



High Paying Jobs from Offshore Outsourcing—An Oxymoron?

By Bill Elder

CAN offshore outsourcing actually produce high-paying jobs? At first you might say, absolutely not. Many articles and news shows depict that many high paying IT jobs have gone overseas. There is no denying this. We are once again reminded of Ross Perot's famous sucking noise of jobs leaving the U.S.

Managing offshore IT projects themselves have become more complex. Companies with IT operations overseas find themselves dealing with a multitude of cultural, language, and legal issues. Managing these issues is starting to evolve as a profession in its own right. If you keep on reading, you might find that you the IT professional could play an important role in this new outsourced world.

THE TWISTS AND TURNS OF OFFSHORE OUTSOURCING

Offshore outsourcing is increasing throughout the world. Even European countries are seeing some of their IT jobs going overseas to lower wage areas. The creative ways to outsource are also an interesting eye opener. Fortune magazine recently exposed one innovation in an article called "Will a Floating Tech Factory Fly?" (09-05-05 issue). A San Diego startup company called SeaCode plans to acquire a used cruise ship and staff it with about 600 IT staff from different countries. The twist to this is that the ship would be docked three miles off of the California coast. If all goes according to plan, the ship will be in business in early 2006. This innovation addresses the growing complexity of managing offshore IT operations in faraway places. In this case, corporate managers would not have to travel very far to monitor and control IT projects.

Even this cruise ship innovation introduces other issues to manage. For example, the staff working on the ship would not be subject to U.S. labor laws. The ship would be under the banner of a flag from a country such as the Bahamas. Another twist in this is that the IT workers would be legally classified as a ship's crew. Maritime labor law could be another item for the project manager to manage. This is an example

of where you reduce costs in one area and increase your project's complexity in another area.

OFFSHORE OUTSOURCING CAREER ADVICE

Many of us have come to accept the fact that offshore outsourcing is now a factor in future career planning. Not too long ago, knowing how to program a computer was almost a sure ticket to guaranteed employment. How times have changed. These days we are seeing more articles that advise IT professionals on how to navigate through this new world.

Technical Support recently published an article called "Be on the Right Side of Offshore Outsourcing" (August 2005 Issue) by Kathy Bornheimer. Companies do encounter problems when they start sending work overseas. The article advises to readers that being a problem solver that addresses these complications can be a way to manage your IT career. Companies that outsource overseas will continue to need IT professionals to deal with security and intellectual property issues that come with doing business overseas. Language and cultural differences can introduce the risk of re-work or project failure. Being the IT professional who can address these risks can also ride the offshore outsourcing trend. Understanding these aspects of IT can increase our chances of continued employment.

MANAGING OUTSOURCED IT PROJECTS IS BECOMING MORE COMPLEX

The outsourcing plot thickens because many companies are outsourcing their IT operations to multiple vendors. In addition, some of these multiple vendors are in different parts of the world. This introduces even more challenges for CIOs and project managers. Some might say headaches rather than challenges. CIO magazine recently addressed this concern in an article called "Multiple Choice Answers" (05-01-05). According to this article, managing multiple outsourcing

vendors requires project managers to learn new skill sets. Companies venturing into this arena have to set up a governance structure to oversee multiple vendors. Firms doing this have to hire additional staff to monitor business relationships with multiple vendors. If you read enough IT journals, you will see the buzz words "relationship management." Some of the new skills needed by these relationship managers include monitoring service level agreements and developing vendor performance scoring systems to evaluate vendors.

THE FRAGILE WORLD OF INTERNATIONAL BUSINESS

Many of us have been hearing recently that the "world is getting smaller." Many of the things we take for granted are made or serviced from just about anywhere in the world. A disruption half way around the world can bring a company's operations to its knees. In his book, *End of the Line—The Rise and Fall of the Global Corporation*, Barry Lynn analyzes this phenomenon. One of his most striking examples is the case of an earthquake in Taiwan in September 1999 that disrupted factory operations in Texas and California. These American factories had lost their supply of semiconductor chips that were based in earthquake torn Taiwan. As more companies outsource IT operations to parts of the world, they too are subject to many vulnerabilities as well. As Lynn points out, we need to better manage the complexities of global enterprise if we want to benefit from it. Now more than ever IT Project managers will be in search of a structured way to manage International IT projects.

INTRODUCING THE "TRUSTED PIPE"

What if we had a way to manage offshore outsourcing and be able to see it and manage it as a "pipe line?" The "Trusted Pipe" is a detailed blueprint for addressing offshore outsourcing risk factors. In addition, this methodology helps companies to choose an outsourcing vendor and to monitor the vendor's performance.

The inventor of this innovation is Don O'Neill, a software engineering consultant and the Executive Vice President of the Center for National Software Studies. The Trusted Pipe is a detailed grouping of checklists and procedures to help manage the risks of offshore outsourcing projects. They are quite thorough. For example, Don identifies the top ten risks of sending IT work overseas. Some of these include—protection of intellectual property, security breaches, and clashing of corporate cultures. With each of these risks, this methodology identifies ways to monitor and control these risk factors. Below is a summary of the trusted pipe from Don O'Neill.

