



# US ONSHORING

Putting US in Global Sourcing



Eagle Creek Software Services  
Whitepaper



# U.S. Onshoring as Part of a Global Sourcing Model

***“Gartner identifies changing conditions that have led to a pendulum swing from offshore-centric thinking to more considerations of onshore delivery options in the U.S. market—in essence, a more balanced and holistic view of global delivery.”***

*Source: Gartner, “Market Trends: Providers Expand U.S. Onshore Delivery, Invigorate Investments in Low-Cost Domestic and Rural Sourcing”; Allie Young, Helen Huntley, Frances Karamouzis; May 23, 2013*

Global Sourcing or a Global Delivery Model is a new way to think about Information Technology. Global Sourcing combines the best of offshore, U.S. onshore, onsite, and in-house IT staffing resources to create a comprehensive IT sourcing strategy. Multiple sourcing options allow an organization to diversify resources and consequently limit risks. The best Global Sourcing strategy keeps cost low while providing high quality results.

## Choices in a Global Delivery Model

Embracing a Global Sourcing Strategy creates choices. There are *advantages* and disadvantages with each option that must be weighed when calculating how IT sourcing should be redistributed or allocated.

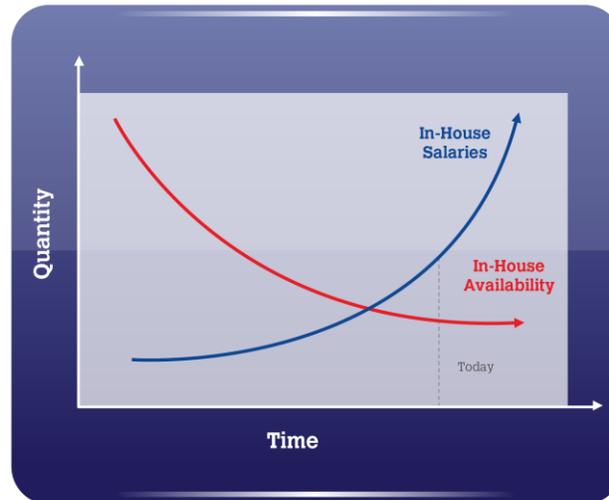
### In-House

Companies always have and will continue to operate some in-house teams. This may increase as companies begin to spend from profit and rehire. By bringing more IT consulting in-house, companies open themselves up to significantly higher costs. Competition for these experts will continue to increase, particularly for those companies in metropolitan areas. This scarcity will continue for some years – the quantity of “IT related” graduates is still only marginally above 50% of its 2003 level.

Scale is significantly limited with in-house IT operations – a major challenge for a CIO, who is tasked with supporting a dynamic business through building an agile organization. This has to involve the use of a fluctuating sourcing model.

Compensation for in-house consultants will dramatically increase as the demand and supply imbalance becomes more acute. Turnover and instability will only add even more cost, negatively impacting ROI and constraining IT’s ability to support the business.

As one can see from the diagram below, the demand for resources is growing while the supply has declined, and this imbalance has (and will continue to cause) salaries to escalate.

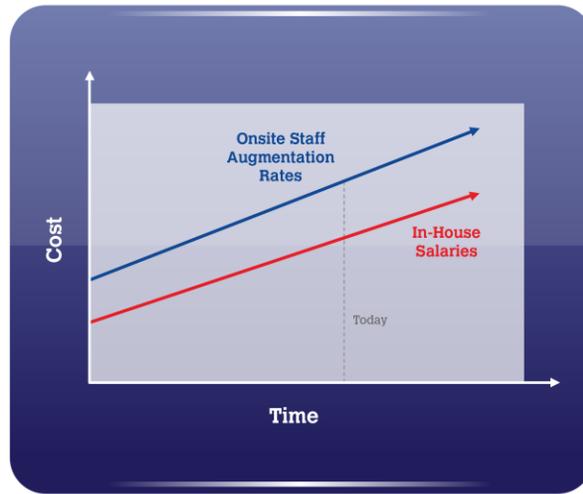


## On-Site

Onsite staff augmentation can come from a variety of sources – large agencies, offshore companies coming onshore, global services companies or one of the many local staffing “firms”. While there may be a variety of sources there is one uniform outcome: on-site resources will not only always be the most expensive option, but the rates will also always require greater investment than even the in-house option. The challenge is that they are all competing for and recycling the same people. This model is not adding to the talent pool. Consequently there is also increasing competition for H1B visas and the complexities and uncertainties they bring.

