



O₂P and BPA/P Periodic Survey #2 Constraints to Growth

Summary of Results June, 2006

The Periodic Surveys

Outsource₂Philippines (O₂P), in partnership with the Business Processing Association of the Philippines (BPA/P), conducts and publishes periodic surveys on topics of relevance and interest to the IT-enabled services (ITES) and business process outsourcing (BPO) industry. These surveys are not a scientific exercise, but are meant to provide an indicator business sentiment among senior IT and ITeS executives, and draw attention to emerging industry trends and issues. The second in the series of surveys focused on constraints to growth affecting the Philippine ITES and BPO sectors.

Background: The survey, Constraints to Growth, was conducted from June 5 to June 21, 2006. It was available exclusively online. A total of 171 senior executives representing a broad cross-section of the outsourcing industry were invited to respond. A total of 40 respondents, or 23.4% percent, participated in the survey. The survey could be taken only once per workstation, and the results do not include three partial completions and two bank completed surveys submitted.

Profile of companies: All sectors of the outsourcing industry were represented among the 37 respondents. About 20% of the companies represented by respondents are in the contact center sector. Third party BPO, in-house BPO, and software development and maintenance were also 20% each. Medical and legal transcription were three percent each, and animation and graphics and engineering services represented eight percent and five percent of respondents, respectively. Thirty-five percent of respondents indicated that they also operate in other sectors, including ITES and BPO industry support sectors. The chart below provides sector breakdown.









1. Please indicate the sectors in which your firm operates.		Number of Responses	Response Ratio
Primarily Inbound Contact Center		4	10%
Primarily Outbound Contact Center		0	0%
Inbound and Outbound Contact Center		4	10%
Third Party BPO (primarily non-voice processing services)		8	20%
In-House BPO (shared services)		8	20%
Software development/maintenance		9	23%
Medical Transcription		1	3%
Legal Transcription		1	3%
Animation and Graphics		3	8%
Engineering Services		2	5%
VIEW Other, Please Specify		14	35%

Chart 1: Sectors represented.

The next chart shows responses by respondents who answered “Other.”

1. Please indicate the sectors in which your firm operates.	
#	Response
1	telecoms
2	staffing, training, consulting company to BPOs
3	Business Center
4	Training and consulting
5	human resource staffing; managed services
6	service provider for BPO
7	solution provider & integrator
8	Property Developer
9	Database Administration Consulting
10	Closed Captioning
11	Equipment Vendor (data & voice hardware/software)
12	real estate property services provider
13	System Intgration/BPO Enabler
14	Airline services

Chart 2: “Other” sectors.

Most of the respondents (73%) have less than 500 employees. The remainder have between 501 and more than 5,000 employees. Five percent have more than 5,000 employees. The breakdown is provided in the chart below.

2. How many people do you employ in the Philippines?		Number of Responses	Response Ratio
1-100		18	45%
101-500		11	28%
501-1,000		6	15%
1,001-1,500		1	3%
1,501-2,000		0	0%
2,001-3,000		0	0%
3,001-4,000		1	3%
4,001-5,000		1	3%
More than 5,000		2	5%
Total		40	100%

Chart 3: Sector breakdown.

Growth in Workforce: The majority of respondents indicated moderate to very high growth in work force, with 75% indicating growth between six percent and 200 percent. Twenty-seven percent indicated growth of between 40% and 200%.

By what percentage do you plan to increase the size of your workforce this year?		Number of Responses	Response Ratio
0-5%		10	25%
6-10%		5	13%
11-15%		5	13%
16-20%		3	8%
21-25%		4	10%
26-30%		2	5%
31-35%		1	3%
36-40%		0	0%
41-50%		3	8%
51-75%		0	0%
76-100%		5	13%
101-200%		1	3%
VIEW Other, Please Specify		1	3%
Total		40	100%

Chart 4: Growth in workforce.

Workforce Turnover: Thirty-eight percent of respondents indicated moderate turnover between five percent and 10%. Another 35% experience turnover between 11% and 25%. Fifteen percent reported turnover between 26% and 40%, and one reported turnover between 51% and 75%. Two respondents who selected “Other” indicated one percent and two percent turnover. The breakdown is provided in the following chart.

4. What is your average annual turnover?		Number of Responses	Response Ratio
5-10%		15	38%
11-15%		7	18%
16-20%		3	8%
21-25%		3	8%
26-30%		4	10%
31-40%		2	5%
41-50%		0	0%
51-75%		1	3%
76-100%		0	0%
VIEW Other, Please Specify		4	10%
Total		39	100%

Chart 5: Workforce turnover.

