



Choosing the Right Engagement Model for Offshore Development

INTRODUCTION

As you look to hire an offshore development firm for your development needs, the most important thing to consider is the engagement model for development. How well you approach the solution and how well you are able to achieve your goals of cost and quality, largely depends on selecting the engagement model that best suits your purpose and idea of app development.

Here, in this e-paper, we are going to explore different engagement models and their core components and practices, and which one will best support your case – to help you achieve the best from your development endeavor.

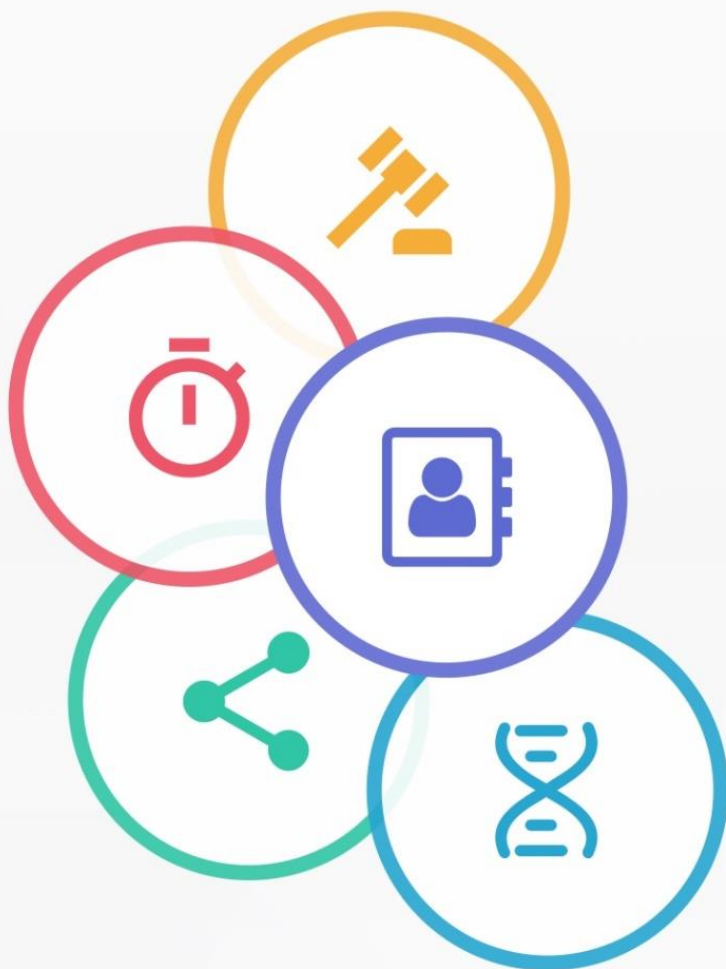
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‘Most Pervasive Engagement Models

No one way of development goes with every business and its requirements. There are several approaches and techniques that are employed to make the best results come out – of which pricing models play a decisive role. Though there are more than a dozen of engagement models that are used by different developers in different business situations, there are a few that are most relevant and effective in most of the cases and take about 80% of the share.

These engagement models are The Fixed Bid Engagement, The Time & Material Engagement, Open Book Engagement, Shared Risk/Reward and Hybrid Model. Before we dig out different facts and facets of the most eminent engagement models and explore scenarios of their compliance and application, let's check out what they mean technically.



The Fixed Bid Engagement

In a Fixed Price Model both the parties (provider and customer) agree upon one amount of consideration for services, encompassing whole efforts and time that go in building the solution. This model is mostly relevant when the scope and requirements of the project are clear.



The Time & Material Engagement

With the Time & Material Engagement you enter into a deal with the provider for paying for the total efforts and the resources involved at a decided rate. This is calculated in hourly, half-time (generally 4 hours) and full-time (generally 8 hours) engagements.



Open Book Engagement

In an Open Book Model (also known as Cost Plus Model) you bear the actual expenses for development and additionally pay for the skills of the developer. This model best suits you when you have easy access to development resources and only need developer to help you apply technical knowledge and coding skills to build the solution.



Shared Risk/Reward

Best suited for startups and small businesses, the Shared Risk Model allows both the parties to share the risk and reward that result from the effort. Here, the percentage of risk and reward varies as per the co-existing agreement based on the need and situation.



