially when you will operate within a tight budget.

QUESTIONS TO ASK

- 1 Do you have experienced project managers with knowledge legitimated by credible certificates and courses?**
- 2 How do you estimate the project?**
- 3 How do they handle change control and risk management?**
- 4 Which project management approach and frameworks do you use?**
- 5 What is your backlog and prioritization management approach?**
- 6 How do they manage budget and scope?**



WHICH COOPERATION MODEL TO CHOOSE?

*Staff Augmentation vs. Project Outsourcing
vs. Managed services*

Fixed price or Time & Material

#Staff Augmentation vs. Project Outsourcing vs. Managed services

STAFF AUGMENTATION

With staff augmentation, the company focuses on current needs and hires software developers with particular competencies required in the ongoing project.

This solution consists of hiring a number of developers for a specific duration (for example, to create particular components for a web application). It works like an **extension of the existing team**. Outsourced software developers work along with the in-house team, complementing their skills and knowledge, offering different perspectives and expertise.

PROS

Flexibility and convenience:

it is an interim solution used to boost software development, improve existing functionalities and add new ones; once developers finish the tasks, the partnership may end and be revived when the need arises in the future.

Cost-effectiveness:

cooperation is temporary, so it does not require full-time wages, nor does it generate hiring and de-hiring costs.

Control:

the parent company manages both in-house team and external developers, retaining a high degree of autonomy

CONS

Short-term solution:

focused on current, urgent needs - larger goals are not taken into consideration.

Costs are higher with time:

more staff-augmented resources mean a significant price increase.

Hard to find a perfect fit:

it may happen that the augmented staff will still need some additional training to complete different tasks, which can lead to higher expenses.

#Staff Augmentation vs. Project Outsourcing vs. Managed services

SOFTWARE PROJECT OUTSOURCING

For projects requiring support not only in coding but also in UI/UX, project management and/or software testing staff augmentation might not be enough.

Outsourcing the whole IT project is chosen usually when creating new products or startups but also when adding some sophisticated features to existing apps or rebuilding systems. The software company should then provide various services to fully meet the specific needs of the project and manage it efficiently.

PROS

Transfer of responsibility:

most tasks are taken care of by the partner company, which makes the software development process time-saving for the client who can now focus on the core business.

Wide range of skills:

the client works with a multidisciplinary team whose members can satisfy their global needs.

External viewpoint:

cooperating with a vendor always ensures the opportunity to meet a different point of view on the project and also get valuable expertise.

Well-determined outcome:

IT provider has to meet the commitments (like time and budget limits, quality of work, distribution of responsibilities, etc.) defined in the agreement.

CONS

Less control:

the client relies on the provider's expertise and has less influence on the workflow than in staff augmentation. not taken into consideration.

Less flexibility:

conditions of cooperation are fixed in advance and they cover more complex areas.

Additional expenses:

it requires higher costs as more experts and more responsibility are involved on the vendor's side.

More complex research:

project usually requires more than just technical support, so the company has to check the experience in UI/UX, PM, and QA while looking for a software development partner.

#Staff Augmentation vs. Project Outsourcing vs. Managed services

MANAGED SERVICES

Managed IT services are a more complex and long-term solution – it is a continuous, mutual reinforcement for both parties.

This cooperation model is based on similar principles as Project Outsourcing, but with a significant difference - **it implies a continuous delivery of services from the vendor.**

In this case, a client entrusts the external company with a whole process or system. Usually, it is a non-core part of its performance, and the partner has control over it and its outcome so that the company choosing Managed Services can focus on the meat-and-potatoes of the business. The service is well-

determined and is subject to the Service Level Agreement (which is a contract between the provider and the client).

The advantages and drawbacks are pretty much the same as in Project Outsourcing **including the benefits of long-lasting cooperation like stability or savings on the research process.** This kind of offer is not always offered by software houses, so you need to take into account the more limited choice of vendors.

Which cooperation model to choose?

