

Dedicated Development Center (DDC) Services - Whitepaper

The Concept

The Dedicated Development Centre is the solution for companies who need to extend their in-house software development capacity without the overheads of additional direct manpower and infrastructure resources. It is also a solution for new start up companies seeking lower cost but with qualified offshore resources.

The AlarSoft provides dedicated office space, hardware, software, communication infrastructure, professional staff and project managers with required skills and experience to ensure professional project management and timely completion. In addition to major cost savings, AlarSoft offers a highly flexible approach to customers in controlling their own Dedicated Centers.



AlarSoft undertakes a wide range of projects under DDC, from straight-forward software development projects to those involving the development of valuable intellectual property with significant research component.

Using DDC out customers get:

- **Lower costs**
IT operating costs are reduced considerably, between 40 to 60% from the first year. DDC allows to Customer use more expensive local resources in more effective way.
- **Scalability**
DDC allows to Customer scaling his "development team" on demand for reasonable price without administrative overheads.
- **Ability to improve company focus**
The client gets the benefits of one's own team without the difficulties of its administrative managing.
- **Quick time-to-market**
Projects within DDC are executed in different time zone (up to 10 hours shift) that means the entire development life cycle is shortened without compromising development process or quality.

Why Ukraine?



Ukraine, the largest country in Europe, has tremendous potential in research and development and high-tech sectors. It possesses a unique combination of young talented scientists and seasoned researchers from the Soviet Era.

Literacy rate in Ukraine is near 100% (according to UN and World Bank's estimates). 87% of high school graduates going on to higher education. Ukraine has 400 universities and 1.5 million students (compared with 355 universities and 1.931 million students in Germany).

Total number of IT specialists working in the Ukrainian IT services and products export market exceeds 15,000 plus 5,000+ post graduates each year. Compared to neighboring countries, average salary of Ukrainian IT professionals is lower:

- Russian IT professionals: by 25–30%;
- Eastern European IT professionals: by 40-45%;
- Western European IT professionals: by up to 300%.

Benefits to Clients

Using huge experience of AlarSoft and its “know how” in DDC development Customer will receive following benefits from proposed model:

- Completely flexible and transparent approach in setting-up Dedicated Development Centers (“open books” policy);
- There is no need to immediately establish a local legal entity with the associated expense and legal obligations;
- Teambuilding framework of a stable company, integrity of the team focused on results. In addition AlarSoft as a recognized IT company in Ukraine can recruit more effectively on the local labor market and retain its staff;
- Cooperation with leading local universities allows AlarSoft to develop more potential employees in the long term;
- AlarSoft passes on its economy of scale, current and future;
- AlarSoft ensures protection of Customer’s Intellectual Property rights;
- AlarSoft accepts service level agreements and can contract in US, UK or German law;
- Software process organization based on Customer’s or proven in-house model;
- AlarSoft is accredited with ISO 9001, and can set-up an effective quality management system for each Customer’s project team;
- AlarSoft is interested in long term relations with Customers, and works closely with them on any sensible opportunities to reduce costs.

Our Clients

AlarSoft has proven experience in establishing DDCs of various scales (with headcount from 5 to 25) for international customers.

If you want to be more familiar with AlarSoft competencies and work experience please refer to case studies available on our web site at <http://www.alarsoft.com>).

