

GLOBALIZATION AND OFFSHORING OF SOFTWARE

by Babu K. Mohan

The 'World is Flat' mantra has become almost clichéd in the business and technology world, thanks in part to the bestseller written by New York Times columnist Tom Friedman. Offshore outsourcing, or offshoring, a broad reference to the overseas execution of functions in information technology and business processes, is one of the key drivers in flattening the world. Offshoring as a strategic tool for management of Software development and maintenance has gained momentum during recent years. A trend that began as a tactic to move low-end IT work to offshore locations just to cut costs has now entered the realm of mainstream corporate decision making.

The trend has really taken off in the western countries though offshoring continues to evoke mixed responses because of political dynamics. Practitioners and researchers of trends in offshoring now have a new reference guide, the report from ACM Job Migration Task Force, titled "Globalization and Offshoring of Software." The eight detailed chapters are a compilation of research by dozens of experts, academics and technologists. The editors of the report admit that, "the primary purpose of the study is to provide ACM's 83,000 members, the computing field, the IT profession, and the public an objective perspective on current and future trends in the globalization of the software industry so that ACM members can better prepare themselves for a successful future in the system, software"

I have been a keen observer of the offshoring phenomenon, and working with one of the largest Asian offshoring service providers, Infosys, gives me a ringside view of the trends. Business and IT leaders pursue offshoring for various reasons, but the key driver is to ensure that their organizations remain agile and competitive. The recent bid by Electronic Data Systems Corp. (EDS) to acquire a majority stake in Indian offshore services company Mphasis for about \$380 million is a case in point of Western companies trying to increase their presence in key offshore

locales. I dedicated a section to the topic of Offshoring Models in my book "Offshoring IT Services: A Framework for Managing Outsourced Projects" [Publisher: Tata McGraw-Hill].

Though the title of the report suggests that it is compiled by the Job Migration Task force, it goes beyond the analysis of job migration trends. The biggest strength of the ACM report is the well rounded analysis of a broad spectrum of issues, challenges and drivers of offshoring including a study of country perspective that focuses on a brief history of software globalization with emphasis on US, India, China, Japan, Europe and Russia.

There are lessons in each section of the book, especially for researchers and offshoring practitioners looking for strategic insights and directions. The section on Globalization of IT Research (Chapter 5.) is of specific relevance from two dimensions. On one hand software services companies are frantically trying to "move up the value chain" while on the other hand, large software (product) companies are trying to leverage the global talent pool. The report quotes the example of the founding head of Microsoft's research lab in Beijing who grew up in China, got his PhD at Carnegie Mellon University in 1988, and worked for ten years in the United States before being hired by Microsoft to start their new lab in 1998. The section concludes prophetically stating "IT research is steadily, and almost certainly inevitably, becoming more global. This will bring strong advantages to those locations that are now entering the IT research mainstream."

If there were one suggestion for the editors, it would be on the offshoring risks section (Chapter 6). The section analyzes risks of offshoring but the focus seems to be primarily on risks due to Business Process Outsourcing and not necessarily on "Offshoring of Software." For instance the section begins by quoting a news media report about how 40,000,000 credit card accounts at CardSystems of Phoenix, AZ, had been compromised by an infiltration. While this is a great example of risk of Business Process Outsourcing, it is not a very plausible outcome of Offshoring software development since most IT developers rarely ever have access to 'live' customer data since they typically work with software code rather than on live data.

Bottomline: Why pay for books promising to reveal magical strategies of outsourcing and offshoring when you can

download this report free from ACM. I would recommend that executives and managers interested in the intricacies of offshoring review the details in the 288 pages of the report.

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