Don O'Neill has a patent pending on "Business Management and Procedures Involving Intelligent Middleman." This apparatus and method provides the inside track to offshore outsourcing using the trusted pipe architectural framework. It specifies a high speed, secure electronic network connection between an in-country client-server and an out-country client-server each manned by intelligent middlemen responsible for composing and interpreting the multi-dimensional messages needed to ensure a trusted and harmonious operation.

The messages handled by intelligent middlemen span hard and soft skills including ethical issues, cultural mediation issues, intellectual property rights and legal opinions, security and privacy safeguards, technology, management and engineering practices, knowledge, and skills, domain knowledge, and technology infrastructure.

The system will manage a network of global enterprises seeking to outsource software development and operations offshore. There are two major types of control points. In outsourcing its software workload, a global enterprise interacts with intelligent middlemen in the onshore global enterprise control point located in the U.S. In performing outsourced software development, the out source vendor interacts with intelligent middlemen in the offshore out source vendor control point located in the target country.

MORE ABOUT THE TRUSTED PIPE FROM DON O'NEILL

To get more detail, we spoke with Don. If the trusted pipe was implemented at firms doing offshore outsourcing, IT professionals may be able to create a role for themselves using this methodology. We will explore this intriguing possibility in more detail with Don.

Question and Answer

Technical Support Magazine: Some of our readers have been affected in some way by offshore outsourcing. Your "trusted pipe" shows that opportunities can emerge from the need to monitor offshore IT operations. For an IT professional who wants to transition into Offshore Outsourcing project management, what advice would you give them?

Don O'Neill: There will be increasing opportunities for IT professionals to move into project management roles in support of offshore outsourcing. In fact it will be up to project managers to sustain the viability of offshore outsourcing by delivering the promised benefits associated with cost savings and quality. In managing cost and schedule be sure to adopt earned value metrics. In managing quality be sure to insist on software inspections.

Beyond these basics, the project manager who wishes to excel will become skilled in requirements elicitation, determination, and management and the change management practices needed to sustain the alignment of cost, schedule, function, and quality.

Other skill needs come with the territory. For example, there must be a secure network infrastructure in place. Also the truly outstanding project manager will learn how to manage innovation onshore and to recapture innovation offshore.

Realistic offshore outsourcing project managers are those that pick an offshore destination, country or region, and become expert in its business and cultural factors. The project manager must become the intelligent middleman bridging the gap between the global enterprise and the outsource vendor. This person will be able to sit in the boardroom and stand on the factor floor.

TSM: Can IT professionals learn more about the "trusted pipe" by taking a course? If not, are there books and websites where they can learn about it in greater detail?

DO: The project manager contemplating a future assignment on an offshore outsourcing engagement is invited to become acquainted with the Trusted Pipe by visiting www.trustedpipe.com.

The project manager confronted with such an assignment needs to obtain an awareness and understanding of the perspectives of global software competitiveness including the Route to Global Software Competitiveness, How to Think Twice Before Outsourcing Software, and Innovation Management. The table of contents for these lecture topics can be viewed at: http://members.aol.com/ONeillDon2/perspect_abstract_frames.html.

It is useful for the project manager to be prepared to conduct an assessment of the Global Enterprise and its readiness to engage in offshore outsourcing and to conduct an assessment of Outsource Vendors candidates. Please visit <http://members.aol.com/oneilldon2/competitor7-4.html> for information on Global Enterprise Outsource Maturity (GEOM) and the Out source Vendor Profile.

As an Independent Consultant, I am available to accept an assignment to assist the project manager and the enterprise in structuring an offshore outsourcing project and infrastructure along the lines of the Trusted Pipe. I can be reached at ONEillDon@aol.com.

TSM: Have any companies implemented your "trusted pipe?" If so, what were their biggest challenges in implementing it?

DO: To date I am unaware of examples where the Trusted Pipe has been rolled out with the full complement of nodes including Global Enterprise, Global Enterprise Control Point, Outsource Vendor Control Point, and Outsource Vendor. While many global enterprises engage offshore vendors, the implementation of the control points with their intelligent middlemen has been missing. These functions have remained embedded within the organizations of the global enterprise and outsource vendor and usually dedicated to one project at a time.

The rapid ramp up by IBM India from 5,000 to 38,000 may inspire the instantiation of these control points as the means to achieve personnel efficiencies, cost benefits, and management control through the functional specialization of intelligent middlemen capable of handling multiple engagements.

TSM: Some of our readers might be interested in implementing your "trusted pipe." There are times when corporate management is resistant to new ideas such as these. What advice would you give our readers to help persuade their upper management to using the "trusted pipe?"

