

Derisk Your Outsourcing

Top 8 Mistakes You're Making with Your Fintech Project

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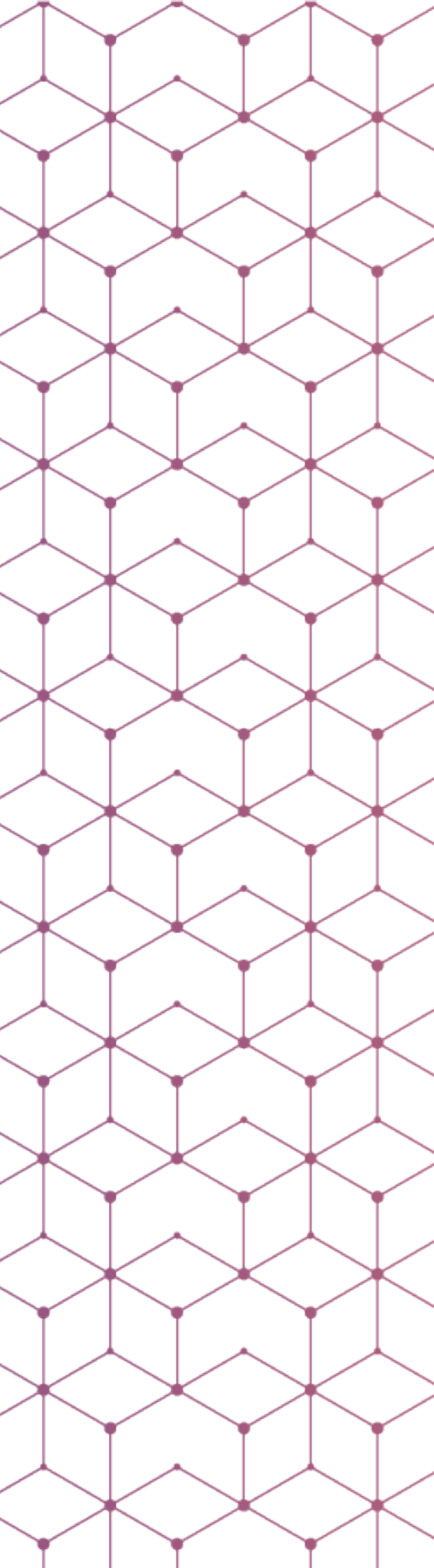


Table of Contents

i Preface

Table of Contents	2
Introduction	3

I Avoid These Mistakes Around

1.1	Business Goals	4
1.2	Due diligence	6
1.3	Internal communication	8
1.4	Cost Estimates	10
1.5	Methodology	11
1.6	Partnerships	13
1.7	Technical & Management Debt	14
1.8	Location	15

II Thank You

2.1	Conclusion	17
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Introduction

As the key stakeholder, you have decided to outsource your company's next software development project. Who are you going to trust to further your digital roadmap? How can you ensure you're choosing the right partner? What steps need to be in place internally and externally to guarantee success?

Clear communication, due diligence, efficient on-boarding, partnering with the right expert, accurately estimating costs, and prioritizing the right things are cornerstones of successful outsourcing partnerships.

Make sure you're able to identify the top 8 mistakes typically made when outsourcing financial technology projects and how not to make those mistakes yourself.

Mistake #1

Not focusing on how your tech project will help achieve your business goal

What problem are you solving?

Why are you setting out to solve it in the first place? It's human nature to want to jump straight to the answer, but it's crucial that you can articulate the problem you're trying to solve before embarking on a solution; otherwise, you may spend valuable time going down the wrong path.

Try a process that allows you to frame a meaningful context around the problem by establishing basic needs, clarifying who benefits, and articulating the desired outcomes. Then, identify solutions that have already been tried and discarded and consider why.

Next, gather requirements around the ideal solution. If you build the perfect solution, what would it look like, what should it accomplish, and who will want to use it?

Finally, write a problem statement that captures all the requirements gleaned through the previous steps.

Throughout the process, it is imperative to involve stakeholders from disparate backgrounds and perspectives to help gain the most insight into both the problem and ways to find the optimal solution.

This process may yield surprising results and bring you to new levels of creative thinking about how to solve the problem at hand. With the right foundation, you reduce the risk of building a solution in search of a problem.

