



# Software Outsourcing

## On-Site Vendor Checklist

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# Outsourcing Vendor Assessment - Checklist

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### **Handout to accompany the webinar Visiting Offshore IT Vendors:**

- ✓ Why visit your vendor?
- ✓ Site visit best practices.
- ✓ Vendor site visit checklist

## **Introduction**

Hiring an outsourcing vendor should be a pretty straightforward process. You find a company that specializes in your type of software, negotiate a good price, establish the project deliverables and timeline, get references, check out resumes, and that should be it.

But before you make your decision based on the above criteria, you might want to take a quick trip to your vendor's facility.

You might discover something that could help you avoid a disastrous engagement. You might also end up choosing a different vendor based on your findings on your trip, that diamond in the rough you had previously discounted.

### ***Why Plan a Trip To Visit Your Outsourcing Vendor?***

You might be an avid world traveler who looks forward to visiting a new country. A trip to Colombia, India or the Philippines might be very exciting to you, and you'll go at the drop of a hat.

But you might also be very pressed for time. A trip to a new country to visit a potential outsourcing vendor would seem like an extra investment of time and money that you can't afford to make right now.

So under what circumstances should you do an onsite visit to your potential outsourcing vendor?

- **When The Project Is Mission Critical.** If your project is very important to your company, then you should consider going. This can include development or a major overhaul of your core product, a cost saving or efficiency enhancing project that is core to your competitiveness, or something that is expected to bring large financial returns to your company. Any project that plays a major strategic role in your company's future requires a visit to your potential outsourcing vendor.
- **To Discover What You Can't Discover Over The Phone.** A client of ours visited a potential software development partner in South America and discovered that their servers were being kept in a little closet next to a water heater. They had about 6 pcs stacked up one on top of the other in a room that was over 100 degrees Fahrenheit. This and other items are not discoverable over the phone. The particular vendor in questions was quickly eliminated as a possibility.
- **Meet The People.** Similar to the last point, you want to meet your potential outsourcing team to see if there are any incompatibilities that you can't detect over the phone or from the company's website. This enables you to read their body language, facial expressions, and engage in small talk where conversations are often more candid. You also might find some pleasant surprises that might bring certain companies to the top of the list that you might normally eliminate from consideration.

These are just some of the reasons why you should visit your outsourcing vendor. I'm sure you can think of five other reasons.

But keep in mind you're hiring people. Just as you would not hire an employee without meeting them in person, you should also not consider hiring an outsourcing provider, and their team of human developers, without meeting them in person and seeing them in their own environment.

## **Onsite Visit Best Practices**

To make your visit a success there are certain best practices we recommend. These will help flesh out the overall picture of your potential vendor.

### **Interview the development team**

Try to interview the project leader and as many of the developers as possible. You want to really assess their knowledge, their process for resolving problems, their process for filling knowledge gaps, their work habits and their reliability.

### **Assess the hiring process**

Find out from the owner and/or development director how they hire developers. Do they have a thorough interview process that involves several different members of their company? Do they check background references? Do they hire experienced professionals or developers straight out of University?

### **Assess the training process**

The hiring process is not enough. It's rare for a custom software development company to hire talent with exactly the right combination of skills for every project they are hired to complete. Hiring recent University graduates, or developers with certain basic skills is more common. However, how they make up for it is often a differentiator. Do they train every new hire? Do they certify their employees? Who performs the training? What type of training do they go through?

### **Inspect the facilities**

Take a walking tour of the development facilities, and search for things such as servers in utility closets, potential security hazards, and working environments that are not conducive to productivity.

### **Verify company culture**

Is there a culture of innovation? Is the company very hierarchical? Are developers encouraged to be problem solvers or just "by the book" coders?

**Verify company methodology**

If they advertise a certain methodology, see if the methodology is really practiced or if it's a paper methodology only.

# The List

The following is a checklist you can use to evaluate your potential outsourced software development vendor during your upcoming site visit:

## ***Business Criteria***

<b>Business Criteria</b>	<b>Response</b>
1. Global Locations	
2. US ownership	
3. US Management	
4. US Office	
5. Expansion/Scaling ability	
6. Own building vs. Lease	
7. Current capacity	
8. Financially Stable	
9. Private vs. Public	
10. Profitable	
11. Pricing > 50% savings	
12. > 10 Customers	
13. Vision, Mission	

