



Offshore vs. Onshore Outsourcing: Pros and Cons

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Your company has made the decision to outsource several critical business processes, but should you choose an offshore or onshore solution? There is a growing number of business process outsourcing (BPO) companies available today, with some located onshore in the United States and others in offshore locations like the Philippines. Offshore and onshore outsourcing companies both have pros and cons. The [outsourcing partner](#) that is right for your company depends on several factors, including your budget, the need and accessibility of face-to-face meetings, and your organization's ability to manage cross-cultural communication.

Onshore Partners: Cultural Convenience at a Cost

The obvious strength of onshore outsourcing is that you will be readily able to meet face-to-face with your outsourcing partner if it is necessary. There are also added benefits to doing business with an outsourcing partner domestically, such as barrier-free communication, and there is no need to learn or adapt to new business etiquette. In the event that a complex problem arises, you can quickly mobilize for an onsite meeting with your outsourcing partner if necessary.

Unfortunately, onshore outsourcing, with its significant cultural advantages, features a high price tag that can be a strain on the average outsourcing budget. A domestic outsourcing partner will come at a much higher cost than one located offshore.

Offshore Partners: Expertise with a Budget-Friendly Price Tag

Some of the popular sites for offshoring include the Philippines and India, two countries with strong economies. They feature energetic and enthusiastic workforces that are ready to meet your business process outsourcing needs. While face-to-face meetings are less accessible with offshoring, there are significant financial benefits. In comparison with standard wages in the United States, countries like the Philippines and India demand a much lower employee wage. This is a tremendous benefit when it comes to BPO because it creates a significant reduction in out-of-pocket expenses for companies in the United States. Offshoring is much more affordable than onshore outsourcing. Offshore outsourcing firms also have [state-of-the-art call centers](#) in place to handle and issues and solve complex problems that may arise.

In your search for an outsourcing partner, you will discover that companies all over the globe have impressive track records, strong leadership and management teams, and employees with the right combination of skills to serve you. The key in [choosing an outsourcing partner](#) is deciding what is best for your budget. While onshore and offshore outsourcing partners have the skills and know-how that your business needs, the price of services will ultimately make or break the deal.

The argument for BPO offshore outsourcing may hold water, but it does not apply when it comes to finding a partner to create innovative software products. The real costs of offshore can be found not in the unit labor costs, but in the cost of ownership associated with doing business offshore. There are the obvious ones such as the cost of travel, the cost of communication, and the cost processing H1B visas. The real costs are associated with having inexperienced people with a non- North American development culture attempting to meet the innovative demands of new software products that will meet market demand and enable a profitable business.

Start with the fact that only in North America do developers work in an iterative way with the marketing department to develop a product that meets the demands of the customer base. Going offshore means you are with an inexperienced work force that only knows how to build to specification. No room for déviation or créativité. Products just don't get developed that way in the US, so the resulting build to spec product has to be built over and over again until finally it is market ready.

Compound this problem with the fact that the people building the product are unfamiliar with the technology and the problem becomes even more severe. Not to mention the fact that the people that started on the project probably are not the ones that are working on it when it is finished, since employee turnover can reach 40%-50% per year in many offshore locations. Oh by the way, did I mention that the language is different, and since the time zones are totally out of synch, there is limited real time communication to keep things on track. Then there is the management issue. Since you are dealing with an inexperienced development team thousands of miles and many time zones away, you need to dedicate staff to managing the team. Also, that manager must spend a lot of time in the foreign country, away from home and family, not doing much for employee morale back home. Hopefully, once the product does get built, your intellectual property will not get stolen and find its way to a position on the shelf next to yours at a fraction of the price.

Unit labor costs of doing business offshore is certainly lest than doing development onshore. But you get what you pay for, which is a big migraine and not ,much more.

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