Mistake #2

Not performing enough due diligence up front to truly understand project costs

What is necessary to truly understand the costs and timeline of a project?

The key stakeholders, at both your company and your outsource partners', must reach an understanding of goals, features, timeline, budgeting constraints, and the desired team make up to begin to understand the costs and timeline of an outsourced project.

To do this, first determine your business goals and how the project aligns within them. Second, articulate the necessary features at a high level. MVP, or minimum viable product, is an excellent place to start. Third, be realistic about your organization's time and budgeting constraints. They will directly affect the other variables at play in an outsourced project.

Once all of these are determined, the fourth step is to identify the most effective team makeup:

100% Outsourced: The entire project is completed by the outsourced team

Hybrid Team: Your team blended with the outsourced partner

Augmentation: Your partner supplies specific resources to augment your team

When vetting outsourcing partners, the answers to these questions should result in a reasonable and reliable estimate of project costs. Keep in mind, thorough vetting takes time. While some vendors will come in quickly at a low price to win business, they may add expenses once the project is underway and the actual scope of work is uncovered.

At Core10, we utilize a process called Discovery to uncover and avoid unexpected cost spikes. Discovery is a dedicated time at the beginning of every project where Core10 and client stakeholders come together to accurately understand the scope of a project, laying the foundation for an excellent and efficient partnership.

Time spent in Discovery results in real deliverables: a product roadmap, high-level epics, features, stories, and an estimate for product delivery in which both parties can be confident.

If you have ever neglected to undertake a thorough Discovery, you've probably learned the lesson of "slow down to speed up." Failure to do so can be costly.

Mistake #3

Not clearly communicating with your internal team about the purpose of outsourcing

For an outsourced project to be successful, your company's internal stakeholders and employees must understand the purpose and value of your outsourced projects, and be on board to encourage success.

To start, communicate what the outsourcing arrangement will mean for your internal team. Set expectations at the beginning of a project to avoid confusion and unnecessary rivalries. It's human nature to fear change or to create a "worst case scenario" in a vacuum of information. Clear communication can set the existing team at ease.

Effective project communication includes an explanation of:

Team Structure: 100% outsourced project, hybrid team, or augmentation.

Internal & External Responsibilities: What the outsourced team has to offer and what the outsourced team needs from your team.

There should also be incentives for your team to collaborate. They should feel the reward of working together for shared gain, in whatever form that means to your organization.

Additionally, when blending internal and external teams, break down silos to enable communication to flow freely. It is critical to the success of the project that there are clear lines of communication between the teams and the stakeholders on each side. This channel of communication will reduce bottlenecks between the two.

Mistake #4

Underestimating the costs of inefficient vendor management/onboarding processes

What happens if the outsourced team shows up and you're not ready?

First, it is costly for the team to sit idle. Once an outsourced team is staffed and contracts are signed, you are either paying for their time or the outsourcing firm is eating the cost. Either way, money and time are being wasted rather than spent accomplishing your project.

Second, deliverable dates begin to slip. Initial expectations of completion dates were set under the assumption that work would start on a specific date with most, if not all, relevant information readily available. When that is not the case, the projected dates can't be met. To avoid these costly delays, ensure you have prepared for the start of a project internally by the agreed upon date. Outsourcing cannot be done in a vacuum. Instead, it is a partnership where all share responsibility.

Mistake #5

Choosing a partner who can't demonstrate a proven methodology

It is imperative that the firm you outsource your software development work to is able to articulate their methodology.

Key questions they should be able to answer are:

- How is the project kicked off?
- What is the process for planning sprints?
- How are costs and time estimated?
- How does quality factor into development?
- How are issues raised and mitigated?
- How will they communicate critical items such as milestone progress and budget spend?

If the partner you are looking to get a bid from cannot answer these basic questions, they are likely ill-prepared for success.

Additionally, it is vital that your partner has a strategy around development operations. For example, there should be parameters in place for code quality, branching, and deployments. The prospective partner should also have flexibility and expertise in a variety of tools, from DevOps to project management. Flexibility is essential to ensure they are comfortable using tools within your existing system and frameworks. Knowledge is crucial so they can make educated recommendations for wise tool choices in the case of uncertainty.

When prepared, an outsourcing firm is able to answer all these questions quickly. For example, at Core10 every employee is trained in the Core10 Way, which addresses these items and much more.

