



CALCULATE YOUR ROI

ON IT-OUTSOURCING

HOW TO MEASURE ROI ON IT-OUTSOURCING

What are the costs?

This is the most frequently asked question when we enter into dialogue with Scandinavian companies. And of course it is interesting and very important when you buy a product. We know that it requires a quick response and that the response must be well founded and properly documented.

That's why we use a model that very quickly shows what the relevant offshore workers are costing. The model is relatively complicated and contains many factors that companies often tend to forget when looking at the actual costs to hire an employee in Scandinavia – for example recruitment, social costs, administrative costs, premises, work equipment, furniture, etc. All of these factors are included and taken into account in the model and they give a true and fair view of possible savings.

It is important that it gives a true picture, in order for clients to make a realistic comparison with offshore.

Most will experience a cost reduction of between 40 and 60% per year. Employee savings are, of course, dependent on how specialized employees need to be and their salary level. If the offshore workers are to replace existing Scandinavian employees, the numbers will of course reflect that.

Once the ROI calculation is done – with all relevant costs posted – all parties have a completely clear picture of the actual costs and how much is actually saved.

Throughout this whitepaper, you will be able to calculate how big your savings will be, should you choose to outsource it.

You will be given an overview of the various expenses and the fundamentals you must bring into the calculations.

Should you have any questions or find yourself in need of some help with calculating your ROI, we Welcome you to contact CrossWorkers.



CALCULATE ROI

ONSHORE CALCULATION

NUMBER OF EMPLOYEES AND THE SALARY LEVEL

Salary levels

Firstly, you will have to decide how many, and which IT-resources you will need, in order to determine the expected salary level for the developer, were they hired in your country of operation.

Your service provider should be able to help with the assessment. In order to find the salary for a specific developer level, you can search job portals and “statbanks”. Also, you are welcome to contact CrossWorkers. We can help you make find the current statistics.

THE SOCIAL COSTS

Remember to include the social costs in your ROI calculation. These vary from country to country.

In Denmark this includes:

- Holiday allowance
- ATP
- Workplace injury
- Other.

#3 THE WORKPLACE COSTS

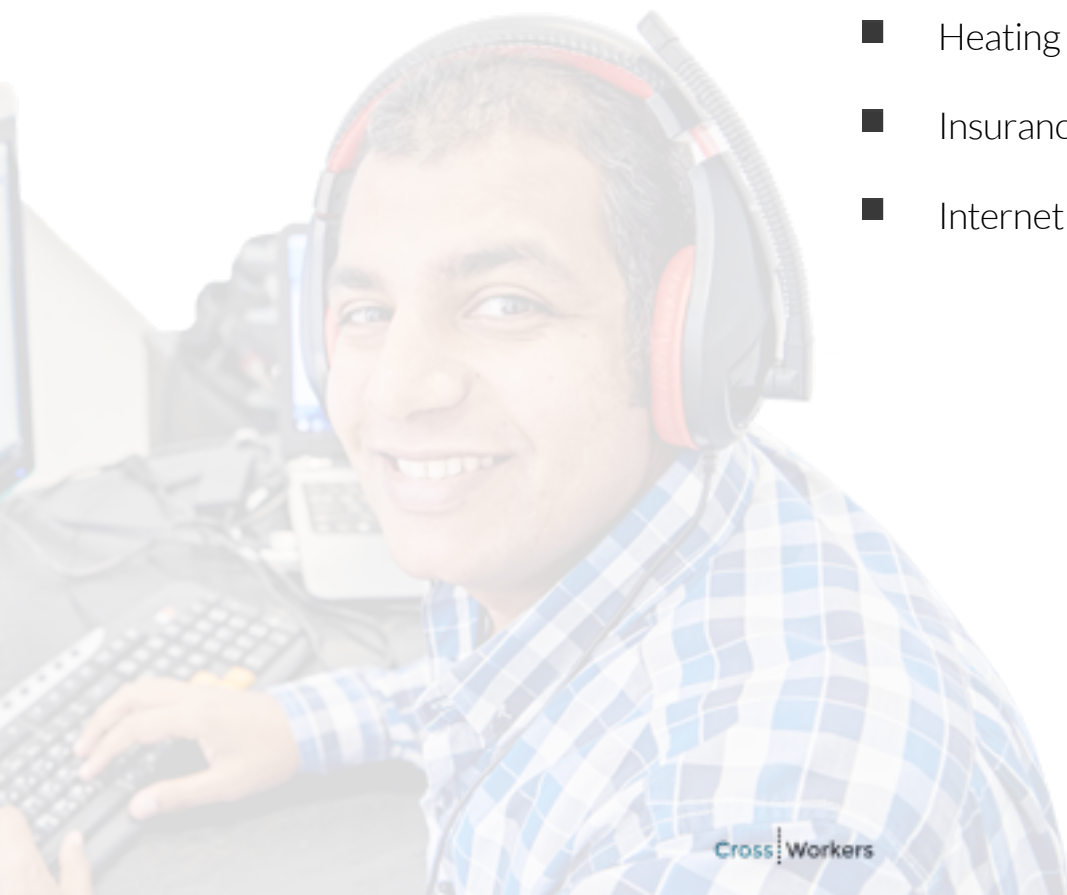
When focusing on the workplace costs, you must include all the various costs of establishing and maintaining the office.