Staff Augmentation

is perfect for project scaling when a specific skill set is required, and your in-house team members cannot deliver all the solutions. In this case, external software developers will simply fill in the gaps. The temporary nature of such collaboration makes it cost-effective and flexible.

Project Outsourcing

will be a great option if you are looking for a reliable partner offering diverse competencies to support building a product. The provider shares with you their knowledge and becomes responsible for the outcome of the project, while you can take care of other business-related issues.

Managed Services

is the best choice when it comes to long-term collaboration and outsourcing a big but not core part of the software.

#Software Development Contracts

FIXED PRICE VS. TIME & MATERIAL CONTRACTS

Fixed price

It's nothing more than a **top-down price estimation** for your digital project. As a Client, you decide, together with the chosen software vendor, about the budget, limits, and other conditions under this pricing model. Requirements of the project need to be written down precisely before estimation will start to define the exact scope of work.

Time & Material

It assumes that you will **pay for the delivered work** and won't have to plan every detail in advance. In the beginning, you and the software house team set up a general goal, basic features, and the tasks for the coming, near feature (usually week or two, depending on the Agile sprint length). T&M contracts are much **more flexible** and give an ability to implement changes during development. With the progress of work, you receive detailed reports and analyzes that verify the development team works.

What's the difference
between billing methods?

How to estimate cost in the Agile projects?

Even in T&M contracts and Agile projects, the cost must be somehow estimated (budgets, budgets, budgets), so it's always useful to conduct **product design workshops** and specify business requirements (having a list of user stories and wireframes facilitate determining estimates). Workshops together with tech-planning and project analysis allows us to estimate the number of sprints (cycles) required to deliver the outcome by a particular team and pre-calculate the cost. We can also give a range to the client based on how many cycles a project of similar nature normally takes.

#Software Development Contracts

WHY DO T&M CONTRACTS FIT IT OUTSOURCING BETTER?

Traditionally in business cooperation, a company defines the budget within which a vendor can operate to deliver prearranged solutions at a specific time. This fixed-price approach gives an idea of the final cost of the project, its scope, and duration ...or not. Why?

In most software projects, especially the custom ones, it's just impossible to estimate all three dimensions - costs, time, and scope precisely.

The vendors usually assume some safety net, so **the quotes in fixed-price contracts are just higher.** To keep the budget in check it's necessary to prepare

a strictly set specification and not modify it during the development process. To be honest - it just never happens in a hundred percent. Some of the ascertained requirements might need to be reformulated because the market environment changed, or the first users verified your ideas. Changes are also natural in Agile projects, and if you would like to run yours using this approach, it's much more effective to do it within the T&M contract. With Agile and hourly rates, you can **track progress on a daily basis, review the work results more often, and as a result, gain full transparency.** This constant outcome monitoring also ensures flexibility as it enables to improve the project on the go – sometimes the best ideas come up in the middle of the work. Agile makes them real without the necessity of renegotiating, meetings, quoting, and futile documentation.

#Software Development Contracts

HOW TO OPTIMIZE THE COSTS AND NOT TO BLOW THE BUDGET?

1 Think things through

This concerns mainly to fixed-price contracts as they are much more rigid. Every change costs, so it's essential to have **clearly defined scope based on MVP or PoC**. A reliable software development partner can help you with gathering requirements within extend scope sessions or design workshops. Mind that there's no way to predict any modifications or the elements that would need further discussions.

2 Avoid the risk and unnecessary complications

Every change costs, but it's rather impossible to avoid them in software development projects. Still, it's possible and highly recommended to reduce the potential risks and be well prepared for any situation we can predict. To minimize the probability of growing cost, it's better to **bet on battle-tested, well developed, and explored technologies rather than tech novelties**. Choose the simplest solutions that can provide achieving your goals, not the fanciest ones wrapped in buzz words. Remember that you need to be open for compromises, so focus more on the business value of the features and the details of their design or mechanism of action.

No matter which billing method you will choose, consider these guides about how not to run out of money in the middle of the development process.

