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Update: Sears CEO Alan Lacy sings praises of offshore outsourcing

Computerworld - NEW YORK -- **Editor's note:** *Sears today responded to this story with the following statement: "The quote [see story, below], during a panel discussion, was simply unfortunate wording on Alan's part. It is not at all the way he feels, and Alan sincerely apologizes for the misstatement. He knows that the United States has the best-educated workforce in the world. The point Alan attempted to make is that countries with populations several times larger than the United States by virtue of their size have substantial pools of educated and motivated workers. Changes in technology are allowing these workers increasingly to compete for work for U.S. companies. Although outsourcing is a discussion point, Sears has no plans or goals specifically related to offshoring."*

Alan Lacy, CEO of Sears, Roebuck and Co., last week talked about offshore outsourcing and expressed keen interest in the "non-U.S. opportunity" available for outsourcing some IT functions during a general session on retail trends at the National Retail Federation's annual conference here. Early in the week, Lacy said he couldn't predict what changes Sears might make. "We're going to always look to see whether we can deliver a service cheaper by outsourcing vs. doing it ourselves," he said. But during a general session sponsored by BearingPoint Inc. Wednesday, Lacy expounded on his views on outsourcing: "I think that we're still in the early days of this, and we had some outsourcing capabilities or functions that could be outsourced for quite a while," he said. "But I do think that we're early in the cusp of any celebration on this. "I think that lots of companies are going to focus on cost structure, and I think, just particularly from an IT standpoint, every year we always have more IT projects than we can rationally afford to invest behind. And it's often the case that ... administrative functions fall to the bottom end of that prioritization scheme that you want to develop behind sales growth or margin expansion or customer data or what have you. And the administrative stuff kind of falls to the end. "And I think that the fact that we now have potentially the ability to outsource to people who this is their business, they're going to have an incentive -- because it is their business to keep more state-of-the-art in terms of the quality of the financial systems, the HR systems and so on. I think that to some degree, just the nature of IT spending is that we have scarce resources in IT. Resources being scarce is going to lead to, I think, acceleration of outsourcing for some of the more administrative-like functions. "But I think, beyond that, to me, a very interesting trend right now is the whole non-U.S. opportunity that's available, and ... if you think about personal intelligence and drive being randomly distributed by population -- you know, there are four or five times as many smart, driven people in China than there are in the U.S. And there's another four or five,

three or four times as many people in India that are smarter or as smart or have more drive. And if technology is now going to basically reduce location as a barrier to competition, then essentially you've got something like whatever that was, seven or nine times, more smart, committed people that are now competing in this marketplace against certain activities.

"So, I think that the outsourcing potential -- particularly of some of the more commodity-like knowledge worker activities -- we're just beginning to see the first of that curve. I think that, just given the nature of technology and given the nature of those workforces, and given the fact that we've had a decrease in the supply, prices are going to fall.

"So we're going to see, I think, this huge incentive to shift some of these more commodity-like, knowledge worker jobs offshore."

Do you agree or disagree with Lacy's outlook on outsourcing? Why? What do you think might be an alternative solution to outsourcing? How might this be accomplished?