



**Asia-Pacific  
Economic Cooperation**

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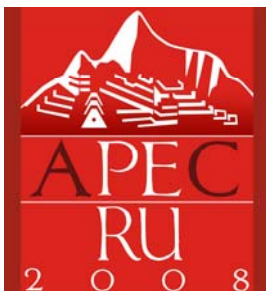
**2008/SMEWG/SYM/006**

Agenda Item: 3.1

## **Key Factors Required to Attract ICT Outsourcing Customers**

Purpose: Information

Submitted by: USA



**APEC Symposium on Improving Market  
Access for ICT Outsource SMEs  
Hanoi, Vietnam  
27–29 October 2008**

APEC Symposium on  
"Improving Market Access for  
ICT Outsource SMEs"  
27-29 October 2008  
Ha Noi Vietnam

'Key factors required to attract  
ICT outsourcing customers'

Michael Mudd  
Director of Public Policy,  
Asia - Pacific  
CompTIA  
Speaker United States  
Chair, Amcham Hanoi ITTI Committee -2008

## Agenda

- Outsourcing Destinations
- What can you offshore?
- Case study - India
- Factors affecting offshoring
- Standards, security and IPR
- Opportunities for APEC SME's
- Conclusions and recommendations

## The 'recent' IT past

- 1940's - 'Silicon Valley' - HP/Stanford
- 1950's - Cambridge - Both UK and USA
- 1950's - Sony Japan, Siemens Germany
- 1960's - National 'Electronics' Ministries
- 1970's - Mass availability of semiconductors
- 1970's - India does first outsourcing work
- 1980's - China adopts market economy
- 1990's - Internet changes everything
- 2000's - Tech boom and bust and bpo boom!

## Offshore Destinations today

- India
- China
- Malaysia
- Hungary
- Poland
- Australia
- The Philippines
- Jamaica
- Russia
- Slovakia

## Review of what you can Offshore

- Core and Critical - e.g. R&D, Strategic Planning
- Core and noncritical – e.g. Pharma Clinical trials
- Noncore and critical- e.g. IT Services, Document processing, Manufacturing, HR, Finance, Call centre
- Noncore and Noncritical- e.g. janitorial, travel, food services

## What India concentrated on

- Core and Critical - e.g. R & D, Strategic Planning
- Core and noncritical – e.g. Pharma Clinical trials
- **Noncore and critical- e.g. IT Services, Document processing Manufacturing, HR, Finance, Call centre**
- Noncore and Noncritical- e.g. janitorial, travel, food services

## Why Did India emerge first?

- Look at some of the problems
  - Developing country
  - Poor physical infrastructure
  - Protectionist policies
  - Sclerotic legal system
  - Poor Intellectual property enforcement
  - Perceived high level of corruption

Does APEC face the same challenges?

## India BPO Timeline

- 1967 - Tata Consultancy Services (TCS) established
- 1972 - Govt. Dept of Electronics established
- 1974 - TCS completes first software export project for Iran
- 1982 - India has US\$12m in software export revenues - largest of any developing nation
- 1986 - DoE announced software policy
- 1986 - Adoption of UNIX for banking industry, leading to standardization of the platform for banking – 480 systems shipped 1986-87

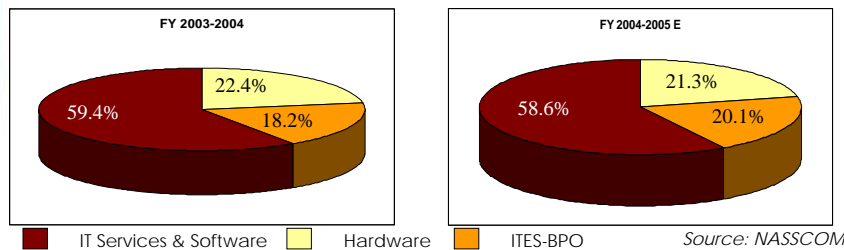
## Timeline -2

- 1986 - Texas Instruments establishes software park – Bangalore/Bengaluru
- 1987-88 - 1,400 UNIX systems shipped
- 1988 - Centre for Development of Advanced Computing built first supercomputer - Param 8000
- 1989 – Est 500 software companies in business, mainly in accounting packages
- 1992 - Satellite gateway for software exporters established
- 1995 - VSNL launches internet gateway.

