

CONFIDENTIAL

From “Good to Great”: Capturing an Unfair Share of BPO&O Over the Next 5 Years (Short Version)



Presentation Document

May 29, 2006

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THREE KEY QUESTIONS

Question

Response

1 What is the **rationale** for the initiative?

- BPO&O represents a \$110 billion opportunity globally by 2010
- The Philippines has a strong starting position (5% share in 2005), great aspirations (“10% by 2010”) and genuine competitive advantages to build on
- Philippines has several serious constraints to overcome not only to achieve 10% by 2010 but to maintain competitiveness and to hold current market share at 5%

2 What is the **proposition**?

- To implement two core initiatives to position the sector to capture its full potential:
 - Develop “Roadmap 2010” (e.g., clear industry strategy and portfolio of initiatives including talent, space, risk, etc.)
 - Organize and resource a full-time “Team 2010” (e.g., governance, people, funding model, value proposition)
- Broad-based, private sector-led, public sector-supported initiative
- Project governance initially through parallel team structure, transitioning over time to become the “muscle-up” BPAP
- USD 3.4 million required to define and launch “Roadmap 2010”/“Team 2010” (5-6 months) and to resource association (2 years)

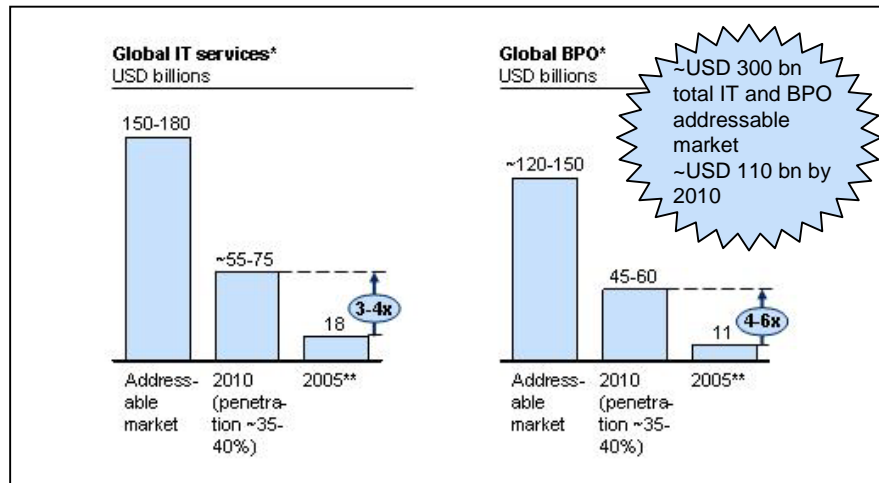
3 What are the **roles of and benefits to principal sponsors**?

- Provide financial support and play an ongoing advisory role to the initiative
- Direct benefits arising from improved industry dynamics (e.g., talent, space, risk) and from having world-class association to drive industry agenda (e.g., protect government incentives)
- Indirect benefits from reputation as key shaper of the industry – locally and globally

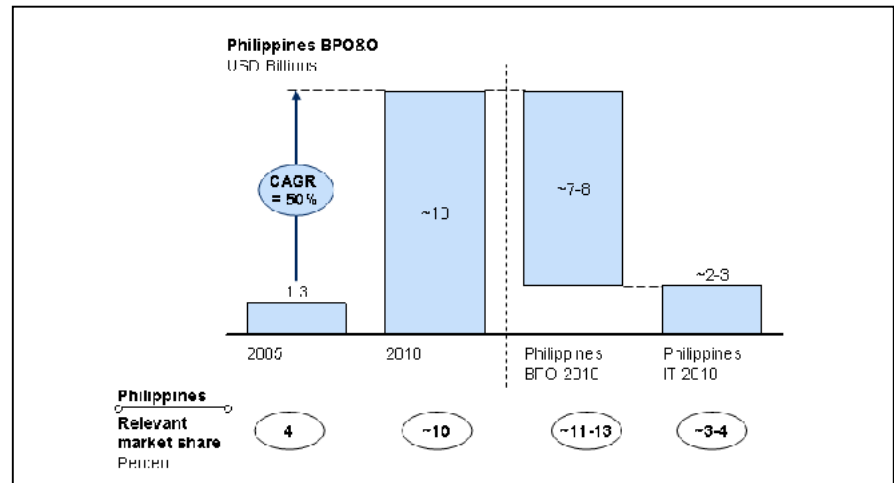
① Rationale

THE PHILIPPINES HAS AN ENORMOUS GROWTH OPPORTUNITY IN BPO&O

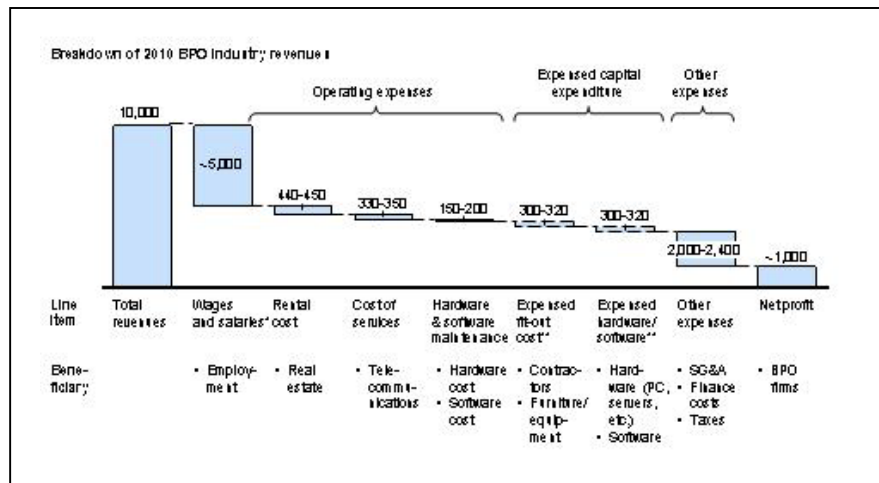
① Big opportunity in global BPO&O industry . . .



