



GLOBAL SOURCING & TRYST WITH GROWTH

SERIES VI: MODERNITY, OR SUSTAINABILITY?

Author: **BOBBY VARANASI**, COP, COP-GOV
Chairman & CEO

WHAT CAME FIRST – CONNECTIVITY OR CHEAP LABOR?

As with the old adage about the chicken and the egg, the sourcing world continues to present arguments in support of global connectivity and abundance of cheap (and sometimes unemployed) labor as the reasons for the proliferation of global delivery models over the past two decades. Some conscientious folks will also remember the Y2K era and perhaps present a case for it being the harbinger of the sourcing world we are witness to today. The very reason that these two factors presented an opportunity for corporations to put together a proposition that delivered on the expectations is plain for all to see. The attendant opportunities that were crafted by forward-looking entrepreneurs and leaders alike across the purchasing divide, the consequential depth and breadth with services delivery and technological modernity we have been witness to, the positive impacts on developing economies one has seen (never mind the discrete and exclusive development it entailed) are collectively undeniable. Alongside, there have also been discoveries – some monumental and some obvious – with both the capacity of people to learn and deliver, and the continuous morphing of technological innovations to cater to increasing scrutiny and expectations, both in the corporate and consumer worlds. Unfortunately or fortunately, these developments have had their impacts on governments too. Some have jumped onto the bandwagon, while others have adapted themselves comfortably to the changed “new” realities, while many others continue to sit on the fence, with uncertainty governing their behavior. The choice between increasing regulation to address uncertain futures and trust in private-sector leadership has long been replaced by an uncomfortable alliance of the two, leaving economies far more vulnerable, unprepared and unable to predict the next wave. I see a consequential withdrawal from an active playing field in most cases. Is our pursuit that of modernity, or that of creating a sustainable environment for the future?



THE PURSUIT OF MODERNITY

The first two decades saw global sourcing go from single locations to multi-locational to global very quickly, built on the back of a promise to keep the lights up while reducing the financial outlay required to do so. The bandwagon affect was waiting to happen since not much was required to be done – structurally – to create conducive environments. The attendant opportunity was more confusion alongside bits of clarity. From an entrepreneurial standpoint, those shimmers of positivity were more than enough to create a veritable marketplace of providers (never mind me-toos and poseurs). Of course, it was long assumed that so long as one played by the rules established by the leaders, and crafted a niche here, or a differentiator there, it was sufficient to maintain distinction from an overarching standpoint, while leaving room for new entrants. As with ease of entry, the financial markets had created sufficiently easy exit options too (which were exercised well by many firms). With involvement of governments, and the promise of employment opportunities that most nations hadn't seen in the past, it was a veritable mix of positivity and unbridled enthusiasm. Some were more aggressive than others in creating/ modifying/ adapting policies to support the growth of the sourcing marketplace, without much thought for its long-term consequences on their economic structures, or social structures (particularly as it related to the wealth divide).

The melee of such involvement assumed that continuity was assured, and that there wouldn't be spanners in the works to dilute or upturn the run of positivity. Other minds were of course busy pondering new questions – not those mired in the corporate world, but more in the consumer world. It is crucial to appreciate that the (industrial) world has always been witness to progress thanks to the inventions and discoveries from the corporate world. But not this time around. It was the consumer world's needs, desires and endeavors that upturned most of the views one took when it came to industrial development and micro-economics. Information became as ubiquitous a commodity to be leveraged, traded and monetized (as goods and other natural resources hitherto were). New products, new solutions, new experiences! New customers, new expectations, new problems, new concerns!

The fungible nature of information has of course magnified our inability to deal with its challenges and complexities. The (human) tendency of trying to find simple answers to complex questions has further eroded our ability to deal with the new realities. I believe that in our pursuit of modernity, we have not only become victims of the confusion, but also active contributors to the very problem in the first place. Consequently, we have begun to withdraw into cocoons where predictability and status quo could be regained. The collective endeavor of humanity seems to be focused on upturning the very tenets of globalization – with threats of global demise – that propelled the world forward exponentially in the past four decades. Withdrawal symptoms are everywhere, manifested in responses that are premised on uncertainty, and inability to deal with the new realities.

I believe it is therefore important to first appreciate what the root causes are, and discern symptoms from their attendant causes. Then it would be the turn of determining if sourcing holds some solutions to these issues.

