

WHERE HAVE ALL THE MANAGERS GONE?

There's a danger in offshoring too much development work, says Graham Oakes.



Graham Oakes: over time, the risks of offshoring will begin to dominate the cost savings

The offshoring debate is dominated by numbers. 500 IT developer jobs moved to India. 75% lower salaries. Thousands of high-quality graduates coming onto the market every year.

Let's face it: a 75% reduction to the salary bill for 500 people is a lot of money. Managers have a duty to their company's owners to explore such cost savings. Our pension funds depend on it.

However, the headline figures don't tell the whole story. Here are some considerations that the debate often skims over:

- Offshoring creates jobs. Take a 10-person software development team (a project manager, architect and eight developers) and ship them to India. The odds are you will need at least two or three people onshore to support them. You will need an onshore project manager to co-ordinate requirements gathering, acceptance testing, etc; someone technical to help introduce the systems to the users' environment; maybe a business analyst.

These are almost always additional to the original team. And this is the main reason why 75% lower salaries translates to perhaps 15% overall cost savings: the overheads of offshoring are enormous.

- Many of the jobs offshored are highly skilled. It takes a lot of skill to manage a software development team across cultural and timezone boundaries. You need to ask questions in the right way (different for every culture). You need to manage complex communications across less-than-optimal bandwidth. You need to set clear goals while building the flexibility to accommodate change. No-one comes out of college knowing this stuff.

- Poorly managed offshoring breaks the 'skills escalator'. Most of the jobs going offshore are for junior people. Simple programming tasks require limited communication, so they move easily. Relationship management, business analysis, architecture and the like stay onshore, close to the people they need to talk to.

So where do the next generation of these managers come from? The escalator that brings people into the organisation from college and builds up their skills is broken.

Over time, the risks of offshoring will begin to dominate the cost savings. Many offshore locations are experiencing rampant wage inflation. It won't take many years of 20-25% inflation for the overheads to outweigh the salary savings.

At this point, the additional risks come to the fore. Add all the videoconferencing, instant messaging and email in the world and one thing remains: the communication risk for globally distributed teams is always higher than for co-located teams.

So how many organisations have the management depth to manage these risks? Managers do have a duty to explore cost savings. They also have a duty to build organisations which will survive for the long term.

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