



Human Development – At What Cost?



Michael A. Gibbons
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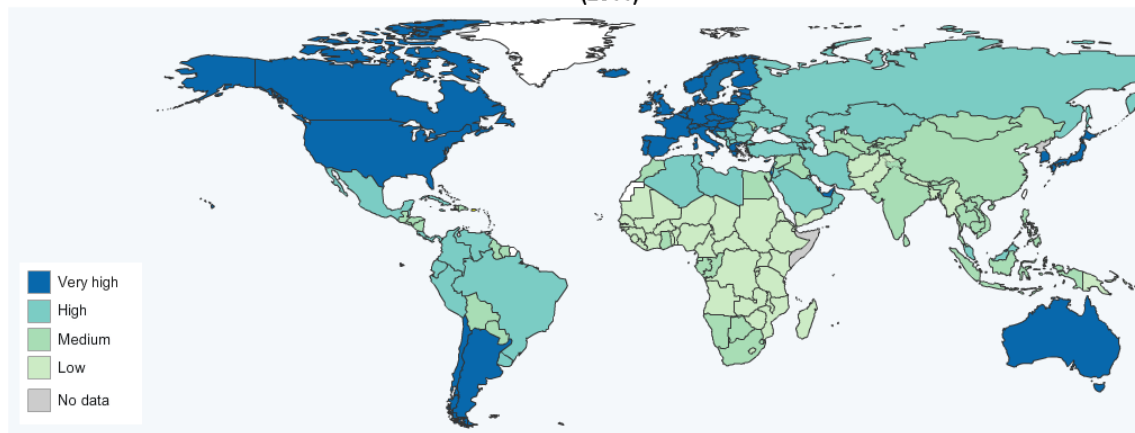
Last month’s newsletter contained an interesting article by Robert Clarke, founder & CEO of Ecodesk entitled, "Fighting the 'Dirty Cloud': Responsible Tech Firms Hit by Cloud and Supply Chain Confusion." The article talked about cloud computing and the impact it has made on companies’ carbon emissions, ranking individual firms involved with cloud computing by their carbon emissions. Carbon emissions are a key component of sustainability and reducing the output is of interest to all global citizens. I recently read a fascinating article that takes this concept to the global level.

There is a ranking known as The Human Development Index (HDI) which is used to rank countries by level of "human development" and separate "very high human development", "high human development", "medium human development", and "low human development" countries. HDI measures life expectancy, literacy, education and standards of living for countries worldwide. It is a standard means of measuring well-being, especially child welfare.

The origins of the HDI are found in the annual Human Development Reports of the United Nations Development Program (UNDP). These reports were devised and launched by Pakistani economist Mahbub ul Haq in 1990 and had the explicit purpose "to shift the focus of development economics from national income accounting to people centered policies."

Using these measurements, the following map should come as no surprise:

HDI: Human Development Index (HDI) value (2011)



There is a very interesting interactive map that further delves into the HDI at <http://humandevlopment.weaintplastic.com/>

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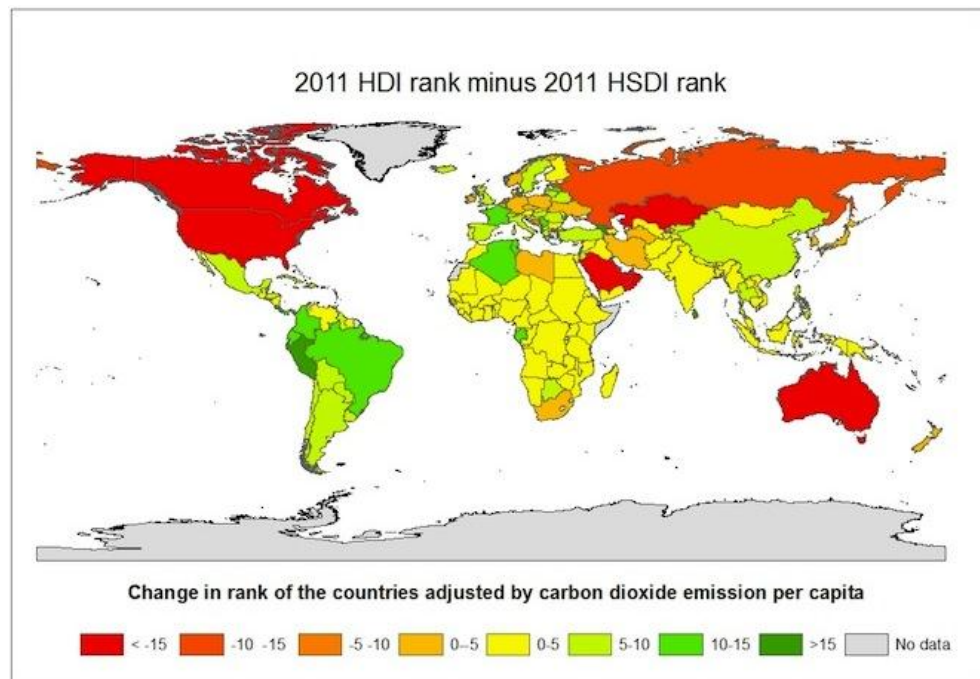
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"By leaving out sustainability, countries that are amongst the worst global polluters are rewarded and it encourages other countries to follow their lead. As shown below, when per capita carbon emissions are considered, the current HDI list is turned on its head."

But does this show the entire picture? Chuluun Togtokh, a professor of Ecosystem and Sustainability Sciences at the National University of Mongolia in Ulaanbaatar and vice-chair of Mongolia's Global Change National Committee, recently published a proposal that the UN should add a sustainability component to the HDI.

"As the UN prepares to return to Rio de Janeiro for the Earth Summit 2012, it must lead by example. From next year, it should change the way it calculates the HDI. The revised index should include each nation's per capita carbon emissions, and so become a Human Sustainable Development Index (HSDI)."

Togtokh argues that countries that are lower on the HDI are encouraged to emulate policies of those higher on the HDI. By leaving out sustainability, countries that are amongst the worst global polluters are rewarded and it encourages other countries to follow their lead. As shown below, when per capita carbon emissions are considered, the current HDI list is turned on its head.



For example, the United States drops from # 4 on the HDI to # 28* on the HSDI.

Unfortunately, progress in the HDI has come at the cost of global warming. In general, the faster a country's HDI improves, the faster its carbon dioxide emissions increase.

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One thing that should catch your eye on this list however is that Norway is # 1 on the HDI AND the HSDI. Other Nordic countries rise as well. Anyone who has visited the Nordic countries will recognize that moderation need not compromise a high standard of living.

2011 HDI			2011 HSDI			Rank change
Rank	Country	HDI	Rank	Country	HSDI	
1	Norway	0.943	1	Norway	0.906	0
2	Australia	0.929	2	Sweden	0.903	8
3	Netherlands	0.91	3	Switzerland	0.902	8
4	United States	0.91	4	Hong Kong, China (SAR)	0.898	9
5	New Zealand	0.908	5	New Zealand	0.894	0
6	Canada	0.908	6	Israel	0.891	11
7	Ireland	0.908	7	Iceland	0.89	7
8	Liechtenstein	0.905	8	France	0.885	12
9	Germany	0.905	9	Ireland	0.884	-2
10	Sweden	0.904	10	Germany	0.883	-1
11	Switzerland	0.903	11	Netherlands	0.882	-8
12	Japan	0.901	12	Denmark	0.882	4
13	Hong Kong, China (SAR)	0.898	13	Japan	0.88	-1
14	Iceland	0.898	14	Austria	0.876	5
15	Korea (Republic of)	0.897	15	Spain	0.874	8
16	Denmark	0.895	16	Slovenia	0.873	5
17	Israel	0.888	17	Korea (Republic of)	0.872	-2
18	Belgium	0.886	18	Italy	0.87	6
19	Austria	0.885	19	Belgium	0.867	-1
20	France	0.884	20	Singapore	0.867	6
21	Slovenia	0.884	21	Finland	0.861	1
22	Finland	0.882	22	United Kingdom	0.858	6
23	Spain	0.878	23	Greece	0.854	6
24	Italy	0.874	24	Canada	0.849	-18
25	Luxembourg	0.867	25	Andorra	0.849	7
26	Singapore	0.866	26	Australia	0.848	-24
27	Czech Republic	0.865	27	Czech Republic	0.845	0
28	United Kingdom	0.863	28	United States	0.845	-24

**Note – there are 187 countries measured*

Given that the Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change and the major feature of the Kyoto Protocol is to set binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions, I agree with Professor Togtokh that carbon dioxide emissions should be added to the HDI. Without it, the HDI is inconsistent with the stated goals of the UN.