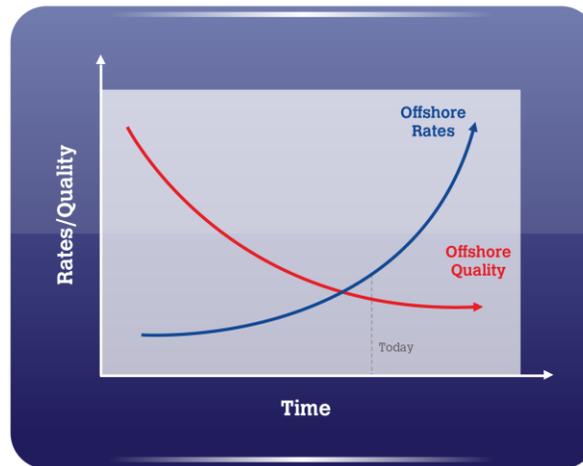
This just exacerbates the already acknowledged shortage of talent. Rates continue to rise and turnover and instability continue to mount as technology professionals consider competing offers and make only short-term commitments. As these contract staff contemplate other offers, multi-task, and move from job to job, the IT priorities of the company become compromised, quality suffers and ROI diminishes.

As can be seen in the diagram below, onsite staff augmentation (in whatever guise) will always be the most costly and short term solution – rates will always exceed all other resourcing forms (particularly internal costs).



## Offshore

Offshoring became synonymous with outsourcing and remains prevalent in the outsourcing of IT services. Pressure from Wall Street and private investment firms to lower cost, specifically lower wage rates, pushed much IT development offshore. This dynamic is changing. U.S. companies are now finding a more competitive workforce at home (in part) due to rising costs (see chart) abroad.



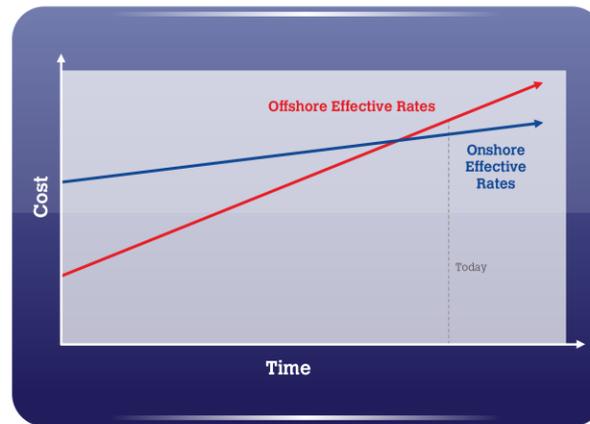
Cultural and contextual misalignment lessen the ability to position creative solutions which reduce speed to market, constrain agility and reduce the ROI of offshoring models – all of which contribute to escalating “real” cost. The perception remains that offshore IT companies have unlimited ability to scale, but in reality the pool of qualified consultants is drying up and companies have resorted to recruiting from significantly less qualified sources to meet demand. According to a recent Gartner report:

## “Providers Expand U.S. Onshore Delivery, Invigorate Investments in Low-Cost Domestic and Rural Sourcing”

Source: Gartner, “Market Trends: Providers Expand U.S. Onshore Delivery, Invigorate Investments in Low-Cost Domestic and Rural Sourcing”; Allie Young, Helen Huntley, Frances Karamouzis; May 23, 2013

“Offshore talent issues emerge that compromise quality – With success and growth, opportunity in the Indian labor market soared, resulting in widespread country-level talent issues: rising attrition from revolving-door hiring, inconsistency in talent quality, unprepared workers, ineffective project management (due to time zone differential), and difficulties from language, cultural, and time zone challenges. Gartner inquiries on the topic of India’s rising rates and declining quality have been common.”

The “effective” (real) rate of offshore is now outstripping that of onshore, US-based technology center resources. A list of factors (not least the offshore model becoming a victim of its own success) is contributing – skills shortages, turnover, inflation, and a rising cost of living. As offshore companies look to lesser-skilled resources to fill the gaps, the quality of service deliverables further declines, placing upward pressure on real costs.



Many companies are invested in offshore infrastructure and should not necessarily abandon offshore services. There remains a place for offshoring in a balanced Global Sourcing strategy. What we’re learning is that offshoring can’t be the full strategy. If you don’t have a current offshore infrastructure and are considering using offshore resources for a project; here are some items you should consider when measuring your in-house team’s ability to manage the project:

- Do you have the ability and time to write and continuously update detailed project specifications?
- Do you have the ability to determine if a vendor has necessary skills and staffing to complete the project?
- Is your team able to manage projects across multiple time zones? If it is 8 AM in New York, it’s already 5:30 PM in Bangalore.
- Does your team have experience working in a multi-cultural environment?
- Does your team have the necessary language skills to work with teams where English as a second language?
- Is your team willing and able to travel? It’s more than 8000 miles from Chicago to Bangalore. You can expect to be onsite at least twice per year.



