



The World Is Not Enough. Or Is it? A Reflection on Global Sourcing



David Kinnear
Chairman, GSC

James Bond buffs will recall the title of this movie, but it came to mind for me the other day as I prepared to make a presentation on the state of Global Sourcing. And then again as I fielded the audience questions. The first question that stood out was: How do we level the playing field? There was genuine concern in the voice of the person asking the question - the kind you didn't hear just a decade ago.

I'm often asked if the world is "broken", that is, beyond repair for all of us. My response is that the world is very good at efficiently creating winners, losers and also-rans. There is a dramatic efficiency about the way the world has worked since year dot. It happens. It's not fair. It just "is". I don't think the world is broken but I do see massive macro socio-economic changes underway - to which we cannot be blind. Complacency or a lack of focus: these are the Achilles' heel of the modern day economy.

If the first decade of Outsourcing was the period through 2010, we are rapidly entering a second decade of Global Sourcing, a period in which technology, change and culture are leading players. If cost was the primary driver of much earlier outsourcing, that's a given in this second decade where more happens, more quickly and more consequentially. The scale of change we will observe in the second decade will dwarf what we observed in the first. By the time we exit this next decade, the iPad I'm writing on will be "old hat" and quaint - and hopelessly outdated.

Technology and the data freedom created by things like Cloud will dramatically alter our view of the delivery of goods and services, including historically "safe" service areas such as professional services and consulting. It's all up-for-grabs.

The world has become a services supermarket, engineered and supported by technology. This is present tense, not future state. Outsourcing is typically a measure akin to distance - from here to there - that kind of thing. Sourcing is simply a measure of result, like the groceries we purchase at the store. You want, you need, you buy. Period. I believe this has fundamental economic implications and creates critical policy considerations in areas such as education, technology adoption, and fiscal prioritization related to training re-investment.

To the question of how we make the playing field level (again) and the other favorite about how to make global trade fair (again), I offer the caution that neither is even remotely realistic. In an era of global competition intertwined with state-sponsored protectionism, and political intransigence impeding economic decision-making, a fair world should not be the primary concern. That's a luxury. For the participants on the world stage just now, survival is perhaps closer to the mark.

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World Is Not Enough...

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"The full adoption and leverage of technology, and the consequences of this phenomenon, fall squarely in the path ahead for all economies. How we plan for using technology will have a determinative impact on our economic state and well being."

Looking back gives us perspective since they say that history repeats itself for the benefit of those that refuse to heed it. But looking forward is the only way to plough a field, drive a car or helm a yacht across open seas. To accept what is past, to see what will not change - and heed what is ahead - that's the path wisely taken by those economies that will survive and thrive in the decades to come.

The full adoption and leverage of technology, and the consequences of this phenomenon, fall squarely in the path ahead for all economies. How we plan for using technology will have a determinative impact on our economic state and well being. Yester-year is gone, just like cassette tapes. We live in a technology-driven world and perhaps the greatest challenge we face beyond long-term energy reliance is how to engage a large population of technologically-naive, under-trained individuals and bring them along as part of this new era. It's a vast yet critical challenge. Failure is not an option.

The world is big enough for all we may want to do and achieve, but our method for achievement may require adaptation and a more progressive forward view of a world into which we fit. A world of Global Sourcing. In which everything is increasingly on sale, on demand.

Ford said tradition is "bunk". I'm with him. Results speak louder.

[David Kinnear](#) is Chairman of The Global Sourcing Council and a founding partner in GSSOCX.

Visa Delays Hampering Transformation Programs

How important are H1B and other employment-based visa programs to U.S. economic success? Michael Bloomberg, the mayor of New York City, says they're essential to meeting critical labor needs – and goes so far as to argue that limits on H1B visas are a form of ["national suicide."](#)

That may be a stretch, but it's true that delays in visa approvals are having a negative impact on major projects. Increasingly, we're hearing reports that what used to be a two- to four-week process – filing a visa application, receiving approval, and getting the resource on the client site – now often takes four to six weeks.

While a few weeks may not seem that important, the point is that *any* unanticipated delay threatens to derail the tight schedules that characterize major transition projects. That's cause for concern, especially at a time when more and more global organizations are planning and implementing cloud, virtualization, and standard services initiatives.

Steve Hall, a TPI Managing Partner for Cloud and ADM Services, discussed this issue in a recent [CIO article](#). In addition, Kathy Welch, a TPI advisor, has authored a TPI ["Top Five"](#) column that outlines the key elements of a contingency plan.



Brian Maloney

Regional Director, Compass/TPI

GSC Annual Meeting



The Global Sourcing Council is pleased to announce: The 2011 Global Sourcing Council Annual Meeting

Date: Thursday, November 17, 2011

Host & Location: The South African Consulate, New York

Attendance by prior registration only: [GSC Annual Meeting Registration](#)

Agenda:

4:30 PM GSC Business Meeting

5:00 PM Reception & Networking

6:00PM Welcome: South African Consul General George Monyemangene

6:30PM Keynote address: Elliot Clark, CEO SharedXpertise Media, LLC,
"People, Policy and Pressure: How Global Trends and Corporate Responsibility
Impacts Internal and Outsourced Workforces"

Elliot Clark is CEO of SharedXpertise Media, LLC, owners of [CR Magazine](#), [HRO Today](#) Magazine, the [Commit!Forum](#) and the [HRO Today Forum](#) and online properties. These magazines designed for business professionals in corporate responsibility and human resources, address critical issues about the workforce optimization, corporate citizenship and sustainability. Prior to SharedXpertise, Elliot Clark was COO of Kenexa, a leading HR outsourcing provider, Clark helped take the company public and served as the company's chief compliance officer and de-facto CRO. Clark holds a BS in Economics from the Wharton School at the University of Pennsylvania with a focus on human resources and labor markets

