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October 2009

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TOP 50 EMERGING GLOBAL OUTSOURCING CITIES

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The right delivery starts with the right services location. Watch out for this year's top 50 emerging global outsourcing cities, top 8 global outsourcing cities, top 5 offshore nations, next 5 offshore nations, top 10 aspirants, the lists of emerging and emerged cities by functions

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Top 8 Global Outsourcing Cities

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TOP 50 EMERGING GLOBAL OUTSOURCING CITIES

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The right delivery starts with the right services location. Watch out for this year's top 50 emerging global outsourcing cities, top 8 global outsourcing cities, top 5 offshore nations, next 5 offshore nations, top 10 aspirants, the lists of emerging and emerged cities by functions

By Avinash Vashistha, Chairman and CEO, Tholons, and
Imrana Khan, Global Services

Though there is no discounting the effects of the current global economic downturn, the outsourcing and offshoring industry has continued to show signs of evolution and maturity—with the industry remaining relatively dynamic and established offshore locations showing pronounced stability. For instance, the Philippines increased outsourcing revenues by 25 percent from \$4.8 billion in 2007 to \$6 billion in 2008 while increasing industry employment by 33 percent to an estimated 400,000 employees. On the other hand, India posted 35 percent YoY growth rates in revenues over the last five years reaching \$40 billion in IT Outsourcing (ITO) and Business Process Outsourcing (BPO) export services in 2008. In a parallel view, while a number of developing economies struggled to acquire investments from client nations, India's FDI posted the largest increase globally at 46 percent in 2008—from \$25 billion to \$46 billion even as global FDI flows decreased from \$1.9 trillion to \$1.7 trillion.

The general movement of outsourcing destinations in 2009 will remain minimal compared to previous years when drastic movement across different service and value lines were observed.

With increased competition among service providers offering similar value propositions, distinction and categorization has indeed become difficult. Location assessment has, hence, become increasingly complex and important. Today, the need to understand the delivery capability of a potential investment site is determined and based on a plethora of ecosystem variables.

Services globalization went through a turbulent phase in 2008, combating the fear of losing major client markets to protectionism and ravaged by the debilitating effects of the global downturn. Moreover, the impact of such movements in the industry is expected to induce long-lasting changes. These changes are not only in the way the stakeholders in the industry approach offshoring but also a significant paradigm

shift toward the way emerging destinations are viewed.

The convergence of offshore nations into regions is viewed as a possibly significant trend in the near future due to its potential impact on global offshoring delivery models. Although a region provides a common converged area for the services globalization industry, there is a clear need to further understand this convergence on a more granular level.

Dropouts and New Entrants

This year, we noticed a few cities coming in and going

Dropouts

Rank (2008)	City	Country
15	Pasig City	The Philippines
21	Quezon City	The Philippines
47	San Antonio	The U.S.
45	Mandaluyong City	The Philippines

Source: Global Services and Tholons

New Entrants

Rank (2009)	City	Country
43	Tianjin*	China
44	Casablanca	Morocco
47	Montevideo	Uruguay
48	Alexandria	Egypt

*Tianjin: Last year, the city was identified as an aspirant city.

Source: Global Services and Tholons

out of the list which is a sign of the tested industry during the global economic crisis. Three Philippine cities were removed from the list as they were clustered this year with Manila NCR – which remains one of the Top 8 destinations.

Losers & Gainers

The only city that has fallen down by more than five

Top Gainer(s)

Rank (2008)	Rank (2009)	Change	City
27	20	7	San José
26	21	5	Rio de Janeiro
44	39	5	Gudalajara

Source: Global Services and Tholons

Top Loser(s)

Rank (2008)	Rank (2009)	Change	City
6	15	-9	Kolkata

Source: Global Services and Tholons

The general movement of outsourcing destinations in 2009 will remain minimal compared to previous years when drastic movement across different service and value lines were observed

Location Before Service Provider

By Karen Tillyer and Stephen Bullas, eCODE

What became apparent after viewing the results of a recent poll on the *Global Services Website*, was the importance for companies to seek further advice and direction when embarking upon a long-term outsourcing strategy. At last count 70 percent of respondents were of the opinion that choosing the "outsourcing service provider" should take priority over "location." In this short article we will discuss why this, in our opinion, is not a logical decision and why pivotal providers such as eCODE and indeed industry research giants, such as Gartner, have been advocating an opposing view for many years.

In these times of financial instability, it is increasingly important to think about the costs involved in outsourcing a particular business function. Different countries and indeed different regions will have certain price brackets for overheads such as rent and labor. Certain skill sets will demand more or less in the way of wages depending on the supply and demand for the region. Choosing a perfect service provider is all very well, but if your chosen service provider is situated in somewhere like Western Europe or the U.S., this could bring with it a significant price tag. Furthermore each country will offer different labour skill sets; for example, Malta is a prominent location for housing multilingual outsourced functions. It is important to look at the total availability of your desired skill set as well as the attrition rate before selecting a service provider. Whilst you may find that your chosen service provider has ample staff for your current needs, if you wanted to ramp up your operation in future, you might find that there is simply not enough of the desired skill set in the region to enable this, or that the cost is prohibitive compared with other suitable locations.

Another financial consideration to look at is shipping costs and methods; do you want to be near a port, main roads or an airport? It is all very well choosing the perfect provider but if you cannot get your goods to your customers or cannot visit your offshore team in times of crisis, then major problems can occur and

to sort these out can be an ongoing and costly process. Choosing the right environment can not only be crucial when looking at logistics but also many other issues such as governmental factors; FDI incentives, transfer fees, taxation, TUPE or other similar directives, future development, infrastructure and ICT capabilities, political issues and potential clash with client CSR policy. All such issues exist outside of a single service provider and therefore must be considered in the context of location.

We do not dispute the importance of choos-

Final Poll Results

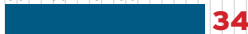
Should you first choose outsourcing location or partner?

(%)

Location



Service Provider



Total Votes Polled: 143
Source: Global Services Polls

ing a service provider that is compatible with your company, but for the most part they are in abundance. We do concede, however, that if you are outsourcing a niche process, which requires specific skills, then perhaps you should be looking at the service provider first as there is a smaller chance of a service provider with the expertise needed being situated in the desired location; but even in this situation, the issues concerned with location should not be ignored.

Expanding upon the issue of cultural fit, it must be stressed that it is not only the business culture that must be considered. You certainly need a strong relationship with the service provider but it may also be important that you find a company that understands not only your language but also the sensitivity of your culture and vice versa. Various regions will denote a closer cultural affinity to your own, and, therefore, it is important to think about your business needs in the context of location. The same can be said for linguistics: Some countries will have a greater degree of fluency / articulation / clarity in your chosen

language than others. It is particularly important to think about this when outsourcing help center or call-center operations.

Time-zone differences are also location dependant and may represent something that could impact your operations considerably. For example, if you are situated in the U.K., your head-quarters is in the U.S. and your service providers in India it could potentially cause communication issues between various team members and, in some cases, certain vital members might be unobtainable at a pivotal point in the project. Further to this, different cultures celebrate different holidays and have alternate working hours. For example, many of the Muslim countries have a working week of Sunday through Thursday or Saturday through Wednesday leaving Friday for religious observance. However, sometimes the differences in time zones can be advantageous as companies can position themselves to have out-of-hours staffing and therefore problems such as software bugs may be fixed overnight.

All of the issues mentioned must be considered when looking into outsourcing any business operation and, as you can clearly see, many of the fundamental strategic issues are location dependant. Despite, therefore, indication from the recent poll results, we would urge all those thinking of outsourcing to look at location as a key factor, and if necessary to seek further guidance before embarking upon an outsourcing strategy. **GS**



Karen Tillyer

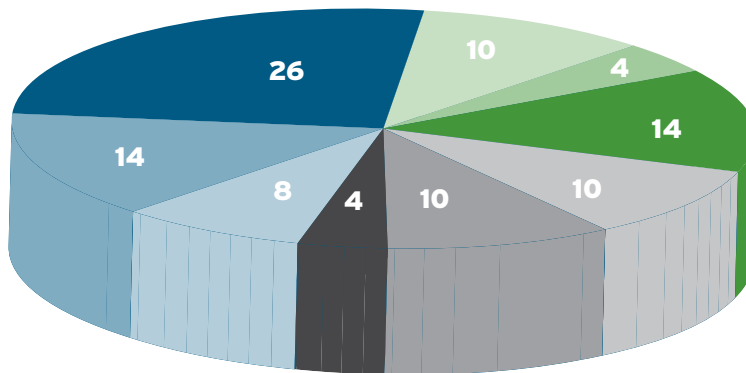


Stephen Bullas

Karen Tillyer, Business Process Researcher, and Stephen Bullas, Managing Partner, eCODE, a leading independent advisor on nearshore and offshore outsourcing, with customers throughout Western Europe and the U.S.

Region-wise breakup of the top 50 emerging global outsourcing cities 2009

(%)



- Central America
- East Asia
- Eastern Europe
- Middle East and Africa
- North America
- South America
- South Asia
- Southeast Asia
- Western Europe

Total Votes Polled: 143
 Source: Global Services and Tholons

places from the last year's ranking is Kolkata. The city has rolled down by 9 places to reach the 15th position in the 2009 *Top 50 Emerging Global Outsourcing Cities* list.

Kolkata was considered to have the potential to become another hub in India, but due to the recent developments there is a cognizable alteration in the way the city is perceived. Significantly increased concerns about labor risk, sociopolitical risk, bureaucracy and corruption have hindered the progress of Kolkata and the entire state of West Bengal as a whole. Some of the incidents that have contributed to this. The land problem of tech companies such as Wipro and Infosys. Number of strikes (bands) during the last year, at least one major strike every month. Tata plant at Singur received the attention of the international media, that was the reason for the drop in rank last year. Apart from the deteriorating business environment, the major factor is that due to the recent sequence of events and negative publicity—no customer or service provider is looking at Kolkata seriously.

The rankings of other cities were more or less the same, except for San José, which ranked at the 20th position this year (up by seven places from the previous year) followed

by Rio de Janeiro (up by five places) and Guadalajara (up by five places).

Nearshore has become an important component of outsourcing and Latin America has become the hot spot. The region has attracted a lot of attention during the last year. However, most of its part suffers due to the high risk component. San José, however, is perceived as one of the safest destinations to do business. Costa Rica ranks as one of the safest countries for investment in Central America, as risk rating firms and the Central American Monetary Council confirm.

Majority of the population is fluent in English, making it the only country in the region, which is low risk, and offers relatively improved scalability. Other advantages like multi-lingual capabilities, proximity to the U.S., Central Time Zone, good infrastructure, Spanish language capability and incentives provided by the government are added value, which are now considered almost basic requirements when making an important choice on BPO. Low corruption, exchange rate stability and geopolitical conditions in the city of San José, Costa Rica is another value proposition. Successful expansion by firms like HP, People Support, Sykes, Teletech and to an extent by IBM, Fujitsu during the last couple of years is significant, now employing over almost 20,000 people in the outsourcing industry. The effects of Intel locating in San José (1996) has been very significant, as the center for assembly, testing and other similar processes was established and expanded in the capital. This has had a positive ripple effect on other businesses and industries. This has also 'upgraded' the skills capabilities of the local labor pool.

Top & Next 5 Offshore Nations

Established offshore nations with a high degree of maturity and record of successful delivery capabilities are categorized as the Top 5 Offshore Nations. These countries typically have centers of excellence across multiple outsourcing segments and rank highly in a number of location-assess-

Nearshore has become an important component of outsourcing and Latin America has become the hot spot. The region has attracted a lot of attention during the last year. However, most of its part suffers due to the high risk component

Outsourcing City Clusters

We noticed an interesting trend this year: Some of the city clusters have started to surface. They also have some future possibilities to emerge as outsourcing city clusters. These clusters are based on the seamless nature of talent pool in their given region, and the availability of talent pool in the proposed clusters are not limited or restricted to individual city limits, administration and/ or national and international boundaries. The following are the basic qualitative and analytical factors considered for identifying a cluster:

- >> Time to Travel
- >> Means and Ease of Transportation
- >> Affinity (Economic-Social-Political-Cultural)
- >> Future convergence due to outsourcing activities/capacities.

This is a significant development due to the fact that services globalization has now reached a level of maturity where it has



Delhi NCR

the capability to influence the development of cities—this is a classic case of globalization and its impact on the offshore landscape. Some of the city clusters categorized by regions are:

- >> Southeast Asia: Manila NCR
- >> South Asia: Delhi NCR
- >> Southeast Asia: Kuala Lumpur-Cyberjaya
- >> South Asia: Hyderabad-Secunderabad
- >> South America: Greater São Paulo. **GS**

ment scenarios. These five countries offer the strongest value propositions to clients based on the Location Assessment Platform and are considered as prime locations when considering specific outsourced processes. These emerged destinations will most often also have the unique advantage of scale and capacity as compared to smaller or emerging locations.

The difference between the Top 5 and the Next 5 offshore nations is most pronounced in the service-level maturity. In terms of potential, the Next 5 are not far behind, however this potential is considered to be still unrealized due to specific inhibiting factors. It also must be stated that the service-level maturity has been taken into consideration from the client point of view, as client nations look at offshore nations in a distinct manner. This has been taken into consideration when categorizing locations. This customer perception may change or alter over time, but takes significant effort and time on a destination's operational front. Successful service delivery is the most significant factor in altering customer perception.

About the Study

Global Services and Tholons have been conducting this study titled “Top 50 Emerging Global Outsourcing Cities” for the fourth year in a row.