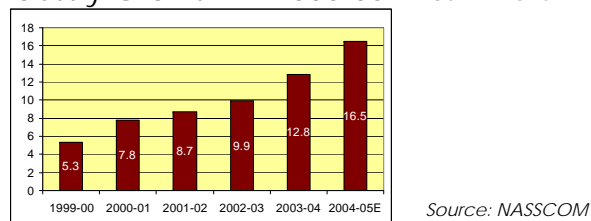
## Timeline - 3

- 1998 - NASSCOM established to drive outsourcing, Indian companies begin to adopt Software Engineering Institute - Capability Maturity Model (SEI-CMM®) standards
- 2000 – Y2K earns Indian companies' est. US\$2.5bn in outsourcing - creating brand equity of the industry.
- 2001 – dotcom collapse sent 1,000's of Silicon Valley H1B Visa holders back to India - with increased domain knowledge... and a global network.
- 2002 - industry transforms from accounting packages to diversified services, call centres, processing, programming.
- 2003 – TCS becomes first US\$1bn+ Indian outsourcing co
- 2004 about 500,000 employed in IT export industry
- 2006 rises to over 1 million

## Indian IT Industry

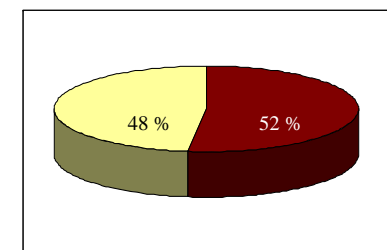


### Software Industry Growth FY 2000-05E - USD Billions



### Key service and software co's: Foreign & Indian Owned

Rank	Company	Revenues USD MN
1	Tata Consultancy Services	1335
2	Wipro Ltd.	1177
3	Infosys Technologies	1094
4	Hewlett Packard India	1049
5	IBM India	625
6	Satyam Computer Services	582
7	Tech Pacific India	495
8	HCL Technologies	481
9	Intel Technology India	477
10	Redington India	426



Indian  
Foreign-Owned

Source: Dataquest India  
2005

## Major Players in the Indian Market

Third Party	Captive
Convergys	ABN AMRO
HCL Technologies	Bank Of America
IBM Daksh	British Airways
ICICI OneSource	Citibank
Mphasis BPO	Dell International Svcs
Progeon	GE Capital Services
TCS	HSBC
Wipro	JP Morgan
Satyam	Morgan Stanley

## Foreign investment – Captive centre growth.

IBM largest – 2004 bought Daksh, (remote voice/web support) with 6000 staff, 5 centers in India, plus one in the Philippines - for US\$150m.

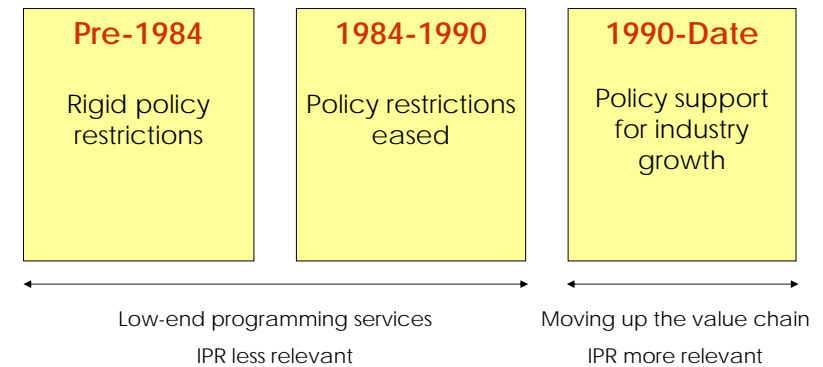
- Unisys – Will invest US\$180m 2004-9 to employ 2000 developers
- AMD – increasing investment in Bangalore/Bengaluru with Chip Design centre - by 2005 will employ 120 chip designers and developers.
- 3Com – Software centre employs 100 developers for VOIP
- Major banks building their own in Chennai, Hyderabad, Bangalore, (also Telco's)
- Office Tiger (US) Secures US\$50m Funding to buy outsourcing companies in India and US

