

Hot competition for Dalian outsourcing services

By Mure Dickie in Beijing

Published: June 11 2007 18:05 | Last updated: June 11 2007 18:05

The last thing Mitsuru Maekawa needs is more competitors coming to tempt employees away from the business services centre he runs for the former GE unit Genpact in China's north-eastern city of Dalian.

A surge in international interest in Dalian as a centre for outsourced and offshored business process services is already turning Genpact into a "training school" for rivals to lure staff away with "outrageous" salary offers, Mr Maekawa says ruefully. "Don't make the story too rosy, so that more competitors come in," he tells an interviewer. "In Dalian it is getting tougher and tougher to find high-level languages, professional skill-sets and a service mindset."

Even without extra help from the FT, however, Mr Maekawa appears sure to face even tougher competition for workers suitable for the business process outsourcing, or BPO, sector.

Rivals such as [IBM](#), Accenture and [Hewlett-Packard](#) have already set up shop in Dalian. The US computer maker [Dell](#)'s local customer service centre is fishing in the same talent pool. And Fidelity International is planning to set up China's first foreign fund management back-office operation in Dalian. Such enthusiasm means Dalian is emerging as an important provider of BPO services for customers in China, Japan and South Korea. It is also not alone in hoping to do to outsourced and offshored business services what China has already done to global manufacturing. Other second-tier Chinese cities such as western Xi'an and Chengdu are also marketing themselves as outsourcing centres.

China still trails far behind India. Genpact, for example, has ambitious plans to employ 5,000 staff in Dalian, Shanghai and the north-eastern city of Changchun by late 2008, up from just over 2,000 in China now. But in India, Genpact, which is planning to list soon on the New York Stock Exchange, employs 20,000.

Sceptics argue that India's stronger English language skills and service culture will make it hard for China ever to catch up. China, however, has some obvious BPO niches to exploit. Genpact offers multinational clients help with their operations in the booming Chinese market, such as a medical telemarketing service whose staff call 33,000 hospitals every month to gauge their buying needs.

City officials in Dalian originally saw BPO services – which can range from handling payrolls to running customer call centres – as merely a complementary component of its drive to build a software sector.

City statistics still do not distinguish between software and BPO. But Jin Guowei, deputy director of the Dalian information industry bureau, says BPO accounted for 30 per cent of the Rmb14.5bn (\$1.9bn) sales recorded for the city's software sector last year.

And while software sales are relatively steady, BPO revenues are growing by 60-70 per cent a year, Mr Jin says: "The BPO market opportunity is very big." Mr Maekawa says Dalian is also a good spot to offer services for Japan, since it is only a short flight away and has a large number of Japanese speakers.

Other local executives say Dalian's history as a Tokyo-ruled colonial outpost for the first half of the 20th century has left cultural links that make business co-operation easier. Dell, for example, is using Dalian staff to provide after-sales telephone services directly to Japanese buyers of its laptops and PCs.

Mr Maekawa, however, suggests this may be going too far. Genpact uses Dalian employees to offer outsourced corporate IT help desks. But even the best Dalian Japanese speakers can fail to meet the exacting standards of linguistic etiquette expected by consumers in Japan.

"We try to avoid any end-user voice services," he says. "The cost savings are not worth the time we have to spend to make up to the customer after mistakes."

Dalian is determined to ensure Mr Maekawa's recruiting woes do not slow its growth as an outsourcing centre. The attractive coastal city wants to add 15,000 appropriate workers a year by retaining the thousands of local IT graduates and attracting others from around China. To help pull in talent, Dalian even hands out cash bonuses to software sector workers whose salaries exceed Rmb60,000 a year, Mr Jin says.

Both the city and managers at Dalian Softpark, where the BPO sector is centred, also push local colleges to tailor courses to companies' needs. Teachers are happy to play along, says Gao Wei, Softpark president.

"All the schools are under a lot of pressure on this and it has become an important part of their mission to make sure their students can find an appropriate job after they graduate," Mr Gao says.

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