



THE BRAINSHORING WHITEPAPER



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WHY A WHITEPAPER ON BRAINSHORING

Over the past 3 decades the service industry has evolved to adapt to four shifts in the corporate world:

1. The parallel talent dynamics in developed and emerging economies

With the growth of the service sector in developed economies high quality talent has become increasingly scarce, making it more and more expensive to hire and therefore to deliver services.

At the same time globalization has allowed emerging economies like India, Egypt, the Philippines or Mexico to expand their pool of well-educated multilingual individuals and to offer those skills on the global market. This mismatch between demand and supply of skills has been a major driver of high value services outsourcing.

2. The transformation of business from a pure competition game to an ecosystem logic

Instead of seeing competition as a zero sum, today's CEOs understand that they need to define and provide the most value in order to thrive.

They work with suppliers and clients in an integrated way (shared trainings, regular feedback, etc.) to create win-win situations, making their value chains operate like an ecosystem.

They are therefore more inclined to outsourcing than they were before.

3. The decreased importance of the physical workspace

The expansion of high-speed internet coverage has made remote working a possibility in the services industry, which generally doesn't rely on physical assets.

The COVID crisis has lifted most of the remaining skepticism regarding remote working, demonstrating that remote working worked, including for high value-added tasks.

This acceptance of remote working has paved the way for further outsourcing.

4. The widening skillset requirements for executives

In the past, executives would only have access to a limited set of specialized tools (accounting or design software, physical library, etc.). Therefore their jobs tended to require specialized skills.

Today, thanks mostly to the development of the internet and of software as a service, they have a full range of tools at their fingertips. They are therefore expected to be "jack of all trades", juggling between research, data analysis, presentation preparation and more.

This new set of expectations has put pressure on the executives, who are looking forward to outsourcing some of these tasks to people more skilled and efficient than they are.

These evolutions have allowed companies to better address a structural imperative for business success: **focus resources on the core of one's competitive edge.**

This implies that business leaders should find external specialists to outsource many other complex but ancillary tasks they need to perform.

In other words, businesses should focus on what they are good at and leave the rest to specialists.



WHAT CAME BEFORE BRAINSHORING

Evolution of the Service Outsourcing Industry:



CALL CENTERS

1. The first and most simple form of outsourced service
2. Focused on addressing phone (and now chat and email) enquiries
3. The services involve heavily scripted processes, and do not require much critical thinking
4. They are based on live interaction with clients. Core requirements are language fluency and time zone proximity



BUSINESS PROCESS OUTSOURCING (BPO)

1. The first type of outsourced service of the internet era
2. Allows companies to delegate specific support functions such as payroll, human resources (BPO), or IT support to external providers (ITO).
3. BPO services do not require much critical thinking or problem-solving skills as the services provided are repetitive by design.
4. Tasks are carried out independently by the provider and require no or little live interaction to be executed, therefore the service can be "farshored".



KNOWLEDGE PROCESS OUTSOURCING (KPO)

1. KPO is defined as "the outsourcing of core information-related business activities which are competitively important or form an integral part of a company's value chain. KPO requires advanced analytical and technical skills as well as a high degree of specialist expertise."
2. KPO focuses on highly complex and sensitive tasks like research or design.
3. KPO staff need to have deep expertise in their respective fields. However, KPO is not built on live interaction and team integration, and therefore focuses more on execution than on tasks involving critical thinking and creativity. Activities are processed (hence Knowledge Process outsourcing) and mostly asynchronous, therefore mostly leveraging farshore locations for lowest costs and access to a large talent pool.

	CALL CENTERS	BUSINESS PROCESS OUTSOURCING (BPO)	KNOWLEDGE PROCESS OUTSOURCING (KPO)
Service	Addressing phone, chat and email enquiries	Performance of back-office functions	Knowledge services
Type of Work	Heavily Scripted	Technical, repetitive	Request based
Critical Thinking Requirement	Low	Low	Medium (+ Problem solving)
Location	Mostly Nearshore, based on language requirements and time zones	Farshore	Farshore
Type of Interaction	Mostly live	Asynchronous	Asynchronous
Staff Education Requirements	High school (+Language Fluency)	Bachelor Degree	Master up to PhD degrees

DEFINING BRAINSHORING

Brainshoring is the offshoring of tasks that require extensive critical thinking and/or problem-solving skills and close collaboration with a client.

