

Outsourcing Survival Guide

By Ade McCormack



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Introduction

Outsourcing is a market reality. The extent to which organisations keep their IT activities in-house is changing. The extent to which their IT activities are performed in just one country is changing. This guide provides advice on how to steer your career through these turbulent times, where outsourcing is very much on the boardroom agenda.

The guide is primarily for permanent and contract staff that work in end-user organisations.

Definitions

Let us take a look at the terminology associated with outsourcing. Typically like many other aspects of the IT industry, there is a lack of consistency in how people interpret a given IT term. What follows are the most common definitions:

Outsourcing – When responsibility for the IT department is assigned to a third party supplier. Optionally they will deliver the service through:

- Their own staff
- The customer's staff
- A combination of both.

Off shoring – There are two definitions. One involves an organisation setting up its own IT function in another country. The other involves the organisation using the services of a third party whose resources are located in another country. Given that India is the most popular location for off shoring, one can consider off shoring as having one's IT function located on a different continent.

In shoring – This is where off shoring companies set up a local presence in say the US or Europe. It also is used to describe local companies that importing low cost workers from countries associated with off shoring.

Near shoring – Whilst India, and increasingly China, are popular outsourcing locations, there are a number of emerging countries in Eastern Europe that are repositioning themselves as IT centres of excellence. Most notably Poland, Russia and Rumania. Being closer to home, at least as far as Europeans are concerned, this is often referred to as near shoring to differentiate it from outsourcing to another continent.

Cyber sourcing – This concept relates to outsourcing where the service is delivered via the web to the users via the browser. Thus the buyer needs no other IT infrastructure than thin-client / dumb terminals for their users.

Utility computing - This will be an increasingly popular model of computing, whereby the customer essentially pays for what they use, whether that is in terms of storage or processing. This will allow outsourcing companies and IT departments in general to assign costs more appropriately to the users.

Trends

Most trends in IT are cyclic. Outsourcing is no exception. The current trend towards Business Process Outsourcing is nothing more than the data bureau revisited. Having been popular in the seventies it drifted out of fashion as organisations became more confident in their own ability to handle this in-house.

The 'technology nuclear winter' we experienced post-dotcom caused organisations to reflect on their costs. IT being a significant percentage was scrutinised closely. Finance Directors have always struggled to understand exactly the value they receive from their investment in IT. Thus they mainly saw IT as a cost and consequently looked at ways of driving down this cost. Up to this point the last outsourcing wave was turning inwards, but the outsourcing companies saw this downturn as an opportunity to reverse the trend.

India's emergence as a very competent software factory lured finance directors to be drawn by the promise of 70 per cent plus savings. This generally has not gone to plan as the savings have not been quite so forthcoming. In part this relates to the rising costs of labour in India, and in part because remote project management requires a new set of skills that were unknown to first wave buyers.

India is already having to redefine itself as a value added consultancy, rather than a software factory. They claim that if you want cheap then go to China. In fact that is often what Indian outsourcers do when they win system development work from western clients. Keep in mind that the smart technologists in the East are heading West to get a better return for their labour. This in turn increases scarcity in the East, which leads to higher labour costs.

We are now in a buoyant market, where organisations are starting to look at IT as less of a cost and more of a source of competitive advantage. This then throws up the question, "Is IT is so core to our business that we outsource it to so called 'experts' or do we keep it in house?" This is a dilemma that organisations today are facing, and is causing some reversal in the outsourcing trend. But the momentum built up from the post dotcom crash will take some time to slow down.

Impact on roles

Roles will not disappear as such. There will for example be a need for programmers and administrators into the foreseeable future, even though the IT industry is conspiring to automate these roles. It is just a question of whether the roles will reside in the end user IT department or with the technology supplier. And whether the role will remain in your country or be shipped elsewhere.

If we take the view that the trend towards off shoring will increase then there will be a change in the role profiles on each side of the buyer-supplier boundary.

It is likely that the 'low risk' roles will be shipped first. I am loath to use the word low value because roles such as programmer and system administrator require genuine expertise. However some organisations perceive these as commodity roles and so see no problem in off shoring them.