7.30PM Closing Remarks & Networking

**Seating is limited. If you would like to reserve your seat at this event,
please register at**

[GSC Annual Meeting Registration](#)



George Monyemangene
South African Consul General



Elliot Clark
CEO, SharedXpertise Media

Building a Global Sourcing Team



[Echo Yang](#)

Director of Operations, Playbutton

Globalization isn't a new topic anymore, but building a strong global sourcing team is still a challenge for most companies. My experiences with building a global sourcing team are across different sized organizations, such as IBM, Lenovo, and Gerber and through different geographies including China, North America and Europe. I will offer my impressions for building a global sourcing team in this article and review such points as organizational changes, system support and cultural awareness.

First, organizational change is key for developing a successful global team. Today, many organizations try to build a global team by assigning strategic roles to a home-based team and tactical roles to teams that are based in foreign countries. Such an organization structure can't fully leverage its global resources. Building a team based on commodities or categories is the right solution. IBM created a successful group based on commodities so that a team in the U.S. managed semiconductors and software and a team in China handled mechanical, electronics and OEM relationships. By developing and authorizing the local team in China and other foreign countries, IBM reached out to a broader base of suppliers and maximized local resources to profit on the bottom line.

Secondly, a good system will have strong, smooth communications in a global team. Today, advanced technology makes immediate and constant communications available at a low cost. Moreover, a good system will improve the information transparency which is very important for a global team's communication. When I worked at IBM, we used an integrated database system with Lotus to keep RFX package, supplier agreements, and negotiation documentations under management. Everyone in the team could access the documentation from everywhere in the world. IBM had the best tools and systems to support global team but not every mid-size company has access to such elaborate resources. However, mid-size companies, such as Gerber, could choose shared services, Box, or iCloud to meet these needs and maintain open communication.

Last but not least, cultural awareness is an extremely critical factor for the building of a successful global sourcing team. When Lenovo acquired IBM's PC division, the cultural differences between the two teams was huge; one company was world class and the other was a typical Chinese company lacking significant global exposure. In order to improve the communication between the two teams, we utilized a blog competition that encouraged employees to share their cultures and local business practices, an online team room which acted as a center for teams to exchange information and track project status, and an exchange visiting which provided an opportunity for employees to meet team members in foreign countries and better understand foreign business cultures.

In general, building a global sourcing team is more about how to make in-time communications across countries or regions by utilizing hardware and technology and improving soft skills of communication, and less about academic methods or better RFX's templates. Such activity can be difficult, but when properly achieved, the benefits can be seen directly in cost avoidance, supplier chain coordination, and measurable profitability for a company's bottom line.

[Echo Yang](#) has 7 years experiences in Global Strategic Sourcing at IBM, Lenovo and Gerber, focused on sourcing strategy development, new supplier qualification, global team building. Duke MBA concentrated in Strategy.



How to Choose a Shared Service Location



Written by
Sandra Higginson

With big organisations increasingly looking to reduce costs and streamline processes by locating shared services offshore, **fDi** looks at the dos and don'ts of location selection.

The notion of shared services is no longer simply a concept or philosophy, it is a proven approach that streamlines processes, reduces costs and improves service quality. As described by sharingserviceslink.com, a community for finance leaders in this field, "shared services is the brighter, more attractive and better performing sibling to centralisation". The question is, if a company is pursuing an offshore shared service centre, how does it find the location that is the best fit?

Taking on the transactional and process-driven elements of the back office and some customer-facing functions, activity among new and maturing shared service organisations has continued despite the economic slowdown. Indeed as Elias Van Herwaarden, Europe, Middle East and Africa service leader, global location and facility services at Deloitte, a professional services firm, says: "A CFO that doesn't accept shared services as a concept should be looking for another job."

US dominates in investment

Between January 2010 and August 2011, data from **fDi** Markets shows that globally there were 104 investment projects for shared services from 86 companies. The US accounted for 53% of the outward investment projects, followed by the UK (8%) and Switzerland (7%). Norwegian energy company Statoil and FirstBank in the US were the leading companies in job creation terms, undertaking offshore shared service projects that each created 3000 jobs.

Most recently, however, Mr Van Herwaarden has noticed a shift in focus. "Most of our work immediately after the crisis was for new captives, relocations or modifications to the scope of shared services. Then, at the start of this year, we had a couple of companies looking to do a radical overhaul of their shared services. Now we're receiving these calls once a week."

Balancing cost and quality

Regardless of whether it is a mature centre wanting to move to the next level or an organisation just getting started, identifying the right location requires a qualitative and quantitative assessment. Douglas Clark, director at Location Connections, a specialist advisor in this field, stresses that the underlying business case for shared services must be clear from the outset. "You need to relate these objectives to key location factors to balance cost and quality," he says.

Common criteria for assessment include:

- Workforce volume and education, and the availability of talent, skills and languages.
- A supportive local development agency (LDA) and incentives (although, as Mr Van Herwaarden says, incentives should be the icing on the cake).
- The cost of buildings, wages and training.
- The availability of buildings, high-speed internet and transport.
- The presence of other shared service centres and outsourcers.
- The local regulatory and tax environment.
- Economic and political stability.



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Fighting the 'Dirty Cloud': Responsible Tech Firms Hit by Cloud and Supply Chain Confusion



Robert Clarke
Founder & CEO, Ecodesk

Sustainability data publishing site [Ecodesk](#) has revealed that carbon emissions targets at leading technology companies such as Samsung, Intel, Microsoft, Apple and Fujitsu are being hit by a shift to cloud computing and supply chain reporting. Samsung and Intel in particular have seen their CO₂ emissions rocket due to the inclusion of their supply chain.

