

Outsourcing industry update

THE stock market has occupied most of the headlines on the business pages for the last two months, and other business stories have taken a back seat.

That is only natural. However, it might be good to look at the current situation with the industry that deserves much credit for getting things going again with our economy and stock market.

The outsourcing industry in the Philippines just continues to roll successfully. But we cannot become complacent about this important sector.

There are some funny, perhaps even bizarre, aspects to this outsourcing phenomenon.

One major US pizza restaurant outsources its customer calls for food orders to the Philippines. The company has thousands of outlets and guarantees very quick delivery. So a customer in Las Vegas, Nevada, orders a pizza from the store that is literally a few blocks from his house. Yet, when he calls for his pizza, he is talking to a Filipino sitting in a call center at Fort Bonifacio. He could take 10 minutes to walk 300 meters to pick up the pizza. But instead, he makes a 12,000-kilometer phone call. And it is less expensive and more efficient for the company to engage in this type of globalization. What an age we live in!

The outsourcing business in the Philippines is alive and thriving. For many companies around the globe, the question is changing from if they will outsource to when they will outsource.

And the question of the location for their offshore operation is becoming less, "The Philippines or some place else?" to more of, "Do we locate in Metro Manila or some place else?"

I am indebted to my good friend Mr. Richard Mills, staunch supporter of Philippine outsourcing and chairman of Charré Associates, an executive search and management consulting firm.

I do not mind giving Richard's company (and his Filipina wife and partner) a pat on the back because he has been a great asset to the local industry by finding the executives that these outsourcing companies require to keep their operations thriving in the Philippines.

In his recent article in *ComputerWorld*



OUTSIDE THE BOX

John Mangun

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magazine, Richard interviewed another long-time Philippine-outsourcing advocate, Mr. Dan Reyes, the head of Sitel Corp., a major player in the Philippine outsourcing business.

Mr. Reyes is one of the most experienced managers in this industry, being a founder and former president of the Business Processing Association Philippines. As a result of a merger with ClientLogic Inc., Sitel is now the largest call-center company in the world, and all of its expansion plans are focused on the Philippines.

When asked about how the Philippines compares with other outsourcing destinations, Mr. Reyes said that he saw little growth any place else except India.

"Only the Philippines can offer both quality and quantity of skilled people," he said.

Hey, that is no secret. We all knew that. But this is the statement that

astounded me.

Question: "How is the Philippines perceived compared with India these days?" Answer: "The Philippines is considered the No. 1 option. Before, we were the backup solution or an alternative to India. Now this has changed in a big way."

The significance of this perception about the Philippines is amazing. Only a year ago, the Philippines was the second choice to India. If a company could not get exactly what they wanted in Indian outsourcing, they came looking at the Philippines.

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One concern for the industry is that a strong peso might have some negative impact on the outsourcing business here in the Philippines. Interestingly, though, the free-market system always finds a way to make money. As the US dollar has appreciated against the peso, the dollar is weak against the British pound sterling and the Australian dollar.

Q: "Is the softening of the US dollar a concern for you?" A: "Right now, we are spreading ourselves to other markets. Australia and the UK are examples where we see strong growth ahead."

This shows that the industry here in the Philippines has matured to a point that these companies are committed to doing business here and are gaining the ability to adjust and find some flexibility to their business model while expanding in the Philippines.

Q: "Do you still hear silly remarks about the Philippines as a BPO destination?" A: "I have not gotten dumb questions lately. Word of mouth about the positives is getting around."

The only question that Richard did not ask Mr. Reyes was why Sitel has not yet considered listing on the Philippine Stock Exchange. But I suppose that eventually, our stock market will be viewed as positively as our outsourcing business.

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