

The Next Generation of Outsourcing



As outsourcing strategies evolve, key countries like Colombia are seeing plenty of action.

BY LARA L. SOWINSKI

Outsourcing has evolved dramatically in recent years from providing tactical solutions such as data entry and call centers to more sophisticated services ranging from R&D, engineering, and software development.

And, while the perception may be that political backlash and risk avoidance are keeping many companies from pursuing outsourcing, the reality is that the practice is continuing to gain ground due to companies' ongoing quest to achieve higher cost efficiencies and performance goals.

The benefits of outsourcing don't stop there, however. According to Michael Corbett, chairman of the International Association of Outsourcing Professionals (IAOP), outsourcing has reached its "threshold moment" with its ability to drive global socioeconomic and technology progress.

During IAOP's 2011 Latin American Outsourcing Summit held in Cartagena, Colombia in late May, Corbett told *WT100* that in addition to gaining cost efficiencies and performance, companies view outsourcing as a way to access the latest technologies and expertise. For instance, "Procter and Gamble expects an increasing percent of its research and development, particularly in new product development, to come from outsourcing partners," Corbett said.

Risk arbitrage is also a huge attraction. Companies are understandably hesitant to invest in new technologies or operations that might tether them to a particular geography, technology, or static supply chain. The key is being nimble and scalable, and outsourcing makes that possible.

Corbett also pointed out Peter Drucker's statement that "outsourcing is not just good business policy, it's good public policy" carries a lot of weight. When you consider that the top 200 companies generate 4 million

Colombia Fast Facts:

- The World Bank ranks Colombia higher than Peru, Panama, Brazil, Chile and Mexico as the “best place” to do business.
- Colombia’s population is 46 million and every year the capital city, Bogotá, produces 67,000 graduates, of which 17,000 are technical graduates.
- Currently, the combined workforce of IT and BPO professionals exceeds 50,000.
- The country’s telecommunications infrastructure ranks 4th among 46 Latin American cities in terms of broadband penetration.
- Between 2002 and 2009, Colombia experienced a decrease in homicides by 45%, kidnappings by 92%, terrorist attacks by 71%, and attacks on the country’s infrastructure by 83%.
- Bogotá’s crime rates are now lower than Miami, Washington D.C., and Atlanta.



Zona Franca Bogota was officially inaugurated in March 1997 and now provides free trade zone services to a variety of companies and industry verticals.

jobs globally, two-thirds of them outside of the U.S., then you start to realize the socioeconomic impact of outsourcing, said Corbett.

Steve Rudderham, Vice President at Capgemini and a presenter at the conference, expanded on outsourcing’s impact on multiple fronts. For the people of a particular region or country, outsourcing translates to higher wages, better education, and an overall better quality of life, while communities experience increased tourism and better safety and investment in local infrastructure, he explained.

“The telecom infrastructure also gets a major upgrade, which not only benefits business, but the entire society,” Rudderham added.

Julia Santos, head of global business optimization and contracting for Johnson & Johnson’s consumer and personal products worldwide division, not only understands the significant role outsourcing commands in a company’s global strategy, she sees Latin America, and Colombia in particular, as key players.

During the IAOP summit, Santos emphasized that while there are many components to a successful outsourcing strategy, “the best resource is human capital.” At the end of the day, “you’re always going to go back to the talent piece,” she said.

Johnson & Johnson has been in the Latin American market for decades, beginning with its first operations in Brazil in 1933, which is now the site of one of the largest Johnson & Johnson plants in the world. The company’s products are also sold throughout nearly every Latin American country.

The decision to outsource to Latin America was a relatively easy one for Johnson & Johnson, said Santos, who was quick to remind that the cultural affinity with the U.S. simply cannot be overlooked.

“One-third of the U.S. population is Hispanic,” she noted. Then, there’s the geographic location, which is

closer to the U.S. than outsourcing competitors, like China and India. And, Colombia is located in the U.S.’ Central time zone, which makes workplace communications much easier.

The advantages of a shared Western culture are evident in other areas, said Santos. For instance, staff in China and India don’t interact with management and customers the same way as staff in Latin America. “You won’t find staff in Latin America waiting for management to direct their every move, like you often find in China and India,” she explained, and when it comes to selling, Latin American staff are also better suited for talking with Americans than are their Chinese or Indian counterparts.

Santos described these differences as “hidden costs” of outsourcing that need to be analyzed when deciding where to outsource.

The case for Colombia

Argentina-based Globant, a software development and services company, is one of many companies who are profiting from the outsourcing boom. Secondly, they’re focusing on Colombia’s strengths in the sector to build their business.

Globant got its break in 2006 when Google hired the company to try and find bugs in its new e-commerce platform, Google Checkout. Globant was able to hack the system and needless to say, Google was very impressed. Five years down the road, Globant remains one of Google’s top go-to outsourcing partners, while others, such as Electronic Arts, LinkedIn, and Coca-Cola are some of the other big brands who are included in the company’s portfolio.