In fact, while other outsourced services focus entirely on execution, Brainshoring is more concerned with building a system that will consistently solve new clients challenges as a permanent function over time.

Brainshoring represents the next step in service outsourcing, offering those added-value services that a business needs but does not have the capacity to perform internally.

Brainshoring has a few core characteristics

- **It focuses on open-ended questions, not on closed questions.**

Brainshoring is about solving a problem and not simply executing on a request. As an illustration a typical KPO research question would be “prepare an excel sheet with the yearly revenue of companies X and Y over the last 5 years”, while a Brainshoring question would be “I’d like to demonstrate the faster growth of X over Y. How would you go about it?” In design, a KPO request would be “Align this presentation to my company’s template”, whereas in Brainshoring a question would be “I want to make a presentation in front of 200 people. I want it to be dynamic while still serious. Can you suggest design options?”

- **It requires live interaction.**

Given the open-ended nature of the questions, a conversation between the supplier and the client is often needed to clarify the scope, discuss hypotheses, and review initial learnings. The supplier and the client must therefore be in similar time zones.

- **It requires a sustained relationship**

Brainshoring works best with an iterative process. Instead of scoping a full project upfront, a Brainshoring approach suggests an ask/test/iterate approach. It is therefore difficult and time-consuming to budget each request separately, and a sustained relationship works best

In the next sections, we will explore how to deliver on these core characteristics: How to staff a Brainshoring operation, what is the Brainshoring approach, where to operate from, and how to structure relationships with clients

Brainshoring isn't



Transactional: Brainshoring is not the delivery of one-off projects



Vertical: Brainshoring specialists aren't just executing on client instructions



Deliverable focused: Brainshoring doesn't just deliver a document



Delivery: Brainshoring doesn't focus solely on executing a task



Asynchronous: Brainshoring doesn't work with only email interaction

Brainshoring is



Permanent: Brainshoring is about setting up a system that will consistently solve new client challenges as a permanent function over time



Horizontal: Brainshoring specialists propose approaches independently and challenge the premises of a question, they are thought partners to their clients



Insight focused: Brainshoring provides insight, interpretation, and wider meaning to the work it does



Three step approach: Brainshoring curates all aspects of a question from intake to delivery through execution



Synchronous: Brainshoring specialists establish a partnership with the client, prioritizing live interaction

How Brainshoring differs

STAFFING A BRAINSHORING OPERATION

In order to establish a successful partnership, a Brainshoring specialist must possess specific qualities, including:

MULTIPLE LANGUAGE PROFICIENCY:

In most cases, Brainshoring work will require a local approach. For example, in research, interviews in local languages will be necessary, in design, adding regional design clues will add value

EXPECTATIONS MANAGEMENT SKILLS:

Since Brainshoring is about solving complex, open-ended questions, it is important to be able to anticipate what limitations the request may face and prepare the client for possible alternative approaches.

INTELLECTUAL FLEXIBILITY

The capacity to clearly, accurately, and comprehensively understand new problems and engage them constructively. This can be reflected in an outstanding ability to ask relevant questions.

COMMUNICATION SKILLS:

The need to communicate in a clear and structured manner both orally and in writing is transversal to all tasks a Brainshorer must perform, from maintaining client relationships to delivering an effective product.

CREATIVITY:

Brainshoring is made to address complex questions, so providers must be able to think outside the box to solve those issues for which there isn't a simple or direct answer.

Given the variety of requests received, a Brainshoring operation will deliver better if it has a diverse team.

- **Diverse cultures** – Coming from different regions of the world with different languages.
- **Diverse temperaments** – Mix of creative and structured staff, of introverts and extraverts etc
- **Diverse academic backgrounds** – Mix of hard skills (like STEM profiles) and soft skills (like business profiles).

