

2011 World Chambers Competition

Best International Project



Capacity Enhancement for Voluntary Business Support Organization: Empowering the Davao Information and Communication Technology (ICT) Sector



Davao City Chamber of Commerce and Industry, Inc.
(A Foundation)



ICT Davao, Inc.

EXECUTIVE SUMMARY

In 2007, the Davao City Chamber of Commerce and Industry, Inc., (Davao Chamber) departed from conventional wisdom by adopting a policy of “inclusiveness” in recognition of its ever expanding role as the principal voice of the private sector in the fast growing city of Davao, Southern Philippines.

Among the oldest and largest Chambers of Commerce in the country, the Davao Chamber was founded in 1968 and has a membership hovering from 300 to 350 including 15 industry associations covering virtually all local industries including the professions.

In 2005, in partnership with AusAID's Philippines-Australia Human Resource Development Facility, the Davao Chamber embarked on a mission to help build the local economy by focusing on the three key sectors of agriculture – the largest, ICT – the fastest growing, and tourism – among the least tapped but perhaps with the highest growth potential.

Through a series of training engagement over a period of four years together with support activities which included legal, administrative, public relations services and staff, and even financial support, it sought to organize these three broad sectors under its umbrella, in order to achieve alignment in development efforts together with other privately-led organizations, government and international donor agencies.

In the ICT sector the existing sectoral leadership was initially engaged but was later supplanted by a new set of younger and more dynamic sectoral champions.

The Davao Chamber began its engagement of the ICT sector by sharing its broad vision for the sector and the role Davao City could fulfill in this emerging global industry, considering its competitive advantages against cities such as Mumbai, India, Makati in Metro Manila and Cebu in the Visayas.

Utilizing its project to develop an internal Knowledge Management (KM) System and subsequently through its training course on Curriculum Development for Technopreneurship, the Davao Chamber engage the interest of ICT sectoral leaders including leading faculty of local ICT schools. Likewise, these activities established the Davao Chamber's *bona fides* with the

ICT sector, as its well-meaning mentor and “big brother”.

Thus, through a series of follow-up trainings conceived by the Davao Chamber and sponsored by AusAID PAHRDF, key ICT sectoral leaders together with leaders from other sectors were sent to Australia for benchmarking exercises and trainings on leadership and organization in the context of Volunteer Business Support Organizations (VBSOs).

These broadening experience became the foundation for subsequent partnering engagements involving third parties such as local government units, national government agencies, telecommunications and technology companies, and international donors.

By 2007, the reinvigorated and re-organized ICT Davao, as it became called, was ready to be weaned from the Davao Chamber and become a stand alone partner. With assistance from Davao Chamber, ICT Davao hosted the 6th Mindanao ICT Congress back to back with 1st BIMP EAGA ICT Conference. The success of this event propelled ICT Davao to take on the task of putting Davao City in the global BPO map.

Today, as a result of their effort primarily, Davao City is home to 67 registered BPO companies, 6 IT parks, generating direct employment for over 6,000 persons, with an aggregate payroll in excess of Php 300 million and over Php 30 million in taxes. This excludes ripple effects in construction, transport, telecommunications, power generation, education, retail trade, leisure and agriculture.

THE DAVAO CITY CHAMBER OF COMMERCE & INDUSTRY, INC

The Davao City Chamber of Commerce and Industry, Inc., (Davao Chamber) is a non-stock, non profit voluntary business service organization established in 1968. It is recognized as the principal voice of the business sector not only in Davao City but also in the entire Southeastern Mindanao region. The Davao Chamber has membership hovering to 300 to 350 including 15 industry associations.

Davao Chamber is the only private sector managing and operating the Small and Medium Enterprise Development (SMED) Center. It is home to 28 active SME Resource Network Consultants who provides low cost consultancy services to local SMEs as well as government agencies. The SMED Center is housed and managed free of charge, within the premises of the Davao Chamber building. Until recently the Davao Chamber was the only chamber in the country with its own building.

