

## **Offshore Outsourcing: So little value, so much risk.**

As an executive of a software development company I am amazed at the value companies believe that they will receive from the offshore outsourcing of their software programming. The enticement of low hourly rates masks the risks that are associated with this process.

The development of a software solution is more than just programming and in most cases the programming and unit testing phase is 40% or less of the combined effort in delivering and implementing a software system. The emphasis of any development project is requirements, design, programming/unit testing, documentation, integration testing, training and implementation. So, the offshore part of the project is not the major piece of the pie.

Another aspect of offshore outsourcing is the usage of programmers that cannot readily communicate with the system analyst and business users. This results in producing code that has to be redone and retested at a higher frequency than a system developed within the United States using in-house analyst and business users. Why is this thought important? Because the project cost increases when you have to do the programming and testing twice. Communications to a programming staff half the way around the world is not easy. Someone is either on a videoconference or phone call operating in the middle of the night. A technical conversation with a person that is not fully alert is not good management. It is especially risky when English is not the native language to one of the parties in the conversation. Developing systems is all about communications.

Another thing that is overlooked is Intellectual Property Rights. This can be patents or trade secrets. Many countries, even those that are members of WIPO, have loose laws in regards to the intellectual rights of companies in other countries. In some countries you take a risk of finding that your great new system that you have worked so hard to develop is being sold to your competitors within months after its delivery to you. Be aware of the actual laws for the country that your new cheap labor resides in. Get a lawyer; do not be assured by the salesperson that everything will be all right. "We prosecute" is not the same as "we responsible".

There are other factors that go ignored because of the perceived savings of offshore outsourcing. Ongoing support costs and the need for immediate updates to a program. Does the outsourcer maintain the maintenance programming staff or do you? If it is in-house then how do they learn the system? What functions are in what programs? Is it properly documented? Are they proficient in the language and platform the system was developed with? If it is offshore support then how long can you afford to be down while you communicate back and forth and finally get an update?

Last consideration, how much do you really save? Remember, the total programming part of a software development project is 40% or less. So, do you save 50% of 40% and how much has to be redone because of communication issues and extra testing, and how much does it cost to train the in-house support staff? Give me a number quick!

Doyle Kitchen  
President/CEO  
Information Processing Corporation