3 Get a good PM

You might have your own employee appointed to run the outsourced project, but even then, the **role of vendor's PM cannot be overestimated**. First of all, he is responsible for maintaining high communication standards, ensuring that you're up-to-date with work progress, and taking care of delivering topics on time. PM in IT outsourcing needs to be proficient in managing risks, budget, scope, and backlog, know how to prioritize tasks, and keep the team motivated. His experience should help you avoid the problems he has already met within a number of other projects or cope with them faster and much more smoothly.

4 Communication and validation

Even if you've got the most skilled and reliable outsourced team in the world, it doesn't release you from being engaged, active, and helpful. The more information you will provide the team with, the fewer doubts, questions, and misunderstandings will appear. **Try to maintain constant communication and frequent feedback, so your IT outsourcing partner will verify if the development moves in the right direction**. Fruitful IT outsourcing cooperation is based on a clear division of responsibilities and understandable goals. Work them out with your contractor, stick with them, and verify the progress of achieving them.

WHAT IF SOMETHING GOES WRONG?

Why do IT outsourcing partnerships fail?

*How to hand over a project to another
remote team?*

#What if something goes wrong?

WHY DO IT OUTSOURCING PARTNERSHIPS FAIL?

Collaborating with remote teams may be challenging, and so partnership failure is a real possibility.

Coming unprepared.

When coming to an outsourcing firm, you must make very good specs. No details left out. No guesswork. Can't or don't have time to write good specs? Hire the team to document the work for you. Prototypes are best and don't leave the product open for interpretation.

Requirements misunderstood.

You either didn't explain project requirements clear enough, or your partner didn't listen to you well enough. Use detailed project planning questionnaires and briefs. Try to form easy to follow to-do lists when delegating tasks. Be as specific and as detailed as you can be.

Project management neglected.

The reason you ask for help from a 3rd party company is that you probably can't handle that large work volume. An experienced partner will effectively take amounts of work off you, but don't forget communicating and enforcing project needs is time-consuming as well.

Not drawing a bigger picture and defining ultimate goals.

A narrow-minded partner who does not see a goal behind the tasks he's challenged is the worst that may happen to you. Partner must be aware of what you're trying to achieve.

Scheduling the project as if it was done in-house.

Contractors have their own plannings, and it's recommended that you always consult deadlines prior to arranging with your client. Always add buffer time for consultation, assets/requirements gathering, additional interviews, and general work planning.

#How to hand over a project to another remote team?

THINK TWICE WHEN SELECTING THE NEW DEDICATED REMOTE TEAM

The ideal business failure is one that leaves you with the ability to learn from what exactly went wrong and, possibly, try again.

