



Why I Outsourced Application Development to China

One CIO explains why her company struck its first-ever offshore outsourcing deal in China—and what she's learned in the two years since.

By Stephanie Overby

Imagine that your company has never done any offshore outsourcing of IT—never even signed a major domestic outsourcing deal. Where in the world would you begin? Probably not China.

But that's exactly where Marie Lee, senior vice president and CIO for Interval International, a \$405 million timeshare broker, sent her company's new application development work two years ago. Geography, according to Lee, is one of the last things CIOs should consider when settling on a service provider. "Our selection was based on the qualities of the IT services partner and whether they met our specific criteria rather than the location of the delivery center," she says.

Tactically, Lee wanted to replace Interval's core applications and move to a service-oriented architecture (SOA). Strategically, she wanted to create an agile IT organization better able to respond to changes in the business. Outsourcing new application development to an offshore provider with experience in SOA and agile development would enable a quicker—and cheaper—transformation on both fronts.

Influenced by the recommendation of IT leaders at former sister companies of Interval, Lee awarded the work to Freeborders, a San Francisco-based provider of IT services from China. "They had the exact mix of skill sets and industry expertise that were needed for the project," Lee says.

And the price was right. Development costs,

even based on a blended rate of on-site and offshore resources, were one-third less than if Interval had done the work in-house.

The Shenzhen-based application development staff had "comparable expertise" to counterparts in India, says Lee. But there were China-specific risks Lee had to mitigate. "One of our requirements was that the team members have adequate English language skills," she explains.

Lee addressed the perception of intellectual property risk in China by involving Interval's CSO and legal department in the vendor evaluation process and worked with them to develop a three-pronged security approach combining, technical security applications, strict HR processes, and governance. All offshore professionals are screened and trained on security procedures, and access Interval's development environments via a virtual desktop. All source code and data are stored in the U.S.

Given that this was the first IT services deal Interval had ever inked, Lee was also diligent about requirements and process definition. The Freeborders on-site staff spent two to three weeks with Lee's team in Miami to familiarize themselves with Interval's project management processes and application development methodologies. Lee's IT leaders also provided the outsourcers' on-site staff with customer training on Interval's business and the timeshare trade

industry. "Choosing the right on-site resources and bringing them on-board early is very important as these are the individuals that work with you to ensure the correct procedures, structure and tools are in place to effectively work with the team in China," Lee says. The vendor's Miami-based staff then traveled some 9,000 miles to train the Chinese development team.

Despite the due diligence, problems arose. While the Chinese developers had excellent written English, verbal communication was "a bit more of a challenge," says Lee. Team leads were fluent, but the message could get distorted on its way to the right programmers in what became a tedious game of long-distance telephone, particularly if the process being coded was complex.

The solution was job rotation. "We brought team members from China to work with the team in Miami for two- to three-month stints to understand the business requirements and assist with the technical design. They were then able to take that knowledge back and readily communicate the complexities to the team in China," says Lee. The extended stays also helped to make the offshore development staff feel more part of the Interval team. It worked so well that Lee now brings a new person over every three months to provide on-site support and offshore coordination. Currently, the vendor keeps three employees in Miami at a given time, while a team of 20 Java developers and five quality assurance testers reside in Shenzhen.

Time differences also took a toll. Ultimately, Lee had some of her IT professionals adjust their

hours to work directly with the offshore team which was thirteen hours ahead. They also learned to plan around significant Chinese holidays that would impact availability of offshore staff.

The fact that Freeborders is headquartered stateside has real advantages, says Lee. "We can discuss specific needs with our account manager immediately—in our time zone—and make changes quickly," she says. "But we also like the fact that part of the team is based in a different time zone, as we can get work done around the clock."

And while the application development work has been successful, an attempt to outsource application maintenance to China was not. Interval's legacy applications were too complex and had little documentation. "Our internal team found it counterproductive to have to document detailed requirements for the offshore team to use instead of just making the code changes themselves," Lee says. "There is a steep overhead in outsourcing projects of this type and for it to be successful you have to have champions on your team who have the time and motivation to make it work."

Lee calls her outsourcing relationship a work in progress. Looking ahead, Lee would like to establish more detailed metrics to monitor quality and continuous improvement efforts.

In the end, outsourcing IT to China is little different that outsourcing it to Chennai or Chicago, says Lee. "[It] has its pros and cons and it is important to understand what your overall goal and objectives are and how outsourcing fits within those both tactically and strategically."



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