Managing Client and Vendor Expectations
In an Offshore/Outsourced Agile Development
Agile has crossed the chasm
Extending from Geoffrey Moore’s classic
Incremental Gains
Of Adding either agile development or offshoring

Benefits of offshoring

- **Cost savings**: Due to labor rates, companies can save between 15% and 40% by developing and supporting software internally.
- **Time-to-market**: If managed well, is improved based on possible round-the-clock development and increased staff.
- **Overall quality and efficiency**: CMM Level 5-assessed vendors use formal and mature software development processes.

Benefits of agile

- **Time to benefits**
- **Overall quality and efficiency**
- **Team Morale**
- **Improved relationship between IT and business**
- **Responsiveness to change**

Incremental Gains

- **Offshore team**
  - Cut costs

- **Agile development team**
  - Align IT/business

- **Add Agile development**
  - Align IT/business
  - Respond to changing requirements

- **Add offshore development**
  - Further cut costs
Challenges in offshore Agile
Impacts of distance
On offshore agile development

Diagram:
- Distance
- Communication
- Coordination
- Control
- Negative

Textual content:
- Impacts of distance
- On offshore agile development
- Diagram showing key factors affecting offshore agile development.
Contracts

**Traditional Models**

**T&M**
Works well for vendors since agile projects will inherently embrace change in requirements.
Customer might resist this but must made to understand that T&M allows for better requirements discovery

**FPP**
Challenging for Vendors.
Does not allow for changes, strict change control restricts customers to do agile
Fixed price does not mean fixed features. Both cannot go together.

**Upcoming Models**

**Hybrid model**
Initial execution in T&M mode for 3-4 sprints.
Re-Estimate/Size based on complexity of the project with the level of expertise and confidence of the team.
Commit to execute in FPP mode.

**GRRP model**
Global risk reward partnership
Transitioning in-flight agile projects
While outsourcing to an offshore vendor

Beware of Teething issues to overcome for smooth execution.

- On-boarding – env access, setting up tools
- Technical skills, Agile training

Onsite to offshore transition and sustaining initial success.

- Customer presence with the team when the Sprints start.
- Business contact for any clarifications during the sprint thru Live meetings, phone.
- Scrum along with engineering principles

Agile Transition in multi-vendor scenarios.

- Minimize Change control gates commissioned for releases and builds.
- Contractual agreements for build/packaging by other vendors to be revisited.
- Definition of acceptance criteria
Pronounced outsourcing risks
In an agile context

- Lock in (high impact)
- Transaction costs (high impact)
- Service debasement (can be easily handled)
- Loss of competency (can be handled)
- Cost escalation (can be handled)
- Disputes and Litigations (high impact)
Managing client expectations
# Client Expectations from Vendor

## Impact due to Agile

<table>
<thead>
<tr>
<th>Client Expectations from Vendor</th>
<th>How Agile Methodologies address them</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate project scope accurately and accept changes in scope</td>
<td>Since the customer is closely involved, scope estimation is well managed. Accepting scope changes is the basis for the development of agile methodologies.</td>
<td>😊</td>
</tr>
<tr>
<td>Define clearly the roles and responsibilities of each party</td>
<td>Roles are not clearly defined. The customer is expected to be a part of the team.</td>
<td>😞</td>
</tr>
<tr>
<td>Charge a fair and competitive price</td>
<td>Not relevant</td>
<td>😞</td>
</tr>
<tr>
<td>Assign high quality staff</td>
<td>Not relevant</td>
<td>😞</td>
</tr>
<tr>
<td>Maintain minimal staff turnover</td>
<td>Since agile methodologies consider people over processes, it is arguable that they will lead to reduced turnover over traditional methods</td>
<td>😊</td>
</tr>
<tr>
<td>Transfer best industry practices to the client</td>
<td>Since there is little documentation, it is difficult to transfer best practices to off shore clients.</td>
<td>😞</td>
</tr>
<tr>
<td>Respond promptly to client requests</td>
<td>This is implicit in the agile philosophy.</td>
<td>😊</td>
</tr>
<tr>
<td>Conduct regular project meetings to provide feedback</td>
<td>This is implicit in the agile philosophy. With small iterations the client gets continuous feedback.</td>
<td>😊</td>
</tr>
<tr>
<td>Build good working relationship with Client</td>
<td>This is implicit in the agile philosophy.</td>
<td>😊</td>
</tr>
<tr>
<td>Deliver a total solution incl. training, documentation, communication and implementation plans</td>
<td>Agile methodologies do not address most of these issues.</td>
<td>😞</td>
</tr>
</tbody>
</table>
**Strategic outsourcing**