Andres Santiago Giolito, Colombia Site Manager and VP Operation HPC Studio for Globant, credits Colombia’s passion, more precisely the wealth of government resources coupled with the talented and highly qualified

labor pool, for edging out competitors in the outsourcing space.

Giolito said his company studied Colombia for two years before deciding to make an investment in the country. Tipping the scale in Colombia's favor were valuable contacts, real estate, human resources, and universities, all of which were important considerations to Glolant's business objectives.

"Colombian people typically have excellent levels of education," noted Giolito. "There are several good IT universities in Colombia too." In addition, many young people have international experience and have lived in the U.S. for some period of time.

Rounding out the value proposition, said Giolito, was the time zone compatibility, cultural fit with North America and Europe, English-speaking skills, low infrastructure costs, and strong base of hardware and software vendors.

Mauricio Velasquez, Business Development Officer for France-based Teleperformance, one of the top outsourcing companies in the world, agreed with Giolito's description of Colombia's passion as a competitive differentiator. Teleperformance has offices in Bogota and Medellin with over 6,200 employees working in the country.

Teleperformance chose Colombia for its expansion due to the country's large pool of qualified, service-oriented personnel with specific BPO and IT domain expertise. Velasquez also mentioned that Colombia is the second Spanish speaking country (after Mexico) with a neutral accent that allows full understanding among other Latin American countries.

Nonetheless, Velasquez said that, "ten years ago, not one company wanted to come to Colombia. That's a fact."

Indeed, Colombia's long history with guerilla forces such as the infamous *Fuerzas Armadas Revolucionarias de Colombia - Ejército del Pueblo*, also known as FARC or FARC-EP, has fueled the perception of Colombia as a risky country in which to do business. And for decades, this perception was justified. However, former Colombian President Álvaro Uribe's efforts to weaken the country's guerilla groups while simultaneously lifting up the middle class have been instrumental in putting the country on a new and prosperous path. Fortunately, current President Juan Manuel Santos has furthered that progress. However, it takes a while to overturn such a deep-seated perception, but to its credit, Colombia is working hard at changing its image.

Juan Pablo Rivera Cabal, President and CEO of Zona Franca Bogotá S.A., which promotes, develops, and operates Free Trade Zones in Colombia and abroad, remarked that not only have security issues been addressed, the turnaround that Colombia is experiencing is evident in several areas—the growth

Resources:

Invest in Colombia
www.investincolombia.org

Proexport Colombia
www.proexport.com.co/en

National Business Association of Colombia (ANDI)
www.andi.com.co

International Association of Outsourcing Professionals
www.iaop.org

Zona Franca Bogotá
www.zonafrancabogota.com/en

of the economy and the middle class, the tripling of the country's GDP over the last decade, and the number of foreign companies that are coming to Colombia to do business.

Not only has the government taken on a more business-friendly stance in recent years, the Free Trade Zone sector in particular has benefited from several government incentives designed to make FTZs more attractive to domestic and foreign companies alike.

The government's commitment to attracting business is apparent in many areas. Santiago Pinzon Galan, executive director of National Business Association of Colombia

(ANDI), Chamber of BPO & IT, singled out the expansion of Colombia's international airport, El Dorado, as one of the most significant, at least for the transportation and logistics sector.

Hundreds of millions of dollars are being spent on the project, which will affect passenger and cargo capabilities. Already, the airport ranks as Latin America's largest in terms of cargo and fifth in passengers. The expansion plans include the construction of a new cargo terminal that will help facilitate truck traffic in and out of the airport.

Meanwhile, in July, Bogotá inaugurated the Conferias pavilion, the largest event center on the continent. The multi-functional Conferias (the International Center of Business and Expositions) can accommodate up to 21,000 people and will host some of Latin America's most important events.

Two of the most supportive and high-profile organizations that serve as the first points of contact for encouraging business in Colombia are Invest in Bogotá and Proexport Colombia.

Adriana Suarez, executive director of Invest in Bogotá, embodies Colombia's passion—not only is she personally enthusiastic about the country's potential, she is well-versed in the hard facts. For starters, "foreign trade has tripled in value between 2002 and 2010," she remarked, while record levels of foreign direct investment have poured into the country over the last decade. "SAB Miller made a \$4.5 billion investment in 2005, and 1,200 multinationals now have a presence in Bogotá," she added. Some of the more recognizable names include 3M, Siemens, Office Depot, and Experian, said Suarez.

As for future developments, there's a good chance that the pending U.S.-Colombia Free Trade Agreement will be ratified by Congress before the summer recess. Undoubtedly, that would go far in helping grease the wheels of commerce between the two countries. **WT**

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