The global dispersion of work: Where, what, who?

Remote workforce growing faster than traditional workforce

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In the global arena of business, competition no longer pertains only to products and market share. “Many countries are competing to be outsourcing destinations, straining local labor supplies as demand increases,” said Wayne Cascio in his address to the Western Regional CIBER Conference.

“The seemingly inexhaustible pools of cheap labor from China, India and elsewhere are drying up as demand outstrips the supply of people with the needed skills,” he said, citing statistics from McKinsey Global Institute:

- In Prague, the supply of suitable labor will be squeezed as early as this year,
- In India, pockets of skills shortages will become apparent this year,
- In China, workforce growth will decline starting in 2012.

Is it any wonder then that many global companies are hard pressed to fill job openings? “A 2007 survey conducted by Manpower, Inc., of nearly 37,000 employers in 27 countries found that 41 percent of employers were having trouble hiring the people they need.”

There are winners and losers in the competition for workers. Countries that once could count on their homegrown labor force staying put are now seeing workers leaving for greener pastures in pursuit of better jobs and better paychecks.

“Of Romania’s 4.7 million workforce, 2 million went abroad in recent years, causing a labor shortage in the country, especially in construction.

“Many Bulgarians have gone to work in Greece or Spain, and many Polish workers have emigrated to the United Kingdom.

“In the United States, the limited number of work visas available to foreign workers has caused companies to look offshore to staff business processes,” said Cascio.

“Increasingly, much of the global talent pool lies outside of the United States and Europe; 33 million young professionals with university degrees and work experience now live in 28 low-wage countries.

“As the need for highly educated workers has grown, firms have used advances in information and communications technology to employ skilled knowledge workers wherever they may be.”

Consequently, the traditional or fixed global workforce has given way to a remote workforce numbering in the hundreds of millions and growing at many times the rate of the traditional workforce, said Cascio.

“By 2009, one quarter of the world’s workforce, or 850 million people, will use remote access and mobile technology to work on the go or at home.”

The increasing emphasis on virtual, remote workers, mostly in developing nations, is largely a matter of cause and effect. “In North America, Australia, Japan and much of Europe, there has been flat or declining growth in new knowledge workers (those with a bachelor’s degree or higher). Add to this the intensifying global competition for top talent and it’s easy to see why corporations must focus on building remote capacity as opposed to recruiting foreign talent to domestic shores.”

Global corporations are transforming themselves into “transnationals,” moving work to the places with the talent to handle the job and the time to do it at the right cost. –BusinessWeek 1/28/08

For many companies, costs drive location choices. “Multinationals often practice labor arbitrage, periodic moves to lower-wage locations as existing ones get too pricey.” But a company that builds its economic model around low-cost labor has only a three-four year window where it will have a competitive advantage, said Cascio.

“In Hyderabad, for example, wages rose an average of 12 percent in 2006, putting labor-cost savings (relative to the US and western Europe) at risk of shrinking from 80 percent to 40 percent within a decade.”

THE GLOBAL SEARCH FOR TALENT MUST FOCUS ON BUILDING REMOTE CAPACITY AS OPPOSED TO RECRUITING FOREIGN TALENT TO DOMESTIC SHORES.

“So if increasingly indistinguishable companies are offering the same compensation packages to workers, how is it possible to attract and keep top talent?

The answer: “Create brand identity as an employer of choice and differentiate your firm based on the lure of learning, stability, and career development opportunities,” said Cascio. He offered examples of successful hiring and retention practices.

When Indian software services giant Wipro hires middle managers, it does more than simply negotiate pay and benefits. It provides “virtual valet” services for them, including help in finding a new home and even easing school admissions for the recruit’s children.

At Accenture Ltd., top managers spend at least an hour every couple of weeks with software coders and call center operators to understand shop floor issues.

India-based multinational Zensar offers bi-annual wage increases, variable pay of 20-25 percent, and stock options to the highest 15 percent of performers.

When Infosys reached $1 billion in revenues, it celebrated with Indian pop singers, a gala dinner for employees, and $25 million in bonuses – $500 to $5000 for each worker.

Wipro puts top performers into an accelerated training program and sometimes pays for courses leading to a certification in project management.

Call center operator 24/7 Customer Inc. pays half the $2900 annual tuition for employees to earn a business certificate from IIM (Indian Institute of Management) Bangalore.

