



Grand Overview: Shared Services & BPO

Presented by:

Richard Mills CFA (rmills@chalre.com)

Chairman, Chalré Associates

www.chalre.com

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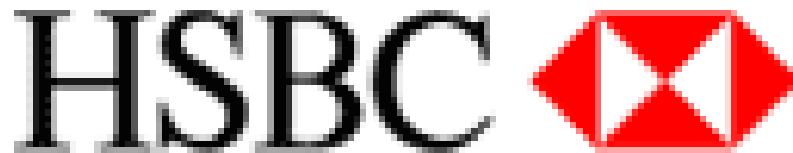
Some Examples

Here is some data on what real decision makers are doing and experiencing.



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Actions of Leading Outsourcing Organizations:



Top Performing Delivery Unit in the World

Comments:

About 2 years ago, HSBC's BPO delivery center in Philippines employed one 50-year old white man. Today it employs 2500 people and is ranked #1 in the world for quality among 8 Global Delivery Centers operated by the company.

This achievement in such a short time is remarkable because big old banks usually don't do anything very quickly (or very efficiently). HSBC was able to grow its center to such a size despite being located next door to Convergys, considered by many as the world's most ruthless recruiting organization. Apparently, successful BPO managers don't need to be 35-year old workaholics in Philippines.



Actions of Leading Outsourcing Organizations:



Growth in Full Range of BPO Services

Comments:

Like many of the large IT consulting firms, they offer a full range of BPO services, even call center support. IBM made one of the largest call center acquisitions by taking on Daksh, a major Indian call center provider. They are expanding this service tremendously throughout India and Philippines. Somewhat ominously, they shut a large site in Bangalore last year and moved most of the jobs to Philippines. IBM provides a vast range of services (IT, multiple back office processes, call center support).



Actions of Leading Outsourcing Organizations:



Back-Office Growing

Comments:

The company has operated in India for some time. Its delivery center has about 9000 people these days. They sent the Number 2 manager to Philippines about a year-and-a-half ago to start an operation to provide services for their Australian Delivery Center in Brisbane. Today, the company is receiving better quality performance ratings in Philippines than in Australia.



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Actions of Leading Outsourcing Organizations:



Growing in India, Growing in Philippines

Comments:

Dell, arguably the world's premier manufacturer of computers and related appliances, has had sizeable and fast growing call center sites in both India and Philippines for years. While continuing to grow strongly in India, Dell has recently announced that it would also set up a new captive facility in Philippines -- in addition to maintaining its current relationships with 3rd party providers. The company is now proceeding with an aggressive hiring campaign that will add up to 1400 positions.



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Actions of Leading Outsourcing Organizations:



Not Just An IT Company

Comments:

A quick look at the Accenture Web site makes that company's direction clear. It now provides 18 categories of services. Some of the new BPO subsidiaries that have been incorporated over just the past few years are Accenture Finance Solutions, Accenture BPO Services, Accenture Learning, Accenture Procurement Solutions, Accenture Business Services for Utilities, Accenture eDemocracy Services and Navitaire -- a bewildering number of extensions to the core Accenture brand. It is also heavily involved in the call center industry. It did the largest single migration of call center jobs (6000 jobs) to Asia for a large telco.



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Actions of Leading Outsourcing Organizations:



Development in India, Support in Philippines

Comments:

Company is using India and Philippines in complimentary roles. Both shared services are of similar size. India focuses on software development since it is perceived to have better technical skills. Philippines does most of the application maintenance & support and technical support work since they are seen to have better communication and interaction skills.



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Actions of Leading Outsourcing Organizations:



Starting at the Top of the Value-Chain

Comments:

This company's situation is interesting for 2 reasons. First of all, most companies when they setup shared service facilities start by doing low-skilled functions and later move up the value chain. Deutsche Bank isn't doing this. They are hiring high-end financial people to support the company's CFO's throughout the world.

Secondly, big German companies (and especially banks) are usually slow to move because they spend a lot of time in the planning stage. Deutsche Bank started their operation only a short time ago and already employ 300 people. Industry sources say they will reach 500 by the end of the year.