14. Value Proposition	
15. Any strategic relationships with other related suppliers?	
16. Number of active clients?	
17. Total number of clients	
18. Average number of engineers on each engagements or project?	
19. Typical length of time for your client engagements & projects (months)?	
20. Average (blended) rate for an engineer per month?	
21. Do you develop and sell your own software products?	
<b>Location</b>	
22. Easy Access	
23. close to Airport	
24. close to Colleges	
25. Non-conflict areas	
26. Retention positive	

27. Safety	
28. Skilled and right sized labor pool	
29. Emerging technology cities vs major ones	
30. Emerging trends in your country for outsourcing of software development	
31. Describe the resources/talent pool available for software development in the geographic areas in which you operate	
32. Any recently enacted or forthcoming government policies/infrastructure to support the growth of outsourcing for the geographic areas in which you operate	



33. Any trade organizations in the outsourcing industry that have influence on the policies and infrastructure described above	
34. Any insight into Political & Financial stability of your country?	
<b>Business domain experience</b>	
35. Automotive	
36. Data Entry	
37. Data Security and Encryption	
38. Electronic Products	
39. Embedded Software	
40. Energy	
41. Financial Services	
42. Gaming	
43. Government	
44. Health Care and Medical	
45. Insurance	

46. Internet / Web Applications	
47. Manufacturing and Logistics	
48. Marketing Research and Consulting	
49. Non-Profit	
50. Pharmaceutical and Biotech	
51. Real Estate	
52. Small Business	
53. Software Products and R&D	
54. Telecommunication	
55. Trading / Retail / Commerce	
56. Transportation	
57. Travel	
58. Website Design	
<b>Certifications</b>	
59. ISO 9000	
60. CMMI (Level ?)	
61. Microsoft	
62. ISO 27001	

63. Other	
<b>Pricing terms</b>	
64. Pricing stability	
65. Please indicate the pricing or maximum percentage increase for next 3 years	
a. First year pricing (includes pilot project year)	
b. Second year pricing	
c. Third year pricing	
d. Pricing transparency	
66. Indicate the level of pricing transparency you can provide	
67. How do you handle currency exchange rate fluctuation?	
68. Share your standard MSA	
<b>Marketing materials &amp; strategy</b>	
69. Latest brochure	

70. Presentations	
71. Case Studies & Success Stories	
72. Articles / White papers	
73. Blog posts / Social Media	
74. Audio / Video	
75. Other Marketing Materials	

## Infrastructure Criteria

<b>Infrastructure</b>	
1. Details of the facility including the year built, area, capacity and plans for changes in size or capacity.	
2. Plans for renovation	
3. Plans for additional facilities or moving?	
4. Disaster recovery & business continuity procedures	
5. Typical developer workstation configuration (GHz, RAM, storage)	
6. Process of hardware addition for clients	
7. Percentage of personnel who have workstation, network, VPN setup at home	
8. Describe server infrastructure and backup system	
9. What is the uptime of electrical power?	

10. Describe power backup system if appropriate (UPS, Back-up Generator, etc)	
11. What type of connectivity is established with the rest of the world.	
12. Explain any current and planned infrastructure investments.	
13. Provide metrics that indicate the reliability, availability, and scalability of your infrastructure	
<b>Communication</b>	
14. Describe network infrastructure and server infrastructure	
15. Internet line speed into site (T1, ISDN, DSL)	
16. Voice Lines over dedicated link	
17. Video Conference ability	
18. Data communication - broadband eqv	
<b>Security</b>	
19. Describe your IT security infrastructure, including VPN	

20. Describe your internal procedures for maintaining client confidentiality and protection of intellectual property?	
21. What contractual commitments can your company provide with respect to protection of IP?	
22. Have there been any security related problems with existing or former customers? Describe the problem, impact, and resolution	
23. Firewalls. State the specifications of the firewalls in use. Who manages the firewalls?	

<p>24. Intrusion Detection Systems. Describe the intrusion detection system (“IDS”) environment and the security breach and event escalation process. Who manages the IDS environment?</p>	
<p>25. Business Continuity. Describe the business and technical disaster recovery management process.</p>	
<p>26. Physical Security. Describe in detail the arrangements in place for physical security.</p>	
<p>27. Privacy: Describe Supplier’s privacy and security policies. Are policies in writing?</p>	
<p>28. Any risk of natural disaster - flood, earthquake, etc.?</p>	



# Technology Criteria

<b>Technical</b>	
1. Technical team recruiting process	
2. Internal training / certification process	
3. CoEs or specialist practice groups	
4. Technical expertise sought for	
5. Programming methodology	
6. Experience with team programming vs. individual skills	
7. Approach to identifying opportunities for innovation	
<b>Certifications</b>	
8. Personal certifications required?	
9. CMMI Certification	
10. ISO 9000	
11. Documented Process	
12. QA Methodology	
13. Tools from authoring to distribution	
14. dedicated Staff	

