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## Executive summary

Every organization has attractive project opportunities that don't fall neatly into their normal operations or comfort zone. Often, these projects demand skills that the organization does not maintain on staff, or they operate in a fluid and dynamic environment where it is hard to plan the timing and specifics.

Examples might include a website for a niche market, a mobile app for a legacy product line, a blogging effort for the company website, an issue-specific customer support service for a low-volume product, or a public service website that the company would like to sponsor. Unusual combinations and occasional requirements are especially common in lean startups and non-profits. These projects may be important and valuable, but they are notoriously hard to staff and manage.

The conventional responses are:

- do the work in-house project 'on the side'
- contract through a general contractor
- outsource to a low-wage vendor.

These may work, but they will be expensive and distracting ... more than the project really merits or the organization would like. **Projects like this need a solution that is simple, low cost, malleable, and has the persistence to get the job done.**

interactive Point of View (iPOV) offers a new "fluid project management" approach to address these opportunities. The key is to tap the emerging **global virtual labor market** or **GVLM** – a group of web sites that collectively broker freelance contractors from around the world.

- Millions of providers around the globe offer every possible skill and level of expertise.
- Freelancers (aka providers) work as individuals.
- Freelancers may charge significantly lower rates than employed counterparts.
- Freelancers expect to work 'as needed'. Assigning 10 hours of work is completely normal.
- The underlying web sites provide free<sup>1</sup> tools for recruiting, monitoring and payment.

With the GVLM, an organization can quickly build a customized team roster – and change it at will. Unlike contracting where project management is assigned to the vendor, the client in a fluid project can actively participate to change priorities and shift direction. With the GVLM, projects like this can be surprisingly cost-effective - but the rules are different. iPOV understands the new rules. It can help clients who are new to the GVLM to start quicker and be more effective:

- iPOV can help to design projects so they can exploit this unprecedented flexibility.
- iPOV can help establish an IT infrastructure that can support effective work in the GVLM.
- iPOV can share project management techniques that are tailored to the GVLM.

With iPOV's services, any organization can learn to use the GLVM to handle the jobs that don't fit neatly anywhere else.

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<sup>1</sup> These sites charge a transaction fee on payments to contractors, but typically posting jobs and contractor profiles is free.

## interactive Point of View (iPOV)

iPOV ([www.iPOV.net](http://www.iPOV.net)) is a knowledge work and eLearning services bureau.<sup>2</sup> iPOV's has completed more than 500 projects for clients like Michelin, Siemens, DaimlerChrysler, and AT&T. iPOV's has structured its business around the use of global freelancers. iPOV delivered hundreds of hours of web and video-based eLearning courses, and custom software with skills from this labor pool, including programmers, graphics artists, Flash animators, voice talent, writers, and project coordinators.

## The Global Virtual Labor Marketplace (GVLM)

The new global virtual labor market is so new that businesses, reviewers and writers are still inventing labels to describe it. It has been termed the 'elancing' market, the 'electronic services market', and the 'online talent market', among others. IPOV calls it the 'global virtual labor market' because that seems like a more complete definition.<sup>3</sup>

Imagine a web site that operates like eBay but, instead of offering products, individuals are offering their personal services. Think of a classified "help offered" section, but on global steroids. Anyone in the world can list their abilities and anyone in the world can hire their services – by the hour or in fixed-price projects with deliverables. That model is available at several large GVLM web sites:

- [www.elance.com](http://www.elance.com)
- [www.guru.com](http://www.guru.com)
- [www.freelancer.com](http://www.freelancer.com)
- [www.odesk.com](http://www.odesk.com)

The four sites listed above are the large, comprehensive markets that handle a wide range of skill disciplines. There are many smaller sites that specialize in narrow skill sets such as programming, writing or voiceovers. If the reader has not explored these sites, he or she may wish to do so now, and perhaps read the extended description and analysis in Appendix 1. If the reader is familiar with their structure and operation, this section will examine aspects of their operation that are fundamental to iPOV's approach.

GVL Market Site	Elance	Freelancer	Guru	oDesk	Estimated Total
Unique Providers on File	620,000	2 million (est.)	400,000	1 million	3 million
Projects/month	75,000	n/a	n/a	130,000	400,000
Turnover \$/year	\$205M	n/a	n/a	\$300M	\$1500M
Annual Growth Rate	100%	n/a	n/a	500%	>100%

**Table 1 – Major GVLM Site Metrics**

Total GVLM turnover (as shown in Table 1) is a bit more than \$1 Billion per year. That is still tiny compared to the overall market for services<sup>4</sup>, but the GVLM is growing very quickly. Several sites report compound annual growth rates in excess of 100%. That growth should accelerate as more buyers and providers discover the value of the GVLM services. However, the GVL marketplace is not uniform. There are certain types of projects that seem to attract frequent participation (Table 2).

<sup>2</sup> The founder (Vic Uzumeri, PhD - <http://www.linkedin.com/in/uzumeri>) has broad industry and IT experience and more than a decade of success in delivering web and video-based eLearning courses and documentation services.

<sup>3</sup> This is not a new concept. It is an old idea that seems to finally have come of age. Malone and Laubacher predicted this market in 1998. (Malone, T.W. and Laubacher, R.J., The Dawn of the E-Lance Economy, Harvard Business Review, Sept-Oct. 1998, pp 145-152).

<sup>4</sup> International trade in services is at least \$4 Trillion per year and domestic services are far more than that.

Project Scope	Elance	Guru	oDesk	Total	%
IT & Programming	7,600	2,025	17,550	<b>27,175</b>	43%
Writing and Translation	2,500	437	6,700	<b>9,637</b>	15%
Admin Support	1,200	153	3,100	<b>4,453</b>	7%
Design & Multimedia	3,800	589	6,150	<b>10,539</b>	17%
Sales and Marketing	2,250	242	7,100	<b>9,592</b>	15%
Business Services	470	70	1,400	<b>1,940</b>	3%
<b>Total Projects Open for Bid</b>	<b>17,820</b>	<b>3,516</b>	<b>42,000</b>	<b>63,336</b>	

**Table 2- GVLM Projects Open for Bid - Jan 15, 2013**

Not coincidentally, the mix of skills being offered more or less matches the mix of projects that are seeking to be staffed (Table 3).

