

A Strategy Paper from Temasys International

This paper is presented as background and context material to a presentation at IT Outsourcing to China Conference, The Crowne Plaza, St James, London, on 28th November 2006



A US\$ billion make over of China's ITO and BPO Industry:

A SYNOPSIS OF THE RECENTLY ANNOUNCED MAJOR POLICY DIRECTIVE FROM THE GOVERNMENT OF THE PEOPLES REPUBLIC OF CHINA

*An up to the minute report on
China's Strategy to capture
A significant slice of the
Global IT services outsourcing pie.*

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Originator: www.temasys.com.sg

Publisher: www.chinaobserver.cn

Issue v 1.0 October 31st 2006.

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Singapore and China

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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.

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Synopsis

In September 2006, a far reaching and dramatic Policy announcement was made by the Chinese Government. The 9th China International Fair for Investment and Trade, a conference whose theme was “Going Global – How Chinese Companies can competitively expand in the Global Market” was the backdrop for the announcement of China’s bold strategy to capture the lion’s share of the global BPO marketplace.

China now intends to attack the Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO) market – estimated to be worth globally some \$300 to \$500 billion.

Over recent years, Chinese Government have supported the establishment of Hi tech Development Zones and Software Parks across the nation, and many initiatives have driven the IT sector forward, but the majority of software companies have sufficed themselves to concentrate on the domestic software market and, to some extent, the nascent domestic BPO suppliers has done the same. With few notable exceptions¹ domestic service outsourcing companies have shown, to date, that they have limited appetite for attacking the international market; however, export oriented hi tech zones and software parks have had some notable successes in bringing to their domains international names. Today this is not enough to position China as a major player in the international knowledge market – something President Hu Jintou is anxious to see as part of his ultimate legacy. Capturing a significant share of the global BPO and IT outsourcing market is now foremost on the agenda of the Government Leaders

The policy and strategy, “Implementing Service Outsourcing the ‘Thousand, Hundred, and Ten Projects’” published in September 2006 has a targets which range from quadrupling current volumes of export outsourcing business in four to five years, taking 300,000 college and university graduates into yet to be built BPO and IT campuses, and establishing a legion of internationally certified companies capable of satisfying a demanding western market, the task is huge – but so are the resources being poured into the program and the ultimate prize.

The Service Outsourcing – Thousand, Hundred, and Ten Project has the goals of:

- Establishing 10 Service Outsourcing Base Cities
- Promoting the transfer of service outsourcing business of 100 world famous multinational companies to China
- Establishing 1000 large / mid scale service outsourcing enterprises, with international qualities

Establishing 10 Service Outsourcing Base Cities across China will ensure that resources, suppliers, and potential customers are directed to designated centers, who will, in turn, receive direct support from both local and central Government.

Attracting 100 multinationals to place / build significant contracts with Chinese Outsource providers will build a critical mass of demonstrable international capability, provide knowledge share, and to encourage MNC’s to work with local

¹ See reference to CPI Inc, China’s Outsourcing pioneer in Economist 6th May 2006.

partners to establish outsourcing facilities or acquire delivery capability. For all of the contracts being sought the primary requirement is sustainability. Financial assistance to Service Outsourcing enterprises will be conditional on the signing of long term contracts with international customers; ad hoc and small development project will not count. The project also calls for the **establishment of 1000 large / mid scale service outsourcing enterprises** which genuinely have offshore delivery capability which can satisfy sophisticated western markets. .

The Ministry of Commerce is determined to succeed and has recognized that building the environment for success has to take on many dimensions including:

- Central Government Support, Direction and Leadership
- Special funding
- Training
- Policy based Lending
- Export insurance
- Special support for Central and Western Cities
- A China Outsourcing Web Portal is to be created.

These areas are integral parts of the overall strategy.