Ecodesk profiled over 50 of the top technology companies among hundreds of other global businesses, claims that many supposedly "green" companies and rankings which claim steady declines in emissions figures are completely misleading. Ecodesk data shows that, in fact, tech companies with the highest carbon footprints are actually the most responsible.

Samsung, Intel and Apple for example have high CO₂-e but both businesses include the emissions of their respective supply chains (called GHG Scope 3) as part of their standard reporting, following recent guidelines by the World Business Council on Sustainable Development (WBCSD). The result is that on the surface they look like big polluters. Intel's carbon footprint is 46m tonnes of CO₂ but its supply chain accounts for about 96% of its total emissions.

"Tech companies in particular are leading the charge and being very bold by forfeiting their own emission targets to embrace the emissions produced by third parties," said Robert Clarke, CEO at Ecodesk. "The shift to embrace cloud computing and supply chains has meant that each company that embraces what we feel is the most comprehensive model experience their own emissions shoot up although the overall impact on the environment is reduced significantly by cloud computing, and supply chain imperatives. I have no doubt that this is the right move for the environment although on first glance it doesn't look good in terms of hitting emissions targets."

The problem with cloud computing is also compounded by whether a cloud is deemed "clean" or "dirty". While embracing the cloud does have longer term environmental benefits, technology companies have to ensure they are dealing with data centres which employ progressive sustainability measures, like Apple, who use renewable power sources and highly advanced efficiency in power consumption, from lighting to cooling.

"It is very important to assess the net carbon impact of the 'after scenario'," said Alison Rowe, Global Executive Director of Sustainability at Fujitsu. "If you have a clean data centre with renewable energy and you move that into a 'dirty' cloud powered by coal then this isn't an improvement."

"The large tech companies are working hard on improving their emissions and reporting transparency," added Clarke. "Extending their carbon footprints to their supply chains and ultimately making the whole industry more responsible can only be a good thing for the environment. They will also realise very significant cost savings in reduced logistics and energy use. The economic drivers are huge."

"While embracing the cloud does have longer term environmental benefits, technology companies have to ensure they are dealing with data centres which employ progressive sustainability measures, like Apple, who use renewable power sources and highly advanced efficiency in power consumption."

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Strategic Governance: Key to Success in the New Global Business Model

Today's business leaders – board directors and executives – are challenged with developing a course of action to ensure success in the new global business model of financial, economic, environmental, and social sustainability. The key to this success is Strategic Governance, a principle-based, root-cause solution to persistent and recurring business problems.

Already, a substantial majority of the world's largest companies are voluntarily reporting on their sustainability efforts while seeking sources of independent attestation to validate their progress. In addition, a first-ever Integrated Reporting Framework focused on sustainability is being developed by the International Integrated Reporting Committee (IIRC), a global cross-section of leaders from the corporate, accounting, securities, regulatory, NGO, IGO, and standard setting sectors formed in 2010 by The Prince of Wales' Accounting for Sustainability Project and the Global Reporting Initiative. By utilizing this framework, which will be shared by the IIRC on a preliminary basis later this year, business leaders will be able to demonstrate their "ability to create and sustain value for all of their stakeholders in the short, medium, and long-term."

In response to this dynamic, members of the accounting profession are busy learning about this new strategic approach to governance and how it will enable organizations to first, *walk* the talk of integrated sustainability and then, using the IIRC Integrated Reporting Framework, *talk* the talk, all consistent with the Quality mantra, "Say what you do, do what you say, and document it." Integrated Reporting focuses on saying what you do. Strategic Governance focuses on actually doing what you say.

The action-based, mirror-image of Integrated Reporting, Strategic Governance is a comprehensive tool kit for business leaders seeking to:

- Integrate governance, strategy risk, culture, and corporate responsibility
- Achieve financial, economic, environmental and social sustainability
- Develop their organizations into strategic assets and sustainable competitive advantages

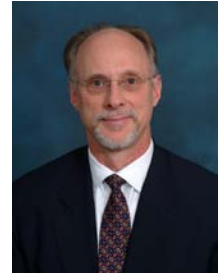
Strategic Governance enables these outcomes by providing three inseparable disciplines now essential for long-term success:

- Supervention
- The Sustainability Synergy
- The Sustainability Matrix

Supervention

For years now, we've been hearing that truly great organizations are the ones in which *ordinary* people achieve *extraordinary* results. Many of us didn't know how to do this, nor were our stakeholders demanding it. All that's about to change. According to incoming IIRC Chairman Professor Mervyn E. King, "To make our economy sustainable...we need a fundamental shift in the way companies and directors act and organize themselves." "That means...ensuring governance, strategy and sustainability are inseparable."

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Mark Sickles

Fellow, GAI
Chairman, NACD New Jersey



Occupy Wall Street vs. Outsourcing: Where the 99% Meets the 1%



[Wanda Lopuch](#)

Board Member & Past President, GSC

Cynics predicted that the Occupy Wall Street (OWS), “the 99%” protesters would melt with the first snow. Now, after the first snow melted in Zuccotti Park, they need to adjust their predictions as they see the OWS protesters movement getting more and more public attention and support (1).