Choosing the right model

<table>
<thead>
<tr>
<th>Model</th>
<th>Characteristics</th>
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</thead>
<tbody>
<tr>
<td>Independent outsourcing</td>
<td>Relationships with external suppliers are tenuous</td>
</tr>
<tr>
<td></td>
<td>Minimal outsourcing, buy-in contract and short-term duration strategy</td>
</tr>
<tr>
<td>Arm’s length outsourcing</td>
<td>Detailed specifications of suppliers’ obligations</td>
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<tr>
<td></td>
<td>Loosely coupled and medium-term oriented</td>
</tr>
<tr>
<td></td>
<td>Improve financial position by selective outsourcing</td>
</tr>
<tr>
<td>Embedded outsourcing</td>
<td>Both parties committed to long-term relationship</td>
</tr>
<tr>
<td></td>
<td>Facilitate knowledge transfer between client and vendor</td>
</tr>
<tr>
<td></td>
<td>“partnership” to strengthen resource and flexibility in technology outsourcing</td>
</tr>
</tbody>
</table>
Structural arrangements and Software Task Maturity

Distance from center's national culture
Domestic
Foreign

Distance from center's organizational culture
Intra-firm
External to firm

- Domestic internal software work
- Foreign subsidiary
- Offshore development center
- Foreign acquisition
- Joint venture or alliance with foreign firm
- Foreign outsourcing, contracting

Cultural liaison
Language
Bridgehead

Unstructured tasks
Visioning
Ownership
Functional specs
Low-level design
New programming
Maintenance/Y2K

Structured tasks
Port
Time

Challenge zone for agile adoption
Communication Costs

Cost of maintaining communication channels for sending and receiving messages

Delay cost: cost of one waiting for other’s response before starting work

Clarification cost: costs incurred due to delay and miscommunication across parties

Rework cost: Additional cost for repairing defects due to delay or miscommunication
## Outsourcing phases

**Challenging phases for Client in offshore/outsourced agile**

<table>
<thead>
<tr>
<th>Scoping Phase</th>
<th>Evaluation Phase</th>
<th>Negotiation Phase</th>
<th>Transition Phase</th>
<th>Middle Phase</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Identify core IT capabilities</td>
<td>• Measure baseline services</td>
<td>• Conduct due diligence to verify RFP baseline claims</td>
<td>• Distribute contract to IT users</td>
<td>• Benchmark performance to (theoretically) reset prices</td>
<td>• Recalibrate investment criteria to reflect shorter time horizon for recouping investments</td>
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<tr>
<td>• Identify IT activities for potential outsourcing using business, economic and technical criteria</td>
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</tr>
<tr>
<td></td>
<td>• Create RFP</td>
<td>• Create responsibility matrices</td>
<td>• Establish post-contract management infrastructure and processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Develop evaluation criteria</td>
<td>• Price work units</td>
<td>• Implement consolidation, rationalization, standardization</td>
<td></td>
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<tr>
<td></td>
<td>• Invite external and internal bids</td>
<td>• Negotiate terms for employee transfer</td>
<td>• Validate service scope, costs, levels, and responsibilities for baseline services</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Negotiate mechanisms for contractual change, including benchmarking, open-book accounting, non-exclusivity clauses, and pricing schedules</td>
<td>• Manage additional service requests</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Foster realistic expectations of supplier performance</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Publicly promote the contract</td>
<td></td>
<td></td>
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</tbody>
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## Client Stakeholder expectations and goals