Hiring rate: Slightly more than half of respondents, 52%, indicated that they hire between five percent and 10% of the applicants they interview. Twenty-nine percent indicated one percent to four percent, and 16% indicated they hire between 11% and 30 percent of all interviewees. The breakdown is provided below.

5. What percentage of interview applicants do you hire?		Number of Responses	Response Ratio
1%		1	3%
2%		3	8%
3%		4	10%
4%		3	8%
5%		10	26%
6-10%		10	26%
11-20%		3	8%
21-30%		3	8%
VIEW Other, Please Specify		2	5%
Total		39	100%

Chart 6: Hiring rate.

Two respondents provide “Other” responses, with one indicating a 60% hire rate because, “we are not in mass hiring,” and one indicating 30-40%.

It is worth noting that three respondents indicating an employee base of between 3,000 to greater than 5,000 responded that they hire six percent to 10 percent of applicants. Respondents in small to moderately sized organizations have the lowest hiring rates.

Impact of English Proficiency on Growth: Fifty-one percent of respondents indicated that English proficiency has a “very significant impact” on their organizations’ ability to grow. On a scale of one to seven with seven indicating “very significant impact” 89% responded in the range of five to six. Only four percent responded with a three. The following chart provides the breakdown.

On a scale of 1-7, with 1 indicating no impact and 7 very significant impact, to what extent does lack of English proficiency hamper growth?		Number of Responses	Response Ratio
No Impact		0	0%
		0	0%
		4	10%
		0	0%
		9	23%
		6	15%
Very Significant Impact		20	51%
Total		39	100%

Chart 7: Impact of English proficiency on ability to grow.

Testing English Proficiency: Fifty-seven percent of respondents rely on a recruitment executive or trainer to test English proficiency, and 53% use written examinations. Only 23 percent use an online solution. Thirty-five percent of respondents indicated “Other,” mostly interviews.

Remedial Training: Fifty-five percent of respondents provide free remedial training, while 10 percent charge training fees. Forty percent of respondents do not offer remedial training.

Impact of Suitable Office Space on Growth: On a scale of one to seven with seven indicating a “significant problem,” 43% of respondents indicated that finding suitable office space is a problem to some to a significant degree. Fifteen percent said it is a significant problem. A similar percentage, 41%, indicated a range of one to three, suggesting that finding suitable office space is not a major impediment to growth. Eighteen percent of respondents were neutral. The breakdown is provided in the following chart.

On a scale of 1-7, is finding suitable office space a constraint to growth?		Number of Responses	Response Ratio
Not a Problem		6	15%
		7	18%
		3	8%
		7	18%
		8	20%
		3	8%
Significant Problem		6	15%
Total		40	100%

Chart 8: Impact of ability to find suitable office space on growth.

Not surprisingly, when the results were cross tabulated, responses showed that organizations that employ large numbers of people consider the ability to find suitable office space a significant problem.

Office Space Outside Manila: Only 13% of respondents indicated interest in looking for space outside Manila. Of the five respondents looking for office space outside Manila, two employ 3,000 to over 5,000 people. Three employee less than 500 people.

Office Space Occupied: Nineteen percent of respondents presently occupy between 5,001 and 30,000 square meters. Two occupy 20,000 to 25,000 sq meters, one 15,000-20,000, one 25,001-30,000, and one over 30,000. Thirty-one percent occupy less than 500 sq meters, 21 percent 1,001 to 2,000, and 13% 501 to 1,000. Eight percent occupy between 3,001 and 5,000 sq meters. The chart below provides the complete breakdown of responses.

11. How much office space do you currently occupy (square meters)?		Number of Responses	Response Ratio
100-500		12	31%
501-1,000		5	13%
1,001-2,000		8	21%
2,001-3,000		1	3%
3,001-4,000		2	5%
4,001-5,000		1	3%
5,001-7,500		2	5%
7,501-10,000		1	3%
10,001-15,000		0	0%
15,001-20,000		1	3%
20,001-25,000		2	5%
25,001-30,000		1	3%
VIEW Other, Please Specify		3	8%
Total		39	100%

Chart 9: Office space presently occupied.

Increase in Office Space: Twenty-eight percent of respondents indicated only moderate growth in space requirements of between zero and 10 percent, while 42% indicated moderate to high growth of up to 50 percent. Twenty-three percent indicated growth between 76% and 200%, as shown below.

12. By what percentage do you expect your space requirements to grow over the next two years?		Number of Responses	Response Ratio
0-10%		11	28%
11-20%		4	10%
21-30%		8	21%
31-40%		3	8%
41-50%		3	8%
51-75%		0	0%
76-100%		3	8%
101-200%		6	15%
VIEW Other, Please Specify		1	3%
Total		39	100%

Chart 10: Increase in office space.

