

DOING BUSINESS IN THE PHILIPPINES: PERSPECTIVES FROM THE PRIVATE SECTOR- PART 2

by Nelda Zulueta

What are the Philippines' capabilities in the IT and IT-enabled outsource services?

There are numerous IT and IT-enabled capabilities that may be outsourced to the Philippines. Once a contract is forged by a US or any foreign firm for outsource services, setting up an enterprise to render any of these services is very much feasible because all requirements are readily available on Philippine shores:

Customer Contact Centers

Content Development

- Animation
- Transcription, Conversion, localization
- Data search, integration and analysis
- Distance education
- Engineering and Design Services

Backroom Operations

- Finance and Accounting Services
- HR Services

Core IT Services

- Website services
- Software/Applications development
- Systems design

IT & IT-Enabled Services Priority Sectors'

Profile

Contact Centers

Perhaps the biggest players in the IT & IT-enabled business sector in the Philippines today are the contact or call centers.

A contact center is a physical location where calls are placed or received in high volume for the purposes of sales, customer service, technical support, research and other services.

The number of seats of outsource contact center players in the Philippines today number 70,000 distributed among close to 100 firms in different locations, representing an annual growth rate of over 100% and the Philippines is set to be among the largest markets for contact centers in Asia Pacific in the next 5-7 years.

(continued at page 4)

ENGINEER-IN-TRAINING

by Joey Resurreccion

Congratulations to Mr. Allen Thomas for passing the Engineer-In-Training Examinations. He is one of the so-called consistent attendees of FALEA's Free EIT Review. Out of six applicants, he unswervingly attended all the free lectures conducted every Saturday that started last January 29, 2005 and ended last April 2, 2005. Even though others dropped out from the race either by postponing their examination or had difficulty completing all the requirements, hopefully they will soon take the first step of building their career.



FALEA's EIT review is an outreach program of the group to promote professional development among its members that fulfills the second objective of the group that is "To foster opportunities for career advancement". The success of the EIT review accounts for numerous generous individuals who unselfishly share their talents, techniques, review handouts and experiences that somehow build the confidence of the reviewers to take the exams, and importantly "remove the

rust inside the heads".

Let us give a special appreciation to Greg Garcia, Emil Barroga, Nap Agraan, Manny Lanuevo, Joey Resurreccion, Frank Sapigao, Allen Thomas, Dennis Bondocoy, Frank Sapigao, and Marites Calad who extended their efforts at no cost to push thru this very important activity of FALEA. Moreover, let us also extend our gratitude to Norman Wright Corporation for kindly lending their conference room for the lecture and hopefully that the company will be kind again to do it as their community service for the years to come. (continued at page 7)

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President's Message

Aloha to each and everyone,

Four months have come and gone since the installation of Officers and the Board of Directors in November last year. It is now March, with April just around the corner, and this is an opportunity for all of us to glimpse back where we have been and, for some of us, to map our next journey.

As in previous years, our organization has been actively undertaking many worthwhile activities for the benefit of our members, friends and “kababayan”.

The following activities are highlights of what the organization has done so far. As a start, our FALEA carolers went hopping to several residences throughout the Christmas season and collected over \$500.00 for our scholarship program. This activity concluded with a Christmas party at the St. Philomena parish hall on December 10, 2005 which was well attended by FALEA officers, members, their families and friends.

The New Year's activities began with the 8-hour Construction Management (CQM) seminar conducted by Roger Urbi, FALEA Past President on January 7, 2006 at the FILCOM Center.

FALEA officers, members, and their families showed their support and solidarity to the Filipino community by joining the Centennial Parade on January 28, 2006 from Ala Moana Beach Park to Waikiki in commemoration of the 100th year of Filipino immigration to Hawaii. It was also in January when FALEA launched the Kentucky Fried Chicken (KFC) and FALEA T-Shirt fundraising for our Scholarship Program. The FALEA T-Shirt fundraising is still ongoing.

On February 4, 2006, the Fundamentals of Engineering Review Classes started and continued every Saturday until April 1, 2006 at the Norman-Wright office, courtesy of Marites Calad, Vice President of Norman-Wright and FALEA Past President. To commemorate St. Valentine's day FALEA hosted a Valentine's Party with ballroom dancing at Hale Koa Hotel on February 12, 2006.

