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Is offshoring on the decline?

Has the tide finally turned on outsourcing IT to offshore companies? Maybe not turned, but at least slowed a bit, according to a recent report by Chicago-based consulting firm Diamond Management & Technology Consultants, Inc.

“The IT outsourcing boom is over, providers are facing new pressures, and companies are outsourcing more strategically and selectively,” according to Diamond’s *2006 Global IT*

Outsourcing Study. The study noted that the percentage of survey respondents planning to increase their level of offshore outsourcing dropped from 84 percent in 2004 to 64 percent in 2006. And 47 percent of 2006 survey respondents indicated that they prematurely ended at least one offshoring deal. That’s up from 21 percent two

years ago.

Why the change? There are three basic reasons, according to Tom Weakland, who heads Diamond’s outsourcing advisory services practice. These are: (1) the need to keep core business functions in-house; (2) the complexity of managing

But that savings can be more than offset by the added expense of managing and measuring offshore projects. And, according to Michael Conley of IT consulting company Forsythe Technology, Inc, new development tools are making it cheaper to perform IT functions in-house.



In addition to cost, companies need to consider security issues when looking at offshoring their IT functions. Offshoring was cited as the cause of a recent leak of

offshore projects; and (3) bad experiences with offshore companies that over-promise and under-deliver services.

What it all boils down to is money – costs versus benefits. Companies have been offshoring IT functions to save money. Programmers are cheaper in Bangalore than in any part of the United States.

personal information about Florida state employees. Michael Conley has written that regulations such as Sarbanes-Oxley and the California data privacy law still apply to data handled abroad. But getting foreign workers to conform to American privacy standards can be well nigh impossible. Just screening foreign workers can be a problem, Conley

Offshoring ...Continued from front cover

“The boom years
for outsourcing
have come and
gone.”

~~Tom Weakland

explained, noting that it’s extremely difficult to do a background check on a worker in India, where birth dates are often not recorded.

Added to the problems and costs of data security and project management are issues of company loyalty, talent retention, cultural differences, and language barriers. All of these issues have contributed to the change in many companies’ attitudes toward IT offshore

outsourcing.

Despite the apparent slowdown in offshore outsourcing, companies are continuing to look for cheaper solutions to their IT needs by hiring foreign companies. Most of the respondents to Diamond’s offshoring survey remain committed to the practice. And experts characterize the offshoring industry as alive and well, although growing more slowly than in past years. Experts such as Conley, expect

outsourcing to continue for mainframe activities and coding.

So while the situation may be improving for American IT professionals, there’s no reason to believe that offshoring is a thing of the past. Whatever happens, American programmers can at least take comfort in the fact that most experts still believe American IT professionals are the best in the world.

On the lighter side...



government watch

lame duck congress

On January 3, 2007, the 109th Congress will enter the pages of history, taking with it a spate of legislation that did little more than afford an opportunity for the leaders of technology associations to attend a few high-profile Congressional hearings.

Here are the major IT issues that received at least a nod from the outgoing Congress.

Data Security

The hands-down leader in IT-related legislation for the 109th Congress was data security and identity theft. Prompted by scandals of data theft from organizations such as ChoicePoint, Lexis Nexis, and Bank of America, representatives in the Senate and House introduced literally dozens of bills to protect Americans' private information.

Most of the bills contained provisions calling for the FTC to act as an oversight agency, regular security system audits, penalties for compliance failures, fraud alerts on files that have

been illegally accessed, and research on new technologies (such as biometrics) to enhance information security. All of the bills agreed that the federal government isn't doing enough to protect Americans from data theft. None of the bills passed Congress.

Technology Investment

With more and more high tech jobs being sent overseas, the 109th Congress decided it was time to address the importance of maintaining America's competitive edge in a global economy. Three major pieces of legislation – collectively called the PACE (Protecting America's Competitive Edge) Acts – contained 20 recommendations from the National Academy of Sciences. Key provisions included strengthening our commitment to research, increasing the talent pool by improving higher education, and growing our economy by providing incentives for innovation. Only one of these three bills (PACE-Energy Act) made it as far as the Senate

floor.