To date, we are not aware whether there is any other chamber of commerce in the Philippines or in Southeast Asia outside of Singapore, for that matter, that has its own KM system.

It is governed by a 15-man Board of Trustees with the Chairman of the Board presiding, and led by a President presiding over an Executive Committee. It is supported by 15 full time staff.

It is presently in partnership, or has been partnered in the past with international donor agencies such as USAID, AusAID, German Technical Cooperation Agency (GTZ), Canadian International Development Agency, and European Union. It works closely with local government units such as City Mayors Office, Davao City Investment Promotion Center, City Planning and so forth; as well as national government agencies such as the Department of Labor and Employment, Department of Trade & Industry, Department of Science & Technology, Bureau of Internal Revenue, Department of Agriculture and Department of Tourism, among others. It has also established close relations with the non-government organizations in promoting corporate social

responsibility to agencies such as the Philippine Business for Social Progress and People Collaborating for Environment and Economic Management. The Davao Chamber also works closely with European Chamber of Commerce in the Philippines, Makati Business Club, American Chamber of Commerce and Mindanao Business Council.

The Davao Chamber is the founding Chair of the Davao Region Federation of Chambers of Commerce and organized 6 other local chambers of commerce in the region.

The Davao Chamber is sister chamber to Australia's Northern Territory Chamber of Commerce and the Queensland Australian-Filipino Chamber of Commerce, the Greater Saskatoon Chamber of Commerce in Canada, the Palau Chamber of Commerce as well as the Keelung Chamber of Commerce in China.

Davao City is reputedly the largest City in the world with a land area of 2,443.61 square kilometers. The city is the regional center for economic development with a population of close to 2 million and was named by the Foreign Direct Investment as the “*10th Asian City of the Future*” and cited as one of Asia's *Most Livable City*. It is the business, investment and tourism hub of the entire Southern Philippines as well as the Brunei-Indonesia-Malaysia and Philippines (BIMP) regions of the East Asia Growth Areas. Davao is the *entrepot* for international trade in the south.

While Mindanao is emerging as the country's food basket, Davao City has long been the world's 2nd largest Banana exporter following Ecuador.

Davao is home to 46 top notch universities and colleges with an average of 15,000 graduates annually.

Davao is the health and medical center of Mindanao with more than 31 hospitals and clinics with over 1,963 hospital beds.

Market situation and opportunities for collaboration

Global BPO Trends

One of the significant economic developments in the last 10 years was the considerable growth in the global demand for outsourcing and offshoring in the services sector. Outsourcing became the global trend to maintain a company's competitive advantage. India which has a pool of talented and English speaking manpower resources and good IT infrastructures, consistently grabbed this growing opportunity in the past.

Initially, BPO firms concentrated in Metro Manila and later Cebu because of their large talent pools of American-English speakers and lower cost versus India. However, as secondary cities like Davao and Iloilo began to be discovered, BPO companies started expanding their operations in these places as well. Not only was talent readily available just like in Metro Manila and Cebu, but operating costs were much lower as well.

Local ICT Sector

Meanwhile in Davao City, the Davao Chamber saw gaps between global trends and local developments. There seemed to be no purposive and unified efforts being exerted for the development of BPO services.

Among the challenges were the following:

- **Lack of appreciation of the public and private sectors on the potential of BPO**
- **Key players were focused on individual and enterprise interest**
- **Fragmented ICT industry leadership**
- **Most players were hardware oriented**
- **Non-alignment of the current curriculum of the universities to the industry need.**

Prompted by Global Trends

In the meantime, India moved quickly to capture a large share of the global BPO demand, even as Metro Manila and Cebu began developing their own BPO sectors.

By this time, the value of the global BPO industry had grown into many billions of dollars.

