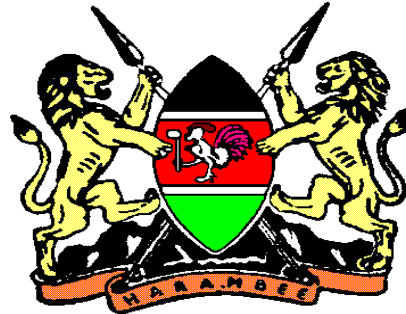


# **A CASE STUDY OF THE ITES INDUSTRY IN KENYA**

**2<sup>nd</sup> Pan Commonwealth Conference on  
Services Trade -Mauritius**



**OFFICE OF THE PRIME MINISTER**

**Ms Peres Were  
Joint Secretary  
*BPO/ITES Working Group***

***“...Kenya is an emerging market for us, not a third world country. You can’t compare it to most other countries in Africa. It is the perfect place to live...Kenyans have great accents...We believe that Kenya can be successful in BPO”***

**Head of General Electric Business Services, Africa (2009)**



# ITES WORKING GROUP

- High Level ITES advisory team formed by the Prime Minister of Kenya in December 2009
- To guide and facilitate an effective working system between various government ministries & agencies in order to develop a strong ITES sector in Kenya
- To monitor and evaluate the impact of ITES related activities in Kenya
- To develop a strategy for Rural BPO in Kenya



# STATE OF THE ITES INDUSTRY IN KENYA

- Approximately 50 BPO and ITES companies in operation
- Emphasis on international markets by BPO firms
- Domestic market largely unexploited
- IT Outsourcing services growing rapidly with local companies signing deals with international firms.
- Back office services common e.g. transcription, data entry.
- BFSI & Telco's have set up in house contact centres for customer service
- Increasing interest by large international firms in setting up large operations in Kenya in ITO and BFSI



# BPO STUDY OF KENYA

- Background: BPO is one of the pillars in the government's Vision 2030; need for evidence to inform policy decisions and assist government to fulfill its mandate for BPO; hence study initiated in 2007, conducted Aug. 2008 to July 2009
- Funded by IDRC and conducted by University of Nairobi, Kenya BPO Society and Kenya ICT Board

## **General Objective:**

- To undertake comprehensive research in BPO sub-sector in pioneer, emerging and mature markets to provide evidence and a deeper understanding of the imperatives for success in this industry, to better inform Kenya's policy decisions and investment choices.



# Specific Objectives

- To provide empirical evidence and recommendations to inform the development of BPO legislation, policy and strategy documents by MoIC, ICT Board, and other government agencies.
- To identify the critical success factors that underlie BPO industries in developing countries in terms of: policy and institutional environment; legal and regulatory considerations; incentives; infrastructural & bandwidth requirements; human capacity needs & capacity building requirements; criteria for choice of BPO destination; and types of BPO operations



# Methodology: Data Collection

## Process

- Used Case Study Approach

### **Process:**

1. Thorough Literature review
2. 8 countries chosen for research representing pioneer, emerging and mature markets; and client countries.
3. Developed Questionnaires for semi-structured interviews. 6 types of questionnaires for specific target groups
4. Workshops at inception, during findings and at the end of the study



# Methodology: Data Collection

## Process

Divided data collection visits to countries in two phases.

7. Data analyzed and incorporated into an interactive database which included the background information from on-desk research for each of the study countries.
8. Findings were then discussed on the Kenya ICT Action Network (KICTANET) online forum under the key thematic areas as per the objectives of the study.
9. Monitoring and Evaluation throughout the study



# CHOICE OF COUNTRIES

**Pioneer BPO services (Kenya and Ghana):** Pioneer BPO destination has less than 10 established companies in the industry and less than 10,000 workers employed in the industry. The industry is 1 to 5 years old.

**Emerging BPO services (South Africa and Egypt):** Emerging BPO destination has 10 to 100 established companies in the industry and 10,001 to 100,000 workers employed in the industry. The industry is 5-15 years old.

**Mature BPO services (India and Mauritius):** Mature BPO destination has more than 100 established companies in the industry and over 100,000 workers employed directly in the industry. The industry is over 15 years old.



# BPO Study: Key Findings

- In both USA and UK: Key drivers in out-sourcing and off-shoring were similarity in work culture, quality and cost (**Cheapest vs Optimum cost** e.g. SA Actuarial Experts)
- No African country in top 10 preferred outsourcing destinations in the USA. In UK, **only Egypt** in Africa in the top three best perceived destinations

# BPO Study: Key Findings cont.

- **Perception:** Kenya (and Africa in general) e.g. Belief that Africa has challenged infrastructure, poor work culture/ethics and constraining socio-economic environment ,political issues etc
- **Reality:** individuals/organizations that have had a chance to visit/interact with Kenya(ns) have a different testimony.
- What SA is doing right and Kenya is not...on crime issue...marketing, 'spin-doctoring news', etc.
- **[Next slide on select Youth and Gender Findings]**