## The Role of IPR

- Indian software industry started in 1974 with adoption by banks of UNIX under licence from Xerox – standards based/govt incentivized
- IPR enforcement similar to China, low compared to world average
- Vietnam is similar – but improving
- Need to assure foreign companies their IPR is safe and to have recourse if a problem occurs
- Required under WTO trade rules (TRIPS)

## Software Industry Growth Phases

Role of IPR closely associated with industry growth



## Challenges facing the Indian Industry

- **Moving up the Value Chain**
  - Need significant domain knowledge and expertise
  - Provide end-to-end solutions
- **Shrinking Profit Margins**
  - High capital investments
  - Increased competition leading to drop in billing rates
  - Appreciation of the rupee against the US Dollar
- **Ability to quickly achieve scale**
  - Large customers prefer Vendors with Size
  - Large Vendors command a Premium price due to track record
  - Economies of scale help margins

Source:NASSCOM

## Challenges /Cont'd

- **High Attrition (25 – 40%) – Hence companies are:**
  - Careful selection to avoid job jumpers
  - Setting up operations in Class B and Class C towns
- **Infrastructure Challenges**
  - Telecom infrastructure
  - Local Infrastructure
- **Increasing backlash from US and UK on issue of outsourcing**

Source:NASSCOM

## But not all is rosy

- Increased competition – China, Malaysia Philippines - and now Vietnam?
- Political backlash from US/EU/Aust.
- Job hopping with 20%+ salary increases
- Due to preferences, (taxes, land, import tariffs removed),
  - No benefit for domestic producers
  - They can't afford the same top talent
  - Sectoral development - geography.
- Outside exports, there are still IPR issues
- By 2010 still only 0.1% pop'n directly benefit

## India overcame the problems

- Positive Govt Policy – Est. well run Govt Agency
  - Licensing of commercial IPR for export
  - Private Infrastructure development
  - Protections for Foreign investors of their IPR
- Business got started with commercial software
  - Key MNC investment
- Local Entrepreneurs learned best practice overseas – legal/business
- Adopted CMM, most are level 4 (out of 5)
- Successfully moved from *cost* based to *value* based proposition – past 10 years

## Trends in the Offshore/BPO Market

- **Market Consolidation-** Large number of acquisitions due to:
  - Capital intensive nature making growth difficult for small players
- **Increase in third-party multiple vendor contracts:**
  - Provides scalability, de-risking and competitive pricing to customers
- **Foray beyond contact center into transactional processing**
  - Decline in contribution to revenues from pure-play call centre business
- **Growing Demand for High Quality, skilled workforce**
  - Large pool of educated, English speaking manpower

Cont'd...

## Trends/Cont'd.

- **Vendor Polarization**
  - Biggest growth among the large players
  - Customer preference for size, track record and client references
- **Increase in presence of IT Service companies**
  - Provides scalability, de-risking and competitive pricing to customers
  - Ability to provide end-to-end solutions
- **Customer demand for Quality**
  - Quality centric – COPC, SEI-CMM, ISO, Six Sigma, TQM

## Offshore Issues - Infrastructure

- Supply of educated workers
- Reliable and fast Telecoms
- Predictable cost structure
  - Cost of Processing staff
  - Cost of premises
  - Cost of Telecoms/Internet
- Management Talent Pool
- Govt procurement policies

## The need for investment

- A CompTIA-sponsored Nathan and Associates analysis of 57 countries found that countries that are under invested in IT capital have relatively larger percentages of total IT capital investment in IT hardware (62.2%) and less in software (13.3%).
- In other countries (with adequate IT investment), the hardware share of total IT investment is 36.3 percent; and the commercial software share is 21.5 percent of total IT investment.
- Software employs many more people than hardware in successful offshoring centers.
- Therefore education and training validated by certification as a pre requisite for success in offshoring and this levels the playing field, by ensuring a recognized quality level for overseas customers, thus increasing inflows on investment.
- Growth in software + training = sustainable growth in IT Offshoring and related supporting employment

