

VirtualTalent



**Part 1: The Development
of the Global Talent Pool**

Abstract

We live in an exciting time. Globalization has opened the door to global markets for business everywhere. But markets of course are two sided – the people in these markets not only buy – they also produce. And, on the back of decades of political, economic and technological development, a huge global talent pool is now open for business.

The question for business is: ‘How do I engage this talent pool?’

This is a series of three white papers outlining the thinking and philosophy behind Flat Planet Pty Ltd.

The three papers are:

Part 1: Development of the Global Talent Pool

Explores the genesis and shape of the large pools of highly-qualified, experienced and motivated talent that are now available to businesses everywhere.

Part 2: Evolution of Engagement: Process v Direct

The global circa~\$300 billion Business Process Outsourcing (BPO) industry has led the way in terms of accessing and developing the Global Talent Pool. However, the engagement model lends itself to global corporations and locks out smaller, sub-global businesses that do not have the scale required around single, discreet business processes.

Part 3: Evolution of Engagement: Bidding Platforms v Virtual Talent

The concept of direct engagement between businesses and global talent was immediately radicalized by a flotilla of ‘ebay’ style labor bidding platforms. This model has broken the stranglehold of global corporates over the global talent pool and served to demonstrate to businesses of all size the depth of talent available to them.

However, the engagement model has delivered some issues that revolve around trust, sustainability and accountability. Virtual Talent is emerging as the next evolution of the direct model.

Overview & the Transition

'The World is Flat' wrote Pulitzer Prize winning journalist and author Thomas Friedman in his 2005 best seller by that name¹. This book has become something of a bible for global executives interested in the changing shape of the global economy.

Friedman however is quite openly documenting a trend that has been going on for some time – the trend whereby global business has distributed workloads across the globe in order to maximize the value of labor.

The concept is simple. If I can get the same output for less input then I am better off.

The Beginning

After the year 1990 many developing countries opened their economies and encouraged international trade

Globalization – The Great Convergence

Friedman attributes the rise of this global trend to a confluence of events that happened around 1990 and, perhaps not co-incidentally, the fall of the Berlin Wall.

Several changes were apparent including:

1) The Internet – already established in 1990 although did not explode into public consciousness until late '93, early '94 with the creation of the World Wide Web and the Web Browser.

2) Business Process Re-engineering – a new business trend, led by the publication of various articles by leading business schools such as Harvard².

3) IT Outsourcing Wins – a revolution led in no small way by 1992 Presidential aspirant Ross Perot, the 1960s founder of global giant EDS and later the founder of Perot Systems. Both of these companies had been at the forefront of driving the argument for the value of outsourcing.

The key to this point is that the argument presented by the outsourcers won. In around 1990 it became accepted that outsourcing IT was the best way forward on the basis that it was non-core – and by implication a specialist provider (outsourcing company) could deliver a superior outcome to the business.

4) Capitalism Wins – it was 'The End of History'³ – capitalism had won the cold war. This new and radical orthodoxy led to many previously closed economies opening up their borders to capitalism and free trade (including movement of ideas).

¹ Friedman, Thomas L, 'The World is Flat', Farrar, Straus and Giroux, New York, 2005

² Hammer, Michael, 'Reengineering Work: Don't automate, obliterate', Harvard Business Review, Jul/Aug 1990, pp 104–112

³ "What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government."

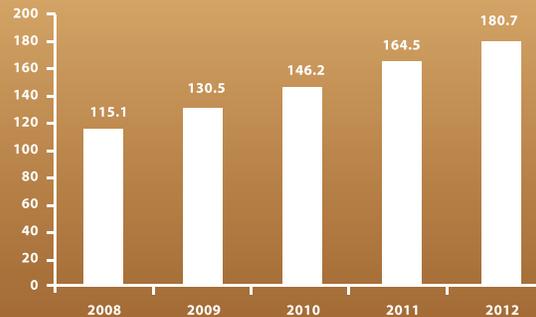
Fukuyama, Francis, 'The End of History and the Last Man', Free Press, 1992

Business Process Outsourcing

On the back of The Great Convergence, the 1990s were largely defined by a global push for trade policies around the world shaped in a manner so that a perfect international trade equation could be established which was solely based on the optimization of resources by minimizing costs.

BPO Growth – IDC ▶

While at the lower end of estimates in regard to total market size, IDC none-the-less predicts high rates of compound growth.



Growth of Outsourcing

Role of Globalization and rapid growth in information technology gave a thrust to the outsourcing industry around the world in the early 1990s.

By this time the argument won by EDS in regard to IT outsourcing was looking equally compelling when applied to any other 'non-core' element of a business.