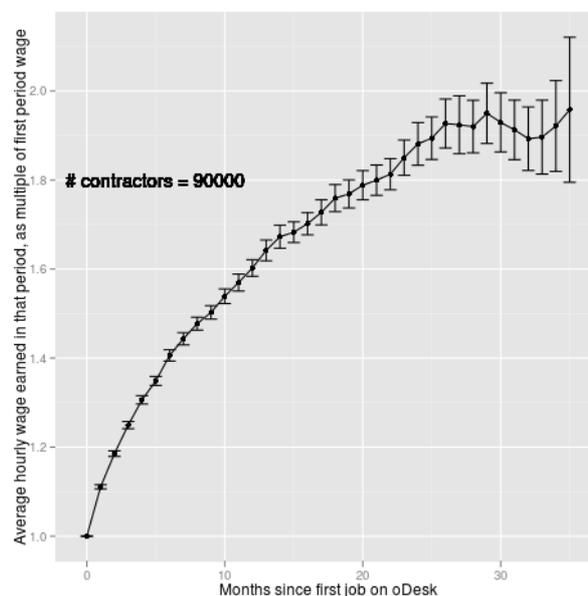
Provider Skills	Elance	Freelancer	Guru	oDesk
Programming (web, software, mobile, network admin, etc.)	40%	37%	36%	35%
Creative/Design (graphics, media, design, animation, etc.)	16%	25%	20%	17%
Business Services (admin, project mgmt., marketing, legal, accounting, etc.)	23%	17%	22%	25%
Writing/Translation (blog, eLearning, translation, etc.)	19%	18%	18%	23%
Other (science, manufacturing, etc.)	2%	2%	4%	0%

**Table 3 - GVLM Provider Skills Inventories (Percentages)**

With millions of listed providers, the GVLM market can clearly handle a large variety and volume of work, but project managers must understand the features that set the key contours of the market:

- **In the GVLM, you hire individuals.** The markets broker services at the level of the individual service provider. Most "projects" are a bundle of tasks for a given individual. 75,000 projects on Elance really represent 75,000 paid task bundles that are each being performed by an individual provider. You can assemble a team in the GVLM, but you can't buy one that is pre-assembled.
- If a buyer needs someone with a well-recognized skill, they will find many candidates. If the buyer needs a niche skill, they may be pleasantly surprised when they issue a public RFQ. The GVLM is less effective for strongly branded skills (e.g., a technical expert on XYZ heavy generator). People with those skills generally do not look to sell on a GVLM.
- **The GVLM market sites process all payments** (including 1099s for American providers). One site even offers benefits and W-2s. The major sites can collect and disburse payments in more than 100 countries. The buyer pays with a credit card and the provider gets a check or direct deposit. The sites typically charge a service fee of 10% of the transacted payments and they use ease of payment as the carrot to ensure that funds flow through their facilities so they can get their cut.
- On most sites, providers can be hired by the hour or paid for fixed price deliverables. In either case, the buyer can select and invite providers to bid or they can publish an RFQ for public response. Each approach has pros and cons that mesh with different types of work.

- Sites that support hourly work typically have software to monitor provider activity in real time. These software widgets resemble a time clock. They run on the provider's PC and capture periodic randomized screenshots and overall keyboard and mouse activity levels (but not specifics). The buyer can view a web-based work diary where the screenshots appear as they are captured. In iPOV's experience, this has a secondary benefit. It often eliminates the need to ask the provider if they are working or how they are progressing.
- **The real currency is reputation.** The GVLM sites encourage providers to post extensive personal profiles, but new providers are still unknowns. A provider's online reputation comes mostly from successful performance. Figure 1 (from oDesk) shows that many providers start at an (artificially) low wage, but steadily increase their fees as they earn positive feedback. In a few cases (e.g., on long term projects), providers may overtly ask for a raise. In most cases, providers simply raise their fee to the next buyer. For people with scarce skills and glowing reviews, fees can increase quickly.<sup>5</sup>



**Figure 1 - Provider Wage Expectations vs. Time Active (i.e., reputation)**

- With globalization, reputation and competition, market prices can exhibit complex patterns. For 'commodity' skills, certain locations have many providers with fees that seem tied to the local cost of living (e.g., transcribers in the Philippines). For complex skills (e.g., IOS mobile app developers) fees are set mainly by reputation and demand. A Java programmer in Russia with an outstanding performance history can ask \$50, \$60, even \$80 per hour – approaching a contract worker in the US.
- **Providers fall into useful categories.** iPOV has found it useful to divide providers into three categories: stars, pros and draft picks. Table 4 illustrates how iPOV uses this principle in recruiting. The three providers scored well on an online test of PHP knowledge. However,

<sup>5</sup> Amanda Pallais did a controlled study in 2011 where she gave identical paid jobs to multiple providers, then gave different forms of feedback. The ones with better feedback, even from her single job, saw faster fee rate increases. Pallais, A, Inefficient Hiring in Entry-Level Labor Markets, July 1, 2011, Harvard Working Paper.

their wage quotes are very different. The first provider commands a high rate from a history of strong feedback that suggests he can do good design and work under minimal direction. The second provider is a solid worker, but shows less insight and ambition. The last provider is an unknown, but he has outstanding test scores and a strong job and education resume. It is quite possible that he is as competent as the "star" – at a quarter of the cost.

Profile Listing	Rate \$/hr.	Feedback	Category	Location	Experience	PHP Test	Last Active?
	\$60	Excellent	Star/Pro	Canada	1,300 hrs.	High	Recent
	\$24.5	Good	Pro	Vietnam	2,923 hrs.	High	Recent
	\$14.5	none	Draft Pick	Ukraine	20 hrs. (in progress)	Very High	Recent

Table 4 - Examples of PHP Developers

- iPOV has seen patterns similar to Table 4 in virtually every job category (writing, network administration, project management, graphics, video editing, voiceover, etc.). The ranges are broad, but providers seem to fall naturally into the three categories. Figure 2 shows typical hourly wage comparisons for different skills and levels of experience.<sup>6</sup>

<sup>6</sup> The urban market rates were obtained from glassdoor.com (Feb 5, 2013) for the US market. The rates for the GVLM sites were taken at the same time from oDesk.com. The GVLM rates are typical rates and were chosen after a visual review and application of judgment. They are not arithmetic averages.

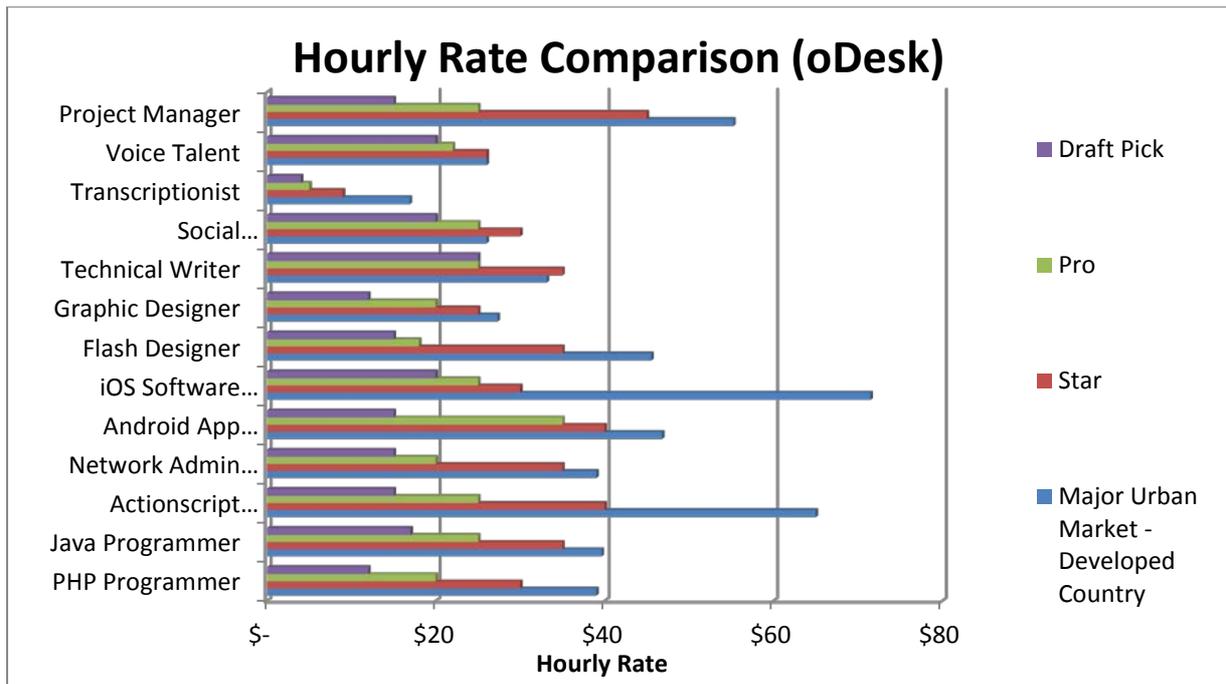
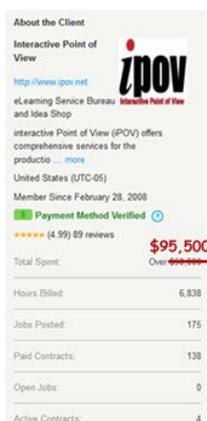


