

White Paper: Evaluating Outsourcing Models For Critical Work

Comparing Engagement Models for
Accessing Developers, Engineers, and Other
Knowledge Workers



Why Do Companies Outsource?

The use of outsourcing to access human capital has grown from a niche strategy to an integral lever for companies across many industries. Technology and competition are driving companies to adopt more dynamic talent initiatives. The modern workforce has evolved to have porous borders, with companies leveraging external resources to access the skills and knowledge they need to fuel innovation and accelerate growth.

The motivation to outsource is largely attributed to three fundamental drivers:

Bandwidth: To expand a company's capacity to implement a task, project, or function.

Knowledge: To access a particular skill set or competency a company lacks in-house.

Cost: To improve cost-effectiveness of nominal expenditure, operating margin, or work efficiency.

Choosing An Outsourcing Model for Knowledge Work

Outsourcing knowledge work like software development requires the right engagement model to access resources. Knowledge work requires precise technical, procedural, and cultural integration between internal and external teams.

The failure of many outsourcing projects can be attributed to companies using the wrong model or solution given their needs. The stakes are high, as the opportunity cost of a failed project can outweigh any lost investment for a company.

As outsourcing has gone mainstream, it has morphed into a crowded marketplace with thousands of overlapping solutions to navigate. This white paper aims to outline what options are available and make it easier for decision makers to identify what engagement model best suits their requirements.

Types of Engagement Models

- **Vendor Managed Resources**
- **Client Managed Resources**

Fixed-Bid Projects ●

The client outsources a finite amount of work defined as a tangible deliverable or milestone with pre-determined specifications and scope. Project outsourcing often has a fixed delivery schedule, milestones, and cost based on estimated volume or hours preceding commencement of work. The client communicates a concept or deliverable(s), and the outsourcer is responsible for all aspects of implementation with minimal involvement from the client. The client can be informed on progress and milestones, but has muted capacity to adjust or modify workflow.

Ideal For

- Strategies for “off the shelf” deliverables that involve building or integrating easily understood and available components
- Strategies with finite specifications, detailed specifications, delivered through fixed timeframes, budgets, and standards
- Concept or deliverables that can be defined in high-fidelity ahead of delivery commencement with no real-time adjustment or iteration
- Launching a product or service without committing to ongoing services contracts or resources
- Non-core work that is not a proprietary or core, requiring little client input to deliver
- Strategies which the client is ready to commit financial resources but not managerial burden of overseeing additional projects
- Strategies where a concept or strategy is tested in advance of the addition of in-house resources and capabilities

Challenges

- Difficult for work that is complex because of lack of iteration and ongoing feedback to refine components in real-time
- Developing proprietary intellectual property through project outsourcing is risky because the client has little control or insight into delivery teams

- Success is entirely dependent on client ability to communicate concept and specifications and the outsourcer ability to understand
- The longer the project duration, the higher the risk of changing specifications, dilution of concept, and miscommunication between the client and outsourcing partner
- If accepted, change requests risk disrupting project workflow, leading to delays and re-negotiations midway through delivery

Managed Services ●

An arrangement centered around delivery of an ongoing service, whether repetition of a task or broader function. The client defines their requirements and the outsourcer is responsible for delivering the service end-to-end. The client has control over the nature of service delivery, but the resources and intellectual property are under full control of the outsourcer.

Ideal For

- Support activities or functions that are scaling faster than the client can manage with their in-house resources
- Temporary periods where additional bandwidth is required to support seasonal, abrupt, or momentary fluctuations
- Repetitive work of minimal long-term importance where the outsourcer can achieve greater efficiency or economies of scale than the client
- Non-core work where the outsourcer has unique specialized knowledge, technologies, processes that are not easily replicable
- Activities that require specialized knowledge to adhere to external standards, audits, or compliance

Challenges

- Engagement with outsourcer is focused on service delivery and quality rather than the people delivering those services
- Improvement of service delivery is dependent on the outsourcer's will to change their internal processes and team
- Proprietary knowledge unique to the client does not transfer or accumulate to external resources due to high churn rate

- By delegating service delivery to an outsourcer, the client cedes a foothold to develop the capability into a core asset

Managed Teams ●

An outsourcer agrees to provide a number of resources to a client for a set price and period of time. The client defines the nature of work and expectations of these resources, and the outsourcer is responsible for managing the team to achieve the milestones and deliverables set by the client. While clients have some insight into the external team, they have little control over staff resourcing, management, or workflow.