At the same time, Business Process Re-engineering was conveniently going about the task of breaking large corporations down into bite-sized chunks of process – each labeled Core and Non-Core.

This brought forward the concept of "Outsourcing" the Business Process – or Business Process Outsourcing.

With international trade barriers opening up and the Internet enabling the flow information – the logical step to using low-cost nations to enact these processes where possible was apparent. Low-cost labor delivered a double benefit – first the benefit inherent in devolving non-core process to specialist providers. Second the benefit of having access to low-cost labor.

The BPO industry grew at a rapid pace during 90s and into the 2000s. Today the global BPO industry is estimated to be worth anything from US\$150billion to more than US\$350billion, depending on how you define the market and who the research organization is.

The issues that surround the definition of BPO including whether or not you include IT outsourcing and how you treat the global contact center industry. Also, the question of inclusion of accepted outsourced business services – i.e. advertising agencies.

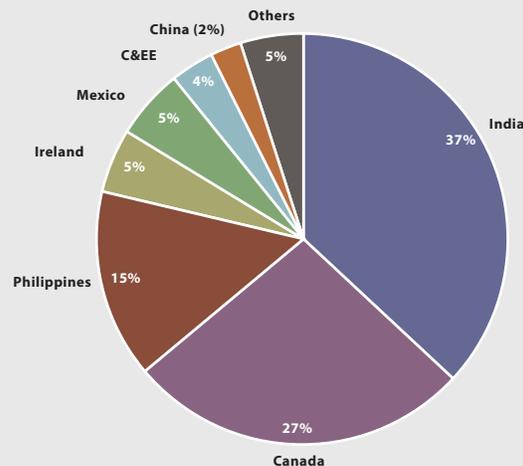
Regardless, it is clear that BPO is a huge and rapidly growing industry.

Global Talent Pool Development

One significant group of major beneficiaries of the growth in the industry has been the BPO industry workers and the nations where those workers live – which, with the exception of Canada and Ireland, have been developing nations.

For example, India's GDP is around US\$1.236⁴ trillion. By some estimates, BPO alone contributes around US\$14⁵ billion – or just over 1% of the entire economy.

The Distribution of BPO work by Destination
(Everest Research Institute, 2008)



It is a similar story in the Philippines. Filipino GDP is around US\$161⁶ billion. BPO might contribute around \$8⁷ billion – or a massive 5%.

The positive impact of BPO on these nations has come as a positive affirmation of education-driven social policies. Many nations, including Malaysia, Philippines and India, have invested heavily in education over the past 30 years against two main objectives:

- 1) Drive social outcomes around equality and cohesion (particularly Malaysia).
- 2) Enable their populations to participate fully in a prosperous future that is – from their perspective - being driven by science and technology.

These nations and their people acknowledge themselves to be developing nations and are generally working against aggressive internal timelines to throw off that tag and take their place as fully-fledged members of the community of developed nations⁸.

It is a vision shared their people. Regardless of any individual's view of the competence of their national government, there is a strong sense of general unity around the view that education is the way forward to prosperity.

⁴ www.cia.gov/library/publications/the-world-factbook/geos/in.html

⁵ www.indobase.com/bpo/global-market-of-bpo.html

⁶ www.cia.gov/library/publications/the-world-factbook/geos/rp.html

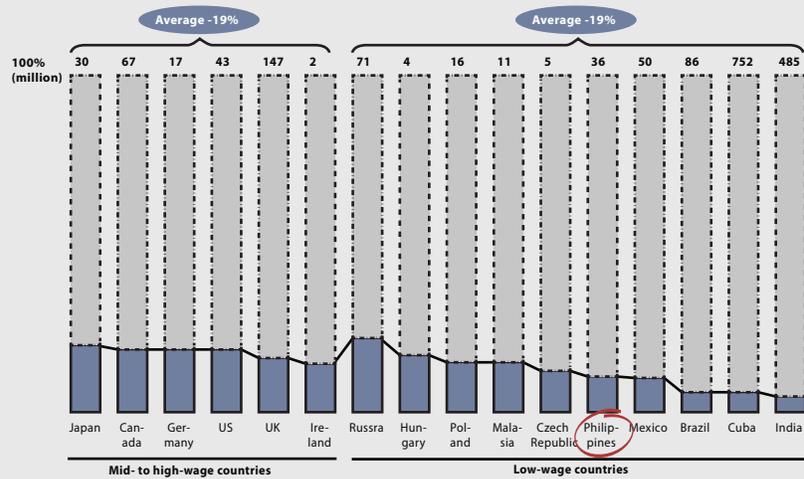
⁷ www.cnbc.com/id/39869531

⁸ In particular note Malaysia's 2020 Vision - www.pmo.gov.my/?menu=page&page=1898

Hence, you find deep and highly experienced talent pools located in these nations. Not only has, say, the Philippines, been pumping out hundreds of thousands of University graduates for 30 years, for the last 15 years most of them have been working for huge global corporations. The result is a highly skilled talent pool that has a strong understanding of and experience within the western-style business culture and expectation-set that permeates these massive employers.