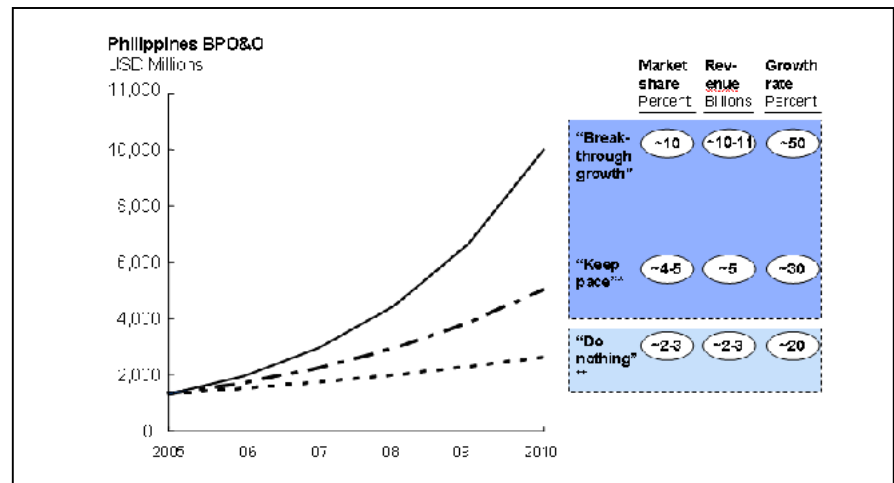
② . . . and Philippines has big aspirations . . .



③ Reaching aspirations would result in big benefits for multiple stakeholders...



④ . . . but future growth path is uncertain



① Rationale

THE PHILIPPINES HAS A GOOD STARTING POSITION BUT NEEDS TO CAPITALIZE ON ITS STRENGTHS AND OVERCOME EMERGING CONSTRAINTS TO CAPTURE BPO&O OPPORTUNITY

Further details provided

Positive factors to build on

- ① Leading cost position among low-cost countries
- ② High-quality labor pool to draw on
- ③ Emerging reputation for quality, especially in contact centers
- ④ Conducive “on-the-ground” business environment
- ⑤ Promising potential in emerging higher-value segments (e.g., animation, F&A)



Constraining factors to overcome

- ⑥ Insufficient quantity of “suitable” *and* “willing” talent to fuel growth
- ⑦ Insufficient quantity of suitable space to achieve “10% by 2010”
- ⑧ Persistent perception of Philippines as a high-risk environment
- ⑨ Existence of well-organized, well-resourced, highly aspirational competitors
- ⑩ Absence of a clear industry champion **with** resources to drive initiatives that benefit the industry collectively (e.g., strategy, talent, marketing)



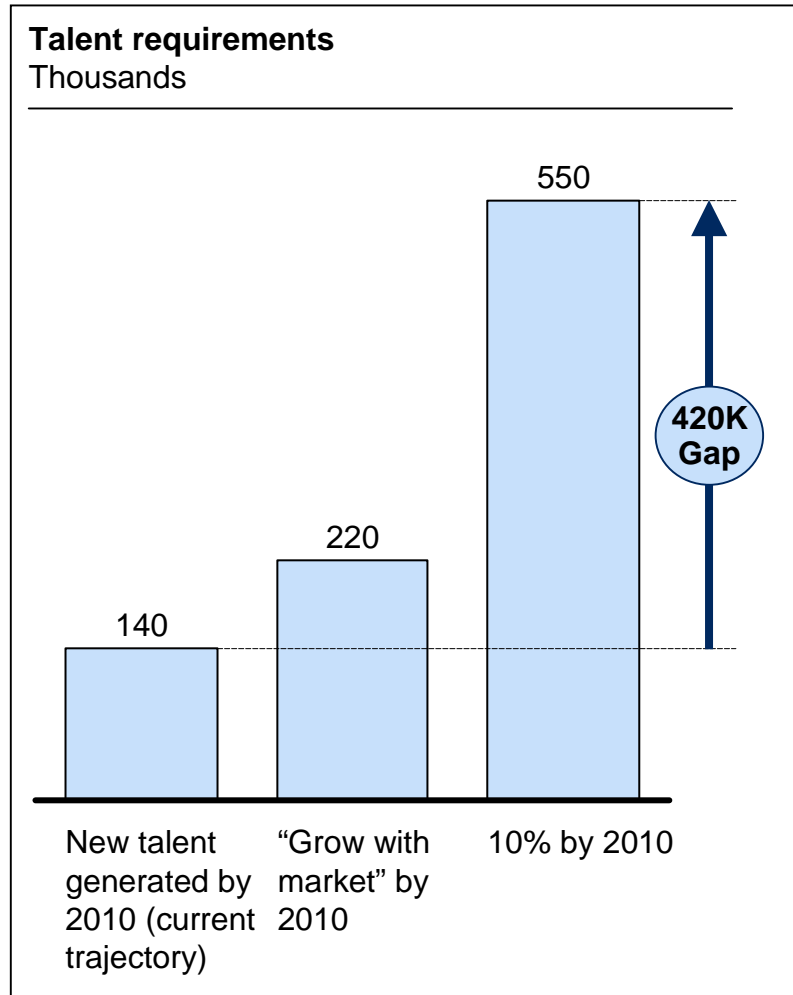
① Rationale

THE PHILIPPINES NEEDS A WELL-RESOURCED TEAM TO COORDINATE STRATEGIC RESPONSES TO KEY CONSTRAINTS

TALENT EXAMPLE

Talent is key constraint to future growth . . .