## Offshore Issues – Managing Risk

- Political – homeland, white-collar backlash, local - national political, unions, professional associations, privacy
- Political – offshore - stability/tax laws/legal, education, qualification/certification, privacy, IPR protection
- Economic – exchange rates, profit repatriation, tax withholding
- Social – Talent pool, worker and management
- Technology- infrastructure, present/planned limits, outlook that affects operations e.g. RFID, Digital transactions (paperless airline tickets by end 2007)
- Operational- customer reaction/choice/service levels, data security, IPR security, Service Levels, loss of competencies.

## Adoption of standards

- A major contributor to the success of offshoring is being able to guarantee to your customers that their data will be able to be processed the way they do it back home
- So standards that enable both current and backward interoperability for legacy systems are key and a pre - requisite
- Standards, like any IT hardware/software or service, must evolve to take advantage of technology advances.
- If the industry is not fully engaged in the standards setting process, standards will suffer, as technology advances are not integrated into the process.
- The proprietary software industry (large and small companies) continues to generate the largest number of patents of any industry globally\*

\*Technology Review Patent Scorecard 2004

## IP and Security Issues

- Patent offices in the EU, the U.S. and Japan have been granting patents for software or computer-implemented inventions for decades.
- However in many APEC economies digital assets (software) is only covered by copyright that protects the IP in the code, but not the technical design, which is equally an innovative element.
- Security of data and customers IP is imperative
- Security, patent laws and the legal process are a competitive advantage for an economy that wants to be trusted with these assets.

## Appreciation of IP as a job creator for the offshoring industry

- When all stakeholders are fully engaged in the IP recognition process, economies have grown as the latest technology advances will be available to economies that recognize the digital IP asset process
- The EIU finds US and Japan provides the strongest environments for IT competitiveness with the legal (read IP) regime an important differentiator\*
- IP respect *and* security is a prerequisite to grow offshoring
- This is a global challenge as the post Internet economy – 'IT IP' being digital - knows no physical borders

\* <http://www.eiuresources.com/mediadir/default.asp?PR=2007071101>



## Emerging BPO Opportunities

- Education – Content/delivery
- Diversified content development
- Artistic renderings
- Remote Medical diagnosis

## Forecasts 2004-09

- Gartner 2007- value of outsourcing \$173bn
- Forrester
  - 2008 total value of outsourcing \$146bn
  - Sectors
    - Bulk processing \$58bn
    - Shared services/HR \$57bn
- Meta group respondents (650 corps)
  - 55% say India will be major destination for outsourcing for next 3-5 years
  - but China rising...
  - And others – Philippines and Vietnam

## Conclusion

- **BPO including Software Offshoring is an attractive export driven business that increases onshore skills**
- **Vietnam is well positioned to grow this due to workforce size age and education**
- **Govt policies should be equal for local and foreign Co's to encourage investment - which in turn will drive skills transfers.**
- **Competition needed in Telecoms to lower prices for centers inc adoption of VOIP as a service .**
- **Strong IPR protection a core prerequisite for offshoring**
- **Adoption of industry global standards vital to ensure data interoperability**
- **Encourage geographical diversity based on infrastructure development in the secondary cites as well as the large ones for wider social benefits**

## Thanks to

- Mr. Jayant Pendharkar – Tata Consultancy Services
- Mr. Sridhar Vedala - Mithras Consulting
- Mr Sergei Koperdak – CompTIA, Brussels, EU
- Ms. Melanie Wyne, CompTIA, Washington DC
- Sallstrom and Associates, Washington DC
- NASSCOM
- IDC
- Mr. Chee Chun Woei, Intelligen Singapore

Thomas Friedman of the New York Times and author of the best-seller  
"The World is Flat" said...

