



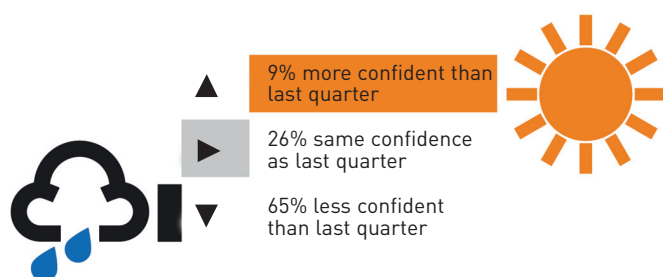
Welcome to the latest edition of MarketWatch from Centre4 Testing, an objective look at the current mood, trends and hot topics in the software testing marketplace. Our report is formed from the results of an extensive survey of our clients and contractors during January/February 2009, the period that juxtaposed continued economic meltdown with a nationwide covering of snow and ice.

It's become traditional for us to include in the first quarterly survey of the year the views of a high profile testing 'evangelist'. Last year Terry O'Loughlin from global outsourcer CSC gave us an insight into his world, this year it's the turn of Phil Lupton from competitor Atos Origin. With the views of the outsourcing community in the bag, we thought it interesting to seek opinion from a major end-user of testing services and with banking in the spot light more than any other sector, we're delighted to have secured an interview with Simon Cooper from financial services giant HSBC. Their respective thoughts make fascinating reading.

Market Sentiment

This survey marks our fifth annual anniversary of publishing MarketWatch. And what an economic backdrop we're presented with! Whilst we've seen fluctuations in the market over the last five years, none of us has witnessed the persistent bad news that's endemic today.

In the last month or two of 2008 our confidence barometer took a battering, as the sceptics rose from 45% to 49% of respondents. That figure has moved markedly to 65% today. The shift has come entirely from fence-sitters – those of you who felt the situation might have stabilised last time now tell us categorically that things are going to get worse. The community of ambivalent respondents is now sitting at 26% versus 42% in our Winter issue. Those who remain more confident about prospects in the next few months stick at 9% of our survey. But it's that community of people who are perhaps the most telling as we try to analyse our data in order to get a glimpse of the future. You see, the same segment of confident people stood at 23% just six months ago and as we stated then, they were quite clearly wrong to hold those misconceived notions of smugness. But because the vast majority of us act with herd-like instincts, that group of people has now largely moved into the negative camp. Could it be that our respondents view of the world is lagging behind reality again? Perhaps we shouldn't be quite so tied-up in the past and instead look to the future with just a little more confidence?



Rate of pay

The trend in rates is harder to explain than the swing in our confidence barometer. The fact is that rates don't appear to have slipped as much as we might have expected and the average day rate for contract test analysts still stands at £308, representing a fall of 2.5%. What is more telling is that our survey last time was divided 50/50 as to whether rates would remain static, fall or even -somewhat optimistically - edge up. This time it's 47% who believe that rates will continue to fall, versus 39% who predict a plateau. An ever-hopeful 14% are pinning their hopes on a rate rise come contract renewal time and I'm sure that all of our readers will join us in wishing them luck in their negotiations. It's the group that have been out of contract for a few weeks or months who will be thinking about sub-£300 per day.

Having held-up for a while, rates for Test Managers have now capitulated but this came as no surprise since this insightful bunch predicted a 2% drop during the period. A fraction worse than that, day rates for Test Managers now hover around the £434 mark.

Views of the Evangelists

As we mentioned in our introduction, it's become traditional for us to share you with at the start of each year the outlook for the next 12 months according to an industry sage. Last year Terry O'Loughlin of CSC conceded that there were pockets of uncertainty but for him at that time, demand for testing resource was higher than ever before. We're pleased to report that as SQM Practice Manager, Terry has grown his headcount by a remarkable 43% in the last year.



Testing Evangelist
Phil Lupton of Atos Origin

This year we've countered the uncertain times with the views of not one, but two senior testing figure heads. Phil Lupton is Head of Test Services in the UK for Atos Origin and Simon Cooper is Independent Test Team Manager for part of the UK personal financial services business of global banking giant HSBC.

Originating in France, Atos Origin is an international IT services organisation working in the UK largely for Central Government departments and FTSE250 organisations. Like many integrators today, it's formed country-wide testing practices and standardised test methodologies. Whilst Atos Origin is independent of test automation suppliers and regularly uses client's preferred tools, Phil freely admits that on the whole they'll use HP tools for functional testing and Compuware's QA load for performance testing - more than ever this year, it's likely that those long-forgotten licences will be now be leveraged as the focus intensifies on sweating existing assets.

Indeed, on the whole Phil suggests that a “make do and mend” mantra is increasingly evident across all client projects.