Figure 2 - Labor Rate Comparisons by Skill and Experience

- **Providers expect a job or a task, not a career.** The fundamental nature of GVLN freelancing means that most providers don't expect long term work. iPOV has recruited and stood up new providers in as little as two days and it has seldom, if ever, encountered hard feelings when we ended a relationship for lack of need. **It is almost impossible to overstate the flexibility that this gives to buyers.**
- The above notwithstanding, it is entirely possible to form loyal relationships between a buyer and valued providers. **Providers are first and last individuals.** If the work is good, the parties understand one another, and the provider is still active in the market, they will probably respond when you ask. iPOV worked with a graphics developer for 4 years. He proudly emailed us his wedding photos – and we eagerly responded. Even though he has seen less work recently, he hasn't raised his fees to iPOV. He raised them significantly for other (newer) buyers.



- Buyer reputation is also important. Buyers get feedback from providers. Good provider feedback can elicit interest from the top providers that are sought by multiple buyers. iPOV's performance as a buyer (Figure 3) reassures potential providers that they will be treated fairly and paid promptly.
- Most sites offer some form of dispute resolution mechanism. The details vary from site to site. However, the 5-star reputation system is probably the most effective overall tool. A poor feedback rating severely limits a provider's ability to earn the wage gains in Figure 1.

Figure 3 - iPOV GVLN Profile

With these observations, iPOV has identified two general features that drive how it uses the GVLM:

1. **Unprecedented labor agility** – The current GVLM sites are optimized to manage individual providers. Most corporate project managers have never seen a situation where they can quickly hire as many people as they want, quickly fire anyone they don't want, find any oddball skill that happens to be required, and reassign any team member to any other team with little or no complaint.
2. **The opportunity to manage labor as a dynamic portfolio** – With the GVLM's agility, even a small business or project can manage its skilled labor as a dynamic portfolio. The highest reputation or the cheapest fee may not be the best choice. Today's draft pick may be more expensive in a few months. The savvy buyer will combine the market's agility with the potential for relationship-based loyalty to maximize team performance and value.

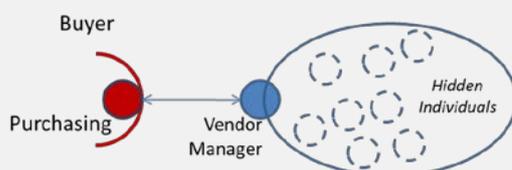
These differences are factored into iPOV's strategy for recruiting and managing GVLM talent.

### Services that iPOV does not offer

It may be efficient to contrast the services that iPOV does not offer – and give the reasons why.

#### iPOV won't do turnkey projects

Turnkey service providers take full responsibility for project deliverables. Typically, the agency has valued core employees and hires temporary workers (increasingly from the GVLM) to supplement their skills.

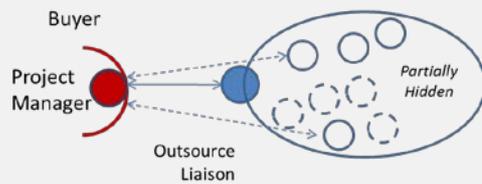


- Vendor hires and manages workers
- Most workers are hidden
- Work is mostly deliverables-based
- "can't see how the sausage is made"

iPOV has delivered turnkey services in the eLearning market for more than a decade using GVLM labor. We understand the business. However, the turnkey approach can be restrictive. If the situation is evolving and work was not anticipated in the original scope of work, re-opening a contract to address changes or opportunities tends to be difficult. Good ideas are tabled mostly because it is too much hassle to change the agreement. It should be the essence of a fluid project approach to avoid this type of lock-in.

#### iPOV does not offer conventional outsourcing

Most observers are familiar with outsourcing to low-wage countries such as India or the Philippines. Typically, a developed world organization hires an outsourcing vendor to bundle lower cost labor. The outsourcing vendor employs the workers, manages the work and provides a liaison and marketing contact to the customer. The buyer retains more control over development than in a turnkey situation.



- Outsourcer hires and manages workers
- Buyer has some direct contact with team members
- Work can be mostly time-based
- Most contact goes through outsource liaison

iPOV considered offering a conventional outsourcing business with GVLM labor, but it seems like a bad fit. While GVLM usage superficially resembles outsourcing, there are key differences:

- Outsourcing is done between companies.
- Outsourcing vendors typically demand a minimum monthly spend.
- The individual providers are often hidden or work through a designated liaison. This works for projects with generic labor requirements, but it can be problematic if a project requires individual expertise or creativity.

Outsourcing relationships are generally long-lived and work best for "commodity" labor. The GVLM is better suited to short-lived, specialized, fluid projects.

### **iPOV does not do large, structured projects**

If a company needs staff for an SAP implementation or for a large, long term product development project, the GVLM is the wrong place to look. Big projects need big, mature organizations and formal management. They are usually a mainline business or the business of a large, specialist consultant.

When large consultants do projects of this type, they typically have a stable pool of relevant talent. The firm can recycle team members from projects that are disbanding to ones that are forming. The more projects it runs, the more proven workers and the better the project outcomes. Better results lead to more work, more projects and a positive feedback cycle. There is a natural economy of scale and the GVLM cannot compete.

### **iPOV's Fluid Project Services**

Fluid projects are the types of projects where the buyer needs an odd combination of skills that isn't readily available in-house or from the customary vendors. They are projects where different skills are needed in smaller quantities, e.g., 50 hr/mo from a shipping expert and 20 hr/mo from a blog writer. They are the types of projects where requirements change as you learn. They are projects that are prototypes, trial balloons and experiments. They are the small, opportunistic projects that aren't risky and where there is clear interest and value ... if you can figure out how to do them.

**Too often, they are the innovative, important or valuable projects that never get done.**

iPOV believes that many of these occasional or unusual projects rightfully belong in the GVLM.<sup>7</sup> In the GVLM, skilled providers will accept tasks that are temporary and will adapt when requirements change. Good providers keep several irons in the fire and are unfazed if work is sped up or slowed down. They are not upset if the project manager lets them go, or puts them 'on the beach'. Figure 4 depicts a hypothetical project where providers are building a dynamic website. There is a natural ebb and flow to the workloads. The programmer is engaged up front, but tapers off. The webmaster is intermittently busy. The content writer comes in later to create the content.