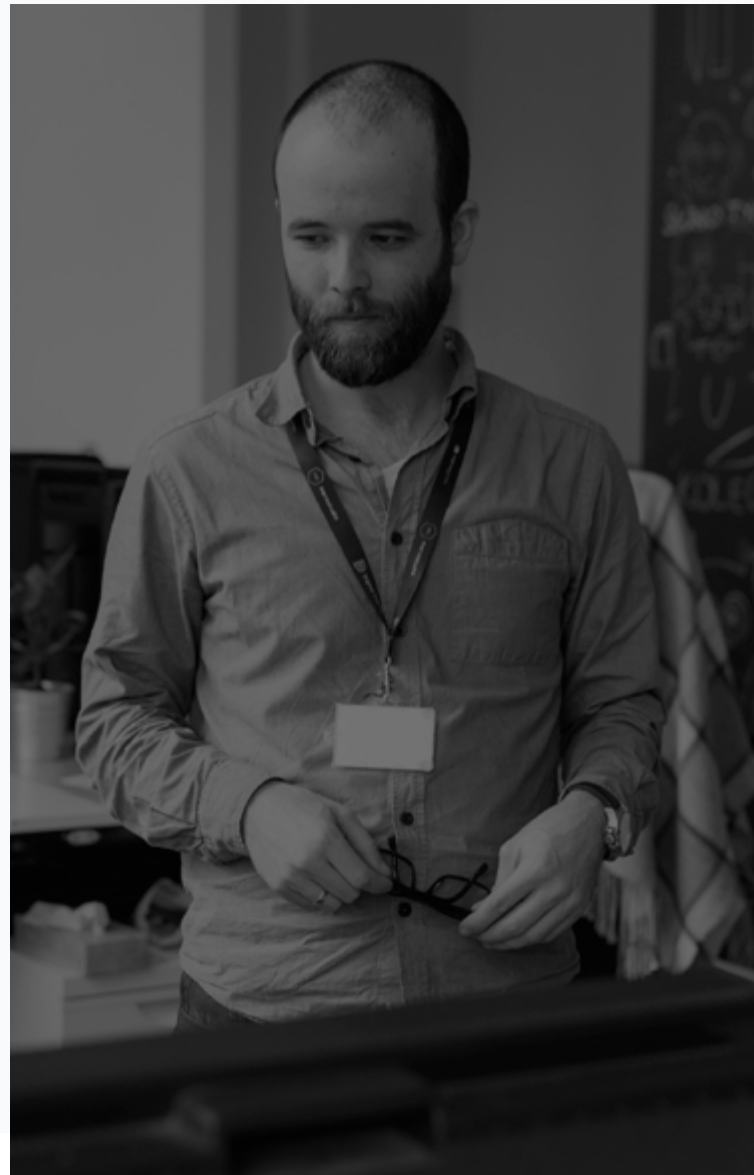
The necessity of handover does happen, and it may turn out to be costly and harsh unless you take the appropriate precautionary steps to make it smooth and downtime-free.

We've got a quite broad experience with clients that were left in shambles being dissatisfied with the current provider. The handover process is always critical for both parties - you, who need to **evenly onboard newcomers** as well as a new development team, who is about to **take responsibility for the legacy code and often rectify the mistakes** made by the other programming crew. Then, a solid plan comes in handy.

However evident it may sound, make sure that the conclusions of your retrospective assessment of the previous programmers' team are translated into the selection criteria of the new one.

Building the partnership on trust and transparency pays off. Then sharing openly the lesson learned from the false start with the previous team may be an **incentive to test the new partner** against the challenges you have had faced before by listening

to their feedback, assessing their know-how, and attitude. It can help to understand the standards of the software development company and check their expertise.



#How to hand over a project to another remote team?

PROVIDE SUFFICIENT INFORMATION AND DOCUMENTATION

Without the documentation, software developers are forced to analyze the entire source code on their own, which is a time-consuming and frustrating task.

The handover process is about transferring both a **software system** as well as the **knowledge, experience, and responsibilities** that are required for managing and maintaining the system during a product's lifecycle. The new remote team should receive comprehensive information about the digital project in order to clearly understand the product itself and its challenges.

A good set of materials that you provide to the new development team should include:

- description of the app's architecture (i.e. particular modules and their correlations);
- updated README file (i.e. guidelines for system's configuration and installation operating instructions, list of files included, troubleshooting, changelog, detected bugs);
- requirements files (requirements.txt, package.json) that contain the lists of packages to install when setting up the environment;
- description of key algorithms (e.g. calculating the service price or any algorithms that are unusual) + mechanism of importing data from 3rd party systems;
- description of key classes and the application's layers (this simply makes it easier for the new team to find the place that requires changes);
- description of the database structure (additionally, in case of a relational database, a description of their correlations should also be included; this can be presented on ERP - Entity Relationship Diagram);
- deployment guidelines (i.e. how to deploy the source code, database, and run the project on a new server, any necessary administrator/test customer login credentials).



#How to hand over a project to another remote team?

THE KEY AREAS THAT SHOULD BE DISCUSSED WITH A NEW TEAM

1 General introduction to the product's idea

Sharing the product's goals, business model concept, unique product value, strategic knowledge of users (needs, expectations, pain points), core features, user types, product's context of use, competitive solutions. Here you have a few tools that can be used to share that information efficiently: Business Model Canvas, Value Proposition Canvas, User Persona, Story Map, Development Roadmap (functionalities divided into groups for next releases).

