



Special Report

SYNOPSIS

Xi'an – China's Western BPO Capital

Today, a modern and vibrant Xian, home to the ancient Terra Cotta Warriors, has a new army: visionary leaders, entrepreneurs and graduates who plan to make their mark in the BPO marketplace.

This emerging BPO Capital has low cost, abundant labor, and competitive incentives. How well does it compete in the global marketplace?

Written for global decision makers who have BPO sourcing on their agenda, and any student of China's emerging BPO / ITO capability, this independent review examines Xi'an's role as a valuable, global BPO destination and it incorporates a Special Report on the Second Xi'an – China International BPO Forum.

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Bill has an impressive career in the IT consulting arena and was Regional Managing Director Asia for UK based Xansa PLC, he was a Member of Singapore Airlines Steering Board for the implementation and support of SAP; and was CEO of Xansa's North American Enterprise Systems business. Bill has worked in Europe, North America and Asia. His career also includes senior positions at British Airways, KPMG, and Ford.

His first exposure to China was in 1987. He visited Beijing on numerous occasions, where he led negotiations with the Chinese Government for a UK based company. He has retained contact with the country in the intervening years, and since 2002 has worked from dual offices in Shenzhen and Singapore.

Bill is a graduate of Harvard Business School Advanced Management Program, earned his MA degree in Finance and Business Strategy at Lancaster University Business School (UK) and is a regular speaker and writer Business and IT Enterprise Solutions related topics.

Synopsis

Since the Second China Xi'an BPO International Forum in October 2005 which welcomed over 250 Chinese and International delegates to Xi'an and gave impetus to the country's drive to build greater BPO capability and capacity; the city of Xi'an continued to move forward with its BPO Agenda – appointing western media advisors, engaging internationally renowned experts, and committing funds to a major drive in the areas of marketing, promotion, investor's incentives, employee education, and process certification. In 2006, the Xi'an Hi tech development Zone and the Xi'an Software Park expect to comfortably exceed the previous years' intake of new international companies and investors.

A New Army in a Modern City: Xi'an, the cradle of Chinese civilization, home of the Terra Cotta Warrior Army is a city of that has delivered landmark technological, scientific, and business achievements alongside its reputation as a city of major historical and cultural importance. And Xi'an now has a new "Army of Warriors" – the bright and enthusiastic graduates from Xi'an's many universities, the successful Chinese business leaders from home and abroad and far sighted senior Officials of the Xi'an and Shaanxi Administration – who, together, form a challenging, invigorated, and passionate force. These managers and entrepreneurs have, in the past three years, opened some 300 new ITO and BPO businesses serving overseas and domestic markets from Xi'an Software Park and have created a center of innovation, creativity, and service in many fields.

Xi'an's history blends with the contemporary in this hugely successful west China city. Xi'an boasts leading edge industries, modern infrastructure, and an attractive life style for its city dwellers and visitors alike. Already home to China's largest indigenous BPO Company, Xi'an is determined to become one of the world's BPO capitals.

City is investing: In the past two years Xi'an has spent US\$1.5bn on major infrastructure development; Xi'an's international airport has been totally refurbished; in September 2005 the airport announced through services to London, Paris, Frankfurt, Los Angeles, and San Francisco; and new highways have been built. All this is turning the city into a major success story. In the 1990's Xi'an faced a "brain drain", talent was emigrating to the costal cities and Beijing and the city faced a difficult period. Fortunes have now been reversed, in the past two years there has been an increase in inbound investment and a net positive in flow of highly qualified talent. One reason for companies to locate to Xi'an is cost: Xi'an's costs compare very favorably with other low cost locations – vis-à-vis Beijing, the cost of living is about 50 per cent lower, and rental and overheads are at commensurately lower levels.

Xi'an is a leading academic center: Its 100 Universities and Institutes of Advanced Learning graduate student in subjects ranging from Computer Sciences to Biotechnology to Space Technology (sixty per cent of China's latest manned spacecraft – Shenzhou VI - originated in Xi'an's Research and Development Institutes). From its student population of 800,000, some 40,000 graduated in Computer Sciences in 2004.