The protesters’ 99% message about the pernicious effects of an uneven distribution of wealth and economic power has not only been noticed, but resonates with a larger group of American society. It also resonates with other developed countries, as Occupy London demonstrates. What academics and economists have been arguing for years without much success in grabbing public attention (2), OWS has achieved within months. The public’s perception of the OWS movement has been shifting from “*an unrepresentative segment of the electorate that believes in radical redistribution of wealth, civil disobedience and, in some instances, violence*” (3) to “*a group well-educated and well-versed on relevant policy issues rather than a radical movement likely to resort to violence.*” (4) “*Frustration*” is the latest politically correct slogan that expresses the support to OWS by leaders from across the political spectrum.

Outsourcing, one of those highly charged topics broadly debated during any election season, has naturally been widely discussed by the OWS movement (5). However, the tone of the discussion by OWS is different from the political rhetoric of other groups such as the Green Party, free-market economists, labor unions or the US Congress.

In recent interviews with OWS protestors in New York and Boston conducted on Oct. 23 and 24, 70% of New York and Boston respondents opposed outsourcing abroad, yet the majority are in favor of Free Trade (70% in NY and 52% in Boston) and tax cuts on business to create more jobs domestically (50% in NY and 26% in Boston) (4). Can anyone make sense of these numbers?

Here is my take on them:

The OWS protesters are largely from the Internet generation, and they acknowledge the complexity of globalization and the extent to which it has fundamentally changed local economies. The protesters appreciate, in most cases, that outsourcing is the way to increase effectiveness and competitiveness while embracing the global marketplace. In passionate discussions, OWS bloggers (5) acknowledge the dangers of tariffs and protectionism, however deceptively attractive these instruments may seem at the first look, while painting “Big Brother” scenarios as a precaution. Unlike the Green Party however, OWS bloggers recognize that globalization and outsourcing are irreversible processes that neither Democrats nor Republicans can take a credit or blame for. These processes are here to stay and will continue to affect our lives in even more profound ways in the future. They require adaptation strategies that include not only restructuring of the workforce, widely discussed by the general public, but also redistribution of economic power and more transparency in the corporate governance processes. These latter two elements are a core emphasis of the OWS 99% agenda.

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Discovering Cultural Fit

Tolstoy wrote "Happy families are all alike; every unhappy family is unhappy in its own way." But unhappy outsourcing relationships often seem to be unhappy in all too similar ways. High attrition, lack of skills, too many change orders, unrealized cost savings, and "lack of cultural fit" are frequently voiced complaints. But while the definition of high attrition is essentially self-evident, what is good cultural fit or lack thereof? And how can you determine a good fit prior to entering into the relationship?

Culture here is the DNA of what it means to belong to a firm, to be part of Microsoft rather than Google or Infosys. How a firm envisions itself, what values the firm holds highest and how it deals with conflict among competing values, how problems and issues are identified, raised and solved, the ability of the firm to adjust to other ways of approaching work are all features of a firm's culture. If the gap between the firms is larger, it will be harder to create a trusting, productive relationship than if they are more closely aligned.

Determining cultural fit aligns well into reference checking and site visits. References, especially if focusing on similarly situated firms – similar size, line of business, type of work, location – can provide insightful information. The more references you have, the more information you gather, the deeper the understanding of the potential vendor's culture. What may be satisfactory for a reference client may not be for you. One reference's outsourcing took double the time and money planned, but the client overall was very satisfied with the end results. You may not be. Similarly, site visits, although often expensive and time consuming, provide a wealth of information about the vendor on its home turf. The more people you speak to, the more clients' work you see, the more time you spend and interactions you have, the more information you obtain about the firm's culture.

But here is an additional suggestion. While we may examine the vendor's culture during reference checks, at site visits and as predetermined points, a vendor's culture is ubiquitous, infused in all its actions. The vendor's culture can be evaluated throughout the process. While focusing on the specifics of the RFP response or the intricacies of the financial model, we can examine and document what cultural information the vendor is providing at the same time, even if indirectly or inadvertently. Asking during all assessment points, "What have we observed about the vendor's culture from this?" provides greater focus and awareness of relevant interaction and information. Having a "running" assessment of how the vendor reacted to an unexpected request, handled a hostile manager, or coped with the lack of network connectivity in a room, will most probably closely mirror how the vendor will behave with you day in and day out.

Using an ongoing assessment together with other information gathered provides greater awareness and focus on the vendor's culture. This deeper understanding will help you determine the vendor's culture and how well it will work with yours.

Diana d'Ambra brings to vendor management and all aspects of outsourcing including offshoring, onshoring and nearshoring, years of experience and legal training (J.D. Cornell Law). She can be reached at diana.dambra@gmail.com.



[Diana d'Ambra](#)
Sourcing Law Expert

"While we may examine the vendor's culture during reference checks, at site visits and as predetermined points, a vendor's culture is ubiquitous, infused in all its actions. The vendor's culture can be evaluated throughout the process."

SURVEY: 41% Think "Onshoring" is Making a Comeback

"The industry in general is on a transition period. Everything is pointing into that direction however it is too early to know."