*"When we were young kids growing up in America, we were told to eat our  
vegetables at dinner and not leave them, Mothers said, 'think of the  
starving children in India and China and finish the dinner.'*

*And now I tell my children: 'Finish your math homework, think of the  
children in India and China who would make you starve, if you don't!'"*

***Perhaps in his next edition he will add Vietnam!***

*Thank You!*

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**Asia-Pacific  
Economic Cooperation**

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**2008/SMEWG/SYM/024**

Agenda Item: 3.2

## **Human Capital Development: FPT Software experience**

Purpose: Information  
Submitted by: Vietnam



**APEC Symposium on Improving Market  
Access for ICT Outsource SMEs  
Hanoi, Vietnam  
27–29 October 2008**



# Human Capital Development: FPT Software experience

October 2008

## FPT Software Overview



- Company Name:** FPT Software Joint Stock Company
- Established:** A subsidiary of FPT Corporation since 1988
- Number Employees:** 2,700 (as of Sep 2008)
- Headquarters:** HITC building, Hanoi
- Businesses:**
  1. Our key services
    - Embedded Systems
    - Quality Assurance & Testing
    - Application Development
    - Migration
    - ERP implementation
  2. Revenue: USD 29 million (by September 2008)
- Quality Management:** ISO 9001:2000; CMMi 5; BS7799-2 (ISO 27001), CMMi5 ver.1.2 (2009 target)
- Presence:**
  - Vietnam** (Hanoi, Danang, HCMC);
  - Japan** (Tokyo, Osaka);
  - APAC** (Singapore, Malaysia)
  - USA** (California, Oregon, Minnesota)
  - EU** (Paris)
  - Australia** (Sydney)

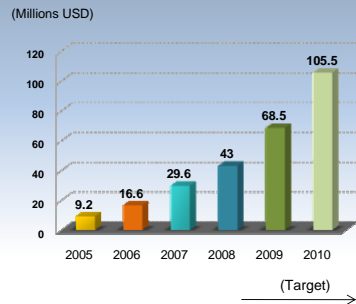


HITC Building

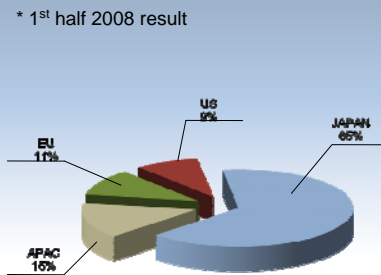
## Financial status



### Revenue growth



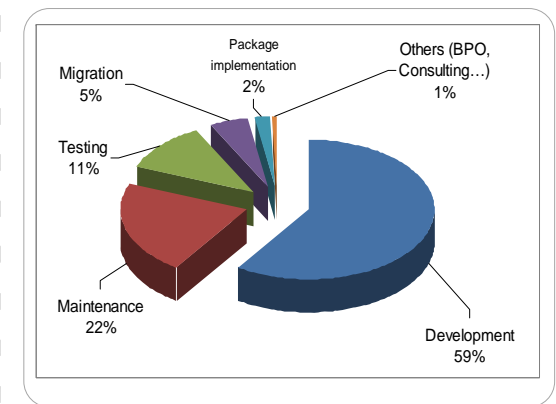
### Revenue by market



## Services



- Development
- Maintenance
- Migration
- QA Testing
- ERP Implementation
- R & D
- Data Center
- BPO
- Other