Ideal For

- Strategies that require a fixed number of resources to deliver work of greater complexity or customization
- Increasing productive headcount without having to invest in managing additional resources directly
- Outsourcing a customized mix of projects and services to a partner through a single contract
- Flexible access resources without integrating in-house and external teams

Challenges

- Higher risk of conflict between client and outsourcer because of overlap, redundancies, dueling leadership on both sides
- As the engagement evolves, managerial expectations on the outsourcer might expand beyond their capability or will
- Because the outsourcer manages the resources, the client continues to be limited to the outsourcer's ability to translate requirements into finished work
- Access to resources is moderated by outsourcer, limiting training and development opportunities, or long-term strategies

Extended Teams ●

An extended team shifts control over external resources from the outsourcer to the client. Resources work as an extension of the client's existing in-house teams, allowing the client to integrate external staff to their internal workflows more effectively. A true extended team has few intermediaries between the client and their external resources unless escalations necessitate involvement. A dedicated team goes further where the outsourcer commits resources solely to the client, and might also allow the client control over who is on their teams.

Ideal For

- Accelerating critical projects or core functions with additional resources that operate tightly integrated with in-house teams
- Support activities or cross-functional strategies that require extensive integration with multiple in-house teams across the client organization
- Work dependent on adaptive planning, evolutionary development, continuous improvement, rapid and flexible response to change

Challenges

- Due to close integration, extended teams must have sufficient buy-in and acceptance from the client's in-house staff
- The client requires strong in-house teams capable of leading and coordinating workflow with external resources
- Direct exposure without intermediaries places greater emphasis on the quality of talent supplied by the outsourcing vendor

Greenfield Teams ●

A greenfield team reduces the divide furthest between an in-house and external workforce. New teams of resources are hired by the outsourcer specifically for the client rather than allocated from an existing "bench". Resources are loyal for the client and function as their in-house employees. Greenfield teams can be integrated with the client's existing teams or operate as autonomous, independent units. With control over hiring, management, and workflow, clients are incentivized to invest in training and developing their resources. The outsourcer is responsible for ensuring resources are on-boarded, productive, retained, and support the client on escalations.