In our CEO Briefing we have argued that while China was not yet fully competitive in the technology outsourcing and BPO sectors, it has arguably, the greatest potential. However, to accelerate its positioning in the offshore market – strategies had to be put into place which addresses some of the past perceived failings

In announcing and progressing the 1000, 100, 10 projects the Chinese Government is creating, without doubt, the bedrock of a viable and successful industry. It is Government's role to provide frameworks and policies which enable businesses to succeed – in the 1000, 100, 10 Projects the Chinese Government is creating the Framework for Success, it is providing direction and policies which support, and can lead to, its aspirations and goals. It is providing funding and infrastructure, it desires to attract talent as well as customers, it sees a widely diversified industry.

CEO's of Companies who outsource or plan to outsource / CEOs of External Service Providers, and CEO's of large multi national / international organizations who are creating and or expanding Captive Centers should:

- Engage with and review the capability of Base Cities and their resident suppliers,
- Engage Base City Administrators in their plans for the immediate future and the pace which they are setting themselves.
- Engage with selected suppliers to assess capability and the strengths and weaknesses
- Assess how far and how fast Government Policy will propel suppliers to achieve Qualifying and Winning Delivery Criteria
- Assess how far and how fast Chinese suppliers can demonstrate capability in Relationship Management and Client Delivery Capability, Global Delivery Capability, and Industry / Process Knowledge

1. Introduction

The location would not be considered auspicious by Western Observers and it is doubtful that many western executives will have heard of the city of Xiamen on the shores of the China Sea in the South East province of Fujian; however, it was in this city, in September 2006, that one of the most far reaching and dramatic Policy announcements by the Chinese Government in recent years was made by Vice Premier Wu Yi.

At the 9th China International Fair for Investment and Trade, hosted by the Provincial administration of Fujian and Xiamen's City Officials, a conference whose theme was "Going Global – How Chinese Companies can Competitively Expand in the Global Market", the Keynote Address was the backdrop for the announcement of China's bold strategy to capture the lion's share of the global BPO marketplace.

While China's economy continues to barrel forward – a blistering 16.5 per cent GDP growth in September, 2006, along side current account surpluses of \$160.8bn and a reserves of \$ 987bn and on the back of a year in which China was the world's third highest recipient of direct foreign investment (behind the UK and the USA) - there is no letting up. Now having attained the mantle of the world's manufacturing center and one of the largest (if barely tapped) domestic markets in the world, there is a segment of international trade that has, to a great extent, eluded China. This is the Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO) market – estimated to be worth globally some \$300 to \$500 billion. China's current share of this market is miniscule.

But things are going to change. On the one hand some pundits have rejected a China market that can out perform India in the BPO and ITO fields, and the Indian's themselves appear to see very little threat in the foreseeable future from an awakening China, there is more than a large measure of determination emanating from China's Government and China's Ministry of Commerce. Gartner also see a positive future for China – "Although not yet mature, China will become a formidable force in the global ITO and BPO marketplace by 2009²". The relative positions between India and China will change – and change significantly.

Over recent years, while the Ministries of Technology, Industry, and Commerce have variously supported the establishment of Hi tech Development Zones and Software Parks across the nation, and many initiatives have driven the IT sector forward, it has to be acknowledged that, other than exhortation to "go international", there has been little focus on developing the export marketplace in the outsourcing sectors³. The majority of software companies have sufficed themselves to concentrate on the domestic software market and, to some extent, the nascent domestic BPO suppliers has done the same. The domestic software market is large (\$2.5bn by 2008), the domestic BPO market is developing rapidly and is predicted to grow to \$1.5bn by 2008⁴.

² Gartner – "A SWOT Analysis of China for Offshore Business Process Outsourcing and IT Outsourcing" Research Note – 7 July 2006

³ See Temasys Report – "China – Middle Kingdom Center Stage" and "China – Global Outsource Leader – Strategic Recommendations" – both papers available from Author.

⁴ Economic Intelligence Unit, AT Kearney.

With few notable exceptions⁵ domestic service outsourcing companies have shown that they have had limited appetite for attacking the international market, most current players in the export field are those who have brought inbound investment and expertise and / or are started by returning Chinese businessmen with contacts and experience in the western markets have shown.

