

## **U.S. exit strategy splits employers**

Some go overseas for cheaper labor; others take pride in staying

**By Ann Meyer | Special to the Tribune**  
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By taking care of the grunt work that many attorneys dread, legal services company Mindcrest has become the best friend of U.S. litigators.

The Chicago-based firm employs nearly 400 lawyers, up from 40 a year ago. And it is hiring as fast as it can. The catch: It wants lawyers in Mumbai and Pune, India, willing to work for a fraction of their U.S. counterparts' paychecks.

Mindcrest has embraced offshoring from the get-go. Without it, the company wouldn't exist, said George Hefferan, the company's vice president and general counsel.

A growing number of small businesses are moving to offshore outsourcing to cut costs, experts say. And the concept has moved beyond information technology services and manufacturing to include different kinds of business services and even product development, said Cheryl Nakata, associate professor of marketing at the University of Illinois at Chicago's College of Business Administration.

"It's really coming on strong," Nakata said, particularly as U.S. businesses understand the potential goes beyond cost savings. "The companies that have figured out how to gain the most [are adding] new capabilities and improving the quality of their products."

But the outlook is not all in one direction.

Some entrepreneurs are opposed on principle to the concept, while others specialize in reverse offshoring, bringing foreign customers to U.S.-based service providers. What works best for one company might not be the right decision for another, experts said.

In legal services, Teju Deshpande, a co-founder of Mindcrest, counts more than 100 rival legal services firms with operations in India.

"What is nice about having a competitive field is it validates the model," Deshpande said. When Mindcrest started, it spent considerable time educating

clients and figuring out the type of work that should be outsourced. "We were pioneers," she said.

Now that clients understand that the firm can help them by reviewing lease agreements, inputting data and performing administrative tasks, business is growing "exponentially," Hefferan said.

"We're doing work that is not challenging for young associates," he said. "It aids in the law firm's retention to not be deploying associates on largely redundant and repetitive tasks."

By eliminating some grunt work, the U.S. firms can focus on more sophisticated legal work, he said.

Still, the concept isn't without critics. Just as Mindcrest is all about offshoring, Chicago-based OnShore Technology Group's tagline says it all: Keeping technology jobs on America's shores.

Valarie King-Bailey, a civil engineer and business school graduate, launched the company in 2004 after she lost her job to offshoring, she said.

"I had worked in the industry for 24 years and had a great career until the time offshore outsourcing began," King-Bailey said. Determined to create good jobs for her husband, herself and other IT workers, she launched the IT engineering firm.

"It was started with a philosophical bent," she said. "I thought, 'How can I not only help myself but other engineers and IT professionals with meaningful employment on American shores that paid American wages.'"

The concept, plus King-Bailey's experience, helped land a \$100,000 start-up loan from Harris Bank, she said. The firm now has eight employees and more than 140 clients, including some from overseas that are setting up shop in the U.S.

"I'm reverse offshoring," she said. "I'm bringing companies from other countries into the U.S."

Designer Tennille White is another Chicago entrepreneur determined to keep local workers employed. She designs high-end plus-size apparel that is manufactured in Chicago. Because she isn't aiming at high volume, the cost differential isn't a significant factor.

Even if it was, she said, "I would rather not sell as much and try to help some Americans who need jobs."

White's apparel runs from \$175 to \$595, but price hasn't been an issue. In the past year, she has tripled her business, she said.

White isn't alone in her conviction. Renee Wood, founder of The Comfort Co., a Geneva-based online retailer of sympathy gifts, severed ties with a Rhode Island manufacturer two years ago after it said it planned to move production of Wood's pewter holiday ornaments to Taiwan.

"I said, 'That is going to end our relationship,'" Wood recalled. The vendor promised better margins as a result of the switch, but Wood wasn't interested. I wanted to give our business to U.S. workers. It's my own personal value system," she said.

So she moved the production to another Rhode Island manufacturer, after visiting the factory to make sure working conditions were good and the workers were offered health insurance benefits, she said.

Costs are higher, and Wood hasn't ruled out a price increase next year. But she plans to put a label on the product's packaging that says "Made in the USA" and "100 percent lead free."

Not everyone is convinced consumers really care whether products are made domestically.

"There is a pragmatism that consumers now have because they have been inundated with products from elsewhere," Nakata said. More important than a product's manufacturing origin is the brand, she said. "American brands tend to be extremely powerful and drive sales, regardless of where the product is made," she said.

Despite the quality issues raised by recent reports of lead in U.S. toy brands manufactured in China and other substandard products, consumers continue to buy products made overseas, Nakata said.

"We're not seeing a ripple effect into Chinese clothing" or other hard goods, she said.

But Wood is convinced her customers won't mind paying \$1 to \$1.50 more for the \$15 ornaments if they understand why.

"We are just trusting that, over time, people are going to be willing to pay a little bit more," she said. "The Wal-Mart effect hopefully is going to lose its value."