

A close-up photograph of a hand with a finger pointing at a button on a keyboard. The button is circled in orange. The background is a blurred keyboard.

Practical steps in creating a software outsourcing strategy

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Agenda

- Personec Group
- Personec Nearshoring
- Practical steps towards successful shoring
- Strengths and weaknesses
- Questions

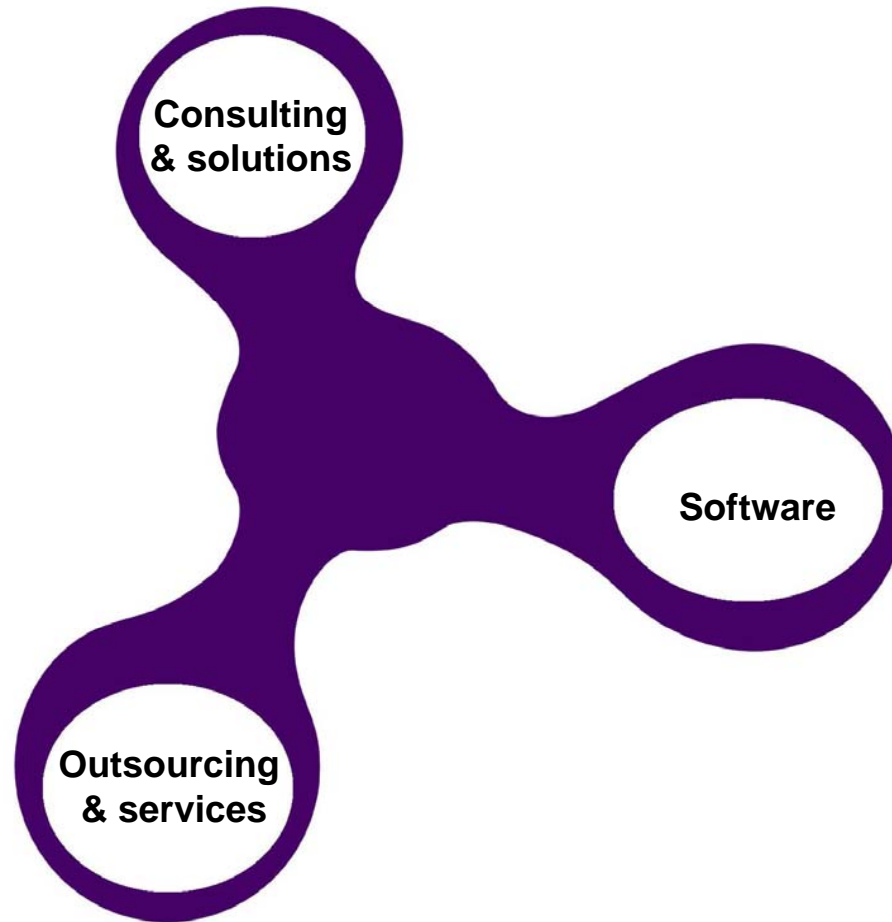


Part of TietoEnator

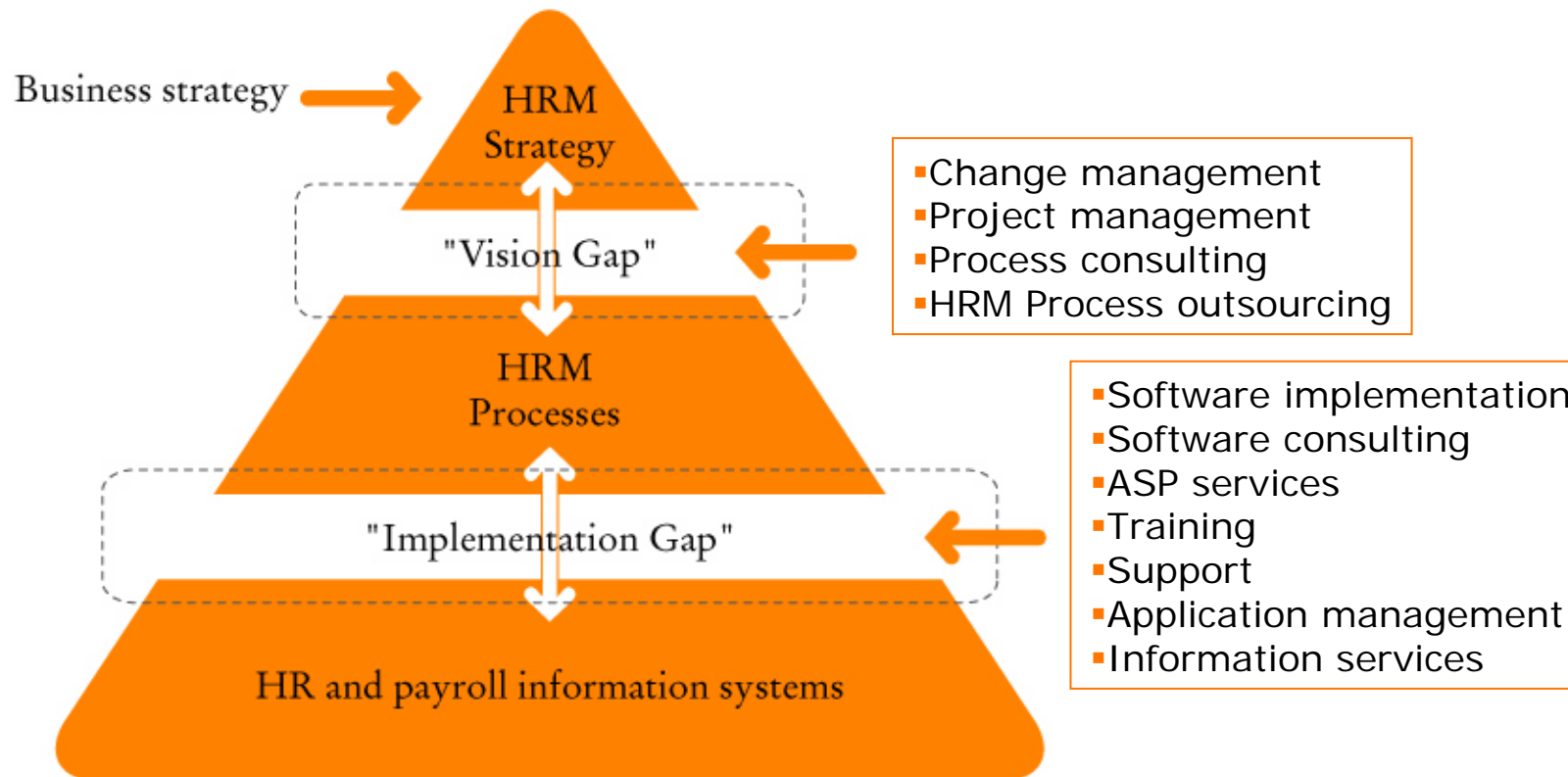
Personec: Short facts

- Two business lines; Economa and Personec
- >1.100 employees in Sweden, Finland, Norway, Denmark
- > 15.000 customers
- > 30 years of experience
- About 3,5 million Nordic payslips every month
 - A clear market leader in the Nordic area
 - Customers in both private and public sector
- 30% market share in Nordic
- Strong financial position
- Strong owners
 - TietoEnator (51%) and Nordic Capital (49%)

HRM in **three** dimensions



Our services: To fill your "HRM gap"



What is behind GSO

→ Definition:

"a relatively long-term relationship between firms based in different countries to enable software development to be carried out primarily off-shore (in the premises of the firm doing the development)"

(Sahay, Krishna and Nicholson)

- Nearshore is used in the presentation which is outsourcing to countries near to the onsite company