Hybrid Model

As the name suggests, Hybrid Model is when you combine the traits of different models together to suit your requirements and preferences. Here, it can partly be fixed and rest of it can be based on the time & material engagement. Or even club three different models and adding flexibility to the existing ones to create a new model altogether to suit new or dynamic requirements.

'Strategy Contributors to Consider

The major strategy contributors and factors that need to be considered while making a choice of the engagement model for app development.



Willingness to invest and other financial commitments, Requirement for support and maintenance, Flexibility you need during software development for mid-way development changes, requirements for unremitting development, in-house project management, IP ownership and non-disclosure agreement requirements are some of the major consideration factors related to different strategic contributors, which are as follows:

Up-front Investment

The ability and willingness to pay up-front and the amount involved plays a pivotal role in helping you decide how to go with the development. Here, each model has different investment option to offer. Like, if in case, you don't have the money to invest upfront, you can go with Shared Risk/Reward option. While if you think you want the project to be under your control and are ready to invest, you can choose to go with more authoritative models.



Management Capabilities

Your strategic decisions largely depend on your management capabilities. If you have the resources and facility to manage your project in-house, you can go with Open Book Engagement Model or a Custom Model suiting your development needs.

Flexibility Requirements

The more dynamic the environment around you is the more working flexibility you need to have. If you think you need a supple and smooth process to help you deal with the things around you more aptly, you should better go with the Hybrid Model.



Support and Maintenance Requirements

Another strategic idea you need to bear in mind pertains to support and maintenance factors. If it is a data intensive product or you need to dynamically handle operations through the app, you need to go with an authentic offshore development company that offers you all-round services for support and maintenance.



IP Ownership

Considerations such as academic affiliation, employer contracts and collaborations may vary from model to model and complicate IP ownership and you need to be clear with the clauses in the IP ownership contract.

Responsibility and Accountability

Think about the engagement from different perspectives of responsibilities and accountability. What all responsibilities and to what extent are being taken up by the provider and how they are accountable to different aspects of project from conceptualization to development to delivery.



'Time & Material Model

Time & Material model is the safest bet to go with when you don't have enough clarity of the development scope and resource requirements of your project. Also, when you have budget constraints on mind this model proves to be highly cost-effective as you can go with flexible methods of payment. With the Time & Material model you can change the requirements as per your need and can look to achieve results dealing in a dynamic functional environment.

Further, if you want to keep the obligations and calculations simple and straight, Time & Material is the right option to go with. Talking of approaching the solution, it's easy to appoint Agile methodology with the Time & Material as it allows to manage the sequence of iterations.



When to choose Time and Material Engagement Model?

- ▶ Your requirements and scope of work are unclear.
- ▶ It's a project with indefinite iterations and a lengthy timeline.
- ▶ You want to keep things more transparent and plausible.
- ▶ Your development needs are going to deviate over the time due to change in plan or possible technological disruption.



Fixed Bid Model

In the Fixed Bid Model, you basically go with a certain amount that is mutually agreed upon to be paid for the services. Unlike the Time and Material model, you have to be very clear about your scope, length and technical requirements of the project. Fixed Price Engagement requires you to have plans, estimations and analysis in place, so that you can have control over the proceedings and results and avoid any disputes later on.

The best part about the Fixed Price Model is you can get a reduced quote, which is mostly ruled by your terms and conditions as you have the complete knowledge of the project and its requirements. Also, when you choose to go with the Fixed Engagement you be at the core of the decision matrix and play a significant role in planning and implementation of the project with your already-laid in-depth efforts in preparing and assessing the project



When to choose Fixed Price Engagement Model?



- ▶ When you have clarity of the requirement and scope of the project.
- ▶ It's a short-term project without much complications.
- ▶ You have found the development partner who proves compatible and can match your requirement bandwidth.
- ▶ When you are prepared to team-up and participate in major assessment and execution practices.

'Cost-Plus Model

In the Cost-Plus Model (also known as Open Book Model) you take up to pay all the cost that goes into development plus the remuneration for the skills and services you hire in the form of developer. This model is mostly taken up by businesses who have easy access to a production facility or have all the required resources for development and just need to hire a developer to build their projects.

This is best served by the offshore development companies that offer expert developers on time-based engagement at a remote or distant location.

