

### 7 Big Challenges for Venture Capital Backed Growth Companies?



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## 7 Big Challenges for Venture Capital Backed Growth Companies; or How VC Backed Companies Can Survive and Grow in crisis?



VC backed companies have big challenges, especially in the current financial crisis times where VC funding is scarce and/or very expensive. Some of the challenges which have grown larger during the crisis are:

1) A growth company's time to market (TTM) needs to be very fast and timely as the time window in which it has an advantage over its competitors is shrinking. Ten years ago the time in which a company could capitalize on its advantage before competitors were catching up was approximately double of what it is today. Therefore one needs to develop the concept and idea and take it to market fast.

2) This speaks for investing heavily in R&D. However, the capital is always scarce and needs to be stretched as incoming revenue is difficult to forecast. This is especially true today as VCs are hit by a double whammy: they can't exit any of their current investments and need to invest more into their portfolio companies to keep them alive during the crisis.

3) VCs want a cost effective R&D to stretch funding over a longer period of time, but at the same time have a fast TTM.

4) VCs further want scalability and flexibility to quickly cut down if needed – to adjust to the market situation.

5) Growth companies are typically not in a situation where the Roadmaps can be detailed enough in the specifications so that they can be Outsourced as separate projects to the Outsourcing suppliers. The Roadmap and development is dynamic, hectic, and constantly changing to adapt to the market. Thus, the development needs to be In-house.

6) These companies typically have an immature development setup. As they are in the early stage of their software development lifecycle, often the architecture and development is described in simple Word or Excel or similar format. This makes it difficult to structure and scale.

7) Last but not least is the challenge of attracting good and qualified employees. Especially in the time of financial crisis many good IT developers prefer having a larger and more secure employer.

A solution can be to Insource own IT development team at a Nearshore location. In such a scenario the developers fully belong to and are managed by the client and are a natural part of the company's culture – they just physically sit in another location. Cost savings of 40-70% are realistic when calculating Total Cost of ownership – and such a setup is much more flexible and scalable. However, it is important to have a partner that has experience and core competence in such set ups as well as a proven track record of making the remote Nearshore IT developers, at a minimum, as streamlined and effective as the people in the headquarters.

The Danish company Ciklum which is Denmark's largest Nearshoring IT provider is one of the companies focused on this area. With 700 developers working for 86 customer and 7 years of using best practice, Ciklum focuses on setting up streamlined and productive IT development teams for Western European customers. Based in Ukraine, where the IT specialists' market is known for its size and qualifications around the World, due to its size and well-known reputation in the country Ciklum has no problems attracting highly qualified and competent developers to fit any of the customers' needs.

Furthermore, Ciklum offers a plug and play development platform and structure targeted at companies in their early stage of the software development lifecycle. This can take a company significantly faster and higher up the lifecycle towards structured, efficient, and qualitative software development.

*"Despite the crisis times we still have more developers and customers than we did when the financial crunch started," says Henrik Bak, VP of Sales & Marketing at Ciklum. He then adds: "We further experience right now that CEO's and VC Investors are actively recommending or even dictating to start a Nearshore IT development team. One example is a Scandinavian VC backed company with approximately fifteen developers in Scandinavia. The company has a burn rate of more than 50.000 EUR per month – but will reach a break even via transferring a large part of their IT development to Ukraine and offering a few key employees stationing in Kiev."*

The crisis times require challenging and tough decisions but will generate great opportunities for the companies taking the right decisions and planning for the future. Generating a Nearshore IT development team will free resources and funding that can be used for investments in other areas, or stretch an existing funding for a longer period of time.

## Ciklum Team Infrastructure (CTI) Benefits Indicom



In the last Quarter of 2008, to support and enhance the remote collaboration and practical synchronization between onshore and offshore project participants, Ciklum launched Ciklum Team Infrastructure (CTI). The service was launched primarily

to enable independent software vendors (ISVs) to decrease time to market and achieve faster revenue growth by focusing on core activities. CTI saves time, money and effort, as well as enhances the whole software development process in terms of smoother cooperation, effective collaboration, predictability, transparency, reliability, risk reduction and employee satisfaction. More information on CTI is available over [here](#).