While the GSC is a global organization, many of our members are based in countries that are high on the HDI. We want to ensure that our outsourcing partners are following sustainable practices and the countries they reside in support those policies. If we look at the HSDI – we should also look in our own backyards.

I want to wish everyone a joyous holiday season and to thank you for all the support and ideas you provide to the GSC.

Sources:

<http://humandevlopment.weaintplastic.com/>

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Creating Leverage in a Sole Source Negotiation



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Most organizations today are involved in a significant amount of outsourcing, from business process to IT. Typically organizations planning outsourcing conduct a competitive tender and down-select to a couple of vendors for negotiations and final contract award. However, many organizations find themselves in sole source situations where they are negotiating with only one provider.

The fundamental question is how can the organization engaged in a sole source negotiation create leverage so as to enable an effective outcome and deal?

Effective outcomes can be achieved in sole source negotiations by focusing on five key factors:

1) Obtain an in-depth understanding of the market

An in-depth understanding of the market is essential in order to assess whether other alternatives exist, such as other providers who could supply the services required, 'bundling' services differently and possible combinations of internal resources and outsourcing. Finally, should the sole source negotiation not end successfully, what other options remain open for the business?

Deep market knowledge is essential to enabling effective development of pricing models and benchmarking. Are there hosted services or cloud models where you pay for consumption of the services, or are more tailored solutions required to meet the organization's requirements? Once pricing models are clear, an effective approach to benchmarking the services or service components can be developed.

Finally, understanding the market includes developing knowledge of the industry standard contract terms and conditions and vendor positions. Being able to challenge specific terms and assumptions during negotiation by referencing market norms provides a 'backbone' to the negotiations.

2) Elevate the focus from the transaction to the relationship level

It is essential during negotiations to raise focus beyond the details of the specific deal to the nature of the supplier relationship, which may already exist. Focusing the supplier on the possibilities of a stronger (e.g. longer term, higher volume) partnership across a number of areas provides the opportunity for improved pricing. At the same time, it focuses the supplier, during negotiation, on the need for a quality solution so that they do not jeopardize their current business and potential future business portfolio.

3) Leverage economies of scale from the existing supplier relationship

There are potentially significant economies of scale associated with the management and operation of the existing supplier relationship. Supplier management will not have to deal with a new supplier. Existing account teams and governance are already in place and process interfaces (which, done properly, typically take significant effort to establish) such as service desk, procurement, infrastructure and reporting will be, for the most part, tried and tested.

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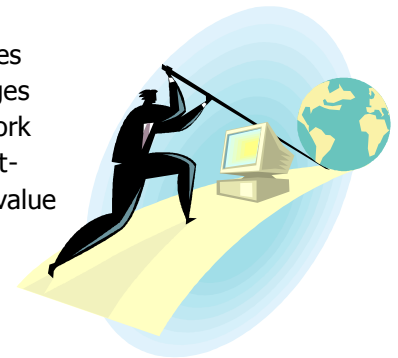
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Creating Leverage in a Sole Source Negotiation

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4) Closely manage business demand

A significant challenge during sole source negotiations is often a relaxing of discipline in the level of information shared and the management of change with the supplier. Significant change of scope during the negotiation process can result in price increases during negotiation and/or a series of costly change requests queued up for early stages of implementation. Clear articulation of the scope of work in the Statement(s) of Work is essential before confidence in the proposed pricing can be achieved. Taking a short- and long-term approach to business demand management is essential as significant value can leak from a deal when changes are made after the upfront negotiation.



5) Give yourself time to complete the deal

There is always a trade-off between time, quality and price in outsourcing negotiations. Given a customer's potentially weak pricing position in a sole source situation, it is imperative to ensure that adequate time is taken to negotiate a quality agreement at the right price. Do not be in a hurry to close the deal or make it a 'must have' deal – you need to be able to walk away if the deal is not right for your organization and move forward with an alternative option. Effectively managing executive stakeholder expectations is key to buying that time.

Conclusion

While sole sourcing is typically not a preferred approach, affording consideration to the five factors above can help your organization create the right leverage so as to enable an effective outcome and deal. The benefits of this approach will deliver a stronger partnership and relationship and a win-win negotiation.

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Bob Merrill is a Principal Consultant with PA Consulting Group and specializes in IT sourcing strategies, contract negotiations, program/project management, service management and acquisition integration. He has extensive experience in all facets of the outsourcing life-cycle, including design, vendor selection, negotiation, implementation and management of IT sourcing strategies and agreements. Bob combines deep IT sourcing knowledge and experience with business acumen, financial and risk management, project management, IT strategy and implementation skills to deliver outstanding results for clients. Bob has diverse experience spanning healthcare, bio-pharma, banking, retail, IT service provider, insurance, transportation, utility and packaging industries.

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Impact Sourcing: Transforming Global Sourcing into a Socio-Economic Endeavor



Kevin Parikh

Global CEO & Senior Partner, Avasant

Impact Sourcing, a new concept in the sourcing world revolves around the premise of creating social impact through the economic lever of Global Sourcing. The concept focuses on employment generation within the poorer and less educated sections of the society by providing access to job opportunities such as data management, content editing and low-end transcription. By connecting latent demand for such tasks from large global companies to an untapped pool of labor at the bottom of the pyramid, Impact Sourcing has the potential to change the socio-economic landscape in underdeveloped regions of the world.

The BPO sector has proven to be a huge source for employment generation with a multiplier effect in the surrounding economy of 4 to 5 times. It has transformed whole countries, as is prominently visible in the booming industries in India, Philippines and China. Besides providing an upwardly mobile path to non-engineering and non-management graduates, this industry also acts as a catalyst in globalizing heretofore remote regions that are now connected through a digital process-driven chain to clients and consumers in other parts of the world. The accompanied rise in buying power and consumption patterns act as a stimulus to the entire economy. Recognizing the BPO sector's potential for job creation, both public and private sector firms are diversifying into lower income regions to provide employment and income sources for people with traditionally lower levels of education and language literacy. Traditionally most BPO employees have had college education, however, as the industry has matured and due to increased pressure on the qualified labor pool, the employment threshold is being expanded to include high school graduates as well. Owing to enhanced training techniques, innovative delivery tools and improved process efficiencies, even a less qualified labor pool in far flung locations in Africa as well as rural India can be as effective as their more qualified counterparts in big cities. This model has been embraced by private sector organizations such as SamaSource and Digital Divide Data as well as donor organizations like World Bank and Rockefeller Foundation. By removing the stigma of outsourcing and simultaneously providing a social benefit, Impact Sourcing has developed a win-win formula for a sustainable and socially responsible business practice.



Anupam Govil

Partner, Avasant
President, AvaSense

The genesis of Impact Sourcing lies in several technology and business model evolutions that have occurred over the last few decades. Akin to the Electronics industry that modularized and standardized in order to disaggregate its supply chain, Crowd Sourcing and now Impact Sourcing sectors have de-skilled and dis-integrated the services chain so that even higher end projects can be broken down into low-end tasks, which could be farmed to any part of the world. Right skilling of work and trainable tasks have enabled development of targeted skills based training to increase the employable population. Socially minded service providers are playing a key role of evangelizing the socio-economic benefit of this model within the buyer community and providing innovative solutions to ensure that these rural-sourced BPO services meet the quality criteria of even the most discerning buyers.

