A new trend described as the opposite of offshoring is bringing high-tech jobs to the Midwest

When Paul Eurek graduated from the University of Nebraska-Lincoln in 1992, he had to leave the state to find a technology job. Thirty years later, he is at the leading edge of a trend called "rural sourcing" that is bringing high-tech jobs to places in the rural Midwest as small as Eurek's hometown of Loup City.

Eurek's Atlanta-based firm, Xpanxion Technologies, now employs six in Loup City, 85 in Kearney and 25 in Ames, Iowa, and has plans to open a Kansas office. Those are in addition to about 40 employed in Atlanta and about 300 in India.

Large corporations looking to outsource their information technology or software development services increasingly pass over India and the Philippines to find help in places like Nebraska, South Dakota and Iowa. It's still outsourcing, but it's the opposite of offshoring.

"It is probably the hottest concept that's going on in the industry," said Chuck Magnuson, director of the State of Nebraska Workforce Development, a division that's working to attract businesses to Nebraska.

The "rural sourcing" trend is also reflected in a Minneapolis-based firm's plan for a Vermillion, S.D., technology center that will employ 200 IT consultants.

A rural gain, not drain

BY BARBARA SODERLIN | ONLY IN THE WORLD-HERALD

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It expects to recruit many of them through a new partnership with the University of South Dakota and pay them between $40,000 and $60,000 a year. The employees will have a focus on developing mobile app software. Eagle Creek employees in other area locations work on customer relationship software services and data management.

In addition, the Rural Futures Institute, launched last fall by University of Nebraska President J.B. Milliken, earlier this year awarded a $125,000 grant to a group of Nebraskans including Eurek who hope to build on the suc-
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"It is probably the hottest concept that's going on in the sourcing industry," Eurek said. "It's going to have high growth rates over the next few years."

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See Rural sourcing: Page 2

"We are doing everything that can be done in an engineering shop. We can work with multinational corporations that are doing cutting-edge projects."

Paul Eurek, chairman and CEO of Xpanxion Technologies and a Loup City, Neb., native
Rural sourcing: Jobs are gained

Continued from Page 1

sity of Nebraska alumni back to the state in technology and other professional fields.

“The strategy is to reverse the brain drain,” said Shawn Kaskie, director of the Center for Rural Research and Development at the University of Nebraska at Kearney.

Eurek started Xpansion after he built and sold a different business that developed software for small businesses. With an engineering center in Purdue, Indiana. But Eurek realized, he said, “there were jobs we were creating offshore in India that we could be creating in Loup City.”

The traditional advantage to hiring Indian engineers was the cost savings, but as salaries there have risen, the intangible benefits of rural American workers have become attractive to companies.

They don’t have to pay high wages but still can have workers in U.S. time zones who have native English language skills, lower attrition rates and the much-touted Midwestern work ethic — some of the same benefits that have led banks, retailers and insurance companies to locate customer service call centers in Nebraska.

Other benefits are that U.S.-based IT operations must follow the country’s data privacy and intellectual property laws, and corporate social responsibility policies may encourage the use of American workers, according to technology research firm Gartner.

When Eurek’s clients started dealing with his employees in Nebraska, “the customer satisfaction numbers went through the roof,” he said.

That doesn’t mean he has closed up shop in India. On the contrary, his Pune workforce is growing.

“Most major corporations have made huge investments in offshore; they’re not prepared to just throw that away,” Eurek said. “Rural centers will never displace what’s going on in the offshore markets.”

He said an all-rural workforce is scalable and practical, and often takes a partnership with a university to maintain a supply of employees. Eurek has worked with UNK to establish a course in software quality assurance and testing.

An even bigger higher education program is a major part of the initiative announced Wednesday in Vermillion.

Eagle Creek Software Services of Minneapolis, which says it is the largest U.S.-based onshore software services company, is expanding its “Dakota model” after earlier success in Pierre, S.D., and in Valley City, N.D. The company envisions bringing 1,000 jobs to South Dakota within five years.

To staff its first centers, Eagle Creek President Ken Behrendt said he has to bring in 85 percent of his employees from outside of state, mostly from other Midwestern areas. He is hoping to cut that to just about 50 percent in Vermillion, by working with USD to create the new IT Consultant Academy at USD, providing scholarships for both an undergraduate certificate program and a graduate master’s degree program.