As the world moves towards web services, the potential to off shore all infrastructure becomes real. At the end of the day users want services, how they are delivered to their desktop or palm top is academic. The platforms needed to host and deploy these services need not be in the same room, building, country or continent as the users. In this scenario, the user devices will most likely be 'thin client' in architecture, thus causing PC support / desktop analyst roles to disappear. As the Internet replaces private network, the need for networking support will decrease.

Roles such as technical architect, project managers and system / business analysts are likely to be the last to leave for another continent. Project managers and analysts need to be close to the users. Technical architects need to stay so that the buyer retains some expertise in house regarding the overall IT setup.

There is also likely to be a growth in commercial managers who are expert at managing relationships with off shore suppliers. Invariably some roles will move, some will disappear and some new ones will be created.

Top Actions

Let us now take a look at what you can do to protect your career against the possible onslaught of outsourcing.

1. Develop business process wisdom

The value to employers is increasingly to be found in the knowledge their IT people have of the business processes around which the IT systems are built. Having genuine expertise in your organisation's business processes will make you an asset that they would be unwise to lose. It is also something that third party suppliers cannot compete against. They have theoretical knowledge of the processes. You have actual and possibly undocumented knowledge and that is valuable to the organisation you work for.

2. Wise Up

Many IT departments are cocooned in a non-commercial world. This protects technologists from the messy business of contracts, negotiations and politics. Thus many IT staff have not developed these skills, making

them commercially vulnerable in the wider world. Outsourcing is a very commercial business, the more prepared you are the more you will be able to determine your future. The alternative is to be a victim of the future.

3. Work for organisations that 'get IT'

Such organisations recognise that IT is a value generating investment rather than a cost to be driven down. Organisations that see the value of IT are less likely to outsource their IT department. They see IT as a core competence and so want to keep it in house. That makes such an organisation a more secure place to be, if you are good at what they need.

4. Move up the value chain

The more senior the role, whether it be technical or non-technical, the less likely it is to be outsourced.

5. Be a 'bridger'

Extend your technical skills to embrace effective user influencing skills. Bridge the gap between the IT department and the users. Make sure you are involved in working with them. Once the users see you as an expert rather than a commodity they will be less likely to replace you.

6. Don't panic

The move to outsourcing in general and off shoring in particular is unnerving a lot of technologists. The reality is that it is still very early days. According to management consultants McKinsey and Co, only \$45bn has been spent to date on off shoring globally. So avoid any knee-jerk reactions based on sensationalist news stories.

7. Avoid career cul-de-sacs

Keep up with the trends. Certain skills such as Cobol, RPG and PL/1 have a limited shelf life. However you may even command a premium rate because of the rarity of these skills in the market. But note, outsourcing is often used as a way of flushing out legacy systems. Avoid being perceived as obsolescent.

8. Demonstrate your value

There is a vague sensation at board level that the IT department isn't really delivering business value. It usually is, but is very poor at articulating the value it delivers. Avoid the guesswork, by demonstrating the value you are delivering. Describe your achievements in terms that relates to your impact on the users / business / customers rather than talking about lines of code and bug fixing velocity. So talk business and

not technology and you will be perceived as more valuable than 'just a technologist'

9. Become a hybrid business-technologist

We have alluded to this through out this guide. Technology skills will not be enough. You will be expected to have business process expertise and be very user oriented. At the end of the day you will need to be indistinguishable from business users, apart from the fact that you have strong technology skills. Hybrid business technologists are the future of IT. Being one will increase your value to your business, and so make it less likely that your role will end up overseas.

Conclusion

The IT industry by its very nature is volatile. Off shoring simply increases the turbulence. Outsourcing in general is on the boardroom agenda of many organisations. Enlightened organisations in respect of how IT adds value to their business will be reconsidering the wisdom of outsourcing, or at least outsourcing the whole IT department. As someone who works within the IT industry, you need to plan your career path keeping in mind what lies, or what may lie, ahead. Outsourcing is too significant to ignore. You are well advised to factor it into your career progression.