

# Harvey Nash **IT** Briefing

June edition, 2005

## 7 Steps to business-IT harmony

How failure can help you build bridges with the business and why it is important to manage expectations.



## India - An off-shoring safe bet?

India, while undoubtedly a pioneer in IT off-shoring, is enduring a somewhat turbulent adolescence.



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## 7 Steps to business-IT harmony

Read no further if your perspective is 'who cares?' In fact better still, leave the IT industry. IT exists to serve the users. Users are our customers, and we need to treat them accordingly. So what can we do to enhance their experience when dealing with the IT department?

### Speak business

Have you noticed how a user's eyes glaze over when you talk about TCP/IP? For some odd reason they don't seem to appreciate the benefits of packet switching and network resilience. This is our problem, not theirs. We as an industry need to talk to the customer in their language. If that doesn't make sense, recollect any experiences you have had with waiters/shop assistants who did not appear to understand what you were asking for.

“Many acrimonious encounters could have been easily averted if the IT department had alerted the users of what they were going to receive and when. Boringly perhaps, users don't seem to like surprises.”

### Make the users part of the team

GUI technologies make prototyping easy. So don't wait until final delivery to show users what they are going to get. Agile approaches, such as rapid application development, are more user-inclusive, which statistically increases the chances of us delivering what users needs, rather than our perception of what they need.

### Fail more

IT is a risky business, and failure isn't normally too elusive. However, I strongly suggest that we take more chances in terms of trying to help the business. Make the users aware that you are experimenting on their behalf. They will appreciate that you are going off-piste for their benefit, and will be more sympathetic when your technology speculation doesn't pay off.

### Manage expectations

It is all about communications. Many business people have the view that IT people are not recruited for their interpersonal skills. Many acrimonious encounters could have been easily averted if the IT department had alerted the users of what they were going to receive and when. Remember this: users don't seem to like surprises.

### Be more commercial

Service companies don't succeed by giving away their service for free. I am not suggesting that you hold the business ransom. However, a change request that is both easy for you to implement, and perceived as highly valuable to the user, may well put you in a strong 'trading position.' For example, you may need to be 'let off the hook' for some horrendous technological nightmare requirement that the user could in fact live without.

### Be a digital coach

Users have a responsibility to understand how IT can help the business. Similarly, they need to understand the associated constraints and issues. Smart users recognize that an understanding of



commercial IT and its impact on business is a 21st century core competence. Such education, which you can help them achieve with some friendly coaching, will make them better customers.

### Be a process advisor

Guess what? You know more about some aspects of the business than the users do. Why not extend your offering by advising the users on how they can improve the way they do business. Your intimate knowledge of the way in which business processes work and how they interconnect to other processes gives you unique insights that the users will appreciate.

You may feel that users are ungrateful technophobes whose lack of respect should be countered with 'adequate at best' service. But there are some compelling reasons for 'raising your game.' One is that such a perspective is self-destructive and ultimately you suffer. The other perspective is this: If your IT department doesn't inspire the users, you will be replaced with a third party that does.

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## India—An off-shoring safe bet?

Off-shoring is a mature concept in respect of manufacturing. Similarly, the service sector is not immune to off-shoring, call centers being a high-profile example. Off-shoring IT, and in particular software development, is a growing market.

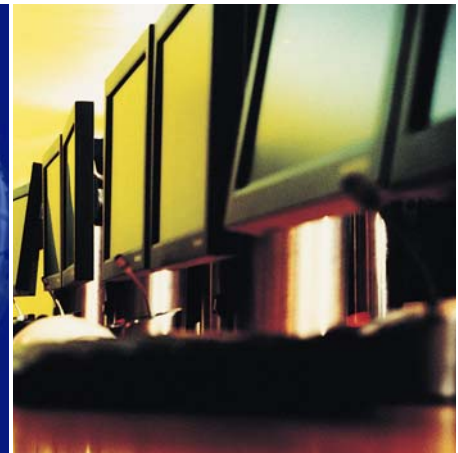
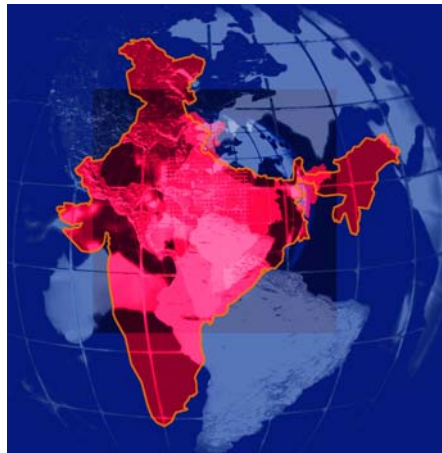
In this arena, India is the number one player. So presumably India is a low-risk and therefore reliable option. I asked Paul Smith, Managing Director of Harvey Nash Offshore Software Outsourcing, for his perspective on the associated risks.