In the first study, which was conducted in 2006, we had identified top 50 emerging global outsourcing, without having them ranked. In the very next year, we dedicated a

full team to identify and rank top 50 emerging outsourcing cities as well as top 5 global outsourcing cities. Besides the main top 50 list, the Global Services and Tholons team extended their top outsourcing global cities’ list from top 5 to top 10 and also named top emerging and established outsourcing cities by functions.

This year again, we have introduced a new category named “Top 10 Aspirants.” The cities mentioned in this category are the ones that have potential to enter into the main list in the coming years and are being supported by their governments to develop and facilitate outsourcing sectors.

In addition, we have not only identified three to six established and emerged cities by functions but also have introduced three new sub categories—Animation / Game Development, Health-care Services and Infrastructure Management Services. Other categories are: Application Development and Management (ADM), Business Analytics, Contact Center (English), Contact Center (Multilingual), Engineering Services, Finance and Accounting (F&A), HR, Legal Services, Product Development, Research and Development (R&D) and Testing.

In addition, we have also analyzed the way buyers of services (or client nations) look at offshore nations, and for that purpose, we also have identified the Top 5 and the Next 5 Offshore Nations. While the Top 5 are considered as mature or established outsourcing nations, the Next 5 are great alternatives for specific types of processes and are seen as destinations with considerable near-term potential. **GS**

Top 50 Emerging Global Outsourcing Cities

Rank 2009	City	Country	Region	Rank 2007	Rank 2008
1	Cebu City	Philippines	Southeast Asia	4	1
2	Shanghai	China	East Asia	8	2
3	Beijing	China	East Asia	10	3
4	Kraków	Poland	Eastern Europe	16	5
5	Ho Chi Minh City	Vietnam	Southeast Asia	6	4
6	Buenos Aires	Argentina	South America	14	9
7	Cairo	Egypt	Middle East and Africa	11	7
8	São Paulo	Brazil	South America	15	8
9	Shenzhen	China	East Asia	13	10
10	Hanoi	Vietnam	Southeast Asia	12	11
11	Curitiba	Brazil	South America	17	13
12	Dalian (Dairen)	China	East Asia	18	16
13	Chandigarh	India	South Asia	9	12
14	Prague	Czech Republic	Eastern Europe	20	14
15	Kolkata	India	South Asia	5	6
16	Santiago	Chile	South America	19	18
17	Colombo	Sri Lanka	South Asia	7	19
18	Coimbatore	India	South Asia	21	17
19	Johannesburg	South Africa	Middle East and Africa	25	20
20	San José	Costa Rica	Central America	29	27
21	Rio de Janeiro	Brazil	South America	-	26
22	Budapest	Hungary	Eastern Europe	28	25
23	Toronto	Canada	North America	-	22
24	Guangzhou (Canton)	China	East Asia	22	23
25	Belfast	U.K.	Western Europe	24	24
26	Mexico City	Mexico	Central America	-	30
27	Kuala Lumpur	Malaysia	Southeast Asia	31	33
28	Warsaw	Poland	Eastern Europe	26	28
29	Jaipur	India	South Asia	-	31
30	Brno	Czech Republic	Eastern Europe	27	29
31	St. Petersburg	Russia	Eastern Europe	32	32
32	Accra	Ghana	Middle East and Africa	33	34
33	Chengdu	China	East Asia	-	37
34	Bucharest	Romania	Eastern Europe	41	38
35	Bratislava	Slovakia	Eastern Europe	38	35
36	Singapore	Singapore	Southeast Asia	-	36
37	Monterrey	Mexico	Central America	44	41
38	Moscow	Russia	Eastern Europe	40	39
39	Guadalajara	Mexico	Central America	-	44
40	Sofia	Bulgaria	Eastern Europe	39	40
41	Brasília	Brazil	South America	42	43
42	Glasgow City	U.K.	Western Europe	30	42
43	Tianjin	China	East Asia	-	-
44	Casablanca	Morocco	Middle East and Africa	-	-
45	Halifax	Canada	North America	34	48
46	Tallinn	Estonia	Eastern Europe	45	46
47	Montevideo	Uruguay	South America	-	-
48	Alexandria	Egypt	Middle East and Africa	-	-
49	Ljubljana	Slovenia	Eastern Europe	47	50
50	Kyiv	Ukraine	Eastern Europe	46	49

Source: Global Services and Tholons

Top 5 Offshore Nations

1

India

India is undoubtedly the most mature and established offshore nation today, blessed with almost 3.5 million graduates (non-technology courses) and over 500,000 technical graduates being churned annually. More importantly, it possesses largely young population, many who continue to aspire to be a part of the outsourcing industry.

The evolution of India toward the forefront of the outsourcing world started when the country was primarily a back-office destination that was tapped to offset peak (demand) periods for software development firms and Contact Centers in Western economies. The country has come a long way since then, and long strides have been taken in infrastructure and incentives to further stimulate its outsourcing industry.



Hi-tech city, Hyderabad, India

The Philippines

2

While several offshore nations continue to battle their way into the emerged destination list and despite growing competition, the Philippines holds its ground as one of the more prominent and established outsourcing hubs next to India. In 2008, the country's niche outsourcing offering—English language contact-center services—employed more than 250,000 people and generated about 70 percent of the country's total \$6 billion in outsourcing revenues.



Business Center in Ortigas, Philippines

3

China

China has again proven itself to have one of the fastest growing and most progressive global economies in the last year. Though China saw a YoY decline of 4 percent of its GDP, it still posted 9 percent GDP growth rate by end of 2008—a remarkable figure when considering that most countries in the region (and across the world) were struggling to merely sustain flat growth during the same period. This gives indication to a stronger and more established economy—which has now begun to look more at its vast domestic market to fuel growth.

The sectors hit most significantly by the global downturn were that of the manufacturing and export-related industries which account for 60 percent of total GDP. The services sector on the other hand, which comprise 32 percent of China's GDP, also experienced decelerated growth rate from 14.7 percent in 2007 to 9.5 percent in 2008. Though this is the case for the services sector, contract value of China's outsourcing industry witnessed significant growth.



Hi-tech Park, Shanghai, China



Hi-tech Plaza, Shanghai, China



Country-in-focus

PHILIPPINES

We need to continue to invest in human capital development programs

How is the Philippines economy growing presently, and what are the projections for the immediate future?

The Philippine economy is faring better than most in the ongoing global financial crisis. Remittances from overseas Filipino workers contribute to this resiliency. The continued growth of the IT-BPO industry also helps sustain economic activity and makes up for zero growth in other major export sectors, such as semiconductors and electronics. A strong and prudent banking sector, following reforms after the Asian financial crisis of the late 1990s, with minimal exposure to failed global financial institutions also kept the business environment stable in the face of global uncertainty.

The World Bank has projected a GDP growth of 1.9 percent in 2009 and 2.8 percent in 2010. Business Monitor International projections for Philippine GDP are 1.5 percent for 2009 and 2.6 percent for 2010.

Do you observe scaling up of BPO operations in the country?

There are over 600 IT-BPO companies in the Philippines. Some of the notable new entrants (within the last year) are Startek, Stream (recently merged with eTelecare), and Cognizant. Surveys show that most companies expect to expand within the year by about 10-15 percent. Some smaller companies are planning growth of up to 200 percent within the year. Among the large companies that have announced expansion plans are Convergys, TeleTech, Teleperformance, Sitel, and StarTek.

In what areas is the country improving the existing infrastructure?

Real estate developers have either completed or are building world-class BPO structures, providing adequate office space in major

locations. Telecommunications companies continue to upgrade and expand their networks to ensure reliability, redundancy, and to provide more location options to operators. The government (national and local) continues to upgrade and expand transport infrastructure.

People are a key asset in this industry. What measures are the industry and the government taking to ensure quality of talent?

The industry and government work together to spread awareness of the benefits of a career in the IT-BPO sector. The government provides subsidies for short-term training which industry distributes and monitors. Minimum employment rates after training by training companies or industry players are tracked and only those who maintain hiring rates of 60 percent or more are given additional subsidies. This \$8.4 million program has resulted in 43,000 trainees being hired in the industry in 2008 and 2009.

What about talent building at the university level?

Industry works with universities and colleges to incorporate short-term training programs in the curriculum. This program, called the Advanced pre-Employment Training Program, makes tertiary graduates immediately employable on graduation. From a pilot program involving five schools last year, the program is scaling up to reach 50 tertiary institutions by next year. Industry is also working with top-tier universities to promote post-graduate courses in BPO management to address the demand for mid-level managers.

Industry and government are also working to roll out a national competency assessment test that prospective employees



Oscar Sañez
CEO, BPAP

can take to gauge their readiness to apply for a job in the industry. This test is aimed at streamlining the recruitment process.

What measures do you think the sector needs to adopt to stay competitive in the global market today?

We need to continue to invest in human capital development programs and increase investment in campaigns to address negative perceptions of doing business in the Philippines. We need to urge and support the telecommunications industry in its efforts to upgrade and expand its networks. We need to educate legislators and other government officials on regulatory requirements for the industry to remain globally competitive. We need to advocate for reforms that would strengthen the business environment for the industry and reduce risks for operators and investors.

The Republic of the Philippines, an archipelago of over 7,000 islands, is a reservoir of natural resources.

Advertorial

The Philippines Factfile

The fertile lands and rainforests have been a source of revenue for the Philippines. In the 1980s, the country realized that away from the verdant countryside, there lies another big resource - the city-based large pool of English-educated people. With this talent base, the IT-BPO sector was born in the '80s.

The Philippines has all the ingredients that go into making a country an outsourcing destination of choice. The demographic profile is the country's main competitive advantage with a literacy rate of 92.6 percent (The CIA World Factbook 2007). It is one of the highest among competing countries in the IT-BPO space. The Social Weather Stations (SWS), a highly credible research company, reported in 2008 that 60 percent of Filipino college graduates think in English, 72 percent speak in English and 83 percent write in English. However, in terms of graduates of science and technology institutes for IT-related work, the Philippines has some catching up to do with India and China. The service orientation, work ethics, and cultural adaptability in this multi-ethnic country have gone a long way in building the outsourcing industry.

Besides people, the Philippines offers investors an enabling business environment with world-class infrastructure in terms of office space, telecom network, power, connectivity, and transportation. The cost competitiveness that the country offers global clients makes the Philippines a compelling outsourcing destination. The Philippines is the most competitive in English-language customer service; for non-voice services, the industry is currently seeing rapid growth. The back-office and KPO sector more than doubled in 2008, from US\$ 400 million to US\$ 830 million, and is continuing to expand especially in F&AO, HRO, and LPO. IT, animation, transcription, engineering, game development, publishing, creative, and other niche services are attracting attention from both established and new markets.

at a glance

Currency: Philippine Peso

Main industries: Agriculture, food processing, textiles and garments, manufacturing of electronics and automobile parts, mining, tourism, IT-BPO and fishing

Literacy rate: 92.6%

Languages spoken: Filipino, English and eight major dialects

International airport: Metro Manila

GDP growth (World Bank): 1.9 % in 2009 and 2.8 % in 2010

Quick look at the IT-BPO sector

Growth: One customer service contact center in 1997 to 600+ companies in 2008

Total number of employees: 400,000

Countries that outsource business to the Philippines: North America, Europe, Australia and New Zealand, Japan, the Middle East, Korea, and other countries

Key verticals: Healthcare, energy, telecommunications and entertainment

Some big players: TeleTech, Accenture, Convergys, SPi, Sitel, Stream/eTelecare, Sykes Asia, Aegis PeopleSupport, Teleperformance, TELUS, IBM Daksh, IBM Business Services, HSBC, Hinduja TMT, Infosys, Wipro, Deutsche Knowledge Services

Key competitive advantages: Large pool of English-speaking graduates, domain expertise, service orientation, work ethic, cultural adaptability and fit, infrastructure and connectivity, cost competitiveness, and supportive environment

Main cities: Metro Manila, comprising 16 cities, plus over 30 cities and towns outside Metro Manila.

Emerging locations: Next Wave Cities™ outside Metro Manila



a bright future



The foundation that was built in the '80s has begun to offer rich dividends. The contribution of the IT-BPO sector to the country's GDP is growing. The knowledge industry is creating jobs for thousands of Filipinos and has stimulated growth in many other sectors, leading to the overall development of the country. The buoyancy in the Philippines IT-BPO sector is slated to continue in the years ahead.

By end-2008, the IT-BPO export industry in the Philippines had contributed US\$ 6.061 billion in revenues, which accounted for four percent of GDP. The number of people employed in this sector was 372,000. Every direct job in this sector has helped create an estimated 2-3 indirect jobs. There are over 600 companies exporting services to organizations around the world. The industry has helped in the development of other sectors such as telecomm-unications, real estate, consumer services and retail, food, transportation, training and education, insurance, banking, and industry-support sectors.

In the short term, the Business Processing Association of the Philippines (BPAP) has set targets of 20 percent growth by end-2009, followed by 26 percent growth in 2010, and 27 percent in 2011. Growth targets are both in terms of revenue and employment, though revenues will grow faster as the sector shifts to higher-value services. The Philippines will sustain its position as a preferred offshore location for English-language services, particularly in customer service. Companies will use this leading global position to expand

into non-voice, complex, and higher-value outsourced services. In the medium and long-term, the Philippines will provide a whole range of IT-BPO services. In the next 5-10 years, non-voice services may overtake voice services in terms of market share.

So far, Metro Manila, which comprises 16 cities, has been the hub of IT-BPO activities in the Philippines. Outside Metro Manila, the sector has significant presence in over 30 cities and towns. The government, working closely with the private sector, is developing what it call the Next Wave Cities™ as ideal locations for IT-BPO companies outside Metro Manila. Government and other stakeholders are working on building the human resource and infrastructure capabilities of these cities.