Local Strengths

Davao City is a sprawling metropolis with a rich supply of quality manpower reflecting high quality education attracting students from as far as the Visayas with its 46 colleges and universities offering a variety of courses in law, medicine, IT, engineering, accountancy, business and so forth, all using English as the medium of instruction, and churning about 15,000 graduates annually.

Compared to other major commercial and industrial centers in the country, Davao City has the lowest cost of doing business:

- Lower cost of electricity
- Lower labor cost
- Lower rental rates

Availability of mature telecommunication infrastructure, such as mobile, landline and broadband providers comparable to Metro Manila and Cebu.

Davao City has a large standby power generating capacity from one of the country's largest and best run local power utility companies—Davao Light and Power Company owned by the Aboitiz Group.

Davao City is a melting pot of indigenous and migrant cultures with a history of fierce independence and self help amidst a laid back semi-urban setting combining all the good things of a countryside and a cosmopolitan lifestyle.

Combined with the natural caring and person oriented Filipino culture, Davao City is indeed ideal for a service industry, such as the BPO offshoring and outsourcing enterprise.

STARTING THE LEAD

Shared Vision with Local ICT Council

In 2006, the Board of Trustees of the Davao Chamber drafted a new 5-year strategic plan for the organization. Through the Chamber's ICT Committee, the vision for a vibrant BPO sector was shared.

However, because of the narrow vision and fragmented leadership of the ICT Council of Davao as it was then known, the Davao Chamber needed to demonstrate its sincerity and credibility in order to obtain broad support from ICT Council members.

The game plan was to earn quickly the Davao Chamber's *bona fides* with the ICT sector through quick wins utilizing in-vogue, highly interesting short term trainings.

The first training was for the establishment of a KM System for the Davao Chamber. Starting off this training was the highly popular and values-levelling of Seven (7) Habits of Highly Effective People, followed by the more technical aspects of KM Systems.

The second training was for Curriculum Development in Technopreneurship. This course targeted faculty members and administrators of IT schools who are also members of the ICT Council of Davao. The ostensible objective was to encourage IT schools to inject entrepreneurship in all their course offerings so as to encourage the development of new IT based businesses. This course served to rope in the IT education sector to support the chamber's goal of developing Davao City's BPO industry.

The third engagement was another training called Building and Strengthening Volunteer Business Support Organizations, but this time the participants would undergo a benchmarking exercise in Australia. In addition, the participants were required to craft their respective Organization's Operations Manuals which included formulating their policies and defining their internal systems and procedures, among others.

After having seen the success of the VBSOs in Australia and the clout or influence they wielded in their respective community and government leaders, key members of the ICT Council of Davao decided to re-

organize themselves into a new organization with a new set of leaders and a broader vision.

The next task was to capacitate and empower the newly elected leaders of the reinvigorated and renamed ICT Davao. These included the following:

- **Training on Strategic Planning for VBSOs** – the goal of this training is for the industry association (IA) to develop their respective road maps to move their sectors forward towards global competitiveness and impact on poverty alleviation.
- **Project Development & Management** – this training is meant to develop the ability of the IAs to obtain donor funding support for its projects as well as assist in its financial and organizational independence.
- **Effective Implementation and Management of Chamber and Industry Association of Advocacy Program** – all IAs are in fact advocacy organization for their respective sector. Therefore, it is critical for their success that they develop expertise in planning and implementing advocacy programs, and in creating broadly based alliances.
- **Partnership Building for VBSOs** – the focus of this training is the development of partnership with government institutions without which the policy environment necessary for the growth of the sector will not be possible.
- **Customer Service** – Unlike businesses for profit the nature of customer service in VBSOs is unique. It requires a different set of paradigms. This training is meant to address those differences in such a way that is nevertheless meaningful to volunteer-members.
- **Sustainable Resource Management** – the importance of the environment is no longer a debatable issue. It is the responsibility of leaders of IAs to assist their members in transitioning their enterprises towards environmental sustainability.
- **Family Enterprise Management** – recognizing that the majority of enterprises are in fact family businesses are or grew from family businesses including those in ICT, it was imperative for the Davao Chamber to help

ensure the long term viability of family enterprises by easing their transition towards professionalization.