Set-Up Procedure

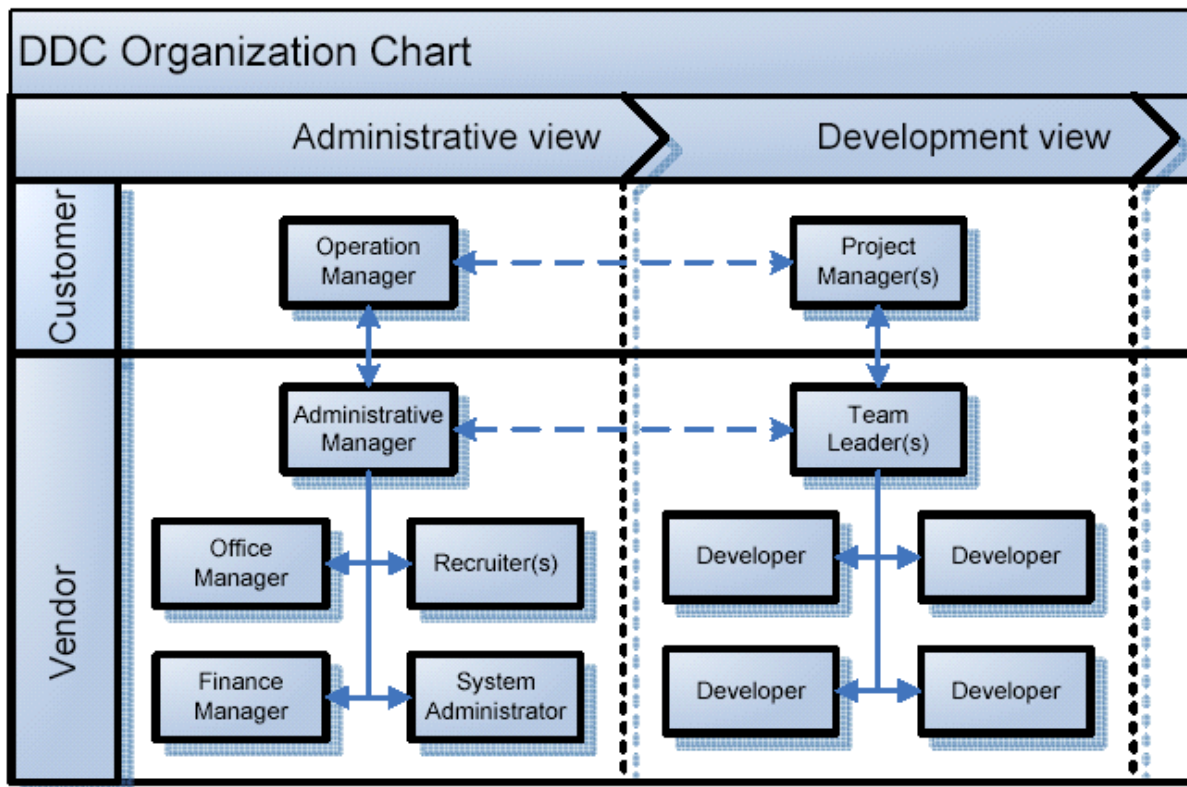
Organizational Structure

General DDC structure require following roles:

- DDC Administrative Manager (AlarSoft Support Team) – responsible for DDC organization, smooth extension and effective operation.
- DDC Office Manager (AlarSoft Support Team) – responsible for daily office management, communications with suppliers, visitors and guests accommodations, business trip logistics, etc.
- DDC Recruiter (AlarSoft Support Team) – responsible for new candidates searching regarding Customer’s job description, pre-selection interviewing and further interviews with Customer’s development managers organization, maintaining HR database, etc.
- DDC Finance Manager (AlarSoft Support Team) – responsible for financial planning and reporting, invoicing, managing payments, new employee legalization, accounting, tax reporting, etc.

- DDC System Administrator (AlarSoft Support Team) – responsible for network and telecommunication infrastructure organization and maintenance, new hardware purchasing and install, users support, etc.
- DDC Operation Manager (Customer) – authorized person responsible for cooperation with Administrative Manager regarding all DDC-related issues.
- DDC Project Manager (Customer) – development line manager who is responsible for organization development projects within DDC.

Typically DDC could be organized in the following way:



Communications and Procedures

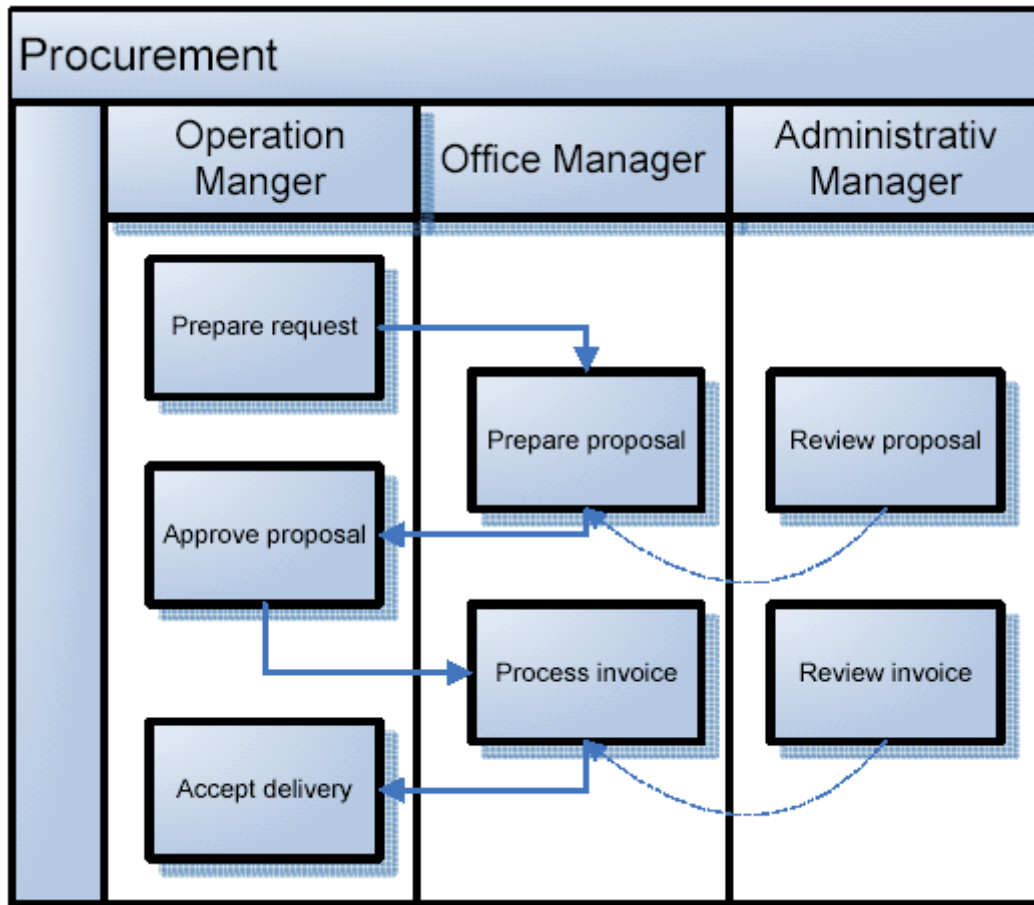
Support Team management (AlarSoft employee) and Production Team Management (Customer's employee) should work in very tight collaboration. Support Team should understand that product or software development is main goal of DDC. Both teams communicate horizontally unless authorization of Operation and/or Administration Manager is required.

Based on our experience with Dedicated Development Centers we developed special Handbook to simplify DDC establishment and day to day operation. This Handbook is process-oriented and describes what services and in what way AlarSoft provides to the Customer. It contains all contact information, description of roles and responsibilities, description of procurement and recruitment procedures etc.

We are not going to overburden either Customer or entire team with policies, procedures etc. However, our experience clearly shows that some minimal level of communication and formal procedures should be introduced between management representatives:

- Weekly status reports (provided by AlarSoft);
- Weekly status meetings (jointly);
- Meeting minutes (tracking by AlarSoft);
- Requests tracking system (jointly);
- Problems escalation procedure (jointly);
- Recruitment procedure (jointly);
- Procurement procedure (jointly).

Here is an example how procurement procedure could be organized:



All procedures are designed in the way to minimize Customer's staff involvement, however, both teams should commit to use procedure in effective way and continuously update/improve them.

Establishment Procedure

A team of AlarSoft consultants will study all of the Customer's requirements for DDC set-up in order to offer optimal size and structure of the team, project organization, legal and financial model, technical infrastructure suitable for this particular project, quantity and quality of network connection channels etc.

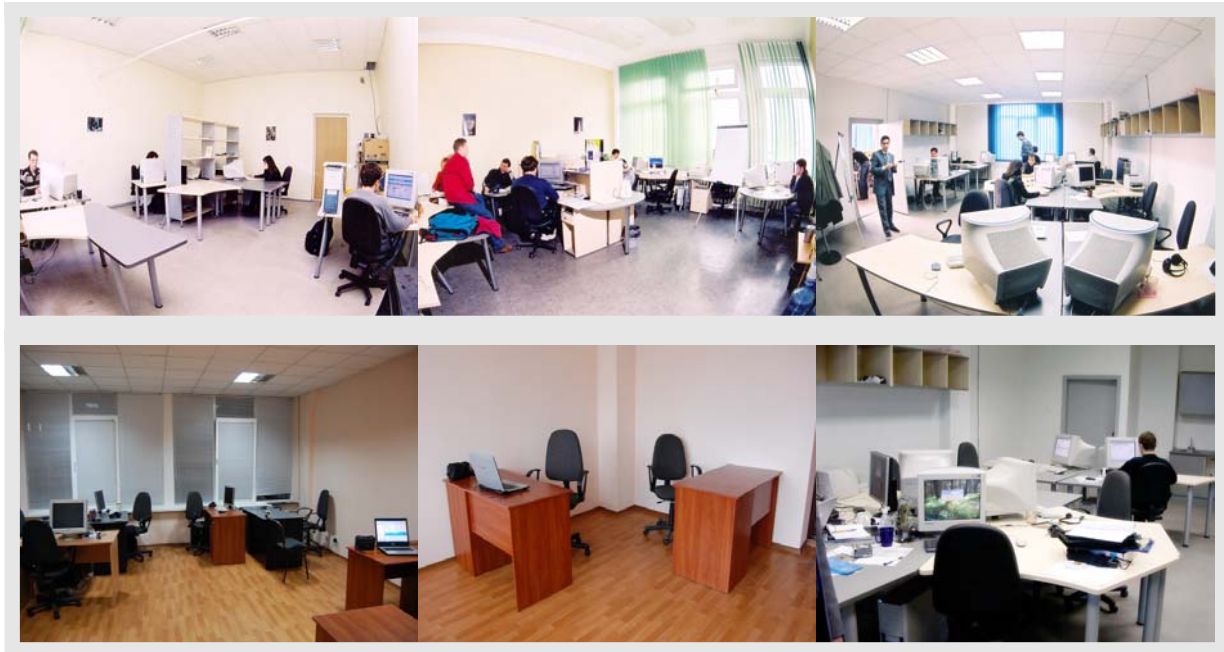
We start DDC establishment in the following way:

1. DDC set-up planning (actions list, schedule and budget drafting);
2. Staff core development team members and administrative management;
3. Legal support of ODC set-up;
4. Search of suitable location for rent or buy;
5. Office renovation if needed and supply with furniture and equipment;
6. Implement office infrastructure (phone lines, Internet channels, servers, etc);
7. Start recruitment campaign regarding predefined plan and job descriptions.

All expenses regarding DDC establishment are to be paid by Customer regarding mutually agreed financial plan. AlarSoft does not earn money from establishment and is eager to do this quickly, cost effective and satisfy Customer's needs for long-term partnership.

Facilities and Infrastructure

Suitable facilities regarding Customer's requirements after consultations and tender will be rented or purchased by AlarSoft. A dedicated office will be organized, well-secured and fully equipped with high-speed communication links and the workstations (see example layout below).



Intellectual Property

AlarSoft provides its Customers both with the physical and legal security of Intellectual Property. Physical security includes all possible modern technologies and principles to eliminate any possibility of data loss or leakage such as: firewalls, antivirus, regular back-ups, dedicated users' domains etc. Also AlarSoft has a proper process of confidential information security, NDA's, instructions and procedures and to adherence by all staff is mandatory.

Non solicitation agreement

The Customer will not directly or indirectly solicit, recruit for employment or contract AlarSoft's employees, former employees of AlarSoft and AlarSoft's independent contractors, provided such persons are directly involved in the project for the Customer during collaboration with AlarSoft and are presented to the Customer, without prior written authorization of AlarSoft, for as long as 36 months after the date of the contract completion or termination.

Roles and Responsibilities

In order to avoid any confusion over where responsibility lies with any particular role, AlarSoft agrees with each Customer who is responsible for every aspect of team building and management.

The table below illustrates a typical scenario:

Role;	Responsible party	
	Alarsoft	Customer
Facility Management		
Office infrastructure	+	
Physical security	+	
Communications infrastructure	+	+
Technology equipment	+	+
Operations Support		
Data security and back-up	+	+
Computer maintenance	+	
Accounting support	+	
Legal support	+	
Government liaison	+	
Office administrative support	+	
Staffing, HR and Training		
Formulating job descriptions		+
Recruiting and hiring	+	+
Orientation and training		+
Corporate culture assimilation	+	+
Retention program	+	
Taxation and legal compliance	+	
Employee benefits	+	+
Process and Project Management		
Aligning Process	+	+
Project management	+	+
Process management	+	
Regular quality assurance	+	+
Development methodology	+	+

Recruiting Process

The recruitment of the most suitable available programmers, analysts and project managers is probably the most important process in the establishment of a dedicated team. Therefore AlarSoft began by recruiting the best professional human resource management with information technology experience in Ukraine to lead and manage this process.

Given the expansion of the Ukrainian Information Technology industry, even though there is a large pool of skilled personnel there are increasingly difficult to find, attract and retain. AlarSoft adds considerable value in its expertise in this function. The company uses a variety of methods to find potential employees, and attracts them by offering challenging work, an excellent working environment, above average terms and conditions, and with the career prospects that only companies like AlarSoft can offer through its world-class products and services.