The government has declared IT-BPO a priority industry and has brought in programs and policies to boost investment, like income-tax holidays and formation of economic zones. The government is helping industry build and sustain its key competitive advantages, whether it's in expanding the telecom network, subsidizing

training to increase employability of the existing talent, supporting the marketing of the IT-BPO sector, or running investor-assistance programs. To channelize the efforts, the government has created the Commission of Information and Communications Technology (CICT) as the lead agency to ensure government support for the IT-BPO sector.

The future of the sector looks bright. The industry hopes to grow in all fields—voice customer service, IT, animation, transcription, engineering, and game development. Back-office and KPO are likely to lead in terms of growth rates and will eventually become as large as the current voice-BPO field—with the potential to eventually surpass the voice sub-sector.

Oscar R. Saniez

President and CEO
Business Processing Association of the Philippines
The umbrella association of the IT-BPO industry
in the Philippines

Contact: info@bpap.org

BPAP
Business Processing Association PHILIPPINES

Baker & McKenzie has been a pioneer in the use of offshoring to reduce the overall cost of service delivery to clients and to maintain operational efficiency. In 2000, the firm established the first law firm captive BPO center in the Philippines, Global Services Manila (GSM), to initially provide document management and administrative support to the firm's 68 offices.

Today, around 500 GSM employees are an integral and growing part of our firm. The team provides a broad range of back office and front line services, with many such services operating on a 24/7 basis. This is by far the largest captive offshore service center of any global law firm. Our GSM staff work from attractive offices in the heart of Manila's main business district, and they are directly

connected to the rest of our firm through technology, firm culture and reporting lines.

Not only are services delivered typically associated with a BPO setting (IT support, finance support, document support), but the center is seen as an ideal location to source specialized staff (law graduates, financial managers, and project managers) who become individual contributors to the worldwide organization.

As a law firm, it is important that our service center staff are Baker & McKenzie employees, not independent contractors and/or employees of third-party vendors. This was we are able to maintain confidentiality and the highest standards of quality control.

The creation of the captive service center in Manila has been highly successful because of the nature of the Manila labor market. Young and skilled employees are available in abundance. Moreover, the level of English proficiency is extremely high. We are able to source other language skills (currently five languages supported). University trained employees are eager to build a career with a professional services firm that offers a global perspective and career opportunities. Invariably our local offices are impressed with the dedication and energy brought to the table by our Manila service center colleagues.

Joeri J. Timp
Executive Director
B&M Global Services Manila, Inc.

StarTek, Inc.

StarTek, Inc. is a New York Stock Exchange-listed BPO firm that selected the Philippines as the first operations site in Asia. StarTek specializes in high value customer care solutions for the communications and technology sectors. Headquartered in Denver, Colorado (US), the company provides these services from 19 operational facilities. We were impressed with the level of government support for investors in the Philippines. StarTek completed the construction of a

78,000 square-foot facility in Makati City in September 2008. The delivery center has a capacity of 1,100 customer care representatives. We selected the Philippines for the state-of-the-art delivery center because of the country's highly educated talent pool, world-class telecom infrastructure, and competitive labor rates.

By opening a facility in the Philippines, we are able to provide our clients with the

flexibility of a new quality delivery channel for customer management solutions and back office support. Our Philippine facility has been highly successful and is held in high regard by our clients.

Larry Jones
President and CEO
StarTek, Inc.

Wipro BPO, Philippines

The Philippines has emerged as a top outsourcing destination due largely to its strong higher education system. The universities supply the industry with high quality human resource whose education is in line with industry needs, spoken English skills and customer service orientation is significantly better than other Asian outsourcing hotspots. Additionally, the Philippines has a cultural affinity to US clients. The strategic direction of government is another key factor. The priority and focus accorded to this industry nationally and the

incentive package offered through the Philippine Economic Zone Authority (PEZA) are significant investment magnets. Most importantly, the one-stop facilitation for all regulatory issues through the PEZA is extremely helpful for new entrants.

The presence of internationally competitive real estate, telecom and professional education sectors has been another key catalyst for the emergence of Philippines as an outsourcing hotspot. The well-structured,

transparency and high standards of professional ethics, not to mention, the efficiency and responsiveness, I encounter in my everyday dealings with all our external stakeholders make doing business here truly a pleasure.

Romit Gupta
Country Head
Wipro BPO, Philippines



TOP 50 EMERGING OUTSOURCING DESTINATIONS 2009

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4

Ireland

Ireland has established itself as one of the premier shared services centers in the world, delivering value for locators with its excellent infrastructure and various shared services expertise (and platforms). The country has evolved from being a regional support center to becoming a regional hub for shared service centers in the last decade. Its proximity and affinity to the U.K. (its second-largest client market) has helped the country establish as a nearshore center for many European customers.

Brazil

5

Brazil is the largest economy in South America and is fast merging as a major player in the services globalization arena, due in part to its huge technical talent pool and nearshore advantage. Brazil has achieved excellence in Applications Management, Infrastructure Managed Services and security technologies development along with multilingual BPO capabilities. The high concentration of post-graduates and PhDs also enhance the country's attractiveness for high-value services such as R&D and engineering services outsourcing. As the strongest member of the MERCOSUR, Brazil also has a dominant role in the macroeconomics of the region. **GS**

Next 5 Offshore Nations

1

Canada

An interesting characteristic of Canada's outsourcing industry is evidenced in the fact that despite its relatively higher costs compared to other nearshore destinations south of the U.S., such as Mexico and Costa Rica—Canada remains an attractive investment site for service providers. This is due to the wide array of outsourced services the country provides which includes low-end services in customer support to high-value shared services centers. However, the country's niche service continues to be of high-value services in FAO, engineering services as well as ITO-related processes in applications development and management, testing and R&D. Several area clusters in the country house outsourcing hubs such as Toronto, Halifax, Calgary, Montreal and Vancouver.



Business and Technology park, Ireland



IT and BPO park, Brazil



Hi-tech nation Canada



Montreal, Quebec, Canada



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Tel: (632) 817-2727
Website: www.bpap.org

Commission on Information and
Communications Technology (CICT)
Address: CICT-NCC Bldg.,
C.P. Garcia Avenue,
1101 Diliman Quezon City, Philippines
Tel: (632) 920-0101
Website: www.cict.gov.ph



Tower, Russia



Nestle Building, Mexico



Office Building, Vietnam



KWK Promes Poland

2

Russia

Russia continues on the path of becoming one of the leaders for hi-tech R&D outsourcing in the world. Russia's deepening service delivery expertise and rich talent pool have made the country a research factory for top organizations like Intel, IBM, Motorola, Samsung and Google. Being a part of the Eastern European outsourcing region has also enabled Russia to collectively share the niche service characteristic for the offshoring and outsourcing industry. The country, however, stands out in the region due to its capacity to fulfill large-scale, high-value services, though the processing of such services are coming at an increasingly higher cost (as compared to smaller Eastern European delivery locations).

Mexico

3

With a business landscape centered on manufacturing and historically catering to the U.S. market, Mexico has slowly added outsourced services into its business portfolio. The country is considered to be one of the Next 5 offshore destinations—an attribute owed to its favorable nearshore characteristics. Outsourced services in the country started with voice-based services catering to both English and Spanish speaking customers. This attribute—the provision of multilingual capabilities—distinguishes it from Asian competitors such as India and the Philippines.

4

Vietnam

Vietnam's economic growth over the last several years has been invaluable towards its emergence as a Next 5 Offshore Nation. For instance, net FDI inflow to Vietnam reached \$6 billion in 2007, up from \$2.3 in 2006. Further, even as the global economic crisis took full swing towards the end of 2008, Vietnam's GDP grew by a decent 6.2 percent by year-end, just down from 8 percent posted in 2007. The country's economic dynamism is also attributed to its rapidly maturing business environment. Vietnam is perceived as one of the more vibrant destinations for engineering services outsourcing and software development services in the Asian region.

Poland

5

Poland is emerging as a premiere nearshore shared services center for Western European and Scandinavian client markets. With its capabilities in serving the full spectrum of services in both ITO and BPO spaces—Poland has emerged as arguably the strongest competitor in the region for a spot in the Top 5 Offshore Nations list. While other countries in the region struggle to develop and build a scalable/employable talent pool, Poland's population of almost 40 million and world-class education system—has successfully positioned its place among the top offshore nations. **GS**



Egypt on

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Top 8 Global Outsourcing Cities

Despite the tremendously changed global economic dynamics, the Top 8 Global Outsourcing Cities list notices no change this year. It continues to be dominated by Indian outsourcing locations, with only two non-Indian locations (Dublin and Manila)

Rank 2009	City	Country	Region	Rank 2007	Rank 2008
1	Bangalore	India	South Asia	Top 5	Top 8
2	Delhi NCR	India	South Asia	Top 5	Top 8
3	Mumbai	India	South Asia	Top 5	Top 8
4	Manila NCR	The Philippines	Southeast Asia	Top 5	Top 8
5	Dublin	Ireland	Western Europe	Top 5	Top 8
6	Chennai	India	South Asia	1*	Top 8
7	Hyderabad	India	South Asia	2*	Top 8
8	Pune	India	South Asia	3*	Top 8

Source: Global Services and Tholons

Ranked among 2008 top 50 emerging global outsourcing cities



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Q&A



Mukesh Aghi, Chairman and CEO, Steria (India)

"Awesome cosmopolitan city"

How do you perceive Bangalore as an outsourcing destination?

Even when outsourcing hadn't taken off in India, Bangalore was known for its excellence in education and infrastructure. Moreover, the city has an added advantage of defense support. The presence of institutions like IIS (Indian Institute of Science) and DRDO (Defence Research and Development Organization) adds value to the talent pool in the city.

What are the other factors that signify the city as a "talent and IT hub"?

The cosmopolitan culture in Bangalore is incredible. It's an awesome cosmopolitan city. The youth is attracted to the city because of its lively pub culture and amazing weather, any time of the year. I believe that the people in the city are more adaptable as compared to big cities like Delhi. It would be unfair not to mention the safety of women in Bangalore. The female workforce is more than willing to do night shifts in a city like Bangalore because of the low crime rate. Thus, highly efficient labor is easily available and enthusiastic to work.

However, the city needs to keep pace with the increasing crowd by handling its infrastructure carefully. Otherwise, it is anticipated that there will be a trend to invest in smaller Indian cities instead. **GS**

— By Diksha Dutta

Bangalore, India

Bangalore needs no introduction in the global outsourcing community. The city continues to be in the top slot of the Top 8 Global Outsourcing Cities list for the fourth consecutive year. Despite changed economic and outsourcing dynamics, the city continues to be as charming as ever.

Amidst the after effects of Satyam scam, low and stagnant pay packages of IT professionals, and the not-so-improving infrastructure problem, Bangalore still survives as the Silicon Valley of India. Big three service providers—Infosys, TCS and Wipro—in the city continue to attract major chunk of global buyers.

The city came into focus way back in 1991 as an IT hub with the support of Software Technology Parks of India and soon developed its BPO capabilities as well. Bangalore has grown from low-end ITO and BPO such as coding and data-entry processes to now doing high-end ITO and BPO such as embedded systems and voice-based technical support respectively.

Many global firms have also set up their outsourcing capabilities in the city. For example, Simbiosys Bio, the U.S.-based biotechnology firm, opened a center in Bangalore in 2006. HP's subsidiary Global E-business Operations in the city provides finance accounting solutions with a focus on HR, supply chain and business analytics. Blue Vector is a radio frequency identification technology management appliances provider with an engineering and design center in Bangalore. Visionet has a mortgage-processing center in the city catering to top banks in the U.S.

However, the attrition rate in the city is a concern. The ball park number for ITO companies in Bangalore is around 15 to 30 percent. BPO has a higher range due to the large spectrum of services, around 40 to 80 percent.

The city is the technical hub for semiconductors due to the presence of a large number of semiconductor companies, design and engineering firms, research facilities, and such. It now has the headquarters for one of the leading semiconductor consortiums – Indian Semiconductor Association. The prominent Global semiconductor companies in Bangalore are Intel, Samsung, Toshiba, Texas Instruments and ST Microelectronics.

Magma, SpringSoft, Icon Design, D'gipro and CMR are the main EDA vendors. In addition, firms like Wipro, TCS, Patni, Larsen & Tubro eEngineering Solutions, Infosys, Infotech, Quest, Mahindra Satyam, ABB, HCL, Geometric Software, NeilSoft, IBM, Cadence Design Systems, to name a few have competencies in design automation / CAD and other engineering services.

The city came into focus in 1991 as an IT hub with the support of Software Technology Parks of India and soon developed its BPO capabilities as well

Bangalore could undoubtedly claim to have the highest number of captives across the globe. Intel, Microsoft, Oracle, SAP, Cisco, Google, Yahoo, HP, Motorola, Siemens, Samsung are among the ITO sector. BPO / KPO would cover Citi, Reuters, HSBC, Goldman Sachs, Dell and JP Morgan.

There have been noticeable changes in the attitude of service providers after the economic downturn shaking. Their emphasis has shifted from FTE-based (Full-time Employees) pricing to output-based pricing, which gives clients more worth for the work they outsource. Most recently, Mahindra decided to pay the savings for the entire project upfront to retain their largest and most critical client BT. **GS**

Delhi (NCR), India

Till the time outsourcers' destination search remains at the country level, undoubtedly India is their top of mind choice. And when their search gets deeper and reaches to the next level, which is finding best location within India, Delhi (NCR) emerges as their second choice after Bangalore.

These two Indian cities have different outsourcing advantages to offer. If Bangalore's strength lies in high-tech talent pool due to abundance of educational institutions in the city, Delhi is far better in terms of its BPO capabilities, especially contact centers. Delhi (NCR), the national capital region, which is formed of three cities Delhi, Noida and Gurgaon, offer a conducive eco-system for business analytics, finance and accounting, software development, product development, engineering services and contact center services in English.

