

The BestShore Strategy from ServiceFactum

Outsourcing software development tasks to other (usually far-off) countries and regions offers clear benefits: Availability and scalability of highly qualified developers, experience in new technologies and also significant cost advantages at comparable qualifications level. If the decision is based on costs alone without consideration of quality, productivity and operational risks, the implementation is usually more expensive than planned and collaboration proves difficult. The BestShoring approach employed by ServiceFactum promises a solution for the process of selecting a suitable development location for a specific task and finding the right developer.

According to A.T. Kearney¹ (The purchasing check board, see <http://www.einkaufsschachbrett.de>), the “BestShoring” approach as part of a professional purchasing strategy involves the comprehensive assessment of the question in which region or country a particular product should be produced or a particular service should be provided. Basically, there are three different types of BestShoring:

“**Onshore**” means the provision or production of a service (or parts of a service) in the same region with a similar cost structure. From a European perspective, that would mean the Western European countries.

- The second option is “**Nearshore**”. This involves the production of a product in a region that is close in terms of both geography and culture, but offers major cost advantages. From a Western European perspective, that would mean primarily the Eastern European countries.
- Finally, there is “**Offshore**”, which involves transferring the production of products or services to a geographically distant region. Traditional off-shoring countries include India, China, Malaysia and the Philippines.

Based on a task specified by the client, ServiceFactum performs a two-step BestShoring evaluation of the most suitable location and most suitable developers.

In the first step, ServiceFactum has already selected and qualified suitable development locations for specific tasks from the multitude of global providers using a “Request for Information” (RfI). In doing so, ServiceFactum focuses on the following topics: software products, cloud software, desktop software, mobile software, embedded software and web applications.

Based on many years of outsourcing and off-shoring experience, ServiceFactum already applies comprehensive criteria at this stage. In addition to cost effectiveness, they also include the assessment of service and quality levels:

- The cost effectiveness analysis should include a detailed consideration of all relevant personnel costs, taking into account not only actual salaries/wages and payroll deductions, but also the availability of qualified personnel, productivity and the simulation of possible wage cost increases. Experience shows that above all, the effort to manage the resources in the new region and the transfer of expertise are underestimated in the cost effectiveness analysis.
- For ServiceFactum, service and quality are of paramount importance. The difficulties involved in managing service and quality over great distances and across cultural divides must be considered, as they require special effort in implementation. Among others, tasks that require a high degree of coordination are usually provided by onshore resources, while more self-contained tasks are executed in nearshore or offshore regions.
- When it comes to evaluating a location, potential warranty claims are of special significance for start-ups or product manufacturers. This is where huge differences in the international legal framework exist. If damage claims can jeopardize the existence of a business, this issue is crucial.

Ultimately, the BestShoring strategy also includes the analysis of potential risks, which should be taken into account and must be evaluated. These include difficult and emotionally charged transfer of expertise, high staff turnover, political instability and the danger of bundling risk at one location.

In the second and final step, ServiceFactum evaluates very distinct customer-specific criteria for the final selection of a suitable development location. These aspects are individually agreed upon with the customer and include, among others:

- Based on the specific requirements of software companies, start-ups, agencies and IT service providers, development locations and business cultures suitable for globally distributed software development are defined and compared accordingly.
- Previous experience in the specific technology fields required is compared to the profiles of

specific developers that are available. This also leads to individual interviews and the selection of suitable developers that have the appropriate communication skills needed for interacting with clients.

- At the same time, the availability of the developer is assured so that the project can be implemented within the time frame desired by the client. The client's time-to-market requirements are already factored into the selection process at an early stage.
- Finally, scalability to accommodate special situations or extensions represents another criteria.

ServiceFactum then compiles the most suitable team of developers from 12 selected Best-in-Class development locations or implements turnkey projects including design (UX/UI), development and testing with the help of individually selected and available developers. This results in increased customer satisfaction and provides relief for customer management, while increasing performance and the ability to compete in terms of quality, time to market and cost effectiveness.