Export oriented hi tech zones and software parks have had some notable successes in bringing to their domains international names such as Microsoft, Intel, Google, Nokia, Motorola, Samsung but this is not enough to position China as a major player in the international knowledge market – something President Hu Jintou is anxious to see as part of his ultimate legacy.

Recent history has shown that China's government can demonstrate interventionist policies when the pace of development is too slow, opportunities are not being capitalized on by domestic business leaders, and direction and strategy is incompatible with long term goals and ambitions. Capturing a significant share of the global BPO and IT outsourcing market is now foremost on the agenda of the Government Leaders and this initiative is being championed by China's "Iron Lady" Vice Premier Wu Yi, and is being led by the one of the Government's most powerful ministries – the Ministry of Commerce.

The policy and strategy, built on considerable research and observation of success in other global centers of outsourcing excellence, has been set out in "The Notice of Commercial Ministry on Implementing Service Outsourcing the 'Thousand, Hundred, and Ten Projects'" published in September 2006. This very Chinese sounding title gives no hint of the scope, depth, and comprehensiveness of the program being embarked upon. Nor is there an overt link, at least to the casual observer, to society and general welfare; but the Service Outsourcing Policy is not a policy determined in isolation and it is worth noting the broader context in which the drive to outsourcing is set. Recent pronouncements⁶ on the social goals of President Hu Jintao and the current China Leaders indicate that, contrary to the breakneck development – almost growth at whatever cost - under Leaders Deng Xiao Ping and Jiang Zemin - future development will take into account the quality of investment and the investment's contribution to creating "socialist harmonious society. Add to this the need for coordinated development; social equity and justice; cultural harmony and the ideological and ethical foundations of social harmony; and the need to improve public administration to build a vigorous and orderly society"⁷ it can be seen that there is a social role to what the Chinese Government hopes to be perceived as a broad, integrated and more balanced approach to future political and economic development of what is now the world's most significant economic powerhouse.

It is accepted by the current administration that one of the significant legacies of the high growth policies of the past has been structural and geographic unemployment, significant income disparity, and the abuse of economic resources. This is now being addressed as the core and defining strategy of Hu's Administration.

Building a "large, vibrant and successful" services industry – of which Service Outsourcing is seen as a critical part – is part of the current government's multi pronged strategy to "guarantee the country's prosperity, the nation's rejuvenation and the people's happiness"⁸.

⁵ See reference to CPI Inc, China's Outsourcing pioneer in Economist 6th May 2006.

⁶ Resolution on Major Issues Regarding the Building of a Harmonious Socialist Society, which was adopted at the conclusion of the Sixth Plenary Session of the 16th Central Committee of the Communist Party of China (CPC) on October 11

⁷ *ibid*

⁸ Xinhua News Agency October 19 2006 on <http://www.china.org.cn/english/2006/Oct/184810.htm>

When it is considered that the targets range from quadrupling current volumes of export outsourcing business in four to five years, taking 300,000 college and university graduates into yet to be built BPO and IT campuses, and establishing a legion of internationally certified companies capable of satisfying a demanding western market, the task is huge – but so are the resources being poured into the program and the ultimate prize.

In this paper we report on and explain the substance of the “Thousand, Hundred and Ten Projects” - China’s Policy and Strategy with regard to BPO and ITO outsourcing.

We provide a comprehensive road map and describe the policies and strategy:

- Definition, Scope and Approach
- Program Goals
- Creating an Environment for Success
- China Outsourcing Web Portal

Each one of these areas is discussed in some depth in sections 2 to 5. In Section 6 we present a CEO checklist – pointing to strategic considerations for the western organizations currently engaged in, or anticipating embarking on, major outsourcing programs.

