



Persistent Systems – Creating the Wave Not Just Riding It – Trends in IT Outsourcing

You often hear of companies that are successful because they took advantage of a new trend or “rode a wave” in technology. Well, Persistent Systems is not only riding a wave, it created the wave. Persistent has been instrumental in helping to drive and shape trends in IT outsourcing. It is at the forefront of a major transition in the way companies outsource, from software services and IT projects to Outsourced Product Development (OPD). Persistent pioneered the OPD model 15 years ago and now has more than 150 customers world over, with 700+ product releases. Backed by Norwest Venture Partners (NVP), a global technology venture capital firm based in the Silicon Valley, Persistent Systems is successfully serving the needs of several large corporations as well as start-up companies. “Persistent Systems has created a revolutionary, unique and cost effective set of offerings that will forever change the way organizations develop products in today’s competitive global market,” said Promod Haque, managing partner at NVP. “Persistent is a profitable company with superior technology, significant customer traction and a highly experienced management team—a combination that is extremely rare to find.”

The Four Phases of Outsourcing

According to Anand Deshpande, CEO of Persistent Systems, there are four distinct phases for outsourcing. The first two phases, *Cost Arbitrage (Phase I)* and *Process Efficiency (Phase II)*, are rather self-explanatory and well known today as core drivers and benefits of an outsourcing model. First, companies outsourced pieces of their development to lower cost resources. Then, they focused on outsourcing to teams that specialize in a particular development area. The combination of those approaches now allows companies to decrease costs and develop efficiencies in certain development processes. Phases three and four of outsourcing, the trends of today and the future,

are a bit more interesting and are areas where companies like Persistent are just now moving. Borrowing terminology from the hardware and manufacturing world, *Phase III* is what Anand calls *Design for Manufacturing*, and *Phase IV* is *Original Design and Manufacturing (ODM)*. Right now, he says, his company is using the Phase III approach to eventually move companies to Phase IV.

So What is Design for Manufacturing for Software?

According to Anand, this is when an outsourcing partner actually understands what it takes to ship a product. They get involved in the development process from concept to completion. For example, in some relationships, Persistent has been the actual engineering team developing the complete software product for companies that have an idea but no engineering resources. They did this recently for an email software company in Silicon Valley, a Norwest Venture Partners portfolio company. Even where they only take a piece of the development, such as revisions to a version or maintenance of an existing version, they understand the full product lifecycle and are better able to actually have an impact on the shipped product and the software company’s success.

Eventually, in the next five years or so, Persistent hopes to move the industry to the ODM Model for Software, where they actually productize the process of building products. Persistent has spent years looking at the common activities and processes in software product development. They hope to allow companies to offload 70% of the activities that are considered common, leaving the company to focus on the core product.

Managing Multinational Teams

So, how does a company like Persistent pull this off? Another trend in software development is managing multinational and distributed work teams, something especially critical for an outsourcing company,

particularly one that engages in developing a product as a whole. Products often fail due to communication—expectations are mismatched or requirements are not articulated correctly. Anand’s team has worked hard at a process that includes managing expectations, clearly articulating requirements, and organizing work teams rather than supplying a bunch of “heads.” Persistent trains its people on product development, the product lifecycle, and the whole process required to ship and support new products. This training is essential so that teams contextually know what they are working on and why. They are able to ask the right questions and thoughtfully engage with a client, rather than just take a set of requirements and develop a few lines of code.

Changing Dynamics

With recent changes in software product development such as shifting cost equations, increased customer expectations, and software as a service, managing teams for efficiency has become even more critical and will continue to be a challenge. Companies like Persistent are leading the way in helping software product companies manage these dynamics to be successful. Check out Persistent Systems at www.persistentssys.com to see how an expert in the field is changing the way companies outsource and how they can help your company leverage the trends and “ride the wave.”

Noël Adams is President of Phase Forward (www.phaseforward.net). Phase Forward is a product management and product marketing firm in San Francisco that helps companies build and launch new products. Projects range from new product research and market analysis to writing product requirements to outbound product marketing and product launch. Phase Forward team members also deliver workshops on a variety of new product topics like innovation and process mapping for product launch.