

Growing Your Ability to Develop New Software Products

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Squandered Shareholder Value: The Ugly Truth About New Product Development

One of your most important competitive advantages in a software startup is your “ability to execute”. Innovative ideas and great market opportunities abound but what really sets winners apart from losers more than anything else is the ability to get great new products out the door in a timely, cost-effective manner and to respond quickly to customer feedback and competitor activity. No wonder most Venture Capitalists place the quality of the team and their track record of execution at the top of their investment review checklists.

Building new software-based products has proven to be incredibly difficult. Investors, founders, executives, customers and anyone else with a history of working with software companies know firsthand the miserable reality of missed business opportunities due to late product launches, shocking cash burn rates and the occasionally colossal project failure. The facts are sobering: recent research by the Standish Group, the authors of the landmark CHAOS report on software failure rates, reports that over 65% of software development projects fail to deliver required feature sets on-time or on budget. A quarter of those are complete failures that never see launch day. Clearly, the widespread skepticism surrounding the announcement of new product launch targets is well founded.

Given this reality, a huge amount of shareholder value in a software startup depends on its ability to get its first product out the door successfully and to develop a competence and capacity to deliver follow-on enhancements and high quality new products predictably.

The Painfully Slow Build-Up

The roadblocks to success are many. Building a cohesive in-house development team from scratch and establishing a mature methodology takes time – usually too much time. For VoIP and other companies that must provide “carrier-grade” product quality, it commonly takes 18-24 months to build a productive R&D group with the maturity of process required to meet stringent vendor qualification requirements covering technology, management and process. Growing companies also need a way to manage the peaks and valleys of the product lifecycle that result in over-hiring and subsequent firing.

Offshore Outsourcing: Lost In Translation

Outsourcing has firmly entered the consciousness of all investors and software executives. The term is usually meant as a synonym for “low-cost offshore outsourcing” and has come to represent the notion of access to an infinite supply of competent programmers in India, Russia or elsewhere for a small fraction of North American domestic rates. When closely managed, it has proven to be cost-effective for maintenance work and enhancements to mature products and for some work on custom software projects. But off-shoring has a dismal track record for new commercial product development. Communications problems are the main culprit.

New product development is characterized by constantly changing and ambiguous requirements and unanticipated technical and usability challenges. Consequently, tightly-coupled communication, effective collaboration and an intimate understanding of the customer domain are key ingredients for success. A solid command of the English language is simply insufficient. Effective communication and collaboration in this context requires closely located team members with a common cultural experience and level of customer awareness. It depends on the ability of every team member to make reasonable assumptions in the face of ambiguity, understand subtlety and nuance, to frankly communicate risks and to work as part of a cohesive unit.

Off-shoring can and should be part of the sourcing mix for most product companies – but not as part of the core new product team. Off-shoring requires detailed, fairly static specifications and close management oversight that are not consistent with the dynamic, sometimes chaotic process of new product innovation and the use of an offshore provider doesn't in itself help grow a company's ability to execute new product development. Also, the effective management of offshore suppliers requires specific skills and experience that may be lacking in-house.

ProductStream™: A New Product and Capacity-Building Partnership

During the past 11 years, bitHeads has worked with over 100 software startups and large companies to get new software products to market faster while growing their in-house ability to execute product development. Through that experience, bitHeads has fine-tuned a partnership framework called ProductStream™. ProductStream is a mix of product design, software development, quality assurance, process consulting and training services. A unique blend of these components is assembled for each client to best augment and grow their in-house ability to build products.

“Along with providing us the benefit of very rapid delivery of our first product and carrying the bulk of our R&D load for the first two years, bitHeads helped us ramp our in-house team by assisting us with key staff hires and effectively transitioning technical knowledge and methodology know-how to our new team. By mentoring us every step of the way, we never skipped a beat as we built the world-class in-house R&D capability that continues to drive us forward.”

David Cork, CEO
Natural Convergence

The main ProductStream building blocks include:

- A team of resources covering architecture, project management, development, user interface design and quality assurance. Unlike standard outsourcers and staffing service providers, bitHeads’ invests heavily in the growth and professional development of a large pool of permanent employees so that cohesive teams that have worked together before can be rapidly deployed;
- Access to highly specialized technical domain expertise when required;
- Advisory services to help design, recruit and nurture the in-house team;
- A mature, Agile-based new software product development methodology and the experience gained by building hundreds of new products; and
- A proven approach for working with fledgling in-house teams and transferring technical, product and process knowledge smoothly throughout the project.

Accelerate Time-to-Market and Reduce Risk

For startup organizations, ProductStream results include:

- Delivery of a high quality version 1.0 product up to 18 months sooner;
- The build-up of a world-class in-house core team with complete control over all IP;
- The establishment of a solid in-house development methodology;
- Lower overall “cost to market”; and
- Forward momentum with employees, investors, partners and customers by consistently hitting business-critical milestones.

About bitHeads

bitHeads is one of the largest software product development outsourcers in North America and is growing at over 150% annually. bitHeads is the product-building partner that has helped 3Com, Adscape Media (now Google), Cryptologic, IBM, Mitel, RIM and many others get award-winning software products and games to market faster. bitHeads' unique approach provides rapid deployment product development teams, a proven methodology for building new products faster and a partnership model based on a commitment to successful delivery. Millions of people around the globe use mobile applications, Voice over IP systems, games and other software products that have been built by bitHeads.

For more information, contact your bitHeads representative or visit:

www.bitheads.com