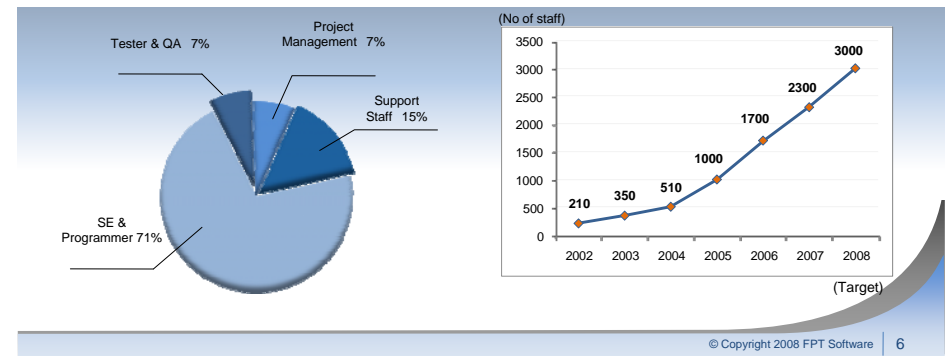


## Human Capital Development – The Key to Our Success

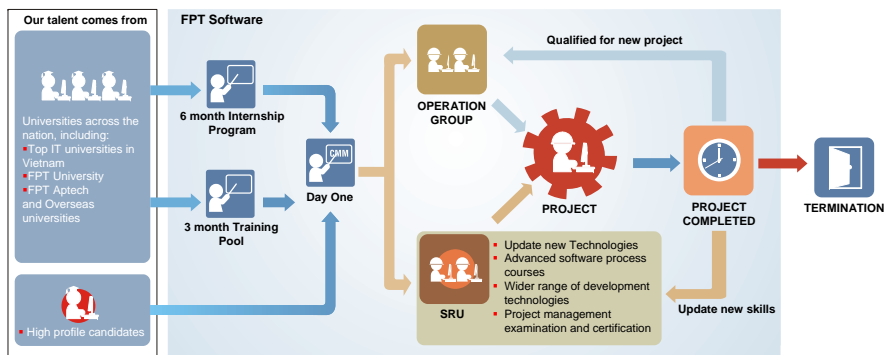
## Human Capital Development



- In 50 Best Employers Development list in Vietnam (voted by Navigos Group, AC Nielsen)
- Modern structure of HR assurance inside Company
- Largest pool of software engineers in VN (2700+)
- 6 month On-Job training for every staff
- Continuously training process for developer
- Wide-range courses in technology and project management skill
- Good foreign language skills

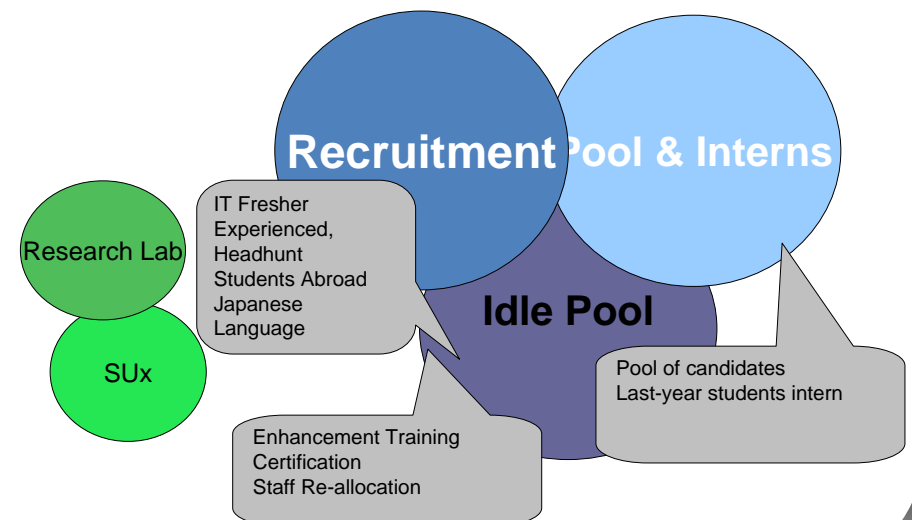


## Developing our People



**SRU (Strategic Reserved Unit):** A strategic unit responsible for managing our human resources and providing training courses to ensure the right quantity and quality of talent for each project

