

IN DEPTH: TECH AUSTIN

Cultural divide narrows in wake of offshoring

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Austin, one of the nation's most notable high tech hubs, has churned out thousands of jobs over the years. So, when academia and corporate executives start talking of transferring jobs from Austin to distant corners of the world, the conversation draws concern from all sectors of the business community.

"Offshoring" is the buzzword dominating business headlines in recent months. So much so, that the University of Texas McCombs School of Business hosted a four-day forum last month for academic, industry and government leaders here to discuss ways to stay competitive in an increasingly global marketplace.

Proponents of offshoring see the situation from a "glass is half full" perspective. They say offshoring isn't a shift of jobs and resources from the United States to other nations, but a sign that companies are once again in expansion mode.

"I think it's a shift for now," says Anupam Govil, CEO of Global Equations, an Austin-based company that helps U.S. companies develop offshoring strategies in India. "However, in the long term, the net result will be an expansion, which would represent significant advantages for companies that take the initiative now."

Citing a recently released McKinsey Global Institute report, Govil says that contrary to popular belief, offshoring creates more jobs and wealth for U.S. companies and the economy. The MGI report states offshoring "not only captures every bit of economic value, dollar for dollar, that exists in the U.S. economy prior to the decision to offshore, but [it] also creates a net additional value for the U.S. economy that did not exist before."

"Offshoring is not a one-way street; it's a two-way street," says Govil, who is also president of Indus Entrepreneurs, a nonprofit organization comprised of U.S.-based Indian entrepreneurs. "It increases global potential for American companies."

Carolyn Stark, president and CEO of the Austin Technology Council, agrees that the strategy spells out growth for businesses in the long run.

"To have a healthy economy, we have to have healthy companies," she says. "Offshoring actually represents an opportunity for Austin companies to grow their businesses, which then creates a stronger Austin technology sector for everyone."

Opponents of offshoring, however, aren't so optimistic. They point the proverbial finger at high tech havens like India and China as the new American job thieves.

A recent report by Cambridge, Mass.-based Forrester Research Inc., an IT industry analyst, predicts the number of U.S. jobs taken offshore will increase from 400,000 today to approximately 3.3 million by 2015, accounting for about \$136 billion in wages. Of this total, Forrester projects 473,000 IT jobs will be offshored over the next 12 years, representing eight percent of all current IT jobs.

These numbers have sparked a mixture of national concern and outrage. The U.S. House of Representatives Subcommittee on Business held a series of meetings in July dubbed, "Can America lose these jobs and still prosper?" Several state governments, including those in Maryland, Missouri and New Jersey, are resorting to legislation that bars local companies from filling jobs with offshore labor in low-wage developing countries like India and China, which have claimed the bulk of American company jobs.

Though offshoring is costing the American economy in jobs in the short run, the MGI report contests that for every "\$1.45 to \$1.47 of value created globally from offshoring \$1 of U.S. labor cost, the U.S. captures \$1.12 to \$1.14, while the receiving country captures, on average, just 33 cents."

To take advantage of this money-making potential, Govil says, "Companies need to be aware of these trends so other companies don't eat their lunch."

The October forum hosted by McCombs School of Business entitled, "Business Across Borders," examined how American tech companies can thrive locally as they recruit more workers in foreign nations. Forum leaders called this new phenomenon "distance management."

The unusual mix of rival corporate leaders, chatting amicably about global business strategies, included executives from Dell Inc., Motorola Inc., and Bank of America NA. They joined UT's MBA students for discussions on new corporate and cultural dynamics that have risen in the increasingly international marketplace.

"MBA students today are taught to manage teams -- but not in three countries," says Catherine Crago, a consultant with Austin's SemiCon Group who co-organized the event.

Crago says Austin is situated to be a central command center for international offshoring networks if corporate leaders in the region act quickly. She cites Austin's reputation for offering high-quality living and a highly educated workforce as what would propel the development for such a hub.

"Social capital is positively correlated to innovation, and Austin has high social capital," Crago says. "We're at the point where people will have to make tough decisions on how best to capture this revenue in the next 10 years."

To facilitate offshoring and global marketplace penetration, corporate America already has pumped millions into cross-cultural training. Crago says the ability of Austin firms to stave off short-term loss of jobs and to benefit more immediately from offshoring depends on how quickly they master distance management.

"If we don't learn to innovate and move globally, we are all going to lose our jobs," Crago says. "A U.S. team that works well with a Chinese team will outperform its competitors."

McCombs MBA graduate student Kai Qu, a native of Harbin, China, advises Dell executives on their Round Rock campus on handling business within their Asian operations. He says Chinese executives' tendency to be silent during conference calls can be confusing and unsettling to their American counterparts.

"There is an ancient Chinese saying: Try to say something important not obvious," Qu says. "So, Asians take longer to process information than do Americans."

He says Asians typically take fewer risks and would rather follow instructions than take initiative, unlike Americans who typically dwell on risk taking.

"There is a lot of misunderstanding going on because of cultural differences," he says. "Understanding these cultural differences can help offshoring immensely. Corporate executives need to think through cultural dimensions."

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