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Personec Nearshore history

- Started year 2000
- Small scale development services Norway
- Involved Sweden and Finland year 2003 – small scale
- Established Nearshore Development Center year 2005 in addition to subcontracting
- Extended to maintenance services in 2005
- Established payroll service center unit in 2005 (Estonia)
- Plan to expand with supporting services in 2006
- Nearshore size 30 man-years (St. Petersburg+ Estonia)

Early learning

- Culture
- Language/context/translation
- Communication
- Pick the right projects
- Requirement specification
- Common development model
- Scaling needs top management commitment
- Ramp-up plans and processes
- Proactivity from partner
- Mutual trust (next slide)

→ **The question:**

How to successfully operate across national and cultural boundaries

→ **One essential issue:**

Understand and develop **trust**

→ **Why:**

- **Trust** enables cooperative behaviour
- **Trust** reduces conflicts
- **Trust** decreases transaction costs
- **Trust** promotes effective responses to crises

(Rousseau, Sitkin, Burt and Camerer 1998)

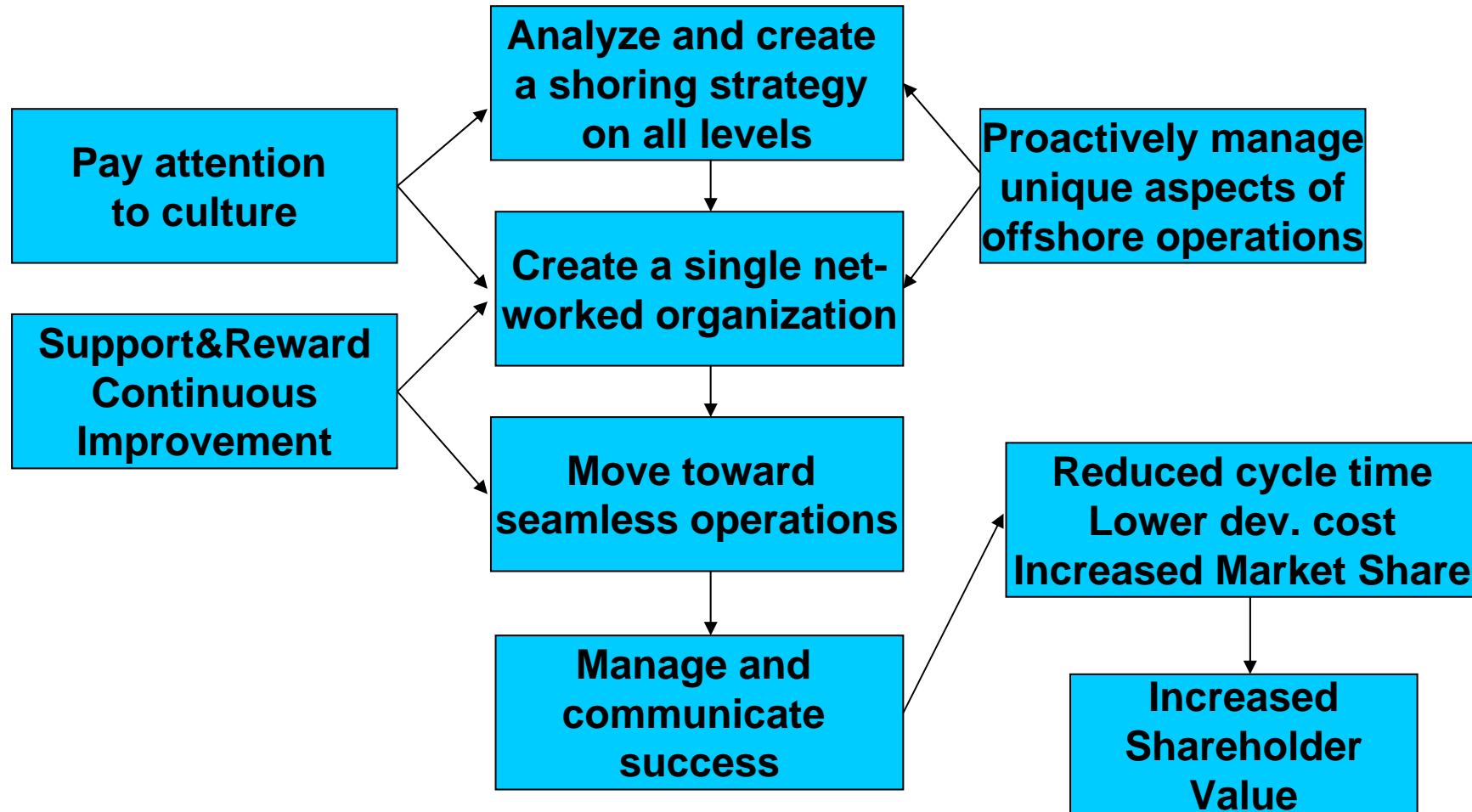
Achieved benefits

- Able to adapt faster to **new** technology and **changes** in technology
- **Reduced cost** (25-50%) and increased shareholder value
- **Increased revenues** through increased development and increased quality
- **Decreased cycle time and increased quality** -> improved customer satisfaction
- **Gained staffing flexibility** – access to larger talent pools
 - Business analysts
 - Project managers
 - Developers
 - Testers
 -