H1-B Visas

Like several Congresses before it, the 109th Congress decided to re-address the H-1B visa cap. Two Senate bills proposed that the cap be raised from 65,000 to 115,000, with provisions for automatically increasing the cap by 20 percent in any year in which the cap is met. The reason usually given for raising the cap was the shortage of skilled IT workers in the United States. Predictably, opponents to raising the cap cited the loss of IT jobs to offshoring companies as a reason for their position. And, they argued that if the Federal government were doing its job to fund U.S. technology education and innovation, an increase in foreign IT workers would be unnecessary. While the Senate did manage to pass one of these bills (The Comprehensive Immigration Reform Act of 2006), the bill died in



Congress ...Continued from page 3

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the House subcommittee, and Congress has taken no further action.

Internet Neutrality and Accessibility

Trying to decide who should control the Internet remains a confusing issue with tempers running high on both sides of the debate. Proponents of “net neutrality” – including public action groups and on-line businesses such as Amazon.com and eBay – argue that Internet freedom and equal access for all users is necessary to promote innovation and a strong economy. Opponents – mostly major telecommunications companies like AT&T and Verizon – insist that net discrimination is necessary to encourage investment. Both AT&T and Verizon were more than willing to put their money where their mouths were. After some mega-bucks lobbying, they were able to convince Congress to drop the net neutrality amendment from the reorganized

Telecommunications Act. Ed Markey (D-MA) reintroduced the amendment as the The Network Neutrality Act of 2006, which was quickly buried in the House Subcommittee on Telecommunications and the Internet. But this issue remains a bone of contention among public interest groups and the telecommunications industry. Even PBS has featured it on a Bill Moyers special.

Big Brother?

Strangely enough, the one major IT-related bill that was enacted into Public Law was the REAL ID Act of 2005. Chief among its provisions is the requirement that state driver’s licenses and identification cards meet minimum security requirements established by the Department of Homeland Security. Those requirements include the incorporation of machine-readable data about the card holder. Bill opponents, including the prestigious Association for

Computing Machinery (ACM), the Electronic Privacy Information Center, and the ACLU, argued that the bill vastly increases the risk that a citizen’s personal data will be stolen. The ACM characterized the bill as “ill-conceived”. Government watchers have found it interesting that the 109th Congress was not able to pass legislation to protect Americans from data theft, but it did pass a bill that may make private information more vulnerable.

The New Congress

It seems unlikely that the lame duck Congress will do much about these issues before turning the reins of government over to the new legislators. Can we expect more of the same from the 110th Congress? Time will tell. To keep informed about ongoing IT-related legislation, we invite you to visit our website, www.zyquest.com, and check out the government news page.



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consultant watch

Tim Bazett-Jones

You can throw out the stereotype of the geeky computer programmer with poor social skills who likes to write code late into the night with only his computer for company. What Tim Bazett-Jones likes about his career in Information Technology is working with people.

“I really like working with people,” Tim says. “What I like best is when you get to go somewhere and you have an opportunity to really make a difference, either in the time that it takes for them to do tasks, how well they do tasks, or how much it costs to do certain things. It’s just neat when you can go somewhere and free up people from doing one thing and let them do things that are really more valuable skills.”

Using His Skills

Tim started out in college studying engineering. But he was quickly attracted to computer science as a field where he could combine his people skills with his interest in solving problems. At Wheaton College, where Tim earned his bachelor’s degree, the engineering classes were

all very theoretical, he said. He found computer science more fulfilling.

Right out of college, Tim went into network administration, working with the Oneida tribe in their school system, where he enjoyed the human interaction and variety of work. But he missed the creative side of software development, so after a year and a half, he joined a group at ZyQuest that was developing applications for embedded systems. When that assignment ended, Tim joined the regular group of ZyQuest IT consultants.

Communications

One of the most important lessons Tim has learned as an IT consultant is the need to communicate in a way that the user can understand. “I think we always have to be a translator. There’s always the skill of hearing what the users want and translating that to what they really need. But I think there’s also a tendency for users to just assume you can’t do something if it isn’t currently working that way. And they never ask.” That’s where a consultant’s

people skills become so important, Tim noted. If you can’t connect with the user, you can’t solve his problems.



Tim Bazett-Jones

Tim also noted that even when users know there is a problem or a way of doing something more efficiently, there is a reluctance to make changes. It’s part of the “if it’s not broken, don’t fix it” mentality. Also, users can be worried that a change will make their system harder to use. That can happen, Tim noted. “Sometimes it’s true that the systems are changed in a way that someone won’t like, because it’s so hard to

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please everyone. So often you have 10 tasks that need to be done. Three of those tasks are foremost, so they're handled very well and efficiently when it comes to how the software works. The other ones which were not the top priority may not work as well. That can cause problems, but that's an area where project leaders need to improve on in understanding the business,” he explained.