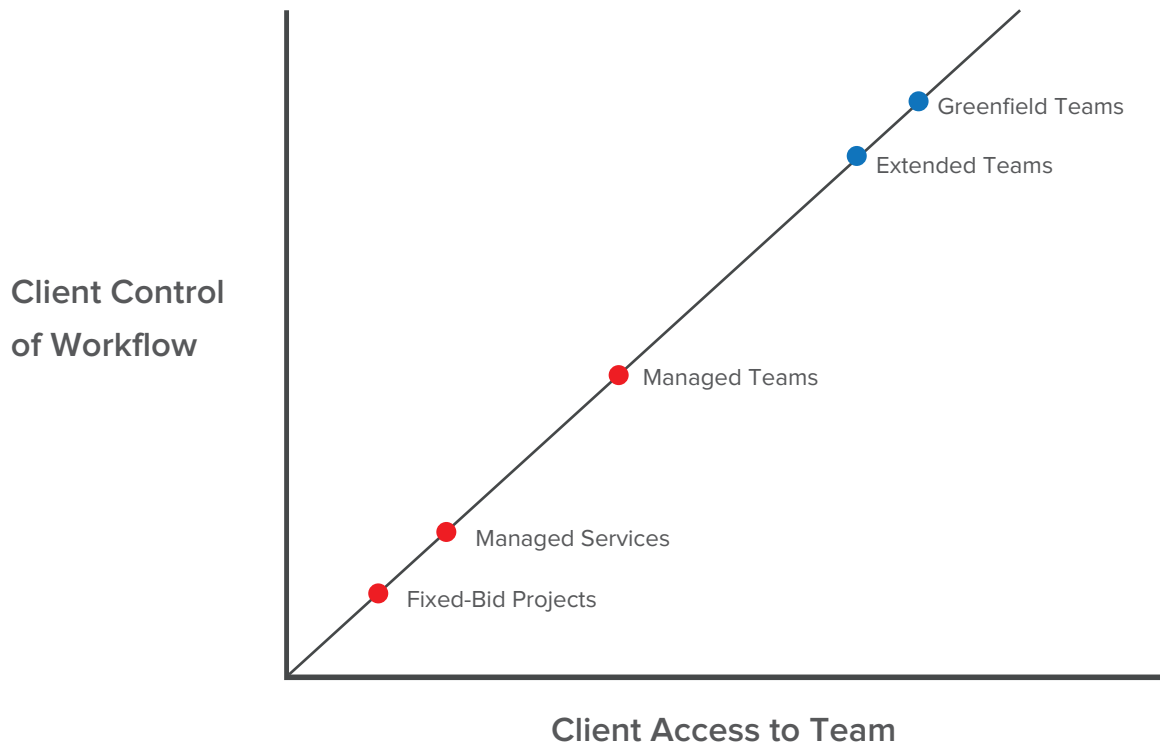
Ideal For

- High-growth companies with evolving, progressive demand for a wide array of talent to support multiple core and support functions
- Strategies that demand access to niche or emerging skills, technologies, expertise from relatively scarce, difficult to find talent
- Work that involves secure intellectual property along with extensive training and development of resources over long-term periods
- Establishing offshore resources without ceding control over operations and intellectual property overseas
- Building a strong culture that maximizes staff loyalty, dedication, and retention, while minimizing churn
- Developing external resources into a cohesive unit and center of excellence that operate as a strategic asset for the client

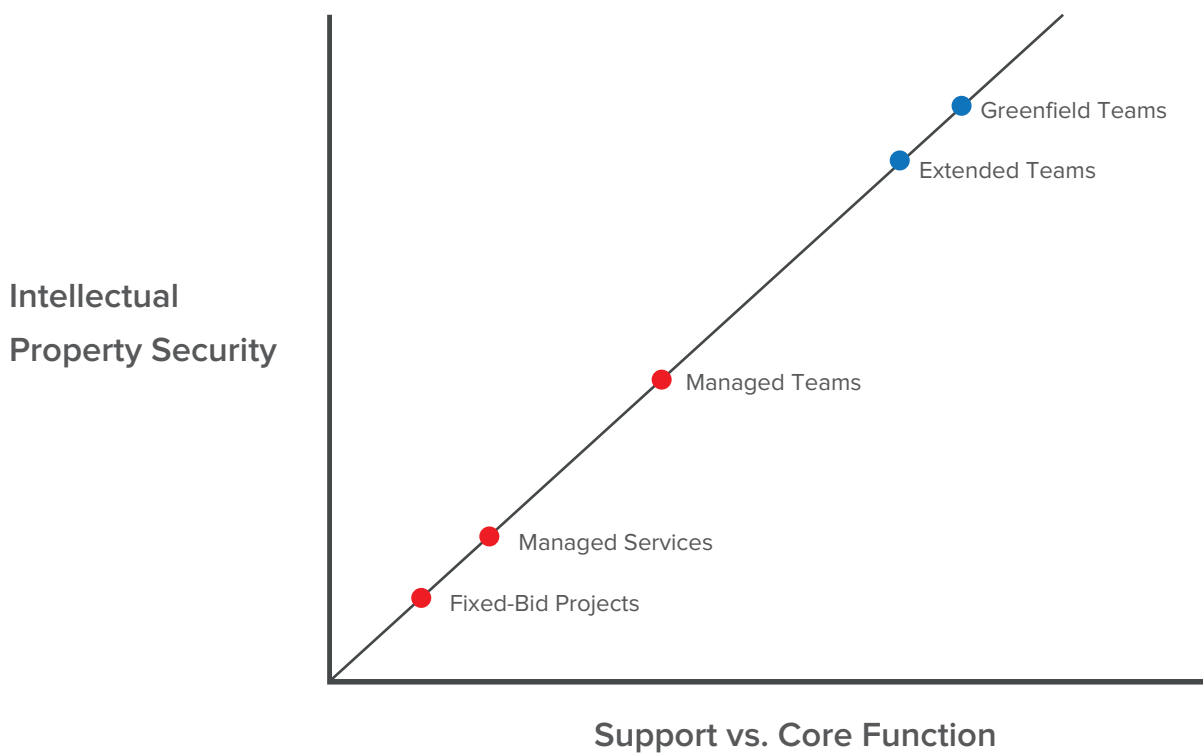
Challenges

- Because greenfield teams are hired from the market, there can be a lag while candidates are recruited, hired, and on-boarded
- Many outsourcing partners lack a capable hiring function that can match the client's standards and timeframes
- Greenfield teams operate the best with a team size of at least 5 members