Remember to evaluate which types of equipment is needed in order to have a functioning office.

The cost can be vastly different from country to country and from city to city.

This is including costs such as:

- Computer equipment
- Licenses
- Furniture
- Office supplies
- Telephone
- Rent
- Electricity
- Heating
- Insurance
- Internet connection



THE MANAGEMENT COSTS

It can be hard to assess the costs of managing a new IT-employee. The cost is dependent on the type of developer you will be hiring and your management type.

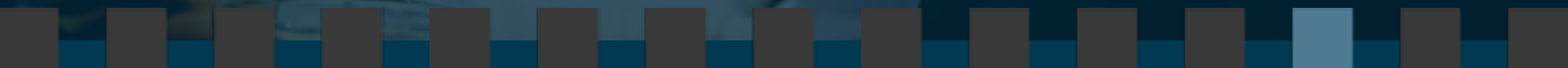
Look into the amount of time you usually spend on onboarding a new IT-employee and estimate an hourly cost of your management.

THE RECRUITMENT COSTS

The recruitment phase of an IT-employee includes a row of costs which typically includes costs for advertisement, recruitment agency or a Headhunter. You will have to include your inhouse resources to create the advertisement, interviews and so forth. Moreover, remember to include the time spend on communication with potential candidates and the recruitment agency and the time spend on creating the employment contract.

Base the costs on how you usually assess the recruitment phase. If this is your first time recruiting an IT-developer, it is advisable to obtain an assessment cost from a recruitment agency, statistics from job portals and a lawyer to provide an assessment of the costs of contract progress.

Finally, remember to include your own time in the final calculation.



CALCULATE ROI

OFFSHORE CALCULATION

FEES FOR YOUR OUTSOURCING PARTNER

There are a variety of model used to calculate fees. Each outsourcing business have their own method to calculate which fees you must pay in order to access the IT-resources you desire. It's crucial for you to ask your outsourcing partner to create an extensive overview of the costs.

At CrossWorkers, we only charge for the salary of out IT-employees once a month.

Remember to investigate which IT-equipment your offshore employees will have access to. This will help prevent unpleasant surprises and extra costs along the way, if you find that your employee cannot access the necessary equipment.

Moreover, you must investigate whether the salary is stable in the following years. If you don't, you are risking the horrible experience of fluctuations in the demanded salary. Beware of contracts that makes you must constantly renegotiate salary. In Ukraine it's not unusual to have to renegotiate the salary level 1-2 times a year. This can be a daunting task for the company, who rely on the Ukrainian IT-developers.

Moreover, remember to calculate possible changes the currency. Some currencies are steadier than others. AT CrossWorkers, we always settle the payment in a Northern currency, like Danish, Swedish, Norwegian Krone or in Euro. This means that our customers do not have to watch the fluctuation daily. In case you choose an outsourcing partner outside Scandinavia; you must expect to take the risk of currency fluctuation.

We do not charge for:

- Recruitment
- Start-up costs
- IT equipment
- Office supplies
- Etc.



EFFICIENCY OF YOUR EMPLOYEES



At this point, you must make the assessment of whether you think your offshore employee will be able to work at the same pace as your local employees. Based on our experience with developers in Cairo, the same level of commitment is to be expected from the Egyptians.

If choosing another outsourcing destination, you should always examine the level of efficiency at your outsourcing partner. If the level is less than your onshore options, calculate this into the ROI.

EXPANSION OF PROJECT MANAGEMENT



If you expect to spend some extra time on the management of your offshore team, remember to add this to the ROI calculation. Estimate the expected numbers of monthly hours spend and calculate the cost.