GLOBAL CONCERNS, LOCAL REALITIES

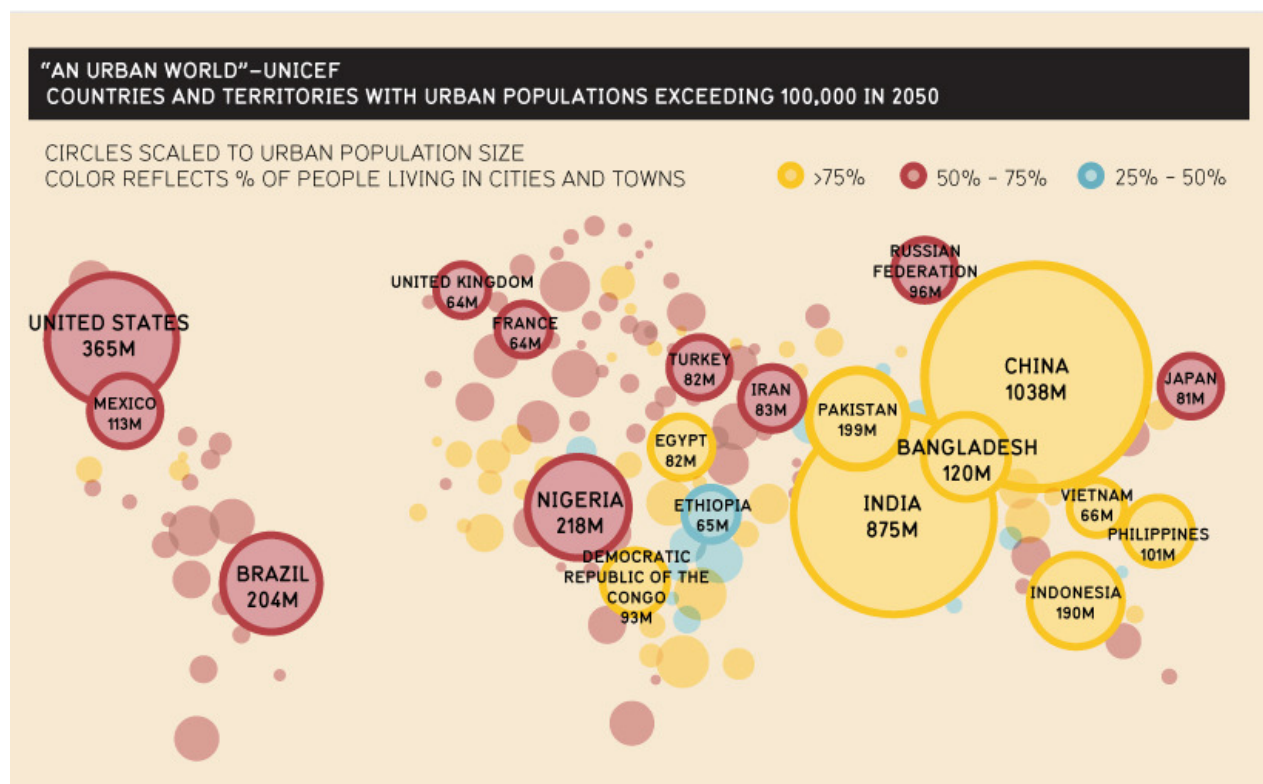
There were those years when I engaged in comprehensive, passionate conversations with colleagues worldwide on issues surrounding sourcing, business models, and location complexities, availability of talent, vendor performances, service capabilities, and maturity levels with provisioning services. Over time these morphed into discussions around government interventions, ICT sector development, and impact on labor pools, readiness with skills, performance assurances of locations, market access and the like. Both these sets of discussions almost always had clear answers, it was only the effort required to get to the solutions that made some leaders, and others active followers.

Today's deliberations are distinct and different. They are plagued with more questions, and more unknowns than one have seen, while the solutions aren't as obvious anymore. The emphasis is not just about creating corporate resilience, competitiveness and growth. They have enlarged to encompass bigger goals surrounding micro-economic growth, inclusivity, alleviation of the scourge of poverty, citizen well-being, participatory governance, sustainability, embedded social responsibility, outcome-centric management etc. It is now about creating a readiness for a future that has positioned uncertainty as the only certainty, demanding therefore the participation and contribution from across the divide to resolve thorny issues, while preparing for a checkered future. At the present however lay not just the confusion but the fear of pursuing incorrect solutions and creating further issues instead of resolving them. I will take up a few of these pressing questions which are opportunities to make a significant transformation in the way we collectively govern the planet.