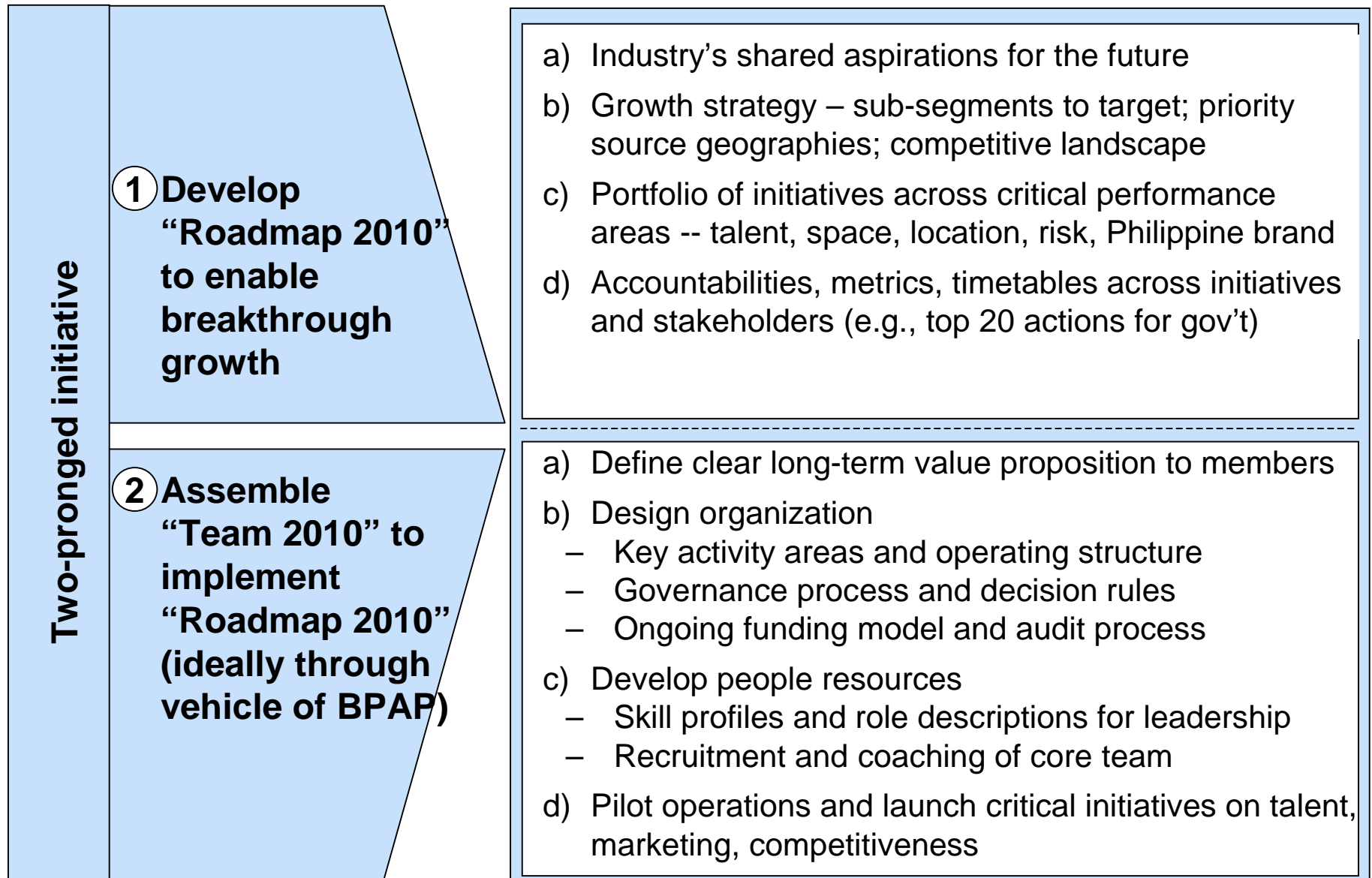
. . . but individual actions not sufficient to close the gap



	<u>Selected actions</u>	<u>Hazards</u>
BPAP	<ul style="list-style-type: none"> Developing quality standards 	<ul style="list-style-type: none"> Are not binding on industry Does not augment flow
Office of President	<ul style="list-style-type: none"> Vouchers for retraining 	<ul style="list-style-type: none"> Quality control on training Absorption
Private sector	<ul style="list-style-type: none"> Tailoring training in partnership with schools (e.g., Accenture) 	<ul style="list-style-type: none"> Small scale (e.g., 10-15 people)
Universities/schools	<ul style="list-style-type: none"> Considering curriculum changes 	<ul style="list-style-type: none"> Restricted by CHED Do not see value proposition
Head-hunters	<ul style="list-style-type: none"> Identifying sources Help with staff up 	<ul style="list-style-type: none"> Bidding up prices/eroding competitions advantage