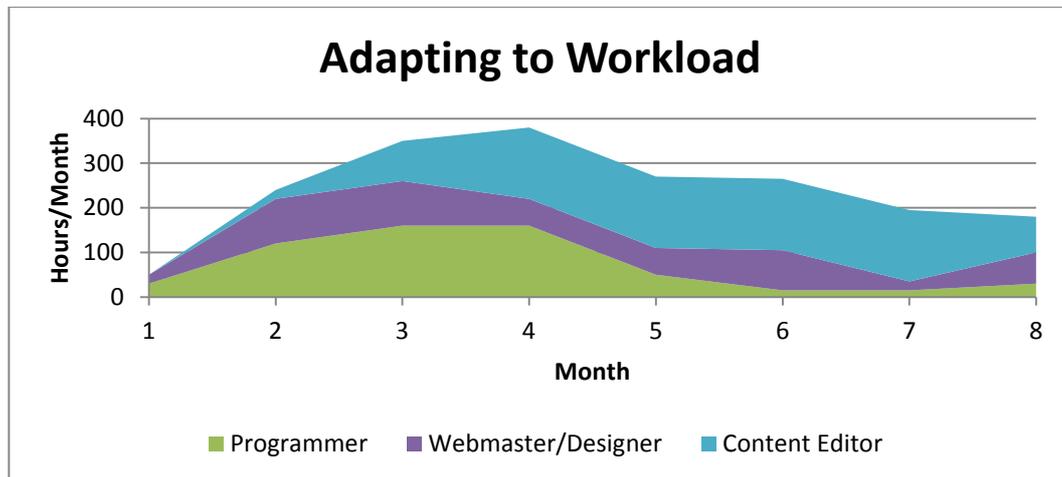


Figure 4 - Highly Flexible Workloads

Projects that work like this will be less expensive, less risky and less demanding on the organization that sponsors them. If a provider is not working out, replace them. If the project needs better design, hire a star designer as a part-time advisor. If the project must wait for an external event or absorb a delay, reduce the workloads. As long as you deal fairly with providers as individuals, most of them will happily adjust.

iPOV can help clients to build and run fluid GVLM labor teams. iPOV will use its experience to augment the features in the GVLM websites for team startup, team development and project management.<sup>8</sup> iPOV will help select and set up IT support tools and train GVLM providers in their use. iPOV will, if requested, manage day-to-day work schedules, timesheets, track deliverables, issue invoices and (optionally) transmit GVLM labor payments. Figure 5 shows the schematic relationship between the various parties.

<sup>7</sup> Researchers at Indiana University have noted the rapid spread of the GVLM and called on the HR field to engage it quickly. Aguinis, H., and Lawal, S., eLancing: A review and research agenda for bridging the science-practice gap., *Human Resource Management Review*, 23 (2013) 6-17.

<sup>8</sup> Researchers at Northwestern U. and U of Oregon have suggested a need for intermediary services. Allon, G., Bassamboo, A., and Cil, E., Large Scale Service Marketplaces: The Role of the Moderating Firm, *Management Science*, Articles in Advance, 2012, pp 1-19

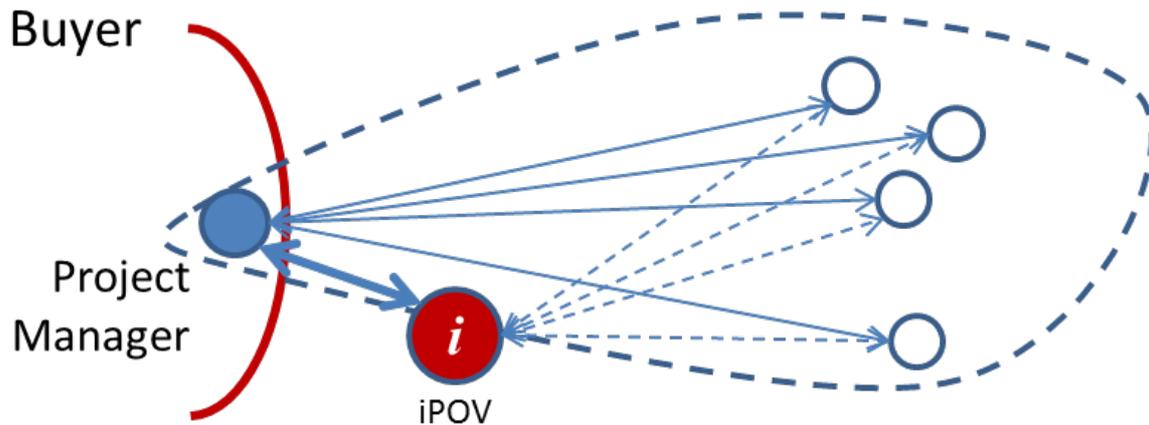


Figure 5 - iPOV/Buyer Relationship

As shown in Figure 5, iPOV acts much like an "owner's architect-engineer" in a typical construction project. iPOV's job is to help the buyer select vendors and get as much value from them as possible. iPOV is employed by the buyer and has the buyer's interests at heart, but is also a fair and knowledgeable sounding board for both buyer and providers.

The costs and challenges in running a project with GVL labor are different from those found in traditional employment or contracting. For example, while some freelance providers derive most of their income from freelancing, many others are supplementing responsible fulltime jobs. Properly managed, these can be extremely valuable contributors. Of course distance is always a factor. Different, and sometimes novel, techniques are sometimes needed to ensure provider effectiveness.

iPOV has accumulated a lot of tribal knowledge on recruiting GVL freelancers. When did the provider work last? Has the provider recently been bidding on new jobs or have they been turning client requests away? Are they in a long-term job that is taking most of their time? Are they independent, or part of an agency? If an agency, do they speak English or do they rely on an agency liaison? From hard-won experience, iPOV has a good idea what these signs might mean.

iPOV assists the buyer to set up a communication infrastructure that uses inexpensive and publicly available web tools that work with PCs and Macs, can be accessed by all providers, and suits the technical needs of the project. For example, does the project need a version-controlled file management system or a source code repository? Chances are the buyer's in-house SharePoint site won't be the answer.

iPOV will supply a project coordinator to ensure that the trains run on time. The role may be part-time or full-time depending on project scale. Regardless, iPOV will monitor everyone's performance and, if people are taking their eye off the ball, iPOV will help the buyer to motivate or replace them.

To be clear, iPOV is not assuming turnkey responsibility. Instead, iPOV acts as a consultant to the buyer and a liaison to freelancers, assisting the buyer's technical project manager without supplanting them. iPOV will offer opinions, but it won't assume production, technical or quality decisions that the customer should rightfully make. In effect, iPOV will handle the operational details

so the buyer's technical project manager only has to worry about technical design, performance and delivery.

