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Offshore Development: Responding to the Trend as a Business and as a Worker By Jean Richardson, BJR Communications

Over the last two years, the Silicon Forest has become the Silicon Thicket, and offshore development appears to have played a key role in this transition. Throughout the industry, hundreds of businesses have shut down and tens of thousands of high tech employees have been laid off.

What does this mean to you, as a business or worker?

- Companies must respond to economic pressures. In our capitalistic, competitive system, passing up cost-saving opportunities is an invitation to being culled from the herd.
- Workers without jobs must restructure their skills for long-term marketplace viability. Whether you've been in the business five, fifteen, or thirty years, this rapid transition makes that challenging. Education takes time. And the kind of education we need is not another programming language or tools class.

According to Bill Calder of Intel, offshore development isn't news and it makes good business sense. "Intel has had international operations since 1969. We've been international and global since early in the company's history." Currently, Intel has operations in approximately 80 countries. Further, "in recent years, 60% of Intel's revenues have originated outside the US."

For these reasons and those detailed in Cindy Easton's article [Offshore Software Development: Is It Helping or Hurting Our Economy?](#) published in the Feb. 2003 Cursor, this trend seems irreversible and is gaining momentum.

In today's global marketplace, the basic skills of creating software applications have been acquired by offshore human resources. Resulting challenges to businesses and individuals include lack of:

- Appreciation for diversity
- Cultural literacy
- Language skills
- Collaboration skills

So, now what? How do you as an individual contributor or business owner respond? In a phrase: strategic change. Four options for a response appear on the horizon:

- Position yourself to compete against the lower labor rates of offshore developers and settle for lower wages and standard of living.
- Facilitate the transition by providing services that assist companies in moving work offshore.
- Follow the jobs overseas as a consultant.

- Focus on contributing as a member of the creative class. Retool to take on the higher-skilled roles that are less likely to go offshore such as market analysis, requirements analysis and management, high-level program and project management. Convert the undeveloped capital in the local creative class to new products for domestic and offshore markets.

Work hard and make less

Not many of us are interested in settling for less unless we're using this as a short-term strategy while we retool. However, service organizations such as staffing agencies have shaved their margins and dropped their rates to compete. Many of them have also opened offices around the world. Falling back on basic skills at lower rates while you retool can be a good short-term strategy.

Allen Alley, CEO of Pixelworks, sees an upside to the current trend, with a caveat for highly paid workers. "You have to recognize that there is labor available that is extremely cost effective for doing some pretty mundane tasks. The thing that is working for us (in the US) is that they all aspire to our standard of living. As they become more affluent, they become consumers, opportunities for us in the United States.

Unfortunately, if you make five times as much as someone in China, you need to be five times as productive. The Chinese will get better; they're demanding more money. Salaries there have doubled in the last four years."

Ultimately, the argument goes, salaries will more or less stabilize across national boundaries.

As more jobs go offshore, barriers to entry may rise in some specialties in the US labor markets. This is particularly true for those with knowledge of specific tools or programming languages. Workers may want to evaluate how they can expand their skills to those that are more difficult to take offshore.

Join the parade

Spencer Johnson's *Who Moved My Cheese* has been tremendously popular over the last several years. Those people catching onto the gist are remaking themselves as offshore development transition managers, as a recent job posting at Hewlett-Packard showed. A search of Monster.com shows 129 hits for US jobs related to offshore development. Some jobs are for business infrastructure consultants for companies such as SAP and Peoplesoft, but positions for offshore development and transition managers are appearing. These jobs need skills that include offshore vendor selection, transition project planning and implementation, undocumented IP transfer, management of virtual teams, and human resource outplacement.

US business has long seen a role for individuals who focus specifically on transitioning businesses to new phases. Remember turnaround masters and re-engineering gurus? The offshore development transition manager may be the next persona to join this parade of specialized businesspersons.

Show 'em how

If you have the flexibility, you might choose to follow the work overseas as a consultant. Offshore development companies have their own development challenges. More than that, they have challenges in understanding American culture. While they have made great progress in the latter, you may find key areas in your specialty where the US still has an edge. These are opportunities for you to provide training services to offshore vendors. The services you can offer will depend on your specialty. However, staffing agencies have already set an example by setting up offshore offices.

As Intel's Calder puts it, "If you want rapid growth, the action is outside of the US. They're bigger markets, they are growing, and the potential is significant." That philosophy is logically not limited to semiconductors but can be expanded to the businesses that support that industry.

That doesn't mean you have to move to India, China, or Russia on a temporary visa. Consider helping US firms understand at the line-employee level how to interact with cultures that are foreign to them.

Allen Alley relates how drastically his worldview changed after he started traveling outside the US. He sees international cultural literacy and appreciation as key to success in high tech. With regard to new product development he says, "Be flexible. Realize that these are not Americans designing products for Americans: travel, read, see the world. Be sensitive to another culture."