According the Nasscom (National Association of Software and Services Companies) figures, software and services exports contributed \$40 billion to Indian revenues in 2008. Of which Delhi NCR contribution stood from 17 to 18 percent.

The major advantage of Delhi is its fast growing educational setups, which attract graduates from all over the country giving access to 400,000 technical graduates in India.

The city's entry-level labor cost is \$320 in the IT sector and \$22 to \$240 in the BPO sector. It is home to prominent firms like IBM, Microsoft, Intel, Oracle, Accenture, HP, Amdocs, Capgemini, SAP, Siemens, Motorola, Dell and Indian players such as Infosys, TCS, Wipro.

However, the city faces problems of political disturbances from time to time, although it has a stable state government. The law and order and security for women are its major concerns. Like any other Indian city, real estate in the capital city became very expensive. BPOs faced high attrition rates due to recession. Hiring was frozen for a long time but the situation has improved drastically during the last couple of months. The city is still tackling with huge traffic jams, which creates a lot of chaos.

Harsh Singh Lohit, Chairman, National Association of Software and Services Companies (Nasscom) Regional Council NCR and MD, Headstrong adds, "Nasscom has taken up five initiatives in Noida for which we are going to the government of UP to ask for their help to develop strong infrastructure as we are the significant contributor to the economy. Noida's positioning is so powerful that its design and embedded services are after Bangalore in India. Product development and BPO are its other strong areas."

The city has a large contact-center industry, which is in competition with the Philippines. Nasscom is confident that the city has a lot of potential to grow and become the best outsourcing destination in India due to massive amount of investment going into the development of infrastructure. With metro joining NCR region by the end of next year would be a boon to the city. **GS**

The major advantage of Delhi is its fast growing educational setups, which attract graduates from all over the country giving access to 400,000 technical graduates in India



Harsh Singh Lohit, Chairman, Nasscom Regional Council NCR and MD, Headstrong

Q&A

"An attractive destination"

How did Delhi NCR develop over time?

There was a time when all IT was in Delhi, and there was nothing in Noida and Gurgaon but over a decade, it emerged as an attractive destination. At present, it has got a lot of strength.

What has been the impact of recession on the city's business environment?

The impact of recession was largely positive. There were excess of expectations, compensations, demand for real estate due to recession, which resulted in dropping the price of real estate dramatically. Now, the commercial and residential property could be purchased easily.

The entire business industry has gone for a massive rationalization of its business models and its business costs. It does not mean cutting electricity, salaries, expenses but it means rethinking the entire business model that how does the IT Industry make money under the adverse circumstances where business is less, the customers are paying less. All these factors have forced the technology industry to become efficient. Bubbles have gone away. We are going to optimize our cost. **GS**

– By Pratibha Verma

Q&A



Neeraj Bhargava, CEO, WNS

“Quality of talent is excellent”

What challenges did your company face in the past five years.

We have witnessed a biggest problem of power and transportation, which needs to be addressed by the government. Over the past five years, the real estate cost have softened which came as a respite.

What are the reasons to set up a center in Mumbai? And how do you utilize the destination to improve on your outsourcing capabilities?

Mumbai has good infrastructure and high-quality talent pool. This makes Mumbai an attractive destination for providing BPO services, and it is because of these advantages, we opened our headquarter in Mumbai.

Our organization currently has over 23,000 full-time employees, delivering services from 22 global delivery centers spread across 3 continents. A large portion of the workforce operates from India. Employees are predominantly between the age group of 25 to 35 years.

The quality of talent is excellent across the board for BPO services, which helps us cater for over 200 customers including British Airways, Travelocity, Aviva, British Gas, T-Mobile. **GS**

— By Pratibha Verma

Mumbai, India

Mumbai, the financial capital of India, is not only home to Bombay Stock Exchange, which is the oldest stock exchange in Asia, but also is the center of excellence for its outsourcing capabilities in financial services, Application Development and Management (ADM) and health-care services.

India's largest city Mumbai generates 5 percent of the country's total GDP. The emerging services areas in Mumbai are engineering services, media and entertainment outsourcing, animation and game development.

The city's GDP is \$41.3 billion, and its per capita income is \$1,010, which is almost three times the national average.

The city exhibits an established position in the global outsourcing space owing to various factors like infrastructure, a large talent pool of around 60,000 in BPO sector and developed policies. It had traditionally owed its prosperity largely to its textile mills and its seaport till the 1980s, which were replaced by industries employing more skilled labor such as engineering, health care and IT.

India's IT-services industry was born in Mumbai in 1967 with the creation of TCS. The first software export zone SEEPZ was set up here way back in 1973, the old avatar of the modern day IT park. There was a time when more than 80 percent of the country's software exports happened out of SEEPZ.

There are around 30 registered units of electronic and hardware firms and around 74 registered units of electronics and software firms in SEEPZ at present. SEEPZ is relatively a safer area in Mumbai because there isn't too much of new business or growth that is happening currently. Other parts of Mumbai are witnessing bigger growth and, hence, are more riskier.

Mumbai is the preferred choice of outsourcing buyers for financial services BPO sector, contract research, which is in the growing mode and legal services which has a major center in the city. It is easy to find quality resources in Mumbai but costlier than other cities. ADM is the core strength of this city and the new model, which is growing here is marketing and financial analytics. Some niche skills which are prominent here are engineering services and research and development.

Top services providers like TCS, IBM, Infosys, Wipro, HCL, Mahindra Satyam, Accenture, CSC, ACS, Caliber Point, Firstsource, Convergys, Genpact, WNS Global Services, Minacs, Cognizant and EDS are present here.

Estimated exports from Mumbai in software services (including IT and IT-enabled services) in 2008 were \$3.0 billion to 3.6 billion. However, if Mumbai continues to grow at 63 percent (as last year), it is expected to touch \$ 4.1 billion.

Being home to many financial institutions, the city faced a considerable impact of recession. Tholons Analyst Saugata Sen Gupta says, “The captive centers in Mumbai suffered badly due to economic slowdown. The job market became sluggish. A lot of engineers faced salary deductions, and layoffs. The market has not yet recovered. We see some hopes in the end of first quarter of 2010.” **GS**

The city exhibits an established position in the global outsourcing space owing to various factors like infrastructure, a large talent pool of around 60,000 in BPO sector and developed policies

Manila NCR, The Philippines

Manila is the central business district of the Philippines and contributes 65 percent to the country's economic growth. According to Business Processing Association of the Philippines (BPA/P), the country's export revenue is \$6 billion, which is growing at an annual rate of 36 percent.

The Philippines' recognition as an attractive outsourcing destination came to pass largely because of the development of the Manila NCR outsourcing sector over a period of time. Factors that drive outsourcing in the city are availability of English-speaking talent with strong cultural affinity to North America.

Manila's 270 higher education institutions churn out about 90,000 graduates every year. Of which 23 percent (about 22,000) are technical graduates while 77 percent (about 75,000) are non-technical graduates. This is why, Manila's strength lies in contact-center outsourcing services, distantly followed by smaller niche back-office processes, FAO, software development and engineering design, transcription services and animation and graphics design.

Although its non-voice BPO segment is relatively smaller compared to the voice-based BPO segment, its employee base has posted a YoY growth rate of 41 percent from 2004 to 2007.

The prominent firms that have their outsourcing centers in the city are HSBC, Citi, Convergys, JP Morgan, Accenture, PeopleSupport, IBM, Fujitsu, Sykes, Dell, Teletech, Teleperformance, Unisys and Trend Micro.

The city's sound infrastructure and robust telecommunications make it a competitive destination. The city attracts service providers to open up their outsourcing centers there. As there are too many BPOs located in the region, it is becoming congested. Almost 70 percent of the total number of BPO employees in the country work in Manila; and therefore, it's started getting saturated. That is why the government is promoting the next-wave cities for companies to explore other tier-2 or tier-3 destinations outside the capital. This will not only generate jobs in that particular area, but it will boost the local economy of the certain area as well, according to industry experts.

Its labor has an entry-level salary cost of \$320 to \$340 in the ITO sector and \$240 to \$260 in the BPO segment. The city is in competition with Cebu City, Delhi NCR, Bangalore, Pune and nearshore destinations including Mexico, Costa Rica, Brazil, the U.K., Poland and Czech Republic (which also have multi-lingual capabilities).

Manila NCR is now witnessing rising attrition rates due to availability of large number of MNCs, which are at risk of repeating these costs simply to retain employee bases. It is also tackling with the problem of diminishing supply of high-quality labor pool. The high rates of attrition mentioned may also be reflective of the thinning supply of quality labor in the city as competition to 'get the best' becomes tighter.

However, inability to move toward more mature services from contact-centers and back office is a real concern. BPA/P and the government have taken a number of initiatives off late to improve the skill level of the IT and other technical workforce. **GS**



Jonathan Defensor De Luzuriaga, Executive Director, Industry Affairs, BPA/P

Q&A

"22-23% growth in Manila outsourcing services by 2010"

Where do you see Manila in 2010?

We see 22 to 23 percent growth in Manila's outsourcing services by 2010. There has been a demand of 100,000 new employees YoY. We believe that around 120,000 graduates would be in business and accountancy field, which gives us a message that outside voice, customer service, technical support requirement, Manila could also service BFSI sector. There are lots of captive operators operating in Metro Manila giving the global F&A requirement. Numerous incentives are in place now to encourage outsourcing.

What has been the impact of recession on the city's outsourcing sector and the cities operating into it?

The Philippines has been exempted from the global economic crisis because we were at the better bargaining end. The Philippines has been the beneficiary of the mergers and the acquisitions which happened due to economic crisis. We have never seen any decrease in terms of the demand of manpower as well as the operations stepping down. **GS**

- By Pratibha Verma

Manila's 270 higher education institutions churn out about 90,000 grads every year. Of which 23% (about 22,000) are technical grads while 77% (about 75,000) are non-technical grads

Q&A



Paul Pierotti, Management Consultant,
PA Consulting, Dublin

“Wages in the private sector are reducing dramatically”

Don't you think that high labor cost is a bane to this destination?

The current recession is hitting Ireland hard and with it there labor costs in the private sector are reducing dramatically. Public sector salaries remain high and addressing this is likely to be a priority in the coming government budget.

What has been the impact of recession? Where do you see Dublin in 2010?

It is hard to overstate the impact this recession is having on Ireland. For example, unemployment has increased from near zero to some of the highest in Europe and the banking system has only survived due to massive government bail outs—Ireland's bad bank is covering a staggering—90 billion euro worth of assets

2010 is likely to be a challenging year for Ireland as the economy continues to perform badly. Further, there is likely to be significant industrial unrest in the public sector as the government seeks to cut spending and address the large deficit.

However, the fundamentals of the Irish economy remain good and many analysts expect to see some form of recovery by the end of 2010. **GS**

— By Pratibha Verma

Dublin, Ireland

Dublin, the capital of Ireland, is considered as an excellent nearshore outsourcing destination for Western Europe. Its capabilities lie in high-end shared services. The city attracts the major portion of FDIs from other Western European countries.

According to estimates, 50 percent of Ireland's revenues come from Dublin wherein country's revenue for the year 2008 was \$3.5 billion. Around 47,000 students graduate every year from the city's three top universities as it is the primary center of education in Ireland.

Today, the city is ranked 10th (up from 13th in 2008) in the Global Financial Centers Index and has one of the fastest growing populations of any European capital city. Being the center of Ireland's economic growth, the city offers a high standard of living with high cost.

In 2008, Dublin was listed as the fifth-richest city in the world and is now the world's 16th most expensive city (8th most expensive city in Europe, excluding Russian cities), according to Wikipedia. It was also listed as the third most expensive city in the world. However, it has the second highest wages in the world, ahead of both New York City and London, though behind Zurich.

The city's outsourcing capabilities lie in English contact support, IT-infrastructure management services, business analytics, multi-lingual contact support, F&A, product development, research & development, health care and legal processing services. Prominent companies like Accenture, IBM, Microsoft, Fujitsu, HP, Dell, Intel, Capgemini, Oracle and Citi have their centers here.

Western European countries prefer to nearshore their work to the city headquartered service providers as this place offers them an advantage of same time zone. The city also has the people who have same work culture, and offers sound infrastructure attracting investment from the companies in western and central Europe.

The main reason which prevents offshoring is its high labor cost. The entry level salary cost in the city is \$1,200 in ITO and \$900 in BPO sectors.

The major disadvantages of this destination are high cost and competition although the productivity and quality are of high quality. Dublin is now facing a competition with other EE cities like Krakow, Warsaw, Prague and Budapest.

Around 47,000 students graduate every year from the city's three top universities as it is the primary center of education in Ireland.

Year 2009 to 2010 adversely affected the city's economy due to recession leading to many deals terminations and delay in new deals. The entire economy in Ireland saw a downward trend in the year 2009 to 2010 although it has started picking up but the change is slow.

The city's scalability, which is talent pool, is limited and not as large as other offshore nations. Due to limited talent availability in the city, there is a possibility that industry would be saturated in the near future. This aspect of the talent pool needs to be improved exponentially to compete with other offshore nations like India/Philippines.

With all the pros and cons, the city has a great potential to grow as an attractive and mature destination due to its high-value services and high class talent pool. **GS**

Chennai, India

Chennai is the star city of South India with competitive business environment, operating cost advantages, scalability, quality real estate, telecom connectivity, urban infrastructure, city governance and skilled professionals to deliver quality output.

The city is India's second-largest exporter of software, IT and related services and contributes 39 percent of the Indian state of Tamil Nadu's GDP. The major ITO providers in the city are TCS, Infosys, Wipro, Cognizant, HCL, Mahindra Satyam, IBM, Accenture, Polaris, L&T InfoTech, PerotSystem and Vertusa.