Hi-tech Zone: Pride of place in the City is the 30 sq km Xi'an Hi-tech Industries Development Zone (XHTZ) which is one of China's premier centers for science and technology. It houses 7500 enterprises of which approximately ten percent are foreign funded, it includes manufacturers, research and development laboratories, a Science Park, a Software Park, and an emerging BPO industry. It has commercialized over 6000 technological achievements. In Xi'an, and in the High Tech Zone, Information Technology is considered to be a "Pillar Industry". The Xi'an Software Park, providing half million sq m of prime offices and software laboratories, has been approved as a National Software Industry Base and a Software Export Base. XHTZ has wide ranging incentives to attract business, and has succeeded in attracting organizations such as Intel, Fujitsu, Philips, Sybase, Nortel, Thoughtworks, Agilent, Kingdee, NEC, and Huawei.

Mr Jing Junhai, Director of Xi'an High-tech Industries Development Zone and the visionary leader of the city's nucleus of technological achievement, says "After 14 years of development, the High-tech Industries Development Zone has become an industrial development zone featuring rapid

development, an excellent environment, and it is the most thriving zone in China's west. It is an important window for the opening of Shaanxi Province and Xi'an."

Serious about BPO: Xi'an's is also determined to become a serious player in the BPO space (for both domestic and international businesses) and Xi'an's China International BPO Forum has, for two years, engaged established BPO players and experts to provide quality direction and to provide a forum for education and learning. This underlines Xi'an's determination to put the success of BPO alongside the burgeoning Hi-tech Industries Development Zone and the Xi'an Software Park. Xi'an's nascent BPO industry is not without success. Xi'an is home to China's largest, indigenous BPO Company – CompuPacific International. Also, in building BPO, Xi'an will include among its targets the financial services sector, which is seen to be one that will have a great need in the field of BPO. Xi'an will also position itself as the base for disaster recovery and data security within this sector - leveraging Xi'an's long history of no great natural disasters, stable workforce, and security.

Training: Recognizing it needs the correctly trained talent, Xi'an is planning post graduate and post college courses in outsourcing, business process engineering, and business process design, to complement its already broad curriculum.

Competitive destination: In every aspect, Xi'an is a competitive destination for investment and for outsourcing, whether serving Chinese or International Clients. While the "Xi'an" brand is, presently, almost singularly associated with the Terra Cotta Warrior Army and the World Heritage site, this highly focused "brand awareness" is a tremendous asset and is something which can be built on.

Supporting Government Policies: Xi'an's success relies to a great extent on the policies of the China Government to guide and support its own Strategic Agenda and Plans for Development. At a national level (as well as locally) the government has a desire to create globally recognized players in the ITO space and - with equal emphasis - the important objective of creating a major BPO industry in China: a BPO industry that can not only satisfy domestic clients but demonstrate an ability to play on the global stage.

It is widely expected that China's 11th Five Year Plan, to be ratified in March 2006, will support the ITO and BPO agenda and include: measures that will create not only a global force in ITO but in BPO as well; measures to introduce advanced training and development in China; continuation of the Chinese-India partnership – lending weight to ITO and BPO; and an incentive to create a major Industry body – equivalent to NASSCOM in India (though it will clearly embrace Chinese characteristics).

China can and will drive its ITO and BPO agenda forward. They have already started this course. It should be recognized that an indigenous BPO industry can be created rapidly by government directives that oblige major state owned enterprises to outsource business processes to existing or newly created BPO players; couple this to a policy to attract inbound expertise from the likes of Wipro, Tata, and Infosys, and put this expertise alongside that acquired from multi national BPO players who are already present (HP, EDS, Accenture, etc) and in a short time China may demonstrate that it has a significant BPO industry of its own. If these policies are simultaneously replicated at regional and provincial level, the growth rates in BPO may dwarf even some of the spectacular performances that China has shown the world in the past decade.

Xi'an drives forward: Within this national framework, Xi'an will rapidly develop its capability, capacity, and critical mass in BPO. The Xi'an authorities have drawn on world experts to acquire the advice necessary to create the strategic program which could take the city to a leading and flagship role in the world of BPO. Xi'an is demonstrating that it is on the right track.

Vice Mayor Mr Huang Xingshen has said: "Under the basic principles of the Government's direction we are ready to invest heavily in the BPO industry. The Xi'an Hi-tech Industries Development Zone will be the key player in the development of BPO and we will provide exceptional incentives. Government will protect and encourage BPO, we will ensure that we abide by Safe Harbor Legislation, create incentives, and raise funds. We will play a leading role in training special talent which is BPO specific and make up special programs to do this. This should provide the foundation for a global business as experience, success, and critical mass in the BPO market develops." Mr. Huang went on to say that he could see the opportunity for BPO in China, and Xi'an should, and would, grasp the opportunity to take a leading role.

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