15. Foreign Language (Japanese, Chinese, Korean, German, Spanish) capability	
<b>QA</b>	
16. Separate QA Team	
17. Documented QA Policies, processes, tools, methodology	
18. Automated testing tools?	
19. Test-driven development?	
<b>Client Engagement</b>	
20. What companies/projects are new clients competing against?	
21. Standard client engagement models	
a. Pilot Projects	
b. Long-term engagements (> 3mo)	
c. Fixed-price projects	
d. Staff Augmentation services	
e. Dedicated teams	
f. BOT (build-operate-transfer)	
22. Minimum size engagement	
23. Maximum size engagement	

24. Maximum increase of resources in a given time (e.g. <= 20 developers per month)	
25. Typical Client Engagement Size	
26. What is the average team size?	
27. Typical team size and composition (architects, leads, developers, QA engineers) and experience level	
28. Typical number of resources on-site vs. at your facilities for client engagement	
29. What is the ramp up time required to staff a typical client team or project	
30. Describe your client ramp-up process	
31. Starting up a project	
32. Staffing and hiring	
33. Knowledge Transfer and training	
34. Project Metrics to track success and progress	

<b>Statistics on software development staff</b>	<b>Intermediate (2-5 years experience)</b>	<b>Senior (5+ years)</b>
35. Adobe Flex / Flash		
36. Agile Development / Scrum		
37. Amazon Web Services		
38. Android		
39. Apple iPhone		
40. Business Intelligence / Data Warehouse		
41. C / C++ on Linux		
42. C / C++ on Windows		
43. COBOL		
44. Data Entry or ETL		
45. Drupal, Joomla, other CMS		
46. Embedded Software – Linux, RTOS, Windows		
47. Java		
48. Microsoft .NET		
49. Oracle Practice		
50. Other Mobile Applications		
51. PHP & MySQL		
52. Quality Assurance & Software Testing		
53. Ruby on Rails		
54. SAP Practice		
55. Sharepoint		
56. Silverlight		

57. Web 2.0 Apps (AJAX, jQuery, SaaS, etc.)	
58. Website Design, Photoshop, CSS, XHTML	
59. Other	
Academic background	
60. Percentage of personnel with a degree in Computer Science (any level)	
61. Percentage of personnel with Masters	
62. Percentage of personnel with PhD	
63. Percentage of personnel from top 5 engineering institute in country	
64. Any special academic awards	
65. English language skills	
66. Percentage of personnel speak English fluently	
67. Percentage of personnel read/write English fluently	
68. Characterize "level" of English speaking ability for typical engineer	
69. Typical developer workstation configuration (GHz, RAM, storage)	

70. Percentage of personnel who have workstation, network, VPN setup at home	
71. Typical IDE tools used?	
72. Software Engineering Process	
73. How is your typical team managed?	
74. Provide document which describes your project management process	
75. Role and tasks of technical lead.	
76. Role and tasks of project manager.	
77. Role and tasks of manager	
78. Describe your Issue Management processes.	
79. Are any of your Project Manager PMI certified?	
80. Do you have video-conferencing capability or access to 3rd party voice teleconferencing?	
81. Do you have use online collaboration tools (WebEx, NetMeeting)?	

82. What are your problem Escalation Procedures?	
83. Describe your process of conducting customer satisfaction surveys with your clients and explain how, if required, you would improve the level of customer satisfaction.	
84. Other software development processes	
85. Development methodologies used (waterfall, RUP, Scrum, spiral, XP).	
86. Provide document which describes your knowledge transfer process.	
87. What is your internal training program?	
88. What metrics do you use to measure performance of your software development teams?	
89. Provide document which describes your QA process.	
90. What kind of tools do you use to audit and track quality?	