[Alex Halperin](#)

Sr. Associate Editor, G+

The national unemployment rate hovers at just above 9% as the country yearns for signs of economic growth. [G+ conducted a poll of 102 executives](#) involved in shaping their corporate strategies for offshoring decisions. The question: *In the next 6-12 months, are you considering repatriating offshored jobs to the United States?*

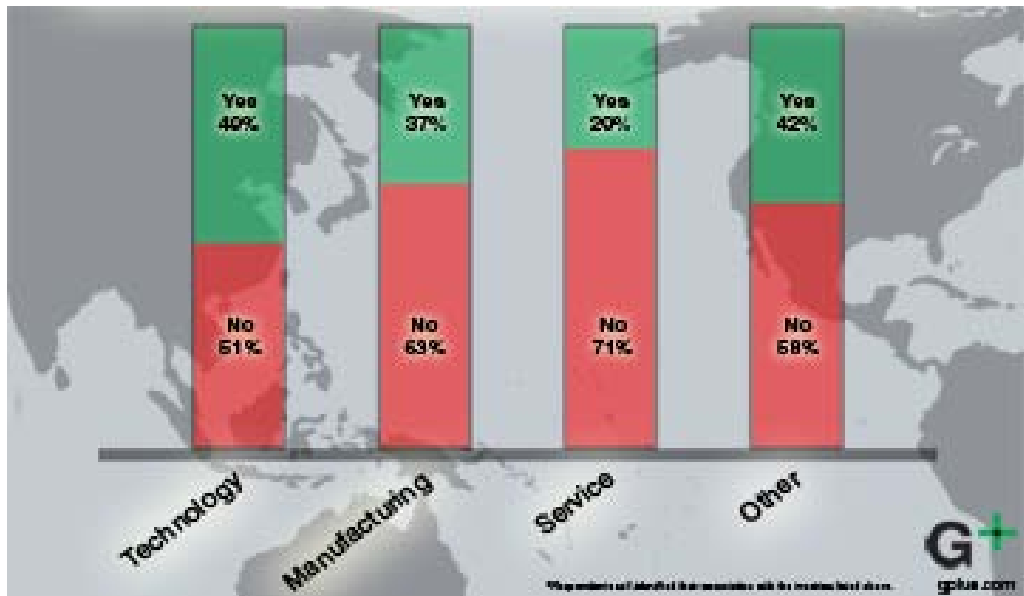
A surprising 41% of respondents indicated that they are in fact considering bringing jobs back to the U.S. within the next year.

More detailed responses addressed the following considerations, and seem to reinforce the apparent erosion of offshore outsourcing:

Rising labor costs:

"China labor costs have skyrocketed and social unrest is creating some instability."

"The labor arbitrage isn't what it once was, making all of the extra headache, and layers of management not worth it. The quality of product delivery never met my desires, but for the drastic reduction in cost, it was worth it -- no more."



Edwin Crane / G+

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SURVEY

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Supply chain complexities:

"Companies in all sectors are increasing their new products, thus making global supply chain overstretched and inefficient."

Quality and value:

"We needed more control over quality than what we are able to achieve with offshore resources."

"Highly skilled labor force is needed to remain competitive."

"12-hour time difference between their office and our office has contributed to a perception of slow development and an unresponsive product release process."

Changing demands:

"Manufacturing is becoming more focused on small lot sizes and greater flexibility, thus making it better to go for industrial automation solutions, making labor a less important factor."

"We pursued offshoring as labor arbitrage, but we have not seen our offshore partners expand their capabilities and the labor arbitrage has eroded."

On the flip side, U.S. companies clearly haven't quite given up on outsourcing yet, and those executives who plan to keep jobs offshore cite shifts to Canada, a focus on jobs that don't require skilled labor, and sustained value, particularly in areas like software programming:

"In software, there is no transport cost, it is straight programming hours and hourly rate. I would rather pay a programmer here \$15 an hour than someone overseas. But, \$15 an hour for a programmer is not something that works with a US based programmer."

To view the full article online and read additional comments on the survey results, go to <https://www.gplus.com/Jobs/Insight/SURVEY-Is-Onshoring-the-New-Offshoring>



3S Awards Update

Show the world your 3S way

Save the date for the GSC 2012 3S Awards

May 29th, 2012, New York City

The 3rd Annual GSC 3S Awards will be held on May 29th, 2012 in New York City. The Sustainable and Socially Responsible Sourcing (3S) Awards will recognize exceptional achievements in the global sourcing market by individuals and organizations that have taken strides in bettering their people, communities and surroundings through sustainable and socially responsible measures.

This year, the GSC is pleased to announce the appointment of Angeline Judex, MPA as the Executive Director of the 2012 3S Awards. "By promoting the 3S Awards amongst the global sourcing sector, businesses and organizations are held to the highest standards of ethical, sustainable and socially responsible outsourcing best practices. 3S sourcing provides businesses and organizations the opportunity to do business well and at the same time have a positive impact on the communities that they do business with".

The categories for the GSC 3S 2012 Awards include:



3S Community Engagement Award: This award is focused on organizations that make a positive impact on the communities they influence through sustainable and socially responsible business practices.

3S Employee Engagement Award: The Employee Engagement Award is geared towards businesses/organizations that empower their employees towards 3S actions.



3S Out of the Box - "The People's Choice" Award: The award where your votes make a difference. The sourcing community will choose this people's choice award by popular vote.

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3S Awards Update

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Spread the word, get in your nominations and be a winner of the ONLY award that recognizes Sustainability and Social responsibility efforts in the sourcing industry. Submissions will be accepted in the form of a short video.

Deadline for submissions: March 5, 2012

Voting period: March 19 – April 2, 2012

Awards Ceremony: May 29, 2012

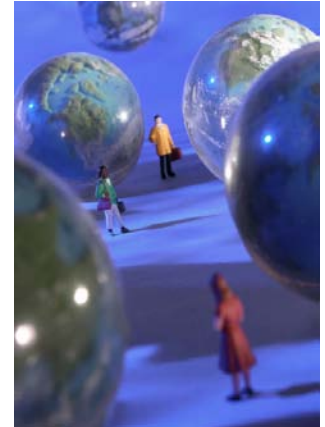
More details on the 2012 3S Awards can be found on <http://www.gsc3sawards.com/>

The Awards committee is currently looking for strategic partners for the 3S Award Advisory Council and candidates for the 2012 Judging panel. All those interested should contact Angeline Judex at angeline.gsc3sawards@gscouncil.org

Opportunities for media partnerships and sponsorships

If sustainability and social responsibility are words you live and breathe by then be our media partner and help empower your readership towards embracing sustainability and CSR.