## Operating Principles

iPOV's approach is designed to leverage the GVLM's agility and the potential for dynamic labor portfolio management. It also reflects three operational principles that iPOV cares deeply about:

**Total Transparency.** iPOV encourages the buyer and approved stakeholders (e.g., experts, customers, etc.) to review every aspect of recruiting, hiring, management, payment and project management. Nothing is withheld or hidden. The buyer will have the contact information for every provider. The buyer will have constant access to the work product, including source code, documentation, meeting records, etc. If iPOV encounters problems with providers, the buyer will be the first to know.

**Pro-Active Risk Management.** The GVLM introduces some new risks while it diminishes others. For example, with low-cost GVLM labor, it may be cost-effective to hire extra providers and split the work on a need-to-know basis. The same lower GVLM costs may make it practical to hire occasional star experts for low-cost second and third opinions on key design choices. Conventional assumptions about project risk management should be reviewed and rethought at the outset.

**Aggressive Application of Social Business Tools.** For years, iPOV has experimented with social business platforms, web video conferencing, version-controlled file management and many other techniques – in the GVLM. The efficiencies of social business platforms are well documented in corporate settings. However, iPOV believes that the potential payoff is even higher in the GVLM.

## Operations

iPOV draws most of its own staff from the GVLM on a part-time or contract basis. This doesn't mean that the staff is transient. One provider has worked with iPOV since 2009. Even when long-time providers are located nearby, iPOV hires them through the GVLM. The firm plans to maintain an extremely lean permanent staff and our reasons are the same for our clients. In a fast-changing technical world, it is too hard to know which skills will be needed over the long term.

iPOV will do for buyers what it does for itself when it recruits from the GVLM:

- Establish a team performance profile that is linked to project deliverables.
- Write RFP documents to solicit each type of provider.
- Either a) search the GVLM provider profiles and send the RFP to selected providers, or b) publish the RFP for public response. iPOV usually hires by invitation, uses public solicitations for unusual skills or where the skill is hard to guess from standard provider profiles.
- Review the respondents' credentials to estimate their ability and motivation.
- Look for any useful skill overlaps that could get the work done with fewer providers.
- Interview short listed candidates.
- Select and hire the best portfolio of providers for the project.

So far, the process is pretty standard. However, iPOV has found some interesting wrinkles that are only relevant in the GVLM context. For example:

- Wherever possible, IPOV recruits on the star/pro/draft-pick system. If a task is mission critical, pay a premium to hire a star or pro. On larger projects, IPOV likes to hire at least a few draft picks. Two draft picks will cost less than one star or pro, and the draft picks may be just as good.
- The ability to hire low-cost providers can change how a project is designed. For example, there are low-cost transcriptionists in the GVLM. IPOV video-records some of its online client meetings for later reference. With inexpensive transcription (\$15-\$20 per hour of transcribed video), IPOV can afford to make text transcripts even for routine meetings. A transcript makes it much easier to track client concerns than with memory, notes or by re-watching long video clips.
- The ability to hire invited providers from specified locations can be used to increase project security. Sensitive work can be divided into pieces and distributed across remote providers who cannot possibly know one another.
- The ability to cheaply invite many provider prospects opens some recruiting and selection techniques that would be cost prohibitive in a normal search. For example, why not develop a small project for Java programmers? Five plausible prospects is awarded a small (say \$40) fixed price contract (total cost \$200) to solve the problem. Select the provider that shows the most insight and imagination.

iPOV sees comparable operational opportunities at every stage in the project life cycle. The project manager can be much more decisive about adding and dropping team members during team development. Effective use of social business platforms can be used to build an effective 'team identity' even though the providers live far apart. When teams disband, outstanding performers go into the IPOV rolodex for future work.

## Technology

iPOV strongly emphasizes technology that GVLM providers know or can quickly learn at no cost to them. The software inside a corporate firewall may be 'better', but not for external GVLM providers who are blocked from using it. IPOV focuses on tools like the following:

- **Cloud hosting (e.g., Amazon Web Services)** – Open source CMS-based web sites (e.g., Drupal, Joomla or Wordpress) can be built quickly in the Cloud and there are tens of thousands GVLM web developers who are comfortable with the technology.
- **File Management CMS** – All projects have to save, store, swap and manage files. File management CMS systems are a safe, secure, and flexible way to share work product among IPOV, buyers, experts and providers. IPOV hosts an open source CMS ([www.cosolvent.com](http://www.cosolvent.com)) that it developed for video content and it typically uses a commercial system (e.g., [Box.com](http://Box.com)) with version control for project documents.
- **Rented Business Services (e.g., Microsoft Office365 and Google Apps for Business)** Why buy fixed assets, when you can rent by the month? With Office365 IPOV can give a copy of Office Professional Plus to any provider for \$20/month. IPOV especially likes the Microsoft Lync 2010 web conferencing service that is included. Equally valuable is the SharePoint site that can be a development sandbox or CMS backup. Google Apps for Business supports web video conferencing and desktop sharing that works on Windows or Mac and all of the important Adobe products can be rented month-to-month in the [Adobe Creative Cloud](http://Adobe Creative Cloud).

- **VOIP Phone and Messaging** – iPOV uses Voice-over-IP (VOIP) phone services (e.g., [Skype for Business](#)) that are familiar to GVLM providers around the world.
- **Social Business Collaboration Tools** – iPOV uses several free or low-cost 'social business' platforms (e.g., [Yammer](#), [MangoApps](#), or [SocialCast](#)) to run project 'groups' and 'team rooms' with GVLM providers. If those don't work, there are several open source social business platforms (e.g., [Elgg](#)) that a GVLM providers can install in the Cloud.
- **Customer Relationship Management (CRM)** – CRM systems (e.g., [Salesforce.com](#) or [SugarCRM](#)) can be used to track clients, leads, projects and similar information. They are especially valuable if iPOV is asked to help outsource sales, telemarketing phone lead generation services.

In every case, the goal is to build the best simple platform that **every** GVLM provider can use.

## Project Scenarios

The following hypothetical examples illustrate how iPOV's approach can be merged and adapted to support projects in different disciplines and with different technologies and business objectives.

- **Customizing an Open Source Web Application (e.g., Alfresco)** – The buyer wants to implement a stand-alone file management system in the Amazon Cloud. The plan is to adopt a well-proven open source project and do extensive customization, structure setup and possibly develop some workflow wizards using the platform API. iPOV will work with the buyer to write a set of RFPs for work packages and iPOV will help the buyer source Java developers, content managers and Linux system administrator to perform the work. iPOV will set up a project team communication system, train providers on its proper use and manage day-to-day task scheduling and deliverables. Later in the project, iPOV may help source independent testers to review and validate the installation.
- **Develop an iOS Application** – The buyer wants to create an iPad app that presents their sales catalog in an easy-to-use, searchable iPad format. iPOV will source an iOS development star to lead the application design. iPOV will set up a team communications system (including a version-controlled code repository), to support the project. The developer will work with the buyer to evaluate the design options (e.g., mobile version of web site or dedicated iPad app) and to lay out a buyer-approved architecture and delivery plan. For large projects, iPOV will help source suitable pro or draft pick programmers to do the non-critical coding, under the technical direction of the star developer. iPOV will help arrange independent testing and any other required expertise (e.g., how to navigate the Apple App Store requirements).
- **Develop a Series of eLearning Courses** – The buyer wants to develop a set of eLearning courses based on in-house knowledge or technology. iPOV will work with the buyer to establish a general syllabus and technology platform (e.g., Adobe Captivate, HTML5, SCORM, etc.) and identify the specific technical skills required to execute the work. iPOV will set up a team communication platform suitable for the project (e.g., easy handling and viewing of Flash and video components). iPOV will then help the buyer select the instructional designer, graphics designer, transcriptionist, writer/editor and voice talent(s) to execute the

work. Most of these individuals will work intermittently as their skills are required and IPOV will manage the day-to-day scheduling and coordination of tasks and deliverables.