Corporations and governments around the world are beginning to realize the huge potential of this outsourcing market and have boosted investments in this sector. In Africa, for instance, the official Development Assistance has increased from USD 15 Billion in 2000 to about USD 50 Billion in 2011. A lot of the developmental funds are being spent in improving infrastructure and educational facilities on the continent. This has provided a solid foundation for building an Impact Sourcing program. Organizations such as Rockefeller Foundation are playing a significant role in development of this sub-sector. Working together with private sector partners and various entities in the ecosystem, they have evangelized the model of generating employment in underprivileged sections of the society through Impact Sourcing.

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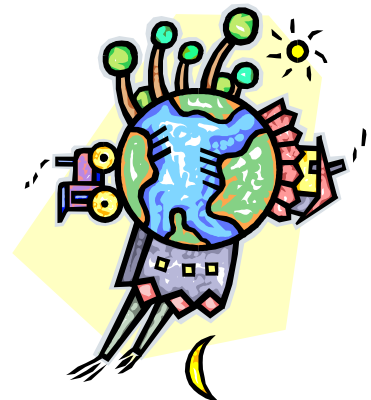
Organizations such as Samasource, which act as intermediaries that market and sell Impact Sourcing services to global clients, have received grants to enhance the impact sourcing sector in Africa. Samasource has pioneered the ability to manage “microwork” in a sort of virtual assembly line that spans 1,600 workers across Haiti, India, Kenya, Pakistan, Uganda and South Africa — some of them living in refugee camps. Digital Divide Data, another BPO firm with an emphasis on social impact, has been operating out of locations in Cambodia and Vietnam and recently received funds from the Rockefeller foundation to begin operations in Kenya. They would be training and employing 300 youths from Kenya’s slums in the BPO sector. Their approach is to provide longer term education and concomitant employment.

But what is the nature of outsourcing functions that Impact Sourcing can tackle, given its model of hiring the less educated in the remotest corners of the earth? Well, it turns out that with the profusion of Zettabytes of data, there is an increasing need to cleanse, manage and make sense of this digital information. Ever expanding digital content and the need to manage information on the internet has created a huge demand for tasks such as digitization, data mining & managing content of social networking sites. Given the right tools and processes, these tasks could be outsourced to a distributed workforce. These projects can be broken down into micro-tasks which can be assigned to trained workers anywhere in the world, provided they have a desktop and connectivity. Simple data driven tasks such as changing locations on Google maps as per changed addresses, tagging images, creating digital e-cards etc. have created an emerging opportunity and a lucrative avenue to train and hire people with limited education or work experience. As per a recent survey conducted by Avasant on the behalf of the Rockefeller foundation, it was found that almost all BPOs operating in the African region provide digitization as a key service. And these same firms employ between 40 to 80% of their agents from the underprivileged sections of the society. Not only does this make economic sense, it also has a huge social impact on these communities. This transformation of the global sourcing ecosystem is a testimonial of the fast emerging field of Impact Sourcing.

In Ghana, for instance, out of the 2500 odd seats in the BPO sector, almost 30% can be classified as Impact Sourcing seats. In India, the Impact Sourcing sector has seen a lot of traction in the last few years with many main-stream BPOs like Aegis, Infosys, Wipro & Genpact making a foray into tier III cities as well as rural locations. A number of pure play Rural BPOs like Rural Shores, Harva, eGramIT and Village BPO have also sprung up in the last few years, serving a dual purpose of creating social impact and tackling escalating costs in the tier I cities. Rural BPO, though still at a nascent stage, has been able to transform thousands of lives and is estimated to employ about 5000 people in the rural areas of India. Government incentives as well as interventions from NGOs to provide training and funding to these organizations have been helping this sector to mitigate challenges of high training costs, poor connectivity & limited infrastructure.

With many countries in Africa aggressively adopting e-governance programs, there is a huge potential for outsourcing of Government digitization projects, which can be another catalyst for Impact Sourcing. The Government in these emerging regions can in-fact act as the anchor client for Impact Sourcing service providers. A majority of the service providers in the African Region, when asked about key enablers to growth, indicated that a concerted government effort to outsource eGovernance and digitization projects to local providers would be very important to sustain this sector.

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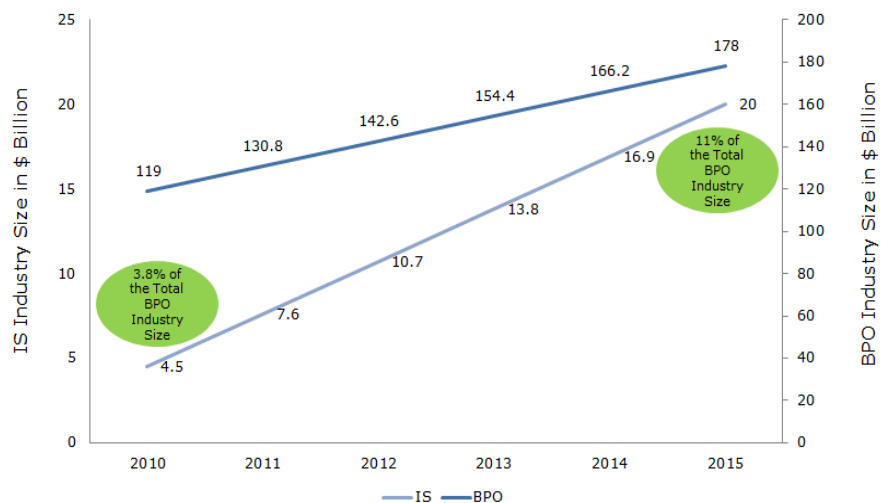
Impact Sourcing: Transforming Global Sourcing into a Socio-Economic Endeavor

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Every new sector comes with its own set of challenges. Impact Sourcing service providers have cited issues such as lack of initial demand or awareness in the buyer market as a key constraint. Difficulty in sourcing the right talent and long training periods are some of the other issues limiting the growth of this sector. To mitigate these challenges proactive governments have offered various incentives and some service providers have adopted unique approaches. A few state governments in India for instance, have been specifically promoting Rural BPO and have also created initial demand by outsourcing government work. Various incentive programs focusing on underdeveloped regions offer lucrative financial incentives for job creation and investment in such areas. Service providers have built custom training programs tailored to a stratum of the society with minimal education and work skills. They have developed sophisticated tools to manage a distributed workforce and build in redundant process and quality controls.

As per a recent study concluded by the Monitor group, it is estimated that the Impact Sourcing sector has a potential to grow to be a \$20 billion market by 2015, directly employing 780,000 socioeconomically disadvantaged individuals, thereby promoting a sustainable and socially relevant growth of the Global Sourcing industry.

It is also important to note that Impact Sourcing providers themselves adhere to a strict code of conduct.



Samasource, which lists companies like Facebook, Google and LinkedIn as its clients, performs strict quality checks when distributing work to other outsourcing firms. It requires that providers reinvest at least 40% of revenues in training, salaries, and community programs and that they hire workers who were earning less than \$3 a day. It is worth noting that these same workers generally more than double their prior income and on an average earn more than \$5 a day.

So as the Global Sourcing industry matures and the outcry against offshoring continues to escalate, Impact Sourcing could be that beacon that demonstrates a more holistic way of creating business value while also doing good. Through innovative use of Distributed application platforms, crowd-sourcing processes, low cost and virtualized infrastructure and targeted training techniques, Impact Sourcing is breaking new ground. It is engendering a global supply chain of talent and resources that can be leveraged anywhere and anytime. It is fostering a business model that is the classical win-win – it's a good business practice, it is socially responsible and it provides hitherto undiscovered efficiencies and cost savings in mundane tasks that were thought to be unsuitable for outsourcing. Impact Sourcing is enabling businesses to connect to an untapped pool of global talent to achieve increased flexibility, efficiencies and dynamic scalability at an affordable price. Smart governments, investment promotion bodies, service providers as well as buyers of outsourcing services will have a major role to play in the growth of this sector in the coming years.

