

# Motivation for Writing the Paper *Risk Effect on Offshore Systems Development Project Cost*

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## (How did we get from there to here?)

This paper discusses the motivation behind the original version of the paper *Risk Effect on Offshore Systems Development Cost*, and why the paper was revised for publication in this Special Issue. This revised paper more effectively supports our belief that considering all the risk-driven project costs in offshoring may result in total project costs exceeding domestic solutions.

*Keywords:* offshore outsourcing, risk, systems development

We have consistently maintained that companies undertaking offshore systems development are exposed to additional risks that are not present in domestic environments, such as weaker security protections and regulations, potentially limited protections provided by foreign governments, and other, more general risks. It is tautology that any risk is accompanied by an associated cost, and we maintain that such costs are frequently overlooked when organizations consider the true costs of offshoring a development project. While our context has been U.S.-based organizations as the “domestic” environment, it is more than reasonable to assume that our conclusions could apply with little variation to other scenarios involving E.U. nations, etc.

This paper incorporates extensions of our initial work, which was presented at the 2009 Americas Conference on Information Systems (AMCIS). This updated version places further emphasis on the issue of risk as it affects the total cost of ownership for systems development efforts. In addition, we have incorporated recent examples of specific incidents in this

work. Specific examples of security breaches and their attendant costs help to highlight the financial risk exposure of client organizations when working with companies in a multi-national context. The examples that have been added demonstrate the significantly increased risk exposure that may confront companies when offshoring. We also expanded our discussion on the issue of how shifting political winds may cause previous agreements to become null and void. We have incorporated additional references to support our position.

Discussions at AMCIS resulted in a re-visitation of the motivations behind the lone figure in the paper. Discussants at the presentation pointed out that risk categories are prone to a greater degree of overlap, and we chose to update the narrative and to provide the new model included in this paper. The revised figure and discussion provide a clearer picture of how we portray the potential effects of risk on the overall cost of the systems development effort.

Practical experience in this area, and previous research, have shaped our belief that the attendant risks experienced by organizations seeking software development in less developed regions of the world fall into the categories as outlined in this research. The additional risks of offshoring translate to potential costs which companies are either unaware of, or choose to ignore. This revised paper more effectively supports our belief that considering all the risk-driven project costs in offshoring may result in total project costs exceeding domestic solutions.

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