Engaging ICT Leaders

Meanwhile, the Davao Chamber appointed leaders from the ICT Davao to chair its ICT Committee as well as membership in other committees, in order to gain experience and broaden their exposure in the day to day workings of a VBSO. This included representing the chamber in matters involving the ICT sector in various government bodies, public discussions and in other related activities;

- **Internet Café Accreditation Board** – ICT Davao through the Internet Café Association of Davao (ICAD) participates in the development and enforcement of standards and laws governing the operation of internet cafés.
- **IBM Business Volunteers Program** – the Davao Chamber partnered with Australian Business Volunteers and hosted 12 mid level executives from various IBM units all over the world. ICT Davao was tapped to prepare the itinerary and workplan which led to the validation of the City's ICT Master Plan.
- **Technokapihan** – a coffee forum for “techies” meant to foster interest and discussion towards developing Davao as an ICT hub.
- **Business Plan Competition** - the goal of this competition was to get IT students to develop new IT products or product concepts and formulate business plan for their market introduction.
- **BPO Property Forum** - specialty real estate brokers for the BPO sector as well as local landowners and developers participated in this forum where the requirements of a typical BPO facility were discussed.
- **6th Mindanao ICT Congress & 1st BIMP-EAGA ICT Congress** – With assistance from the Davao Chamber, ICT Davao hosted this conference. Senior Ministers from the East Asian Growth Area participated in this congress.

Provided Long Term Scholarship for Post Graduate Degrees in Australian Universities

With the support from AusAID's PAHRDF, the Davao Chamber allocated to select ICT Davao sector members

scholarships in various post graduate programs designed to foster the development of the sector's long term viability as a BPO destination. These included

- Instructional Methods for IT
- Technopreneurship & Innovation Program
- Business Management
- Systems Engineering
- Interactive Design
- ICT-Electronic Business
- E-Commerce

Provided Financial Assistance

The Davao Chamber provided funds for the conduct of various ICT Davao hosted events which otherwise would not have been possible given the financial limitation of the ICT Davao at that time.

Provided Sponsorships

Through Davao Chamber's corporate network ICT Davao was able to obtain sponsors for some of their activities, in addition to Davao Chamber's direct sponsorship.

Provided Events Management Assistance

The Davao Chamber's staff provided their expertise and manpower in the conduct of various ICT events and activities.

Shared Public Credit/Joint Projects

In partnership with IBM Philippines and ICT Davao, Inc., DCCCII houses and manages the Small and Medium Enterprises (SME) Solution Center, an integrated information, marketing, and training destination showcasing SME Solutions aimed at exposing local SMEs to the potential of IT as a business enabler.

Provided Publicity Support

Davao Chamber provided media management expertise and made available its media linkages to ICT Davao for the publicity of their events and activity.

The Davao Chamber's high level contacts in industry and government was utilized by ICT Davao for their various undertakings. These included requests for government support and sponsorship, investment promotions, and so forth.

IMPACT

Accelerated Industry Development

In less than five years, the City's ICT sector has become one of the leading economic drivers in the region. From employment generation, increased Foreign Direct Investment, growth in infrastructure and the sector's huge contribution to City's revenues are just few of the direct benefits it provided to the local government.

The strong leadership and credibility of the ICT Davao in the business community has attracted IT investors to Davao City and ensure the cooperation of IT service providers such as the Telecommunications Company, power sector, software associations and education sector, etc. ICT Davao together with Davao Chamber has helped align government policies and budget priorities as well. ICT Davao spearheads the promotion of the City as a preferred BPO destination.

Today, there are 6 ICT parks operating in the City and more are planned. 67 ICT and IT BPO companies were registered in 2010 from nil in 2003, covering voice and non-voice BPOs.

