



---

Anandasivam Gopal  
Robert H. Smith School of Business  
University of Maryland  
College Park, Maryland 20742  
agopal@rhsmith.umd.edu

Konduru Sivaramakrishnan  
Bauer College of Business  
University of Houston  
Houston, Texas 77204  
konduru.sivaramakrishnan@mail.uh.edu

M.S. Krishnan  
University of Michigan Business School  
University of Michigan  
Ann Arbor, Michigan 48109  
mskrishnan@bus.umich.edu •

Tridas Mukhopadhyay  
Graduate School of Industrial Administration  
Carnegie Mellon University  
Pittsburgh, Pennsylvania 15213  
tridas@andrew.cmu.edu

© 2004 University of Michigan Business  
School.

**PUBLISHED RESEARCH**

## Contracts in Offshore Software Development: An Empirical Analysis

We study the determinants of contract choice in offshore software development projects and examine how the choice of contract and other factors in the project affect project profits accruing to the software vendor. Using data collected on 93 offshore projects from a leading Indian software vendor, we provide evidence that specific vendor-, client-, and project-related characteristics, such as requirement uncertainty, project team size, and resource shortage, significantly explain contract choice in these projects. Our analysis suggests that contract choice significantly determines project profit. Additionally, some ex ante vendor-, client-, and project-related characteristics known at the time of choosing the contract continue to significantly influence project profits after controlling for contract choice. We also provide evidence to show that project duration and team size affect project profits.

*(Software Development; Offshore Contracting; Contract Choice; Software Outsourcing )*