

Bitsoft balances client-site consulting, outsourcing

BY CARON SCHWARTZ ELLIS

Staff Writer

NIWOT — According to V.V. Ramanan, outsourcing high-tech work to India doesn't have to mean job reductions in the United States.

Ramanan is co-founder and president of Bitsoft Systems Inc., a Niwot-based consulting company that specializes in software development and testing. The company has six U.S. employees and 15 based in Bangalore, India.

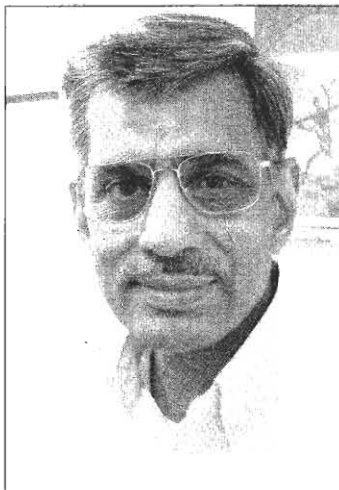
Founded in 1999, the company rose from \$450,000 in revenues in 2003 to \$800,000 in 2004 and expects to exceed \$1 million this year, Ramanan said.

Zero startup costs and low overhead are keys to Bitsoft's growth.

There's no office in the United States; Ramanan and his Colorado employees either work at their homes or at the client site. In India, the company maintains a 2,000-square-foot office managed by co-founder Srikant Visweswariah.

The other key is the relatively inexpensive talent pool available in India.

Of the approximately \$700,000 he spent on salaries and benefits in 2004, about 65 percent went to the U.S. employees, Ramanan said. "I would not have the opportunity to hire these people here if I didn't have people in India," Ramanan explained. That's also how he explains the rationale



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Bitsoft Systems Inc. President V.V. Ramanan attributes his company's growth to zero startup costs, low overhead and the relatively inexpensive talent pool available in India.

for outsourcing.

"You might complain that I'm sending work overseas, but if I didn't do it I wouldn't be able to hire here. I wish I could have all 20 people in Colorado, but I don't think I'd have a viable business if I did that." The difference between what Bitsoft can

offer and the standard outsourcing model is integrating the U.S. workers with the client, Ramanan said. Only coding and testing that can be worked on independently is done in India

"We do not like to ship everything to India," he said. "We like to engage our customers here directly with our team here."

Bitsoft's Colorado employees work at the client site alongside company employees. "If you walked into (the client) you can't tell us apart," he said.

Ramanan did not want to name his largest client, saying only it's a Fortune 500 company with a facility in Loveland where he used to work. Many Bitsoft employees formerly worked there, "So they have institutional memory about the company," he said

Although he knows having one large customer is traditionally considered bad business strategy, as a lean company he doesn't have the resources to establish new accounts. His secret is, "I do all the business development so I'm picking off the low-hanging fruit."

According to Ramanan, offshore projects work better when managed locally. He recently met a potential customer from the East Coast who wanted all the work to be done in India so he turned down the job. Another customer had shipped a job entirely to India and signed on with Bitsoft

Bitsoft Systems Inc.

8329 Pawnee Lane
Niwot, CO 80503
(303) 775-1928
Fax: (303) 652-8162
www.bitsoftsystems.com

afterward "telling me, 'We have much better luck with you' because we engage the customer onsite.'"

He also has a problem with the business model where foreigners are moved to the U.S. to work here. There's an inherent language and culture difference. "Our engineers and managers are from Colorado so they understand the Colorado culture as well. It's not easy to take someone from India or Lithuania and have them work here."

Bitsoft's Indian presence is incorporated separately from the U.S. company because complex Indian business laws make it difficult to open a branch of a foreign country there, Ramanan said. "I knew if I decided to battle the bureaucracy in India we would never get off the ground. ... If we start growing really big we'll get clearance from the Indian government."

Contact Caron Schwartz Ellis at (303) 440-4950 or e-mail csellis@bcbcr.com.