FROST & SULLIVAN

IBM Podcast: Effective Outsource Development: Maximizing Return and Minimizing Costs

Pod Cast

Introduction

Outsourcing is a common practice in businesses today. This is especially true of a company's information technology, including software and system development and delivery. Outsourcing continues to grow; driven by increased complexity of technology and the continued demands of businesses for faster implementation of new functionalities. In fact, a recent report by a leading research company purports that by 2011, many new companies will look to service providers for 40 percent of their IT infrastructure. With the recent economic downturn, companies are relying on outsourced systems more and more. The current climate has affected the financial services industry profoundly, and one of the outcomes has been consolidation in the form of mergers and acquisitions. The financial sector is ranked second in market share for value of deals to date. These transactions present a unique set of issues for businesses, one of the most complex being software development.

In today's podcast we will focus on strategies and solutions that can help increase the effectiveness of outsource development, which can minimize costs and maximize return.

Distributed Companies' Development, Delivery and Management Issues

Banks with multiple branches and corporate offices spread out geographically, for example, will need a solution to effectively manage these distributed teams and systems. The new company must unite and manage disparate branch teams and systems All of this needs to be done without disrupting business because the customer expects a smooth transition. Moreover, distributed workforces are increasingly common today across industries. Companies are always searching for ways to grow revenue and reduce costs. Development outsourcing is one of the first places managers look to use in order to cut costs. There is significant opportunity here, but it often takes a disciplined approach and a time investment.

Outsourcing software development can present challenges. One of the biggest is synchronizing assets and methodologies for distributed banks, particularly when two separate institutions are being combined as one bank because of an acquisition. Communication and collaboration among teams needs to be addressed, as well as automating and synchronizing processes in these mixed development environments using a mix of methodologies; different bank branches will often have differing technologies, systems and requirements.

Systems Integration Strategy

The first step in integrating systems is establishing a core framework for clarity of processes. This builds comprehensive and effective distributed teams. A defined process helps users at all locations clearly understand their designated roles within the software development cycle. It also provides guidance, contextual and visual workflow steps to help team members understand their immediate responsibilities, and how to move work among team members. This enhances the collaborative environment, and reduces risk. Another important factor for effective distributed teams is the ability to measure process improvement at each point in the software development life cycle. A metrics strategy should be included within the development plan. These metrics can then be used to adjust the process as needed and support strategic goals.

Quality assurance is a critical part of the software development process. When a quality management program is in place that can improve service, customer satisfaction increases. Customer service, loyalty and retention are crucial for revenue growth in the banking industry.

Understanding, balancing and assessing the risks and benefits of a particular solution can help ensure that it aligns with business priorities and drives value for management as well as bank customers. A project and program measurement strategy that assists in monitoring and controlling risks, issues and financials across platforms can enable faster and better decision making.

Specific Needs Determine Strategy and Implementation

There are several levels of distributed financial organizations. The level of need will determine the specific strategy and solution implementation, that is whether the distributed teams are internal and domestic, external vendors located domestically or nearshore are involved, or internal company teams and third-party providers that are located offshore. Each have unique issues to be addressed such as productivity and efficiency of team members while supporting diverse systems and platforms; asset ownership and security related to communication between sites and access to repositories; and the array of cultures, languages and time zones, which affect the ability to clearly communicate requirements.

To align the organization across its multiple geographically distributed locations, leverage expertise and skills at every site, and improve efficiency, productivity and quality, an integrated software development and delivery platform is needed. The integration of process and project management will allow the execution of defined processes anywhere in the world. It will also allow the capture and reuse of processes, saving time and money.

Conclusion

The key takeaways of this podcast are: An organization whose processes and systems are integrated end to end across the company and with key partners, suppliers and customers can respond with flexibility and speed to any customer demand, market opportunity or threat. This is an obvious asset that can lead to a healthier bottom line. In such a competitive sector as financial services, time-to-market is key. The results of a well thought out solution and implementation strategy are faster time to market with the highest quality – a maximized return.