Actions of Leading Outsourcing Organizations:

Manulife Financial

Providing a Broad Range of Services

Comments:

This the fourth largest life insurance company in the world. They are new to the offshore outsourcing game in Asia but have big plans to grow a variety of services.



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Actions of Leading Outsourcing Organizations:



Global eXchange Services
(formerly GE Information Systems)

Dual Roles for India and Philippines

Comments:

GXS has operated in both Philippines and India for some time doing a range of IT functions. It is expanding quickly in Philippines after making the decision to centralize all functions with a customer interfacing component because of “better results and economics.” GXS reported an increase in roughly all of its quality metrics within just a few months of moving the work to Philippines from its various world-wide locations. India will remain its primary site for software development and advanced technical functions.



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Actions of Leading Outsourcing Organizations:



Also Providing a Variety of Services

Comments:

AIG is the largest insurance company in the world. They have various outsourced facilities providing every imaginable IT service for a vast number of platforms. They also do back-office processing and under-writing. Their young staff are authorizing cheque payments up to \$100K, I am told. Reports are that their young staff (average age 24 years) are doing their jobs better than the US offices being replaced.



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Actions of Leading Outsourcing Organizations:



High Level Financial Analysis

Comments:

Thomson Corp is one of the world's largest financial data companies. They have something 40K employees throughout the world. They have operated facilities in Asia for some time and do quite sophisticated analysis work for the world's major financial centers.



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Actions of Leading Outsourcing Organizations:

CLIENTLOGIC

Growing Faster in Philippines

Comments:

ClientLogic is the second largest call center/BPO organization in the world since its recent acquisition of Sitel. Industry sources say that the company has experienced much faster growth and quality performance in Philippines. The company recently moved its head of India operations to Philippines because it anticipates significantly faster rates of growth.



Actions of Leading Outsourcing Organizations:



Acquisition of Provider

Comments:

Telus International did a complete search throughout the region and decided to make its investment in Philippines. Ambergris Solutions was the home grown success story chosen for a significant investment which was completed about one year ago. People I talk to say they are extremely happy with the decision and excited about the future. Telus is pursuing more large accounts for its 4000-person business. It is also moving a range of its own work from Canada.



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Actions of Leading Outsourcing Organizations:



Closed Indian Operations

Comments:

Sykes, a large U.S.-based contact center and IT support organization, has operations in both India and the Philippines. The company said it would shift much of its Indian capacity to the Philippines, where it already has 7,000 employees. "We moved calls to other facilities in Asia to get a higher rate of return," was the official statement from Dan Hernandez, Sykes' vice president for global strategies. But knowledgeable observers in the region say that the rate of return differential must be large for a company of Sykes' size and prominence to forgo India after already putting capacity in place.



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Actions of Leading Outsourcing Organizations:



Opportunity is in the Thousands

Comments:

HP recently opened its second site in Philippines. I was told that the company has 10,000 employees in India and it replaces 2500 of these every year. Philippines is at an earlier stage of development in the BPO sector so hiring and retention are easier. HP expects growth to be stronger there.

HP is one of many companies that has experienced higher quality ratings in functions with a customer interface component. Some of these include: application maintenance & support, technical support, infrastructure support, database administration.



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What Business Leaders Say: **About BPO**

Let's look at some
conclusions and trends.



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What Business Leaders Say: **About the Opportunity**

Early Stage of Development

1. Direct Industry Employment is only 1M in India, 200K in Philippines, in China estimates vary.
2. With some Indian exceptions, most BPO's are small
3. Broad range of BPO services provided but voice and IT dominate.

Comments:

All business leaders agree that we are still at a very early stage in the development of offshore BPO industry.



What Business Leaders Say: **Expanding Geographies**

No Longer Just India

1. India still the King of Outsourcing
2. Past huge success naturally can't continue indefinitely.
3. Constraints in infrastructure, increasing salaries, worsening retention.
4. A multitude of countries are making changes to compete for these jobs: Malaysia, South Africa, Philippines, Costa Rica, eastern Europe, Russia, Brazil, Mexico, etc.