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Global Community-Driven Development Models: Collective vs. Individual Action

Beyond their own company-sponsored contributions to the local communities where it operates, BPO sourcing companies can consider a community-drive development model to get more consistent, long-term, wider-spread benefits. Based on a 2007 article by the World Bank (see citation at end), this article outlines two models for possible consideration by either service providers or enterprise customers, or both.

The World Bank identifies two principal types of development partnerships between the private sector and local communities. In reviewing these two types, the "economic linkage" model appears more consistent with current corporate sustainability notions, and thus easier to adopt and implement, than a "social investment" policy.

Social Investment. In the "social investment" model of community-driven development, company funding is channeled to projects that seek to improve general welfare. For example, these could involve local health, transportation, housing, general education or cultural preservation.

Economic Linkage. In the "economic linkage" model of community-driven development, private enterprise channels its funding and not-for-profit (donated) services into building a local community that supports the for-profit functions. Such a model is used where the private sector's economic contributions to the community are linked to the economic benefits that recycle back to the private sector. In one example, by working with local universities, service providers can define the skill sets that university education will need to provide to produce eligible employment candidates. In another example, a local employer might provide quasi-governmental benefits, such as late-night transportation, to their employees that help improve the quality of life for employees and, by extension, the families of employees.

Such economic integration of the private sector into the local community "development" can prove more effective when multiple service providers support a common community benefit, such as education or transportation. The integration challenge is not only to identify an "economic linkage" between the service provider and the local community generally. This challenge invites corporate CSR policies makers to coalesce their respective separate companies' "economic linkage" initiatives into more institutional, collectively defined and community-managed development activities. The integration challenge likewise invites global service providers to identify *and integrate* both corporate and social benefits of their community actions as part of the same general policy on global sourcing and global corporate citizenship.

Community-Driven Approach. In adopting policies and programs for corporate social responsibility (CSR) in global sourcing, service providers and service recipients (enterprise customers) can support local communities seeking sustainable economic development. In a community-driven development approach, outsourcing service providers, enterprise customers, or both, can team with local non-profits and local government to generate a lasting benefit from the financial, technical, training and organizational support by global private enterprise for local community benefit.



Bill Bierce

Resources Chair, GSC

"The World Bank identifies two principal types of development partnerships between the private sector and local communities. In reviewing these two types, the "economic linkage" model appears more consistent with current corporate sustainability notions, and thus easier to adopt and implement, than a "social investment" policy."

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Global Community-Driven Development Models: Collective vs. Individual Action

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Key Differentiators. As globalization, pricing transparency and price-arbitrage thrust second- and third-tier cities into BPO production services, service providers can identify and implement policies that support such economic linkages and their own self interests. Service providers might invest in such community-driven development initiatives for several reasons:

- To avoid wage inflation by bringing new talent pools onstream into new, or extended, BPO service delivery centers.
- To obtain access to a broader talent pool for any tasks that fit within the BPO or shared-service center business model.
- To improve access to supply chains in new locations.
- To obtain governmental grants from local governments for job creation, capital investment, job training, tax holidays, escape from service import taxes (such as in Brazil), reduced electricity rates and other incentives to foreign direct investment.
- To enhance brand value and reputation among enterprise customers who measure not only service delivery metrics, but also social metrics associated with outsourcing and offshoring.
- To redefine CSR broadly to mitigate negative social impacts of global sourcing as well as promote positive social impacts.
- To manage reputational risk of being branded as a low-cost provider that does not contribute socially to the low-wage economy.

A Community-Based Model for BPO CSR. Global BPO sourcing companies can craft their community-based development initiatives using various simple tools. Unlike mineral extraction companies, global BPO service companies don't need to worry about certain reputational issues such as pollution, environmental damage or sustainability of extractive resources. Rather, such service companies can choose to view local community development linkages as an integral part of their foreign investment processes, linking local training to local employment. And they can combine economic goals with philanthropic goals by directing both cash and free services (such as employee volunteers) to assist in community-based development of job skills, transportation, health, and even financial services. Ultimately, global BPO sourcing companies need to measure and disclose the benefits of their global "good corporate citizenship" operations, both to their shareholders and their global enterprise clients.

Inherent Conflicts in the Paradigm of Community-Directed Development. In global services, joint CSR efforts are more difficult than individual efforts. Finding like-minded local "players" (governments and non-governmental organizations, or NGO's) as partners requires an assessment, vetting and negotiation, all of which take time and effort from private sector decisionmakers. Once such a "CSR partnership" for community development is initiated, conflicts will arise over who controls the selection, management, accountability, transparency and measurement of the benefits of individual projects.

As a result, it is foreseeable that BPO service providers will continue their individually sponsored initiatives for community development without control by local governments or local NGO's. The only exceptions might be compliance with the rules governing incentives for foreign direct investment (to get job credits, tax holidays and credits and other grants) and for local NGO's that meet modern standards of probity, neutrality, transparency and, most important, measureable social impact. Such models exist in the [United Way](#), [Nasscom](#) and in service organizations such as [Rotary International](#), [Kiwanis](#) and [Lions Club](#).

In addition, CSR initiatives in global services need to look increasingly at each community affected by the sourcing process. Social impacts affect people in the communities of the global enterprise's headquarters and branch offices and customer markets, not just in the supplier markets and supply chain. The real challenge for CSR in global services is to identify and implement programs that mitigate the impact of globalization on those displaced by Internet-driven workflows. In the U.S., trade adjustment assistance offers such a program.

New Paradigms for CSR in the Global Services Economy. New paradigms for sustainability of the globalized economic model, need to be developed. The Global Sourcing Council, as a forum for thought leadership in this field, invites your suggestions.

SOURCE: [World Bank, Report No. 37379-GLB \(March 2007\)](#) (summary by Daniel P. Owen).

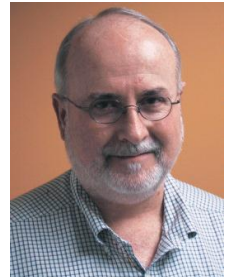
Ten Key Steps for Value-Adding Custom Shared Services Benchmarking Studies

Shared services companies are driving business performance improvement to deliver ever increasing stakeholder value to remain competitive and they require market performance comparisons (benchmarking) to calibrate their measurement systems to understand their competitors. Moreover, companies managing their outsourced business partners need to know how their chosen sourcing partners are performing both from a quality and cost point of view as costs escalate contractually each year and quality doesn't always increase at the same rate.

Most sourcing contracts have a benchmarking clause built in for this very purpose but benchmarking studies don't always deliver what's expected so companies need to be aware of what they can expect from these studies. Custom shared services benchmarking studies compare the individual process performance of the target organization with a statistically significant sized panel of shared services companies in the market. Defined metrics representing the full scope of each process are compared but no two organizations are the same. This makes direct comparisons inaccurate and unfair. Adjustments in a process called normalization need to be made to the panel metrics to adjust to the individual characteristic differences of each company so that comparisons with the target company are fair.

The analysis cannot be completed without a set of market metric performance data covering all of the shared service processes and ready access to comparative data for the source company. In addition to this a thorough understanding of the performance of the market comparator companies and the target company is necessary.