② Proposition

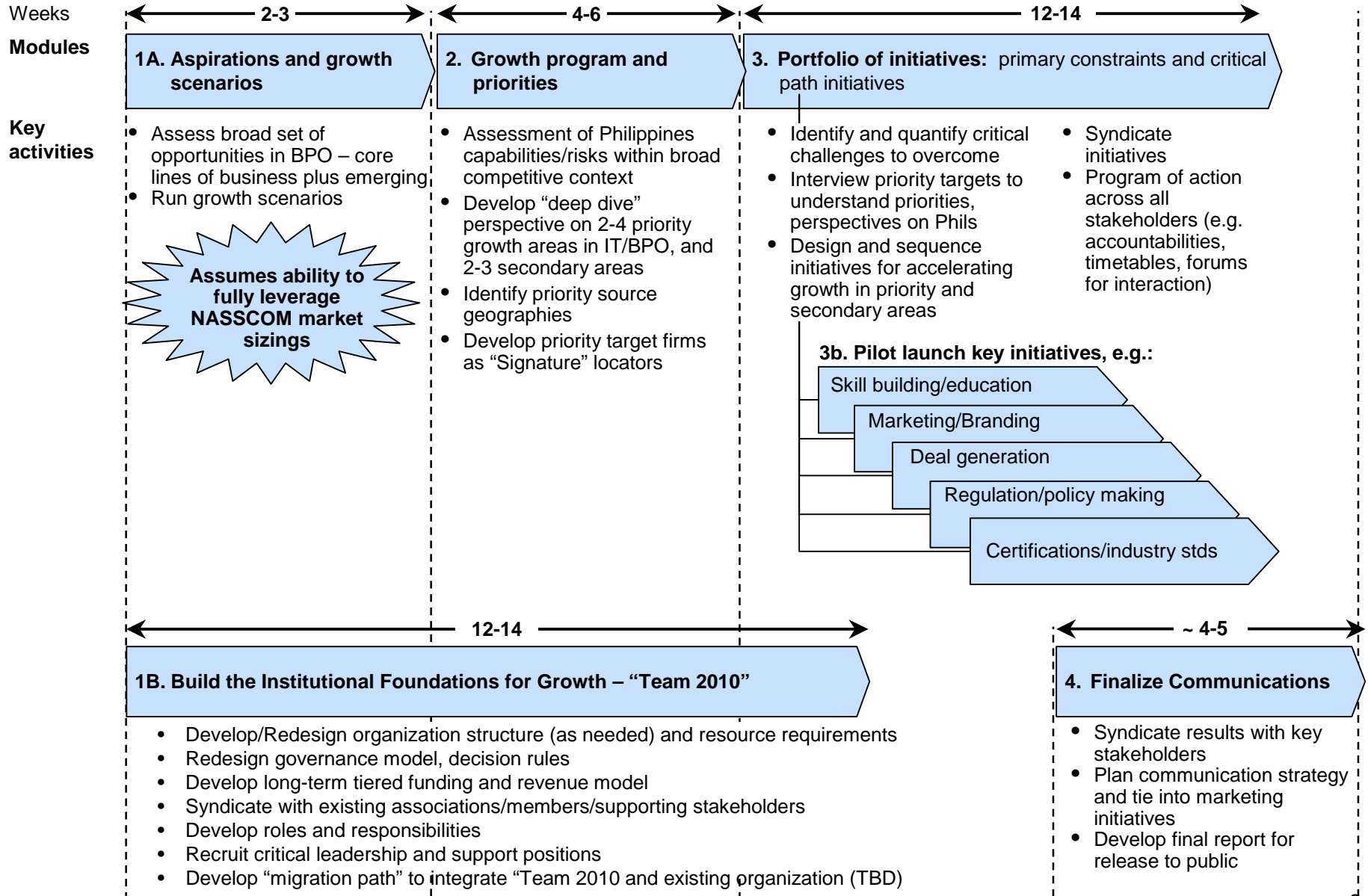
IMPLEMENT TWO CORE INITIATIVES TO DELIVER BPO&O POTENTIAL



② Proposition

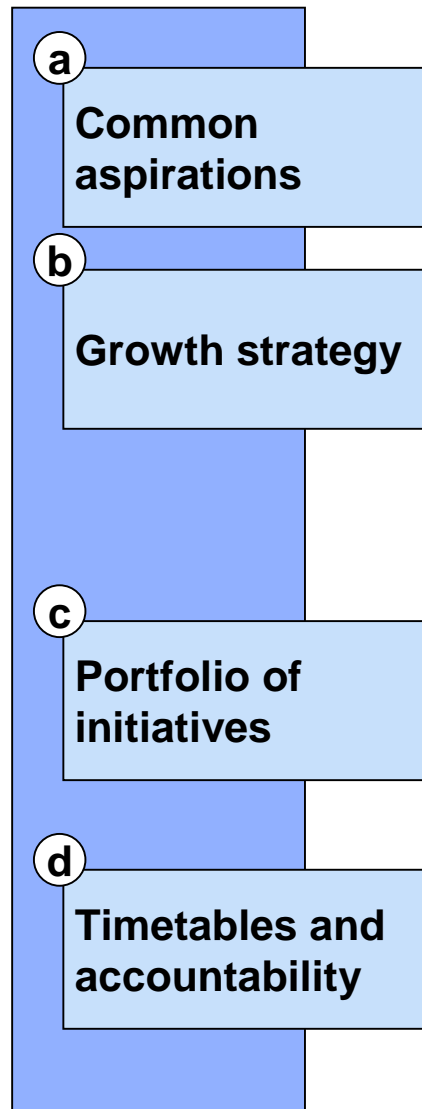
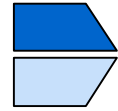
PROJECT APPROACH: EMPHASIS ON INITIATIVES AND BUILDING TEAM

FOR DISCUSSION



② Proposition

DELIVERABLES FOR “ROADMAP 2010”



Deliverables

- Identify current industry status
 - Size industry growth potential
 - Define common industry aspirations for 2010 and beyond
- Develop growth priorities for the Philippines
 - Identify priorities across verticals/horizontals, voice v. non-voice
 - Priority source geographies
 - Niche plays within IT services
 - Assess basis for and sustainability of Philippine competitive advantages relative to key competitors
- Identify constraints on growth and diagnose root causes
 - Design and market-test initiatives to leverage strengths and address growth constraints
 - Create high-level implementation plan for initiatives
- Support rollout of critical initiatives and communication program
 - Determine key milestones and timetable
 - Set strict KPIs and performance targets
 - Allocate implementation responsibility to various key players (i.e., government, industry association, industry players)

② Proposition

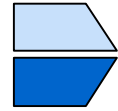
THE PHILIPPINES MUST ARTICULATE ITS OWN VISION AND STRATEGY, AND SET OUT CLEAR PORTFOLIO OF INITIATIVES

○ Support
● Lead

		Role of stakeholders		
		Government	Industry	Association
Strategy Portfolio of Initiatives	Strategic issues <ul style="list-style-type: none"> • Build consensus around broad aspiration • Set priority areas for development, in alignment with sector strengths • Establish source country priorities for marketing • Promote initiatives to help sustain, extend Philippines competition advantage (e.g., productivity benchmarking) • Revise priority initiations over time 	○	○	●
	Skill development/ recruitment <ul style="list-style-type: none"> • Pilot certifications • Develop career paths • Develop tailored programs with Universities • Develop curriculums with CHED 	○	○	●
	Space planning/ location development <ul style="list-style-type: none"> • Identify and “make ready” tier 1, tier 2 cities with prospective talent sources • Align local governments and national real estate firms to offer “plug and play” packages 	○		●
	Strategic marketing/build the brand <ul style="list-style-type: none"> • Identify 6-8 high profile “hot leads” and aggressively market Philippines • Develop strategy to build Philippine’s brand • Plan events, communications • Coordinate across stakeholders 		○	●
	Regulatory environment <ul style="list-style-type: none"> • Design regulations to enable fluid labor markets • Address critical issues (e.g., IP protection) • Design incentives to promote dispersed growth 	●		○