Mistake #6

Partnering with generalists instead of fintech specialists

Why is it essential to work with a specialist rather than a generalist, when outsourcing financial technology development work?

For starters, specialists have an understanding of both current and legacy technology. When looking to modernize systems, it is crucial to know what is necessary to bring technology into the present age.

Second, specialists understand how to marry technology with fast-changing fintech end-markets. Today's work is ever changing. With a proper understanding of emerging technologies, your partner should be able to ensure your new system remains current as time progresses, or has a sustainable enhancement plan.

Lastly, specialists apply expertise from similar projects to solve problems faster and for less. When you have a vertical-specific project, it is most effective to hire a team that has experience working on projects in a similar vertical. When they have completed projects of a comparable nature, they can ensure yours is completed as effectively and efficiently as possible because they don't spend valuable time learning.

Mistake #7

Not knowing when to address technical and management debt

There is a balance to achieve between technical and management debt.

You must decide how to value features, time to market, budget, and the appropriate technical solutions against one another. Once you have a clear understanding of the priorities of each, then you can begin to assess your approach to technical debt and how to balance tradeoffs.

Technical debt is not always a bad thing. If done intentionally, with a plan for mitigation down the road, technical debt can allow the development team to arrive at an MVP quickly, while being cognizant that there will be work to clean up later.

Additionally, technical debt may already be present from previous work, and the effort to clean it up must be accounted for in the initial planning. The clean-up effort must add value to the overall project to be worth spending time on. Choosing the right strategy to overcome technical debt will be among the value-adds you look for in an outsourced team.

Mistake #8

Paying too much for the “hype” of technology hubs

There are deep pools of talent between the coastal hubs.

America is booming with emerging technology, but much of the innovation and development has gravitated to either coast, in places such as New York City and San Francisco. As a result of demand, the cost of talent in such locations can be exponentially higher than in other parts of the country.

The tech bubble is due to burst as talent is increasingly moving to markets where the cost of living is lower. Additionally, successful start-ups are emerging and attracting talent in traditionally smaller markets. Looking outside traditional hotspots results in stronger talent pools at a better value as you evaluate your outsourcing options.

Work done in the US can be costly though. Of the top five states where software developers earn the highest mean salary, none are less than \$112,000.* Why then should you prioritize a US-based outsourcing firm if the cost is so high?

First, not all markets in the US are equal when it comes to the cost of development. Core10's hereshore® model brings professional development job opportunities to second- and third-tier cities within striking distance of important tech centers such as Boston, Chicago, Dallas, New York, and San Francisco. In these smaller markets, the cost of living is comparatively lower, and the quality of life is high. Most importantly, though, the levels of available talent are strong and growing. All of these equate to lower costs, temporal proximity, cultural compatibility, ease of collaboration, and more significant oversight potential.

Second, US-based development eliminates the cultural, language and convenience barriers associated with offshoring. These headaches include disparities in time zone, legal, and cultural norms, each of which can lead to costly mistakes and consume valuable time to fix.

In terms of quality standards, work done in the US often outperforms that done in a foreign country.

Note*

How Much Can a Software Developer Expect to get Paid?

<https://money.usnews.com/careers/best-jobs/software-developer/salary>

Conclusion

In conclusion, as a critical stakeholder in an outsourcing arrangement, it is easy to fall prey to the common mistakes others have made before you. Now you can break the cycle by: articulating the problem you're trying to solve, carefully planning at the beginning to avoid costly delays, and making the purpose and value of your outsourced projects clear to your company's internal stakeholders and employees. You can adequately prepare for the vendor's start date, and agree on a set methodology. By partnering with a specialist and effectively addressing technical and management debt, you decrease risks. Lastly, you can avoid making the mistake of overpaying for software development in the United States.

Historically, when development work is outsourced, you are forced to decide which of the following you are willing to live without: work done well, work done fast, or work done at a value. After evading the pitfalls mentioned above and adequately evaluating potential outsourcing partners, the hereshore model allows you to receive quality software development work, done on time and priced effectively. Core10 is structured to ensure your success through our Discovery process, paths for communication, The Core10 Way, fintech expertise, and our hereshore model.

**We feel good about outsourcing.
Isn't it time you did too?**

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