2 Definition, Scope and Approach

China has thus recognized that the next critical area of business expansion and economic growth, and a “harmonious society”, is going to be founded on the now burgeoning Services Industry. But the “Service Industry” in the Chinese lexicon is not bounded by domestic services industry, nor is it the pursuit of the traditional services dollar in fields ranging, for example, from hospitality and tourism, to financial services, retail, and health care, and so forth.

In a drive to diversify from a manufacturing oriented export environment, the Chinese policy makers have emphatically expanded the definition of the services Industry to embrace “Service Outsourcing” as a cornerstone of current and future economic and industrial policy. Service Outsourcing is seen as a key component of modern high value service industry.

Seeing the (export) outsourcing industry as an area which has characteristics of information technology application, high added value, low consumption of resources, low pollution generation, high employment (especially college graduates – thus alleviating the youth unemployment problem biting at the heels of government at all levels), and high internationalization, the Chinese government view the global service outsourcing market place as a “yet to be tapped” source of large export earning; however, they do not appear complacent nor cavalier in their approach. The current policy is not a knee-jerk reaction. Observers of China will recognize that the current policy and strategy has been long in the making, and the result of the deliberations was promulgated in the 11th Five Year Plan published this year.

In the 11th Five Year Plan⁹ the stated aim of the Chinese Government is to “Accelerate the shift of foreign investment and trade growth towards the service

⁹ 11th Five Year Plan Outline of National Economy and Social Development

industry (in general) and service outsourcing (in particular) by constructing several service outsourcing bases, and the development of an the international service outsourcing industry”.

The implementation of the Five Year Plan directive, authored at the hands of the Ministry of Commerce, goes on to state: “In order to promote the development of service outsourcing industry, optimize export structure, increase export of service products, the Ministry of Commerce decides to implement the **“Service Outsourcing Thousand, Hundred, and Ten Project”**”

While the translation from the original official Chinese language text of the Five Year Plan and the subsequent Notice for the Ministry of Commerce is cumbersome, the meaning cannot be lost – Central Government has decided to play in the international outsourcing marketplace, it will take a firm hand in creating an environment for commercial service outsourcing businesses to be successful, and it believes it has a structure and goals to achieve success.

Whatever statistics are used to justify projections of global growth in the outsourcing space there is no escaping that demand continues to rise inexorably; and it is argued by many highly qualified authorities that the true potential scope of outsourcing has yet to be breached. Against this market opportunity, the Chinese government sees the time has come for “China to develop a modern and world market oriented service industry and to grasp the chance to create a significant international offshore service outsourcing business”¹⁰. The market definition also gives a clear picture of intent: Service Outsourcing includes – for the purpose of the Program and its Goals – business process outsourcing and business process services, commercial application processes (application management, application services, technology and infrastructure), software design and development, and software integration.

The implications of the move to enter the global outsourcing market as a major player, for China’s policy makers and for those responsible for its successful implementation, are significant. This policy will shift the focus of increases in foreign trade growth from manufacturing to the export of knowledge intensive services. Although, as we note in following paragraphs, substantial funding and support will be made available from Central Government to prime the industry, China will also seek to attract and direct foreign investment to improve the quality of its fledgling offshore industry and seek “quality investment” in the furtherance of not only its economic goals but those of a social nature as well.

3 Program Goals

The **Service Outsourcing – Thousand, Hundred, and Ten Project** (1000, 100, 10) has the goals of:

- Establishing 10 Service Outsourcing Base Cities
- Promoting the transfer of service outsourcing business of 100 world famous multinational companies to China
- Establishing 1000 large / mid scale service outsourcing enterprises, with international qualities

¹⁰ Minister of Commerce, Peoples Republic of China , Mr Bo Xilai at China International Fair for Investment & Trade *ibid*.

Establishing 10 Service Outsourcing Base Cities across China will ensure that resources, suppliers, and potential customers are directed to designated centers, who will, in turn, receive direct support from both local and central Government. The Base Cities are expected to build and sustain China's international competitiveness in the field of outsourcing – be it BPO or ITO. Base Cities can be Tier One or Tier Two cities and those presently designated are: Beijing, Shanghai, Shenzhen, Dalian, Xian, Chengdu, Wuhan, and Hangzhou.