"We found there are approximately 33 million young professionals (university graduates with up to 7 years of experience) in our sample of 28 low-wage countries. This compares to 15 million in our sample of 8 higher-wage nations (United States, United Kingdom, Germany, Japan, Australia, Canada, Ireland, South Korea). Including support staff, doctors, and nurses of all tenure groups, the figures rise to 392.8 million potential workers in low-wage countries, compared to 181.3 million in high-wage countries."

McKinsey & Company; 'The Emerging Global Labor Market: Part II—The Supply of Offshore Talent in Services' (2005)



● Around 7% of the workforce in low-wage countries has at least a college degree. Some already compare favourably with high-wage countries.

SNAPSHOT

Philippine Talent Pool

- 400,000+ BPO employees
- 450,000 graduates each year
- 36 million total work force
- STRONG English proficiency.

Indian Talent Pool

- 14 million 'young professionals'
- 2.4 million graduates each year
- Only 8% of total workforce is 'organised' of which 66% are government.
- Global market leader.

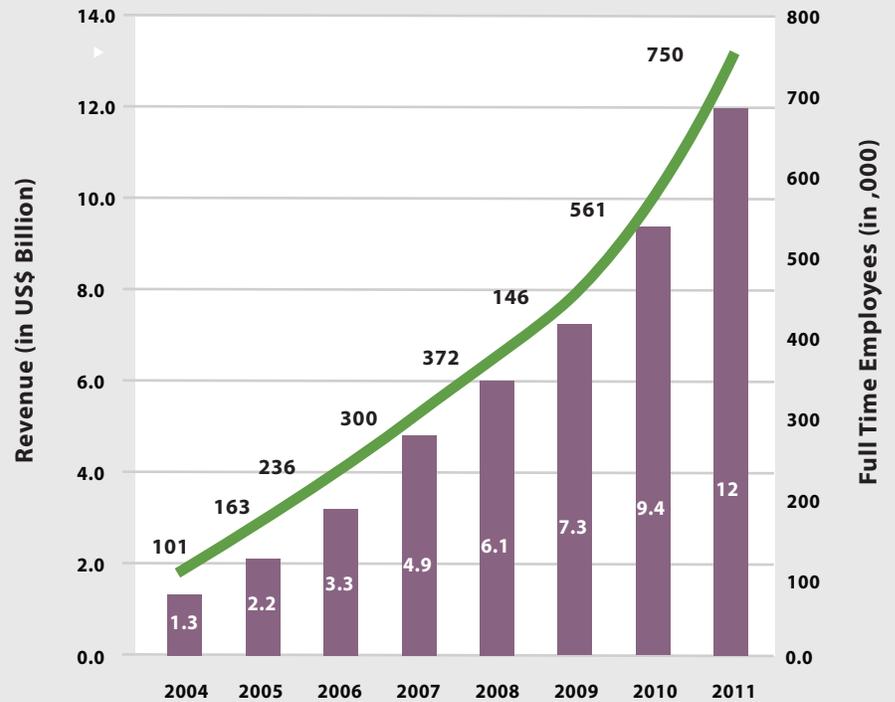
Sources: www.redif.com; www.wikipedia.com

Chinese Talent Pool

- 9.6 million 'young professionals'
- 96 million capable support staff
- English language deficiency is the major barrier

Source: www.redif.com; McKinsey & Company

The Filipino BPO/ITO Outsourcing Industry 2004 – 2011



Wide Breath of Competencies

- Transcription (*Medical, Legal, Publishing, Data Transformation, Film Subtitling*)
- Knowledge Process Outsourcing (*Marketing Research, Medical Research, Insurance, Legal Case Research & Preparation, Mortgage*)
- Customer Relations (*Sales and Customer Support, Help Desk, Sales*)
- Back Office Outsourcing (*Finance and Accounting, HR, Payroll*)
- IT Services (*BC/DR, Web Hosting Network Management*)
- Software Development (*Product Development, Embedded SW, Project Management, Quality Assurance*)
- Games Development
- Engineering Design
- Animation



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