

## **Business Process Outsourcing Industry Report**

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### IV. Transcription outsourcing gains popularity

By Ehden M. Llave-Pelaez

Transcription service is fast becoming a major outsourced function in the country matching the boom in the call center industry in early 2000. This has given the Philippines another opportunity to generate billions in revenues. Moreover, the increased demand for transcriptionists has created another avenue for professionals in the legal and medical field.

Simply put, transcription is the act of translating to written form all the oral records, which arises from the continued need for quality documentation that can easily be shared electronically among providers, third party players, regulators and consumers.

Outsourced opportunities in transcription services for the Philippines are in the areas of legal and medical fields. Lawyers can perform case summaries and be trained to undertake syllabus editing for legal publishers while allied medical graduates can convert recorded voice dictation by physicians and other medical professionals into written form.

Among these two fields, medical transcription is gaining more popularity because of the higher demand for this service in the US.

The need to maintain basic hospital data, to record data and medical procedures for research and to maintain records for insurance purpose impelled hospitals to keep a databank of such records. However, the limited labor force in the US and lower labor costs in other countries have prompted hospitals and transcription firms in the former to outsource this function.

Due to the large pool of allied medical graduates and labor force who are computer literate and familiar with American English, the Philippines is one of the most favored destination.

An average of 30,000 medical professionals in the country graduates every year. And around 25,000 college graduates from the total 380,000 are said to be qualified to do the BPO work.

Philippine medical transcription (MT) companies are also known to be familiar with all common transcription software systems.

These companies do mostly medical reports, discharge summaries, operative reports, therapy or rehabilitation notes, and hospital and clinic reports using state-of-the-art software and equipment from the US. Majority of which operates 24/7 with an average turnaround time of 24 hours. This enables them to deliver output in three to six hours in emergency cases.

The Medical Transcription Industry Association of the Philippines, Inc. (MTIAPI) currently has 28 MT companies and nine MT schools as members. This is a big jump from only nine MT firms in the prior years. And as this sector continues to grow steadily, the country is seen to fill in 47% of the supply gap in the US medical transcription market for the next two years.

In 2008, the estimated market size of the US' medical transcription market in terms of billing is \$1.07 billion; coding at \$587 billion and; claims processing at \$15.7 billion.

But MTIAPI said the country still has to harness the full business potential of this emerging industry if it is to expand its share of the American market.

"The growth depends on the level of quality being produced. It can't grow too much faster than the way it's growing because you need experienced people to do the quality assurance work. And it takes a year

or two of more than basic training...without that you'll be handicapped, you won't be able to market transcription work," said an official from e-data Services, Inc.

For its part, MTIAPI is striving to create awareness among Filipinos of having a rewarding career in MT. In the marketing side, the association is planning to adopt capacity pooling wherein they will gather all the capacity of small members and act as the lead agency that would market them in the United States.

Industry players think that if Filipinos could focus on their innate strengths, the Philippines could be a dominant player in the medical transcription services field.

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### **Digital animation industry provides billions of pesos**

By Ehden M. Llave-Pelaez, Researcher

The oldest yet one of the most profitable outsourced services in the country is digital animation. As early as the 1980's this sector has given the Philippines an opportunity to generate billions in revenues.

The local animation industry is a major service provider to Japanese (Anime), American (Walt Disney), European and Australian animation companies. In fact, some of the popular animation characters in the world were actually drawn by Filipino animators. However, not much credit has been given to these animators because the projects were only subcontracted. Some of the famous characters that were created by Filipinos are Flintstones, X-Men, Transformers, Scooby-Doo, The Prince of Egypt and the Road to El Dorado.

Because of the advanced technical capabilities of local animators, they are also able to render graphics in different platforms for the gaming industry.

Among others, Filipino artistry and creativity, organizational maturity and original content production capability, have put the local animation industry at par with other countries. And because Filipino animators are familiar with American humor, most animation outfits in the US outsourced their services to the country.

However, the industry is currently confronted with the exodus of animators to other countries, especially India. To date, India has the biggest volume of software development and business process outsourcing service contracts.

According to the Animation Council of the Philippines, Inc. (ACPI), the industry is losing an average of 150 to 200 digital animators annually.

And because the country, at present, could not match the compensation and perks being offered to the local industry's "best" digital animators, the government is finding ways to offset the loss and strengthen the sector.

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### **Outsourcing broadens engineers' employment options**

By Ehden M. Llave-Pelaez, Researcher

With the rapid development in computer technology and the increasing number of outsourced engineering design projects in the country, engineering degree holders and students alike need not worry about the reported domestic oversupply of licensed professionals.

Large manufacturing firms are starting to focus more on their core competencies, which results to a growing potential for outsourcing engineering services. And this emerging trend among multinational companies opens an opportunity among professionals in various countries, particularly the Philippines, to maximize their potential.

The industry sector typically spends two to five percent of revenues on engineering, reflecting the immense potential of the engineering services market.

Outsourced engineering design services include those in marine engineering, aerospace, automotive, optical and medical systems and electronic packaging and transportation. It starts from as basic as conversion of paper drawing to design modeling and detailing to as complex as virtual prototyping, customization, implementation of solutions and customer product development processes. Other services include research and product development and planning and procurement for construction.