② Proposition

DELIVERABLES FOR “TEAM 2010”



Deliverables

a Association value proposition	<ul style="list-style-type: none">• Articulate association’s value-added services and unique proposition• Agree on core member benefits
b Design organization	<ul style="list-style-type: none">• Determine key activity areas and design operating structure• Design governance process and decision rules• Determine people model• Develop long-term funding model
c Develop people resources	<ul style="list-style-type: none">• Identify skills profile and role description for major leadership roles• Recruit and coach leadership team
d Pilot operations	<ul style="list-style-type: none">• Pilot operations of industry association• Launch critical initiatives• Validate changes with existing members (Target: October general membership meeting)

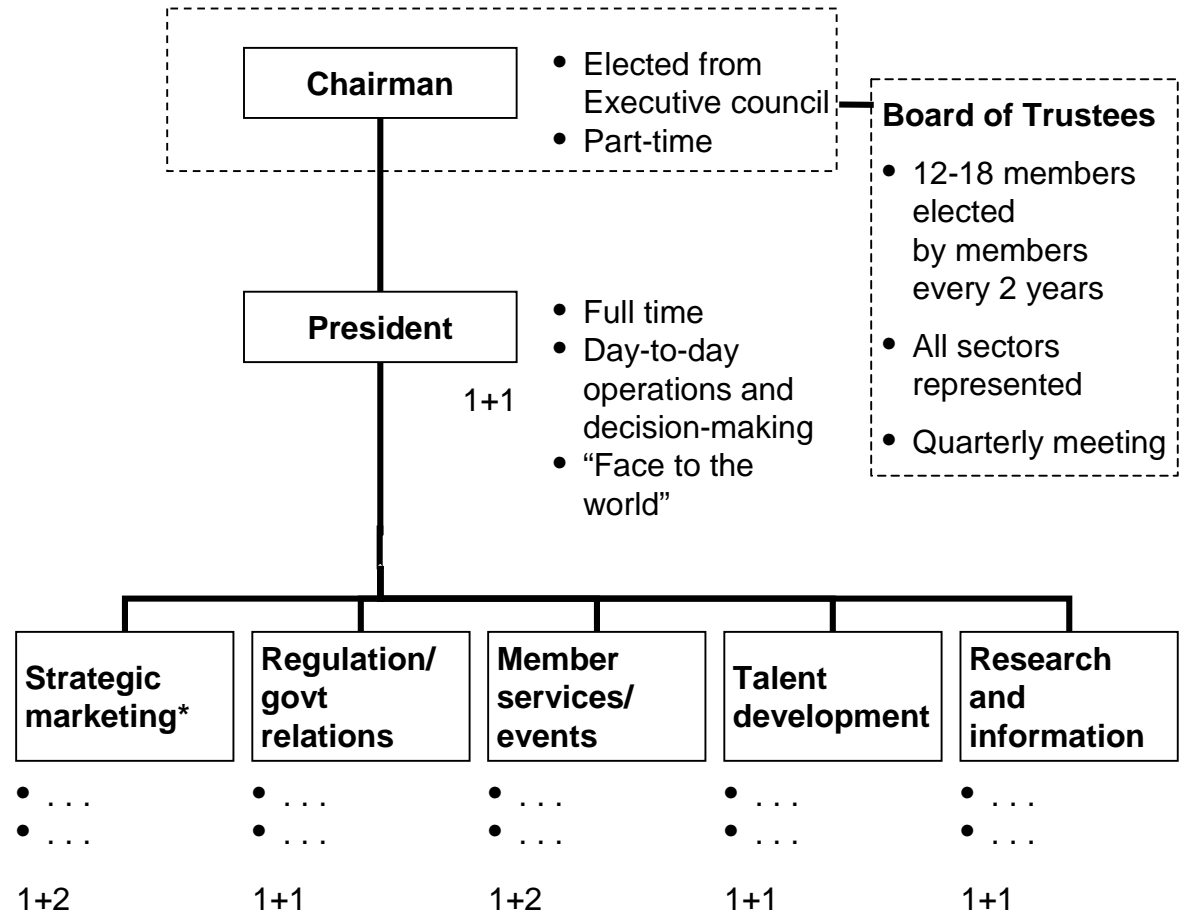
② Proposition

DEVELOP “LIGHT AND LEAN” TEAM TO DESIGN AND IMPLEMENT PROGRAM

ILLUSTRATION ONLY

Key operating principles

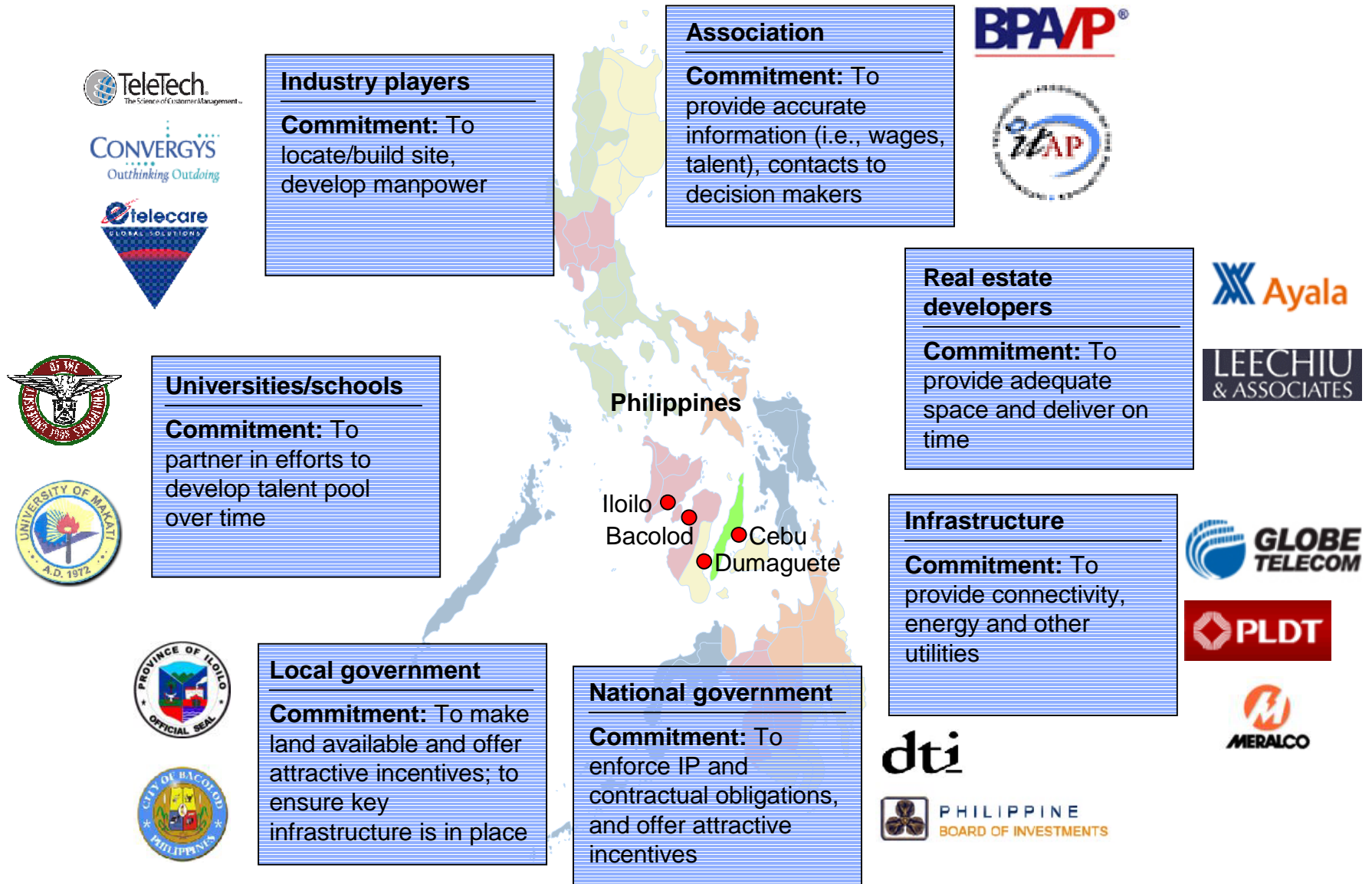
- Small, motivated team (12-16)
- Focus on critical implementation tasks
- Strict KPIs
- Leverage support from creative source (CITEM, university students, secondment)
- Driven by full time professionals with “business orientation”



* Could also handle Investor Relations

② Proposition

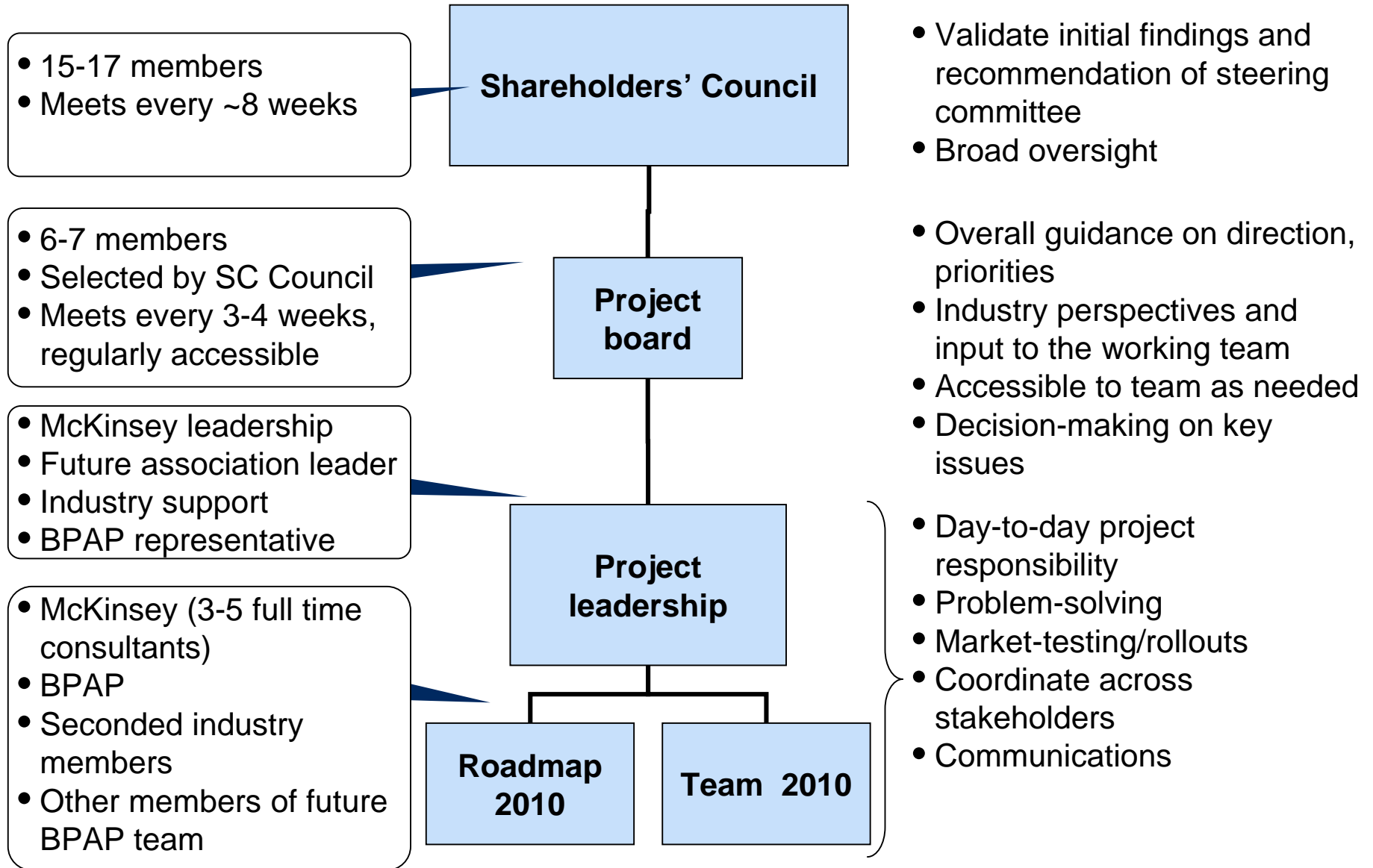
EXAMPLE OF “TEAM 2010” ACTIVITY: COORDINATE SIMULTANEOUS COMMITMENTS NEEDED TO DEVELOP TIER 2 CITIES