The objective of the 1000, 100, 10 project is to build export trade in the service outsourcing sector. By **targeting to attract 100 multinationals** to come to China and create a substantial BPO/ITO presence – by way of long term buying contracts, joint ventures, captive center, or wholly owned foreign enterprises. The objective is to build a critical mass of demonstrable international capability, to engage in knowledge share between international and Chinese companies, and to encourage MNC's to work with local partners to establish outsourcing facilities or acquire delivery capability.

The 100 multinational customers can demand any form of service from captive BPO centers to major software development programs. However, for all of the contracts and or arrangements which seek government support there is a need to demonstrate sustainability and long term commitment to China. Financial assistance to Service Outsourcing enterprises (discussed below) will therefore be conditional on the signing of long term contracts with international customers; ad hoc and small development project will not count.

To create and develop the necessary capacity to support a major growth in the International Service Outsourcing field, the project calls for the **establishment of 1000 large / mid scale service outsourcing enterprises** which genuinely have offshore delivery capability which can satisfy sophisticated western markets. Such enterprises will be expected to demonstrate international certification and capability: it is targeted that within the timescale of the project 700 enterprises will have reached CMM / CMMI Level 3 (compared with 207 today), and 300 will have attained CMM/CMMI Level 5 (Compared to around 20 at the end of 2006). In addition, companies are encouraged to qualify at ISO2700 / BS7799 / ISO2000 / SA570 levels. Companies who are achieving the necessary qualification and certification can expect to receive preferable treatment in the bid for Government support and resources.

What is the ultimate target of 1000, 100, and 10?

The ultimate goal of the 1000, 100, and 10 project is to put China on the map as a viable, successful, and competitive outsourcing destination – and a totally different level than today. By quadrupling 2005 Export volumes within four years is a long way from where it is today. However, if / when the goal is attained, other regions and countries, who have shown less dynamic growth in outsourcing, will be facing a Chinese giant with a passion, and a track record to prove it.

4 Creating an Environment for Success

The Ministry of Commerce is determined to succeed and has recognized that building the environment for success has to take on many dimensions including:

- Central Government Support, Direction and Leadership
- Special funding
- Training
- Policy based Lending
- Export insurance
- Special support for Central and Western Cities

These areas are integral parts of the overall strategy.

Central Government Support, Direction and Leadership

Driving a program of this magnitude demands the full attention of Government and there is a commitment that the Central Government will provide:

- Macro policy and direction to Ministries and Provincial / Metropolitan / City Governments
- Responsibility for the overall design of the program and
- Leadership from the Ministry of Commerce who will ,in turn, lead and direct every Base City

Special funding

The Government has put aside a war chest of 5bn RMB (US\$ 640m) to fund this initiative. This excludes on going expenditure in the Hi tech Zones and Software Parks. All in all, the total funding is anticipated to be in excess of US\$1.0bn.

The designated Service Outsourcing funding described in the 1000, 100 and 10 project, will be directed at several targets: the fund will support Base City construction and through the State Development Bank, the Government will provide policy based loans to Base Cities for IT and physical infrastructure, quality assurance, technology development, training, and project management.

IP Protection and Data protection receives special and frequent mention – espousing the policy of much tighter IP and Data Protection regulations and strict enforcement – funding is set aside for this purpose.

Training

The program sees a heavy emphasis on providing training and development of the appropriate skills from potential operator level to more senior roles. The objective is to train between 300,000 and 400,000 personnel in five years in BPO related subjects. This will include vocational training, industry standards, and practical training through “sandwich type” degree level courses. It will be also necessary for a significant part of the funding to be directed to improving the quality of middle management and project managers.