On March 2006, many FALEA members reached out by pulling their resources to help the Leyte Landslide victims thru the FILCOM Center fundraising. I was touched and humbled to know that the general membership showed their outpouring of support for this cause. Our organization donated a total amount of \$1,430.00. For all these worthwhile activities, both continuing education and social, I would like to express my heartfelt appreciation to all who willingly donated their time, effort, and resources.

Finally, let me say that regardless of all the activities we have done or we intend to do, we should remember that the warm human relationship guide our interaction with our colleagues, associates and friends. I feel this in our meetings, and professional development seminars, with my colleagues and friends, and I feel it in talking with individual members. May God bless us.

Warmest Aloha and Mabuhay!


Vergel G. Del Rosario, PE
President



Christmas Caroling



O Holy Night....The stars are brightly shining....



Great weather to sing Christmas Carol outside.



Ahhh...the rewards are priceless.....

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Thank you for all your support!

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Business in the Philippines (cont.)

Among the most rapidly expanding call centers are Convergys, ICT Group, Ambergris, AOL, Sykes, and e-Telecare, servicing Delta Air, Chevron, Sony and Dell, among others.

Business Process Outsourcing (BPO)

The next growth sector after contact centers is business process outsourcing. There are many business processes outsourced to the Philippines. Among the biggest are the following:

Medical transcription

Medical transcription is the process of interpreting/encoding electronically the oral dictation of health professionals regarding patient assessment, therapeutic procedures, diagnosis, and so forth.

In the US only 47% of the market is being outsourced, the rest is done in-house. There was an anticipated surge in 2003 as 6700 hospitals have yet to convert records as required by Federal authority. In the Philippines there are only approximately 50 firms engaged in this type of service, leaving the market with a lot of room for more players.

Animation

Animation is the process of giving the illusion of movement to cinematographic drawings, models or inanimate objects through 2D, 3D, etc.

There are 30 such players operating in the Philippines today, including 11 direct exporters. The Philippines is indeed highly competitive in this field since the Filipino has an edge on creativity against its Asian counterparts, particularly in China where a new market for education, design and marketing services in animation has developed.

If you have watched the Disney film 'Finding Nemo', much of the cartoon films animation has been the latest that has been done in the Philippines.

Shared Financial and Accounting Services

This is a system of centralization/distribution where an independent business unit is dedicated to providing process - or knowledge-based financial services to other business units.

There are only 5-6 F&A centers in the Philippines today despite the Filipino being described as 'among the best accountants' in the world by GAAP of the USA.

Software Development Services

This includes analysis and design, prototyping, programming and testing, customization, reengineering and conversion, installation and maintenance, education and training of systems software, middleware and application of software.

There are only 76 such firms operating in the country today.

Engineering Design and Services

Last but definitely not the least is the outsourcing of CADD services to the Philippines. Labor cost per sheet in the Philippines is only 1/25 of the cost in the USA. All necessary resources are readily available in the country. A 12-seat engineering services offshore set-up costs anywhere from P6M-P7M (\$110,000-\$125,000). With a steady market in the US for these services, such an outsourcing business has an ROI of 100% in a year's time. (FALEA members interested in opportunities in this sector may contact the author at neldazulueta@yahoo.com for more information)

With such a rapidly-growing profile in its IT and IT-enabled Sector, the Philippines is well on its way to becoming the biggest E-Services Hub of Asia.

So let's say you're all set – your decision to invest in the Philippines has been firmed up, you have access to big potential markets in the US for Philippine offshore services and you can identify sources for the needed investment. What is the best route to a successful start-up?

2. Partner with local consultants in navigating the start-up and operations scenario

Business Requirements

The expatriate investor embarking on a new business venture in the Philippines is in for a big adventure. He is bound to most likely get a taste of a big culture shock, not to mention wasted time and investment dollars, if he does not partner with a trusted local resident experienced in navigating the business start-up scenario.

Filipino business associates and suppliers generally like to take their own sweet time, and rarely display the sense of urgency and strict punctuality that the American businessman is used to.