Such analyses have many dimensions and are potentially fraught with difficulty and inaccuracy. To make the results useful in defining continuous performance improvement actions requires that 10



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PA Consulting Group



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Ten Key Steps for Value-Adding Custom Shared Services Benchmarking Studies

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The ten key steps:

- 1. Agree on a crystal clear scope up front** – the scope of the study i.e. processes or departments included, defines the data to be collected as well as the dataset required for comparison. For best results the full scope of shared service processes should be included together with the full breadth of each process.
- 2. Define metrics that cover the full process** - by working closely with the process owner, define a set of metrics measuring the end to end process. The metrics should be a balanced mix covering all quadrants of the balanced performance scorecard, most importantly business customer satisfaction.
- 3. Gather company data to support the metrics** – this is usually a trade-off as the metrics schema of the target is different from the industry standards. The trade-off should deliver sufficient metric data to cover the process while ensuring sufficient comparison to the peer group
- 4. Collect peer benchmark data to support the scope** – Using the metric data elements, collect peer data aligning with that. This peer data will be normalized for comparison with the target company metrics.
- 5. Understand market performance best practices** – its vital to understand what industry best practice is driving best-in-class performance. This is a key input to the normalization process as well as to the essential improvement recommendation options based on the benchmark comparisons
- 6. Develop an understanding of distinguishing performance characteristics of the target processes and perform normalization adjustments** – Adjustment of the peer data to align with characteristics of the target so that comparisons are meaningful and gaps can be explained
- 7. Build comparative tables of metric quartile performance** – normalized metric quartile break points are based on the peer metric performance data. Peer data only is normalized while target data remains unadjusted. Ensure the calculation basis aligns with the peer metrics such as annual average, monthly average or year-end monthly actual
- 8. Validate the metric calculations with each process** – Confirm all input data and metric calculations to ensure they reflect actual performance.
- 9. Create a report which provides value adding actionable results based on best practices** – Report quartile performance for each metric highlighting where improvement is necessary and define the practices most likely to deliver the improvements. These results can easily be reconciled with the shared service customer satisfaction index if it is well structured.
- 10. Repeat the benchmarking regularly to support continuous improvement** – benchmarking comparisons are valuable in evaluating performance and for calibrating the targets in balanced performance scorecards but are most valuable when performed regularly, at least annually, so that continuous improvement efforts are sustained, supported by rich industry comparative performance data.

Such studies are complex in nature but the methodologies are well proven, and should have been used in multiple studies. Get the benchmarking partner to provide their track record and references so that their performance can be confirmed before signing up for a costly study. A well-structured and disciplined process will provide peace of mind that the sourcing services are being delivered as contracted or better. Such a study will deliver reliable results that drive substantial performance improvement if the stretched targets are conscientiously applied by the organization.

[John Hall](#) is a principal consultant with PA Consulting Group, specializing in performance and asset management and organization design.

Message from Angeline Judex, Executive Director, 2012 GSC 3S Awards

Greetings dear colleagues and friends of the GSC,

As 2011 draws to a close, and we are all busy preparing for the holidays as well as closing year-end budgets, I would like to take this opportunity to put the 2012 3S Awards upfront on your agenda moving forward. Day in, day out, we go about our professional business with hopes that what we do actually counts in some way. We are all concerned with our impact on internal productivity, bottom line profits and company reputation. However, we cannot be oblivious to the fact that as decision makers we hold the key to ensuring that our impact on the communities we serve as well as the community we work with are positive and meaningful. The GSC envisions a world where businesses can successfully achieve their goals without sacrificing sustainability. In fact, commercial activities that produce socially desirable outcomes, as documented by numerous studies, greatly enhance the economic results. The GSC is the only organization that is focused specifically on social aspects of sustainability in the outsourcing community. The GSC passionately supports sourcing that empowers the workplace and community.



It is our vision that the 2012 GSC 3S Awards will be a tangible, effective and efficient vehicle of promoting the value of sustainable and empowering sourcing. The 3S Awards recognize and showcase the exceptional achievements in the global sourcing marketplace by individuals and organizations for their commitment towards Sustainability and Socially responsible Sourcing (3S) practices. A commitment to sustainable sourcing is a new and innovative approach to outsourcing which requires a change in mindset and attitude. It takes time and effort to encourage the outsourcing community to embrace 3S as a business norm. Nevertheless, with the support of private, public and industry partners, the global sourcing sector will have access to best practices that enable the successful adoption of 3S.

Our vision can only be successful with your support. I strongly encourage you to make a commitment today to embrace the concept of 3S within your companies. As an entrepreneurial awards program, financial support is critical to our success. Please take a moment to make a pledge to support the 2012 3S Awards on May 29th, 2012. All pledges can be made [online](#) via the GSC website and are tax deductible where applicable.

I would like to end by wishing you and your family the joys of the season and the very best wishes for the New Year. Let's make 2012 a year to embrace 3S to the fullest!

My best wishes,

[Angeline Judex](#)

Executive Director, 2012 GSC 3S Awards

Yes, I would like to make a pledge NOW

3S AWARDS
2012
Sustainable and Socially Responsible Sourcing



Written by
Geraldine Ewing &
Christine McMillan

Hot Spots Emerge as FDI Decline Continues

The first half of 2011 has been marked by declines in the number of FDI projects, capital invested and jobs created. However, there are growth stories in some regions, sectors and business areas.

In April 2011, **fDi** Intelligence released its annual Global Outlook Report, which focused on FDI trends in 2010. In 2010 a 0.38% decline in greenfield FDI projects was reported along with declines of 16% in capital investment and 4% in job creation. A decline was first reported by **fDi** Markets in 2009 and it seems this trend is continuing through to 2011, although to a lesser extent. Between January and June 2011, **fDi** Markets recorded a 6% decline in the number of projects, while capital investment was down 10% and job creation 18%.

A 2011 half-year review provides a glimpse of the continuing trends, and a view as to where the market looks to be heading. Using data from **fDi** Markets, which provides real-time tracking of global greenfield investment, this report compares FDI from the first six months of 2011 to the same period of 2010.

Source Analysis

Recurring trend

Western Europe has remained the top source region for FDI projects in the first half of 2011, accounting for 47% of global FDI, matching its market share for the same period in 2010. Western Europe, North America, Asia-Pacific and Latin America and the Caribbean all posted increases in outbound FDI.

In the first half of 2010, the 'Rest of Europe' region was the only one to experience an increase in outbound FDI projects. However, in the first half of 2011 the region invested in 24% fewer projects. Despite this, the Rest of Europe has increased the capital invested in overseas projects by 25% to \$20bn and created more than 35,000 jobs, an increase of 23%.

Despite investing in fewer FDI projects in the first half of 2011, Africa has increased its investment capital by 180% and created an additional 1681 jobs, an increase of 22%. FDI from companies headquartered in Latin America in the first six months of 2011 fell in terms of project numbers but capital invested is up 134% to \$14bn on the same period in 2010, and jobs have increased by 169%.

The Middle East continued its sharp decline as a source region. It experienced a decrease on all fronts with project numbers, capital invested and jobs created declining 15%, 3% and 12%, respectively.

Still top source

The US has remained the leading source country for greenfield FDI, a position held since **fDi** Markets began recording data in 2003. It accounted for 26% of global overseas projects in the first half of 2011. US-based companies also contributed 15% global capital invested in FDI and 19% of the estimated jobs created.

The top five source countries in terms of project numbers remained the same in the first half of 2011 as they were for the same period in 2010, with the UK in second place behind the US, followed by Germany, Japan and France. Of these countries, Germany recorded the highest increase in capital investments with a rise of 45%, while Japan created 160,808 jobs, an increase of 53% on the first half of 2010. All of the top five countries experienced an increase in terms of project numbers with the US also taking the top spot for capital invested and jobs created.

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Hot Spots Emerge as FDI Decline Continues

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London looks abroad

Again London topped the source city table for the first half of 2011, with companies headquartered in the city accounting for 356 projects (5% of the global total), investing an estimated \$20.5bn and creating more than 40,000 jobs. Ranked eighth for the same period in 2010, Mumbai increased its project numbers by 27%, which sees it rise to fifth in the source city rankings. The Tata Group, which is based in the city, has already made multiple FDI investments in the first half of the year helping to establish Mumbai as a vital source market.

Hong Kong increased its capital invested by 139%, more than doubling its spending to \$8.5bn, while Japan-based companies created the most jobs after the US, increasing the Far Eastern country's job creation by 53%.

Destination Analysis

Attractive destinations

Asia-Pacific has maintained its position as the leading region as a destination for FDI. Project numbers, capital invested and jobs created have all increased. The region attracted a total of 2075 FDI projects for the first half of 2011, an increase of 6%. Capital invested in the region also increased by 5% with more than 68,000 jobs created, an increase of 16%.