Three Quarters down the road and CTI has proven to be helpful to some of our clients' teams. Here is what Bo Altofte Hansen, the Director of a Danish CMS and web agency, Indicom, said about his experience with CTI:

*"Indicom established a team with Ciklum in January 2009, and when we started we had no project management tools in place. Following the advice from Ciklum's Services and Consulting team (CSC) we started using CTI, which is an integrated bundle of best practice tools within software development. In the beginning it was just Jira that we used, and we quickly saw the benefit of using this tool. Jira as a project management tool covers a wide area of different useful functionalities that are simple to use, for example making task lists that gives a good overview of the progress of the different tasks, which again makes it easier to estimate and plan. Beside this, Jira also has bug tracking features that enable us to track and create transparency in our test process.*

*What makes CTI stand out, besides Jira, is that you get tools like source code control, collaboration tools, code review system and release management, and this is to a price that is one of the markets best. Right now we are working on integrating the rest of these tools into our software development process but since we are a small team we take it step by step for now. However, it is a good feeling to know that the tools are there and available to be used when we need them and also that Ciklum Services and Consulting are there, ready to support the implementation process.*

*If I should describe the biggest benefit of CTI in a few words it would be transparency and measurability, because the tools gives us a good - and required - overview of procedures, helps us to determines goals and estimate deadlines and thus helps us track each part of the development process.*

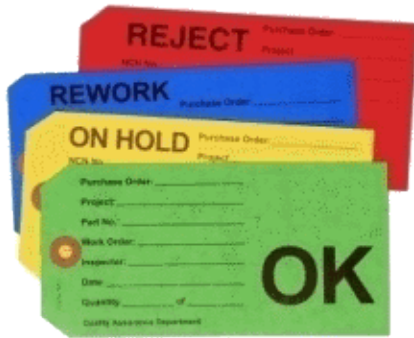
*I would highly recommend others to use CTI."*

**Bo Altofte Hansen, Director, Indicom**

### About Indicom

Indicom is a Danish CMS and web agency specializing in web projects and Search Engine Optimization (SEO). Indicom has delivered projects within a large variety of sectors like service, retail and production. For more information, please visit [www.indicom.dk](http://www.indicom.dk).

## Increase Quality and Time-To-Market



Many customers, who have set up an offshore development team, have a need for increased effort in the areas of quality assurance (QA) and testing. The increased effort may involve requirements for temporary testing effort on products and releases from time-to-time. Or the effort may involve designing and implementing more advanced testing and QA processes as a permanent element of the project lifecycle management model.

Whatever the effort may specifically concern, the objective of testing and QA is clear: Increasing sales and user satisfaction by realising solid and well-tested software products to the market, and reducing the direct and indirect costs related to the development and post-release adjustments

(de-bugging, error corrections, usability changes, performance issues, etc.) of the products.

To accommodate these needs, as of Q1 2009 Ciklum Services and Consulting (CSC) department at Ciklum offers on-demand testing and QA service in a number of the most typical areas:

- **Test execution**

- In cases where there is a large need for doing large volumes of manual test, CSC provides a test team to carry through the testing effort. There is no need to let highly-paid development resources spent their time on low-level testing. CSC can quickly ramp up the testing staff so that even a large volume of testing can be completed in a short time-frame. In sum, this reduces time to market, reduces costs, provides flexibility, and increases quality
- In connection with major releases of new versions or new products, there is typically a need to test on various different operating systems, servers and/or databases. Equally, there is a need to execute different types of performance and security testing. CSC provides the full test environment and the qualified staff. Thus, the customer will not need to invest otherwise large amount into test environments and test staff, and will – ultimately – release a more solid product to the market faster.

- **Test automation**

- Many ongoing standard tests can be automated. CSC can provide the QA engineers to undertake and implement the automation. This provides the customer with permanent reduction in test cost (fewer man-hours spend on testing) and increases the predictability and stability of the testing and – consequently – product quality.

- **Test design, Test planning**

- CSC offers to perform the test design and planning in connection with specific releases, so that the development is supplemented with a solid test and QA effort.

- **QA consulting**

- CSC offers to establish or re-design the whole area of QA and testing with a view to implementing best-practice, best-of-breed tools, and test-development process integration, so that the customer's organization (onshore and offshore) achieved a mature and well-structured set-up for test processes, quality assurance, and continuous quality improvement.

## Ciklum is a WINNER of the Red Herring 100 Europe 2009



We are happy to announce that Ciklum is a winner of the [Red Herring 100 Europe 2009](#), an award given to the top 100 private technology companies based in the EMEA (Europe, Middle East and Africa) region each year.

Red Herring's lists of top private companies are an important part of the publication's tradition of identifying new and innovative technology companies and entrepreneurs. Companies like Google, eBay, and Skype were spotted in their early days by Red Herring editors, and touted as leaders that would change the way we live and work.

Red Herring's editorial staff rigorously evaluated several hundred private companies through a careful analysis of financial data and subjective criteria, including quality of management, execution of strategy, and dedication to

research and development.

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