The nature of change

There was a time, not so long ago, when industrial giants like DuPont, Mitsubishi, and General Motors could harness the disciplines of progress: rigorous planning, continuous improvement, stas-
tactical process control, re-engineering, and enterprise resource planning.

“That was the age of incremental progress, and it is over,” said Cascio.

“Today the nature of change has changed. No longer is it additive. No longer does it move in a straight line. In the 21st century, change is discontinuous, abrupt, and distinctly nonlinear.

“The Internet has rendered geography meaningless. Global capital flows have become a raging torrent. The cost of storing a megabyte of data has dropped from hundreds of dollars to essentially nothing.

“In today’s fast-moving world of business, 100-year-old companies with venerable brands are as vulnerable as yesterday’s. New ideas—such as Linux—are emerging.”

In the past three years, IBM has hired some 90,000 people in low-cost countries. Initially, cheap labor was the big attraction of this move, with pay in India 70 percent to 80 percent lower than in the US. But these days tapping the abundant talent in India is 90,000 people in low-cost countries. Initially, cheap labor was the big attraction of this move, with pay in India 70 percent to 80 percent lower than in the US. But these days tapping the abundant talent in India is.

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This requires a new management model. “The 21st century organization must adapt itself to management via the Web. It must be predicated on constant change, not stability; organized around networks, not rigid hierarchies; built on shifting partnerships and alliances, not self-sufficiency; and constructed on technological advantages, not bricks and mortar.

“The advantage of bringing breakthrough products to market first, will be shorter than ever because technology will let competitors match or exceed innovations almost instantly.”

In this technological age, one thing is certain, said Cascio. “Whether outsourcing business processes or managing a dispersed workforce, intellectual capital will be critical to business success. Generally, workers fall into three categories as identified by the McKinsey Global Institute.”

- Transformational—those who extract raw materials and convert them into finished goods.
- Transactional—those with scripted or automated interactions.
- Tacit—those using complex inter-

Outsourcing destinations of some major companies

**GE**
- India, Russia, China, Poland, Hungary, Mexico

**IBM**
- India, Poland, Hungary, Czech Republic, Mexico, Malaysia

**Accenture**
- Philippines, Poland, Hungary, Mexico

**Motorola**
- Philippines, Poland, Hungary, Mexico

**Intel**
- Russia, Czech Republic, Mexico

**Sun Microsystems**
- Philippines, Poland, Hungary, Mexico

**Citibank**
- India, Poland

**American Express**
- India, Philippines

**EDS**
- Poland, Czech Republic, Mexico

**Nortel**
- India, Russia, Czech Republic

**AOL**
- India, Philippines

**Ernst & Young**
- Poland, Mexico

**Hewlett Packard**
- Poland, Hungary, Mexico, Malaysia

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actions involving a high level of judgment. Tacit knowledge is personal and context-specific and difficult to formalize and communicate.

“According to McKinsey, over the past six years the number of jobs that emphasize tacit interactions has grown 2.5 times as fast as the number of transactional jobs, and 3 times as fast as employment in general.

“Jobs in the tacit category now make up 40 percent of the US labor market and account for 70 percent of the jobs created since 1998. The same thing is bound to happen in developing countries as they get richer,” said Cascio.

Meanwhile, there are rewards to be reaped in this fast-changing environment.

“Networked corporations have the potential to execute breathtaking leaps in creativity, speed and innovation. They have the potential to develop game-changing new business models.

“Yet none of this will just happen on its own,” said Cascio.

“Rather, the winning companies of the future will be those that are most adept at leveraging global talent to transform themselves and their industries. These kinds of changes inject a level of excitement and dynamism into international human resource management that will challenge the field for years to come.”

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**Interdependence, collaboration**

Unlike the hierarchal organization of yesteryear, “the 21st century organization looks like a web—a flat, intricately-woven form that links partners, employees, external contractors, suppliers and customers working interdependently and in various collaborations.”

Through file sharing, blogs and social networking services, mass-scale collaboration is making leaps in creativity possible and changing the way companies in a variety of industries do business,” said Cascio.

**Research and development.** Procter & Gamble makes use of external scientific networks to generate 35 percent of new products, up from 20 percent three years ago. That has helped boost sales per R&D person by 40 percent.

**Software development.** By coordinating their efforts online, programmers worldwide volunteer on more than 100,000 open-source projects, such as Linux,