



## Obama wants less offshoring, as vendors see U.S. shift

Signs of a turn in the IT services market from offshoring to domestic providers

Patrick Thibodeau (Computerworld (US)) | 19 January, 2012 23:43 | Comments | Like

WASHINGTON -- President Barack Obama is trying to encourage U.S. companies not to [send work overseas](#) . This might not be as hard a job as it seems for some types of IT work.

A number of vendors believe offshore [outsourcing](#) is becoming less attractive and are working to make the most of this shift. Among them is a former CEO of the large IT services firm Keane Inc., Brian Keane, who is setting up a new firm, Ameritas Technologies, to address the domestic IT services market. Keane was recently sold to Japanese-based NTT Data Company.

Keane said his company will be "focusing on jobs that have gone offshore, but should have never gone offshore." Some software applications are strategic to a company and require extensive interaction with users, Keane said. Offshore developers "just don't understand how the application is being used," he said.

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Stephanie Moore, an analyst at Forrester, agrees with this view.

"Understanding the context," Moore said, "is almost as important as understanding the technology."

Moore also sees other problems with the [offshore development](#) model, especially the increasing wage rates in India and high employee turnover.

Moore, who was at the White House last week for a forum on job creation, is bullish on the prospects for domestic IT services firms. In a blog post, she wrote, "my unbiased analyst opinion is that IT jobs are coming back here and this transition will be at least as quick as the Indian software vendors' rise to dominance."

At the White House meeting were executives of major U.S. companies, including [Intel](#) , DuPont and Ford. "I'm calling on those businesses that haven't brought jobs back to take this opportunity to get the American people back to work," Obama said.

The White House is working to offer tax breaks and loans to such companies. IT services firms that set up shop in urban and depressed areas are also getting help from the states.

One company that is counting on this domestic growth in IT services is Systems in Motion. The company has increased its workforce from 65 to 190 in the past two years, and has a development office in Ann Arbor, Mich. It hopes to double in size of this year.

Systems in Motion says that its [costs are comparable](#) to those of offshore development firms, and commissioned a study by the University of Michigan Ross School of Business to back up that view.

University alumni with MBAs were asked a series of questions, and 20 respondents completed the survey. The study, completed just over a year ago, found that inshore IT services were 2.9 times more productive than offshore IT services overall.

Moore said additional data is needed to show that inshoring can be cost effective. If companies look at all the costs associated with offshoring, such as business analyst support, to ensure that offshore teams meet all the project requirements, "all of a sudden it looks like it could be quite a bit cheaper to code in the U.S."

Among the reasons for the increasing interest in doing work in the U.S. is the use of Agile development processes, which emphasize highly collaborative teams, said Debashish Sinha, chief marketing officer at Systems in Motion.

A lot of the productivity gains, Sinha said, come from the proximity, the ability to work with customers in the same time zone, as well as an improved understanding of how a process is implemented.

GalaxE.Solutions, a New Jersey-based IT services firm, opened an office in Detroit two years ago and launches a program called "Outsource to Detroit." The company employs 2,000 people globally, including in India and China, but sees the domestic IT services market expanding. It has 150 people working in its Detroit office, and expects to have 500 by 2015.

Ryan Hoyle, the director of global recruiting for the company, said the IT services market is shifting from finding the lowest price point offshore to the quality of product.

Hoyle said the domestic IT insourcing trend will pick up speed. "There is also the feel good aspect of being able to put fellow Americans back to work," he said.

But the Indian firms are still growing. Tata Consultancy Services reported this week that it added nearly 12,000 net new employees to payroll in its most recent quarter. The company employs 226,751 people.

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