Are you ready to position yourself as a leader in 3S business practices? Then, sponsor the 3S Awards and set yourself apart from your competitors in the field of sourcing. Limited exclusive sponsorship opportunities available. *Please contact, Juee Vinayak at juee.gsc3sawards@gscouncil.org*



3S AWARDS
2012
Sustainable and Socially Responsible Sourcing

Australian Services Market



[Anthony Seaegg](#)

Tech Support Operations Expert

The Australian Marketplace for Services continues to be buoyant, with an economy that continues to grow on the back of high demand for our natural resources and with an ever tightening labor market gives service providers a opportunity that is unique. This unique opportunity is differentiation. Differentiation in service delivery and quality have become the mainstay of customer management strategies among our top 100 companies. In fact Telstra, Australia's largest Telecommunications provider, has for the first time appointed a CMO Chief Customer Officer as they also recognize that SERVICE will be the key in attracting and retaining customers.

I have spoken at conferences and trade fairs in Australia and Asia for 20 year, and there is one question that I continually ask, "How many of you as a KPI measure analyze employee and or customer attrition?" Up until the last few years the answer has always been 1 or two percent of the audience. When I ask the same questions today, the better part of 90% of people will confirm they measure and analyze staff attrition.

The Australian Market is as sophisticated in the manner we manage our customers as any market I have seen. We recognize a very simple equation: Staff and Customer Satisfaction are intrinsically combined; one cannot exist without the other.

We are in for the ride of our corporate lives here in Australia, a ride that I believe will continue to be positive even considering the regional and global challenges that face all of us! They call Australia the lucky country -- Luck has little to do with it!

Anthony Seaegg has 25 years' experience in managing large scale technical support operations for Microsoft, Symantec, HP, Netgear, Quicken and Gateway. Awards include Call Centre of the Year nationally, NSW Government Employer of the Year , Federal Government Employer of the Year IT&T , Finalist Australian Customer Service Awards 1996 Best Support and Service organisation 1993-1998 PC Week Chairman of the Australian Call centre Industry for 5 terms Asia Pacific Member of the Board of ANCAT (Australian Network Communications Authority Traineeship) Advisory Board 2IT Consulting Chairman Advisory Board CBOX.



Shared Service Location

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DSM's city search

When global materials and life sciences company DSM wanted to establish shared service centres for its major regions, it started with a list of 49 location criteria. In addition it had city-specific measures to compare local inflation, the intricacies of the local labour market, travel time from DSM hubs and the local development agency.

DSM weighted the factors according to its shared service objectives. To get an accurate assessment, John Hall, senior vice-president at DSM Business Support, asked process-improvement consultancy Hackett to identify the best countries and cities.

"We were most interested in the workforce, so our cost weighting was about 30% of the total, which we knew was low," says Mr Hall. Hackett adjusted the weighting of a number of the criteria to see how it would impact the results.

Hackett presented DSM with a shortlist of five cities. "This is when it went from scientific to artistic," says Mr Hall. He took people from DSM's local human resources, finance and facilities functions on site visits as they would understand the local culture and work ethic.

"We'd meet with the development agency, government and education authorities, visit other shared service centres and outsourcers, and even look at housing stock. The LDA was very important. A couple of agencies didn't respond to us, so we took the cities off our shortlist."

Each member of the team scored one, three, seven or nine (to avoid fence sitting), compared notes and agreed on a team number. The final results were a surprise. "The best in the world, by a long way, was Albuquerque in New Mexico," he says. "The LDA was fantastic. It had high-quality space at good prices, its internet bandwidth was amazing, it had a very good education system and there was little threat of flood or hurricane. While the total cost wasn't dissimilar to India, the challenge was disbelief. People just didn't believe it."

Having assessed its options, DSM is building two office centres supporting six front offices. A greenfield site in Hyderabad, India, is due to open soon. Mr Hall says that it was selected, among other reasons, for the support the Andhra Pradesh state gives to business and education. The second shared service centre will be on a brownfield site in Nanjing, China.

"Mr Clark and Mr Van Herwaarden also share their thoughts on countries to look out for. "Eastern Poland is a current favourite of mine," says Mr Clark. "It has lower costs than the west, huge pools of talent and a developing infrastructure."



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Shared Service Location

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Places to watch

Mr Clark and Mr Van Herwaarden also share their thoughts on countries to look out for. "Eastern Poland is a current favourite of mine," says Mr Clark. "It has lower costs than the west, huge pools of talent and a developing infrastructure."

Mr Van Herwaarden flags Romania and says he never ceases to be impressed by how it has mastered the core European and Slavic languages. He also recommends considering Egypt once peace returns.

With so much to bear in mind when faced with a location decision, Mr Van Herwaarden shares his key location dos and don'ts:

Don't	Do
Chase incentives	Brief senior management at milestones
Assume all local development agencies are equal	Conduct internal stakeholder analysis
Underestimate the LDAs	Mobilise relevant expertise
Assume you understand people because they speak English	Localise the specifications
Assume it is OK if it is documented	Maintain confidentiality
Rely on statistics	Conduct detailed field investigations
Underestimate permitting issues	Go out and see for yourself
Opt for easy answers	Build in time for overseas analysis
Rush	Stay abreast of parallel tracks

The final piece of advice from Mr Hall is not to attempt this alone: "We worked with Hackett but it could easily have been one of six or so organisations with large databases and contacts. Don't try to do this yourself, but also don't let them do it for you."