Alley advocates studying foreign languages as a way to develop cultural sensitivity. He's optimistic about US companies' ability to cope with the challenges of the global marketplace. "Part of it is our educational system, part of it is our language. It's easy for Americans to do business around the world. Our culture is an amalgamation of the entire world; we have bits and pieces of every culture."

*What do you call someone who speaks three languages? Tri-lingual.
What do you call someone who speaks two languages? Bi-lingual.
What do you call someone who speaks one language? American.*

It's true that we in the US are more culturally diverse than many countries. However, we've had the "melting pot" debate for over a generation. Many culture-watchers discount our evaluation of ourselves as an international cultural composite. Pushback on multilingual public signage and bilingual education shows a lack of understanding of or appreciation for other cultures.

The cultural gaps between *US* and *THEM* are wider than we think. In 1999, I prepared a white paper on best practices for qualifying and managing offshore development projects. During a series of interviews, one engineer told me it's just too embarrassing to say, "I don't understand what you said. Could you repeat it?" Such minor tensions

quickly mount unless they're proactively addressed by the business or project team culture.

Telecommuting is also the subject of continued debate. Interpersonal communication is different when we're working across cultures, national boundaries, and time zones with people we have rarely or never seen. It may take our industry years to rework our corporate culture to collaborate effectively in these environments. Particularly if we don't get about it in short order and with great sensitivity and intelligence.

Ratchet up to the new economy

There are specific skills that play off key strengths in the US mindset. These include new product development activities such as market analysis and requirements analysis and management.

Allen Alley, Pixelworks CEO, believes that creative thinking is where the US may have the rest of the world beat. "There are certain things that our economy and engineers do extremely well. There aren't many Pixelworks in China. We're becoming the creative cradle for the world, in a way. There is something about our society and our education system that makes this possible."

Repeatedly, sources reported that tools-related skills are easy to take offshore. "Anyone" can be taught to run a tool. Some specialties felt protected from the offshore development trend because they saw their work tied to our culture and language. That's increasingly less true. Many offshore development firms have learned how to address the language concern on their side of the deal. Other countries have learned about our culture and become increasingly bilingual. Further, as Calder noted, the markets themselves are not necessarily US-based anymore.

Two skill sets appear to be key to remaining competitive: business management skills and human communication skills. Both of these skill sets are only nominally a part of the specialties of programming, testing, documenting, and troubleshooting. Significant re-education would seem to be on the horizon for much of our workforce.

What does Oregon have?

Though we've seen many of our colleagues leave town, Portland has an edge for those in what Richard Florida calls "the creative class."

In his book, *The Rise of the Creative Class*, Florida discusses the sociology and demographics of the creative class. This group participates in creative endeavors that require face-to-face connections more than we thought when the Internet first hit the mainstream. Place is important. People like Rosie Williams of Worksystems, Inc. have noticed that creative people are flocking to Portland, jobs or no jobs.

Chris Bright of Pixelworks acknowledges Florida's analysis, "I moved out here without a job because it was a desirable place to be. There is a sensibility among people in the Gen X/Gen Y age group that place is as important as a job."

After Rogue Wave's downsizing earlier this year, Erin Foley noted that many of her former colleagues chose to set up shop on their own or change professions rather than leave the Corvallis area. "Reducing the number of sites and consolidating at our headquarters in Boulder was also considered. But, many of the people who left were not willing to relocate to Boulder. Some of them have left the profession instead of leaving Corvallis. We've even had a couple of local startups as a result of this. "

According to Florida, Portland's strong sense of place is attracting 18- to 35-year-old creative class members in large numbers. The significance of this is puzzling to Florida. According to Williams: "He's fascinated by it."

The usual draw for this demographic is a collection of large universities or jobs. They're coming to Portland without jobs. And they're bringing human capital that's useful in a high-tech economy focused on new product development. This brings benefits, even if these products are manufactured offshore.

While our educational system is sadly challenged, Oregon has something that is drawing creative capital – raw IP – to within grasping distance. Portland isn't the first or only metropolitan area to hear Florida's economic siren song. However, the Portland Development Commission and the City of Portland in partnership with Worksystems, Inc. are putting some real weight behind creating an infrastructure that will nurture and develop this resource.

How will you respond?

However you choose to respond to the offshore development trend, one thing is clear: Moving forward will take vision, both on the part of individuals and organizations. We can't wait for someone to ask us to implement their solutions. We find ourselves in a pretty big snarl of problems. It will take all our brains to unknit them.

This is not the time to point fingers at those who should have prevented our current situation. We were all reaping the benefits and most of us were too busy to notice this snowball gaining momentum on our peaceful little slope.

The question before us is not "What if?" but "What now?" For some of us, that may mean jumping out of high tech to wrestle our communities' problems in other ways as bankruptcies, hunger, unemployment, and faltering educational system and social services confront us. The good news is that none of this was here a few generations ago. The question is, can we respond with a pioneering spirit?

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