Communication is particularly important when you run into potential conflicts between IT and business professionals, Tim noted. IT knows all the new tools. Business knows what they are currently doing and what their goals are. Dialog between the two is important, Tim said. “Any time business just accepts what IT says, you’re just asking for trouble. Any time IT does anything business asks, you are asking for trouble. Because it’s rare that either side has a full understanding of what the other does or needs. I think that’s a healthy dialog when you go back and forth trying to decide what to change and what not to change.”

Current Interests

Among Tim’s current interests is Web services,

which he sees as a major business tool for the foreseeable future. He commented, “With web services, it’s easier for different companies to have a service-oriented business model. For example, at the insurance company where I am, they have improved turnaround time and accuracy. They use geographical information to find out where somebody actually does live or where a car is located. A lot of their functions used to take longer and required more work. There’s been a lot of value going with these new services. And at the other end, companies have been formed around these services.”

In the Future

Down the road, Tim sees new tools coming along that have the potential for simplifying the development process. More Java-based tools like Spring, which is based on aspect oriented programming, may be the wave of the future, Tim noted. “But there are just so many out there. Some tools will make it and some won’t. It depends on the industries they are being developed for and how they are merged with other tools and technologies. It’s really neat to see what’s available if you are savvy enough to

know what you will need and willing to research all the different nuances between all these tools and frameworks to find out what will really benefit your business or IT architecture.”

While Tim admits that he probably wouldn’t have stayed with consulting, if he had gone into the field straight out of college, he says he is happy with his career choice. “I really like the opportunities to work in different business environments. Insurance, government, manufacturing. You are constantly learning how people do the same tasks differently. Some people don’t like consulting because you have to relearn things all the time. But I think that’s interesting,” Tim said.

Other Interests?

And if he hadn’t gone into IT, Tim figures he’d probably be doing mechanical engineering. “I enjoy mechanical things, hands-on work.” And if money were no problem? “I would want to do what ever makes the biggest difference in the world,” he said. For now, ZyQuest is pleased that Tim has chosen to make a difference in the IT world of NE Wisconsin.

industry watch

mainframes update

With all the hullabaloo back and forth about offshoring, it's easy to miss a critical piece of the equation – mainframes. According to most experts, mainframe work is one of the major areas of IT offshoring now and in the foreseeable future.

Why are mainframe activities going overseas? The major reason is lack of mainframe programmers in the United States, say industry watchers. Colleges no longer teach COBOL, Assembly, and JCL– the languages and skills needed to operate mainframe computers. ZyQuest IT consultant Tim Bazett-Jones, who earned his computer science degree in 1998, commented, “When I was at Wheaton, they were starting to focus on web development with C and C++ emphasis. Now they probably use Java.” COBOL was nowhere to be found.

Younger IT professionals often view mainframes and the tools needed to operate them as an archaic waste of time. But consider this. Some 70% of all business data still resides on

mainframes. Experts estimate that the value of applications currently residing on mainframe computers exceeds \$1 trillion.

Mainframes are hard to beat when you consider their reliability, huge processing power, and scalability. Companies are loath to discard their huge investment in these monster computers. And re-writing legacy code is a massive undertaking that few companies are willing to consider. Sabre Holdings Corporation in Southlake, Texas, for example, runs 40,000 programs on an IBM mainframe.

IBM is addressing the problem by partnering with universities to renew interest in the mammoth systems, offering mainframe education and professional community support for newbies in the field. In its latest SHARE conference, held in August, IBM reviewed “new mainframe management software that will help customers handle and secure the surge of new business processes and transactions running on services oriented

architectures (SOAs) that are making the IBM System z mainframe the hub of Internet-based computing,” according to an IBM press release. Internet-based computing and the mainframe? Sounds like a contradiction in terms, but IBM is determined to find and keep up-to-date markets for its big-ticket monster computers.

Despite IBM's efforts and the undoubted needs of companies with pressing financial reasons to maintain their legacy systems, mainframe programmers are getting harder and harder to find in the U.S. The result? More mainframe jobs will be going overseas. While it may no longer be possible to stem that tide, American IT professionals could do worse than add mainframe skills to their resumes.



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