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# Accelerating Digital Business Initiatives Makes Onshore Software Development More Valuable

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## Time-To-Market Is Paramount

The current business environment, driven by the impact of the COVID-19 pandemic, has accelerated the push to digital more than ever before. To respond to this acceleration, companies seek help from outside partners to speed time-to-market and to innovate new products. But even with this need for speed, procurement teams get involved shifting the focus from speed and cocreation to labor rates. This eventually drives many companies to seek offshore partners without considering other costs they may incur from working with teams halfway around the globe.

Collaborating with offshore software development partners can be challenging. Communication challenges and clumsy time-zone handoffs can result in delivery delays that lead to developing products that fall below expectations, driving a higher probability of rework, and slowing time-to-market. All of this ultimately costing companies more than saved by sourcing offshore.

## Key Findings



Seventy-one percent of surveyed US decision-makers are working with software development partners to improve agility and to complete work faster.



But many experience challenges with these partners that range from a lack of customer understanding and business context to miscommunication and delivery delays

## To Complete Work Faster, 71% Of Companies Seek Software Development Partners

As businesses work tirelessly to meet customer expectations and competitive demands with stretched staff and tight timelines, they turn to software development service or software service providers for help.

Seven out of 10 surveyed decision-makers said their organizations leverage these partners so they can complete work faster, and more than half said their organization works with software development service providers to obtain outside perspectives.

More than 60% said their organization brings in partners for entire projects or for entire practices.

## Factors driving companies to partner with software development services and/or software service providers



We need help completing work faster

71%

Partners have prebuilt software and accelerators

65%

We need to bring in a specialized team for an entire project

64%

We need an outside perspective

60%

We need to bring in a specialized team for entire practices, eg, mobile

60%

## Loyalty Doesn't Always Pay Off

**Sometimes to their detriment, companies reward new projects to existing partners 68% of the time.**

When evaluating potential software service partners, decision-makers consider technical and industry expertise. However, they said the most important factors are cost and contract considerations. This highlights the need to satisfy procurement teams and to carefully balance the desired level of expertise with costs. The importance of this cost evaluation often drives firms to team with offshore software development partners, even though our data shows many are not satisfied with the results.

Once firms start working with partners, only half evaluate partners on a project-by-project basis, while 32% evaluate quarterly and 18% do so annually. This creates blind spots where greater value could be gained.

### Important selection criteria

- + Tech expertise (staff certifications)
- + On approved vendor list
- + **Price/costs**
- + Industry expertise
- + **Flexible contract options**



### Ranked Top 3 Importance

1. **Flexible contract options**
2. **Price/costs**
3. Tech expertise (staff certifications)
4. Industry expertise
5. Availability of resources



## End-Customer Understanding is Lacking

Technical expertise and cost concerns aside, a large majority of surveyed decision-makers said their organization's software development service providers or software service partners don't have a full understanding of their end customers.

Partners also often lack ample business context to provide the industry expertise firms require as they delegate entire projects or practice initiatives.



**Most software development service partners struggle to convert requirements into action.**

63%



Said their software development service/software service partners **don't have a full understanding of their end customer.**



54%



Said their software development service/software partners **lack cultural or business context.**



56%



Agree their partners **struggle to convert requirements** into actionable items



## Distance Amplifies Challenges

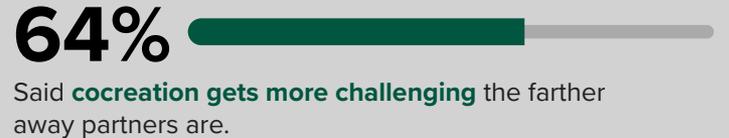
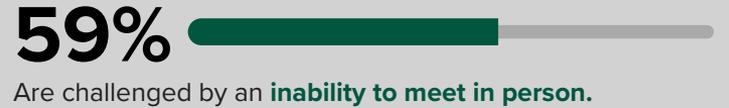
US-based survey respondents said working with partners outside of the country is challenging.

Approximately two-thirds said time-zone handoffs and miscommunication are challenges, and 68% cited delivery delays, which ultimately slow software development processes.

And while 43% said their company seeks software development partners that help deliver more innovative products, services, and strategies, 64% said cocreation becomes more challenging when software service partners are farther away.

In-person connections between internal and external development teams are also problematic, and more than half of respondents said the inability to meet in person is challenging.

## “How challenging are each of the following to your organization when working with software development service/software service partners?”



## Challenges Cause Rework And Unmet Expectations

Challenges can lead to inconsistent results as partners grapple with requirements. This lack of clarity on requirements leads to software development partners struggling to act, which creates delivery delays.