When it comes to the recruitment process, a consulting-like “case interview” process has been seen as yielding the best results as it allows to test all the dimensions listed above.



THE BRAINSHORING APPROACH: INTAKE, EXECUTION & DELIVERY

At the heart of Brainshoring is the three-step request management system.

While other forms of service outsourcing are narrowly directed by client instructions and focus entirely on execution, Brainshoring takes on all steps of a solution from the posing of the question itself to packaging curation and follow-through.



Intake: Brainshoring is characterized by the special emphasis it places on this step, ensuring the client challenge is properly understood, expectations are aligned, and results are oriented towards addressing the core client question.

In other forms of service outsourcing, these risks are mitigated only by the level of expertise a client has on a certain subject when they submit a request. In a research request, for instance, this means that a client must already know which sources to leverage and how the produced information can be used to answer a question. In Brainshoring, this function is instead carried out by a specialist who will build an execution strategy based on the client's brief, leveraging their specialized expertise, skills, and tools.

Intake consists of the following activities

- Getting a deep understanding of the client core question. The analyst will repeatedly ask “why” or “what for” to get to the core question.
- Defining the expected deliverable. Suggesting one or several options regarding the final output (from a simple call to the client to a complex PowerPoint deliverable) in order to align on the expectation of the client
- Building an approach to solve the challenge. Creating a structured approach, which will be used in the next stage. Two important points here 1/Have a “fall back” option in case a suggested approach doesn't yield the expected results 2/Provide multiple options to the client.

Here is an illustration of a Brainshoring approach to intake in the context of a research question

- Client – “Can you provide me data on the volume of cocoa exports of Ghana in the past 3 years?”
- Analyst – “Perfect. Would you mind sharing some context?”
- Client – “I work for the Ghanaian government on a project to boost agricultural exports”
- Analyst – “Interesting. So, what point are you trying to make using the data of exports of cocoa?”
- Client – “I want to illustrate that Ghana has been winning market share in volume vs. competing countries, but losing in value”
- Analyst “Perfect. So, is it ok if I build a table comparing volume, value, and prices of Ghana vs its top 5 competitors in the last 10 years using Trade Map? I could also create a slide in your template showing on a 100-points scale the evolution of Ghana vs competitors in terms of volume, value and price. This would take 4 hours of work. I can send you an update in 2 hours. Works for you?”

Here is an illustration of a Brainshoring approach to intake in the context of a language services question

- Client – “Can you summarize this document in 2 pages”
- Analyst – “Perfect. Would you mind sharing some context?”
- Client – “The original document is our quarterly viewpoint on financial markets. It is very interesting but too long and too complex, so very few people actually read it”
- Analyst – “Interesting. So, I understand your challenge is to increase the readership of your content and you think that it should be shorter and more simpler, correct?”
- Client – “Yes”
- Analyst “Perfect. Here is a suggestion of how we can help. We will start by selecting the sections which are the most interesting and will validate with you that our suggestion is correct. We will then shorten and rephrase them in plain English, aiming at 2 pages, i.e., 500 words maximum. May I also suggest that instead of a word document we make it an interactive pdf document”
- Client “Good idea, go ahead.”



Execution: Since in Brainshoring the providers are responsible for the design of the execution strategy, they need to also be agnostic about the methodology.

In fact, Brainshoring uses a multitude of tools and approaches to resolve a problem and is not limited to a standard set.

A Brainshoring provider therefore needs to offer a full range of skillsets and tools. As an illustration:

- In Research, a supplier needs to combine desk research, offering a wide range of databases, primary research (including interviews in multiple languages) and technology solutions
- In Design, a supplier needs to combine PowerPoint, Adobe Illustrator, video editing, and many other options

Two points are particularly important in the Execution phase

- Providing customers with regular updates and accepting the iterative nature of the work
- Being open to adjusting the approach on the fly based on initial learning and client feedback

In other words, Brainshoring is not about a process (like Knowledge Process Outsourcing would be) but about solving a problem, which implies leaving freedom and autonomy to the analysts, having managers positioned as coaches and risk managers and not “bosses”.