Latin America is also on the up, with the region experiencing an influx of FDI. Project numbers in the region increased by 41%. Capital invested increased by 86% to \$43.3bn and jobs created have reached 210,996, an increase of 72%, ranking it second in both categories. Movistar and Telecom Argentina both announced investments of \$2.5bn each in information communications technology (ICT) and infrastructure in the region contributing just over 11% of the total capital invested. In the first half of 2010, 12% of global FDI capital was invested into the Latin America region, with this figure increasing to 20% for the first half of 2011.

Inflows of FDI remained relatively stable across the regions, with some areas experiencing a small increase or decline in project numbers. Jobs created in Africa increased by 58% for the first half of 2011 reflecting an increase of 21% in project numbers.

Western Europe and the Rest of Europe were the only two regions to witness a decline in FDI projects, falling 8% and 2%, respectively. Contributing to this drop was Germany, which witnessed a 50% decrease in FDI projects. However, this decline is not mirrored in capital invested or jobs created where the country achieved small growth.

BRICs on the rise

The US has maintained its ranking as the most popular destination country for global FDI in the first half of 2011, with project numbers rising 9% to 753. However, both capital investment and job creation dropped significantly, with \$7bn less invested and 25% fewer jobs created.

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GLOBAL FDI BY SOURCE WORLD REGION, JANUARY-JULY 2011

SOURCE REGION	PROJECT NUMBERS	% CH	CAPEX (\$BN)	% CH	JOBS CREATED	% CH
Western Europe	2834	3.85	151.36	13.60	410,432	16.91
North America	1903	18.86	76.07	11.77	241,969	13.40
Asia-Pacific	1290	5.56	119.83	-4.27	379,976	21.50
Rest of Europe	191	-23.90	20.27	25.12	35,181	22.75
Middle East	170	-14.57	20.78	-2.09	40,279	-11.63
Latam & Caribbean	153	9.29	13.56	134.04	31,864	168.96
Africa	68	-17.07	8.58	180.42	9071	22.75
Total	6609	6.19	410.46	10.11	1,148,772	18.35

Source: fDi Markets

GLOBAL FDI BY TOP FIVE SOURCE COUNTRIES, JANUARY-JULY 2011

SOURCE COUNTRY	PROJECT NUMBERS	% CH	SOURCE COUNTRY	CAPEX (\$BN)	% CH	SOURCE COUNTRY	JOBS CREATED	% CH
US	1706	18.39	US	60.38	3.01	US	213,455	10.70
UK	691	14.40	UK	34.53	26.29	Japan	160,808	53.25
Germany	544	0.74	Germany	32.15	44.53	Germany	87,043	17.93
Japan	437	2.58	Japan	32.11	-2.84	UK	75,780	36.35
France	331	9.24	S. Korea	21.09	-13.26	France	56,976	37.83

Source: fDi Markets

GLOBAL FDI BY TOP FIVE SOURCE CITIES, JANUARY-JULY 2011

SOURCE CITY	PROJECT NUMBERS	% CH	SOURCE CITY	CAPEX (\$BN)	% CH	SOURCE CITY	JOBS CREATED	% CH
London	356	10.22	Seoul	20.51	-13.58	London	40,534	27.21
New York	203	12.15	London	18.31	-7.35	Tokyo	36,834	1.30
Paris	196	0.00	Paris	12.80	-0.04	Seoul	35,109	-24.50
Tokyo	186	16.25	Tokyo	8.95	23.35	Paris	31,573	-0.06
Mumbai	79	27.42	Hong Kong	8.51	138.53	Singapore	19,439	5.25

Source: fDi Markets

Hot Spots Emerge as FDI Decline Continues

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The rising stars in the FDI destination table are Brazil and India, which both achieved growth in project numbers, capital investment and job creation. Brazil attracted 62% more FDI projects in the first half of 2011 than in 2010, with capital up 134% to \$38bn. There was also a 71% increase in job creation, with nearly 98,000 jobs created in the country.

India also experienced growth across all indicators as a destination for FDI. The country attracted \$38bn in capital investment, and both job creation and project numbers also increased by 27% and 26%, respectively.

GLOBAL FDI BY DESTINATION WORLD REGION, JANUARY-JULY 2011

DESTINATION REGION	PROJECT NUMBERS	% CH	CAPEX (\$BN)	% CH	JOBS CREATED	% CH
Asia-Pacific	2075	7	150.46	5	495,579	16
Western Europe	1384	-8	43.93	8	86,858	0
North America	897	10	31.02	-17	65,593	-23
Rest of Europe	787	-2	41.33	5	172,898	12
Latam & Caribbean	714	41	80.59	86	210,966	72
Middle East	398	10	25.99	1	34,234	-20
Africa	354	21	37.13	-15	82,809	58
Total	6609	6	410.46	10	1,148,937	18

Source: FDI Markets

GLOBAL FDI BY TOP FIVE DESTINATION COUNTRIES, JANUARY-JULY 2011

DEST'N COUNTRY	PROJECT NUMBERS	% CH	DEST'N COUNTRY	CAPEX (\$BN)	% CH	DEST'N COUNTRY	JOBS CREATED	% CH
US	753	9	China	44.55	16	China	153,004	-2
China	597	8	Brazil	38.27	134	India	128,188	27
India	452	26	India	35.83	51	Brazil	97,599	72
UK	383	-2	US	25.21	-22	US	56,046	-25
Brazil	250	62	Indonesia	15.19	436	Russia	50,806	30

Source: FDI Markets

GLOBAL FDI BY TOP FIVE DESTINATION CITIES, JANUARY-JULY 2011

DEST'N CITY	PROJECT NUMBERS	% CH	DEST'N CITY	CAPEX (\$BN)	% CH	DEST'N CITY	JOBS CREATED	% CH
Singapore	171	10	Singapore	8.68	63	Chennai	19,712	189
London	138	9	London	6.50	233	Singapore	17,405	61
Shanghai	131	6	Barcarena	5.69	n/a	Shanghai	15,193	0
Dubai	110	29	Rizhao	4.61	n/a	Bangalore	14,517	43
Hong Kong	96	10	Chennai	4.18	204	Chongqing	11,844	483

Source: FDI Markets

Capital invested in FDI was targeted at Singapore, London and Chennai, with two new cities entering in the top five: Barcarena in Brazil and Rizhao in China, which attracted \$5.7bn and \$4.6bn, respectively. This jump in figures can be attributed to some landmark projects, namely Indonesia-based Asia Pacific Resources International's \$4.6bn pulp mill in China and Mir Steel UK's \$5bn steel joint venture with Usipar in Brazil.

The top city for job creation was Chennai, where 19,712 jobs were created by FDI. This figure represents a 189% increase for the city compared with the first-half 2010 figures. Chongqing in China also experienced growth on its 2010 figures, with 483% more jobs being created through FDI projects. This increase was bolstered by companies such as the Taiwan-based Foxconn, which has embarked on significant expansion projects in the city.

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China and Russia, which partner with Brazil and India to form the BRIC countries, also performed very well. China maintained its top five ranking as a destination across all indicators and achieved a small growth in project numbers and capital investment, losing only 2% in job creation on the first half of 2011. The four BRIC countries all appeared in the top five countries for job creation. They generated an aggregate of nearly 430,000 jobs; 37% of jobs created globally.

Germany was the fifth most popular destination for FDI in the first half of 2010. However, in the first six months of 2011, the country has dropped to sixth place to be replaced by Brazil. Another winner in 2011, is Indonesia, which has attracted capital investment of \$15bn in the first half of the year, which is an increase of 435% on 2010. This jump can be accredited to some major investments, including Cyprus-based Solway Group's \$3bn nickel smelting plant in the Maluku Islands, and China Gezhouba Group's \$1bn hydroelectric plant.