- Are you willing and able to understand the vendor's processes?
- How will you handle transmission of confidential and secure information?
- Do you have sharing and collaboration tools to manage a dispersed project team?

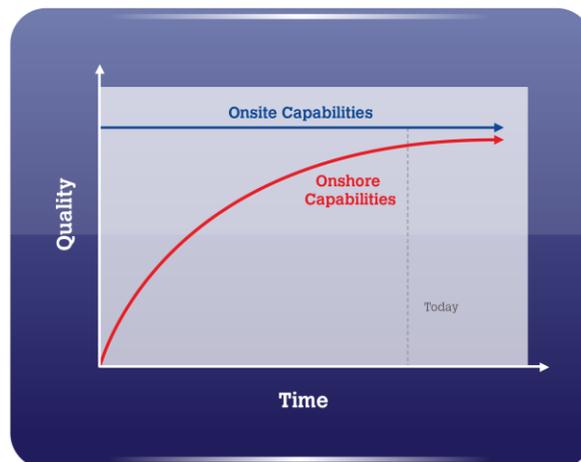
## U.S. Onshore

During the 90s, IT services were focused on providing onsite consultants. This was brought about because rates were high, budgets were plentiful and services companies enjoyed some of the highest valuations of that era. The receding threat of Y2K and the following economic downturn meant companies were once again focused on cost control. At this time, IT services moved to a "Technology Center" model – with consultants NOT at the customer site, but instead working out of dedicated buildings that happened to be on the other side of the world. The U.S. Onshore model is a "Project Center" model – the consultants are offsite but not offshore. According to a recent Gartner report:

"U.S. onshore options for low-cost domestic and rural sourcing open new possibilities and reinvigorate investments in U.S. delivery for IT services, ranging from applications and infrastructure services to business process services and emerging technology solutions."

Onshore Technology Center based consultants are able to deliver the capabilities of the onsite consultant: at a clearly more aggressive price point. Domestic consultants offer consistent contextual understanding, empathy, and functional and technical competence that are both measurable and understandable. Modern tools enhance remote communication and understanding, and while not always eliminating the need for the onsite consultant, this model reduces the reliance on this expensive, yet coveted resource.

As can be seen from the diagram below, the capabilities of onshore technology center based resources are rapidly approaching those of traditional onsite consultants...but at a significantly lower price point





## Eagle Creek Onshoring Benefits

By accepting the Global Sourcing model for IT services, you enter a best of breed situation when determining where to distribute resources. For onshore sourcing, Eagle Creek Software Services stands out. Here's why:

**“U.S. organizations became more cognizant of hidden costs of the offshore delivery model that impaired quality, agility or user satisfaction: time zone separation causing delays, cultural misalignment, language issues, faulty communication of ideas, inadequate project management across regions, and lack of innovation are some examples.”**  
**Low-Cost Domestic and Rural Sourcing”**

*Source: Gartner, “Market Trends: Providers Expand U.S. Onshore Delivery, Invigorate Investments in Low-Cost Domestic and Rural Sourcing”; Allie Young, Helen Huntley, Frances Karamouzis; May 23, 2013*

### Size and Experience

Eagle Creek has spent the last eight years focused on developing a domestic sourcing model and combining it with highly successful onsite resources. Eagle Creek is the largest US-based onshore services company and the first service company to establish onshore Technology Centers. Eagle Creek is twice the size of its closest rural sourcing competitor, with three Technology Centers in North and South Dakota, as well as an office in Minneapolis, with travelling consultants, sales and other support staff throughout the U.S. This size allows Eagle Creek to scale and customize its consultants for individual projects, meaning Eagle Creek can meet the demands of customers accustomed to an offshore or an onsite model.

### Scalability

Scaling up for a project is one of the greatest challenges for an onshore IT services company. Ability to scale is made easier with size. Smaller companies do not have the resources or ability to scale up for major projects. As the largest US-based onshore software services company, Eagle Creek has the size, experience and partnerships to ramp up for major projects in a short period of time. With a constant pool of consultants flowing from the IT Consultant Academy in Vermillion, S.D., which is the result of a partnership between Eagle Creek and the University of South Dakota, the problem of scale has been solved for Eagle Creek clients. Eagle Creek is not dependent on H1B visas and consequently not impacted by the political uncertainty in Washington and the volatility of the geopolitical landscape.

