

Filipinos are Global Software Leaders

Who would have thought Filipinos can emerge internationally renowned in a high technology area? A few years back, this was doubtful since any skilled Filipino's dream is to find greener pastures abroad. But as genius knows no race, Filipinos have come out living up to this status.

Among them, Gurango Software's Quezon City-based software engineers and Cebu-based Filipinos forming Exist Global, an engineering and software services firm, are proving to be a challenge to software developers elsewhere in the world.

Already keeping a US office, Gurango Software Corp. (GSC) further expanded its global market as it bought last year Absalom Systems, making its presence in South Africa, Singapore, and Australia. It now has more than 400 clients globally including those in US, Europe, and the Middle East.

Exist Global, led by successful serial entrepreneur Winston Damarillo, is acknowledged as a global player open source software development.

Damarillo's latest founded company, Morph Labs Inc. is a top enabler of Software as a Service (SaaS) which is projected to have an industry value of \$28 billion or 23% of US's \$120 billion software market by 2010, according to RBC Capital.

SaaS has the capacity to draw immense demand growth with software delivered more cheaply via the internet or through subscription or rental rather than as an expensive product.

Founded in 2003, GSC is a developer and distributor of software under Microsoft Dynamics platform. It was Microsoft Business Solution's first Manila-based global software distributor for industry-specific business applications. The company has started to become known globally as its people led by Joey Gurango, who led a team of developers of Microsoft Excel, were being recognized for being Microsoft's top Independent Software Vendor (ISV) Partner of the Year.

The company has made it to Microsoft Dynamics (MD) President's Club, an honor given to less than five percent of MD's partners globally. Gurango finds accomplishment in having reversed the trend of multinational companies' (like IBM, Intel) setting up shop in the Philippines as Philippines-headquartered GSC has started putting up offices in foreign countries. That made it the first home-grown multinational Filipino software company.

Exist Global was awarded in 2006 as Asia's Top 100 Innovators and Top 20 Open Source Innovators of the Red Herring, a California magazine for high-technology ventures.

Exist's customer-focused approach to strategic software development for start-up companies, enterprises, and independent software vendors (ISVs) around the world has earned it numerous awards, including ZDNet Asia's Top 10 Techno Visionaries Award and Red Herring's 100 Most Promising Companies in Asia.

Damarillo, an internationally-known advocate and pioneer since early 2000's of open source software development, prides himself of having proven that the software companies he founded were found valuable by big companies, and these have earned the trust of Fortune 500 companies.

His Gluecode Software, an open source company, was bought by IBM in 2005 which was followed by the acquisition of Iona Technologies of another company he founded, LogicBlaze.

Damarillo has merged his company with another global company that maximized synergy in operations. Simula Labs is now DevZuz, a Marina del Rey-based open source marketplace firm, that Exist Global acquired.

It is not surprising how GSC and Exist Global have been making a global name for the Filipino talent since they believe in them.

Gurango thinks that if only there are available jobs in the Philippines, systems analysts or software engineers will no longer leave the country for higher-paying jobs in Japan, Singapore, and Australia where wage is three to four times more than they receive here.

"Given a choice, most Filipinos will stay here. Most of them leave because they don't have a choice," he said. "But if the difference (in salary) is just one-third or 25% (of what they'll receive abroad) where the cost of living is three times higher, it doesn't make economic sense (to go abroad)," he said.

In Damarillo's experience, while Exist Global, renamed from Exist Engineering, had experienced several threats of being closed down, his team of Filipino engineers who are the best in Java and in open source helped made it survive.

To him, being listed by Red Herring among global software players tells of Filipinos' ability for ingenuity, industry, and innovation.

"They (Red Herring) mention that our biggest challenge is competing against IBM, Red Hat and the big Indian firms. First of all, that's already something to be proud about," he said.

As technology consultant IDC predicted in its 2008 forecast that disruptive technologies like SaaS will be mainstreamed this year, Damarillo believes his pioneering companies will continue growing.

“The key to Exist’s long-term success lies in driving cost down but improving our ability to innovate. This is not an easy task, but I believe the company is up to it.”