- **Develop a C# desktop application for use in SharePoint** – The buyer wants to develop a business process tool that performs complex operations and runs on top of SharePoint. IPOV will work with the buyer to identify and hire a star project lead with the required technical expertise and experience. IPOV will set up (or help the buyer to set up) a development platform to support the work. For example, IPOV might establish an Office365 sandbox site for initial development. Office365 is expected to shortly (early 2013) include SharePoint 2013 and extensive API support. IPOV will establish a team communication structure that follows the buyer's preferred methodology. If the buyer uses scrum for internal projects, IPOV will hire a project manager familiar with that approach and help the buyer hire developers who are comfortable working in it.
- **Develop a New Website with Extensive, Original Blog Content** – The buyer wants to launch a new informational website with extensive blog and wiki content. IPOV will help the buyer hire an experienced lead webmaster who is an expert in one or more of the established open source blogging or CMS platforms (Wordpress, Joomla, Drupal). The expert will work with the buyer to establish a site design and plan. IPOV will help the buyer to hire a graphics designer and content writers (possibly including translators for multi-lingual presentation). The IPOV project manager will coordinate execution of the project tasks and deliverables and arrange for independent reviewers or testers to validate the content. Depending on the content, the writers may continue to generate new material indefinitely, or they may act primarily as editors of material supplied by the buyer's organization.

The common element in all of these examples is an intelligent division of responsibility between the buyer and IPOV. A succinct summary of the approach is that the buyer defines, controls and accepts the deliverables and IPOV manages the process activity and flow to efficiently achieve those deliverables.

## Price Structure

IPOV draws operating revenue in several forms:

- **(Optional) Pass Through of GVLM Provider Wages** – The buyer will be responsible for all GVLM direct labor costs. The buyer can either pay GVLM wages directly, or ask IPOV to pay Providers and reimburse IPOV. In the latter case, IPOV reimbursement payments must be sufficiently prompt that IPOV does not suffer a negative cash flow.
- **Markup on labor managed by IPOV** – Whether the buyer pays the providers or IPOV passes through the payments, IPOV will add a markup on all fees that are paid to GVLM providers for the project. For most projects, IPOV will add a 20% markup on the GVLM labor. For small projects, that may increase to 25% or even 30%.
- **Setup fees (fixed price)** – IPOV will charge a one-time fee to organize a project. The size of the fee will depend on the scope of work and whether IPOV is asked to pass through the fees of the GVLM providers. If there is pass-through, the setup fee will include an amount to ensure that IPOV maintains a positive cash flow. For small, individual support projects, the fee could be as little as \$1,000. For small to medium-sized corporate projects, or for projects

involving highly specialized talents, IPOV may charge up to \$5000. Large, long-term projects will be estimated on a case-by-case basis.

- **Management fees** –IPOV will charge a monthly management fee that includes the services of an IPOV-directed, part-time project coordinator. It will also include ongoing monitoring and guidance from a full-time IPOV employee.

## Summary – iPOV's Value Proposition

To earn its fees, IPOV will help a corporate client navigate more easily through the GVLM, and it will deliver value that reflects its experience, technology, cost structure, and management process.

### Reduced cost of labor

GVLM hourly labor rates are lower than internal corporate labor virtually everywhere in the developed world. GVLM labor also avoid the overhead burdens for HR, technology or work space.

**Table 5** shows that, even with IPOV's markup and fees, a co-managed project may be 20% to 30% less expensive than a comparable internal project.

	Baseline - Fulltime Labor				iPOV Model				
	Annual Salary + Overhead	Hrs/Mo.	Wage/Hr.	Cost/Mo.	Hrs/Mo.	Hrs/Mo.	Wage/Hr.	Cost/Mo.	
Staff Manager	110,000	100	55	5,500	Staff Manager	40	55	2,200	
Programmer	100,000	160	50	8,000	<b>Programmer</b>	160	25	4,000	
Webmaster	70,000	80	35	2,800	<b>Webmaster</b>	80	18	1,440	
Content Editor	65,000	120	33	3,900	<b>Content Editor</b>	120	20	2,400	
				20,200				10,040	
								<b>iPOV 20% Markup</b>	<b>1,568</b>
								<b>iPOV Management Fee</b>	<b>4,000</b>
								Total	15,608
Savings (\$/mo.)									<b>4,592</b>

**Table 5 – Website Development and Maintenance Project – Steady State Costs**

To be fair, there are extra risks and challenges with GVLM labor and a direct hourly wage comparison may be optimistic. If an internal team is experienced and cohesive, they will work faster and consume fewer hours than a collection of skilled individuals. Nonetheless, labor savings are likely for many common types of project.

### More Flexibility

The direct labor cost savings are amplified by the GVLM's flexibility. With the GVLM, a mid-project change is much less costly and stressful than most corporate project managers are used to. Suppose a program manager wants to switch website technology (from PHP to Java). That may be traumatic for an internal team – or for a turnkey service supplier. In the GVLM, finding new programmers might cause a few weeks delay. The program manager might even find a provider (perhaps at a wage premium) that is proficient in both technologies, making the transfer even easier.

It may be an unfair generalization, but IPOV suspects that most corporate project managers are not prepared to manage project teams with this level of agility. It won't take them long to adapt, but that will only happen when they grasp the magnitude of the difference. With 5 years' experience, IPOV has already adapted.

## Appropriate technology

It may seem counter-intuitive, but the expensive IT technology in most large companies and organizations is often poorly suited for work in the GVLN. Large organizations tend to buy best-in-class social business platforms, web video conferencing, document sharing, and the like. These tools work behind a firewall, but are often unavailable or unfamiliar to GVLN providers who work from home. GVLN can get a free personal account on BOX.com or Google Drive. They can videoconference with Skype. They can join a Google+ circle or respond to an invitation to register in Socialcast or MangoApps. If the tools are free, GVLN providers already use them or will quickly adapt. IPOV can help set up a project environment that runs outside the corporate firewall. Buyer personnel can participate without having to give GVLN providers expensive licenses or vet them for internal access.

## Innovative Management Techniques

iPOV has been engaged in video-based eLearning projects for more than a decade and iPOV has explored ways to use video to manage GVLN project work. Figure 6 shows a sequence where iPOV recorded a desktop video (with audio commentary) for a required graphic. Even though the 'model' was extremely crude, the remote designer understood the requirements almost perfectly.