Here is an illustration of a Brainshoring delivery iteration in the context of a design services question

- Analyst – “Hello. I have worked on your request for the last 2 hours. Here are two initial design options. Can you please share which one you prefer and why?”
- Client – “Sure. Actually, I'd like to blend both. I found the color scheme and general style of option 1 great as it is both dynamic and fun. But I prefer the video format of option 2 instead of a PowerPoint.”
- Analyst – “Sounds good, let me integrate the 2 options and provide a story board for the video by end of day today. Would targeting a 1-minute length work for you?”
- Client – “Yes”
- Analyst “Perfect. I'll send you an update at 6PM GMT”



Delivery: In order for the product to deliver its full value it needs to be packaged and delivered appropriately for its intended consumer. This can mean adapting a specific formatting style in a spreadsheet package or developing an entire storyline in the correct corporate language for a presentation.

The Delivery should not be considered as complete until the provider can be sure that the client knows how to leverage the work provided. In other words, a request cannot be closed until the client confirms that the final product answers the initial question.

At this stage, three elements are critical:

- Quality assurance. Beyond checking for the absence of mistakes, it means making sure the initial client challenge defined at Intake has been answered.
- Delivering insights and not just a deliverable. This involves activities like preparing an executive summary, sharing instructions on how to use an excel model, explaining how to update a document's formatting.
- Proposing next steps. In most cases, the analyst could propose next steps based on the understanding he/she has of the context. It should be positioned as a way to add further value and not as a way to upsell.

Zoom on quality in Brainshoring services

Brainshoring uses a “downside” approach towards quality assurance.

Brainshoring looks at value not by the success or satisfaction rate, but by how much it is able to reduce the failure rate. Indeed, 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.

The goal of a Brainshoring operating is therefore to minimize the risk of mistake more so than to maximize the rate of success.

The implication is that the definition of the role of the managers is that they are risk managers, implying, for example, identifying the high-risk requests (difficult client, challenging execution, inexperienced analyst, etc.) and putting most of the energy into these requests using an 80/20 approach.

WHERE TO DO BRAINSHORING FROM

The main criteria for selecting a destination for starting or scaling Brainshoring operations are the following.

The quality of talent	The availability of talent	Proximity to key markets (language, culture and time zone)
<ul style="list-style-type: none"> • Are there good universities? • Are potential hires multilingual? • Are they creative and do they possess critical thinking? • Are they disciplined and hard working? 	<ul style="list-style-type: none"> • How many graduates are out of university every year? Can I hire senior talent? • How much competition is there for talent? 	<ul style="list-style-type: none"> • Is there proficiency in the client's language? • Are we in a plus or minus 3-hour range vs the client time zone? • Are there cultural ties with the clients' countries?

Types of Outsourcing

The service provider is located in...

Onshore:
...the same country or economic region as the client. Live client interaction is easy, but costs are high

1

Farshore:
...a very distant country from the client. Live client interaction is very difficult, but costs are low

2

Nearshore:
...a near country as the client, but a different economic region. Live client interaction is easy and costs are lower

3

By default, other criteria are less important

▪ Cost levels

Cost levels must allow the earning of good margins. This excludes high-cost locations such as continental Europe, US, Japan, Australia, etc. However this does not mean that lowest-cost countries should be preferred over more expensive locations that meet the above-mentioned parameters

▪ Political stability

Brainshoring being mostly intellectual work, the lifeline of the business is a good internet connection, and the physical safety of staff. Therefore, although it is better to be in stable countries a reasonable level of instability can be accepted

▪ Ease of doing business

Brainshoring businesses are mostly exporting services. Therefore, most of the typical business challenges like currency exports, trade barriers, etc. don't apply to them. Reasonable red tape and business challenges can be accepted as they create a barrier to competition for talent.

