

Quest for Quality Outsourced: Where lies the compromise?

Anybody awake knows Moore's Law--or should. At a constant price point, computer chips get twice as good every 18 to 24 months. That's not exactly what Gordon Moore wrote in 1965 when he laid down his law. Physicists don't use words like "good." No, Moore was thinking about transistor densities on silicon chips. But during the 1980s, thanks to the amazing rise of the personal computer, Moore's Law took on a larger meaning. It became the symbol for exponential gains in technology. For example, I bought my first hard-disk drive in 1984. It stored 20 megabytes and cost \$500. A few weeks ago I bought a disk drive that stores 2,000 times more data than my 1984 model did. Yet it costs only \$399. Even better, Apple throws in the music player for free. It's my iPod, you see.

Moore's Law has a flip side. It goes like this: At a constant performance point, tech prices tend to drop 30% to 40% per year. Recall the Intel 486 chip? It was blazing fast in 1987. It sported a premium price to match--\$750--and ran PCs costing \$4,000 (about \$7,000 in today's dollars). Where are those 486-class chips today? They're running BlackBerrys, Treos and the like and sell for \$25.

The flip side of Moore's Law is the reason China will surpass the U.S. next year in Internet users. This is what happens when decent PCs and handhelds can be had for less than \$500.

Amid the piles of gushing words written about the Internet during the 1990s, I recall none about cheap tech's lifting poorer countries out of poverty. Now it's a fact, yet we're of two minds about this. We delight that so many lives are being improved, but we're not always thrilled with the sudden new competition. John Kerry cynically plays the offshoring card. It's cynical because, first, as a senator, Kerry was a free-trader and, second, how would he stop the Chinese or the Indians from selling their skills over the Internet? Ban the Internet? Cut all fiber-optic cables at the border? Rescind Moore's Law?

Offshoring does not threaten American prosperity. Here's a much more real threat. Since World War II, the U.S. has recruited an oversize share of the world's best brains. The Manhattan Project? It was successful in large part because Hitler drove Europe's top atomic physicists into our arms. Silicon Valley? It would be a lesser place if you erased names such as Jean Hoerni, Federico Faggin and Andy Grove. Grove crawled on his belly under Hungarian barbed wire to come to the U.S.

But now America's lock on the world's best talent has been picked. As a global citizen, I say that this is good--it's proof that cheap tech and democratic capitalism now touch more people. As an American, I'm not as comfortable making that argument. Not when U.S. immigration policy is misguidedly slanted toward

unskilled workers and tipped against the talented. Not when regulatory overreaches, such as Sarbanes-Oxley, are driving startups offshore. You see, it isn't just the pull of opportunity away from our shores that is causing talented immigrants to head home or never leave in the first place. It's our bad visa policy that's giving them an active push. This will bite the U.S.

The first sign of financial peril for countries and companies is an outflow of talent. Remember Britain's "brain drain" in the 1960s? Prime Minister Harold Wilson chased out the country's actors, doctors, scientists and engineers with tax rates that peaked at 98%, and Britain nearly collapsed in the 1970s. A talent exodus in the early 1990s foreshadowed Silicon Graphics' decline later in the decade.

A tech investor I know has averaged 25% returns over a 20-year period. His secret? He attends trade shows and conferences during the year. Of course he wants to learn about new products, but he also goes to hear industry gossip on talent flow--e.g., why did the founder leave; what's the scuttlebutt on the new sales VP?

Here's a central truth of our time: Talent and capital flash around the world at the speed of light in search of opportunity. Barriers are easy to surmount, bureaucrats easy to foil, and friction is becoming fiction on the Internet.

Not all cheap talent is foreign. Some is American--and very young. A couple of years ago I wrote about a gang of Web designers whose average age was 22 and who were led by a high school junior. Here's another group: Logoworks.com. Check 'em out. Anyone wanting a custom logo fills in a creative brief online. You can then pick from three price points: \$265 (4 designers, 4 to 8 concepts, 2 revisions); \$385 (3 designers, 6 to 8 concepts, unlimited revisions); \$549 (5 designers, 10 to 12 concepts, un-limited revisions). The deal is that you get many concepts from a variety of designers with completely different ideas.

It works like this: The "job" is posted to a private area of the company's site. Up to 200 designers will sign up for the job, first come first served. A few days later you start looking at concepts. You can also order cards and stationery.

Designers love it for the following reasons: They never have to meet with the clients; payment is immediate; they can work at home, day or night, with total flexibility; they can make \$100 per design. That may be peanuts to a Madison Avenue pro, but not to a youngster making his or her mark. Logoworks has 10,000 customers and has been profitable since 2002.