When a meeting is set for say 10:00 AM, trust the Filipino associate to be there anywhere from 10:30 AM to 11 o'clock AM and will be ready to be taken out to a non-working lunch after a round of pleasantries and talk about the weather. It would only be way after lunch that business would become the order of the day. Don't be surprised if he has not yet complied with the requirements that the meeting was set for

(continued at page 6)

Christmas Party 2005



Eating is always the best part of this gatherings



With 4 Santa, does that mean we get 4 gifts each?



Gifts for all...hohoho!!



Christmas Cha Cha cha



Falalala....lala...lala.....Practice for next years caroling



Can we watch TV somewhere!!!. Where's my gift?

Business in the Philippines (cont.)

despite his assurance that things would be taken care of. Don't expect to be able to accomplish your business with him in one sitting. Look forward to a second or even third meeting with him, especially if the lunch was quite sumptuous. Expect him not to call you if he would be late or worse, if he would not make it at all – after all, you would most probably still need to get in touch with him.

When a supplier tells you he will give you a quotation for goods or services 'right away', what he actually means is 'maybe next week', after you follow-up with another call. Never expect to get it the following day. And when you do get the quotation, or billings and invoices for that matter, be on the look out for corrections and mix-ups. Chances are, the clerk who typed the document was simultaneously chatting with her girlfriend while doing so.

These are only a few of the many cultural nuances that an expatriate investor will face if he attempts to do the business start-up by himself.

A World Bank publication titled "Doing Business in 2004: Understanding Regulation," based on a study of 130 nations' laws and regulations on starting a business, hiring and firing workers, enforcing contracts, getting credit, and closing a business ranked the Philippines along with nine other poor nations, as among those with the most rules on business, consequently stifling productivity and causing corruption. In the Philippines, the report's data showed that it takes 59 days and 11 procedures to start a business, costs more than 100% to enforce a simple commercial contract, and takes an average of 5.7 years to close a business. The data also reflected the country's very inadequate rules to support credit transactions and creditor rights, the long delays and expensiveness of going through insolvency proceedings and somewhat inflexible labor regulations.

With such a daunting scenario, the trusted Filipino resident partner to uphold your interests is an indispensable requirement in doing business in the Philippines. This may be a relative or a professional consultant, but at all times such entity must have a sterling track record in doing business in the Philippines. Sad to say, the government teams with 'One-Stop Action Centers' for investors, but, pardon the pun, these are where the action would most likely stop. There are many private investment consultancy firms in the Philippines but before giving your trust, have a clear idea of their fee structure and conduct due diligence background checks first.

3. Incorporate your business into your retirement lifestyle plans and maximize the benefits

The Far Eastern Economic Review, Political and Economic Risk Consultancy has stated that as of May 2000, the Philippines is the top choice of expatriates for quality of life because of its hospitable lifestyle, its friendly people, value-for-money housing, modern recreational facilities and its first-rate educational institutions. This makes the Philippines not only a good place for doing business but one of the best retirement destinations as well.

It is every expatriate Filipino's dream to come home and spend some time in his homeland in his sunset years. Having a business enterprise in the Philippines or an offshore outsourcing partnership contract with a thoroughly reliable firm can make this dream into a reality. A successful undertaking can let you straddle between both worlds and enjoy the benefits each of these places can offer. Trips to the Philippines can be paid for by your business there, and supply you with a steady income stream which could be your retirement fund, not to mention how you may even be able to help out your many relatives back home!

Certainly there are a lot of opportunities that are yours for the taking. It just takes guts, a lot of study and planning, getting that bountiful market, choosing the right competent and trustworthy Filipino partner, and you're in business in the Philippines!

Nelda Zulueta has been doing business in the Philippines for the last ten years.

At present, she is Director for Quality Assurance for ICT GROUP INC. (www.ictgroup.com) one of the biggest contact centers in the Philippines today. She is also Business Consultant to POINT EAST TECHNOLOGY PHILS. INC. (www.point-east.com) an IT company exporting offshore software development services to American corporate clients via the Internet.

She is also President and CEO of CLEARVISION CABLE TV. INC., a cable television company rendering services to a municipality in the province of Bataan not far from the Subic Bay Metropolitan Area.