2 Project's status - "done", "in progress" vs. "to-do" list

Outlining what work has been done by the predecessor, at what stage on the development roadmap you are now, what work remains on code that has been not deployed yet; what is the upcoming scope of work and next priorities.

3 Challenges

Summarise what challenges have you encountered so far throughout the software development process; what has worked fine and what has not; evaluate with the new team what obstacles can stand in the way of the smooth transition and further development as well as how to prevent them.



4 Operational fit/workflow

You might have your own employee appointed to run the outsourced project, but even then, the **role of vendor's PM cannot be overestimated**. First of all, he is responsible for maintaining high communication standards, ensuring that you're up-to-date with work progress, and taking care of delivering topics on time. PM in IT outsourcing needs to be proficient in managing risks, budget, scope, and backlog, know how to prioritize tasks, and keep the team motivated. His experience should help you avoid the problems he has already met within a number of other projects or cope with them faster and much more smoothly.

A few key questions to cover:

- **Management:** What kind of management method should be applied (e.g. Scrum, Scrumban)? When should you agree on Scrum, how long will the Sprint last? What days should Scrum events take place on and who will be involved in them?
- **Roles:** What are the responsibilities of particular team members (e.g. PO, SM, the rest of the team members)?
- **Communication:** What tools will we use to handle communication (e.g. Slack, Skype, Hangouts)? How often will we organize the video meetings?
- **Workflow:** What tools will we use for task management, time tracking, etc.? How will the development workflow look like?

#How to hand over a project to another remote team?

LET THE NEW BUSINESS PARTNER PERFORM A CODE REVIEW

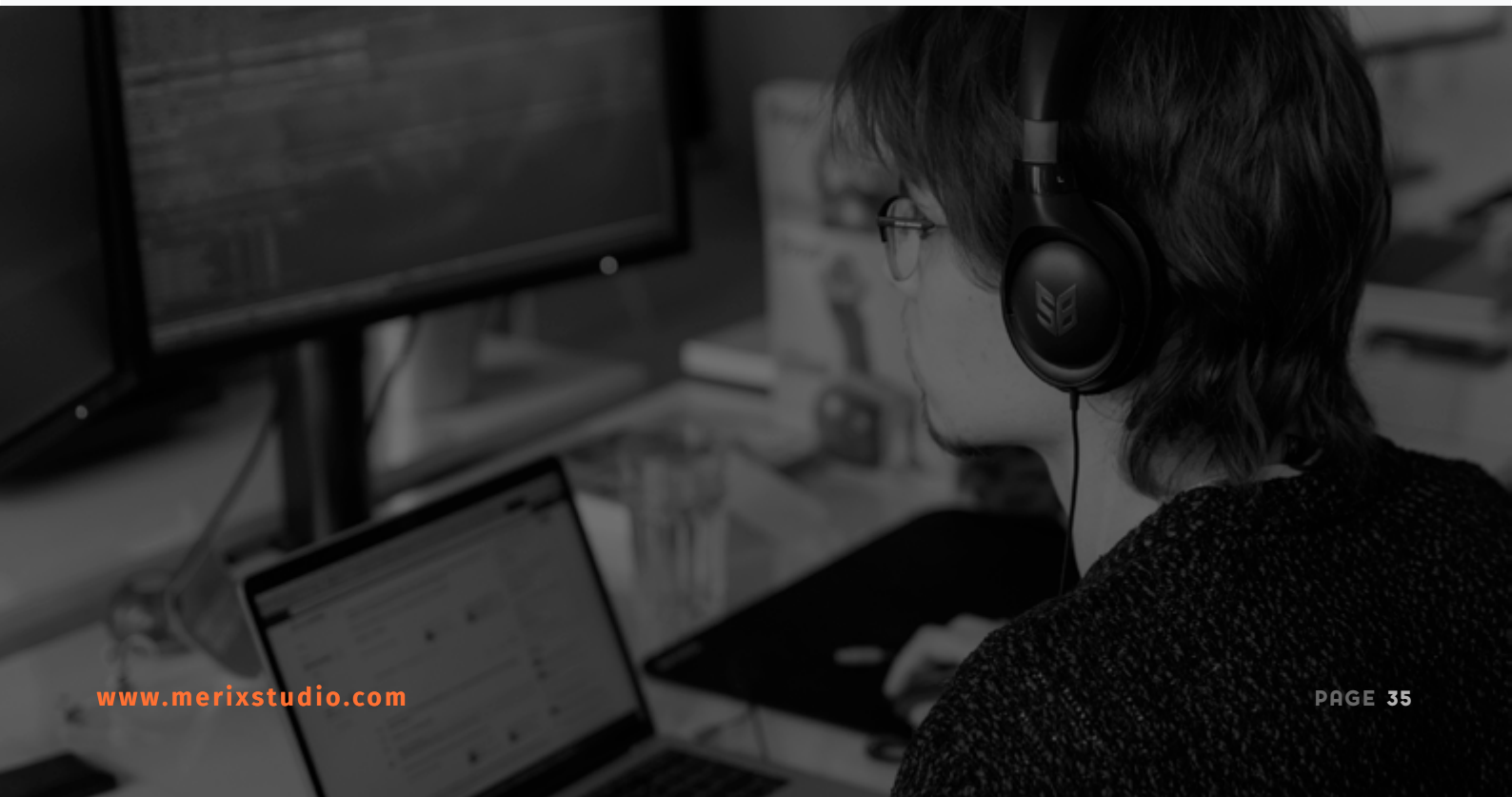
Nobody wants to buy a pig in a poke - code audit is one of the must-haves in the software handover process.