This proves most relevant when you are looking to have some advanced development skills or in case you are looking to add a developer or two to your team on an urgent basis. Also, when you want to serve a short-term project and want to avoid resource training and development cost, Cost Plus Model makes sense. This model proves to be cost-effective as you are yourself arranging for all the needed production resources and facility, saving a lot on value added cost. But, that requires you to have enough knowledge of the domain and experience with functional processes.

When to choose Cost Plus Engagement Model?

- ▶ Mainly when you own or have access to resources and facility needed for development
- ▶ When your in-house development team needs additional developers
- ▶ While looking for rare advanced skills and cross-geographical knowledge
- ▶ It's not worth to hire and train a resource as it is just a limited-obligation time-bound assignment



'Shared Stakes Model

Also known as Shared Risk/Reward model, Shared Stakes is best suited to businesses who have limited capital to invest in developing the product. Also, when you are not sure on different technical aspects of development and want some experienced development team to partner in your efforts, Shared Stakes Model is relevant.

So, if you think your project is going to be serve highly volatile market trends and see significant transformation and you think you can see a business potential in it, discuss it with your vendor and enter into a deal linked to project success criteria. Here, in a way, you are pitching for seed capital for your project and the developer to you is an investor with shared stakes – that are decided mutually based on different factors like responsibility, accountability, authority and ownership.



When to choose Shared Stakes Engagement Model?

BUSINESS MODEL



- ▶ When you find a developer enough capable of driving the idea well.
- ▶ When project perspectives and objectives are aligned between you and your developer.
- ▶ While looking to maximize chance of best-quality outcome developing transformation projects.
- ▶ When you have limited funds to allocate enough resources to your project and you are ready to share your stakes to suffice that need.

Hybrid Model

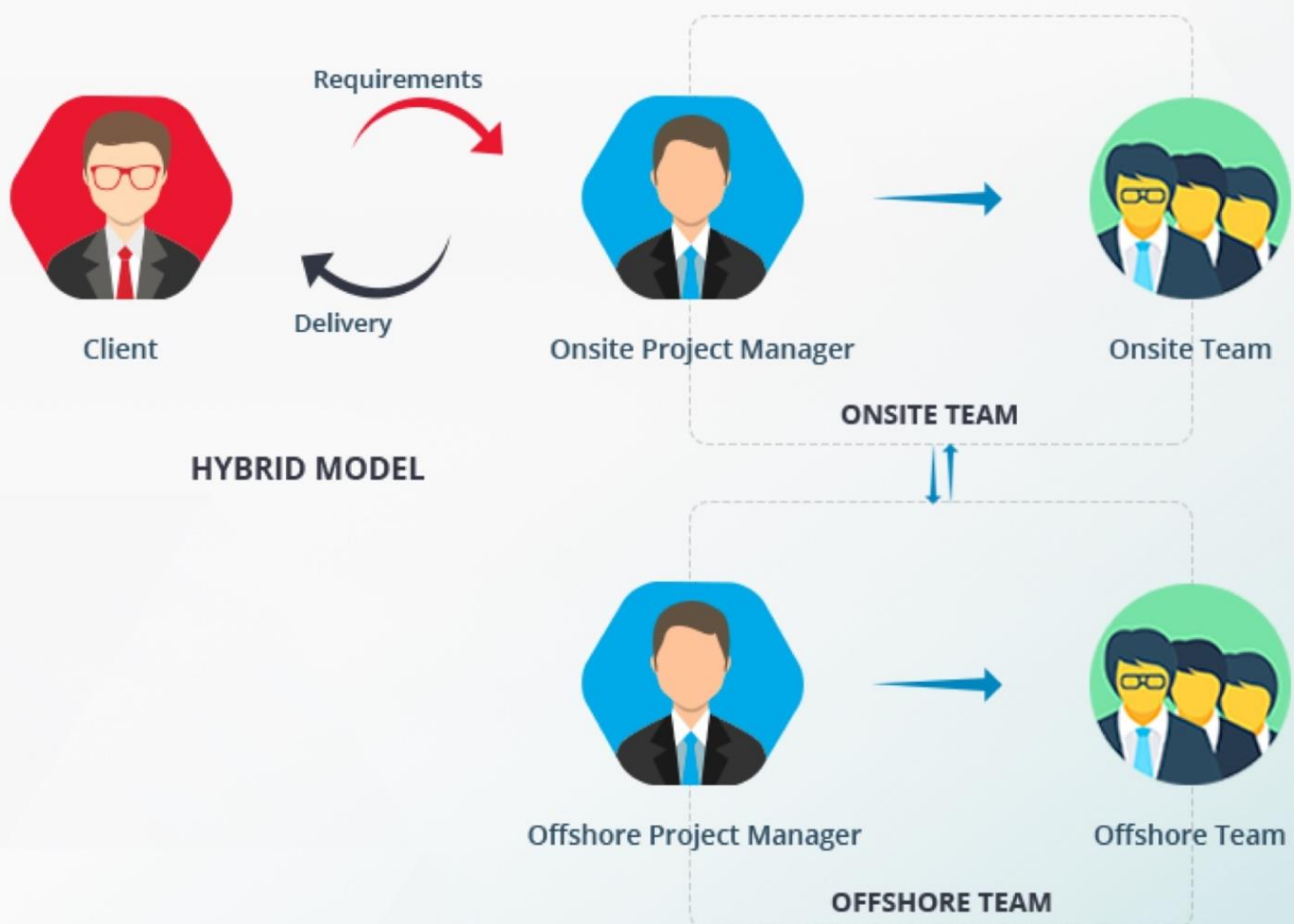
There are business situations and market demands, that don't fit in a certain mainstream formula. Also, all project needs are unique to their purpose and idea of development. This brings in the need of a Hybrid Model that can bring in the traits and offerings of different models together to best serve the specific needs of a project. This also includes flexible choices pertaining to allocating resources and applying tools – mixing up different convenient approaches.

