

## **A World of Talent – What Will We Make of It?**

Op-Ed

Mike Jordan, Chairman & CEO, EDS

Globalization continues to accelerate, generating a growing range of quality services from developing countries. These offshore services include sophisticated software development, call center management and investment research, to name a few. Moreover, globalization has brought with it an unprecedented influx of highly skilled workers, paving the way for a new world labor market.

Economic development relies on the availability of labor to work on new, higher value activities. The economic history of developed countries such as the U.S. or U.K. is one of the constant upgrading of the skills and productivity of workers – from agriculture to manufacturing to services. And so the cycle will continue with the commoditization of services, as it inevitably gives way to the next wave of marketplace evolution – including automation.

Today's new technologies and communication networks make it easier and more practical for businesses to engage remote labor sources. As a result, U.S. companies are tapping large pools of highly skilled, cost-effective offshore workers to stay competitive.

However, many U.S. companies and offshore firms do not have the technology infrastructure in place to take full advantage. Hence, the growing demand for global technology service providers that can fill the gap.

What we have seen at EDS is that we need countries like India as much as they need us. Together, we provide clients what they need to be globally competitive.

EDS' Best Shore<sup>SM</sup> global delivery model connects onshore, near-shore and offshore locations – and clients – with a sophisticated service network. Sending work offshore is a complex process that requires careful preparation. Issues that must be addressed include which activities and systems are appropriate to migrate, knowledge transfer, business continuity in the face of technical difficulties and disaster recovery planning.

Our recent acquisition of MphasiS, a technology services company in India, not only solidifies our global delivery model, but also gives us a strong foothold in that local market. This joining of forces combines the strengths of a global giant together with a nimble, young growth company that is deeply ensconced in the India IT environment. At the center of this strategy is delivering more business benefits to our clients.

But this is more than about India. For example, EDS Best Shore sites include near-shore locations that benefit from close geographical or cultural proximity to our clients, such as Canada, New Zealand, Ireland and Spain. Best Shore also includes other locations that offer the best in cost-competitive sourcing, such as Egypt, Argentina and Hungary.

Whether a company should offshore or not depends on a number of factors. In many cases, clients choose to make use of a number of geographic locations, depending on their specific requirements for specialized skills, industry expertise, follow-the-sun cycles and cultural proximity. Offshoring enables clients to benefit from cost savings, operational efficiencies, increased speed to market through 24/7 operations and new business opportunities as a result of increased market agility. EDS' multi-sourcing approach provides clients the mix of locations that's right for them.

A balanced analysis of offshoring indicates that the overall economic impact is likely to be positive for developed and developing countries over the long term.

Offshoring helps economies such as the U.S. get more done with a given set of resources. By generating significant cost savings as well as other advantages, offshoring enables companies to reinvest more, to reduce their prices, to reward shareholders, and to grow in new markets. Each of these benefits sets the basis for further economic growth, helping to replace lost jobs with new and innovative opportunities. A McKinsey Global Institute study shows that offshoring creates net additional value for the U.S. economy that did not exist before, a full 12-14 cents on every dollar offshored.

For receiving countries, offshore sourcing brings incomes that are often higher than the national average, with working conditions that are also often better than average. Additionally, local employees often gain new and valuable skills and abilities, which can be reused elsewhere in the economy.

While it is inevitable that workers will be displaced by this seismic shift in the global labor supply, focusing on job loss does not further the discussion. What's needed is a focus on job creation and what will best prepare companies and workers for the future.

Demographic trends in most developed economies point to a growing scarcity of skilled labor in coming years. Many countries have slowing population growth, aging populations, and fewer potential workers graduating with the education and skills needed now and for the future. This could potentially be a major drag on growth. Offshoring can fill part of the gap, but businesses must begin training their employees for what lies ahead – now. Employers must ensure that education and training programs equip workers with a flexible, developed set of skills, relevant for competition in an increasingly global economy.

Offshoring is a significant business trend today and will remain so for the foreseeable future. But it is important to put the phenomenon into perspective. First, it will not extend to all service activities in any given economy. Many jobs require a degree of local knowledge or face-to-face contact with customers, making it inconceivable they could be done remotely. Second, in spite of the job losses, the potential benefits to the American economy from offshoring are substantial. Missing out on them would damage the prospects of American firms and workers over the long term.

The rules for competing in today's world continue to be redefined. And those who hope to thrive in our global economy will have to make the most of it. The question is, what will we make of this current opportunity?