Reputed educational institutions such as IIT, Regional Engineering College, Anna University, Bharathiyar University in Chennai account for 51 percent of the total computer and engineering graduates in the country. Tamil Nadu has 22 universities, 250 engineering colleges, 207 polytechnics and 526 IT institutes. The state churns out 75,000 engineering graduates per year including more than 35,000 IT specialists. With 45,000 professional, the state also has the largest number of IT professionals. This is primarily the reason behind the city's young English-speaking talent pool—which is an added advantage for the BPO industry.

The BPO providers ruling the city are Office Tiger (now part of RR Donnelley), TCS, 24X7 Customer, HCL BPO, KPMG, Wipro BPO to name a few.

The labor cost is significantly cheaper as compared to any U.S. cities. The monthly salary of an entry-level techie in Chennai is \$280 to \$300 and for an entry-level BPO executive is \$200 to \$220. In addition, the city is much more cost efficient than any other Indian outsourcing city. It offers best infrastructure among the South India cities and has a low cost of living and rapidly developing infrastructure. Its closeness to the airport is a geographical advantage, which a client might consider while outsourcing its BPO projects.

As any other outsourcing city, Chennai specializes in some specific outsourcing services. It has an established center of excellence for product development, ADM, testing, engineering services, business analytics, and legal services. It is also an emerging destination for R&D.

Companies such as Lason, Ajuba Solutions (India), Apollo Health Street, iHealthcare, Paramount Healthcare, and Hinduja TMT in the city signify the opportunity for healthcare IT firms. The expansion of healthcare services provided would include ADM services to maintain electronic medical records, hospital-management systems, systems for capture of medical billing and coding, transcription related domain expertise, medical insurance and payment related expertise, and many more.

The captives in the city are Citi, Caterpillar, CB Richards Ellis, Maersk, Deloitte, L&T Engg, Philips, Red Hat, Siemens, Texas Instruments. Chennai has grown significantly over the past decade along with the government initiatives through IT / IT-enabled services state policies (2008) incentives.

However, the hot and humid climatic conditions in the city are still a black mark to some extent which might influence a minor percentage of employees to leave the city. **GS**

The city has a low cost of living and rapidly developing infrastructure. Its closeness to the airport is a geographical advantage, which a client might consider while outsourcing its BPO projects

Q&A



Vardhman Jain, Managing Director, Business Process Solutions, Perot System, India and Manila

"Top outsourcing destination"

Do you think that recession has adversely affected the city's outsourcing industry?

While there are clear concerns about the evolving global economic downturn, we are seeing evidence of strong interest in our traditional core services of ITO. Over the last 21 years, we have weathered at least four major recessions. In each of those downturns, we experienced substantial growth. In part, the growth occurs because organizations need to become more efficient and productive. Clearly, the services that Perot Systems provides are part of that equation. So, we anticipate growth during this downturn as well. It appears that investment in healthcare and IT to support healthcare is a growing priority among many of the organizations across the globe. Among the various stimulus packages under consideration by governments throughout the world, one of the constant themes is healthcare and IT. We believe this puts us in a strong position for development through 2009 and into the coming years.

With growing demand in healthcare provider, payer, and life insurance business that we are witnessing, we have added a new facility in DLF special economic zone, Chennai to accommodate growth through 2009 and into the coming years. **GS**

— By Diksha Dutta



Q&A

Pramod Bhasin, President, Genpact

"Hyderabad: Terrific as an outsourcing destination"

What has been your experience with your Hyderabad delivery center?

We started our center in the city in 1999-2000. Hyderabad has been terrific as an outsourcing destination, particularly in the infrastructure space. We experienced immense government cooperation.

Moreover, the existing and emerging colleges / universities are an added advantage as they provide capabilities. I consider Hyderabad better than the other big cities in the country.

What has been the impact of the Satyam scam on the city?

There has been no impact. In fact, I find no reason to have an impact on the other centers based out of the city.

How do you see the future of Hyderabad's outsourcing industry?

Growth is slow for everybody across the globe, so there is nothing in particular with Hyderabad. The city will continue to grow, as long as it can keep pace with the new crowd and increasing traffic. Till now, the infrastructure has managed it decently and I don't think there will be any trouble in the future as well. **GS**

— By Diksha Dutta

Hyderabad, India

Hyderabad, the capital of Andhra Pradesh, is India's hi-tech city, which is also known as "Cyberabad." Andhra Pradesh delivers the largest number of engineers in the country. Its capital hosts three central universities, two deemed universities, and six state universities. Moreover, Hyderabad also has the lowest costs of living and education among Indian cities.

Not known as a metropolitan city traditionally, Hyderabad has been able to stand its ground when compared to other outsourcing destinations in India. Hyderabad, one of the favorite visiting spots of international tourists, experiences the advantage of being a twin city with Secunderabad.

The city has been actively marketing itself in the IT-services space, and stands second to the NCR region in total IT-enabled services exports, according to *The Indian Offshore Advantage* written by Ian Hunter.

Hyderabad has established itself as the leading destination for IT and IT-enabled services, pharmaceuticals call centers, and other outsourcing processes. Many computer software companies and consulting firms, BPOs and other technological services firms have their offices and facilities in the city.

The main ITO service providers in the city are IBM, TCS, Wipro, Infosys, Mahindra Satyam, iGate and Accenture. Available large talent pool makes it a suitable location for BPOs as well. Companies such as Deloitte, 24X7 Customer, EDS, Mahindra Satyam BPO and Sitel have their BPO setups in the city. Many global companies, including HSBC, Bank of America, Microsoft, AT&T, Deloitte and Novartis have their captive centers in Hyderabad.

The labor cost in the city is a shade higher as compared to cities such as Pune and Chennai. The salary of an entry-level BPO executive in Hyderabad is \$200 to \$220 and of an entry-level ITO professional varies from \$290 to \$310.

Hyderabad, which is known as established outsourcing location for ADM, testing and healthcare outsourcing services, is developing new outsourcing capabilities such as product development, financial services and contact center (English).

Being home to a population of 6.8 million, it needs constant infrastructural developments. And, interestingly the city has managed to keep pace with this demand. There have been extensive investments in digital infrastructure within the city promoting the setting up of several campuses by a vast array of companies within the city.

The per month salary of an entry-level BPO executive in Hyderabad is \$200 to \$220 and of an entry-level ITO professional varies from \$290 to \$310

The government is also providing full support by coming up with business and operations friendly policies. The latest policy came into effect in 2005, possibly one of the best in terms of offering incentives and infrastructure requirements to the IT services industry. It includes power, tax, Stamp duty, property, real estate, and also mega incentives. No update of the policy has however been done yet.

Thus, being blessed with robust infrastructure and government support, Hyderabad is now developed as a cosmopolitan city being listed in the top global outsourcing destinations. **GS**

Pune, India

Pune is a city, which signifies “youthfulness and enthusiasm” at its best. With more than hundred educational institutions and nine universities, it’s called “The Oxford of the East.” The city claims to have the largest number of schools, colleges and universities in the world, with students coming from all across the globe to study here. With the fast increasing number of migrants from other parts of India, the city is one of the fastest growing India urban areas.

Large student population consequentially leads to a large employable workplace in Pune. The favorable climate and constantly improving quality of life is an attractions to the migrants as well. Pune offers a more pleasant local travel than Mumbai.

The concept of IT parks touched Pune way back in 2,000 to encourage new IT companies. Since then many IT parks have been established in the city. Among many others, the Rajiv Gandhi IT Park, the Magarpatta Cybercity, the MIDC Software Technology Park at Talawade, the Marisoft IT Park and Kumar Cerebrum IT Park at Kalyani Nagar, the International Convention Centre (ICC), and Weikfield IT Park are the popular ones.

The city is exclusively known for its center of excellence in engineering services. This is why many global firms have their engineering setups here. For example, Emerson, a manufacturing and technology group, established their Pune center in June 2003. This center is exclusively helping other Emerson companies in product development and research work.

The city in the state of Maharashtra is also developing skills in financial services, legal services, contact center (English), product development, application development and infrastructure-management services.

The long list of service providers in the city includes ITO providers such as Accenture, Cognizant, CSC, Geometric, HCL, IBM, Infosys, TCS, Tech Mahindra, Wipro Zensar and many more and BPO provider such as Convergys, EDS, EXL and WNS to name a few. Pune has a significant number of captive setups of global firms such as Amdocs, Citi, Microsoft, Oracle, Kanbay, Mimosa Systems, HSBC Software and Symantec. The IT majors that have BPO operations as well in Pune include Infosys, Wipro and Mahindra Satyam.

An entry-level techie in Pune earns between \$270 and \$290 and an entry-level BPO executive can cost from \$180 to \$200.

To look at the government initiatives, Maharashtra IT policy was last updated in 2003 and is presently under restructuring. The policy offers special, real estate and mega incentives, which are at par with the other top outsourcing cities in this year’s list. However, recently Maharashtra has been facing some resistance to people coming from other states. This could prove to be a major hindrance for the city to go to the next level in its evolution as an outsourcing destination and a cosmopolitan city.

However, the city lacks international air connectivity. Despite that it has been attracting many investors. Large labor pool and tech skills make Pune an ideal outsourcing destination for many customers and the service providers. **GS**

The city is exclusively known for its center of excellence in engineering services. This is why many global firms have their engineering setups here

Q&A



Girish Wardadkar, President and Executive Director, KPIT Cummins Infosystem

“Offers a large talent pool with 650,000 students”

What is the main attraction of Pune as an Outsourcing Destination?

I would categorize the advantages of Pune in four aspects.

Firstly, proximity to Mumbai and the triangle between Pune, Nasik and Mumbai offers a great geographical advantage. Secondly, the vibrant industrial infrastructure that hosts a variety of industries such as engineering, automotive, pharma to name a few. Moreover, the city also offers a large talent pool with 650,000 students and 5,700 engineering colleges in Pune university, and 526 affiliated graduate colleges in the city. Lastly, the safety factor in the city is incredible. Usually, it’s said that if immigration in a city is high, the crime rate will automatically increase. However, this hasn’t happened in Pune.

Where does Pune stand as compared to the other Indian outsourcing cities?

The software scene in the city is very attractive. Pune is inviting small as well as large software companies to invest here. Talking in statistics, Pune has 212 software companies; Bangalore has 208 followed by Hyderabad with 97. However, Pune hasn’t been able to reach the 300 score of Mumbai. **GS**

— By Diksha Dutta
Source of the statistics given by the spokesperson in answer 2: STPI Study

Top Established and Emerging Global Outsourcing Cities by Functions

Companies are always looking at opportunities to offshore new areas. This leads to growth in overall scope of services that get offshored. This is why, last year we had introduced two new sub categories including emerging and established cities for Contact Centers (English and Multilingual). Similarly, in the 2009 study we have introduced three new sub categories. These new functions include:

- **Animation / Game Development:** The global game development market, which estimated at \$10 billion in 2007, is always under pressure to improve time-to-market for new games, increase cost savings and remove concerns such as piracy of popular games. Outsourcing of game development activities helps mitigating all of these concerns of the customers segment.

Countries such as China, Russia and Brazil are always considered as leaders in this space. There are many other countries such as Ukraine, Vietnam, India, The Philippines, Korea and Romania that are strengthening their skills in this area. This is why, cities such as Shanghai, Beijing, Moscow and São Paulo have formed the list of emerged outsourcing locations for the game-development services. And the list of emerging outsourcing list of this sub category has cities such as Manila (NCR), Buenos Aires, Ho Chi Minh, Bangalore and Thiruvananthapuram. The growing number of mobile users across the globe has also encouraged outsourcing of animation and game-development services in the recent past.

- **Health-care Services:** Cities including Hyderabad, Bangalore, Warsaw, Prague, St. Petersburg, Mumbai are named as the top cities for the health-care services space.

The list of emerging outsourcing locations in this area has Bucharest, Bucharest and Shanghai.

- **Infrastructure-management Services:** As IT infrastructure outsourcing is almost a five year-old industry, it made sense to us to have this sub category this year. In fact the demand of remote infrastructure management outsourcing is expected to touch \$5.9 billion in 2009 and \$8.6 billion in 2010, according to the Everest Research Institute. Believing that there is clearly an opportunity in the current economy to reduce costs in IT-infrastructure outsourcing space, providers offer multiple solutions to help customers reduce IT budgets, such as virtualizing customers' server environments or consolidating their data centers into pooled environments, network services, storage, desk operations, midrange, security, mainframe and desktop support.

In 2009, the list of established global outsourcing cities for infrastructure-management services has three top global cities Bangalore, Delhi NCR and Dublin and two cities, including Toronto and Kuala Lumpur from the *Top 50 Emerging Global Outsourcing Cities* category.

We have not ranked the cities mentioned in these sub categories. But we have identified three to six established and emerged cities by outsourcing functions, including Application Development and Management (ADM), Animation / Game Development, Business Analytics, Contact Center (English), Contact Center (Multilingual), Engineering Services, Finance and Accounting (F&A), Health-care Services, HR, Infrastructure Management Services, Legal Services, Product Development, Research and Development (R&D) and Testing.