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Goals. Expectations</th>
<th>Compatibility with offshore Agile</th>
</tr>
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<tbody>
<tr>
<td>Customer senior business managers</td>
<td>Customer senior business managers expected demonstrated business value for IT expenditures. Inability to assess the benefits of IT often caused senior business managers to focus on IT costs</td>
<td>MODERATE</td>
</tr>
<tr>
<td>Customer senior IT managers</td>
<td>Customer senior IT managers balanced service excellence expectations from users against cost containment expectations from senior business managers.</td>
<td>GOOD</td>
</tr>
<tr>
<td>Customer IT staff</td>
<td>As technical enthusiasts, customer IT staff focused primarily on service excellence, but within budget and time constraints.</td>
<td>GOOD</td>
</tr>
<tr>
<td>Customer IT users</td>
<td>IT users expected service excellence. Cost implications were often not apparent due to centralized accounting and contracting for IT.</td>
<td>EXCELLENT</td>
</tr>
</tbody>
</table>
### Possible Outsourcing relationships

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<tr>
<th>Mode</th>
<th>Relationship</th>
<th>Compatibility with Agile (from Client POV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interpretation difficulties</td>
<td>NO WORRIES</td>
</tr>
<tr>
<td>2</td>
<td>Tight contract</td>
<td>CAUSE OF CONCERN</td>
</tr>
<tr>
<td>3</td>
<td>Push the envelope (less legal protection)</td>
<td>NO WORRIES</td>
</tr>
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<td>4</td>
<td>Push the envelope (more legal protection)</td>
<td>CAUSE OF CONCERN</td>
</tr>
<tr>
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<td>Eventual conflict</td>
<td>CAUSE OF CONCERN</td>
</tr>
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<td>Untenuous position</td>
<td>NA</td>
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<td>Strategic partnership</td>
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<tr>
<td>Define requirements and specifications clearly</td>
<td>The practice of Test driven development ensures that requirements are clear and customers are involved in designing the tests.</td>
<td>😊</td>
</tr>
<tr>
<td>Pay competitive prices</td>
<td>Not Relevant</td>
<td>😞</td>
</tr>
<tr>
<td>Make prompt payments at predefined milestones</td>
<td>Not relevant</td>
<td>😞</td>
</tr>
<tr>
<td>Assign high quality staff</td>
<td>Not relevant</td>
<td>😞</td>
</tr>
<tr>
<td>Maintain minimal staff turnover and have single point of contacts</td>
<td>Teams need to liaise with multiple stakeholders (business owners, end users, IT etc) SPOCs may not work in agile</td>
<td>😞</td>
</tr>
<tr>
<td>Transfer business know how and other relevant information</td>
<td>Knowledge on Product vision through evolving product backlog</td>
<td>😊</td>
</tr>
<tr>
<td>Own the project and provide strong leadership, support and commitment</td>
<td>Customers are required to have control and lead the project as per agile philosophy.</td>
<td>😊</td>
</tr>
<tr>
<td>Work as a team and build a good relationship with vendor</td>
<td>This is implicit in the agile philosophy</td>
<td>😊</td>
</tr>
<tr>
<td>Respond promptly to vendor requests</td>
<td>If the customer is closely involved then this is likely.</td>
<td>😞</td>
</tr>
<tr>
<td>Attend project meetings and discussions regularly</td>
<td>Agile methodologies ensure customer commitment and greater collaboration</td>
<td>😊</td>
</tr>
</tbody>
</table>
“There must be one common method used across the entire project.”

Variations can become more pronounced as the separate parts of the team push ahead with their respective activities.

