

Charlotte Business Journal - July 18, 2005

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CHARLOTTE
BUSINESS JOURNAL

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IN DEPTH: TECHNOLOGY

From the July 15, 2005 print edition

Outsourcing of IT tasks is in its infancy: Wazan

[Laura Williams-Tracy](#)

The trend towards outsourcing information technology work is gaining momentum in Charlotte, most notably among the big banks. Wachovia Corp. recently joined Bank of America Corp. in sending work to India, the leading destination for IT work overseas. Bank of America operates two Indian units, and Wachovia has said it will contract with up to three companies to have work done there, providing an expected savings of 25% to 30%.

Forrester Research Inc. says financial-service companies are the heaviest users of foreign outsourcing. The National Association of Software and Service Companies, the trade association for outsourcing in India, says sales in India rose by more than a third over the last year to \$17.2 billion. That's triple the 2001 level.

Charlotte-based Sam Wazan launched [Stripling & Beck](#) in late 2000, offering offshore IT consulting at a fraction of the cost of U.S.-based labor. A native of Lebanon, Wazan escaped his war-torn home almost two decades ago and in the United States earned an MBA and worked for Ernst & Young as a management consultant. When he was laid off, Wazan turned to the pool of highly skilled IT professionals in his native country to offer outsourcing options. While Stripling & Beck does not work for Bank of America or Wachovia, he spoke with the Charlotte Business Journal about the trend and its impact. Following are excerpts from that conversation:

What IT services does Stripling & Beck provide?

We provide helpdesk support to users, and we compete with IT staffs in the U.S. One thing we are doing, and I believe we are the first that you will see doing this, is bringing offshore staff on site for one to three months at 60% to 70% below what other companies are (paying) locally. Our people participate in the design, find out what's needed and how the system needs to behave. Once the design is set, they go back offshore and begin development. That allows our clients to get comfortable with our staff.

What impact is your company having in Lebanon?

A significant impact. It's the only IT services company in Lebanon. All others are software companies or dedicated to one client. I can't tell you the number of employees I have because it would be a competitive advantage for others, but I often have 60 candidates for four or five job openings. I have had zero employee turnover in the last three years. I am often invited to speak at universities there and their graduating classes.

Tell me about your revenue growth. I know you took a severe hit after Sept. 11 but business grew exponentially by 2003. How is business lately?

The first quarter of 2005 equaled sales of all of last year.

As the recipient of a pink slip in the past yourself, how do you view companies such as Wachovia and Bank of America that lay off workers to send jobs overseas?

I view them as highly competitive and intelligent about pulling the lever to save money and stay competitive.

What are the advantages of outsourcing and how much can a company save?

The biggest advantage is cutting costs, provided the quality is there. I have a client who told me he could get two folks for the price of one through outsourcing. The purchasing power of the dollar is stronger with me. And that means his company has money to hire more marketing and sales jobs.

Are there some areas of IT that should always be done by U.S. employees?

The areas that must not be shipped overseas are the innovation and research parts -- the why a project should be a project, the requirements to be specified, the technical architecture, what technology needs to be used. We need to be told where to jump.

How do U.S. companies make sure work sent offshore is done properly?

Companies should require that invoices be mapped to work plans, and they should be five pages if necessary to show what project work is being billed against. Companies should have strict and strong project management that provides updated work plans and scope management. Finally, a company has to communicate its commitment to using offshore consulting. Many companies underestimated the emotional impact on local staff when they bring in an offshore vendor. Before they begin the relationship, they need to make clear to employees that it's being done for the company to survive and management expects employees to make it work.

If you don't, everyone internally will make sure it fails. Employees have to know their success depends on the success of the contract. The only risk Wachovia may be making in outsourcing offshore is underestimating the need for internal communication.

Do you think the outsourcing trend will have an impact on U.S. colleges and technical schools that are training future IT workers?

There will always be jobs for IT staff in the country. The programming jobs are credibility-builders for seasoned practitioners. The question becomes if staff is deprived of programming work, how will they become seasoned and innovative?

Universities need to retool their programs from teaching detailed programming to teaching a more innovative and strategic understanding of technology.

What's the biggest challenge to an outsourcing arrangement?

This may sound self-serving but right now it's the high turnover of employment, especially in India. They have a 70% turnover rate, with employees going to other companies just up the street for marginal dollars more, nothing significant. For the IT workers in India, their careers have been commoditized, and the U.S. companies are causing most of it.

Some estimates for the financial-services industry say the current \$3 billion in IT work done abroad will grow to \$7.4 billion by 2008. How far will the trend go? Where are U.S. companies now in the trend versus where you think they could be in five to 10 years?

As with all things there's an introduction phase, then growth, then decline and finally maturity. The banks are coming in at the maturity phase for Indian companies, but the banks are still in the introduction phase. There is going to be a collision of the maturity phase of the industry for India and the introduction phase for the banks. Yes, there will be more growth until the banks get to the decline and maturity phases. They will have a return on their investment for a while. Whether it lasts five years, that's the question. But then they will go to China.

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