

# DEATH-OF-DISTANCE 3.0

Solving talent scarcity for the Business Services Sector?

If the Business Services Sector has been long challenged by a fierce war for talent, better times are coming. At least so say some. This view is fueled by the recent embrace of remote work across our sector. Not just in Central Europe, but globally. Remote work, so they hold, paves the way to accessing previously untapped pools of talent. But are they right?

## THE NEW DEATH-OF-DISTANCE?

Through the 1980s and 1990s, “death-of-distance 1.0” was much about the removal of trade barriers and the ability to connect countries globally. By means of cargo flights within a day, or by vessel in a few weeks. The internet’s communication revolution further reduced distances. It also decimated time-lags with producers and consumers having near real-time access to information, goods, and services. Arguably, the Business Services Sector (BSS) would never have reached today’s scale without that death-of-distance 2.0.

But a more profound next round of death-of-distance could be looming, particularly for the BSS.

Just consider this. The last two decades have seen Central Europe’s number of BSS destinations increase exponentially. From barely 10 at the turn of the century to more than 200 today. The key reason for this happening was companies needing to access ever larger and deeper talent pools, all while keeping wage costs at a low level.

Many also sought to avoid the war-for-talent in the BSS hotspot cities. It led the sector to cover great distances and to locate in difficult to reach cities. The current acceleration of remote work – and its reported successes – might just have put an end to that.

## WANTED: +189,000 EMPLOYEES BY 2022

But could remote work provide the fix to the sector’s seemingly endless desire for talent at moderate cost? Reading between the lines of the recent ABSL report on EMEA’s Business Services Destinations may help to provide an answer.

In the European Union countries of Central Europe alone, an additional 189,000 employees are reportedly needed in the BSS by 2022. A simple triangulation of the report’s data suggests that this calls for at least 34,000 IT-skilled workers to join the BSS each year. Through that period, the region’s universities and technical schools will annually deliver around 41,400 new IT graduates to the market.

But other industries will also be chasing the same talent. And they will possibly have deeper pockets when it comes to compensation and benefits. And IT is but one example. Undeniably: a grim outlook for BSS recruiters.

I can’t help but think that this weakens the case of those that expect remote work

will bring great new opportunities for BSS talent sourcing.

## HOW REMOTE IS TALENT ANYWAY?

Here’s another reality-check Talent for centuries has – and continues to be – drawn to hubs of innovation and learning. Most – if not all – of these locations have already been discovered and “colonized” by the BSS. They are sought-after hunting grounds for recruiters and head-hunters.

A June 2020 report on the future of work in Europe by the McKinsey Global Institute highlights this “concentration factor”:

• A mere 4% of the 1,100 cities and regions McKinsey surveyed across 29 European countries are home to 20% of Europe’s population. Between 2007 and 2018, these 48 “dynamic cities” accounted for 35% of Europe’s net job growth, 40%, of its population growth and generated 43% of Europe’s GDP increase.

Facebook, Google, and Twitter are just a few of the companies that made paradigm-shifting announcements on remote work. For some it is about having staff working from home several days a week. Others now allow staff to work from anywhere on a permanent basis. But this is not just leadership being reactive to COVID impacts or seeking to reduce the cost of production. Silicon Valley has experienced a talent exodus as living costs surged and quality of life decreased as cities became overcrowded and congested. Today, talented employees expect companies to deploy technology to reach out to them. A stark contrast with the times when it was normal to endure hours-long commutes to the office.

• The consultancy’s data also show that 50% of Europe’s population with tertiary education is concentrated in but 21% of the regions’ cities.

McKinsey admits that Covid-triggered changes may eventually impact talent migration and concentration patterns of the last decades. Yet it also notes that such a development will take time.

This raises the question as to how much and what type of additional talent the BSS could unlock through remote work.

## WHAT MIGHT WORK

It is not all gloom and doom though. There are encouraging lessons that can be drawn from the sector’s recent experiences with remote work. To list a few:

• It delivers well for more transactional/script-based processes.

• Experienced employees have little difficulty in conducting more complex tasks with minimal (or no) time spent in the office.  
• Remote training and onboarding are feasible.

Combine this with the fact that in many BSS centers work is done by people who are academically overqualified.

So, would it be too utopic to imagine a nearby future where more-transactional work is partly automated and partly farmed-out to non-graduates and those living outside of the “concentration cities”? Maybe the sector should start exploring this. After all, the last six months did show that the BSS could do much of what previously was considered impossible. Just because it had no other option.

Doing so would allow BSS centers to advance existing staff into more value-adding activities, help to satisfy their thirst for career growth and release barely tapped potential.

This might well lead to the new death-of-distance (3.0). One direly needed by the Business Services Sector.♦

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