FEATURE - As Kenya gears up for looming BPO market, its vital not to dumb down

The EastAfrican

Date: Monday, March 8 2010 **By PATRICK GATHARA**

For many developing countries, outsourcing is the ultimate get-rich-quick scheme.

The lure of the half-trillion-dollar market, 85 per cent of which is unaddressed, is irresistible.

The industry has grown exponentially in the past few years, by a massive 65 per cent between 2005 and 2009.

At $220 billion, the Business Process Outsourcing and Offshoring sector takes up nearly half of the total addressable market for industry, less than 11 per cent of which has been exploited. It is this that is whetting many appetites.

Kenya has announced its intention of staking a claim to a piece of this pie. BPO has been identified as one of the six pillars of economic growth underpinning Vision 2030, the country's strategy to achieve middle-income status within two decades.

The vision calls for Kenya to "quickly become the top BPO destination in Africa."

The plan is to create at least 7,500 direct BPO jobs and grow the industry's GDP contribution from almost nothing to Ksh10 billion ($133 million) by 2012.

However, a study by the international consulting firm McKinsey and Company indicates that the vision is not sufficiently ambitious.

According to the report Seizing the Prize – Driving BPO Sector Growth in Kenya, the sector has the potential to generate Ksh45 billion ($600 million) and 20,000 direct jobs by 2014.

The report emphasises that this will not come like manna from heaven. There is no inevitability about it.

It will require a high degree of focus, effort and dispatch to realise the benefits.

It identifies the country's competitive strengths and weaknesses, a strategic direction and lays out a series of recommendations covering strategy, marketing, training, funding and the country's business enviroment, which must be implemented sequentially before the end of this year.

The general thrust of the report is that coming late to the party, Kenya has no chance of becoming a Tier 1 provider — it lacks the scale to become a global player like India or the Philippines.

It suggests that the country should leverage its reltively small pool of cheap, accent-neutral English-speaking graduates, its strong ties to the US and UK (which together account for nearly 60 per cent of the outsourcing market), improving infrastructure and an already thriving business environment, to create a niche for itself in basic sales and customer-care services and attract large international BPO companies.

On the face of it, this seems reasonable. At $104 billion basic services represent nearly 50 per cent of the total BPO demand, and two-thirds of that is basic voice services.

Vision 2030 predicted that India, China and the Philippines would be unable to meet the expanding global demand for labour required to produce BPO services and products and by 2008, a shortage of 200,000–500,000 workers would present business opportunities for countries like Kenya.

As the Vision also notes, each year, the Philippines produces four times as many, and India 23 times as many graduates as Kenya.

The Philippines has been a global outsourcing destination for over a decade, has developed a BPO workforce of over 450,000 workers and earns about $7.2 billion annually.

India has been at it for twice as long has recruited a BPO army of over 1,000,000 people and earns $30 billion every year.

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So perhaps a frontal assault may not be the best idea.

That said, turning a significant proportion of our best and brightest into automated telephone answering machines does not seem like the correct strategy either.

And this is precisely what is being contemplated.

But for Jonathan Defensor De Luzuriaga, managing director of Tholons S. E. Asia, and a consultant for Kenya's ICT Board, the key question is how to take advantage of the inherent streng- ths and capabilities of the country, not to dumb them down.

The 2006 ICT Strategy Paper identified the secondary school system as the "entry level threshold for call centre workers," and noted that we graduate 700,000 students at that level.

Further, the paper identified the level at which we enjoy our cost advantage."At an average salary of Ksh15,000 ($200) a month for a secondary school leaver," it says, "Kenyan wages would be comparable to those of India, making the country one of the most attra- ctive call centre destinations in the world."

This is confirmed by the preliminary findings of the Skills Taskforce, which was, ironically, formed on the recommendation of the McKinsey report.

According to its chair, Esther Muchiri, local BPO firms have little demand for high-level skills.

Sanjay Sikka, CEO of Horizon Contact Centres, the la- rgest by capacity in East Africa, says Form Four leaver s already possess the skills to work at call centres.

His company only needs to train them for one week in "soft" skills and three weeks on the particular product they will be dealing with.

While basic services make up 46 per cent of the BPO sector, the rest is composed of medium-level Information Technology Outsourcing and high-level Knowledge Processing Outsourcing.

Training graduates for either low-end BPO or high-end KPO and ITO would entail the same effort although the latter two would give richer rewards, Luzuriaga notes.

"Why aim for the mountains when we can aim for the stars?" he asks.

Aiming for the lower end of the BPO scale also entails the risk of falling into the same bind the Philippines finds itself in.

Identified for a long time as a source of cheap, minimally skilled BPO labour, the country has found it impossible to shed that image.

As a result, high-value KPO contracts are passing it by.

Kenya already has local software outsourcing firms such as Vervient Ltd, which services clients from the US to New Zealand.

Its CEO Agosta Liko hotly disputes the assertion that Kenyans are not capable.

He believes that Kenyans are "hustlers" and the most sop- histicated in the region.

Another example of hot Kenyan talent is Ushahidi, a platform that allows anyone to gather distributed data via SMS, e-mail or web and visualise it on a map or timeline.

Developed by four Kenyans to track the 2008 post-election violence, it is now being employed across the world to map disaster areas and direct relief agencies to areas of need, most recently in Haiti and Chile.

Co-founder Eric Hershman believes that Kenya "has all the talent in the world" and he has put his (and other people's) money where his mouth is, teaming up with several local IT players to set up the iHub, a focal point for the local IT community and a "pre-incubator" of developer talent.

The issue of the growth and development of local ITO firms though, is glossed over by both the McKinsey report and Vision 2030.

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Though the latter talks of having “at least five large local players… to become local champions,” it still seems that the overarching goal is to position Kenya, not as a source of globally competitive, high-value BPO firms, but as destination for large international companies seeking cheap, low-skilled labour with a token local player presence.

To its credit, the ICT Board seems to be alive to this.

It has engaged Luzuriaga and Nairobi University’s Prof Tim Waema to set up the Centre of Excellence, which aims at standardising BPO curricula and certification across the industry.

With such initiatives, the emphasis seems to be shifting from the purely low-end, foreign multinational-driven approach recommended by the McKinsey report, towards a more pragmatic, two-pronged approach that puts local talent (and hopefully local companies) front and centre and gives them the tools to compete at the higher end of the market while at the same time attracting foreign firms to provide the lower-end jobs for secondary school leavers.

Continuous modular training through the Centre of Excellence will ensure that we not only upgrade the skills of the lower cadres but that the domain expertise so crucial to KPO can be sourced from the existing labour market and trained in specific BPO skills.

Such a strategy, which recognises the differentiation in our labour market and plays to our strengths, rather than our limitations, is much more likely to succeed.

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