Targeting new cities

The top five most popular destination cities for FDI have remained the same as in 2010. Singapore attracted the highest number of projects of all cities, as well as the most capital. Of the \$410bn invested globally in the first half of 2011, \$8bn was destined for Singapore. Within the top five, Dubai achieved the largest growth on 2010 with 29% more projects.

Hot Spots Emerge as FDI Decline Continues

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Sector Analysis

Holding strong

Software and IT, business services and financial services are still the top three sectors for global FDI projects in the first half of 2011. In the first half of 2011, software and IT services has achieved 18% growth, widening the gap between it and business services in second place. Financial services was the leading sector in both 2008 and 2009, but has dropped to third place with 705 projects in 2011 to business services' 719, which accounted for 13% of global FDI. The top five sectors in the first half of 2011 are the same as in 2010, and all except industrial machinery have achieved growth.

Software and IT services experienced significant growth across all indicators, including a 54% increase in capital expenditure. Job creation in the software sector also increased by 74% with more than 56,000 jobs created in 2011 so far compared with 72,000 over the whole of 2010. Both job creation and capital investment decreased in the software sector in 2010.

Business services has remained the second most popular sector for FDI in the first half of 2011 and achieved a 7% growth in project numbers to represent 11% of global FDI. Despite this increase in project numbers, the number of jobs created decreased, with 23% fewer than in the same period in 2010. Capital investment in the business services sector remained stable, with 1% growth.

On the rebound

While financial services has failed to regain the top sectoral ranking it had in 2009, it has rebounded well from 2010 when it experienced a drop across project numbers, capital investment and jobs created, by achieving a 5% increase in project numbers and job creation. In the first six months of this year, financial services has created 24,100 jobs and nearly attracted \$14bn in capital investment.

The top five sectors for project numbers also included the industrial machinery equipment and tools sector as well as communications, which, when combined with the top three sectors, account for 45% of global FDI.

Galvanising further growth

The metals sector experienced significant growth in the first half of 2011 with a 38% increase in project numbers. Metals was the ninth most popular sector in terms of project numbers for the whole of 2010 but has risen to sixth in first-half 2011. In 2009, the metals sector did not even feature in the top 10. Capital investment in the sector is up 100% to \$72bn and job creation is at 121,000 globally in the first half of 2011. Job creation in the metals sector represents 11% of total global job creation in the first six months of 2011.

The rubber sector experienced an increase in capital of 193% from \$2bn in the first half of 2010. Conversely, project numbers in the hotels and tourism sector dropped by 42% to 121 in the first half of 2011. Capital investment and job creation also dropped 31% and 48%, respectively, with the sector creating nearly 15,000 fewer jobs than it did in the same period in 2010.

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Hot Spots Emerge as FDI Decline Continues

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TOP SECTORS, 2011

SECTOR	PROJECT NUMBERS	% CH 2010-11	CAPEX (\$BN)	% CH 2010-11	JOBS CREATED	% CH 2010-11
Software & IT services	864	18.5%	9.98	54.1%	56,483	73.8%
Business services	719	6.5%	4.45	-1.1%	32,196	-22.7%
Financial services	705	4.9%	13.95	25.7%	24,162	5.1%
Ind machinery, equip & tools	404	-2.9%	8.38	23.1%	54,280	33.1%
Communications	301	12.7%	39.17	103.7%	58,256	35.3%
Metals	273	37.9%	72.10	100.6%	121,105	83.2%
Electronic components	239	-13.7%	14.75	-22.4%	61,666	-23.2%
Food & tobacco	238	17.2%	11.98	105.7%	48,086	55.9%
Chemicals	223	10.4%	19.76	29.7%	23,232	2.0%
Automotive components	219	16.5%	6.68	32.1%	46,369	32.5%
Transportation	199	-8.3%	8.99	-5.9%	16,778	-4.6%
Automotive OEM	176	25.7%	25.25	-2.5%	121,372	33.5%
Plastics	162	27.6%	5.19	19.9%	19,048	32.7%
Alt/renewable energy	148	28.7%	27.12	66.7%	14,719	83.0%
Real estate	145	2.8%	22.50	-13.9%	100,337	-17.1%
Consumer products	134	1.5%	3.65	97.2%	34,406	94.8%
Coal, oil & natural gas	123	-3.1%	45.02	-44.7%	21,314	-12.3%
Hotels & tourism	121	-42.1%	10.74	-31.4%	16,414	-47.5%
Textiles	110	29.4%	2.80	71.6%	51,513	86.3%
Pharmaceuticals	100	-21.3%	2.76	-39.0%	8065	-36.0%
Consumer electronics	89	6.0%	3.25	29.6%	34,557	30.2%
Aerospace	79	1.3%	2.44	-70.8%	9419	-26.3%
Medical devices	79	-7.1%	0.97	-23.9%	5434	-24.5%
Leisure & entertainment	68	51.1%	1.50	-55.4%	5239	-21.2%
Rubber	66	40.4%	5.93	193.0%	18,728	95.8%
Semiconductors	63	26.0%	6.39	-33.6%	12,939	24.9%
Beverages	61	17.3%	2.19	25.4%	13,458	104.8%
Engines & turbines	61	-21.8%	6.17	6.5%	19,900	-9.0%
Healthcare	58	70.6%	1.22	31.7%	5256	45.9%
Business machines & equip	57	-26.0%	2.28	-12.2%	18,939	9.8%
Paper, printing & packaging	54	-19.4%	9.05	93.6%	17,202	68.7%
Non-automotive OEM	49	19.5%	1.51	19.8%	16,581	7.5%
Building & construction mats	47	9.3%	4.61	25.9%	15,281	14.7%
Space & defence	45	87.5%	0.51	-28.8%	2012	16.3%
Warehousing & storage	36	-35.7%	2.31	-13.5%	8503	4.8%
Biotechnology	34	-27.7%	0.69	-56.7%	2223	-21.6%
Ceramics & glass	31	14.8%	2.10	20.1%	6618	-2.7%
Minerals	17	-15.0%	1.78	269.7%	5583	94.5%
Wood products	12	-45.5%	0.32	-76.0%	1099	-80.2%
Total	6609	6.2%	410.45	10.1%	1,148,772	18.3%

Note: Capital expenditure from January to June 2011, Industry Sector Report. Source: fDi Markets 2011

Business Activity Analysis

Manufacturing a recovery

The top three activities for the first half of 2011, namely manufacturing; sales, market and support; and business services, accounted for almost three quarters (73%) of global FDI. Manufacturing remains the lead business activity, accounting for 27% of global FDI projects, a rise of 19%. An estimated \$212.46bn was invested in manufacturing projects in the first half of 2011, which created 689,354 jobs, an increase of 31%. Full-year figures in 2009 showed manufacturing was declining; however, it picked up again in 2010, topping the table. This growth story is continuing in the first six months of 2011, with the trend showing no signs of stopping.

Electricity had fallen between 2009 and 2010. However, in the first half of 2011 project numbers are up by 28%. This is partly due to the rise of alternative/renewable energy. Also on the increase is the number of jobs created by the activity, with figures increasing by 33%.

Construction continues to fall

Construction as a business activity experienced one the greatest declines in the first six months of 2011, with project numbers falling 34%. Capital invested in this activity and jobs created also declined. Conversely, ICT and infrastructure is continuing its successful growth spurt with capital invested up 103% to \$37.33bn and jobs rising by 85%. US-based data centre services provider Equinix invested highly in this business activity, setting up data centres globally in 2011.

Fewer companies invested in pure R&D activities, as represented by its 28% decline in the first half of this year. Design, development and testing (DDT) is, however, on the up with project numbers increasing to 343 (an increase of 18%). Capital invested in DDT has also risen by 32%, while its rise in job creation sees the business activity now account for 5% globally.

For more info about this reprint, contact:

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The Best is Yet Ahead for The Global Sourcing Council and its Growing Global Community in 2012

A reflection on the history, present-day growth and credentials of The Global Sourcing Council as it enters its 5th Anniversary year, 2012.