“the volume of testing is likely to increase this year, but overall spend will remain the same”

Phil has witnessed a growing proportion of testing being conducted offshore where they’ve constructed a Test Factory model using resources in India. Interestingly, the business in France uses offshore personnel in Morocco and Spanish colleagues use teams in Brazil. For Phil, the model works best when Project Manager-level resource is deployed from the UK to India and then all communication is routed via that person to the offshore teams. In that case his teams rarely encounter fundamental communication or cultural challenges. Whilst offshore spend isn’t helpful for UK contractors, Phil does suggest that local security and load testing is still in demand. With a strong pipeline of projects in front of him, the good news from Phil is that the volume of testing is likely to increase this year, however that’s quickly countered by the suggestion that overall spend will remain the same. As for gazing further into the future, Phil’s crystal ball suggests that “Green IT” will still have an impact and the quest for reducing carbon footprint will inevitably lead to further centralisation of IT including testing.

Now for the view of the end user. Like Phil, Simon Cooper of HSBC operates within a centralised testing structure which for him evolves around 3 global testing communities encompassing the USA, Asia and Europe. Simon emphasises the point that his teams work with the development groups and not for them. With approximately 50 onshore and 100 offshore testing resources in the mainframe & midrange system and UAT teams, it is encouraging for all of us in testing to learn that Simon’s Test Managers are involved early at the requirements stage of projects and together the teams present a shared and agreed project plan ie not simply the Development Manager’s unilateral view.

Like Atos Origin, HSBC has a substantial offshore capability and for the last three years or so, Simon has co-ordinated teams in Pune, India, who work to exactly the same standards as their UK-based peers. However, in a reverse image of Atos Origin’s model where Phil would normally despatch one of his UK Project Manager’s to India, Simon’s offshore project planning personnel tend to visit the UK for an initial two months or so of the project lifecycle in order to absorb the culture here and learn the application before returning and sharing that knowledge with the offshore teams. Commenting on time zone differences, Simon finds that whilst there is an opportunity for 18 hour work-windows he acknowledges that communicating with a region that is 5.5 hours ahead does have its challenges. Test automation has been built on global licence sharing alongside a global standard template for setting-up projects and the generic approach to defect management. However, he concedes that pooling knowledge worldwide still has some way to go, with no testing equivalent of Google within the organisation.

“we must adapt and change in the face of intensified cost pressures”

Like Phil, Simon is witnessing continued strong demand for testing, particularly on projects which clearly and rapidly create income potential or cost reduction opportunities. He agrees wholeheartedly with Phil that getting more value out of the same spend is key and that the next few months could be “very tough” for contractors. Having said that, Simon recognises the value in company’s engaging contractors who are a known quantity and can hit the ground running to support short term critical phases.

But with intense justification for all external spend, it’s not simply a case now of hiring contractors for 3 or 6 months, it’s a case of thinking more carefully as to whether 2 months or 4 will do. With a mandate to keep increased headcount off the books, Simon does envisage the potential for a UK-wide pick-up in contractor demand towards the end of the year and fixed term permanent contracts could also become more prevalent. He’s not convinced that there will be a spike in testing demand following bank mergers and suggests that this could be a longer, slow creep.

Summary

We are working in extraordinary times, but with every week that passes the extraordinary starts to become the norm. Centre4 Testing enjoyed a busier January than the period leading up to the year end, when business leaders behaved like rabbits caught in the headlights. It seems that many organisations are now endeavouring to regain control of their own destiny and their systems will naturally have to reflect reshaped customer propositions. Whilst it’s too early to talk about the ‘green shoots of recovery’, some pundits including the National Institute of Economic & Social Research surmise that the persistent Bank of England Base Rate cuts coupled with the VAT reduction will result in a 3.3% jump in household disposable income. The question is whether this is spent or saved but just like the analogies made by Phil Lupton and Simon Cooper, consumers will inevitably demand more value for their money.

More than ever, customers of testing services are demanding the cheapest possible solution in the fastest possible timeframe but with no compromise on quality. Phil and Simon see this everyday, with Simon suggesting that it’s the latter point, the inability to compromise on quality, which represents the biggest challenge. With huge end-users like HSBC admitting that as much as two-thirds of the test effort is now being conducted offshore, it’s evident that the thinking is now at a global level on how to deliver projects and leverage internationally-developed test assets. January’s famous quote is that “the world has changed and we must change with it”. It’s no different in our world of testing and we must adapt and change in the face of intensified cost pressures and with that a greater emphasis on offshore testing. We must surely move up the value chain and embrace smarter and more efficient working practices, accepting the prospect of planning and scoping being more interesting than the execution phases. We need to demonstrate to our paymasters the value of our contribution at every opportunity and as Simon says, in 2009 we must all be more commercially focussed than ever before.

Take part in MarketWatch

The information in MarketWatch is based upon the hundreds of conversations that we have with testing professionals each week. You can also complete the MarketWatch survey online and download this survey and others going back to 2004 in PDF format, at www.centre4testing.com Our thanks as always to everyone who is contributing and a special thanks to those quoted in this issue.

If you have any thoughts or feedback, including ideas for questions we should ask or analysis we should undertake, please contact us on 01273 666 799 or via marketwatch@centre4testing.com



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