In addition, more than half of respondents said their organization experiences inconsistent results, and nearly 60% said the end products from their partners fall below expectations.

### Results Fall Short Of Expectations



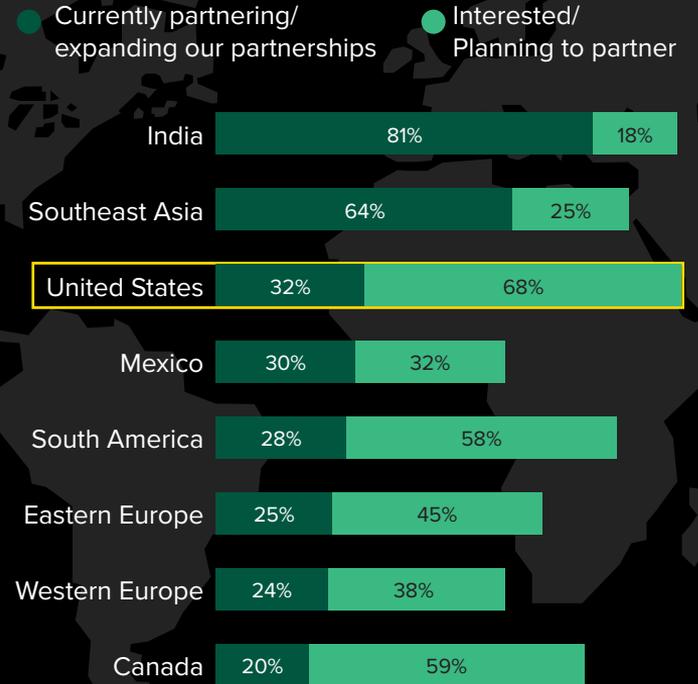
## Consideration Of US Partners Is Rising

As US companies partner with software development organizations all over the world, most decision-makers are interested in or are planning to team with US-based software development partners in the next year.

The ability to meet in person and cocreate/co-innovate is driving this interest as 75% of decision-makers said having software development service/software service partners nearby makes it easier to collaborate on innovation.

Eighty-nine percent of respondents at organizations currently partnered with US-based software developers said they are satisfied. This is largely driven by engagement experience as 71% cited ease of collaboration and 68% reported better overall engagement experiences. Half said the ease of management, the quality of the work/relationship, and the ease of doing business are satisfaction drivers, and nearly as many cited the ability to cocreate/co-innovate.

## “What are your company’s plans when it comes to working with either software development service providers or software service companies in each of the following locations?”



## US Partners Bring Benefits

Working with US partners has clear benefits in the areas of speed, quality of work, and return. While speed is the biggest factor driving US businesses to work with software development partners, there are also other components to a successful partnership.

While more than half of decision-makers said their organization has been able to improve agility and time-to-market, more than half said they have also seen an improvement in the quality of work. In addition, more than one-third reported increased IT productivity and 31% said their organization realized business value.



**The benefits of working with a US partner are improved agility, speed, and quality of work.**

### Benefits Of Working With US Partners



#### Speed

Improved agility	52%
Faster time-to-market	51%



#### Quality

Improved quality of work	51%
Better understanding of customers	48%
Resulting work meets our requirements	42%

## Conclusion

Digital business acceleration is driving companies to seek outside help, but many settle for offshore vendors and have their projects fall short. Although working with a US vendor may come at a higher rate, it improves speed and quality and reduces the likelihood of rework.

- **Distance challenges cocreation.** Cocreation inherently requires constant communication in real time, which is challenging when teams are 12 hours apart.
- **You can't save money reworking your solution.** More than half of respondents said working with an offshore partner leads to rework, and 50% said they have seen inconsistent results.
- **Working with US partners brings value.** Delivering better and more quickly the first time speeds time-to-market and decreases the cost of a delay, which often makes up for cost differentials.

### Project Director:

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### Contributing Research:

Forrester's AD&D research group

## Methodology

This Opportunity Snapshot was commissioned by Rural Sourcing. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 206 senior US decision-makers responsible for their organizations' software development sourcing strategies. The custom survey began in May 2021 and was completed in June 2021.

### ABOUT FORRESTER CONSULTING

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## Demographics

### RESPONDENT LEVEL

Director	69%
Vice president	22%
C-level executive	9%

### RESPONSIBILITY

Influence decisions	55%
Part of a team making decisions	28%
Final decision-maker	17%

### COMPANY SIZE

100 to 499 employees	23%
500 to 999 employees	20%
1,000 to 4,999 employees	28%

### COMPANY REVENUE

\$1 billion or more	40%
\$400 million to \$999 million	30%
Less than \$400 million	30%
5,000 to 19,999 employees	29%



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