Smith sees the labor force as a major source of risk, "Staff churn is at critical levels; 30-35% in the large organizations, and invariably worse for the many smaller players. Staff members are changing companies for as little as a \$5 per day increase. The CEOs of many companies have publicly lamented over the disloyalty of staff."

“ *The infrastructures in the primary off-shoring centers, namely Mumbai and Bangalore are struggling to cope with the rate of growth. Delhi is emerging as a new location for off-shoring, but lacks experienced staff.* ”

So how are the suppliers handling this? Smith responds, "They are back-filling with university graduates, who are using the off-shoring industry as a means for picking up a green card for the U.S. or a work permit for the UK." So the economic rules associated with globalism would appear to have a corollary.

Smith adds, "The infrastructures in the primary off-shoring centers, namely Mumbai and Bangalore, are struggling



to cope with the rate of growth. Delhi is emerging as a new location for off-shoring but lacks experienced staff. Its evolution into a mature service center is hampered by its geographic isolation from the established centers coupled with low mobility of the labor force. Staff members prefer to either stay close to their families or travel abroad." Clearly this could inhibit India's ability to grow with global demand.

According to Smith salaries are impacting India's competitiveness, "Outsiders have raised the bar regarding pay. The indigenous vendors are being forced to move 'up the value chain' towards consulting services in order to get a return on their staff. A lack of understanding in respect of the way in which western business is conducted will lead to cultural friction in the short to medium term. To address this, the vendors are buying onshore expertise local to the client, which again hoists up the salary bill."

Before India is ruled out, one needs to consider the other options. Smiths points out, "China is growing fast in respect of outsourcing, but has political, regulatory, intellectual property and management risks. Thailand is strong but expensive. Perhaps the best kept secret is Vietnam, which looks set to rise from tenth to fourth in the global rankings by year end."

“ *India while undoubtedly a pioneer in IT off-shoring, is enduring a somewhat turbulent adolescence. It is facing stiff competition from the rest of the world, and in some cases needs to rely on its 'competitors' further east to deliver in a cost-effective manner.* ”

In conclusion, India while undoubtedly a pioneer in IT off-shoring, is enduring a somewhat turbulent adolescence. It is facing stiff competition from the rest of the world, and, in some cases, needs to rely on its 'competitors' farther east to deliver in a cost-effective manner. India can no longer sell itself as a low-cost destination. The challenge is to establish what high-value offerings will trigger its off-shoring clients to part with money. The next step is to convince them that India is the most attractive location. If the new business model is to take root, customers will need to see India in a very different light. PR companies take note.

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## Latest news

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### Steve Jobs goes for brain transplant

Apple's CEO has surprised the market by announcing plans to drop Apple's use of IBM's PowerPC chip in favor of Intel. This has drawn mixed reactions from the Apple community, though the overall consensus is that Mr. Jobs can do no wrong, so it must be a good move.

This opens up some interesting possibilities: Apple's OS X operating system becoming available on standard PCs and/or OS X morphing into MS Windows. Most loathsome of all to the hip/funksters that are Apple users, is that the 'industry' will embrace them. Though paying a premium for pastel shades may limit their use to reception areas and other customer contact spaces.

### Microsoft to squash BlackBerry

Microsoft has enhanced its mobile operating system and Exchange software to wirelessly push e-mail to its users, having taken note of the success achieved in this field by RIM with its ubiquitous BlackBerry. Naturally Microsoft wants to obliterate the market creator from the IT landscape. RIM might consider making contact with Novell, Netscape and Lotus among others, who will all be very familiar with good market-loss bereavement counseling services.

### Microsoft's fine according to European Commission

The European Commission (EC) had taken a firm stance in respect of Microsoft's alleged monopolistic practices. The 500m Euro fine was an irritation to the software giant. But, insisting that elements of Microsoft's intellectual property become 'open source' would have, I imagine, caused Bill Gates to become apoplectic.

The EC felt that Microsoft needed an incentive to overcome its inertia in respect to this sanction. So, it announced that from the start of June Microsoft would have to pay a fine of circa \$5m per day until it complied. Microsoft's lawyers, experts in brinkmanship, have made a proposal, which appears to broadly satisfy the EC. However, the thorny issue of open source appears to remain unaddressed.

### Sun shadows StorageTek

Sun reinforced its 'under the hood' credentials by making an offer to buy 'tape to disk' vendor StorageTek. Sun is looking to buy what is a relatively well-kept secret in the IT industry. StorageTek is cash rich, has well engineered products and a mature path to market. Possibly with the storage market heating up, Sun is concerned that if a rival such as HP were to acquire StorageTek, then this would send Sun's lack-luster storage business into a tailspin.

### IBM tops database table

The battle for the top slot in the database revenue rankings is usually a close run affair. IBM has eclipsed Oracle now for the third year running according to Gartner. Oracle is currently growing faster than IBM so next year might see a change at the top. Oracle dominates UNIX. Microsoft and NCR were the fastest growing database players. Sybase made the top five.

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