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Q&A: The state of BPO in the Philippines

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September 11, 2007 () *Dan Reyes, the head of Sitel Corp.'s fast-growing business process outsourcing (BPO) operations in the Philippines, is easily one of the most senior and experienced managers in the country's booming industry. He has also played a prominent role in establishing the Philippines as one of the world's premier offshore destinations. Among other things, he is a founder and former president of the Business Processing Association Philippines, the country's main umbrella organization for the BPO sector.*

What are your thoughts about the new marriage of Sitel and ClientLogic? I think it is

quite exciting that Sitel combined with ClientLogic. The focus of our expansion is still the Philippines, which I appreciate, and it is exciting to be the largest call center organization in the world.

How many people does the "bigger and better" Sitel have? Today, we are arguably the largest pure-play call center organization in the world, with 67,000 employees. In the Philippines with me are about 6,500 people and growing quickly. Our worthy competitor Convergys also has a lot of people, but many of them are doing noncall center work, so it is considered smaller in voice.

Do you think all this consolidation will continue in the BPO industry? Like other industries, it all depends on the success of the mergers that happen. I think it is a trend. Sitel is now the largest, but others will probably take advantage of this opportunity also. If you don't, you risk being a niche player rather than in the big boys' club. Smaller players will be disadvantaged, since large clients only invite large providers to bid.

What does Sitel have in store in the Philippines? We want to double our size. We are not simply shifting jobs from higher-cost locations, unlike others. These are new jobs, making the pie larger. We have 26 sites in the U.S. alone and are committed to remaining a strong player there. We like to think we are a "best shore" provider. Many clients don't yet want offshore, while others only want some near-shore. Most are comfortable with a blended approach that includes offshore.

How does the Philippines compare to other offshore destinations? It seems to me that higher growth is occurring in the Philippines than elsewhere. We don't see much growth in other countries at this time except for India. Some people are talking about South America, but English is not available there in large supply. Africa is still a cautious environment, although it will be interesting down the road. Malaysia cannot compare with scale and cost. Only the Philippines can offer both quality and quantity of skilled people.

How is the Philippines perceived compared to India these days? 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.

What are your company's plans for offering back-office services? This is certainly a focus of ours, and we have a COO in charge just of that. We already have an existing

division in the Philippines. Our strategy is to provide end-to-end services, front end to back end across a range of functional areas -- finance, HR. As you can imagine, our call center services are already spread across industries such as health, travel, financial services, ISPs and tech support.

What worries you?

Can we address the growth requirements of companies who want to set up operations here in the Philippines? We are trying to develop new regions outside metro Manila to grow. We are also focusing more on training. Supply of people is the biggest concern.

Is the softening of the U.S. dollar a concern for you? Right now, we are spreading ourselves to other markets. Australia and the U.K. are examples where we see strong growth ahead.

Do you still hear silly remarks about the Philippines as a BPO destination? I have not gotten dumb questions lately. Word of mouth about the positives is getting around. The Philippines has a rare opportunity to take advantage and has put itself on the map for quality. There are still some concerns about government stability. My CEO tells me the only thing stable about politics in the Philippines is instability. While I don't always agree, I understand the feelings behind the concerns.

Do you have any final words? Sure: Bring your business to the Philippines, and we'll take care of your customers.

Richard Mills is chairman of Chalré Associates, a executive search and management consulting firm working in the emerging economies of Asia.