Top established global outsourcing cities by functions

Functions	Established Cities
ADM	Bangalore, Mumbai, Hyderabad, Chennai, Dublin
Animation / Game Development	Shanghai, Beijing, Moscow, São Paulo
Business Analytics	Delhi NCR, Mumbai, Bangalore, Chennai, Kraków, Toronto
Contact Center (English)	Delhi NCR, Manila NCR, Dublin, Mumbai, Bangalore, Toronto
Contact Center (Multilingual)	Mexico City, Cairo, Kraków, Buenos Aires, Dalian, Bucharest
Engineering Services	Bangalore, Chennai, Pune, St. Petersburg, Guangzhou
F&A	Mumbai, Bangalore, Manila NCR, Kraków, Shanghai, Dublin
Health-care Services	Hyderabad, Bangalore, Warsaw, Prague, St. Petersburg, Mumbai
HR	Prague, Bucharest, Bangalore, Makati City, Budapest
Infrastructure Management Services	Bangalore, Dublin, Kuala Lumpur, Delhi NCR, Toronto
Legal Services	Manila NCR, Mumbai, Chennai
Product Development	Bangalore, Moscow, Chennai, Shanghai, Ho Chi Minh
R&D	St. Petersburg, Bangalore, Moscow, Shanghai, Dublin
Testing	Bangalore, Chennai, Hyderabad, Ho Chi Minh, Toronto, Shanghai

Source: Global Services and Tholons

■ New Entrant(s) / Category

Top Emerging Global Outsourcing Cities by Functions

Functions	Established Cities
ADM	Shenzhen, Ho Chi Minh, Pune
Animation / Game Development	Manila (NCR), Buenos Aires, Ho Chi Minh, Bangalore, Thiruvananthapuram
Business Analytics	Bucharest, Cairo, Shanghai
Contact Center (English)	Cebu City, Pune
Contact Center (Multilingual)	São Paulo, San José, Casablanca, Accra
Engineering Services	Prague, Delhi NCR, Coimbatore, Moscow
F&A	Cebu City, Pune, Colombo
Health-care Services	Budapest, Bucharest, Shanghai
HR	Cebu City, Tallinn, Kraków
Infrastructure Management Services	Prague, Pune, Bucharest, Mexico City, São Paulo
Legal Services	Johannesburg, Pune, Cebu City
Product Development	Pune, Bucharest, São Paulo, St. Petersburg
R&D	Bucharest, Beijing, Prague, Chennai, Kraków
Testing	Bucharest, São Paulo, Cairo

Source: Global Services and Tholons

■ New Entrant(s) / Category

In the “emerged outsourcing cities by functions,” most of the categories are dominated by cities from this year’s “top 8 outsourcing cities.” For example, the cities named under the ADM category and the legal services list have names only from the top 8 global outsourcing cities. And, the ADM category is the same the year’s list.

Toronto and Dublin have entered the sub lists of business analytics and F&A services respectively. One of the major factors for the growth of any destination in the business analytics space will be the ability to acquire the right kind of talent and retain it. As these high-end business processes such as business analytics rely mainly intellectual arbitrage, cities like Toronto get an extra edge over the other cheaper destinations, primarily known for low-end BPO services.

A closer look at the top emerging global outsourcing cities by functions reveals that Accra has figured in the list for the first time. The city has been named among the top emerging cities for multilingual contact centers, with other cities such as São Paulo, San José and Casablanca.

Accra is the capital of Ghana, which is one of the major economies in the Western Africa region. Apart from BPO and call-center capabilities, the government of Ghana has realized the potential of technology and has identified IT-enabled services as one of the key



One of the major factors for the growth of any destination in the business analytics space will be the ability to acquire the right kind of talent and retain it. As these high-end business processes such as business analytics rely mainly intellectual arbitrage, cities like Toronto get an extra edge over the other cheaper destinations, primarily known for low-end BPO services

areas to enhance economic growth and welfare of the county. As a result, the government of Ghana has undertaken an ambitious initiative, eGhana, to improve labor force skills as well as enabling infrastructure to support the ICT industry.

In the product-development sub category, the city of St. Petersburg has figured as a new entrant in the emerging city space. Unlike IT-BPO companies, product-development companies have a very niche market. The educational structure of St. Petersburg is capable of generating skills required to develop the city as one of the most potential outsourcing cities for product development. The strong presence of offshored product-development companies such as Reksoft and DataArt displays the growing activities in this space. The city is known as an established destination for engineering and R&D services.

Krakow, an established destination for business analytics outsourcing services, is an emerging location for HR and R&D outsourcing services. The city has figured in the emerging R&D outsourcing locations for the first time.

Other categories in both emerging and established segments have more or less the same names as we had in the last year’s listing. See tables to know more. **GS**

Top 10 Aspirants

This year the Global Services-Tholons research team decided to form a new set of cities, which have potential to figure in the Top 50 Emerging Global Outsourcing Cities in the coming years. However, there is a lot to be done in each of these locations to develop and facilitate outsourcing activities. Hence, we decided to name this category as “Top 10 Aspirants.” A few of the names mentioned in the list might make to the emerging outsourcing cities list in the coming years but, as of now, their interest and recent efforts to develop outsourcing industry helped them position among Top 10 Aspirants.

The “Top 10 Aspirants” list is full of interesting names. The list has four cities from Asia itself. Of which, two are Indian cities (Bhubaneswar and Thiruvananthapuram) and the other two are Filipinos (including Iloilo City and Santa Rosa, Laguna).

The top slot of the list was bagged by the fourth-largest Russian city Nizhny Novgorod. The city's IT industry is one of the largest in Russia, and is known for its engineering, R&D and software development capabilities. Many software developers and offshore service providers such as Auriga, Devetel, Exigen Services, MERA Networks, RealEast Networks and Teleca have their setups in Nizhny. Intel has its R&D facility in the city. Nizhny's educational structure, which is inclined toward mathematics and science, helped building world-class engineers and techies. Institutes such as Nizhny Novgorod State Medical Academy, Nizhny Novgorod State University, Nizhny Novgorod Technical University, as well as Nizhny Novgorod Institute of Information Technologies, fo-

cus on IT trainings. The city is a good nearshore location for European countries.

Bhubaneswar, the Indian city that has bagged the second position in this category, serves the corroborative evidence of the fast emerging tier-2 and tier-3 outsourcing locations in India. The city's lucrative talent pool is attracting many outsourcing firms. This is why many firms have planned long-term investment plans for Bhubaneswar. For example, Genpact has announced to set up a BPO center in the city. Genpact BPO center is expected to generate 3,000 jobs. Similarly, MindTree Consulting's new project for the city is likely to create 5,000 jobs in Bhubaneswar. However, these two projects are behind the schedule. And the notification of the revised building norms by Bhubaneswar Development Authority (BDA) has also contributed its part in putting many other IT projects on hold. Zensar Technologies' project is one of them.

Another Indian city Thiruvananthapuram, the capital of the Indian state of Kerala, is positioned at the fifth place in Top 10 Aspirants.

Another interesting name in the list is Recife, Brazil. The city is Brazil's fourth-largest metro and has a dedicated IT area called “Porto Digital,” which hosts 90 IT companies that employ over 3,000 people. The tech companies based in the city has another benefit of counting on techies produced by Federal University of Pernambuco, which has one of the best computer science departments in LatAm. The state government help Porto Digital to have world-class business environment for the IT companies. Factors such as strong educational structure, international airport, and cultural and geographical proximity to North America make it a potential location for North American buyers. Despite that the city has not yet been able to catch global media attention yet.

Other cities that figure in the list are Cork (Ireland), Cordoba (Argentina), Puerto Rico (The U.S.) and Amman (Jordan).

Rank 2009	City	Country	Region
1	Nizhny Novgorod	Russia	Eastern Europe
2	Bhubaneswar	India	South Asia
3	Iloilo City	Philippines	Southeast Asia
4	Cork	Ireland	Western Europe
5	Thiruvananthapuram	India	South Asia
6	Recife	Brazil	South America
7	Santa Rosa, Laguna	Philippines	Southeast Asia
8	Córdoba	Argentina	South America
9	Puerto Rico	U.S.A.	Central America
10	Amman	Jordan	Middle East and Africa

Source: Global Services and Tholons



Methodology

The Global Services-Tholons Top 50 Emerging Global Outsourcing Cities 2009 study provides a weighted ranking of specific locations in relation to their respective capacities as global outsourcing destinations.

The following methodologies were implemented in fulfilling the report:

Primary Research

Surveys and interviews with both tier-1 and tier-2 global service providers and customer were conducted to gather information. The gathered data were used to determine delivery and consumption trends for outsourced services in specific destinations. Other primary data gathering methodologies were also implemented to determine market and labor sizes as well as expansion strategies of tier-1 and tier-2 service providers. Extensive network of industry stakeholders including customers and services providers, governments, trade bodies and associations were utilized to collect and validate data and analysis.

Secondary Research

Secondary research methodologies were used to collect information, especially where primary means are not available or possible. Historical data from governments, global institutions and agencies and monetary bodies were used to provide global economy-related information. Publicly released data from government sources were also considered when using country-specific market data. Publicly available financial records such as quarterly and annual reports, industry bulletins and trade publications were used to verify market assumptions and analysis.

Quantitative and Qualitative Analysis

A combination of quantitative and qualitative analysis has been utilized in developing the weighted rankings. The proprietary weighing and ranking framework were developed and refined by senior Tholons consultants over years of direct customer engagements and professional observations. Further, qualitative analysis was implemented to provide perspective to the quantitative results of the report. Tholons carefully considered numerous variables when providing final rankings, and considered the impact which non-numerical data plays in the assessment of global outsourcing locations.

Converging Centers of Excellence

Tholons is a pioneer of the “Center of Excellence” concept in the offshoring and outsourcing space, and the concept has proven its validity over the years. More recently, however, the industry has moved toward convergence of outsourcing destinations from the perspective of the customers and location assessment. As the decision on where to locate becomes more complex and as the decision parameters expand constantly, customers are required to adopt more complex frameworks and methodologies for location assessment. The best approach looks at all requirement factors and seeks to find the most appropriate location for businesses--the Center of Excellence. The answer is never direct or simple and requires extensive research and assessment, both on the process requirement and service delivery fronts. In the customer's search for its appropriate Center of Excellence--a country is always looked at before a city is finalized. This is the convergence of the offshore destinations (individual locations) into offshore nations (collective locations), which this report aims to capture.

The global outsourcing landscape has evolved significantly in the last five years, earmarked by increasing complexity and wide-scale expansion in terms of both locations and outsourced processes. In this period, Tholons has observed concise differences between customer perception of offshore destinations and actual location-assessment results. Thus, it has become even more important to understand the client's viewpoint and location assessment from their respective standpoints.

Tholons has also identified the recent convergence of specific service delivery locations. The report discusses convergence of these centers from two vantage points—delivery centers as a part of their respective countries and delivery centers expanding beyond their geographical boundaries. The coming together or convergence of cities in a country as one common value proposition to the client is highlighted in the section, Top 5 Offshore Nations and Next 5 Offshore Nations. The mitigating of geographical boundaries by cities and formation of city clusters is also discussed in the subsequent section “Cities as Clusters.”



About Global Services

Global Services (www.globalservicesmedia.com) is a media platform for the global outsourcing industry.

Global Services connects buyers and service providers in the global IT services and BPO industry. Its portfolio of media options includes online website, events, newsletters, microsites, online directory (OsourceBook) and custom solutions. Established in Feb. '06, Global Services is published by CyberMedia (India) Ltd.

Established in Feb. '06, Global Services is published by CyberMedia (India) Limited, South Asia's largest specialty media and media services company. CyberMedia is engaged in publishing (with 15 publications dedicated to myriad tech areas, such as infotech, telecom, consumer electronics, and biotech), market research, content outsourcing, gaming and media education.

About Tholons

Tholons is a Services Globalization and Investment Advisory firm that combines "Best of Breed" consulting experience with deep execution expertise and investment insights to deliver truly effective services to its clients. Tholons offers a detailed understanding of business processes and combines it with practical hands-on expertise in executing the strategy. Tholons draws upon the considerable experience of a hand-picked team, which has successfully formulated and executed globalization strategies to unlock value for Global Fortune 1000 companies. Service providers leverage Tholons expertise to optimize their global delivery model. Tholons advisors engage with government bodies to build compelling strategies for making countries attractive destination for outsourcing.

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MONDAY, AUGUST 10, 2009

Marhabba BPO! Jordan Is Ready to Greet

It looks like another little oasis of IT delivery is building up as the vast sands of Middle East blow winds of new market opportunity while the U.S. and Europe are weathering some severe storms. After the likes of Egypt, it's now Jordan that joins the club, as it gets all set to woo the outsourcing industry. Here's how

– By Pratima H.

The Kingdom of yore looks all set to morph into a valley for IT and BPO industry.

And it won't be just all about the royal gleam of Hashemite Kingdom or awe-inspiring camels, or majestic sand dunes or the rich Arabic tales anymore. If the new direction bears its fruits on time, Jordan could soon be within the eyesight of BPO nomads too.

At the Nasscom Summit 2009, foreign delegations of many hues and shades were seen exploring and selling business opportunities in the new world order that is shaping up for a post-recession scenario. And rubbing shoulders with the likes of Ireland, Scotland and Wales, we could see delegates from Jordan too. They were not only prepared enough for a strong competitive pitch, but also had large spoonfuls of the pudding's proof up their sleeves.

Why Jordan?

"It's a great gateway to the Middle East (ME), the next

goldmine of opportunity for IT and BPO industry," offers Kinan A. Jaradat, Enhanced Productivity Component Outsourcing Sector Lead from Jordan.

"The ME is no doubt an emerging market and while most Gulf countries lack human resources to cater to the new technology needs springing up here. This puts Jordan in a unique position of advantage." With a teeming population of six million, of which about 50 to 60 percent fall in the less than 25 years of age demographics and have skills to match, there could be a strong argument here.

And from its vantage point, being a region that has been stable since the 1960s, gives Jordan another unique territory in a geography, which though promising, has been punctuated with geo-political tensions. "We are not impacted from what happens in the surrounding regions and have always been stable, which is a good consideration point from a business perspective," Jaradat reasons.



Jordan Valley Technology

English language skills, apart from French, Spanish and Russian, add to Jordan's demographic attractions. "The good part is that English here stands out for its neutral-Arabic accent," he adds.