# BPO STUDY KEY FINDINGS - INDIA

- 1 million English speaking graduates annually in various disciplines
- Large pool of science, technology and engineering graduates.
- BPO/KPO courses entrenched in education system.
- Strong culture of science and tech formed from young age groups.
- Good infrastructure such as science & technology parks, fibre optic cables, reliable electricity.
- Lower operating costs than competing destinations
- It has a strong industry association
- Existence of the Data security council
- National Skills registry (NSR) facilitates personnel background checks

# BPO STUDY KEY FINDINGS – South Africa

- 100,000 university graduates annually.
- Strong financial services sector.
- BPO courses in education system produce 40,000 BPO job ready graduates annually.
- Fibre optic cables.
- BPO specific incentives to invest in the country such as grants of R37,000 to R60,000 per seat; and training and skill support grant of up to R12,000 per agent.
- Strong capabilities in actuarial science.
- Successful branding and marketing strategy

# BPO STUDY KEY FINDINGS –

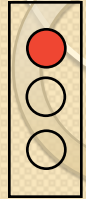
## Mauritius

- Multi-lingual services in French and English serving mainly UK and France markets.
- Initiative to create an ICT Academy by OTAM (the BPO industry association) with the Mauritius Government to train people after High School Certificate – as a result of increased focus in KPO services e.g. software development.
- It is a multilingual country (with two European languages) so it is an attractive destination for both English and French speaking clients.
- The higher education stakeholders have a very strong relationship with private sector with regards to curriculum development

# Kenya: Strengths and Challenges



Requires significant government intervention  
 Requires moderate government intervention  
 Does not require government intervention



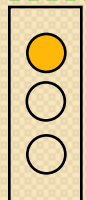
Skills/talent availability

## Strengths

- Neutral English accent
- Shared cultural heritage with key markets (eg UK)
- Customer service orientation as a result of tourism industry

## Challenges

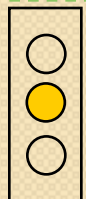
- Gaps in curricula to address needs of the industry
- Current supply of suitable graduates insufficient to support expanding BPO&O industry



Operating environment

- Explicit Government support for BPO&O sector development
- World Bank bandwidth subsidy for BPO&O providers until operation of fibre network
- KCA Act 2009 enabling electronic commerce

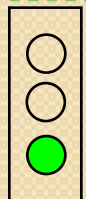
- High perception of country/business risk by foreigners
- No formal one-stop shop
- Missing data protection legislation
- Lack of BPO&O specific incentives scheme



Infrastructure

- Fibre-optic network connected in mid 2009 with 3 country routing options and VSAT redundancy
- Competitive fully loaded costs

- Limited grade 'A' office space
- Erratic power supply
- Poor urban connectivity and labour supply accessibility



Service providers

- Strong presence of international tech players, Global recruiting consultants & head-hunters, etc.

- Varying consistency in maintaining global quality standards
- Talent pool constraints related to engineers and technicians leading to increasing labour costs

# KENYA: NICHE SERVICE AREAS

- Call Centre/Customer Service (due to customer service orientation culture – tourism industry)
- Back Office e.g. transcription, data processing (due to large pool of graduates)
- BPO Training for the region (due to its excellent education system in the region)
- IT Outsourcing/Software Dev (due to IT trained graduates from various institutions)



# **SOLUTIONS**

**ISSUE 1: Capacity of talent pool to adequately service niche area**

## **Policy Options**

- Develop framework for capacity building to institutionalise key tasks within the BPO Sector

## **Policy Recommendations**

- Ministry of Information & Communications in partnership with Ministry of Education should modify education system to include courses/training in BPO/Customer Service specific skills
- Set up BPO training academies to churn out large numbers into the BPO talent pool ready for employment



# **SOLUTIONS**

## **ISSUE 2 –BRANDING & POSITIONING**

### **Policy Options**

- Kenya ICT Board/Brand Kenya should develop specific positioning statements based on the identification of the niche areas
- Develop robust branding strategy so as to increase awareness in Kenya's target markets about the country's capabilities in the niche areas

### **Policy Recommendations**

- ICT Board & Brand Kenya to work closely together to brand the country as a BPO destination
- Develop robust branding strategy so as to increase awareness in Kenya's target markets about the country's capabilities in the niche areas



## SOLUTIONS

### ISSUE 3 – Youth Employment

**Critical Issue:** Market BPO as a source of viable employment for the youth

#### Policy options/recommendations

- Industry Stakeholders to promote the BPO industry amongst the youth including career pathing.
- Relevant Government Agencies as well as private industry stakeholders to sensitise trainees and trainers in BPO-related courses that may open up opportunities in BPO for the youth and women



# Government Initiatives to promote ITES

- Bandwidth subsidies for BPO Operators
- Skills Taskforce to develop a national curriculum for BPO sector
- ICT Board formed to market Kenya as a BPO/ITES destination
- Government outsourcing spearheaded
- Centre of Excellence being developed by Kenya ICT Board with funding from World Bank
- Export services capacity building through the Export Promotion Council
- Development of an ITES trade policy by Kenya Investment Authority
- Infrastructure development including ICT Parks



# Q & A Session

