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Offshore Services in Latin America

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OFFSHORE SERVICES IN LATIN AMERICA

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Offshore Services in Latin America

- The offshore services industry refers to trade of services carried out in one country and consumed in another
- 21st century → Globalization of industries and fragmentation of production and services. Before companies were doing all activities and services in-house. Now they concentrate in core activities and outsource the rest.
- Latin American countries have the opportunity to participate in the knowledge economy and diversify they economy.
- Competitiveness:
 - Low Costs → low-cost services due to abundant labor with low wages
 - Industry expertise

 focus on exporting higher-value services in specific niche sectors based on expertise and innovation potential
- LAC has experienced an influx of investment in the offshore services industry...How to sustain this trend???

Local Providers from Developing Countries

Local firms in developing countries exporting services

Local firms crowded out. Serve local market or niche sectors in which have developed expertise.

Large Third-Party Providers from India

Indian third party providers start gaining dominance internationally.

Firms establish operations in other developing countries. "Global Delivery Centers" established worldwide.

Providers acquire smaller players. Offer more sophisticated services.

Third-Party Providers from Developed World

Established operations in developing countries using them as platform to export services. First wave in India, second wave in Central and Eastern Europe and the Philippines, Third wave: Latin America.

MNCs

MNCs established captive centers in India and other developing countries.

Many captive centers are sold due to underutilized capacity and/or some operations moved to third party providers.

Timeline

Type of Firms

Key Offshore Services Indicators

	India	Philippines	Chile	Costa Rica	Dominican Republic	Uruguay	Mexico
Gross Domestic							
Product (GDP) (US\$ billions)	1,223	174	180	30	46	30	1,101
GDP per capita (at PPP)	2,914	3,636	15,274	10,701	8,007	12,326	14,446
Offshore services revenue (US\$ billions)	47 ^e	6	0.9	1.4 ^d	NA	$0.8^{\rm c}$	5
Offshore services % of GDP	3.8	3.6	0.5	4.6	NA	2.6	0.5
Total labor force (millions)	475.6	38.8	7.1	2.1	4.4	1.6	49.1
Labor force in offshore services (thousands)	2,237	475 ^b	20	33 ^d	22	20°	na
Offshore services labor force as a % of total labor force	0.5	1.2	0.3	1.3	0.5	1.3	na

Offshore Services Global Value Chain

Horizontal Activities

HIGH

ITO

Information Technology Outsourcing

Software R&D

IT Consulting

Software

ERP (Enterprise Resource Planning):
manufacturing/operations, supply chain
management, financials & project management

Applications Development

Applications Integration

Desktop management

Infrastructure

Applications Management

Network Management

Infrastructure Management

KPO

Knowledge Process Outsourcing

Business Consulting Business Analytics Market Intelligence

Legal Services

BPO

Business Process Outsourcing

ERM

(Enterprise Resource Management)

Finance & Accounting

Procurement, Logistics and Supply Chain Management

Content/
Document

Management

HRM

(Human Resource Management)

Training

Talent Management

Payroll

Recruiting

CRM

(Customer Relationship Management)

Marketing & Sales

Contact
Centers/Call
Centers

Vertical Activities ^a Industry specific ^b

Banking, Financial Services and Insurance (BFSI)

Ex. Investment research, private equity research, and risk management analysis

Manufacturing

Ex. Industrial Engineering and sourcing and vendor management

Telecommunications

Ex. IP transformation, Interoperability testing and DSP and multimedia

Energy

Ex. Energy Trading and Risk Management , and Digital oil field solutions

Travel & Transportation

Revenue management systems, customer loyalty solutions

Health/Pharma

Ex. R&D, clinical trials, medical transcript

Retail

eComerce and Planning, merchandising and demand intelligence

Others

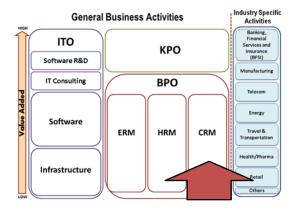
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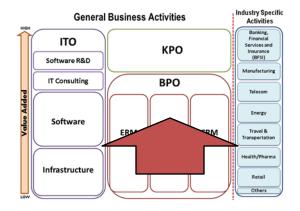
Value

Examples of Upgrading Trajectories

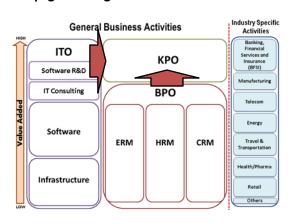
Entry into the value chain



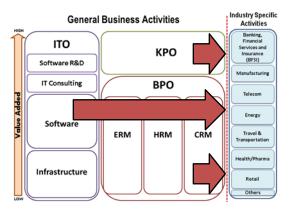
Upgrading within the BPO segment



Upgrading to KPO Activities

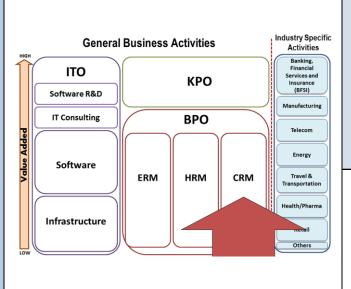


Industry Specialization



Upgrading Trajectory: Entry into the Value Chain

Entry into the Value Chain



Call centers hire people with high school diplomas or Bachelor's degrees.

Further skills training is provided by the company or private training institutions.

Skills
Preparation
Short technical training

Institutions

Private sector Government

Human Capital

- Offshore services is a labor intensive activity and human capital is the main industry input
- One of the most important factors MNCs take into consideration when relocating services operations is to ensure the labor market has cost competitive, qualified workers
- Latin American countries are facing rising labor costs, and shortages of workers with technical qualifications; these have limited the capacity of firms and countries to move up the offshore services value chain
- To continue to compete, it is necessary to upgrade the industry labor force

 Invest in workers skills

THANK YOU FOR YOUR ATTENTION!



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