Industry authorities believe the Philippines should really focus on software development where it can have a niche in an industry where value-added is multiplied by intellectual property (IP).

“The business of software is unique –after the product is developed, the cost of producing the second copy, and the one-hundredth copy or the one-thousandth copy is virtually nothing. It makes good sense to market your software product on a large scale,” said Gurango.

Software development, is the “highest-paid” high technology segment, according to Damarillo. Skills-intensive, it does not require huge capitalization but yields exponential growth from repeated earnings from IP license sale.

The software industry in the Philippines is believed to face tremendous growth as market for software solutions and application development is at \$500 billion, according to a Gartner report.

However, Philippine Software Industry Association (PSIA) President Fermin Taruc, also GSC managing director, said unity is a factor to Filipino software firms’ capturing a bigger market.

“ It will take a concerted effort among all players to sell the Philippines as an outsourcing hub for software development,” he said.

Now with 110 members, PSIA companies grossed an estimated \$300 million in 2007. Around 80% of this is from export. Yet, that revenue obviously has immense room for growth with software’s growing global value.

To promote Philippine software abroad, PSIA has embarked on programs on skills development, export promotion, intellectual property protection, and stimulation of domestic demand.

Taruc, who was once president of Jupiter Systems Inc. (JSI) and awardee of e-Champion for business development in software development industry, said PSIA has been succeeding in beefing up software specialists in the country which has reached to 73,000 as of December 2007.

The PSIA-initiated “Fly High” software roadmap, implemented in 2005, targets hiring of 100,000 software workers by 2010.

While many factors has led to the founding of technology incubators in the country, Taruc said PSIA's advocacy on better local environment for software engineers also helped put up incubators in the country like that of Ayala Technology Business Incubator (TBI).

Ayala TBI now keeps several software start-ups that are engaged in software research and development (R&D). Among these are AET Tech Astra Phils. Inc., Education and Development Initiative, Technologies Inc., and Systema Computer Solutions Corp.

Financing from angel investors is also coming into software-focused small and medium enterprises while programs like Ayala Foundation's PESO (Philippine Emerging Startup Open) have been identifying future technology leaders through its recognition program.

There are reasons why developed countries are opting to outsource software development. Fortune 500 companies, according to a Blast Asia study, find this rational due to scarcity in internationally competitive software experts, due to a need to always advance IT skills and tools, and due to the necessity of cutting cost specially amid a recession.

The US accounts for the largest 40% share of software products followed by Europe with a 38% share, and Japan, 12%.

The Philippines' prospect of gaining part of the world's software development market is being heightened by India's rising cost.

"The rising pay scale may dull India's IT outsourcing industry... IT services is getting more and more expensive day by day," said the Blast Asia. India's share in outsourcing work was accounted at 38%; China, 6%; Mexico, Ireland, and Canada, 5% each; Malaysia, Philippines, Russia, and Singapore, 4%.

The Philippines' difficulty is in keeping up with India's huge numerous software companies doing offshore work and the many Indian firms who have Level 5 Carnegie Mellon Universities Capability Maturity Model certification. The country's software developers obviously have to obtain these certifications in order to keep ahead of a growing number of specialists from potentially competing countries China and Vietnam.

Still, the hope of the country's eating up a larger share of the software pie is apparent with Japanese firms' long-term presence in the country for their software development.

Among those here for their software needs are Advance World Systems, Inc., Astra (Philippines), Inc., Canon Information Technologies, Inc., Cybertech, Fujitsu Ten Solutions, Inc., WeServ Systems International, Inc., J-SYS Philippines, Inc., NEC Telecom Software Philippines, Inc., and Tsukiden Software.

With more companies advancing in their quality assurance and global certification, it is not too incredulous after all that the country is now said to be third as a software destination in Asia.

To intensify such local strength, several programs have to be undertaken, according to a Canadian International Development Agency Report.

Among these are a review on the curriculum on the country's Information Technology courses, establishment of IT competency centers, strengthening of companies' system for CMMI (Capability Maturity Model Integration) certification, support on the local productivity tool software (time tracker, progress reporting), and strengthening of linkage between local and international software developers and their markets.

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