For more news and features on foreign direct investments, visit:
www.fdiintelligence.com/Sectors/How-to-choose-a-shared-service-location

Fighting the 'Dirty Cloud'

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ANALYSIS

Carbon Intensity (tonnes of CO₂-e produced annually, per \$million turnover)

Despite being the largest producer of carbon emissions in the tech sector, Samsung is also working towards reduction with a target of 2% this year. It has a carbon intensity of 399.7. Intel is the second largest producer of carbon emissions but has a large carbon intensity of 1,048. This compares with Ingram Micro (0.9) and Acer (2.0) both of which have low carbon intensities.

Cloud computing is almost directly responsible for the carbon intensity increase at Apple (147.2), Fujitsu (99.3) and Microsoft (24.0).

"Overall the technology sector is working hard at measuring and managing its emissions and energy use," said Clarke. "These are the companies setting examples to the rest by actually reporting their data. They are, quite rightly adopting the mantra "what gets measured gets managed"."

The Carbon Emissions Top Ten in Technology (by gross CO₂-e in tonnes)

1. Samsung
2. Intel
3. Sony
4. Apple
5. Nokia
6. Fujitsu
7. Panasonic
8. Hitachi
9. Hewlett Packard
10. Toshiba

The Top Ten Energy Users in Technology (GJ)

1. Fujitsu
2. Hitachi
3. Sharp
4. Toshiba
5. Samsung
6. IBM
7. Dai Nippon Printing
8. Sanyo
9. Intel
10. Hewlett Packard



About Ecodesk

Ecodesk is the world's largest, public, sustainability database of carbon, energy, water and waste, with data on over 17,000 global organisations. www.ecodesk.com. Additional resources include in-depth interviews, training apps, reports, measurement software, conferences, interactive widgets, links and podcasts. Visit www.ecodesk.com/resources. Ecodesk was founded in 2006 and has had support from private investors, some of the world's most successful entrepreneurs, and government grants. Founder and CEO Robert Clarke has 25 years of experience in business and sustainability.

Strategic Governance

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“Becoming masters of Supervention and the Sustainability Synergy will put you on the right path. Why? Because you’ll know how to work on the business in ways that enhance the performance of the people working in the business, toward the goal of ordinary people achieving extraordinary results.”

The goal of this fundamental shift is supervention: Organizational intelligence causing individual performance one would never predict or anticipate that, in turn, causes the whole organization to consistently succeed in dynamic, competitive, even harsh environments - not unlike today’s business climate. While supervention is naturally present in nature, it is naturally missing in human organizations, and will remain missing until you install it. And the time is now. Make no mistake about it: Going forward, organizations that make this shift will be the big winners; those that don’t, won’t.

Sustainability Synergy

Management is a game of and/both, not either/or. This fact is fundamental to the Sustainability Synergy. A company’s financial sustainability cannot be achieved without that company being economically, environmentally and socially responsible. Conversely, economic, environmental and social sustainability cannot be achieved without that company being financially successful.

When I shared this thought with Sean Harrigan, Vice Chairman of the Global Reporting Initiative at the NYSE earlier this year, his response was, “Do you realize how few people understand this?” Our advice: Be one of the few!

Sustainability Matrix

The Strategic Governance System provides 7 criteria for assessing the sustainability of your industry, and 10 criteria for assessing the sustainability of your business. The goal is to be in the upper right-hand quadrant – a sustainable business in a sustainable industry. Becoming masters of Supervention and the Sustainability Synergy will put you on the right path. Why? Because you’ll know how to work *on* the business in ways that enhance the performance of the people working *in* the business, toward the goal of *ordinary* people achieving *extraordinary* results: Financial, economic, environmental and social and sustainable.

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Occupy Wall Street vs. Outsourcing

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When reviewing the OWS blogs on outsourcing, I was particularly encouraged by the recognition that the U.S. is considered the 1% that holds uneven economic power over the 99% of those to whom America outsources. Some of those OWS protesters who cannot find jobs in the U.S. express personal pain and frustration, yet they see the intricacies of the global economy. They also see that, in most cases today, outsourcing jobs to lower-cost destinations does not include outsourcing *responsibilities* and *values*. They, the 99%, recognize that the reason for that is to maximize corporate profits, benefiting, as would be expected, the 1%. And yes, the OWS protesters do criticize the iconic Steve Jobs for failing to outsource Apple values and social responsibilities while outsourcing manufacturing jobs.

While the OWS movement faces many challenges in the coming months, the managers of the global supply chains must face their most significant challenge yet: outsourcing not only jobs, but also responsibilities and values, along with functions. This challenge of **embracing values, responsibility and accountability to the global supply chain has been gaining new momentum recently**. This latest impetus is not primarily prompted by management executing a “doing good” strategy. Rather, it is prompted by the stockholders activism pushing to preserve the value of the brands in which they invest. Since the 1990’s lessons from Nike, stockholders of global brands realize that outsourcing jobs without responsibilities and values creates real and material risk to future earnings. Apple and many other global brands re-learned the same lesson last year, after the Wall Street Journal broke the news about the suicides at Foxconn (6).



Shareholders of Apple and other global brands now demand global brands’ protection. They insist that the global risk to future earnings must be mitigated by making **the global supply chain more sustainable and socially responsible**. Thus, social responsibility is not only a domain of a visionary charismatic leaders or “tree-huggers”; it is a shareholders’ demand that must be implemented by management.