She is currently seeking markets and partner investors from the US interested in establishing an engineering design and services outsourcing company in the Philippines, and may be reached at neldazulueta@yahoo.com

FALEANS PAGE

THE E.I.T. STORY

“I was first contacted by Emil Barroga, Jr., way back in 1995, when FALEA started planning the Engineer-In-Training (EIT) Review Program. Apparently, I was the only licensed professional electrical engineer in the FALEA roster at that time, so Emil ask me if I can spend some time and handle Electricity, one of the subjects in the EIT. Since it’s one of FALEA’s projects to help it’s members to be licensed professional engineers in Hawaii, I gladly accepted the invitation and have been doing this since then. It’s a fulfilling experience to see FALEA members benefiting from this project and helping them advance in their career.”

MANNY LANUEVO

“I just received my notice in the mail that I passed the Fundamentals of Engineering (FE) Exam given in April 2005 with a score of 89. I attended the courses given in preparation for the April 2005 FE examination run by FALEA. All of the courses given were incredibly helpful both in instruction of material and in maintaining enthusiasm for independent study. I want to sincerely thank the instructors of these courses. I am very appreciative of the time and effort given, especially when trying to answer my seemingly endless questions. I would like to thank the management and employees of Norman-Wright for providing the facilities and showing up on the weekends so I would have a cool and quiet place to learn. Lastly, I would like to thank all of FALEA for providing this opportunity. Even though I am not a member of FALEA nor am I even Filipino, this course was open to me thanks to your generosity.

Please accept this e-mail of thanks and my offer to help instruct future courses. I believe I could help in student’s preparation for the Chemistry section of the FE exam.”

ALLEN THOMAS

hawaii5chicago@mindspring.com

WANTED:

FALEA IS LOOKING FOR A MOTIVATED INDIVIDUAL TO SERVE AS **DIRECTOR** FOR THE FINAL MONTHS OF THIS 2005-2006 ADMINISTRATION.

ENGINEER..... (Cont.)

FALEA’s EIT review is an activity that needs a lot of planning and coordination from convincing engineers to conduct a review in the subject of their interest to scheduling the right time to fit in the lecturer’s busy lifestyle. I was a lecturer for thermodynamic class for three straight years after passing my EIT exam last April of 2001. Participating at the EIT review as a lecturer was helpful to me because it refreshed my mind regarding the subject matter, and more importantly it was my way of extending my gratitude to the organization that was instrumental in obtaining my EIT certificate.

My very first acquaintance to the group was also attending an EIT review way back in year 2001. I took advantage of the free EIT review by attending every Saturday that turned out successful. My experiences when I was reviewing for the exam were not that good. I encountered a lot of hindrances during the time I was reviewing for the exam. The most difficult one was to walk home from Group Builders office all the way home from Sand Island to King St. whenever nobody from my family was available to pick me up. That time, I used every single available time to review even when I’m waiting at the bus stop, but all those sacrifices I made turned out very fruitful and I hope other examiners will not be afraid to overcome all the hindrances they may encounter during their review.

EIT examination has a lot of requirements especially to those who graduated from other country. The website http://www.hawaii.gov/dcca/areas/pvl/boards/engineer/application_publications/ has all the procedures and application forms for taking the examination for both EIT and PE examinations. The fundamental part of the application is obtaining ECEI/ABET (Engineering Credentials Evaluation International/Accreditation Board for Engineering and Technology Inc.) that is required if you graduated from a foreign country. For further information and application regarding ECEI/ABET, please visit at www.ecei.org, or by phone at (410) 843-7171, or by writing to 111 Market Street, #171, Baltimore MD 21202. Accreditation on foreign credentials takes a long time to process, about two to three months. A helpful suggestion is to have somebody (either your old friends, or classmates, or relatives) to submit & follow-up the application from your graduated institution. Then after finishing all the requirements, you can visit www.ncee.org for all the study materials, procedures, and announcements. Good luck to all future EIT and PE takers.

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(Italian draftsman, Painter, Sculptor, Architect and Engineer whose genius epitomized the Renaissance humanist ideal. 1452-1519)



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