

CHAPTER 3. ICT-ENABLED INDUSTRY

Overview: Many ICT-enabled services are increasingly tradable as a result of technological advances in ICTs, combined with ongoing liberalization of trade and investment in services, and services activities are globalizing rapidly. These increasingly globalized service activities not only contribute to the development of the ICT sector but also more broadly to other business and service activities

Learning Objective:

At the of the Chapter, the student must be able to:

1. Design, implement and evaluate computer-based systems, processes, components, or programs to meet desired needs and requirements
2. Identify options for future job opportunities
3. Identify the different ways to have a sustainable professional career

3.1 BUSINESS PROCESS OUTSOURCING (BPO)

- a. Business process outsourcing (BPO) is the contracting of a specific business task, such as payroll, human resources (HR) or accounting, to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires but does not depend upon to maintain their position in the marketplace.
- b. One of the most dynamic and fastest growing sectors in the Philippines is the Information Technology - Business Process Outsourcing (IT-BPO) Industry. The industry is composed of eight sub-sectors, namely, knowledge process outsourcing and back offices, animation, call centers, software development, game development, engineering design, and medical transcription. The IT-BPO industry plays a major role in the country's growth and development.
- c. BPO Setups (Captive Markets and Offshoring/Third Party Outsourcing)
 - Third Party Outsourcing
 - c.1 Project Based Outsourcing-** primarily used for business activities with irregular frequencies or one-off projects. The usual costing method makes use of time and material costs as variable costs and the fixed costs
 - c.2 Dedicated Development Center** - primarily used in business cases when there are hanging requirements. In this specific model it could be used for some long-term goals for developing technology or software. This is preferred when resource requirements are lower in the outsourced country than the home country hence developing a comparative advantage. The customers (multinational firms) are charged for fixed fees, which are the wages of full-time employees
- d. BPO Setups (Captive Markets and Offshoring/Third Party Outsourcing)
 - **Captive Markets-** preferred when core or crucial business activities are needed to be run at cheaper costs. The rationale for employing such a setup is to cater to long term strategic plans involving high managerial control. In this case there are two major ways of setting up a captive market and these are the DIY or 'Start From Scratch' model and the Build Operate Transfer model
- e. BPO Setups (Captive Markets and Offshoring/Third Party Outsourcing)
 - **Captive Markets : Start From Scratch Model**
 - e.1 The usual flow is for the company to develop all its resources in the new designated area or country of operations.
 - e.2 preferred by the companies that have high levels of market knowledge and analytics
 - **Build Operate Transfer Model**
 - e.3 the practice is to contact a 3rd party vendor in order to develop a contract in which the vendor is the one who develops the property, sources the employees and manages the BPO center for the first designated period or amount of time.
 - e.4 preferred by companies that do not have any specialized expertise in the new country of operations hence needing a local partner or vendor to assist with market entry strategies
- f. **Trends in the Industry**
 - Better Information security
 - Strategic balanced-shore outsourcing
 - Booming Blogging and Social Media Outsourcing
 - Popularity of cloud-based software

g. Issues concerning the industry in the Philippines

a. Health Issues - employees experience back and shoulder pains, due to the workstation setups and monitor levels, several have complained about experiencing throat irritations due to dealing with multiple calls a day coupled with a high stress work environment and concerns regarding the employees' hearing being damaged due to most of these workers being exposed to higher noise levels

b. Political Issues

- revision of Republic Act 7916 to include floors in buildings where BPO companies operates to be considered as special economic zones, exempting the companies from national and local taxes and only having to pay 5% of their gross income as tax
- approval of RA 7916, the establishment of the Philippine Economic Zone Authority (PEZA) which considered IT Parks as special economic zones, encouraged foreign investment in the industry by providing subsidies for infrastructure development and tax exemptions

c. Economic Issues

- the BPO industry is the fastest growing sector in the country and is expected to overtake OFW remittances in 2017
- the growth in the BPO industry has barely trickled down to most of the Philippine population
- the development of the country mainly because of the high unemployment and underemployment rates; the BPO industry was the fastest growing sector from 2005-2012 but only took in 1% of the labor force

3.2 MOBILE-BASED SERVICE INDUSTRY

Defined as those companies, which together enable the provision of telecommunication, information and entertainment services including voice, internet, SMS, text and other data services

- Mobile banking,
- economic development,
- delivery of health services,
- citizen empowerment and;
- greater access to media and education

3.3 E-SERVICES/E-GOVERNMENT

E-Government in the Philippines is envisioned to create "a digitally empowered and integrated government that provides responsive and transparent online citizen-centered services for a globally competitive Filipino nation."

- Efficient delivery of public services (Citizens)
- Places a premium on value-added, shared services, interoperability and the maximization of public resources (Government)
- Provides spaces for participation and fosters synergy in governance (Civil Society Organizations)

- Identifies policy and advocacy areas that need to be addressed in creating an environment necessary for fostering an integrated, interoperable and harmonized system of e-Governance (Policymakers)

LET'S ASSESS WHAT YOU HAVE LEARNED:

One of the most dynamic and fastest growing sectors in the Philippines is the Information Technology-Business Process Outsourcing (IT-BPO). Do you think that the BPO Industry contributes to the development of the ICT Sector and other business and service activities in our country?