Government statistics show that an average of 40,000 engineering students graduate every year while the number of licensed professionals in the country has already reached 75,000. Because of the large manpower pool and presence of Japanese and US firms that support advanced technological requirements, more and more multinational companies favor the Philippines as a major location for their engineering design functions.

To date, more than 20 engineering design service providers operate in the country. And this number is expected to grow as the government intensifies its marketing promotion of the Philippines as a valuable partner in business process outsourcing.

Besides the technological level of expertise of local workers in engineering design, the availability of English-proficient professionals also makes the country an attractive outsourcing destination. This is because the most widely used engineering design software technology is English.

Another major factor is the country's adherence to internationally accepted standards, which includes Computer-Aided Design and Drafting Skills (CADD) and Computer-Integrated Manufacturing skills.

Moreover, as early as 2001, the total number of ISO-certified firms have already reached 1,000.

On the production cost, outsourcing engineering design jobs help in manufacturing products at lower cost. And the country offers one of the most competitive rates in the Asian region.

Despite these advantages, industry participants said the Philippines still has to maximize its potential in this sector. More than promoting the country, it is of great importance to maintain, if not, improve the quality of education.

Although major clients distinguished the Philippines as a country with good basic engineering curriculum, there is still a need to build up the educational system to be able to provide the right kind of competitive skills that is required by the industry.

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**Finance, accounting a fast growing BPO service**  
By Larissa Josephine C. Vila, Researcher

The old adage, "If you want something done right, do it yourself," is no longer true in this increasingly cost-conscious, specialized world of international business. With the escalating pressures from competition and the growing global business opportunities, organizations are seeking ways to lower operating expenses and increase efficiencies.

Now, more companies are choosing to source corporate functions, including finance and accounting, from external business partners. The proverb nowadays is “Do what you do best, and outsource the rest.”

At present, finance and accounting outsourcing is one of the fastest-growing segments of the business process outsourcing (BPO) market. And, the Philippines is taking advantage of this demand that is expected to increase substantially in the coming years.

Shared financial and accounting services is a BPO service which makes efficient use of modern technology to perform various accounting and other financial-related services. It involves a system of centralization and distribution that provide process- or knowledge-based financial services to other business units.

“Finance and accounting cover account receivables, accounts payable, and also revenue management for customers, which can be anything from simple bill collection to complete management of a revenue cycle,” said James M. Donovan, president and chief executive officer of business solutions firm American Data Exchange Corp. (ADEC).

The industry players in the country made up of multinational firms who have their back offices in the Philippines, such as Citibank and AIG, and of large-scale multinationals like Accenture, and IBM. Locally, there is SPI Technology, Innodata and ADEC, among others.

Like in many other BPO services, the demand for financial and accounting services emanates from the U.S. and European markets and secondarily from Australia and Canada.

A study made by US-based firm LOR Management Services said that Fortune 500 companies are now getting attracted into such outsourcing agreements due to the financial savings it can result in. Accenture’s Stewart Clements’ research revealed that cost savings and process efficiencies top the list of benefits from outsourcing finance and accounting.

By outsourcing generic tasks, companies are also able to focus on more value-added undertakings such as business plannings, forecasting and analysis. Outsourcing helps companies “achieve and maintain an external focus,” with more time and attention available for the customer, said one satisfied outsourcing client.

Mr. Donovan said the onshore component of the shared financial and accounting services industry in the Philippines is already well-passed, worth multi-billions of dollars. But the offshore component is “still very immature.”

“It’s a matter of marrying up the onshore and offshore side as it moves forward,” he explained. “This industry already exists per se in Germany and the United Kingdom. It’s just a matter of getting the pieces of it offshore.”

To help get the message across, companies like ADEC rely on their marketing arms to promote their services. Many of the industry players here have their own companies in the U.S. which directly work with customers there and in turn shepherd the work to the Philippine office.

How do they do it? “We continue to put forward the qualities that we find in the Philippines,” said ADEC’s CEO. “It’s very straightforward. We just continue to do a good job, which leads us to more work.”

## **TRENDS AND PROSPECTS**

In the coming years, shared financial and accounting services should not be left behind by the rest of the BPO players. Mr. Donovan specified that customers are to gain more and more process expertise and would want the same, if not better, capacities that they cannot access in their local markets.

“So we will use the talent that we have here in the Philippines and bring them up to the current U.S.

global standard and actually beyond.”

But first, the industry has to prevail over several challenges. In the short-term, the challenge is putting forward the Philippines as an alternative site to India. “We have to continue to put forward the capability of the Philippines in front of U.S. customers and other prospective customers,” said Mr. Donovan.

The long-term challenge is enhancing and maintaining the country's competitive advantages. “Eventually, labor arbitrage will not be the major focus of outsourcing. Within seven to 10 years, when labor arbitrage has already ran its course and with prices always having a certain amount of difference, it will be those with deep process knowledge who will be successful,” the CEO stated.

As such, prospects are very good for those who can bring data security and have a knowledge of the complexity of the compliance environment that the U.S. and other potential markets have to live under.