A code audit is a prerequisite for measuring technical debt as well as assessing the general health of the application and the new team's capabilities to handle it.

This is a top-down source code analysis that takes place whether there is an app's documentation or not. It's natural that **long-established code can have some defects**. However, the problem arises when their scale and severity is high. This can make implementing new features time-consuming and costly and disable effective code refactoring. And here comes code review that triggers objective feedback, risk evaluation, and a rescue plan if needed.

At Merixstudio, we test the **apps for their security, performance, and code quality**, then summarise all the issues, including a description of the problem and the remedial actions with its prioritization to give you a sense of its severity. Some of the questions that are addressed during a code audit:

- Is there compliance with the coding standards (e.g. PEP8)?
- What is the unit test code coverage? (Unit test facilitate further development and error detection)
- Is the code secure and breach-resistant?
- Are there any sensitive data stored in the code?



#How to hand over a project to another remote team?

ALLOW TIME OVERLAP WITH THE OUTGOING TEAM

Direct information exchange between engineers is short and straight-to-the-point, which leaves room for facilitating communication and shortening the feedback loop.

Ideally, the software developers who have been working on the project have a chance to work with the developers who are taking over the project, during the overlap period. It should be assumed that a new programming team may initially work with lower velocity as they need to get familiar with the app's code and architecture.


Having two teams overlapped can speed up the onboarding process (by being a support for a new team when specific information is needed), reduce the risk of setback, and keep the velocity constant.


And last but not least, remember to **meet the new development team**. Simply, there are new people with whom you're going to closely collaborate, probably over a fair period. The chances are that the better rapport you have with them, the higher the achievements you can get. Create an opportunity to build a relationship - meet the development team personally, see their office, chill out with them. The human touch can only foster the team spirit and make your cooperation more fun.




Want to check if we are a **good match** for your outsourced software project?

Feel free to contact us!

 contact@merixstudio.com

 +48 570 001 928

 ul. Małachowskiego 10, 61-129 Poznań

See our work

Bēhance

dribbble



Check what our clients think about us **Clutch**

Follow our stories



*120+ full-stack agile software experts ready
to support your business*