

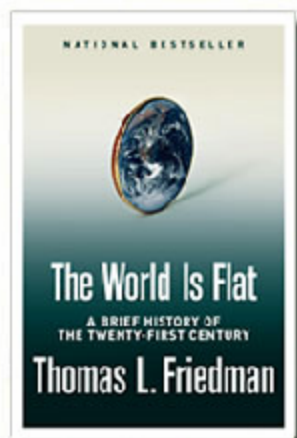


## Global Talent Pools: Captives, Contracts, Communities, Crowds

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## Global Talent Pools



- **Till recently, tech sector has lagged its customers in use of global labor pools**
  - GE and 70/70/70
  - Several banks with thousands of head count offshore
- **Changing rapidly**
  - Most startups last few years have had global delivery baked in to business plans
  - IBM, Accenture, Oracle – 3 of the biggest employers in India now
- **But preference for captives**
  - In most sectors, outsourced global resources far exceed captive resources
  - In tech, reverse. Oracle bought out outsource contracts after PeopleSoft acquisition

## Captives – the justifications and the realities



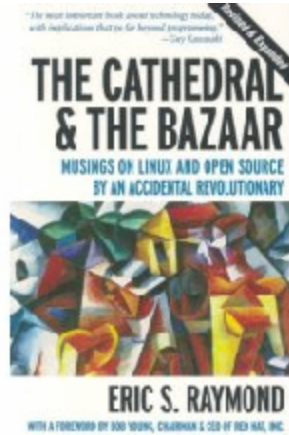
- **Product is lifeblood**
  - True, but focus on core, not context. Plenty of development, testing, maintenance activities can be outsourced
  - Captives often run by executives whose prime qualification is they are repatriating to offshore location
- **IP Risks of Outsourcing**
  - Lots of contractual, tactical risk mitigation techniques have emerged
- **Large outsource margins**
  - Undocumented cost of slower ramp ups and recruiting challenges at captives
  - Staff Productivity at captives often lags those of outsourcers
  - Sad reality: Captives are prime raiding ground for product centric outsourcers
- **Cultural differences with services firms**
  - True of larger outsource firms, but specialists focused on ISVs like Symphony and CSS are typically much more culturally aligned
- **Most outsourcers leverage India which has turnover, inflation issues**
  - Plenty of E. European, China and S. American choices emerging
  - Major outsourcers themselves hedging India bets

## Outsourcing – also hard work



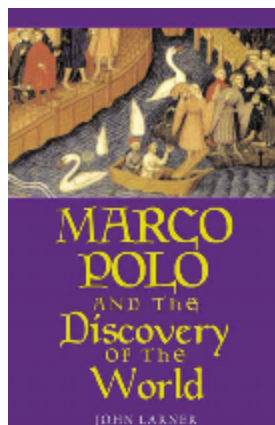
- **In spite of scale, economics an issue**
  - Size, repetition economies not passed through
  - Reluctant automation
- **Vendor Management not a core competence for most companies**
  - Takes governance, service level management and legal skill sets
  - Concern of getting "lost" in outsourcer's list of customers
- **Staffing inconsistency**
  - Junior staff, typically lack of functional/process skills, rapid turnover in some markets
  - Core competence often IT support, not product development
- **Outsourcing market itself in considerable churn**
  - Utility computing, SaaS, fractional staffing, service "productizing" expectations
  - Global diversification a challenge for most outsourcers – considerable upheavals

## Next generation talent sourcing



- **Hybrid Outsourcing Models**
  - Build/Operate/Transfer – concept not new, but newer wrinkles emerging
  - Hire to Spec options
  - “Rural” Sourcing as a option to get over hassles of time zones, travel fatigue, accents
- **“Micro-nationals”**
  - Emergence of new start-ups with key executives who are nationals of different countries around the world. They then drive local talent sourcing
- **Communities**
  - Open Source successes
  - SAP’s SDN – 500,000 visitors a month. Q&A response within 30 minutes. Shai Agassi: “I wish our support channels were that effective”
- **Crowdsourcing**
  - Amazon’s “Mechanical Turk”
  - eLance, other market places for task level outsourcing

## Build your own unique talent sourcing strategy



- **Religious war number 1**
  - Insource versus outsource
  - Rationally assess fit to your culture
  - More realistically assess your ability to recruit, retain talent
- **Religious war number 2**
  - Core versus context – what to keep in-house
  - Porsche essentially designs cars, outsources everything else
  - What’s your comfort zone?
- **Religious war number 3**
  - Country choice
  - India has formidable assets, but growing challenges
  - Don’t forget your own product sale potential in country choice
- **Regularly re-evaluate – your maturity and market landscape will evolve rapidly**