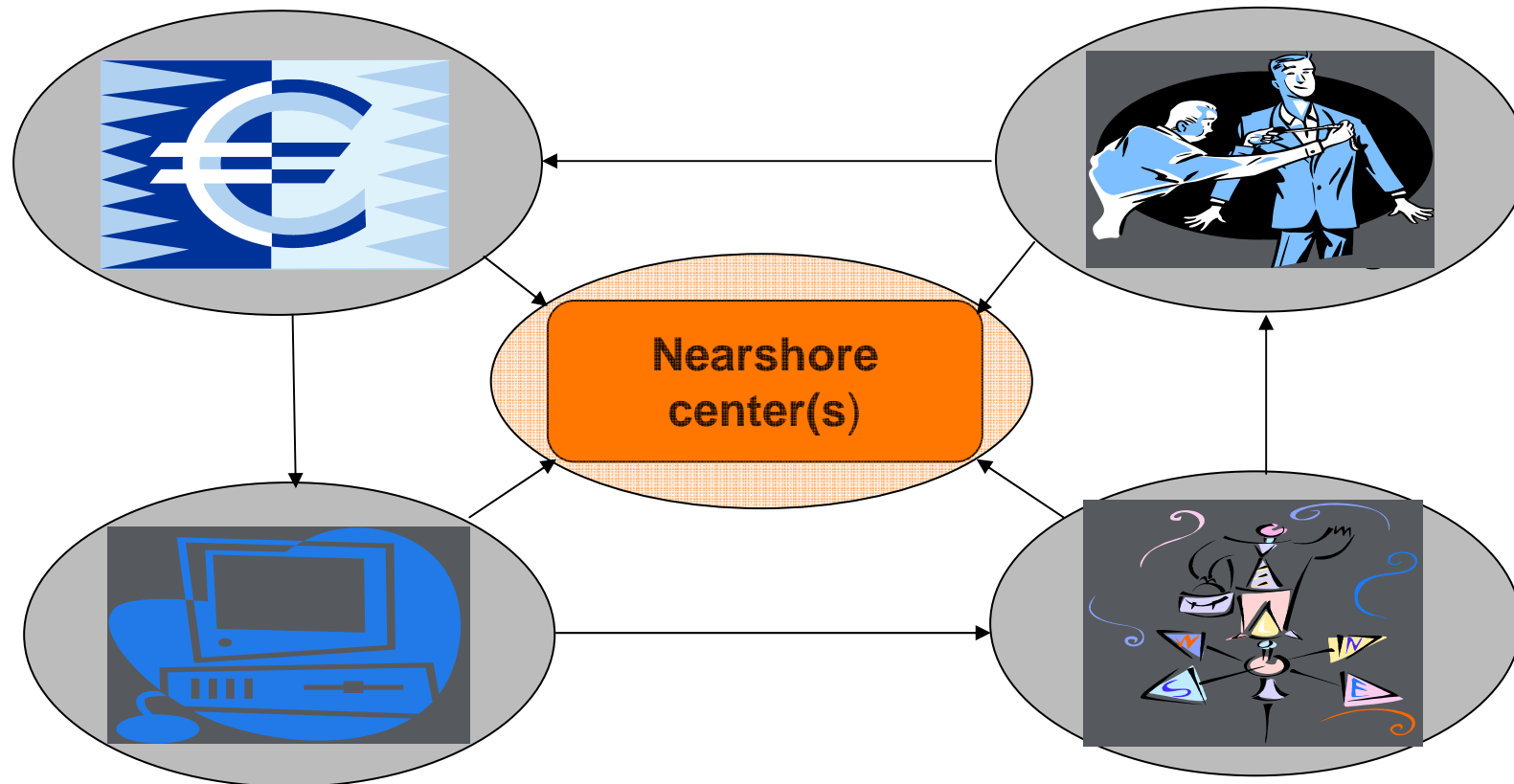
What does it take to succeed



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