Singapore's outsourcing aspirations

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When First Data Corp., the U.S.-based global back-office service provider of electronic commerce and payment systems, decided to establish a regional hub for its South and Southeast Asian operation last year, it choose Singapore as its hub instead of India-considered as the top destination for outsourcing.

"(It was a) strategic move to signal First Data's commitment to extending its presence in Asia," said Cara Taylor, the spokesperson of First Data, adding that although First Data has operations in China and representation in India, Singapore was a clear choice because "of its growth, infrastructure and proximity to clients." Singapore, according to the company, is growing at double-digit rates in terms of both volume and value of the electronic commerce and payment business, and a hub there allows it to be closest to its clients in a region that has highest growth potentials.

But First Data is the not the only outsourcing service provider that has realized the benefits of setting up an outsourcing operations-hub there despite the fact that it costs at least 30 percent more than a similar hub in India and China.

In fact, in a 2004 report the U.S. Department of Commerce ranked Singapore as the second fastest-growing hub for outsourcing among U.S. businesses, while reports by AT Kearney, PricewaterhouseCoopers and the Economist Intelligence Unit have all found Singapore to be amongst the top destinations for offshoring. Many multinational corporations including Citibank, Credit Suisse First Boston, Hewlett-Packard, IBM

and Microsoft, according to the Infocomm Development Authority of Singapore, have already located their business process outsourcing activities in Singapore to improve their operational efficiencies.

Indeed in the world of BPO, which typically conjures up images of hundreds of youngsters hired at a fraction of wages prevailing in the West working as cyber-coolies at call centers in India, Philippines or Malaysia, Singapore today has increasingly started playing an important role that is also helping the nation to think big in terms of being a BPO hub in Asia.

And to cash in on the global BPO wave, the Singapore government as well as its lead strategy planning and executing agency, the Economic Development Board, are now hard set to push the small island nation in Asia to develop into a "trusted BPO hub of the region."

"The Singapore government has committed to develop the nation into a high value-added BPO hub," said Vivien Lee, marketing manager of the Infocomm Development Authority of Singapore, a statutory board of the government that has the task of "fostering a competitive world-class infocomm industry in Singapore."

"Moving forward, Singapore will continue to focus its efforts towards attracting high-end vertical-focused activities such as those in the financial services industry, IT operations and business continuity and disaster recovery functions," said Lee. "And we aim to create an environment conducive to outsourcing, and continue to enhance Singapore's reputation as a vibrant BPO hub."

But how can Singapore actually compete against India, China, or for that matter even Malaysia, which top the list of preferred BPO destinations? After all, as many local service providers themselves admit, Singapore as a destination is hardly the most cost-efficient -- the very basics of BPO

services.

But "Singapore should not be positioned as a low cost BPO centre as we have other value propositions to sell," says Lim Chin Hu, president and chief executive officer of Singapore-based Frontline Technologies Corporation, which claims to be a leading provider of Information Technology services including outsourcing. "(It should be positioned) as a trusted BPO hub with the talent and skill sets that are required for high-value services."

There are other pull factors as well. "When a company chooses a BPO destination, cost is not the only consideration factor," says Chong Hui Min of Singapore Computer Systems, a BPO service provider in the financial-services sector that claims to specialize in a unique service called unique forms process outsourcing (FPO).

"The business environment, political stability, government support, workforce competency and having a total eco-system for a particular industry are all factors that also need to be considered," she says, and "Singapore is strong in all of these."

According to Mike Corbett, executive director of the International Association of Outsourcing Professionals, a U.S.-based consortium of outsourcing companies that has just published its first Global Outsourcing 100 companies list (which features two Singapore-based BPO companies), Singapore's emergence as a preferred BPO hub is also a result of a political factor.

"Singapore is already a recognized player on the global BPO scene, but in a very different way than are countries like India and China," said Corbett. "The nation has extremely strong ties to the West and has always been positioned as a natural 'jumping off' point for Western business interests in the region."

In fact, according to Hui Min of Singapore Computer Systems, most Western companies view Singapore as a business continuity hub that is ideally located away from natural disasters. "Moreover, Singapore also adopts world-class standards to ensure that the services provided are of top quality," she says.

Nevertheless, not everybody is convinced of Singapore's virtues and doubt if all the "favorable factors" cited by its BPO followers could actually help the nation succeed in its initiatives of pushing development of a BPO hub.

One such skeptic is Arno Franz, partner and Asia-Pacific managing director of Technology Partners International, the global sourcing adviser, who feels that Singapore's cost structure is simply too high for it to become a major player in outsourcing. In fact he says that cost issues have resulted in the nation losing a lot of its IT business to China over the past few years.

That may be true, but according to Mike Corbett of IAOP, Singapore's BPO industry should not be viewed as a competitor to other countries. "I think that Singapore's relationship to India and China will prove to be far more collaborative than competitive," he says.

For instance, says Peter Read of Fusion Consulting, a Singapore and Hong Kong-based business intelligence consultancy, Singapore can complement China and India by offering higher value-added services, and as these two countries rise up the BPO value curve, as they inevitably will, Singapore can still stay in the picture by capitalizing on the "dual hub" concept, which is mitigating risk by relying on more than one BPO center.

Small wonder then that IDA expects Singapore's BPO market, worth $440 million in 2005, to almost double to $817 million by 2009, which

could well enhance Singapore's reputation as a vibrant BPO hub.

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