Hybrid model goes well with businesses with ranging resource choices and irregular development needs. Also, a business that deals in a dynamic environment that is driven by fast-shifting trends cannot stick to regular techniques and ideal ways of development. Therefore, they need to have something that allows them bespoke options to go with development and Hybrid Model remains the most relevant choice.



When to choose Hybrid Engagement Model?

- ▶ Business requirements are typical and no one model fits in well.
- ▶ Unusual technical, geographical, or financial issues are there.
- ▶ When you don't have complete dependency on a provider and want to customize the model as per your requirements.
- ▶ If going with the Hybrid Engagement Model is more cost-effective and relevant as per the requirements.



‘How they compare against each other

Generally, it's the Time & Material Model that is the most pervasive of all as it is easy to keep up with and most of the developers have resources and processes developed to suit this model. Also, when you are looking to have experts and need their extensive support in helping you build your product, Time & Material goes well with you in serving your project needs. However, for clients those own or have access to a part of development resources and can handle quite a lot of things on their own, can go with other models like Open Book and Fixed Cost, which saves them quite a lot in terms of money. In a completely different scenario, where you have a very strong app idea but have least experience with the market or maybe also have shortage of resources, you might find Shared Risk/Reward Model to suit your needs the most. If no one model fits your purpose, the best way to hack it is going with the Hybrid Model that allows you to take best suitable traits of different models, so that you can gain optimum benefits from your app development endeavor.



‘Which model suits you the best



Well, this is a broad question to answer and totally depends on the industry niche you operate within and the userbase you are catering to. Besides, it also highly depends on the functional factors related to your services. Other than this, you have to look into different factors like the quality you want to achieve, the level of security you want to put up with, time you can allow for app development, your technical dependency on resources, your prior experience with development, and things that are innate to the product. Also, here many businesses prefer going with models that best accommodate and offer experience, expertise and knowledge of app development required by them. This helps in approaching and executing the solution better with higher chances of success.

So, if you think you have an app development company that covers the most of your preferences in a certain model of development, you should go with it. If your case is a bit unique and you have to deal with exceptions, the best way is to ask them for Hybrid Model of development meeting your unique app development needs.

'Taking expert help

At Konstant Infosolutions, with our years of experience helping businesses get the best of app development services, we can help you from consulting to development and execution. Here, you can expect us to take best decisions on engagement and approach owning best of proof-of-concept method.

In this attempt, our team of app development experts build a simple prototype of your solution within a fixed time-frame, while a team of analysts conducts a research confirming technical potential of the project. This approach helps you attain enough confidence in selecting the right model of development for your project. Further, with this you get a proven and dependable way to detail out your needs and explain how you would like to accomplish your development needs, choosing the right way of amplifying the idea, crystallizing the techniques and verifying the concept of your product.





To know more about these engagement models and our services, email us at mail@konstantinfo.com. You can even call us at our

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