To address the medium and longer term needs for skilled personnel AlarSoft works closely with leading Universities.

The Customer is the key part in the recruitment process, assisting in the development of job descriptions and may be involved partially or fully in the resume selecting and interviewing processes. AlarSoft's policy is to recruit the best people available, challenge them with interesting work and develop them through their careers with the company.

Management Control

Under AlarSoft's DDC model, the Customer has direct control over the day to day management and establishment of its dedicated team. This approach is favorable for technological companies who have their own staff experienced in managing remote software development teams. In spite of the fact that the Customer should allocate additional resources for the direct management of the team there are number of benefits:

- Complete control over the software development and production process;
- Easy knowledge migration from subject experts to the new team;
- Straight forward planning, control and review cycle for each operation/phase.

The Customer's project manager may be physically located with the dedicated team or at the Customer's office. In the latter case AlarSoft uses all modern forms of communications (emails, phone calls, instant messaging, web cams, conference calls and video conferences) to facilitate management. The project manager may be 5,000 miles away but only in one phone call distance.

Using the "direct management" model the Customer will be responsible for managing the software development process (including tasks planning, resources assignment, quality assurance, results review, etc.), but all supplementary tasks not related with software development will be handled by the DDC management team.

Financial Model

In essence, AlarSoft provides recruitment, team building and management, office resource and infrastructure service for Customers seeking lower software development expenses. Our financial model is simple. It is based on a Cost Plus model with dedicated team expenses being transparent to the Customer. The Customer pays costs associated with actual expenses for its dedicated team. These cover:

- Salary of team members and taxes associated with those salaries;
- Rent of the office facilities including heating, lighting, electricity, office insurance and both physical and electronic security;
- Infrastructure including work stations, telecom equipment and furniture;
- Telecommunication traffic expenses associated with the activities of the dedicated team;
- Office supplies and day by day expenses in correspondence with financial report;
- Dedicated administrative team expenses depending of production team size.
Customer also pays a monthly fee which includes AlarSoft's management/administrative overheads directly related to the team. This payment covers:
- Administrative and logistical support by shared resource;
- Financial and legal management and support in Ukraine;
- Recruiting and human resource support using corporate resources;
- Customer relationship management expenses and regular senior management reviews.

Buyout Option

"Employees buyout" shall mean a process of transferring DDC employees from AlarSoft to legal entity pointed by Customer. Upon 3 months written notice Customer may require to move all employees of his DDC to any third party pointed out by the Customer. Upon such notice AlarSoft will decide on termination of employee's contracts with AlarSoft taking into account non-solicitation agreement.

Executive Summary

AlarSoft is committed to build successful Dedicated Development Center inline with Customer requirements, and will work closely with its Customers to ensure that all realistic opportunities to minimize cost are taken, and that only unavoidable cost increases are incurred over the duration of the project. It should be born in mind that Ukraine is a rapidly evolving nation where cost increases can occur that are above the level of inflation. All such increases will be advised, justified and discussed with the Customer in order to reach a fair and acceptable solution.

The DDC set-up procedure is transparent for Customer and includes all necessary steps including: Customer requirement analysis, identification of the support team, definition of roles and responsibilities, establishment of facilities and infrastructure, recruiting and HR management, operation management organization, process implementation and customization, and the protection of the intellectual property rights.

AlarSoft is going to provide number of services to the Customer: office and facilities management, human resource management, financial management, legal operation, network and communication systems management, ad-hoc problems solving where it is possible. AlarSoft is providing information, legal, and physical security to the Customer's facilities and intellectual property. AlarSoft suggests legal form and labor relations model that are completely legal and resource-savvy.

Official Ukrainian Holidays

The following official Ukrainian holidays are non-workdays in AlarSoft. When a holiday falls on a non-workday – Saturday or Sunday – the holiday usually is observed on Monday (if the holiday falls on Sunday) or Friday (if the holiday falls on Saturday).

The Cabinet of Ministers of Ukraine may make additional changes in the holiday schedule during the year. Such changes AlarSoft will be immediately communicate to the Customer as they become known.

Date	Holiday
1 st of January	New Year
7 th of January	Orthodox Christmas
8 th of March	International Woman's Day
Usually last Sunday of April	Easter
1 st and 2 nd of May	International Labor Day
9 th of May	The Victory Day
Usually third Sunday of June	Holy Trinity
28 th of June	Constitution Day
23 rd of August	Kharkiv City Day
24 th of August	Independence Day