

The Value of Brainshoring

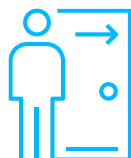


The fundamental question which determines the long-term success or failure of a service industry, is that of access to talent. Regardless of the local natural resources, climate, and other such variables, the service industry relies on the quality of its people to thrive. Taking this into account we can see that for the past 30 years the service industry has been marked by two dynamics:



Cost-driven outsourcing,

where companies outsource basic ancillary tasks, which don't require advanced professional skills, to countries with low labor costs



Brain-drain

where the people who have high professional skills leave their countries of origin depriving them of the much-needed talent necessary for economic development.

Brainshoring is structured to address the core concern for businesses which is risk mitigation, at the same time it produces value in the communities where it draws from. For this reason, we can speak of two levels of added value: **Business Value** and **Societal Value**

1 Business Value

In a general sense, when companies hire external providers, a primary concern will be **risk minimization**. Whether this be strictly financial (can I save money on certain tasks?) or related to the added value a certain product or service can bring (will the services provided be actually useful?). Brainshoring is fundamentally structured to address precisely this type of concern. The first way to minimize value added risk (ie delivering services that are not ultimately useful) is by understanding the client's intent.

As an example, if a client requests the organizational chart of a certain company, rather than just executing a simple search for that item, a brainshorer will ask about and understand the purpose of such information and directly address that deeper question, which could be, for instance, investigating the professional background of the executive board for headhunting projects. The team can then build on that intelligence to conduct a screening for similar profiles in order to identify a pool of potential executives.

This example highlights how much more value a simple research service can provide if

it is built on the Brainshoring model which entails: a **proper intake** phase and close partnership which allows for alignment during execution, a **creative staff** that can think ahead to the ultimate purpose of the task at hand, and an **open-ended approach** in the handover which allows to build off of acquired experience.

Another important aspect is the downside approach towards quality assurance. Brainshoring considers value not just by the success or satisfaction rate, but by how much it is able to reduce the failure rate. The difference between a 90% and 95% satisfaction rate may seem minor at first look, however, from a downside perspective, the latter has produced 50% fewer issues than the former. That is a significant value addition that can only be achieved through the customized client experience that Brainshoring provides.

2 Societal Value:

Brainshoring not only attracts the most highly skilled individuals, but it also develops their real-world professional skills in their own countries. This type of experience building is invaluable to countries which typically see their significant investments in education return only through remittances from Western business capitals as many of their best and brightest emigrate there. With Brainshoring, this intellectual capital remains in the home country contributing to its development. By growing a highly skilled work-force knowledgeable in the industry's methodologies and best practices, Brainshoring can provide a significant contribution to the local talent pool of developing economies.

3 The question of cost and pricing:

The decision to enter a Brainshoring partnership must be driven by the need for **high quality and high value-added services** rather than cost-saving considerations. Therefore, providers should not be concerned with offering a price that is low, but **a price that is fair**.

Since Brainshoring relies primarily on the quality of its staff the main operational costs in such an organization have to do with **personnel**. Aside from payroll, Brainshoring is particularly reliant on intangibles such as extensive screening, initial and ongoing training, performance management, and internal operations.

Furthermore, as a **nearshore business**, brainshoring is inherently excluded from those economies of scale that large but remote delivery centers can provide

The difficulty of choosing a pricing policy for Brainshoring services has to do with matching the complex operational costs with the inherently intangible value that the services bring. Ultimately Brainshoring providers **are resolving problems not renting out staff**. For this reason, a simple cost-plus model is not appropriate as it cannot capture the value produced.

A **Value Based pricing policy** is the best strategy to adopt as it can capture the differentiated value of a Brainshoring company while maintaining the flexibility to address specific businesses, types of service, and geographic segments