Policy based lending for training

The training fund set aside will finance the massive training programs envisaged, special funding will support:

- Collage students – to increase their special knowledge and skills of service outsourcing and
- New graduates – making them “service outsourcing” ready

Policy based lending for infrastructure

The State Bank of China will be the conduit for policy loans to procure equipment, office facilities, and operational infrastructure. Also funding will be made available for International Market Development

Export Insurance

Export Insurance is earmarked via the China Export Insurance Company – risk managing the exposure of companies as the venture into the Services Export Market.

Special Support for Western and Central China

Support will be forthcoming for the Western and Central cities and old industrial centers – these will be the Base Cities of Xian, Chengdu, and Wuhan. In addition to funding, there will be an overt encouragement to dual locate and / or foster relationships and ventures between the inland cities and the thriving coastal centers (Shanghai, Beijing, Dalian)

5 China Outsourcing Web Portal

Although not explicitly described as such, buried in the detail of the text of the 1000 - 100 – 10 briefing document is what can only be described as a comprehensive China Outsourcing Web Portal. Broad in its design it appears to provide the “Single Source” for all the constituencies interested in China Service Outsourcing. The “Portal” links together:

- Base Cities,
- Multinational companies
- Suppliers
- Service Industry Institutions
- Standards bodies
- Researchers
- Universities
- Students
- Potential applicants

The “Portal” is not yet described as such; rather, reference is made to the Ministry of Commerce leading a number of critical players in the building of “China’s Service Outsourcing Public Service Web” which will provide “service outsourcing information to customers both in China and overseas, universities, students, investors, etc, etc,”

6 CEO Briefing

In August 2005 we issued a report¹¹ titled “China: Global IT and BPO Outsource Leader, A Strategic Direction and Recommendations for Chinese Government, Regional Authorities and Suppliers which Lead to Competitive Advantage in the Global Outsourcing Marketplace”. The report pointed out that, in our considered opinion as “China observers”, we believed that China could be on the threshold of becoming a world dominating player in the Service Outsourcing market. However, to

¹¹ “China: Global IT and BPO Outsource Leader, A Strategic Direction and Recommendations for Chinese Government, Regional Authorities and Suppliers which Lead to Competitive Advantage in the Global Outsourcing Marketplace” – published by Temasys International Ltd and available from the Author of this paper at bill.lewis@temasys.com.sg

achieve that position we postulated that much needed to be done in China – not least of which is the improvement in the understanding of the global marketplace and requirements of global customers. Competitive and positioning strategies also need to be developed and pursued effectively.

We argued that China was not yet fully competitive in the technology outsourcing (ITO) and BPO sectors. Of the many near shore and offshore alternatives, China had, arguably, the greatest potential. However, to accelerate its positioning in the offshore market – where overseas customers are increasingly willing to outsource Application Development, Managed Service requirements and Business Process Outsourcing to China – strategies had to be put into place which addresses some of the past perceived failings of China, and this strategy must be pursued rigorously.

We suggested a strategic framework, which could be used in the Chinese outsourcing industry to develop a comprehensive and relevant agenda that leads to a competitive and dominating position in the global marketplace and addresses those failings.

In addition to the critical and farsighted initiatives announced by the Ministry of Commerce and outlined in this paper, we believed that a further key to developing a comprehensive and attractive industry is the understanding of key value drivers of:

- Relationship Management and Client Delivery Capability,
- Global Delivery Capability, and
- Industry / Process Knowledge.

These factors are critical to the potential purchaser. Few service providers manage to attain excellence in all three dimensions. Top ranking, Global External Service Providers, (ESP) e.g. EDS, IBM, Cap Gemini, and Accenture, can demonstrate high standards of service and capability. However, in general, tier 2 suppliers may not demonstrate strength on all three axes – due to limitations of talent, investment, and foresight.

We believed that there was an opportunity for Chinese policy makers and Chinese suppliers to create a “Power – House of Tier 2 suppliers” who can meet the demands of sophisticated global customers despite being smaller than Global ESPs, and ultimately create indigenous Chinese based/ owned Global ESPs. To achieve this goal, Chinese suppliers must strive for excellence in all three dimensions and the acid test of China’s maturity in the global outsourcing arena will be the manner in which Chinese Service Providers achieve this goal.