### Quality

Eagle Creek is focused on quality in all aspects of CRM, Business Intelligence (BI) and Application Development. With thorough development and testing, Eagle Creek delivers a product that is defect free and ready for public consumption. The root of Eagle Creek's quality difference is training and experience. Eagle Creek takes the time to train its IT consultants. Some of this is done at the university level through programs like the IT Consultant Academy at the University of South Dakota and internships, where candidates will progress to formal technology and process training once a member of the Eagle Creek team. Eagle Creek is able to capitalize on our team of experienced consultants to act as mentors and provide real world insight. As the first services company to establish onshore Technology Centers, Eagle Creek has consistently proven the ability to provide reliable results while maintaining low cost and speed to market.

### Cost

Eagle Creek pioneered the concept of onshore Technology Centers seven years ago. By locating these centers in rural areas, Eagle Creek is able to lower cost while maintaining the high quality that customers expect. The IT consultants employed in Eagle Creek's North and South Dakota Technology Centers are the



product of what remains the best higher education system in the world and have extensive, relevant training, but due to the cost of living and geography, the cost of doing business is lower in these communities. That savings is passed on to the client, as Gartner identified in a recent report.

## Technology

Eagle Creek is an expert in mainstream technologies with a focus on CRM, Business Intelligence (BI) and Application Development. Eagle Creek is focused on the Front Office - where IT service customers are touching their customers, prospects and other constituents. It is here that companies can truly use their technology investments to increase effectiveness and drive competitive edge by creating singular customer and prospect experiences. Eagle Creek's model delivers contextual understanding that in turn drives speed to market and aligns business goals and IT methodologies.

## Unique Delivery Model

Eagle Creek's onshore delivery model has been developed, in collaboration with the state governments of North and South Dakota. The model delivers scalability, consistency and sustainability in software development, deployment and support.

With Technology Centers in Valley City, N.D., Pierre, S.D. and Vermillion, S.D., the unique delivery model is a stark contrast to the business model of offshore companies, which try to address their inherent delivery problems—time, distance, culture and employee turnover—by imposing highly structured processes on U.S. based IT staff. This, in effect, makes corporations re-engineer their internal practices, which costs time and money. In contrast, Eagle Creek's Technology Centers adapt to a corporation's IT practices, maximizing efficiency.

## Thought Leadership

Eagle Creek is a leader in the IT services industry. With President and CEO Ken Behrendt at the helm, the company has created a clear vision for American companies to achieve success with offsite IT services. Ken has shared his vision through countless speaking engagements, op-eds and industry features. He is often consulted by state and federal lawmakers on policy matters from business development to immigration reform. Ken and Eagle Creek will continue to chart the course for onshore IT services with innovative leadership strategies designed to keep American business thriving.

## ROI

Calculating ROI is a very personal process for a company. Each company has a unique way to determine what the best use of existing and future resources is. That's why Eagle Creek does not have a one-size-fits-all ROI model, instead focusing on customized IT solutions. Here are some items you should include when calculating ROI:

- True cost of in-house staff per hour
- Cost of contact support per hour
- Ratio of in-house staff to contractors
- Growth forecast of development needs
- What other costs will be increased or reduced?
- Can the project be done in phases to realize increases in revenue in the near term?
- How are the unidentified risks valued?



The key to any ROI model is validating the underlying goals of a company's IT strategy, which include:

1. Create a flexible and scalable technical resource pool for future growth
2. Reduce the overall cost of technical resources
3. Improve the efficiency and effectiveness of the resource pool

When considering ROI, Eagle Creek looks at the current use of resources and judges the cost, risk, quality, ability to scale and sustainability. From there, the numbers are often hard to fathom. In one instance, a major US-based company (and now Eagle Creek client) will save \$135 million over four years by contracting with Eagle Creek for a portion of its IT services. While this number may seem absurd, it represents the unsustainability of many corporate IT sourcing models and presents an opportunity to create new efficiencies and update processes.

## About Eagle Creek Software Services

Eagle Creek Software Services provides consulting and technical expertise to the Enterprise. The firm focuses on CRM, Information Management (BI) and Applications Development, helping clients increase quality and efficiencies while managing price and risk in software development, deployment, & support.



With over 350 consultants, Eagle Creek Software Services is the largest U.S. based onshore software services company. Eagle Creek is uniquely positioned by combining on site expertise with U.S.-based Technology Centers. The onshore delivery model allows Eagle Creek to achieve consistency, scalability and sustainability in the provisioning of technical and consulting capabilities.

Eagle Creek has expertise in a multitude of industries, and has the experience and know-how to implement, upgrade and maintain enterprise-grade front office technologies, applications and platforms such as Oracle Siebel, Oracle CRM On Demand, and Salesforce.com.

For more information on Eagle Creek visit,  
<http://www.eaglecrk.com/>