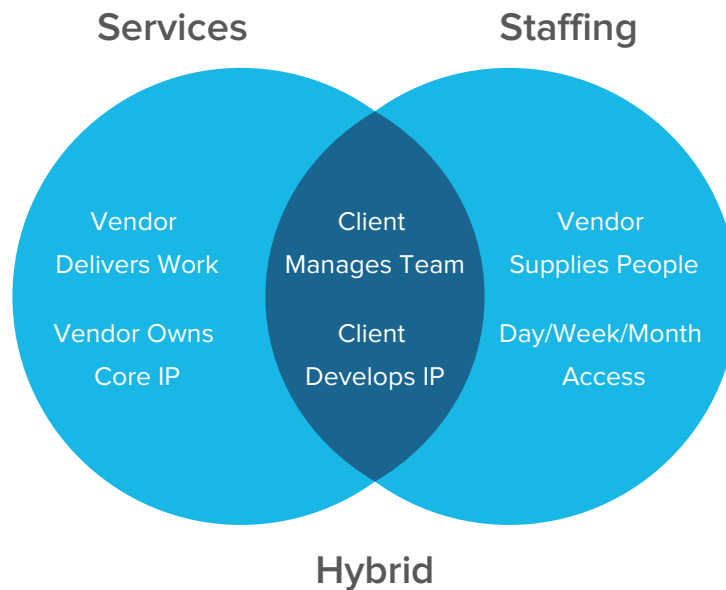
Access vs. Control



IP Security vs. Function



Types of Providers



Services

A services provider focuses on delivering completed work. A services business operates through expertise and capability to perform a task or function. Some deliver work cheaper or faster than their client, others deliver work at higher quality than the client could perform in-house. Clients pay for delivered work based on hours, volume, or at a fixed-price. Because a services business requires deep expertise or efficiency, they specialize on an industry, function, or task.

Staffing

A staffing provider focuses on supplying people. A staffing business operates through yield-management of a proprietary database or network of resources. Companies pay for access to resources based on an hourly, daily, weekly, monthly, or annual basis. Staffing companies focus more on providing access and less on managing resources for particular deliverables. Because of this, a staffing company is able to supply volume quickly across a wide range of disciplines.

Hybrid

The next wave of providers are a blend of services outsourcing and staffing. They aim to provide the resources companies require, informed by a deep understanding of the skills, technologies, and methodologies required to operate productively. They assume the client understands how to manage resources for output, but requires support in accessing people with particular skills.

Onsite vs. Offsite

Onsite

The external resources are collocated in the client's offices. This arrangement is commonly found in the consulting industry where analysts, strategists are commissioned to client premises for a duration of time. Onsite resources are also provided through "staff augmentation" solutions from staffing providers, largely for temporary or contract employees.

Onshore

The outsourced staff operate in the home country of the client. Onshore outsourcing is an ideal solution for accessing specialized knowledge or expertise over cost-effectiveness. Cultural alignment and coordination are simplified. The outsourcing provider faces the same realities on talent availability and cost as the client

Offshore

Offshoring leverages resources in talent-rich, cost-effective countries like India, Philippines, Vietnam. This strategy began as a means of achieving cost reduction, but has evolved into a mainstream strategy for developing centers of excellence for technical and support functions at scales difficult to achieve onshore.

Nearshore

Nearshoring is similar to offshoring, but places a higher preference on teams being in the same or close time zones. In North America, Mexico, Brazil, Chile are preferred nearshore destinations for functions like real-time customer support, while Europe leverage South Africa, Ukraine, Bulgaria.

About BuildMyTeam

BuildMyTeam provides dedicated, skilled resources for knowledge work in cost-effective locations. We help companies deliver more with our proven 'extended team' model. 120+ clients have selected us for critical work because of our commitment to building teams from the ground up around their specific needs.

BuildMyTeam is a division of Talent Anywhere.

Where Do We Fit In?

- Extended / Greenfield Teams
- Hybrid provider
- Offshore

Contact Us

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We provide teams that sync with their client. Our goal is to help clients deliver more across their organization through dedicated teams that operate productivity with quality talent.