# Panel says offshoring good overall

## Trend will benefit businesses globally, technology entrepreneurs say at forum

The issue may be politically and emotionally charged, but the growing trend of sending U.S. jobs to countries like India isn't going to stop, several Triangle technology entrepreneurs said last week.

The businessmen weighed in on the practice as part of a panel entitled "Best Practices in Offshore Outsourcing," sponsored by the Research Triangle Park-based Council for Entrepreneurial Development.

Relativity Technologies co-founder Rich Cronheim told about 40 audience members that it's not wise to be on the wrong side of offshoring, which he called a "megatrend."

While the disruption caused by the practice on a community and personal level in the United States is a real issue, offshoring is good for India and other parts of the world, he said.

"On balance, for the globe it's a good thing," Cronheim said.

But prejudices have turned offshoring into a moral issue rather than the business decision it actually is, said Michael Eason, vice president of development for Raleigh-based Peopleclick.

"People have to stop having a knee-jerk reaction to sending jobs to India," he said. "Get over it."

At the same time, Eason says he's not a big believer in offshoring for his own company.

"I've seen local companies go out of business because they took the wrong approach to it," he said.

The U.S. software industry is still relatively immature, Eason said after the forum, making it risky for companies to send work overseas as a "silver bullet" for solving problems they may not fully understand.

"We'd be the dumbest people in the world to say we went offshore but couldn't really tell you why we did it," he said.

Instead, Peopleclick uses a model it calls co-sourcing, in which the company has partner employees work on-site with Peopleclick's employees on projects such as integrating new technologies.



Renat Khasanshyn ALTOROS Systems    Tim Reger IBM    Peter Dolina International IT Services

Peter Dolina said his clients engage in offshore outsourcing as a matter of survival. His company, International IT Services, pairs clients with a group of programmers in Vietnam.

"To me, I'm saving these guys," said Dolina, the firm's vice president of business development.

A former software developer, he said he recognized the offshore trend and returned to business school to broaden his skills and make himself more marketable. Many other workers don't have that luxury, he said.

As a result, Dolina said responses to offshoring should focus on mobilizing cities and regions to diversify their risks.

"I think the solution is complex," he said after the forum. "It takes a community."

The Triangle is better equipped than many other regions to weather the transition successfully, having already done so following the declines of the textile and tobacco industries, Dolina said.

"Most communities are not that strong," he said.

Quality educational institutions help, as does a tax code that creates incentives for starting local businesses, he said. The government also could help keep jobs in the United States by stabilizing skyrocketing and unsustainable health care costs, Dolina said.

"It's always about benefits," he said of his discussions with IITS' clients regarding costs.

As offshoring progresses, companies will want to hold on to American employees with business, management and analytical skills, the panel said.

Future work in information technology will be less about assembling code and

more about understanding core business processes and managing projects on one or more continents, Cronheim said.

Recognizing offshoring's potential impact, Duke University's master of engineering management program has begun to teach programs in entrepreneurship and innovation management, said Jeff Glass, the school's director of engineering management and entrepreneurship. The Pratt School of Engineering also offers a course for freshmen majors in innovation.

Tony Marshall, president of Raleigh's Innovative Systems Group, attended the seminar to learn more about offshore outsourcing and to address his concerns about the safety of intellectual property. He said he came away with confidence that there are best practices that can help ensure the success of offshoring projects -- and the understanding that intellectual property risks abroad aren't necessarily any greater than in the United States.

Marshall's six-person firm develops software systems for manufacturers across North America. He envisions outsourcing code development for specific projects and employing highly paid American business analysts who would travel the globe selling and servicing the software created.

Marshall equated efforts to stop offshore outsourcing with trying to turn back the Internet.

"People have to change their framework," he said. "The world is changing, and there's nothing we can do to stop it. The question is how to fit into the world that's there."