② Proposition

PROJECT GOVERNANCE INITIALLY THROUGH TEAM STRUCTURE PARALLEL TO BPAP

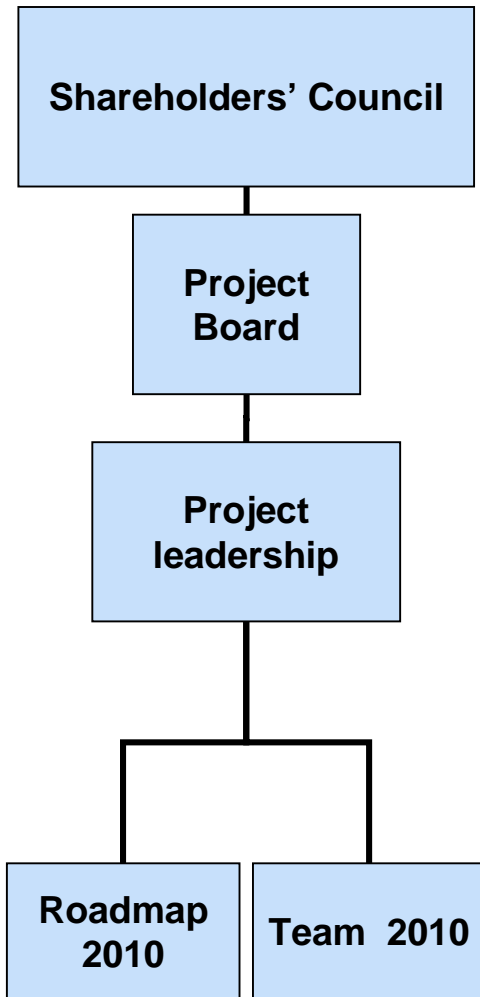
PRELIMINARY



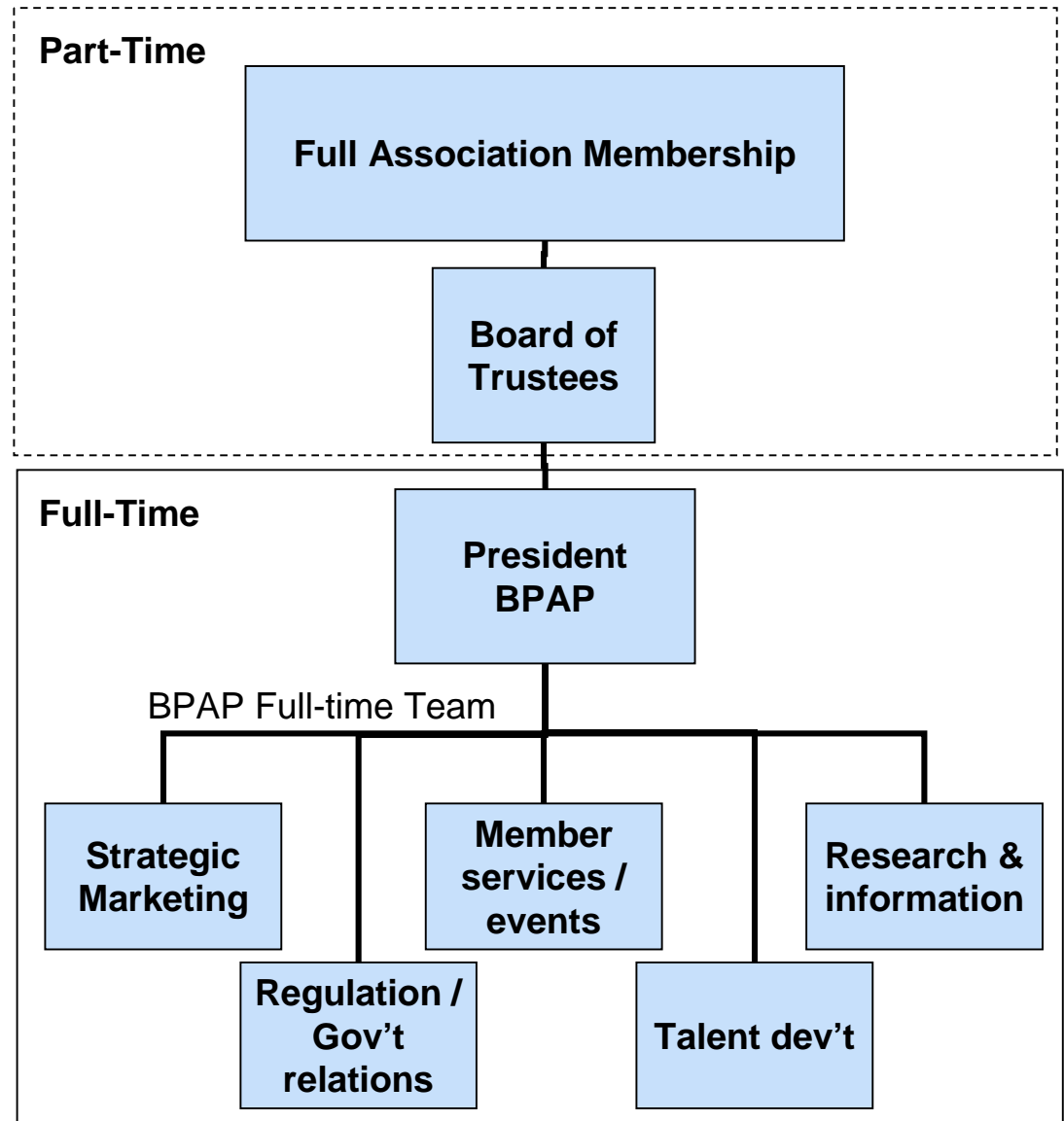
② Proposition

OVER TIME, PROJECT TEAM TRANSITIONS INTO BPAP STRUCTURE

From...



