

NATIONAL BESTSELLER



The World Is Flat

A BRIEF HISTORY OF
THE TWENTY-FIRST CENTURY

Thomas L. Friedman

Rule #7: Outsourcing isn't just for Benedict Arnolds. It's also for idealists.

One of the newest figures to emerge on the world stage in recent years is the social entrepreneur. This is usually someone who burns with desire to make a positive social impact on the world, but believes that the best way of doing it is, as the saying goes, not by giving poor people a fish and feeding them for a day, but by teaching them to fish, in hopes of feeding them for a lifetime. I have come to know several social entrepreneurs in recent years, and most combine a business school brain with a social worker's heart. The triple convergence and the flattening of the world have been a godsend for them. Those who get it and are adapting to it have begun launching some very innovative projects.

One of my favorites is Jeremy Hockenstein, a young man who first followed a time-honored path of studying at Harvard and going to work for the McKinsey consulting firm, but then, with a colleague from McKinsey, veered totally off course and decided to start a not-for-profit data-entry firm that does outsourced data entry for American companies in one of the least hospitable business environments in the world, post-Pol Pot Cambodia.

Only in a flat world!

In February 2001, Hockenstein and some colleagues from McKinsey decided to go to Phnom Penh, half on vacation and half on a scouting mission for some social entrepreneurship. They were surprised to find a city salted with Internet cafés and schools for learning English—but with no jobs, or at best limited jobs, for those who graduated.

“We decided we would leverage our connections in North America to try to bridge the gap and create some income-generating opportunities

for people,” Hockenstein said. That summer, after another trip funded by themselves, Hockenstein and his colleagues opened Digital Divide Data, with a plan to start a small operation in Phnom Penh that would do data entry—hiring locals to type into computers printed materials that companies in the United States wanted in digitized form, so that it could be stored on databases and retrieved and searched on computers. The material would be scanned in the United States and the files transmitted over the Internet. Their first move was to hire two local Cambodian managers. Hockenstein’s partner from McKinsey, Jaeson Rosenfeld, went to New Delhi and knocked on the doors of Indian data-entry companies to see if he could find one—just one—that would take on his two Cambodian managers as trainees. Nine of the Indian companies slammed their doors. The last thing they wanted was even lower-cost competition emerging in Cambodia. But a generous Hindu soul agreed, and Hockenstein got his managers trained. They then hired their first twenty data-entry operators, many of whom were Cambodian war refugees, and bought twenty computers and an Internet line that cost them \$100 a month. The project was financed with \$25,000 of their own money and a \$25,000 grant from a Silicon Valley foundation. They opened for business in July 2001, and their first work assignment was for the *Harvard Crimson*, Harvard’s undergraduate daily newspaper.

“The *Crimson* was digitizing their archives to make them available online, and because we were Harvard grads they threw some business our way,” said Hockenstein. “So our first project was having Cambodians typing news articles from the *Harvard Crimson* from 1873 to 1899, which reported on Harvard-Yale crew races. Later, actually, when we got to the years 1969 to 1971, when the turmoil in Cambodia was all happening, they were typing [*Crimson* stories] about their own story . . . We would convert the old *Crimsons*, which were on microfilm, to digital images in the United States through a company in Oklahoma that specialized in that sort of thing, and then we would just transfer the digital images to Cambodia by FTP [file transfer protocol]. Now you can go to thecrimson.com and download these stories.” The Cambodian typists did not have to know English, only how to type English charac-

ters; they worked in pairs, each typing the same article, and then the computer program compared their work to make sure that there were no errors.

Hockenstein said that each of the typists works six hours a day, six days a week, and is paid \$75 a month, twice the minimum wage in Cambodia, where the average annual income is less than \$400. In addition, each typist receives a matching scholarship for the rest of the workday to go to school, which for most means completing high school but for some has meant going to college. “Our goal was to break the vicious cycle there of [young people] having to drop out of school to support families,” said Hockenstein. “We have tried to pioneer socially responsible outsourcing. The U.S. companies working with us are not just saving money they can invest somewhere else. They are actually creating better lives for some of the poor citizens of the world.”

Four years after starting up, Digital Divide Data now has 170 employees in three offices: Phnom Penh; Battambang, the second-largest city in Cambodia; and a new office in Vientiane, Laos. “We recruited our first two managers in Phnom Penh and sent them to India to get trained in data entry, and then, when we opened the Laos office, we recruited two managers who were trained by our staff in the Phnom Penh office,” Hockenstein said.

This tree has scattered all kinds of seeds. Besides the *Harvard Crimson*, one of the biggest sources of data-entry work was NGOs, which wanted the results of their surveys about health or families or labor conditions digitized. So some of the first wave of Digital Divide Data’s Cambodian workers left the company and spun off their own firm to design databases for NGOs that want to do surveys! Why? Because while they were working for Digital Divide Data, said Hockenstein, they kept getting survey work from NGOs that needed to be digitized, but because the NGOs had not done enough work in advance to standardize all the data they were collecting, it was very hard to digitize in any efficient manner. So these Cambodian workers realized that there was value earlier in the supply chain and that they could get paid more for it—not for typing but for designing standardized formats for NGOs to collect survey

data, which would make the surveys easier and cheaper to digitize, collate, and manipulate. So they started their own company to do just that—out of Cambodia.

Hockenstein argued that none of the jobs being done in Cambodia came from the United States. This sort of basic data-entry work got outsourced to India and the Caribbean a long time ago, and, if anywhere, that is where the jobs were taken from. But none of this would have been possible to set up in Cambodia a decade ago. It all came together in just the last few years.

“My partner is a Cambodian,” said Hockenstein. “His name is Sophary, and until 1992 he was living in a refugee camp on the Cambodia-Thai border while I was living in Harvard Square as an undergrad. We were worlds apart. After the UN peace treaty [in Cambodia], he walked home ten days to his village, and now today he lives in Phnom Penh running Digital Divide Data’s office.” They now instant-message each other each night to collaborate in the delivery of services to people and companies around the world. The type of collaboration that is possible today “allows us to be partners and equals,” said Hockenstein. “It is not one of us dominating the other; it is real collaboration that is creating better futures for the people at the bottom and the top. It is making my life more meaningful and creating concrete opportunities for people living on a dollar or two a day . . . We see the self-respect and confidence that blossoms in people who never before would have had an on-ramp into the global economy.”

So Hockenstein and his partners are getting calls now from Mongolia, Pakistan, Iran, and Jordan from people who want to provide IT services to the world and are wondering how they can get started. In mid-2004, a client approached Digital Divide Data to digitize an English-Arabic dictionary. Around the same time, Hockenstein’s office received an unsolicited e-mail from a company in Iran that was running a data-entry firm there. “They found us through a Google search in trying to find ways of expanding their local data-entry business beyond the borders of Iran,” said Hockenstein. So Hockenstein asked the Iranians whether they could do an English-Arabic dictionary, even though the language of Iran is Farsi, which uses some but not all of the same letters as Arabic. “He said

they could,” said Hockenstein, “so we partnered on a joint project for this client to digitize an Arabic dictionary.” What I like most about the story, and why it is so telling of the flat world, is Hockenstein’s kicker: “I still have never met the guy [in Iran]. We did the whole deal over Yahoo! instant messenger and e-mail. We wired him the money through Cambodia . . . I invited him to my wedding, but he wasn’t able to come.”

Jacket design by Dean Nicastro. Globe image courtesy of Corbis.

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