DO: While offshore outsourcing is becoming more widespread, it still remains a work in progress in the industry. In approaching senior management with a proposal for offshore outsourcing, the principal focus needs to be one of realism that includes the identification of risks, the confrontation of uncertainties, the need to sustain management commitment to the ongoing offshore operation, and a fact-based assessment of the increasing cost benefits that can be obtained through successive offshore projects including the ongoing calculation of the cost return ratio for the project.

The mechanism of the Trusted Pipe anticipates the challenges associated with offshore outsourcing and promotes the necessary atmosphere of realism from the outset with its Global Enterprise Outsource Maturity assessment and Outsource Vendor Profile evaluation, its attention to planning and requirements determination, and its focus on intellectual property and innovation management.

The Trusted Pipe assists the stakeholders in sustaining the realistic focus through its attention to a process rollout through training, fact-based project management, disciplined change management, software quality management including software inspections, continuous risk management, recapture of intellectual property using team innovation management, and genuine culture mediation.

Since offshore outsourcing is still a work in progress and software projects inherently require a process of experimentation, the Trusted Pipe and its realistic approach within a process infrastructure of defined disciplines tolerates a wider range of uncertainty without drifting into chaos. However, senior management must pay necessary due diligence to the disciplines of software project management, software product engineering, and software process management.

The acid test for senior management comes on the first engagement when the cost benefits inherent in the wage structure differential are

subsumed by unanticipated costs yielding a marginal cost return ratio. The truly senior manager will recognize that the full cost benefits may not reveal themselves perhaps until the third project. The Trusted Pipe provides the framework to see these benefits materialize realistically and without the over promising that leads to disappointment.

TSM: The IT professional is not as secure as it used to be. Offshore Outsourcing has caused some to leave the profession. Are there new and significant opportunities for IT professionals to participate in project offshore management?

DO: Offshore outsourcing is likely to emerge as an important industry segment. India receives about \$15B in software outsourcing today and expects to see this increase to \$50B by 2008. IT professionals will benefit by understanding the infrastructure and job functions needed to perform offshore outsourcing in the best possible way. The Trusted Pipe provides the architecture for this infrastructure. The challenge for the individual IT professional is to guide one's career progression in the direction of the most valuable functions. Increasingly these will be the ones associated with innovation.

In offshore outsourcing the highest value is assigned the legal and business functions of the Global Enterprise; the lowest value is assigned the engineering function of the Outsource Vendor. The Global Enterprise business need is met by the engineering function of the Outsource Vendor. The process, management, and culture functions performed by the Global Enterprise and Outsource Vendor Control Points are necessary to eliminate friction. In the international outsourcing environment, this is what the outsourcing integrator does: selects and organizes the parts and eliminates friction thereby improving the predictability of the outcome.

The intermediate functions of requirements determination, product architecture and specification, project management, process management, and quality assurance are most subject to rearrangement where the criteria for rearrangement are tied to the prospect for innovative contribution. For example, in the innovation-driven arrangement requirements determination is tightly coupled with consumer innovation, and product architecture and specification are tightly coupled with producer innovation, so these are accorded high value. On the other hand, certain process, management, assurance, and culture functions necessary to eliminate friction and improve the predictability of the outcome are only loosely coupled with innovation-driven activities and are thereby accorded less value.

It is here among the job descriptions of these middlemen that standards-based commoditization can be further advanced to assist predictability and increase software industry efficiency, where additional opportunities for disintermediation may yield further productivity gains, and where the residue of intelligent middlemen with their essential software job descriptions and functional activities can be elevated within the value hierarchy.

SOME PARTING THOUGHTS

There is no denying that offshore outsourcing can be quite disruptive at times. As with any disruption, opportunities can sometimes emerge. For example, the ATMS have eliminated some teller jobs but at the same time have created opportunities for ATM repair technicians. Some thought that the Internet would put the post office out of business because of emails and online bill payments. Now the post office is busier than ever thanks in part to Amazon.com and e-bay.

Offshore outsourcing has no doubt eliminated some jobs such as programmers and testers. Just perhaps this disruptive business model

might actually create some very lucrative opportunities and jobs here at home. Hopefully it will.

SOURCES

Fortune. "Will a Floating Tech Factory Fly?" by Reed Tucker. September 5, 2005 p.28

Technical Support. "Be on the Right Side of Offshore Outsourcing" by Kathy Bornheimer. August 2005 Issue

CIO. "Multiple Choice Answers" by Susannah Patton. May 1, 2005 p. 66 - 73.

End of the Line - The Rise and Coming Fall of the Global Corporation by Barry C. Lynn. Published 2005.

WEB SITES

Sea Code's Corporate Web Page

www.sea-code.com

Trusted Pipe's Web Page

www.trustedpipe.com 

NaSPA member Bill Elder is a systems analyst with SETA Corporation supporting an IT contract with the Department of Homeland Security. Bill is also certified as a software tester through the Quality Assurance Institute. He works primarily with mainframe and SAP-based systems.