In life, we control very little. We can influence far more. I think this is one of the most dynamic phases in global history on almost every level. We are seeing economic and socio-economic shifts on an unprecedented scale. I like being part of the debate, helping to influence better outcomes that embrace people and balance - not just winner takes all. None of us has all the answers and these are big issues. Being involved is simply better than not.

From its outset, The Global Sourcing Council has provided a unique forum for crowd-sourced dialog on the critical issues of global sourcing, sustainability and corporate social responsibility. Whereas other organizations may have focused on single issues such as outsourcing or shared services as a central theme, the GSC (as it is commonly known) has always used the terms "global" and "sourcing" - to identify with the broader, deeper issues associated with global sourcing versus just one industry practice. When we first envisaged the GSC and mentioned global sourcing versus simply "outsourcing" many thought we were part foolish and part ahead of the time. It has been extraordinary and indeed encouraging to see how rapidly the view of global sourcing has changed - especially as catalysts like Cloud technology have changed the game so dramatically.

In such a few short years, it has become very evident how the world is in fact a very small, highly-connected ecosystem. We see the connectivity in the issues generated by this also.

The GSC was first conceived in 2006. It was brought to fruition in 2007 through the extraordinary vision, un-tiring leadership and generous support of both past and present Board members who routinely went above-and-beyond to make it all happen. We are entering our 5th birthday year in 2012.

We enjoy a committed, energetic Board and a rapidly growing network community, readership. We're increasingly leveraging social media tools to access and engage with our community and this is also helping deliver dramatic growth. The surge in interest in our monthly journal is fabulous. We address both goods and services; our audience is a healthy combination of disciplines - covering industry, academia, government and non-profit. There is no charge to join the community, which from inception has been global in nature. We encourage participation at every level of the Supply Chain - not differentiating between individuals in a wide variety of economic environments for whom relative cost of a membership structure would vary widely.

Fundamentally, global sourcing - and a big part of the GSC itself - is all about people. What they're doing, how it all works together - and how we treat one another. Finding a balance. The world is a fascinating place and the opportunity to communicate, collaborate and celebrate people's progressive, thoughtful business behaviors has never been more appealing or timely.

How big is the GSC?

Assessed globally, our readership is located in over 80 countries and over 850 cities around the world. We anticipate hitting 100 countries and 1,000 cities in the not distant future. Our network is growing also. We have embarked on the creation of Network Partners - groups and organizations such as GSSOCX and the Retail Industry Professionals Group who share our win-win goals, balanced philosophy and bring valuable information, data and other benefits to our broader community. With other relationships under discussion and shortly to be announced, we will start 2012 with a network community approaching 250,000 globally.



David Kinnear
Chairman, GSC

"When we first envisaged the GSC and mentioned global sourcing versus simply "outsourcing" many thought we were part foolish and part ahead of the time. It has been extraordinary and indeed encouraging to see how rapidly the view of global sourcing has changed - especially as catalysts like Cloud technology have changed the game so dramatically."

The Best is Yet Ahead for The Global Sourcing Council and its Growing Global Community in 2012

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What does the GSC do?

As the name suggests, the remit of the GSC is broader than just Outsourcing/Offshoring though we cover these sectors and many of our community work in these fields. We address the sourcing of both goods and services and there is an increasing correlation between these vast sectors if you look at Supply Chain and the issues of eWaste recycling for example. We encourage positive behaviors, applaud innovation and support those who show it can always be done better.

Perhaps we have a more proactive stance on addressing consequences, implications and future state. Beyond all the PowerPoints, millions of people are impacted positively and negatively by global sourcing in all its forms - and it's becoming a significant factor in governmental considerations also. In the second decade of outsourcing, change will occur much faster via technology and this will alter the competitive landscape. That translates to job figures, economic projections - up and down. As global sourcing settles into the broader economic dialog, it is getting a closer look.

I've heard about the GSC 3S Awards. What is this?

The GSC also drives & supports key leadership initiatives, such as The 3S Awards. Authentic and timely, this event is in its third year of recognizing leadership in the sourcing community that transcends the size or value of the participant organization. While some may applaud scale, we seek out true leadership at every level. We look beyond scale and brand for examples of the people leadership we seek to promote - the leadership that defines both the socio-commercial balance and people stewardship that will be so necessary in the global marketplace going forward.

We're not an advocacy group and we don't throw rocks at industry or government. We find ways to encourage progress on a host of issues - built on a premise of making it better, building for the long-term. We believe there is a way to do business better and it is built on a respect for the individual and for the socio-economic implications of our actions.

A lot of the outsourcing industry has been built around sales-based Powerpoints. We promote a more balanced view that addresses more of the issues - both short and longer term. Beyond the deals, beyond the quick wins, there are people, cultural, fiscal and compliance issues. We see a fusion of cultures, the adaptation of laws and regulations. We see a future-state workforce that is multi-cultural, multi-faceted, multi-part and very global. This has enormous socio-economic implications for governments and raises critical strategy issues for clients, providers and advisers. These issues become more accentuated in an economic downturn such as we have experienced.

In essence, we encourage dialog, communication and community - promoting balanced sourcing and a future-state of greater win-win than may be seen at present. If one focuses on outsourcing, it's a relatively young industry that will surely have to adapt further. Aggressive sourcing practices have consequences. And technology changes the game for everyone.

We are not advocates for a given industry or sector view. From the outset, we have provided a neutral, professional and open forum for information exchange - identifying issues and facilitating dialog. We see information, debate and dialog as key to the development of longer-term improvements and growth. We drive a balance in representation of the issues, reflective of the balance of stakeholders we enjoy. From the outset, we have shown how there is a growing link between the short and longer term issues of global sourcing, sustainability and corporate social responsibility.

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The Best is Yet Ahead for The Global Sourcing Council and its Growing Global Community in 2012

Why should I get involved in the GSC?

In the world around us, we are seeing economic and socio-economic shifts on an unprecedented scale. Being involved is simply better than not.

We have removed every barrier to entry to encourage all professionals and participants in all countries - to engage, to be involved, to help shape and move the debate forward. What's not exciting about that?

When we look at the stats on GSC's daily growth - especially the growth in country and urban level participation - it is very energizing and inspiring. It is fabulous to know that individuals in almost 85 countries are online and engaged, that they are part of this crowd-sourcing of more information and better answers. Wow!

Why am I involved?

I'm a parent. It's as fundamental as that.

What we are discussing is a picture of the future - not just for our generation but also for that of my daughter and future generations. It's as practical as that for me. My actions and those of industry and government leaders will dictate how this turns out - who wins, loses or what balance is struck. The world is now a very small, connected place. The oceans and national borders are a flimsy barrier between vast economically-connected collections of people. We have to figure out how to live and work with one another. Some will do this better than others. I personally think this is the best recipe for unlocking all sorts of new value, innovation and next-generation economic opportunity.

I first had the idea for the GSC in 2006. As I looked at the outsourcing industry, it struck me that it's largely a big staffing puzzle. Beyond the spin, it's a people industry. And as it gets to a certain scale and level of maturity, it begins to have macro socio-economic implications for governments. In short, I didn't think that discussion was happening in the marketplace nor did I feel that a forum existed for the debate. There was too much focus on short term, not enough on collaborative debate and perspective on the long term.

When we first spoke of global sourcing, we got a lot of polite smiles. With the advent of Cloud and the acceleration in technology adoption, the conversation is changing as the implications of global sourcing become more clear. While outsourcing is not going away, there is a growing awareness that we're moving into a different phase, structure in how services are procured and services are delivered. The role of labor is fundamentally changing.

The world is indeed smaller and more connected these days - and that is a source of great fear for many who nurture concerns about competition and how it all works out. What we foster is a dialog on how we get it right; how we find the win-win solutions that move us all forward. It's no easy proposition but ask Edison if it's worth being persistent...

Wishing you a very safe and happy Holiday Season and a safe, peaceful and happy New Year with those who mean most to you.



**THE GLOBAL
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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.