As a consequence, the ideal destination for Brainshoring is one which combines

- A good education system
- Limited competition on talent
- A nearshore positioning to client markets
- A reasonable cost base (although not rock bottom)
- A reasonable level of political stability and ease of doing business.

Dividing the world in three

Americas: Most of the Americas can be served from one location. Tier one locations for Brainshoring services are: Mexico, Colombia, and Costa Rica. Other potential locations (non-exhaustive list) are: Chile, Argentina, Brazil.

Europe, the Middle East and Africa: The region can be served with one or preferably two locations.

- Europe can be served from Eastern Europe or North Africa. Prime locations are Poland, Czech Republic, Morocco, and Egypt. Other potential locations (non-exhaustive list) are: Romania, Portugal, Tunisia. German speaking countries are particularly difficult to cover given the lack of German language skills in emerging markets
- The Middle East needs to be served from Arabic-speaking countries. Prime locations are Egypt, Lebanon, and Jordan.
- Africa needs to be served locally, ideally from a location offering French speaking on top of English. Preferred locations are Morocco, Egypt, and Kenya. Other potential locations (non-exhaustive list) are Nigeria and South Africa.

Asia and the Pacific: The region can be served with one or two locations. The leading destination by far is India. Alternatives to India could be Malaysia, China, the Philippines, and Indonesia. NB: Japan, China, and Korea are difficult to cover from overseas given the lack of language skills.

HOW TO STRUCTURE BRAINSHORING RELATIONSHIPS

Brainshoring is a part of outsourcing. It consists of operating functions on behalf of clients.

Value will be generated for both the clients and the Brainshoring Services suppliers if it is efficient.

A mutually beneficial relationship will be defined as follows:

- The transaction is simple. A contract is signed once and for all between the client and the supplier, without the need to discuss terms and sign contracts for every engagement. In other words, the clients pay for work to be done, and not for contracts to be signed.
- The work is efficient. The relationship offers a high level of reactivity and of flexibility.
- The client has visibility and control over operations. The client understands what the supplier is working on, if they do a good job, and if they are efficiently utilized.

Only **Retainer** relationships tick these boxes.

In a retainer relationship, the clients subscribe to services in a long-term engagement, getting access to a certain level of capacity, using the services on a daily basis, and getting reporting on quality and utilization.

This works better than any other model because of the following:

- It dramatically cuts red tape. Once a retainer engagement is signed most of the conversation shifts to the content of the work instead of the contractual arrangements.
- It is efficient. A team is available at all times to serve the client, resulting in superior Service levels. On the supplier side, it allows the suppliers to efficiently use resources and generate high utilization rates, some of the efficiency being passed back to the clients as lower prices.
- It is flexible. Given there is no transaction for each request, it allows working on short requests using an iterative approach, which makes it possible to change the course of the work as often as needed.
- It gives the client control. The client drives the team without having to operate it.



THE VALUE OF BRAINSHORING

For the business ecosystem

It is commonly accepted that to succeed, companies need to focus on their core capabilities. Over the last few decades, that logic has contributed to the emergence of a rich and diverse outsourcing industry.

Apple does not manufacture phones or computers. Many pharmaceutical companies do not do their chemical compound discovery themselves. Most telco companies don't operate their call centers.

However, when it came to high-end services, the lack of a structured offering led companies to continue operating non-core activities.

Most consultants do their data research and slide design themselves, resulting in low quality output and/or poor work life balance. Most executives write their reports themselves, making them stay at their desks whereas they would have more value leading teams. Many companies set up small internal research teams that are sub-scale.



The value of Brainshoring for its clients is therefore quite similar to the value of other outsourcing segments

- **Accessing a larger pool of talent**

Most companies, even after COVID made work from home a more accepted model, still hire mostly in the direct vicinity of their office locations, often located in high-cost cities.

Brainshoring gives them access to the talent pools of emerging markets in which they probably wouldn't set up operations. A side benefit could be that they could even hire from their suppliers' staff who could transition easily into their organizations.