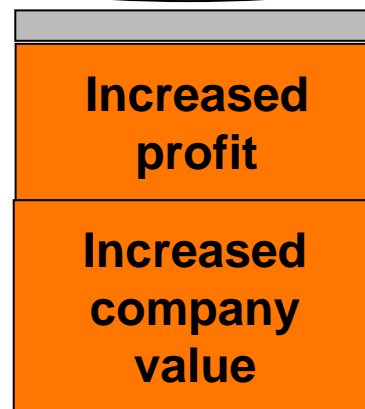
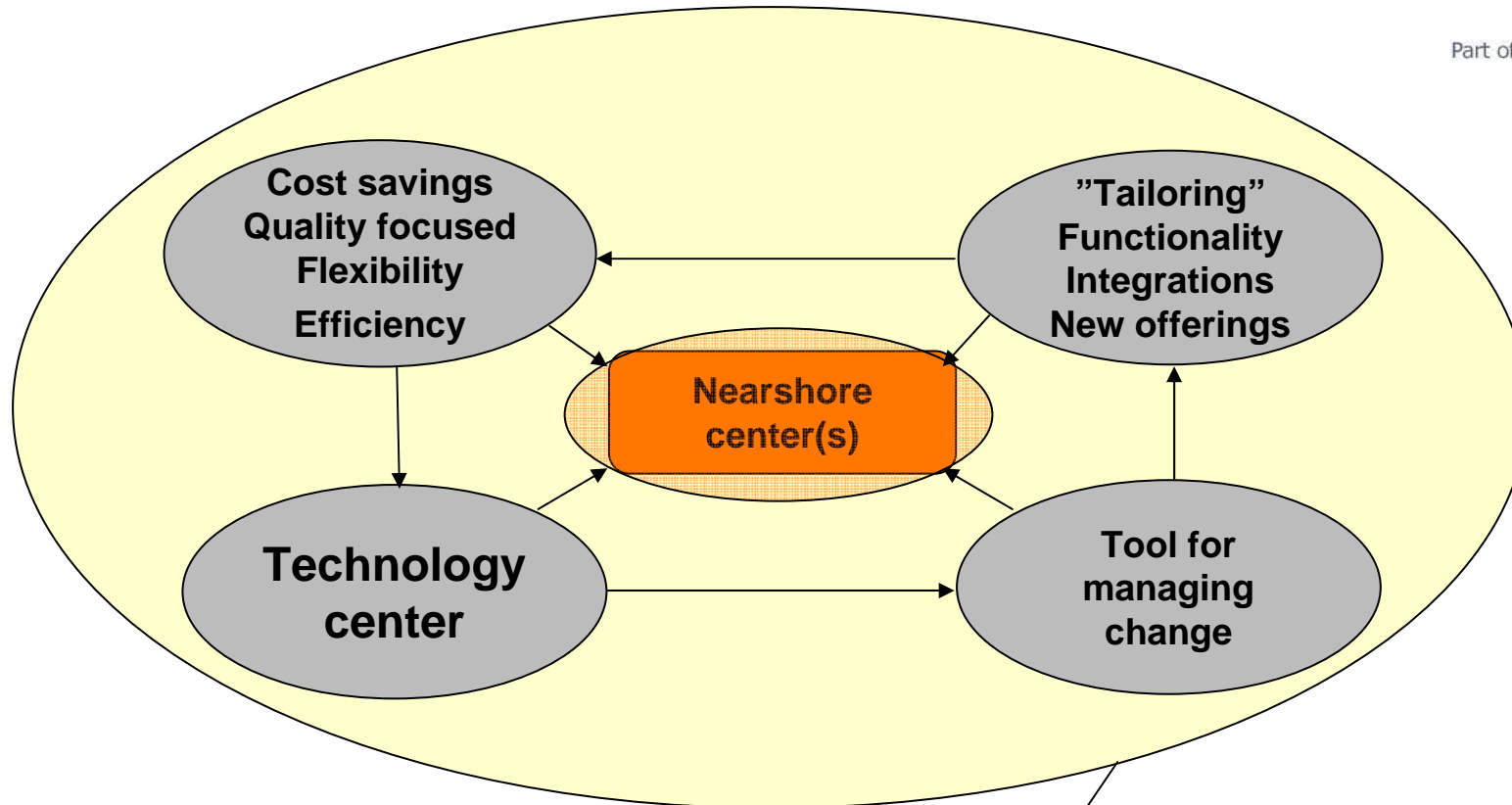
Value proposition (cornerstones)