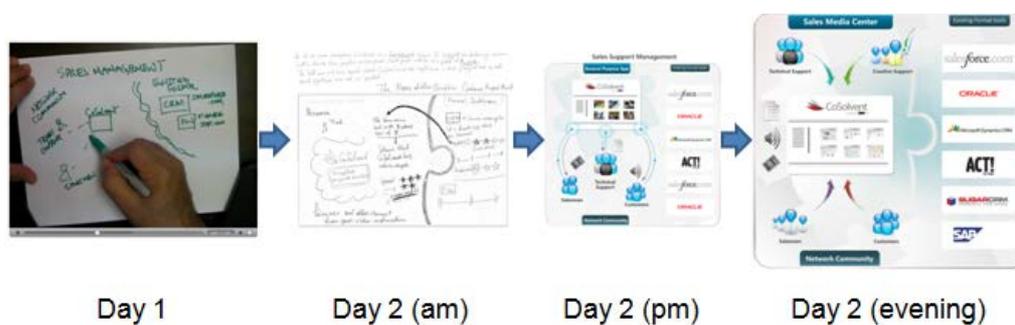


Figure 6 - Using Video to Speed Development

The trick is the fact that the video records the originator's hand as he develops and explains his thoughts. Even with a language barrier, most of the intent comes through efficiently. This example is not atypical. IPOV often achieved results the same day. IPOV developed this approach because it had the experience, the tools and the agility to try it.

Everything about the GVLN underscores the value of flexibility. IPOV's technology choices leverage that fact. Inventing a new technology in this rapidly changing context is a virtual guarantee that it will have to be re-invented fairly soon. Eventually, IPOV believes it can see opportunities to develop a more comprehensive, dedicated technology system for GVLN work – and it has plans build that new infrastructure. However, there is still a lot to be learned by working with existing tools.

## Appendix 1 - The new Global Virtual Labor Marketplace (GVLN)

The GVLN phenomenon is the fundamental platform on which IPOV's business model is constructed. In less than 10 years, (really less than 5), a virtual marketplace has appeared to broker the sale of knowledge-based service labor on a truly global basis.<sup>9</sup> The new market is centered in a

<sup>9</sup> The phenomenon has been noted by researchers at the World Bank: Innovation for Job Creation, Nadia Selim, Background Note for the World Development Report, 2013.

small number of privately-held Internet web sites such as guru.com, Elance.com, freelancer.com and oDesk.com. The sites have similar business models and are enjoying exponential growth. They have earned plaudits and interest from press, business, academic and governments – worldwide.

The global market for service labor is immense. The 'international trade in services' between countries is estimated to exceed \$2 Trillion per year. That doesn't count services that are bundled with the sale of goods, such as installation, maintenance, after-sale customer service, training, and associated consulting. Those are probably worth at least \$2 Trillion per year. Even that is dwarfed by the services that are sold within national economies. Conservatively, the global services market easily exceeds \$10 Trillion per year. The global **virtual** labor market on these new web sites is around \$1 Billion per year. That's tiny compared to the overall market, but it is growing fast. Several of the large sites report compound annual growth in excess of 500%. That will accelerate as more buyers and providers discover them.

To date, the GVL market is concentrated in four large, general purpose websites and in 10 to 20 smaller, niche sites. New sites appear from time to time, but the top four sites have a head start. The site with the largest provider base, Freelancer.com, recently purchased vWorker.com, suggesting that further consolidation is occurring. The top four sites are similar in design, approach, policies and service offerings. Table 6 lists characteristics that most sites have in common.

Feature	Details	Feature	Details
<i>Recruiting model</i>	All of the sites follow a similar sequence to start a project <ul style="list-style-type: none"> <li>• Buyer posts a public job description, or</li> <li>• Buyer sends an invitation to selected providers</li> <li>• Individual providers submit bids or proposals</li> <li>• Buyer compares provider profiles, past reviews, ratings, credentials, portfolios, prices, etc.</li> <li>• Buyer selects the best fit and awards contract</li> <li>• Both parties build a working relationship to complete the work</li> </ul>	<i>Provider validation</i>	The sites have sophisticated systems to verify provider capability: <ul style="list-style-type: none"> <li>• Up to 5 stars as feedback from buyers on previous contracts</li> <li>• Previous buyers can write text reviews and comments</li> <li>• Providers can take online tests (e.g., English spelling or Java programming)</li> <li>• Providers and buyers may be asked to verify their Identity through external means</li> <li>• Providers allowed to post portfolios of their prior work</li> <li>• providers allowed to post resumes and educational profiles</li> </ul>
<i>Contractual Frameworks</i>	Most sites support the following work arrangements: <ul style="list-style-type: none"> <li>• Fixed price bids for defined deliverables</li> <li>• Hourly payment for ongoing work</li> </ul>	<i>Verification of hourly work</i>	Several sites have software that providers can download and run while they are working. It records keystroke/mouse activity summaries and screenshots at random intervals.
<i>Payment Mechanism</i>	<ul style="list-style-type: none"> <li>• Buyer pays by credit card</li> <li>• Providers collect money in local currency</li> <li>• GVLM sites retain approx. 10% as operating fee</li> </ul>	<i>Dispute resolution</i>	<ul style="list-style-type: none"> <li>• Escrow accounts may 'hold the money' until buyer is satisfied</li> <li>• credit cards and payment sources are verified in advance</li> <li>• Sites have formal arbitration and dispute resolution mechanisms.</li> </ul>

**Table 6 – Common Characteristics for Major GVLM Sites**

Table 7 compares key operational features for the four largest GVLM sites and the similarities greatly outnumber the differences.

	<b>oDesk (2004)</b>	<b>Elanca (1998)</b>	<b>Freelancer (2009)</b>	<b>Guru (1997)</b>
<b>Expertise</b>	Programming, Admin, Writing, Accounts and Legal, Management, Creative, IT support, Other	Programming, Admin, Writing, Accounts and Legal, Management, Creative, IT Support, Other	Programming, Admin, Writing, Accounts and Legal, Management, Creative, IT Support, Engineering, Other	Programming, Admin, Writing Account and Legal, Management, Creative, IT Support, Other
<b>Buyer registration fee</b>	Free	Up to \$10	Up to \$10	Free
<b>Buyer fee (monthly)</b>	Free	Free	Free	Free
<b>Provider reg'n fee</b>	No Fee	No Fee	No Fee	No Fee
<b>Provider fee (monthly)</b>	Free	Free	Free	Free
<b>Commission</b>	5.1 – 10%	5.1 – 10%	Over 10%	5.1 – 10%
<b>Measures of Provider quality &amp; skills</b>	Skills test, Buyer Profiles, Provider profiles, Provider portfolios	Skills test, Buyer Profiles, Provider Profiles, Provider Portfolios	Skills test, Buyer profiles, Provider Profiles	Skills tests, Buyer profiles, Provider Profiles, Provider Portfolios
<b>Safety &amp; Protection</b>	Feedback and rating, Buyer guarantees, Provider Guarantees, Freelancer Monitoring, Dispute Resolution	Escrow Available, Feedback and rating, Buyer guarantees, Provider guarantees, Freelancer monitoring	Escrow available, Feedback and rating, Buyer guarantees, Provider Guarantees, Dispute Resolution	Escrow available, Feedback and ratings, Buyer Guarantees, Provider Guarantees, Dispute Resolution
<b>Format</b>	Bidding Hourly Pay Fixed Price	Bidding Hourly Pay Fixed Price	Bidding Fixed Price	Bidding Fixed Price
<b>Competitive Emphasis</b>	<b>Hourly paid work</b>	<b>Large, high-skill, quality projects.</b>	<b>Global, low-budget projects</b>	<b>High quality, fixed-price work</b>
<b>Special features for buyer</b>	Proprietary software records provider computer screens and activity on hourly-paid contracts.	Elanca recently introduced Work View to match oDesk snapshots of freelancers desktop.	Full Time project (\$99.95, employer paid) waives most regular fees.	n/a
<b>Special features for provider</b>	"Agency Manager" feature invites contractors to work for other contractors to form virtual companies	On completion of a project, Elanca levies a completion fee 6%,  Can request the use of Escrow services for added protection.	Frequent users can pay \$20 per month to reduce project commission to only 3%.	Online Video Profiles.
<b>Disadvantages</b>	oDesk will not help with disputes on fixed-price projects..	Elanca providers must use credits to ask a question and clarify requirements - this is a strong deterrent to bidding on projects without that lack full specifications.	For regular projects, employers are charged 3% or \$3 commission (whichever is greater) on choosing worker.	