- **Benefiting from the expertise of a supplier**

Most companies outsource functions where they are not the strongest. It is likely that the suppliers will focus on these functions and that through working with multiple clients they will develop a deeper expertise than their clients, resulting in high quality and efficiency

- **Focusing own talent on core business**

Outsourcing some activities allows clients to focus on their core activities. This results in increased performance on these activities but also in lower attrition within their staff, as they benefit from support.

As an example, a consultant who in the past would have spent 60% of his/her time at his/her desk doing research and PowerPoint design could spend more time working with clients and as a team, potentially helping to sell follow up projects and resulting in higher job satisfaction.

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. Brainshoring companies should be ready to:

- Offer premium salaries to attract the best talent
- Operate with rather high overhead (management ratios, investments in technology and databases, limited scale effects to adopt a nearshoring approach)

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

THE VALUE OF BRAINSHORING

For society

In the last few decades, many emerging markets have been victims of brain drain. Many of their most talented individuals, in whom these countries invest lots of resources, emigrate to more developed economies to find better job opportunities.

This leads to a lack of high-quality talent in the countries, therefore undermining their long-term economic potential.

The development of a Brainshoring industry can help reverse this phenomenon.

Brainshoring companies indeed offer jobs requiring expertise, where training is constant, where analysts are exposed to international markets and at premium salaries versus the local market, which might contribute to retaining talent.

Beyond talent retention, here are a few benefits of developing a Brainshoring industry

- Skills transfer – Brainshoring companies invest heavily in training, therefore supporting the upskilling of local talent and the development of a local ecosystem of talent
- Building a local pool of high-quality professionals – People working in Brainshoring companies will eventually leave them and disseminate their learnings and attitudes to their new employers in both the private and public sector
- Currency flow – Brainshoring companies earn money in developed markets and spend it mostly through salaries in their host countries. They bring cash into the local economy
- Upgrading the profile of countries – The development of the Brainshoring industry will help countries evidence the quality of their talent and possibly attract investment in other high value-added industries (like India did with KPO)



BRAINSHORING SERVICES

The Brainshoring model can be applied across many industries. The related services vary from generalist to specialist services.

Business services

These services involve desk-based tasks that require creative thinking, fast learning skills, and great communication skills to manage tasks that may vary greatly in terms of clientele, geography, and topic. These services include but are not limited to:

- **Data research:** providing the information clients need to make informed strategic decisions
- **Graphic Design:** Packaging information into professional visual formats which range from PowerPoint presentations to informational videos
- **Language services:** Communication and editing services as well as technical translations

Technical Services

These are services that are still desk-based but require particular technical knowledge and education on part of the provider to be carried out. These can be:

- **Legal Services:** Analysis of legal documents, drafting and editing, specialized legal research
- **Architecture and Engineering Services:** Project analysis, backup permit research, white paper drafting
- **Equity research:** Authoring of equity research papers, including building models

Scientific research

Like the former, these services require advanced knowledge and capabilities from the provider but also require a relatively significant capital investment in tools and equipment. These services are mostly in the natural science field. For example:

- **Chemistry:** Molecule elaboration and testing, pharmaceutical viability analysis
- **Medical:** Pharmaceutical development, drug testing, certification research



WHAT IS NEXT IN BRAINSHORING

Brainshoring is a new concept that needs to mature.

In the next few months, we expect the following to happen:

- More thinking about the concept will take place – This whitepaper is the backbone of what needs to become a complete research topic, with multiple researchers exploring the various dimensions and implications of Brainshoring
- Companies will need to endorse the concept and start calling themselves Brainshoring companies.
- The concept will become part of the public domain, making it to Wikipedia and to dictionaries, being covered by the media and being used by consultants and government entities when defining outsourcing strategies

Long live Brainshoring!



AFTERWORD

Dear reader,

Brainshoring is now yours.

Use it for your research and to call your company, talk about it with friends and colleagues.

Together we can put a new industry on the map!

If you want to have a discussion about Brainshoring feel free to contact the authors of this paper



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