1. **Socio-Economics** - One of the biggest challenges I see today is the denial of the opportunity to create socio-economic impacts in developing nations by leveraging sourcing models to do what it does best – create jobs and uplift people out of the trap of poverty and vulnerability. Despite the existence of a trillion dollar industry, its ability to do so has been limited to an infinitesimally small number of conscientious entrepreneurs. Creating jobs is a goal for governments, while maximizing returns is that of the corporate sector. These two goals have somehow come to a point of dichotomy where the private sector is actively divesting itself from creating jobs, while aggressively pursuing profitability and revenues. At some point this disconnect will become large enough for governments to start taking notice. I am afraid that such acknowledgment will be post-facto, when the consequences of unemployment, unemployability and attendant social unrest become fabrics of daily living. Can we do something to ensure we don't have to live with the consequences of the issues we already know are plaguing us?
2. **Accountability & PPP Models** - The private and public sectors have – in most developing nations – talked ad infinitum about public-private partnerships. However the manifestation of such partnerships into tangible initiatives, and outcomes has been restricted only to infrastructure-related endeavors. The private sector's inability to deal with, measure or hold itself accountable for outcomes (like citizen satisfaction, live-ability, quality of life, inclusivity) that are not within their realm of comfort (read profitability, margins, shareholder

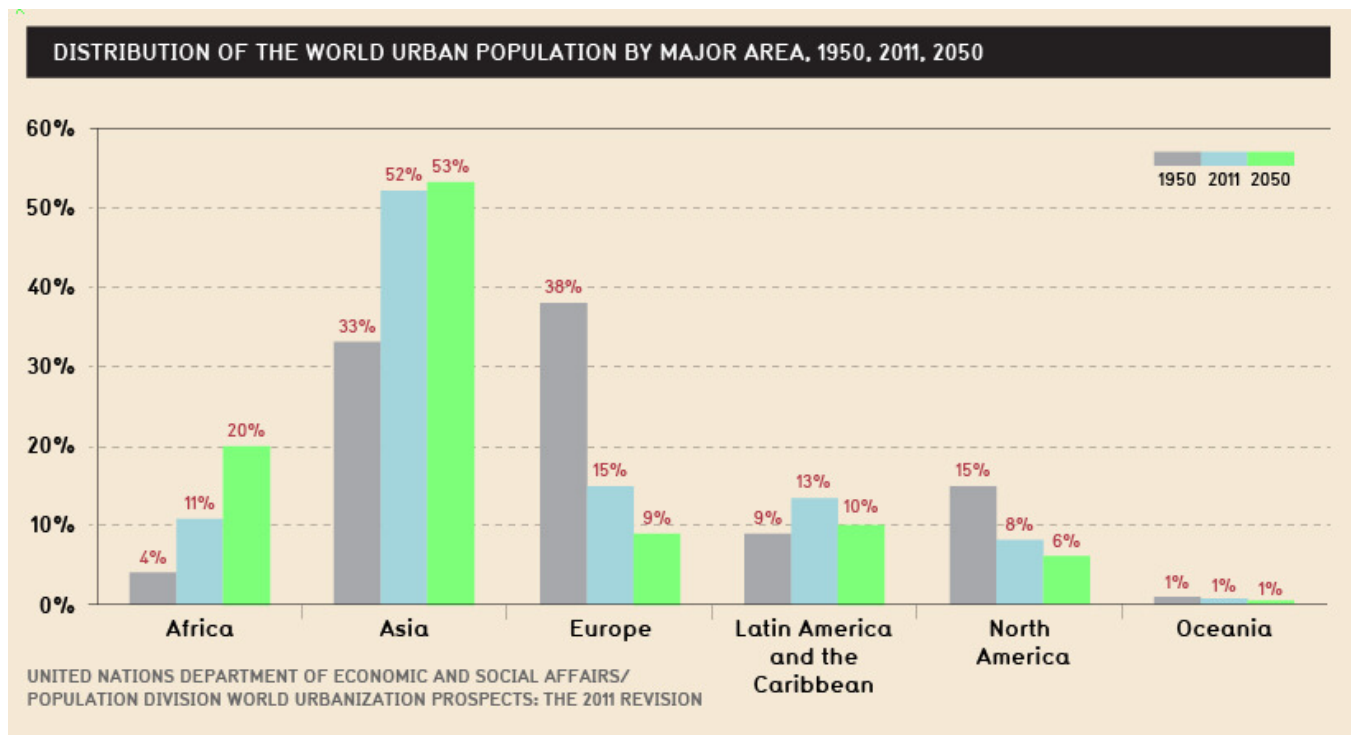
value) is quite palpable and visible. On the other hand the inability of governments to create a cohesive environment where solutions could be customized and delivered in local markets while being measured for their impact is driving many of the inefficiencies and latent failures prevalent today.

- Urbanization & Marginalized Communities** - The growth of population worldwide (slated to hit 9 billion souls by 2050) is skewed toward urban locations worldwide¹. Some of this increase will be the result of high urban fertility rates and reclassification of rural land into urban areas, but a significant portion of future urbanization will be caused by rural-to-urban migration. Many countries are already witness to the fast-pace of increase in the size of their cities. This migration is expected to be particularly prevalent in countries and regions most affected by the changing climate. While urban populations generally enjoy a higher quality of life, many cities in the developing world have large slums with populations that are largely excluded from access to resources, jobs, and public services. From an environmental security standpoint, great rural resource scarcity, causing rural to urban migration, is seen as an important source of violent conflict. Marginalization of people has now become an unavoidable consequence of increasing rural-to-urban migration, creating fringe micro-urban sub-economies that are beginning to demand governance autonomy, driven principally by desires around self-preservation, religious bigotry and social conservatism of a dominant few over hapless others.



