Managing the challenges of offshoring product development requires a completely different mindset today. Putting together a meaningful engagement requires meticulous planning and a critical examination of your partner’s capabilities. With the right offshoring partner, organizations stand to benefit immensely by way of reduced risks, reduced time-to-market, and a broad enhancement of organizational capabilities.

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INTRODUCTION

Offshoring product development is a specialized area of business and managing it requires a different mindset. Today, organizations offshore their product development activities to achieve a diverse set of benefits that go beyond simple cost savings and reduced Time-to-Market. The ultimate objective for offshoring organizations is to solicit the service provider who can work closely with them as partners and can sustain the relationship throughout the product lifecycle and beyond.

The relationship between the offshoring company and its partner is a long-term arrangement that often spreads out over several years and in many cases, several decades. It is this long-term engagement that makes it mandatory for you to look at offshore product development through a new set of lenses.

A good partner can benefit you immensely while a wrong choice could set you back by several years, not to mention the financial losses that you may incur.

This whitepaper provides a roadmap on how to select the best offshoring product development partner and also achieving the most out of the engagement. Apart from addressing the inherent risks and best practices for optimizing offshore product development, this paper also delves into some emerging challenges that affect offshored engagements.
WHY OFFSHORE PRODUCT DEVELOPMENT?

Offshoring product development benefits your organization in several ways. Some of these key benefits are as follows:

- **Cost Savings**: Offshoring helps you to make significant cost-savings on expenses such as recruitment, supervision, salary, etc.

- **Focus on Core Activities**: By offshoring your product development work, you can focus on core IT activities.

- **Infrastructural Facilities**: Offshoring helps you gain access to state-of-the art infrastructural facilities.

- **Reduced Risk**: Offshoring enables your company to seek protection against natural calamities, market fluctuations, and technical crises.

- **Faster Time-to-Market**: In a rapidly changing technological landscape, products need to be marketed faster. The longer the delay, the more likely the product will be less profitable.

KEY CHALLENGES IN OFFSHORING PRODUCT DEVELOPMENT

Offshoring product development is laden with some challenges that are unique to product development, which go beyond the traditional ones we face in any offshoring engagement. Following are these challenges:

- **Protection of Intellectual Property Rights (IPR)**
  Products ride on very high risks because of the amount of investment involved. Therefore, it is essential that you evaluate whether your partner has a solid track record of securing your IPR.

- **Domain Experience**
  Product development cannot be offshored to just any service provider unless they have past experience.

- **Maturity of Processes**
  Process maturity is central to a successful offshoring engagement. Since product development entails a long-term engagement, relationships cannot be decided if your prospective partner has shallow processes.

- **Infrastructural Capabilities**
  Infrastructure plays a key role in defining how your product development will take place. Robust infrastructure help ensure a conducive atmosphere for an engineering team to focus on.

- **Management Commitment**
  It is important to ensure that there is an involvement of the management team in the entire developmental effort. Executive commitment guarantees performance.

- **Possibility of Long-Term Engagement**
  Offshoring Product Development is a major decision for any offshoring organization. Most offshore product developments are long-term engagements and therefore they require a more comprehensive analysis.
Two distinct types of offshoring partners for product development

IDENTIFYING THE RIGHT PRODUCT DEVELOPMENT PARTNER

It is not unusual for offshoring companies to look at product offshoring as being similar to all other offshoring engagements. This cannot be more further from the truth. It is important to remember that the service provider to whom the product development is offshored cannot be seen as a simple ‘service provider’. Because of the risks involved and the level of engagement required, these service providers should be seen as ‘partners’.

Recent years have witnessed a restructuring of partners in the offshore product development space. These changes have come about because of a restructuring and maturity in the industry. These changes are part of a continual evolution.
There are two types of offshore product development partners that you will encounter. The first category consists of traditional companies that can provide an almost 360° product related service. The second category – which emerged recently – consists of companies that provide you product related services that go beyond support/maintenance. These companies have a rich strategic and domain expertise and they can help you evaluate the value of the product beyond its life and help you rejuvenate and reinvent it.

The second category of companies has a much wider value bandwidth and they provide comprehensive Product Management services. Schematically, such companies truly serve as your extensions and stand to benefit you immensely in the long run. Selecting an offshoring partner who can provide you an integrated service encompassing such areas as; development, maintenance, support and product extension is always a better proposition. A one-stop shop helps you cut down on costs and also reduce the complexities of managing multiple partners.
BEST PRACTICES

While you can make the best of your offshoring decision by focusing on the aspects of offshoring discussed in this whitepaper, here are some best practices that will help you strategize your search for the right offshoring partner.

- **Integrated Product Lifecycle Management:** Selecting a partner who provides you an integrated product lifecycle management is a wise decision. Getting all your development, maintenance and support needs fulfilled at one place is always a better option than having these spread out across different vendors.

- **Test the Prospective Partner:** It is a good idea to begin by testing your prospective partner. You can begin with a small pilot project. This will help you to gather more confidence with the prospective partner and minimize your risks.

- **Research:** It is a good idea to research the prospective partner from your sources in the industry. If possible, send your experts to visit the country of your prospective partner and gather first-hand information about them.

- **Gather a Long-term Perspective:** While evaluating a prospective partner, look at the long-term perspective. Short-term vision, such as, lower pricing, will not benefit you in the long run. Remember, that offshoring product development is a different ball game altogether.

- **Evaluate Cultural Match:** Many offshored product development projects have suffered because of a poor cultural fit. Even within the best offshoring destinations, your experience in cultural pairing could be varied.

- **Ensure Scalability:** Product offshoring may require you to scale up and down depending on your needs. Therefore, ensure that your prospective partner is able to provide you scalability options.

- **Nurture the Relationship:** Maintaining a healthy relationship with your partner is central to successful product offshoring engagements. Visit your partner at frequent intervals and stay connected with the partner’s management team.

- **Sign a non-competing agreement:** While IPR issues can be managed it is important that you sign a strong non-competing agreement with your partner. This means that your partner can never develop a product similar to yours and sell it in the market.
CONCLUSION

Offshoring product development is different from all other types of offshoring. Because of the high business risks involved and the need to sustain a long-term engagement, it is important that partners are selected carefully. A methodical and systematic approach in selecting the offshoring partner stands to benefit you in the long run. It could not only help you minimize your business risks but also multiply your organization’s potential significantly.

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