Impact of Negative Perception of the Philippines on Client Recruitment: On a scale of one to seven with seven indicating “image is a significant issue,” 46% of respondents responded in a range of five to six, with 18 percent indicating negative image is a significant issue when recruiting clients. Twenty-eight percent indicated negative image is not an issue or not a very significant issue, responding in the range of one to three. Twenty-six percent were neutral. The breakdown is provided below.

13. On a scale of 1-7, please indicate whether negative perceptions of the Philippines makes recruiting clients more difficult.		Number of Responses	Response Ratio
Image Is Not an Issue		2	5%
		3	8%
		6	15%
		10	26%
		5	13%
		6	15%
Image Is a Significant Issue		7	18%
Total		39	100%

Chart 11: Impact of negative perception of the Philippines on client recruitment.

Impact of Positive Perception of the Philippines on Client Recruitment: However, on a scale of one to seven with seven indicating “image is a significant issue,” a clear majority, 69%, indicated that a positive image has a somewhat significant to significant impact on client recruitment, responding in the range of five to seven; most responded in the range of six to seven (61%). Fifteen percent did not consider image an issue or a significant issue, responding in a range of one to three. Eighteen percent of respondents were neutral. The breakdown is provided in the following chart.

14. On a scale of 1-7, please indicate whether positive perceptions of the Philippines facilitates client recruitment.		Number of Responses	Response Ratio
Image Is Not an Issue		2	5%
		2	5%
		2	5%
		7	18%
		3	8%
		11	28%
Image Is a Significant Issue		13	33%
Total		40	100%

Chart 12: Impact of positive perception of the Philippines on client recruitment.

Improvements from Client Perspective: When asked in what areas, in the view of clients and potential clients, the Philippines should improve, the top three responses were overall country image (85%), political stability (80%), and English proficiency (55%). Technical expertise was cited by 38% of respondents,

scalability 30%, and telecom infrastructure 15%. “Other” responses were concerned with governance, physical infrastructure, and peace and order. The breakdown is provided below.

15. In the view of clients and potential clients, in what areas does the Philippines need to improve?		Number of Responses	Response Ratio
English proficiency		22	55%
Technical expertise		15	38%
Scalability		12	30%
Telecom infrastructure		6	15%
Political stability		32	80%
Overall country image		34	85%
VIEW Other, Please Specify		4	10%

Chart 13: Improvements from the client perspective.

Improving Perception of the Philippines: When asked what the Philippines should do to improve its image, the top three responses were: 1) undertake a public relations program (75%); 2) participate in major international trade shows (68%); and, 3) provide a better online presence (65%). Many respondents, 60%, also responded that the Philippines should conduct more industry conferences. Forty-three percent indicated advertise in major trade publications, and 25% in major newspapers and magazines. The breakdown is provided in the chart below.

16. Are there things the Philippines should do to improve its image? Please indicate all that apply.		Number of Responses	Response Ratio
Advertise in major newspapers and magazines		10	25%
Advertise in major trade publications		17	43%
Undertake a public relations program		30	75%
Participate in major international trade shows		27	68%
Provide a better online presence		26	65%
Conduct more industry conferences		24	60%
VIEW Other, Please Specify		8	20%

Chart 14: Improving perception of the Philippines.

A number of respondents indicated “Other.” Each response is provided in the following chart.

16. Are there things the Philippines should do to improve its image? Please indicate all that apply.	
#	Response
1	better infra from airport to CBD
2	unified leadership in government
3	launch roadshows in specific locations
4	Get rid of the negative elements for growth in RP
5	honesty in government, eliminate corruption
6	our trade consuls shld push more
7	Better media management
8	sell the country the way Singapore, Malaysia et al

Chart 15: Other things the Philippines should do.

Analysis

The results of the survey show that English proficiency is a key impediment to growth. However, a more positive image of the Philippines might substantially accelerate growth of the ITES and BPO industry. The Philippines should act proactively to improve overall country image, therefore. Finding suitable office space is not viewed as an alarming impediment to growth for small and mid-size firms, but is a significant issue for larger employers. Despite these challenges, most respondents will grow moderately to very rapidly over the next year, both in terms of workforce as well as office space. Recruitment ratios are generally higher among respondents than anecdotal evidence and common perception seems to suggest. Rapid growth by many of the respondents suggests that recruitment rates are not impinging on the ability to grow in as significant a manner as commonly assumed.