Chapter XII

The Journey to New Lands:
Utilizing the Global IT Workforce through Offshore-Insourcing

Subrata Chakrabarty, Texas A&M University, USA

Abstract

This chapter introduces a prescriptive conceptual framework from the practitioner’s perspective for the “offshore-insourcing” journey. In the decision phase of offshore-insourcing, we answer the questions “Why to insource from offshore?” “What to insource from offshore?,” and “Where to offshore?” In the implementation phase we answer the question “How to insource from offshore?” and describe the importance of evaluating outcomes. In the process of answering these questions, we discuss insourcing vs. outsourcing and the possible need for offshoring. We think of ways to select the IT functions that can be insourced from offshore, and also look at the popular offshore destinations. We discuss process of managing change, setting up the offshore center, recruiting IT professionals at offshore, and managing the IT professionals at onshore and offshore within the ambit of the global delivery model. Throughout the decision and implementation phases of offshore-insourcing, the focus is on the challenges related to managing IT personnel.
Introduction

The pressure to lower information technology (IT) costs is high on companies worldwide. The cost of IT, a major component of which is the cost of IT professionals, is sometimes a stumbling block in the decision to upgrade to newer and better technology alternatives. The internet provides new opportunities for offshoring of IT or IT enabled work. When a service is made available on-line, all the user knows is what they see on the screen. If they type in an internet address and access a service, they do not need to know about the nationality or race of the IT professionals that have actually developed the Web site. Companies in advanced economies are being driven to look across the horizon by the lure of low costs of IT professionals in other countries and the desire for high software quality. Dibbern, Goles, Hirschheim, and Jayatilaka (2004) note the following:

Even the popular press (Business Week, 2003; USA Today, 2003) have reported on this issue noting that as much as 50% of IT jobs will be offshored to India and other off- and near-shore destinations in the next 10 years. Such change it is argued is nothing more than the natural progression of first moving blue-collar work (manufacturing, textile production, etc.) overseas followed by white-collar work.

By offshore-insourcing of IT work, a company sets up its own IT department or subsidiary in another country (that is, it insources IT work from its own IT department or subsidiary located in an offshore country). However, there are also some concerns regarding the larger impacts of offshoring by a nation on its job market and its knowledge centric competitiveness. Process and operations knowledge may get leaked to local entrepreneurs and competing companies at offshore locations (Karamouzis et al., 2004). The other major concern that is often highlighted by the popular media is that of job losses. Offshoring is sometimes regarded as a reason for the slackness in growth of employment opportunities in developed economies. However, Karamouzis et al. (2004) of Gartner Research interestingly note the following about job losses:

According to U.S. labor statistics and several academic studies, less than 5% of jobs lost in the United States are attributed to offshoring IT services. A study commissioned by the Information Technology Association of America and developed by Global Insight put the estimate at 2.8%. U.S. government statistics for the last 15 years show that most job losses have occurred due to automation, changes in industry dynamics and process reengineering.
Related Content

Strategies for Staffing the Information Systems Department
[www.igi-global.com/chapter/strategies-staffing-information-systems-department/29923?camid=4v1a](www.igi-global.com/chapter/strategies-staffing-information-systems-department/29923?camid=4v1a)

Demographic Changes and Equal Employment Opportunity Legislation: Implications for Leveraging Workforce Diversity in the Field of Human Resource Development
[www.igi-global.com/chapter/demographic-changes-equal-employment-opportunity/67064?camid=4v1a](www.igi-global.com/chapter/demographic-changes-equal-employment-opportunity/67064?camid=4v1a)
Self-Managing Teams in Small and Medium Enterprises (SME)
www.igi-global.com/chapter/self-managing-teams-in-small-and-medium-enterprises-sme/93212?camid=4v1a

Teacher Leadership: Learning and Leading
www.igi-global.com/chapter/teacher-leadership-learning-leading/74774?camid=4v1a