Comments:

Experienced BPO Leaders feel India is becoming a more difficult place to do business.
Other destinations will benefit.



Titles from Major Business Publications:



INDIA'S IT CHALLENGE



**INDIA: GOOD HELP
IS HARD TO FIND**

rediff.com

**INDIA: DESPERATELY
SEEKING TALENT**



**INDIA'S LOOMING
IT LABOR CRUNCH**

A simple internet search will yield dozens
more cautionary articles about outsourcing in India



What Business Leaders Say: **Expanding Int'l Participation**

No Longer Just Americans

1. US companies were first (and notable UK firms)
2. Now Europeans, Japanese, Canadians, etc.
3. Australia is a suddenly popular source country
4. Singapore is a special situation

Comments:

Many developed countries have historically very low unemployment rates that make hiring and retaining qualified staff extremely difficult. They are following the US lead of moving some of these jobs offshore.



What Business Leaders Say: **Expanding Services**

No Longer Just Voice & IT

1. Voice-enabled services & IT were the pioneers
2. Most call centers now call themselves BPO companies
3. Most IT firms now provide BPO services

Comments:

IT and voice services were the pioneers. Today, almost every conceivable business process is starting to be outsourced offshore. Some of these include: accounting, BPO, design engineering, animation (not that new), medical services, legal services, insurance processes, banking processes, map-making, publishing content creation, research, on and on.

This all makes sense since answering telephone inquiries and IT are just small parts of most large organizations.



What Business Leaders Say: **SMC's Getting Involved**

No Longer Just Big Companies

1. Becoming available to SMC companies
2. Non-returnee entrepreneurs for the first time.
3. Financiers are starting to finance early stage companies.

Comments:

Until recently, most entrepreneurs in India, China and Philippines were returnees (Indian-Americans, Chinese-Americans, etc.). Today we are seeing overseas entrepreneurs setting up businesses. In addition, financiers are becoming more active in the start-up phase of businesses in these less transparent countries. Some say the environment reminds them of the early stages of the dot-com boom.



What Business Leaders Say: Share Services Vs. BPO

Time Vs. Cost

1. Providers get you operational faster
2. Providers help you learn from their experience
3. Doing it yourself costs less
4. Final decision depends on your situation

Comments:

Companies that are doing more complicated work or who have onerous security or regulatory requirements tend to want to do it themselves (captive approach). Lower end work like help desk support is often easier to be done by service providers. One approach I have seen that seems to work well is a dual approach where a company will use an outside provider so they can get up and running faster and learn from their experience. Gradually, the outsourcing organization will move over some of the processes initially provided by the third-party company and move up the value chain to more sophisticated or sensitive processes.



What Business Leaders Say: **About the Opportunity**

Greatest Of The Decade

1. Monumental growth rates in employment
2. Real jobs that stay (unlike dot-com days)
3. Opportunity probably won't repeat in our lifetime

Comments:

Despite its alleged difficulties, India says it will grow from 1M to 2.4M by 2010.
Philippines is growing by 60% currently and expects to reach 1M people by 2010.
China is growing by 50%. The Dot-Com boom times by comparison were exciting but employment growth rates never exceeded 20%-25%.



What's In It For You?



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BPO Professionals:

What's in it for you?

1. Lower costs for your company (50% savings)
2. Higher service levels (given time)
3. Personal career development
4. Recognition by senior management





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by Richard Mills

Richard Mills CFA

Chairman, Chalré Associates Executive Search

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Material
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Part of the **TechWeb** Business Technology Network
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India Daily

ASIA TIMES Online
www.atimes.com

Quoted as:

- *“the Asia Pacific expert”* by CallCenter Magazine.
- *“Offshore Outsourcing Expert”* ComputerWorld USA
- *“the local guru on outsourcing”* by Dr. Michael Clancy, President of Philippine Business Leader’s Forum, Economist Intelligence Unit.

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