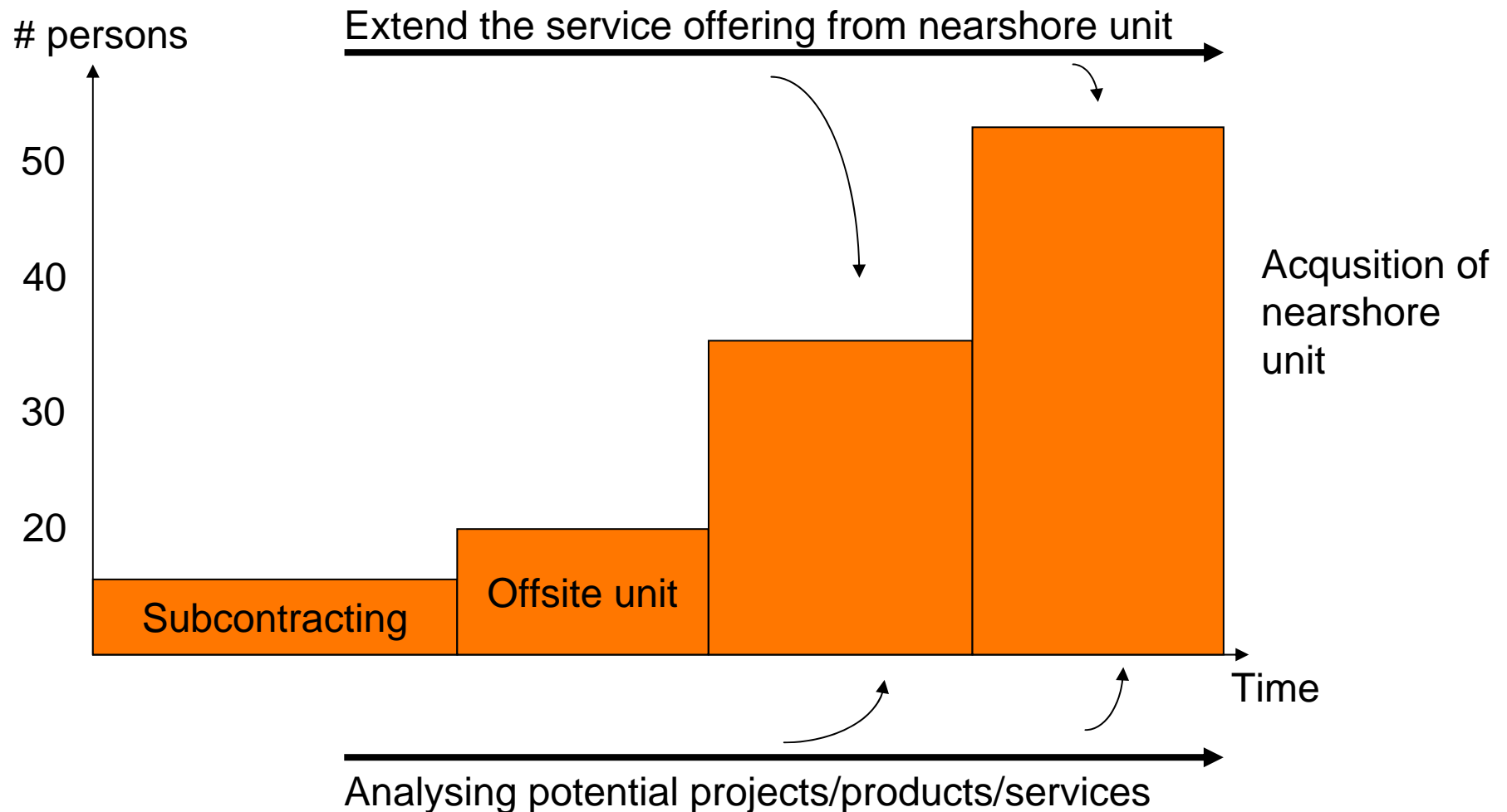
Value creation



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Utilising nearshore units





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Proactively manage

“Without disciplines in managing offshore, a company can not only squander the cost and time savings it had hoped to gain through them but can also face other problems – late deliverables, escalating costs, mismatches between expectations and deliverables, an even outright failure.”

The McKinsey Quarterly, 2001 No 2

Governance model

Project meeting:

- Status meeting every week (phone)
- "Face to face" meetings

Project Management Meeting:

- Every month – phone or "face to face"

Status reports

- Project status reports – every week (or bi-weekly)
- Management status report – once a month

Management meetings

- Quarterly

Communication:

- Project communication (technical issues, questions, feedback etc) are in principle between project managers onsite/offsite (if not agreed upon other channels).
- Only project manager onsite has the mandate to change the Scope of Work, and it is offsite responsibility to follow-up this.
- Contractual communications is outside the project, i.e. all contractual communication is between the management onsite and the the management offsite



Employees – important issues

- **Large development backlog:**
 - Existing work force clearly welcomes a relief
- **Limited amount of new projects:**
 - Increase nearshore development while maintaining the morale of the work force onsite
- **Utilizing nearshore solely for enhancement or support work the only primary advantage is cost**
- **If not providing challenging work might create turnover both internally and externally**
- **The flywheel:**
 - Leverage nearshore development in order to bring new products to the market faster
 - Will likely improve the market situation.
 - In this way the nearshore resources are utilized to enhance the overall competitiveness which should benefit all employees



Utilizing strengths and weaknesses

The objective is to utilize the partners strengths and avoid their weaknesses

→ Strengths

- Highly skilled software engineers with experience from the whole software engineering process
- Specialized expertise and good knowledge regarding state of the art technology

→ Weaknesses

- Lack of domain knowledge
- Not able to detect domain specific inconsistency in specifications
- Require quite detailed requirement descriptions also due to missing experience from our culture and software marked
- Expensive to adapt to changes during the project

→ THE END - QUESTIONS