As to the cultural milieu, he assures that Jordan has an open and welcoming arm towards foreign labor and any company is given the nod for employing 100 per cent expats, if it may choose so. On the infrastructure side, areas like power, roads and buildings are positive too. It has already been recognized on the eco-friendly distinction, where the example of Amman, a building zone, is cited as an example and an award-winning case in masterful city planning.

There are three Development Zones (DZs) currently operating in Jordan while more might be announced in the future. These are King Hussein Bin Talal Development Area (KHBTD) spanning 21 sq.m., Ma'an Development Area situated near the Saudi border and covers about 9 sq.m. in a cluster design, Irbid Development Area (IDA) which is stretched over a 3.2 sq.m. area. The IDA is pegged adjacent to some leading scientific institutions and one of the ME's foremost ICT and healthcare Universities. This one provides sector opportunities in ICT, healthcare, R&D etc.

Government in Tango

The Hashemite Kingdom of Jordan looks all serious and determined. The Development Zones (DZC) Commission business brochure reads, "In His Majesty King Abdullah II quest to ensure quality leap in the sustainable development of Jordan, the creation of Development Zones across the Kingdom was launched. The DZC is the Jordanian governmental entity, financially and administratively independent. Established in 2008, under the Development Zones Law, the

Commission aims at increasing Jordan's FDI and the DZC Board of Commissioners alongside to a One Stop Shop team, supervises and centrally approves a comprehensive investment related administrative matters, expediting all governmental services quickly in one location, along with a number of investment and tax and customs exemptions."

These services, as the brochure adds, include licensing, registration of enterprises and permits; labor licenses including visas, residency and employment related procedures and approvals along with ongoing procedures necessary for operations.

Samer I. Asfour, Commissioner for Investor Services and Development, from DZC, tells how the Government is giving a strong buttress to attracting investments in IT and BPOs. "We have been mandated by the Government through a law, which has been commended as the world-class law for Special Economic Zones. There is ease of ownership of capital. There is ease on movement of labor, including foreign labor etc. And with a good transfer of power from government to the Commission, there is actually a single-point clearance level and pace for investors coming to Jordan. There is no need to deal with multiple levels of agencies. Zero-tariff in various taxes, property-level incentives and other perks at various levels and in many areas add up to an open arm from the Government."

For players looking at setting up their anchors here, there are both greenfield and brownfield options open here.

An IT city, Arabic Development zone with parts inhabited by IT firms and parts for BPO firms is just one example cited on the infrastructure side. Amman is another area that looks tall for a service provider's compass. The business park in Amman has just finished the first phase sprawled across 500 sq km, spread over all on 1.8 hectares.

Jordan's Allure for Contact Center (CC) sector

- Jordan's CC outsourcing sector has 1200 agent positions and the market is estimated to increase in next five years based on existing domestic, near shore (Gulf) and offshore demand
- CrystelCall (with client wins in North America, the ME and Jordan), E3Mar (a virtual CC), Jordan Telecom (focused on Government accounts) and Extensys are some of the current CC deployments already here. Datamonitor notes that many other OSPs are actively pursuing the Jordanian market with a vertical and onshore-offshore mix in mind.
- Pricing-wise, an offshore agent's price per hour ranges between \$12 to 15, depending on function and vertical. Jordan's rate is tagged as favorable and compelling in comparison to other CC markets like Central and Eastern Europe, South Africa and India. Low attrition and limited unionization add to that. Arabic services are priced at about \$10 per agent per hour, which is a very competitive rate for the Gulf region.
- Stable and attractive Real Estate market from the view of commercial property availability, both purchase and lease side.
- Incentives for CCs include up to 75 percent income tax and social service levy abatement for ten years (location-dependent).
- Customs and sales tax exemptions on fixed assets (if imported into Jordan within three years of incentive approval)
- Training subsidies
- Strategically located ICT free economic zones / DZs that are claimed to be fully connected, networked supported with high-level IT infrastructure and competitive business environment.
- Key Offshore markets: Gulf States (main countries- Qatar, the UAE, Oman and Saudi Arabia where Jordan leverages physical proximity, Arabic fluency of its agents and low price points); Western Europe (Jordan as an alternative to UK clients looking for diversification where English as primary second language among Jordanian helps); and U.S. / Canada (as a lower-cost location for English-speaking services)

GS

May 2008, A Datamonitor white paper on 'Jordan as a contact center location of choice'

Here are some more incentives within the DZs:

- » Income tax rate: Five percent, on income generated from activities within the DZ
- » Sales tax rate: Zero percent, on goods and services purchased into or imported for use in economic activities
- » Custom Duties: Zero percent, under the DZ
- » Social Services Tax, and Dividends tax: Zero percent, within the Zone, or outside the Kingdom

Dedicated to ICT

Jordan has an ICT industry-support association founded in 2000. It's called int@j, which has been steering as per the direction put forth by His Majesty King Abdullah II in 1999. In 2007, int@j created the National ICT strategy (2007-11) which involves three high-level strategic objectives to be achieved by 2011. These are – increasing Internet penetration in the Kingdom from 11 per cent to 50 per cent, raising the number of workers in the ICT industry to 35,000 and upping ICT sector's revenue to \$ 3 billion.

As per int@j, these policies have cumulatively positioned Jordan as one of the region's most open economies to trade and foreign participation and taxation has become relatively liberal. Citing names like Microsoft, Intel, Cisco Systems, Oracle and France Telecom as investors, it adds that the Government has shown further support to ICT.

"As a result, annual sector growth has risen to about 50 per cent over the past few years and its generated income represents approximately ten per cent of the country's GDP," claims the association.

BPO has been identified as one of the main sectors identified with great potential to support by int@j's National ICT Strategy.

Sibling Rivalry?

Jaradat shrugs off any concerns from competition billowing out of the neighborhood. Commenting on Egypt he confidently puts in two brackets – compete as well as co-opt with Egypt. "Both the regions are capable of attracting investments in the Middle East. While Egypt did start a little earlier, it doesn't leave us in the 'catch-up' category. Our forte would be more on the KPO side and that's how we will also complement each other."

From a third eye's lens

Anupam Govil, CEO, Global Equations, an outsourcing advisory firm is of equally strong opinions on the argument of ME as a growth market. "We cover regions with proven unique advantages. Egypt and Jordan are top two destinations. But yes, Jordan's English is more neutral and it does have a highly educated workforce. From a risk mitigation

view, the economic and political condition is stable. Government is supportive with tax incentives and subsidies, along with dedicated zones for BPOs."

Overall, he tags Jordan good as it provides access to three major markets and a near-shore length to the Gulf market, making it an ideal gateway.

What's not hot yet?

Oozing with confidence, but candid enough is what you would call them when you question these delegates on the bumps they see ahead. Talking of challenges, Asfour and Jaradat say building up momentum would be quite a task. "There is also the challenge of taking off the fog of misperception and generalization on geo-political disturbances. The Middle East on the whole is generalized when it comes to that mindset. We have to separate Jordan from that mis-

perceived zone and position it as a safe harbor and advanced business destination, which it really is."

In Govil's view, the challenges that await Jordan include a formidable branding task. "The region is still early on maturity curve with not as many service providers right now. The unemployment rate is as high as over 25 percent because of the lack of visibility of BPOs, so training and efforts in this direction need to materialize soon."

So far, so good

Ask Jaradat if the timing is too right or too late to start positioning Jordan as the new destination in the BPO industry's radar, and he answers, "I think, this of all times is the exact time to do that. Because all the international companies are reconsidering their strengths and this is an opportune time to place ourselves right."

During this India trip, he and his delegates have already done a couple of meetings with some CEOs of the industry here and given India's proven strengths as a vendor in the BPO industry, he adds, "We take India very seriously and are exploring a lot in the meetings we are doing here." On the government side too, there are some high-level trade and investment agreements to boot as Asfour shares. "The idea is to activate various agreements as a vehicle to start attracting investments." The firm-to-firm, one-on-one match-making for BPOs in Jordan looks all set to get accentuated as Jordan gets serious to explore the expertise, knowledge bandwidth and proven capabilities of India.

It would take some time but it sure would be an interesting transition to witness when the 'Marhabba' translates to 'Masha-Allah'. And someone in Jordan is surely whispering, Amen!

GS

TUESDAY, SEPTEMBER 29, 2009

Offshoring: The Caribbean Experience

One of the most preferred tourists spots, Jamaica is now an offshoring hub too. With its fast increasing emphasis on the quality of its infrastructure and workforce, the country differentiates itself as a nearshore outsourcing destination. However, Jamaica is not positioned as a low-cost destination. A look at the Jamaican outsourcing industry

– By Diksha Dutta

Jamaica might have a violent history considering that the Spanish conquered the peaceful Awarkas, way back in the 16th century. But today, the country has risen with passion and perseverance and is a potential place to trade and invest for countries across the globe.

Similar time zone makes Jamaica a convenient nearshore outsourcing location for the outsourcing services buyers from neighboring countries, including the U.S., Latin America and other Caribbean countries. The time zone varies zero to three hours from North America and five to six hours from Europe.

“Jamaica is an ideal destination for investing as its location provides a crossing point between both North and

South America,” explains Hugh Cresser, Principal Consultant, Emerging Markets, PA Consulting. International direct dialing links subscribers to the U.S., Canada, Europe and the Caribbean and the Jamaica. Digiport International in the Montego Bay Free Zone offers satellite earth stations with support technology to facilitate satellite links and digital switching to carrier networks in North America and Europe.

“Customers like Jamaica because of its ease of access. We have several customers living in Atlanta. It’s just as easy getting on the plane to go to Jamaica as it is to go to Washington, DC. Proximity to the U.S. is certainly a factor, and there are great labor resources,” says Tom Blodgett, Execu-

Major Outsourcing Cities in Jamaica

City	USP
Montego Bay Free Zone	<ul style="list-style-type: none"> ➤ highly developed financial services sector that offers on-line banking facilities, and foreign companies may operate their corporate accounts at any of these institutions. ➤ Ready access to qualified graduates with skills required for the competitive marketplace ➤ Client Relations Division helps investors contact recruitment agencies and training institutions for specific skills.
The Cazoumar Free Zone	<ul style="list-style-type: none"> ➤ Office space, telecommunications facilities, a Flow NOC, catering (canteens) and transportation for workers.
Portmore	<ul style="list-style-type: none"> ➤ Informatics Park has prominent offshore investment opportunities in ICT ➤ Top quality information processing facilities ➤ A young, well-educated and computer literate population.
Kingston	<ul style="list-style-type: none"> ➤ Huge potential inspite of its high crime rate ➤ ACS recently purchased a company called e-Services with established operations in Kingston.

Source: Global Services



Attrition Rate in Jamaican Outsourcing Industry

Low attrition rates relative to industry average

- >> F&A: 22%
- >> Data entry: 0%
- >> Overall: 13%
- >> Wages: 40% to 60% lower than the U.S. and Europe
- >> Estimated Average Call Center/BPO wage: (gross, pre-tax and without benefits)
- >> Call center wage \$3.50 per hour
- >> BPO operator wage from \$4.50 per hour
- >> Main Players: Offshore Call centers and BPO

Jamaica Trade and Invest



tive Vice President and Chief Operating Officer, Commercial Operations, ACS, a Dallas-based IT service provider and has become the main player in Jamaica by making 100 acquisitions over a decade and having 5,400 employees.

Jamaica's world-class Business Process Outsourcing (BPO) capabilities are the result of its educated English-speaking workforce, cultural and physical proximity to America and Europe. Global service providers such as ACS, Alliance One, Salary.com, Vista Print, National Asset Recovery Services, e-Services, Paragon Communications, Market Track and Accent marketing, have a prominent presence in the country. There are total 24 delivery centers in the country.

To establish the IT services outsourcing in Jamaica, the country will require huge investments in higher-tier labor resources and infrastructure such as hardware and bandwidth.

"The industries that look toward Jamaica as an outsourcing destination are Insurance, financial entities and customer service-oriented companies. Companies looking toward Jamaica as an outsourcing partner tend to outsource the following disciplines: Debt collection, finance and accounting, HR management, graphic design, payroll, customer service, and insurance claims and tech support," says Don A. Gittens, Senior Consulting Officer, Knowledge Services, Jamaica Trade and Invest.

As compared to India and the Philippines, the attrition rate in Jamaican BPO is 15 percent lower, reports PA Consulting. Though the labor cost in the country is higher as compared to the other two.

However, as the Caribbean community has the highest rate of emigrants in the world, Jamaican talent pool has also not been able to contribute to its economy to a greater extent. In 2007, the region's 35 percent of the labor force migrated to OECD countries since 1965, according to a Canadian International Development Agency (CIDA). A closer look at the study reveals that since the independence of the region, approximately 80 percent of Jamaican have grads left the country.

Interestingly, the Jamaican government has taken prominent steps for the outsourcing community by providing 100 percent tax holiday on profits in perpetuity for service companies that export 85 percent or more of their ICT services. Moreover, the Government is also identifying office space for potential investors by being in the process of establishing a technology park for prospective investors.

Chris Nuttall, a member of PA Consulting Group management

team and sourcing advisory expert concludes that many U.S. corporations and service providers continue to look toward Canada, Mexico, the Caribbean and Latin America as viable destinations for near and offshore work. He believes, any Jamaica or Caribbean strategy needs to be designed in the context of a wider global shared services and sourcing strategy, and it remains critical for the supply side service delivery centers to become and remain highly competitive (against both in-house service delivery centers and against viable alternative onshore, near shore and offshore centers) so as to secure and ensure a multiyear stream of increasingly valuable workflow. **GS**

To establish the IT services outsourcing in Jamaica, the country will require huge investments in higher-tier labor resources and infrastructure such as hardware and bandwidth

WEDNESDAY, SEPTEMBER 02, 2009

Outsourcing to Colombo

Although, Colombo outsourcing industry has not yet matured enough to take on high-value off-shored application development and management work, the city is well known for its F&A and knowledge-process outsourcing services because of high availability of certified accountants

– By Pratibha Verma

Despite having battled with terrorism for more than two decades, Colombo, the largest city and commercial capital of Sri Lanka, has succeeded in cornering 60 percent of the country's FDI.

