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Q&A: Australia at BPO Tipping Point

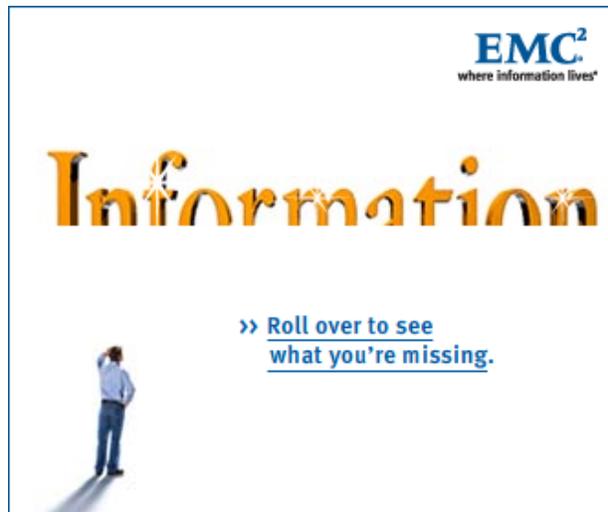
Richard Mills

August 20, 2007 (Computerworld)

Anthony Seaegg, national chairman of the Australian Teleservices Association and Asia-Pacific director at ICT Group, discusses the Australian perspective on business process outsourcing (BPO) with Richard Mills.

Are Australian companies beginning to take an interest in offshore outsourcing? The situation is more vibrant now than at any time in the past 12 years in general outsourcing. It seems that a lot of movement will occur within the next 12 to 36 months in regard to offshoring. I can see a momentous time coming in the very near future. The narrow window will occur and close after that time due to the size and scope of the available opportunities.

What is happening to create such a change in sentiment? There seem to be two factors that are most important. First is that shareholder return on investment has become the greater focus. Moving work offshore saves money, and this is always important to successful organizations. Secondly, unemployment rates in Australia are lower than at any time in 35 years. People are hard to come by for call center jobs, especially, since people in Australia do not consider them suitable for lifetime careers. Moving work offshore means access to people who really want to do the work.



How big is the call center/BPO

market is Australia? Australia has a population of only 21 million. The entire call center industry employs between 150,000 and 200,000 people. Most call centers are 25 people, although there are some large ones with more than 10,000 people. The largest government department has 16,000 call center personnel, and there are half a dozen telecom organizations each with between 400 and 9,000 staff. Financial institutions are another [industry] that employs a lot of people.

What are some of the industries showing interest in moving work offshore?

Telecommunications and banking are two. However, banking is interesting because there are mixed signals. At the one hand, Chairman Ted Evans of Westpac, our oldest of the large banks, states that hiring in offshore locations is "inevitable" for Westpac and other large financial institutions. ANZ Bank and St. George Bank, on the other hand, have made public statements that they would not send customer-support work offshore. This is despite the fact that both companies already send application development and related work to India. I think the chairman of Westpac is correct that everyone will need to consider this option if they are to provide quality services affordably.

What advantages does doing business in Australia provide to providers of offshore

outsourcing services? It seems that the majority of work done offshore is for U.S. and some U.K. firms. This is especially true for call center services. Services provided to U.S. companies are provided in the night because of the time difference. Australian services can be provided during daytime hours. As a result, infrastructure that is currently sitting empty during the day can be used more effectively.

More importantly, service providers can offer daytime work for those staff who find nighttime work unsuitable.

What are some of the advantages of offshoring for Australian companies? In Australia, attrition in call centers is between 25% and 35% these days. The cost of replacing one person is thought to be equivalent to half their annual income -- about \$15,000 for a person earning \$30,000. A company running a 400-person center spends \$1.4 million [Australian] per year just dealing with attrition issues. In countries like the Philippines, call center and back-office processing jobs are considered careers rather than something you do during studies or while looking for another job. Australians are probably better placed than anyone else to take advantage of offshoring.

What are the preferred offshore destinations for Australian companies, according to your discussions with decision-makers? Australians are a peculiar bunch, and they have strong preferences. The Philippines is preferred to India for two reasons. Filipinos speak better English than Indians, and the Filipino accent comes across with a slight American twang. It is more acceptable than an Indian accent to Australian ears. Nevertheless, there are a few companies doing work in India, and they seem to be doing a good job.

Mills is chairman of Chalmé Associates, an executive search and management consulting firm working in the emerging economies of Asia.