**Table 7 – Features for Selected Major GVLM Sites**

Most sites provide counts of their registered providers, listed by skill. Overall provider numbers are harder to pin down because several sites allow providers to claim skills in more than one category. Even so, as shown in Table 8, skills offerings are similar. The major sites offer a balanced inventory of knowledge skills.

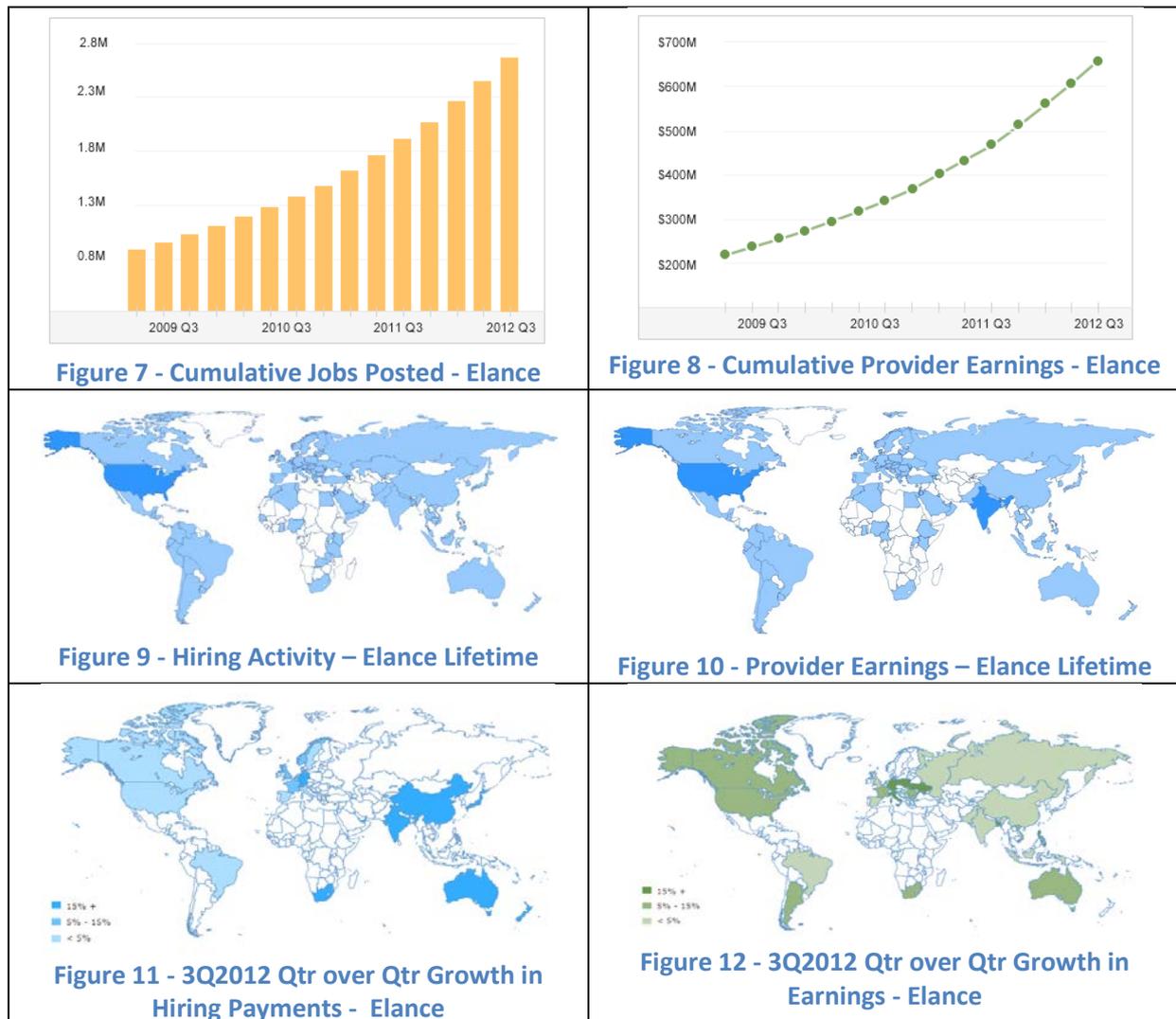
<b>Provider Skills</b>	<b>Elanca</b>	<b>Freelancer</b>	<b>Guru</b>	<b>oDesk</b>
Programming (web, software, mobile, network admin, etc.)	40%	37%	36%	35%
Creative/Design (graphics, media, design, animation, etc.)	16%	25%	20%	17%
Business Services (admin, project mgmt., marketing, legal, accounting, etc.)	23%	17%	22%	25%
Writing/Translation (blog, eLearning, translation, etc.)	19%	18%	18%	23%
Other (science, manufacturing, etc.)	2%	2%	4%	0%

**Table 8 - Major GVLM Skills Inventories (Percentages)**

The similarity between GVLM provider models is a key component in IPOV's business model. It allows IPOV to construct an operational project management model that applies to any major GVLM site. The model doesn't require the survival of any specific GVLM site, even though all are currently growing and apparently thriving.

## Market growth

There isn't a comprehensive source of analytical data on GVLM web sites. However, oDesk publishes detailed analysis on specific topics and Elanca publishes comprehensive data about its overall usage. Elanca trends, as show in the following figures, demonstrate rapid growth and global activity.



There are 3 points to note in these figures. First, GVLM growth is accelerating. Second, both hiring and working are now global. GVLM websites may have originated in the US, but they are being used everywhere. Third, growth is happening in newly developed countries as well as in developed countries. From this, IPOV draws the implication that the GVLM phenomenon has a broad support and growth will continue to accelerate.

### Reputation and wages in the GVLM

oDesk noted a pattern in providers' wage performance. The data is approximately from 2009 to 2011 and is probably similar for other GVLM sites. Provider wages increase with performance and time. When a provider first enters the market, they typically ask a low hourly rate or bid low on fixed-price projects. As they earn positive reviews, they raise their fees. The market rewards good providers in a predictable way - and providers and buyers use this knowledge to improve results. This has implications for both providers and buyers:

- **For providers, patience is a virtue.** Quote a low rate when entering the market and make high quality deliveries. The GVLM reputation system will reward good performance with substantial wage increases.