91. Describe your Source code Management process?	
92. How do you and the client maintain control of the source code?	
93. What certifications, tools, and processes do you deploy or a recipient of for ensuring high quality? Provide specifics you have delivered to your customers	
94. Example project documents	
95. Sample functional specification written by your project lead/developer.	
96. Sample design architecture document written by your principal engineer/architect.	
97. Sample project tracking document written by your project lead.	
98. Sample test plan written by your QA lead.	
99. Describe your firm's internal knowledge management capabilities, including current practices and infrastructure	



100. Typical development tools used for Java development?	
101. List collaborations used by the teams (telephone, IM, Skype, web conferencing, video conferencing, etc)	
<b>Risk Management</b>	
102. What is your typical risk management process for client engagements?	
103. How do you mitigate risks of:	
104. Aggressive Time-Line	
105. Delay in providing feedback on deliverables by Client	
106. Project Tracking problems due to Geographical distance & Time difference	
107. Personnel turnover	
108. Non availability of an Internet connection in case the offshore team needs to access Client servers	

<p>109. Identify and explain the business and operational risks unique to your industry for the geographic locations in which you currently operate. Explain how you manage and mitigate each.</p>	
<p>110. Identify and explain business and operational risks unique to your company for the geographic locations in which you currently operate. Explain how you manage and mitigate each</p>	
<p>111. Describe any work stoppages experienced in the last three years for any of the locations in which you currently operate, along with how restoration was implemented.</p>	

## Human Resources Criteria

<b>HR Staff &amp; Strategy</b>	
1. Do you have your own recruiters	
2. Able to hire from other companies	
3. Additional Capacity Labor pool	
4. Any sub-contractors and outsourced services used in implementing services for clients.	
5. How many employees & contractors do you have? By Location?	
<b>Training</b>	
6. Describe your new employee training programs?	
7. Do you provide training for English skills	
8. Do you have full time trainers, contractors, or use outside services?	
9. Is training provided on-site?	

10. Do you have dedicated training facilities?	
11. How do you track training completed by employees?	
12. Are there soft skills training given to employees (e.g., cross-cultural training, communication skills, etc.)?	
13. How do you maintain the skill level of your staff?	
<b>Recruiting</b>	
14. What is your general recruitment strategy (e.g. alliances with training institutes, campus recruitment, sign-on bonuses, overall market factors, etc.)?	
15. Describe your university recruiting program	
16. Describe your recruiting program for experienced personnel?	
17. Percentage of current personnel that were initially hired directly from universities?	

18. Lead time to hire senior developer into your company?	
19. Does your organization have a code of conduct?	
20. Please describe your background verification and security clearance processes for your employees.	
21. Provide a copy of your standard employee non-disclosure and confidentiality, and proprietary rights agreements.	
22. Please provide details of approach to staff motivation and incentives.	

23. Please describe how you build the business knowledge of new entrants into an ongoing software development or maintenance project team, and how you build the application skills for the testing team. Please describe actual cases, if available, that occurred within the past twenty-four (24) months	
<b>Attrition</b>	
24. Attrition rate in last year?	
25. Attrition rate anticipated for this year?	
<b>Wage Inflation</b>	
26. Wage inflation in last year	
27. if possible, rate for junior vs senior personnel	
28. Wage inflation anticipated for this year	
29. if possible, rate for junior vs senior personnel	
<b>Time-off</b>	
30. Please provide your holiday schedule	

31. Please provide your vacation policy	
32. How much is this above your country's statutory requirements?	
<b>Core Hours</b>	
33. What are the core hours worked by team?	
34. Can core hours be adjusted to match the client's time zone?	
35. Will the team be available for occasional collaboration outside core hours? How often?	
36. Occasionally overtime is required due to impending milestones or customer escalations (either outside core hours or on the weekends.) How is this be handled from a compensation perspective?	
37. What is the time accounting process?	
<b>Client Involvement</b>	
38. Will client be allowed to interview and approve personnel to be assigned?	

39. Will client be allowed to transfer personnel out of project team?	
40. Will client be allowed to be involved in personnel issues which could lead to reassignment outside of project?	
41. Would client be allowed to directly remunerate some personnel (such as project, retention, or transition bonus)?	
<b>Team Continuity</b>	
42. What is your year-to-year turnover rate for typical project team	
43. Percentage of turnover due to company attrition?	
44. Percentage of turnover due to reassignment to other client project?	
45. On what conditions do you reassign personnel out of a client project team?	
<b>Travel to US</b>	
46. Percentage of personnel that have ability to travel to US?	



47. Lead time to travel to US (with and without visa)?	
48. Typical length of stay for average engineer?	
49. Longest stay possible for a number of engineers?	
50. Typical costs for US travel and how billed to Client:	
a. Flights to U.S.	
b. Daily meals	per diem or actuals?
c. Daily housing	per diem or actuals?
d. Other travel expenses	per diem or actuals?
<b>Travel to Partner Country</b>	
51. Can you assist in expediting visa for Client personnel, if needed?	
52. Lead time to attain visa?	
53. Please indicate typical costs of hotel room in partner's city	
54. Please indicate other expenses that the client would be billed	



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