It was that very risk-mitigation prerogative that prompted the New York City comptroller, Mr. John Liu, to file a Microsoft shareholder resolution on behalf of the New York City Pension Funds at the last Microsoft shareholders meeting. This resolution, which has been adopted, requires Microsoft management to take the responsibility for social consequences of global outsourcing (7). As a result, Microsoft will be requiring the sustainability reports from all of its global suppliers starting in 2013.

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Occupy Wall Street vs. Outsourcing

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In this peculiar way, New York City, the geographic center of OWS movement, and the local center of shareholders activism, created an unusual platform for the OWS 99% protesters sharing the same goals as the 1%.

And who is who depends on where you are looking from.

[Wanda Lopuch](#)

Global Sourcing Council



We would like to hear from you on where you are looking from. Share with us your perspective on the realities and myths of making the global supply chain more socially responsible, accountable and sustainable. Please send your comments to wanda@lopuch.com.

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Maonomics Examines the Rise of China's Economy and Asks, "Is Capitalism Failing Us?"

The end of the cold war was thought to signal the triumph of Western capitalism over Communism. And yet, as the US economy stumbles ever more precipitously each month, the Chinese economy grows stronger. In *Maonomics: Why Chinese Communists Make Better Capitalists than We Do*, Loretta Napoleoni, an economist and one of the world's leading experts on money laundering and terror financing, argues that the Chinese approach is worthy of a closer look and that "communism with a profit motive" is an increasingly successful model. Based on first-hand reporting from China during frequent visits in the last several years, *Maonomics* lends credence to the Chinese view and translates it for Western readers.

Maonomics provides a timely comparison between the economic performance of two distinct models of development: the Western and the Chinese. Highlighting China's focus on economic opportunity and the fair distribution of wealth and prosperity, rather than the Western emphasis on voting, Napoleoni asks the provocative questions that no one else has dared to ask, such as: "Is China realizing Marx's goal of an egalitarian society, using profit to benefit the Chinese people?"

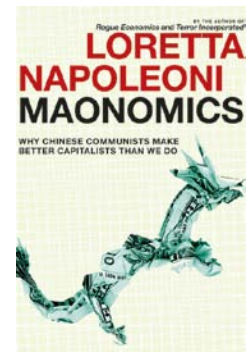
Napoleoni charts the prodigious ascent of the Chinese economic miracle and the parallel course of the West's ongoing insistence on misconstruing China and its economy, even as we acknowledge its growing influence and importance. *Maonomics* explains how China is redefining the modern economy, and why politics must rule economics. As the cracks in our own system grow deeper, Napoleoni points out that what we are witnessing is the beginning of the collapse of capitalism and the victory of "communism with a profit motive."

Maonomics is an eye-opening look into the factors leading to China's economic growth and an examination of the peaceful economic revolution that is shifting the balance of power in the world from West to East. This is an incredibly timely book that will illuminate many of the issues now affecting the global economy. Not to be missed.

Loretta Napoleoni is one of the world's leading experts on money laundering and terror financing, and as Chairman of the countering terrorism financing group for the Club de Madrid, she brought heads of state from around the world together to create a new strategy for combating the financing of terror networks. She is a regular media commentator for CNN, Sky, and the BBC, and advises several banks on strategies to counter the current crisis. A former Fulbright scholar at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies in Washington DC and a Rotary Scholar at the London School of Economics, she has a Ph.D. in economics and a Masters of Philosophy in international relations and one in terrorism.



Loretta Napoleoni
Author, *Maonomics*



Global Trade News: Significant, Seasonal Decline in September

In September, the number of waterborne shipments coming through U.S. ports declined significantly. Specifically, we saw an 8% month-over-month decline.

This is larger than last year's month-over-month decline (7%). And, in fact, it compares unfavorably with month-over-month changes from years past: 5% decline in 2009, 5% decline in 2008, and flat in 2007. In terms of absolute level of trade activity, we're down about 2% from where we were this time last year.

It's worth underlining that we would expect to see a decline from August to September. But the magnitude of the decline is a bit alarming and does not bode well for the first half of next year.

In light of this, it's particularly alarming that Congress is picking a fight with China, a key trading partner. This month, Congress passed three new free trade agreements with South Korea, Colombia, and Panama. But simultaneously, Congress passed a bill that would impose tariffs on some Chinese goods in the event that the U.S. Treasury names China a currency manipulator.

At a moment when macroeconomic headwinds are stiff -- and global trade is softening -- protectionist measures are about the last thing we need. Anyone remember the Smoot-Hawley Tariff Act? It was quite helpful in tipping the U.S. into a Great Depression. Here's hoping history doesn't repeat itself.

Josh Green is the CEO of [Panjiva](http://Panjiva.com), an intelligence platform for global trade professionals and can be reached at josh@panjiva.com. Reprinted with permission of Cargo Business News. This column appeared in Volume 90, issue no. 1 of the magazine.



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About the GSC...

The Global Sourcing Council is focused on assisting organizations from all sectors, buyers and sellers, achieve their economic goals without sacrificing sustainability. The GSC fosters the exchange of information and a dialogue through:

- Best Practices – the GSC defines and delivers best practices celebrating the intellectual and social capital of the world in a respectful and sustainable manner
- Collaboration –the GSC delivers a wide range of events, activities and webinars to enable its members to network, meet, and share ideas, for growth and to further drive the goals of the GSC
- Education – through the delivery of events, information, and certification, the GSC aims to inform and educate its members on all aspects of sustainable outsourcing processes, issues and trends
- Thought Leadership – the GSC offers an open, unbiased discussion platform for new ideas, controversial issues and general information on socially responsible sourcing in a professional and respectful manner.

We are looking forward to hearing from you. Please contact [Wanda Lopuch](#) if you would like to participate in the work of committees or contribute your time, talent or resources in other ways.