Adopting a common project management method (such as Scrum or DSDM) is a positive start, but this is not where the commonality should end.
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<td>• Create RFP</td>
<td>• Create responsibility matrices</td>
<td>• Establish post-contract management infrastructure and processes</td>
<td>• Involve the supplier on more value-added areas</td>
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<tr>
<td>Supplier senior managers</td>
<td>Supplier account managers negotiated deals that would satisfy the customer while maximizing profits.</td>
<td>NO CHANGE</td>
</tr>
<tr>
<td>Supplier account managers</td>
<td>Supplier senior managers balanced customer service and profitability.</td>
<td>GOOD</td>
</tr>
<tr>
<td>Supplier IT staff</td>
<td>As technical enthusiasts, supplier IT staff primarily focused on service excellence, but within budget and time constraints.</td>
<td>EXCELLENT</td>
</tr>
<tr>
<td>Sub-contractors</td>
<td>Sub-contractors were expected to deliver on their contracts. Sometimes sub-contractors also seek more direct relationships with end customers</td>
<td>MODERATE</td>
</tr>
</tbody>
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## Possible Outsourcing relationships

### Vendor Perspective

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Solution Strategies
Key Success Factors

- Identify critical roles
- Commitment for collaboration
- Coaching / training
- Share product roadmap
- Video conferencing
- Cross functional teams
- Contracting
- Extensive use of tools
- Working in shifts
- No pressures from traditional methods
- NO heroes

Client:
- Frequent visits
- Commitment for collaboration
- Requirements workshop
- No name-sake agile

Vendor:
- Fundamental shift in estimation
- Reward teams
- Extensive use of tools
## Global Development

<table>
<thead>
<tr>
<th>Category name</th>
<th>Issue</th>
<th>Liaisons</th>
<th>Communication</th>
<th>Architectural principles</th>
<th>Incremental integration</th>
<th>Rational task assignment</th>
<th>Common tools</th>
<th>Common work products</th>
<th>Contracts</th>
<th>Centralized bug reporting</th>
<th>Experience</th>
<th>Don't impose process</th>
<th>Complete life cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of communciation richness</td>
<td>Physical distance</td>
<td>X</td>
<td>X</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Time zone disparity</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td></td>
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<tr>
<td></td>
<td>Domain expertise</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<td></td>
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<td>X</td>
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<tr>
<td>Coordination breakdown</td>
<td>Architecture</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Software integration</td>
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<tr>
<td></td>
<td>Software conf. mgmt.</td>
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<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geographical dispersion</td>
<td>Vendor support</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<td>X</td>
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<td></td>
<td>Governmental issues</td>
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<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss of “teamness”</td>
<td>Development process</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Cultural differences</td>
<td>Local impression of remote terms</td>
<td>X</td>
<td>X</td>
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<td></td>
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<td></td>
<td>X</td>
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</tr>
</tbody>
</table>
Distributed Agile

Record
Onsite team with PO and other stakeholders

Play and Observe
Offshore team with scrum master

Project tracking & collaboration

Continuous Integration – Stable build at all times

Code Metrics

The set of files and revision numbers modified for this build.

Code Style Report

Find Bugs Reports

Build Log

Usage frequency

Travels
Video Conf.
Mailing list/forum
Wiki
Phone
email
chat

Value in team knowledge sharing

Version Control Reports

Record and replay important discussions

Onsite team with PO and other stakeholders

Offshore team with scrum master

Build Log

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Version Control Reports
Literature Review
Tactical Approaches for Alleviating Distance in Global Software Development

Erran Carmel, Ritu Agarwal,

Tactic 1: Reduce intensive collaboration
Tactic 2: Reduce cultural distance
Tactic 3: Reduce temporal distance

March / April 2001 IEEE SOFTWARE
An empirical investigation of the drivers of software outsourcing decisions in Japanese organizations

Ashley A. Bush, Amrit Tiwana, Hiroshi Tsuji

Reflection point: Should this formula be revised for agile projects? If so, why? Which parameters would you consider revisiting?
CASE STUDIES

<PLACEHOLDER>
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