The South Dakota Board of Regents is expected to approve the program in April. Graduates will be top candidates for jobs with Eagle Creek and would have the skills to work anywhere, Behrendt said. He said USD technology and technology support graduates are just as technically proficient as those in India.

At Xpansion, Eurek has found the same. When he started the Kearney shop, employees were doing “the simplest thing they could do” — manually testing software. But now they are handling more complex jobs, including performance and product management, mobile software development and software programming.

“We are doing everything that can be done in an engineering shop,” Eurek said. “We can work with multinational corporations that are doing cutting-edge projects.

Besides education partnerships, economic development incentives are needed, too. Eurek said a $600,000 zero-interest loan through the Community Development Corporation of South Dakota was key. An education program at USD will build on these successes to expand the concept to recruit NU alumni back to Nebraska.

UNK’s Kaskie submitted the grant application with representatives of the Nebraska Alumni Association and Nebraska Department of Labor, among others.

The first year of the two-year grant program — an effort to reach people who grew up in Nebraska, those whose families may be more likely to stay if they move back, to fill jobs and create other jobs where might not be other one.”

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Retail: Cupcake shop ‘need filled’

Continued from Page 1

Retail

Mockingbird Cupcakes features flavors developed by shop owners Racheal Henderson and Sarah Alsup, who are twin sisters.

board games (45 versions of Monopoly) and, of course, calendars.

“There are about 900 Calendar Club stores and only 36 are year-round,” owner Jay Prendes said.

Customers are happy about the change, particularly jigsaw puzzle enthusiasts, Prendes said. “Now I can keep them in puzzles throughout the season.”

Go! Calendars is located on the upper level next to the Buckle at the mall. Store hours are 10 a.m. to 9 p.m. Mondays through Saturdays and noon to 5 p.m. on Sundays.
'Rural sourcing' is bringing high-tech jobs to Midwest

By Barbara Soderlin
WORLD-HERALD STAFF WRITER

XPANXION TECHNOLOGIES

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In addition, the Rural Futures Institute, launched last fall by University of Nebraska President J.B. Milliken, earlier this year awarded a $125,000 grant to a group including Eurek who hope to build on the successes and strategies of rural sourcing to recruit University of Nebraska alumni back to the state in high-tech and other professional fields.

"The strategy is to reverse the brain drain," said Shawn Kaskie, director of the Center for Rural Research and Development at the University of Nebraska at Kearney.

Eurek started Xpanxion after he built and sold a different business that developed software for touch-screen point of sale systems.

It started as a more traditional software development and business processes outsourcing business, with an engineering center in Pune, India. But Eurek realized, "There were jobs we were creating offshore in India that we could be creating in Loup City."

The traditional advantage to hiring Indian engineers was the cost savings, but as salaries there have risen, the intangible benefits of rural American workers have become attractive to companies.
They don't have to pay high urban wages but still can have workers in U.S. time zones who have native English language skills, lower attrition rates and the much-touted Midwestern work ethic — some of the same benefits that have led banks, retailers and insurance companies to locate customer service call centers in Nebraska.

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At Spanxion, Eurek has found the same. When he started the Kearney shop, employees were doing "the simplest thing they could do" — manually testing software. But now they are handling far more complex jobs, including project and product management, mobile software development and software programming.

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Besides education partnerships, economic development incentives are needed too. Eurek said a $500,000 zero-interest loan through the Community Development Block Grant program was essential to the Kearney operation. The Vermillion Area Chamber & Development Co. worked with Eagle Creek on incentives for that project.

The rural sourcing project that has now received funding from the Rural Futures Institute will build on these successes to expand the concept to recruit NU alumni back to Nebraska.

UNK's Kaskie submitted the grant application with Eurek and representatives of the Nebraska Alumni Association and Nebraska Department of Labor, among others.

The first year of the two-year grant program — an effort to research what would bring alumni back, then contact them about opportunities — will be focused on recruiting IT engineers and software programmers, and in the second year Kaskie hopes to expand to corporate executives and professionals in medicine and law.

He says of people who grew up in Nebraska, "Those folks are more likely to stay if they move back, to fill jobs and create jobs where there might not be one."

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