Among the multi-national BPO companies located are Sutherland, Concentrix and Western Watts.

The total employment generated by the ICT and IT-BPO sector was recorded at 1,400 jobs in 2006, to 6,300 jobs in 2009. This increase roughly translates to Php 300 million (US\$7Million) in salaries, Php 30 million (US\$679,000) from income taxes. This excludes ripple effects in construction, transport, housing, telecommunications, power generation, education, retail trade, leisure and agriculture.

Davao City is now the Number 1 Next Wave City in 2009's Philippine IT-BPO Destination Ranking. This is an IT-BPO readiness survey of at least 31 Philippine next wave cities.

ICT Davao

ICT Davao is now nationally recognized as the lead organization primarily responsible and principally credited for the advent of Davao City as the No. 1 BPO Next Wave Destination Cities in the Philippines.

It provides a unifying leadership for the sector and is recognized by the Davao Chamber as a full partner aligned with its broader strategic vision for the City.

It has forged a Cooperative Agreements with national government agencies such as the Department of Trade and Industry, Commission on ICT, Technical Skills and Development Authority, National Economic Development Authority, Department of Labor and Employment.

ICT Davao sits as the private sector representative to Task Force ICT Davao, organized by the City government to provide recommendations in the development of the City's ICT Master Plan.

ICT Davao also sits as one of the private sector representatives to the Regional Development Council and chairs its Regional Information Technology and E-Commerce Committee (RITTEC).

Recently, ICT Davao was appointed to sit in the Davao Investment Incentive Board.

The Department of Trade and Industry has appointed ICT Davao as the lead organization for the region's Davao Industry Cluster Capability Enhancement Program for ICT. Through the Japan International Cooperation Agency, ICT Davao received Php 2.5 Million in aid for the formation of sub-sector associations specifically the contact center, software development and animators and designers.

Membership in ICT Davao has doubled from 11 subsector associations from the time it was founded to 20 today. Industry subsector association membership also increased by as much as 25% during the same period.

Today, ICT Davao is being tapped as the primary organization for ICT-related investment promotions through the conduct of various IT-BPO related events and hosting of inbound missions. The organization has convened no less than ten (10) events since 2006 which encouraged broad participation from ICT and IT-BPOs. These include the following:

- **English Proficiency Training for 30 Public High School Teachers in**

partnership with Department of Education and Concentrix Institute.

- **Make IT Davao**, an ICT Appreciation & Awareness networking event for National Government Agencies and Local Government leaders.
- **Barangay Enabling Program** where 80 (OSY) out of school youths were given basic IT literacy and 40 OSY participated in advanced IT literacy. Implemented in partnership with software developers and PhilNITS scholars, it led to the creation of 14 social networking sites for various barangays in Davao City.
- **HIV/AIDS campaign for IT-BPO companies** and their human resource managers and supervisors.

Davao City's Higher Educational Institutions is arguably the most aligned educational sector among the key cities of the Philippines, by virtue of their active participation in ICT Davao and their being awarded the most number of post graduate scholarships in IT by the Davao Chamber.

42 out of 46 Higher Education Institutions (HEIs) offering IT or IT related degree courses have integrated technopreneurship in their curriculum .

Potential for the project to be successfully adopted by other chambers throughout the world

The capacity enhancement program of the Davao Chamber is fully documented and integrated in its KM System, and backed up by manuals developed during the course of implementing the trainings and development session. The chamber now also has its own pool of resource speakers and leaders who can be tapped to facilitate the industry and organizational assessment. These are the people who attended the learning and development session either from the ICT, Agribusiness and Tourism sectors.

Such capacity enhancement program is also being implemented to other sectors such as agribusiness and tourism as well as to other neighboring local chamber of commerce.

The program is not complicated and easy to implement for as long as there are leaders who can commit their time and resources for development.