In 2006, the country's FDI was \$480 million, and it rose to \$889 million in 2008, according to United Nations Conference on Trade and Development (UNCTAD) and Board of Investment (BOI).

The city's geographical location, infrastructural facilities, direct access to the Indian market, high standards of the work force, open economy and various free-trade agreements make this place an attractive outsourcing destination. Colombo has 90,000 graduates, according to Census and Statistics Dept. 2008. And, its labor costs is 15 to 20 percent lower than India.

Although, its outsourcing industry has not yet matured enough to take on high-value software product development processes, it is well known for its F&A and knowledge-process outsourcing services because of high availability of U.K.-certified accountants.

Majority of the city population possess good English language skills--which makes it ideal for captives in financial, telecommunication and healthcare sectors. HSBC, WNS Global Solutions, RR Donnelley, John Keells Computer Services, Just in Time, Virtusa and Astron are some of the companies, which have invested in the city.

Despite having all the capabilities, it is tough for the city to compete with other outsourcing destinations due to lack of investment in the country. The major concern with Sri Lanka, and hence with Colombo, is the risk factor; although the war between the government and LTTE has ended, the risk perception continues.

American customers (the biggest investors) have been discouraged from investing in the country because of the travel warning imposed by the U.S. Department of State for a number of years. According to the warning, American citizens traveling to or living in Sri Lanka face a risk of continued instability, including possible terrorist attacks.

According to an investment advisory firm, Tholons' Analyst Saugata Sengupta, "The problem of geo-political risk has

Average monthly salaries at each level of experience by job category (in \$)

Job Category	Less than 1 year	1 to 5 years	6 to 8 years	Over 8 years
Database Administration and Development	180	289	413	545
Digital Media	164	224	317	455
Enterprise Systems Consulting	204	323	473	552
Network Design and Administration(Networking)	183	268	413	560
Software Engineering	194	298	448	636
Project Management	228	341	557	739
Quality Assurance	175	274	426	612
Sales & Marketing	189	290	441	651
Technical Support	163	246	333	445
Technical Writing	176	257	318	467
Web Development	155	239	343	466
IT Management	333	471	644	885
Average	195	293	427	584

Source : National IT Workforce Survey - 2005



made the investment climate in the country suffer a great deal. Since the war between the government and LTTE is now over, the perception of risk for the country will improve with time--however, as of now the risk parameter is not congenial for the offshoring/outsourcing industry in Sri Lanka."

The country is also facing a problem of brain drain due to lack of opportunities. Sengupta says, "The opportunities outside the country are much more lucrative for them [IT workers]. The best guys go out of the country toward the Gulf and Europe. However, better salary packages would make the situation better."

The government and relevant trade bodies are trying to re-

tain the talent pool by encouraging the ICT sector in general, and the IT/BPO sector in particular. For the encouragement of the ICT sector, the Sri Lankan Consulate General, Los Angeles, in association with BOI, has recently launched FDI promotion program for entrepreneurs on the West Coast of America.

Tholons is quite optimistic about Colombo's prospects in the industry. Sengupta says, "As of now only a handful organizations (HSBC, WNS to name a few) are utilizing their economical and talent pool potential. As the risk perception for Sri Lanka improves, they should be well on their way to still achieve SLICTA's [Sri Lanka Information and Communication Technology Association] target \$1 billion target by 2012." **GS**

THURSDAY, AUGUST 27, 2009

Nearshoring to Bucharest: Say 'Salut'

Besides multilingual services capabilities, Bucharesters inherit strong mathematical and analytical skills. This is what makes the city an adorable outsourcing location not only to the companies that operate in the same time zone but also to the ones several miles away

– By Imrana Khan

Once called “Little Paris,” Bucharest is the capital of Romania, and is known for its extravagant architectures and contemporary high life. With favorable business conditions and excellent transportation facilities, the city differentiates itself as one of the wealthiest Eastern European urban areas.

One of the biggest advantages of this city is its proximity to the world's second largest outsourcing services buyer base in Western Europe.

According to Central and Eastern European Outsourcing Association (CEEEOA)'s 2008 CEE Review report, there were 580 domestic and international IT outsourcing companies in Romania in 2008, with 12,000 IT employees working for the industry. These include companies such as Accenture BPO, Genpact, Ness Technologies, Luxoft, Perot System, TechTeam, Unisys, Wipro and WNS to name a few.

However, higher wage rate makes Bucharest an expensive choice: a techie in Romania earns between \$28,510 and \$57,450 per annum approximately, according to CEEEOA. And the industry feels that too much attention from established players who continue to consolidate presence in Bucharest may put a pressure on salary levels.

When the Michigan-headquartered IT-services company TechTeam needed a platform to expand its team quickly with top talent, it started Bucharest operations in 1998. Today, the company that provides technical design, software architecture, development and on-going maintenance for its customers' products has over 160 developers operating out of Bucharest.

“We were looking for a combination of attractive costs plus technical expertise set in a time zone as close as possible to European Standard Time. In time, TechTeam considered many other locations to expand on our existing Romanian capabilities (for example, India, the Ukraine, Bulgaria)--each of these being very competitive locations in their turn, but we could not find the right mix of technical abilities and pro-activeness, which is characteristic of our business,” revealed the company's Business Development Manager Mihai-Daniel POPA. “Most of our customers are based in Switzerland, the U.K., Netherlands and other Western European locations, since time difference with these countries (1 to 2 hours) works to their advantage (and ours).”

Bucharest's multilingual outsourcing capabilities are already one of the popular ones among the buyers of outsourcing services. “Proficiency in English and French, but also German, coupled with minimal cultural differences from Western Europe, make communication very smooth. What is characteristic of Bucharest, and Romania in general, is that its people have

the East European frankness of telling whether something can be done or not, but at the same time manage to do that in a constructive way related to the client's bigger picture,” said the spokesperson from TechTeam, which provides services in over 25 languages globally.

To promote the outsourcing services in the city and other Eastern European outsourcing service providers, many associations are being formed, and many have been working for the betterment of the industry for ages. Some of the known names in the sector are: Central and Eastern European Outsourcing Association (CEEEOA), Human Resource Outsourcing Association Europe (HROAE), Information Technology and Communication Association of Romania, Romanian Association of Electronic and Software Industry, Employers Association of Software and Services Industry, and Ministry of Communication and Information Technology.

Bucharest's educational structure is inclined toward mathematics and physics. This is why the city has one of the strongest ICT educational institutions such as University of Bucharest and Politechnica University of Bucharest. There are other institutions as well that offer technical degrees. Academy of Economic Studies is one of those names.

According to the 2007 figures of The Information Technology and Communications Association of Romania, “Every year 5,000 graduates leave the universities for the ICT industry or education system. On per capita basis, Romania has more IT graduates than the U.S., Russia, India or China. These people have language skills as a result of a traditional good foreign languages education in universities.” The city also lures talent from other countries, like the Republic of Moldova.

With two international airports (Henri Coanda International Airport (OTP) and Baneasa Airport), the city has direct flights between Bucharest and all the major European cities (average flight duration is 2.5 hours, maximum is 3.5 hours). Transportation network (metros, trams, buses, taxis, and fleet facilities) in the city is one of the largest in Romania. Interestingly, there are many international trains from Bucharest to other Western European cities including Athena, Belgrade, Istanbul, Kiev, Moscow, Prague, Sofia, and Vienna and vice versa. At the same time, Bucharest is well connected with other Eastern European cities through the country's robust train network. It facilitates frequent and face-to-face meetings between nearshore outsourcing service providers and customers from Western Europe.

Besides, NATO-grade geopolitical stability and EU-grade Intellectual Property protection make Bucharest one of the most attractive nearshore outsourcing cities in Eastern Europe. **GS**

MONDAY, AUGUST 24, 2009

Outsourcing to South Africa

Abundant supply of resources. A well developed financial, legal, communications, energy and transport sector. A stock exchange (the JSE Limited) that ranks among the top 20 in the world. A modern infrastructure supporting an efficient distribution of goods to major urban centers throughout the entire region. A look at South Africa, which is nurturing ambitions for robust outsourcing engagements

– By Diksha Dutta

Although considered a shopper's paradise, South Africa is also home to significant offshoring and outsourcing activity.

SA is an established destination for its capabilities in BPO with a major focus on customer services and financial services. It has extensive financial-services expertise, particularly in insurance, mortgage processing and collection.

Legal services outsourcing is seeing steady growth. SA's legal structure is almost exactly the same as the U.K. As per Tholons, Eversheds, one of the world's largest full service law firms with operations across the U.K., Europe, the Middle East and China has made significant deployments in the country by outsourcing a host of its processes to South Africa. Eversheds, through its alliance with a local partner, has enjoyed the benefits of a similar legal system and availability of native English-speaking lawyers. Excellent cultural/language/accent compatibility with European client nations helps.

Lovells is one of the handfuls of law firms piloting the offshoring of a portion of low-end legal work. In addition to Lovells, several magic circle firms including including Clifford Chance, Allen & Overly and Linklaters are rumored to be actively looking at launching their own SA legal process outsourcing program.

SA has also attracted engineering and R&D operations. Tholons reveals that Renault and Siemens are already present in Johannesburg. Renault is a French automaker producing cars, vans, buses, tractors, and trucks. Due to its alliance with Nissan, it is currently the world's 4th largest automaker.

However, the market for IT services is still emerging in SA. Till now, IT services has restricted itself to the domestic market. According to Tholons, an investment advisory firm, Business Connexion is an emerging large IT services provider with significant record in ADM and IT-infrastructure management services, though the largest company in IT services is Dimension Data. Smaller IT-services firms such as 3i Solutions, Saratoga are yet to gain momentum.

Moreover, the South African corporate sector spends an estimated R7 billion per year on research and development (R&D). In its 2004 to 2005 financial year, Siemens alone spent about six times as much, with global R&D expenditure coming in at more than 5.2 billion Euros, fourteen percent of which is invested into the medical field, while 19 percent is concentrated on Automation and Drives.

Nearshore Advantages

SA cannot be seen as a low cost destination for outsourc-



Service Providers in South Africa

Legal Services	Lovells, Clifford Chance , Allen & Overly and Linklaters
Business Processes	Unisys, Virgin, Lufthansa
IT Services	Business Connexion, Dimension Data, 3i Solutions, Saratoga

Source: Tholons

Major outsourcing cities in South Africa

Johannesburg
Cape Town
Port Elizabeth
Durban

Source: Tholons

Quick Take

Location	Southern Africa, at the tip of the continent of Africa
Population	49,052,489
Literacy rate	87 percent
Unemployment rate	21.7 percent
GDP(official exchange rate)	\$300.4 billion

Source: CIA Fact Files

ing. Entry level BPO salary in Johannesburg can range from \$1,000 to \$1,100. Cost of an ITO entry level employee can range anywhere from \$1500 to \$1,600 monthly compared to \$400 to \$500 per month in tier-1 Indian cities. BPO in South Africa (including captives) employs just about 30,000 to 35,000, in comparison to India's about 800,000.

Investments in outsourcing business in SA does not yield an optimal return compared to risks, except maybe for apart from legal process outsourcing.

Allan Watrus, Director, Global Outsourcing and Infrastructure Services, Unisys Africa says, "The diverse backgrounds of people in South Africa, with the influence of Europe and the UK, provides us with a pool of resources that can deliver services in most languages found in our time zone. French, German, Dutch, Italian, Portuguese and Spanish are some examples of the language competencies accessible in addition to English. Offering multi-lingual competency to more clients is a definite attraction." He also explains that delivering services into close time zones where language and culture are similar and the client is looking for services that are more than just an operator on the other end of a telephone is where opportunity exists. Unisys Africa's main location is in Rivonia near Johannesburg and has another location in Capetown.

SA has a unique time-zone compatibility with Europe. The time zone advantage (GMT +2) with Europe enables it to qualify as an attractive nearshore destination.

The major outsourcing cities in the country are Johan-

nesburg ,Cape Town, Port Elizabeth and Durban, primarily because of their advanced development in the country.

According to Tholons, on the other hand, key client markets for SA include the U.S., Canada, Mexico, the U.K. and Western Europe (Germany and Netherlands). Also, the key Captives include Shell, Budget Group (Fusion Outsourcing), Pruhealth, Carphone Warehouse, Virgin, Lufthansa (Global Telesales).

Another advantage with SA is a favorable and stable exchange rate versus Euro. In addition, the stable exchange rate (\$1 = ZAR 7.1) is a factor that helps the country with its macroeconomic attractiveness.

Strong government support given by the SA government is likely to add a lot of value in its outsourcing sector. In 2007, SA government spent 1.1 billion on a BPO support program. The plan focused on a broad-based marketing strategy. It included a government support program that had investment grants and training subsidies. A developmental pricing framework for telecommunications was also one of its features. However, the results for this plan are still awaited.

The overall picture suggests that SA is still growing in terms of an outsourcing destination though it has exclusiv-

ity in some areas. Tholons views that cost advantage of South Africa over countries like India is not favorable to see significant growth in outsourcing during this period of recession. However, Call Center (Domestic and International) contributes to about 1 percent of the GDP. **GS**

Cost advantage of South Africa over countries like India is not favorable to see significant growth in outsourcing during this period of recession. However, Call Center (Domestic and International) contributes to about 1 percent of the GDP



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