¹ UN Department of Economic & Social Affairs, Population Division World Urbanization Prospects 2011 Edition

4. **Urban Poverty** – For a world that has an economy of over US\$ 90 Trillion, and wealth being increasingly created and distributed worldwide, poverty is on the rise instead of declining! Over 1 billion people currently live in urban slums. While their economic contributions cannot be clearly ascertained, most urban slums have seen exclusionary behavior both from civic officials and the more well-to-do urbanites who refuse to acknowledge their presence. The consequential social impacts are just too many and too urgent to ignore. The need for private sector participation in creating solutions that address both the impacts while creating opportunities to engage with such communities into productive endeavors is of dire necessity – now!



5. **FEW Issues** – The next world wars shall be fought not over territories, colonies, or natural resources. Such skirmishes – that’s what they will eventually become – will be largely localized (as can be evidenced in places like South Sudan, Somalia, Nigeria etc). The larger wars shall be fought over three key resources - **Food, Energy, Water (FEW)**. The world is already witness to wars over energy resources. Technological innovations like lunar-dimming streetlights, beaming energy from space, bio-fuels etc are already being actively pursued. However the wars for water and food have only just begun. In the past five years alone, the world has become witness to significant food inflation, which has topped 46% in some countries. Battles and skirmishes for water resources – both local and regional – have only intensified over the years, as can be evidenced in places like India, Pakistan, Egypt, Ethiopia etc. Local skirmishes have an unfortunate tendency to change political landscapes very quickly, and deteriorate into situations of social anarchy. Water related treaties are constantly being broken much to the chagrin of millions dependent on very limited supply sources.

Do we have solutions that could ensure we create an environment where sustainable sources of water could be created, and managed? The same goes for food and its attendant supply economics.

ARE THERE SOLUTIONS? AND PROVIDERS?

The reader may be willing to contribute to more such issues that plague our lives in more ways than we can think of. I have chosen to refrain from talking about the greatness of modern technologies, location-based services, real-time interventions, cloud computing, tracking solutions, on-the-go information, ubiquitous access, social networks, fancy touch-based technologies, cool devices, and the next big thing! I find that in the larger context of live-ability and sustainability of the world as we know it – resources, life-style and an expectation of constancy – these technologies don't necessarily matter if their only target is to enhance consumerism or increase consumers' trysts with modernity. At some point the determination to deploy these innovations toward goals that are much larger than capitalist principles of consumption and comfort has to take center-stage. Organizations have the inane ability to take the first leap of faith, by refusing to remain status quo but surge toward creating solutions that address these problems which if left untended have the potential to destroy our way of life.

If today's entrepreneurs are not engaging with each other in finding sustainable solutions to these larger problems, I am afraid that their entrepreneurial endeavors will not have many consumers left to enjoy them. The curse of ignorance is perhaps cured, but the debilitating impacts of wanton ignorance are just too many to brush aside. I firmly believe it is today. Commercial pursuits must necessarily include larger social endeavors aimed at creating solutions. Some have already begun this journey. Sustainable building materials, lab-grown food and a host of other solutions are being pursued, but in discrete measures and not noticed much beyond a select coterie. Mainstream conversations and involvement shall happen when ordinary entrepreneurs choose to switch from thinking populism to important. I believe that sourcing competencies worldwide and putting them together for the greater good of mankind has the power to transform, while profiteering from it as well.

ABOUT THE AUTHOR



Bobby is one of the top 25 most powerful leaders in the global sourcing space, and the [founding] **Chairman & CEO** of **Matryzel Consulting Inc**, one of the **World's Best Outsourcing Advisors** which focuses on strategy consulting, sourcing advisory and sector development. Matryzel advises corporations and governments worldwide adopt concerted strategies aimed at enhancing competitiveness while focusing on their core competencies. He advises federal governments across four continents on ICT sector development with particular emphasis on policy development, industry-government partnerships aimed at creating GDP growth and enabling positive economic impacts. Bobby has advised Fortune 500 customer organizations on Strategic Planning, Mergers & Acquisitions, JVs, Private Capital Investment Evaluations, Process Reengineering, Pricing Strategies, Sourcing Relationships, Business & Financial Modeling et al, contributing immensely to global sourcing for clients. He is a sought-after speaker in conferences and round-tables worldwide where he moderates panels and presents content on thought leadership. He has been quoted and published in Forbes, fDi, Economist, The Outsourcing, ZDNet, CIO Africa, Brazil Exportati, Times of India, Business Week, New Straits Times, Malaysian Business, Technology Inquirer, Logicall Wordpress etc.