## Resource Assurance Structure

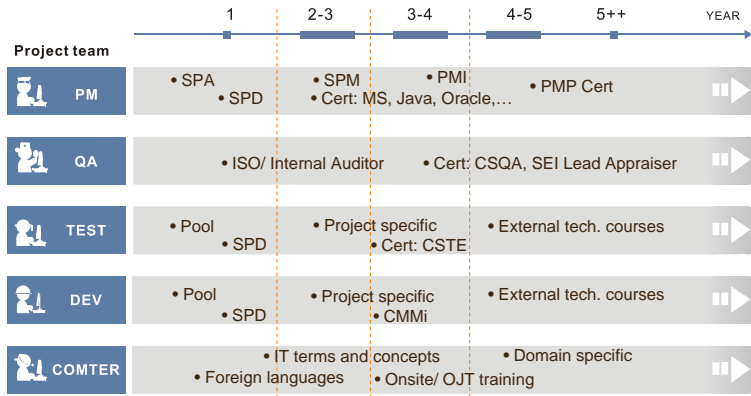


To assure human resource for Fsoft quantitatively and qualitatively.

# Competency Development



- All project members of different roles could take suitable courses to improve soft-skills, foreign languages, basic management ...



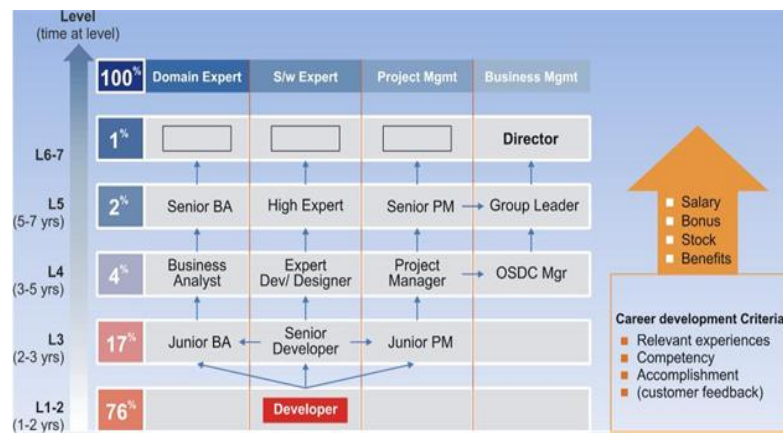
# HR Development for Japanese Market



- Language**
  - Training for technical staff
    - Developer: 3-kuy, 4-kuy
    - Bridge rSE/DM: 1-kuy, 2-kuy
  - Training for comtor
    - Free talk training
    - Translation training
  - Language training for Managers
    - Free talk training
- Technical**
  - IT training for comtor
  - Bridge SE, AOTS, on customer-site training
  - Customer platform training
- Soft-skill and Japanese Cultural**
  - Orientation for Onsite
  - Japanese culture for staff
- Japanese Association**
  - Comtor Association
  - Seminar and Japanese cultural activities (Movie, party, etc)



# Career Path and Retention



# FPT University



## A reliable source of IT personnel

- Established:** In 2006
- Current enrolment:** 2,000
- Training program:** 4-year course; **conducted in English and Japanese**
- Certificate:** Bachelor of Software Engineering
- Co-operation:** IBM, Microsoft, Carnegie Mellon University (USA), Keio University (Japan), Kyushu Institute of Technology (Japan), Swinburne Technology University (Australia), Southern Cross University (Australia)
- Future plan:**
  - 5,000 students (in 2009);
  - Finish 1st phase of building Main Campus in Hoa Lac Hi-Tech Park (HHTP)
  - 40,000 students (in 2015)
  - Finish the master plan in Hoa Lac Hi-Tech Park



Modern facility



FPT University Area in HHTP

# Corporate Culture



## The Key Factor of Staff's Motivation & Connection

- **15 favorite clubs:**
  - Swimming, Vovinam, Beauty, Photograph, Movie, Guitar, Nihongo, Dancing, Badminton...
- **Monthly and quarterly events with particular topics:**
  - 13th Sep Festival, Tour de Hanoi, Water games, music-show
- **Special Days:**
  - Parents' day, Men's day, "Hoi Lang" day
- **Internal information channels:**
  - Weekly Corporate newspaper - the "Chung ta";
  - Fortnightly bulletin - "The Cucumber"; Around FSoft;
  - Intranet; Forums; Corporate blog (2 million hits and counting)
  - Mini radio station – The VOF (Voice of FPT Software)



THANK YOU!