To...



② Proposition

INITIATIVE REQUIRES USD3.4 MILLION IN RESOURCING OVER 2-YEAR SPAN

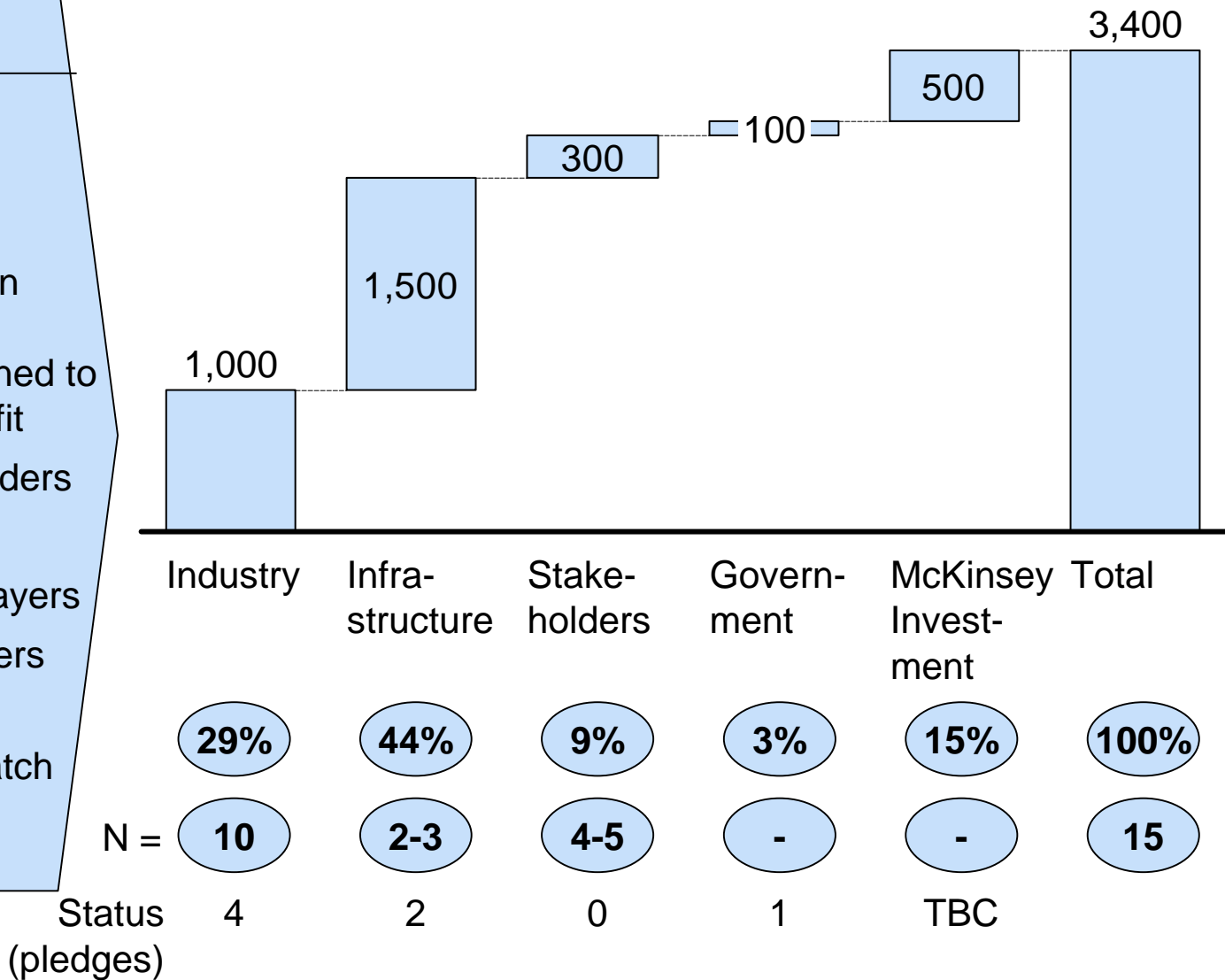
	Purpose	Duration	Amount USD millions
1 Lay groundwork for “Roadmap 2010” and “Team 2010”	<ul style="list-style-type: none">• Design and develop portfolio of initiatives, support launch of critical initiatives, design and implement organization	5-6 months	1.9
2 Resourcing “Team 2010”	<ul style="list-style-type: none">• Create organization and hire team to support development of Roadmap 2010 and to implement initiatives (marketing, talent, regulation, etc.)	2 years	1.5
			<hr/> ~3.4

② Proposition

BROAD-BASED, PRIVATE SECTOR-LED, PUBLIC SECTOR-SUPPORTED INITIATIVE

Principles

- ① Supported by all categories of stakeholders
- ② Tiered participation program, across stakeholders, aligned to incidence of benefit
 - Third party providers
 - Captives
 - Infrastructure players
 - Other stakeholders
- ③ Project proceeds only if pledges match total financial requirements



③ Role of and Benefits to Principal Sponsors

PRINCIPAL SPONSORS WOULD PLAY A LEADING ROLE AND DRAW TANGIBLE BENEFITS

Support requested from Principal Sponsors

- ① Financial support as Tier 1 industry player
- ② Advisory support in the development of “Roadmap 2010” and “Team 2010”

General benefits

- ① Positive industry and bottom-line impact due to the different initiatives (i.e., talent, space, marketing, etc.)
- ② A well-functioning industry association to advance industry-wide goals

Specific benefits

- ① Ability to shape industry agenda (i.e., set priorities, develop initiatives)
- ② Reinforce reputation among internal and external stakeholders as an industry leader