The cost will typically be higher, the more developers you employ. The time spend on project management are dependent on the current number of local IT-employees. Moreover, remember to calculate how and when the communication and statement reports will be made, and by whom.

TRAVEL COSTS

An important post in your budget will be travel and accommodation costs. In order to obtain the highest return on your investment, it's recommended that you calculate with 1-2 weeks of travel in the beginning of the collaboration. Also, this be a great option to meet the developers we have selected for your task.

It's our experience that our costumers highly benefit from visiting Cairo, meeting the locals and seeing our Development Center. Moreover, it's of enormous value for your offshore developer to visit you in your home country in the beginning of the collaboration. This will provide him or her with a cultural understanding and a comprehensible grasp on you and your company. This will be a vast gain when the he or she is working on your IT-development.

No matter where in the world you choose as your outsourcing destination, this is recommended.

To insure a strong and ongoing collaboration and communication between your onshore and offshore destination, it's advisable to plan travels between the two destinations. The frequency of face-to-face meetings varies, but often it's recommended to meetup once each quarter.

Once the travel plans are in place, you should research the costs for airfare, hotels, visa and catering. Calculate this intro your ROI.

WHEN WILL THE INVESTMENT YIELD?



When finally calculating the costs of onshore versus your chosen offshore destination, it is advisable to compare the yearly costs over a minimum of 3 years. Once looking at the results, a clear view of how the investment has yielded. Typically, you will see how the start-up costs have flattened.

With CrossWorkers in Cairo, the investment will typically be yielded after the first month. Our customers have a very low start-up cost.

In the graph below, you can see the calculated savings of one of our current clients. The client is employing one senior developer.

The costs of employing a local senior developer is approx. DKK 60.000/month, not including ATP, holiday bonus and the costs of an office space. In Cairo the costs are only approx. DKK 25.000/month.

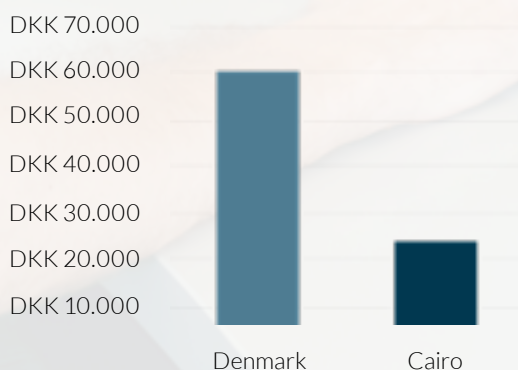
A calculation of the ROI shows that the customer is saving:

DKK 551.845 the first year

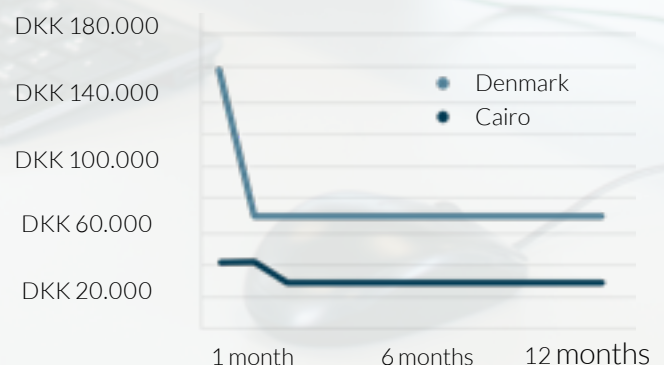
DKK 577.282 the second year

(This includes three trips between Denmark and Cairo).

LABOR COSTS ARE 60% LOWER



THE SAVINGS THE FIRST YEAR ARE DKK 551.845





SPECIALIZED IN HR AND IT OUTSOURCING

We have a solid ballast within HR, both in terms of recruitment and human resource management, and many years of experience with IT outsourcing to destinations like Pakistan, India, Vietnam, Eastern Europe and, last but not least, Cairo.

At the same time, we know the challenges facing European businesses in their struggle to make their IT development function well and create a scalable business.

Altogether, this experience has given us the prerequisites for creating what we consider to be the best IT outsourcing concept for European companies.

IT-OUTSOURCING WITH NORDIC GUARANTEE

Our longstanding international HR experience, intercultural insight and our deep knowledge of the Egyptian IT labor pool – and Egyptian culture overall – enable us to find the right candidates for any European company.

Simultaneously, we can ensure your company a close and well-functioning collaboration with the Egyptian IT developers -whom we employ according to your selection- to become a natural, integrated part of your development team.

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