In addition to the development of capabilities in Relationship Management and Client Delivery Capability, Global Delivery Capability, and Industry / Process Knowledge we further suggested that there was a critical list of “Qualifying and Winning”: Attributes which Chinese Policy Makers and Suppliers should take note of. These are as follows –

Examples of	
Qualifiers	Winners
Strong client interaction skills	
High communication skills - including (English) language capability	
Business knowledge relevant to (potential) client	Unique business insight and innovative approaches that add value to clients business
Partnership management capability	
Resource availability	
Location attractiveness (minimum level)	Locations attractiveness (differentiating level)
Program Management / Project Management capability with minimum certified performance	
Process management and process engineering skills	
Technical skills appropriate to task	Unique skill base in emerging technology may give transient "winning" attribute
Recognized Quality standards (e.g. CMM level 5)	
Rigorous and demonstrable Delivery Methodology	
Demonstrable performance measures: On time delivery, Defect rates, time to Process requests, etc	
Contemporary computing and technology capacity, supported by capable infrastructures	
24/7/365 capacity	
Critical Mass, to provide assured delivery by stable work force	
In depth Industry knowledge, awareness of industry dynamics and industry terminology	Unique knowledge and / or experience may give transient "winning" attribute
Reference able performance	
Competitive costs	Highly competitive cost structure
Ability to "financially engineer" projects to create upfront and /or consistent client benefits	Creative Flexibility in Financial Engineering of Contracts
Flexibility in partnering	

One year on, we believe that the analysis and recommendations hold true today as they did in 2005.

The 1000, 100, 10 projects.

In announcing and progressing the 1000, 100, 10 projects the Chinese Government is creating, without doubt, the bedrock of a viable and successful industry. In terms of macro policy the designation of Base Cities which receive focused attention and support is critical to avoid dispersion of talent and resources. In successfully attracting 100 MNC's or internationally renowned companies, the knowledge and experience necessary for a vibrant industry will be brought to and / or developed in China – whether this is in the form of returning Chinese, expatriate experience, and / or home grown talent. It is these managers and directors who will work within the 1000, 100, 10 Project framework to ensure that their own highly competitive businesses can demonstrate and meet the necessary criteria for business success we have postulated above.

It is Government's role to provide frameworks and policies which enable businesses to succeed – in the 1000, 100, 10 Projects the Chinese Government is creating the Framework for Success, it is providing direction and policies which support, and can lead to, its aspirations and goals. It is providing funding and infrastructure, it desires to attract talent as well as customers, it sees a widely diversified industry.

A CEO Agenda

The Chinese Government has laid out their objectives and goals, and their enabling policies.

- CEO's of Multi national and International Companies who are External Service Providers should recognize that China will be a viable player in the Global Outsourcing marketplace within the next three to five years. There are already examples of viable suppliers, albeit on a relative small scale. These companies will be encouraged to grow and to seek partnerships.
- Base Cities will have targets to achieve in the pursuit of the Central Government's Agenda. Interested CEO's of overseas potential buyers should familiarize themselves with the service offering and investment climate in each of these cities
- CEO's of Companies who outsource or plan to outsource / CEOs of External Service Providers, and CEO's of large multi national / international organizations who are creating and or expanding Captive Centers should:
 - Engage with and review the capability of Base Cities and their resident suppliers,
 - Engage Base City Administrators in their plans for the immediate future and the pace which they are setting themselves.
 - Engage with selected suppliers to assess capability and the strengths and weaknesses
 - Assess how far and how fast Government Policy will propel suppliers to achieve Qualifying and Winning Delivery Criteria
 - Assess how far and how fast Chinese suppliers can demonstrate capability in Relationship Management and Client Delivery Capability, Global Delivery Capability, and Industry / Process Knowledge
- CEO's should place China in the "Active" Category of strategic decision regarding any form of Service Outsourcing