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<u>Development of a BPO Industry in Kenya:</u> Critical Success Factors

CSFs and Policy Recommendations

Prof. Timothy M. Waema Intercontinental Hotel, Nairobi

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Agenda





- ★ Scope
- Methodology
- Researchers and collaborators

Findings and policy recommendations

- ➢ Policy and strategy
- Legal and regulatory framework
- Institutional framework
- >< Incentives
- Youth and gender

Kenya's niche













1. Introduction



Overall objective







To undertake comprehensive research in the business process outsourcing (BPO) subsector in pioneer, emerging and mature markets in order 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 Objective



- To provide empirical evidence and recommendations to inform the development of BPO legislation, policy and strategy
- To identify the critical success factors that underlie BPO industries in developing countries
- To examine & provide comprehensive case studies
- To provide a deeper understanding of youth employment and gender issues within the BPO sector in pioneer, emerging and mature markets
- To increase the level of awareness and input among key stakeholders through interactive dialogue on key BPO issues within the Kenyan context







Scope



U.S.A., U.K. (3 BPO clients each)

BPO vendors

- Pioneer BPO services: Kenya (& Ghana)
- Emerging BPO services: South Africa (& Egypt)
- Mature BPO Services: India & Mauritius

BPO associations

- USA International Association of Outsourcing Professionals (IAOP)
- India National Association of Software and Services
 Companies (NASSCOM)
- UK National Outsourcing Association (NOA)
- Kenya Business Process Outsourcing and Call Centres Society (KBPOCCS)
- South Africa Business Processing enabling SA (BPeSA)







Methodology

Case study, involving:

- Desk research on the Internet
- Review of existing documents
- Key informant interviews. These people were identified through contacts we have, Embassies and Internet
- Structured questionnaires
 - Vendor firms
 - Client firms
 - Consultants
 - Youth and gender
- Stakeholder workshops (3)
- e-discussions in KICTANET









Researchers & collaborators

Research team

- Timothy Mwololo Waema (TL)
- Gilda Odera
- Catherine N. A. Adeya-Weya
- Peres Were
- Euphraith Muthoni Masinde
- Christopher Chepken
- Eunice Kariuki
- Peter Kenduiywo
- Munyiva Ngea (Project assistant and database developer)

Collaborators

- Kenya ICT Board
- Kenya BPO and Contact Centre Society
- KICTANET













2. Findings and policy recommendations









2.1 Policy and strategy



Findings (CSFs)

India

- Policy priority given to IT-BPO sector in Special Economic Zones (SEZs) to spur growth
- Cyber security training & awareness policy

Mauritius

- BPO/ITES is an integral part of national dev. vision
- BPO/ITES vision & strategy is driven from the top of Govt

South Africa

- Incentive framework to attract investors
- Aggressive marketing as a BPO destination

Kenya

Govt support for BPO and ICT sectors – V2030 infrastructure projects







Recommendations



- Lack of specific BPO policy
- Lack of BPO strategy
- Weak M&E framework
- ICT and BPO are not real sectors, e.g. one cannot obtain aggregated socio-economic data on these sectors

Policy recommendations

- a) Development of a specific BPO sector policy as pledged in the medium term plan of Vision 2030
- b) Combine the results of this study with those of McKinsey&Company and create an appropriate BPO strategy
- c) Strengthen the M&E functions of KICTB and V2030
- d) <u>Create a single ICT-BPO sector and mainstream it into the national planning and operational frameworks</u>















2.2 Legal and regulatory framework



Findings (CSFs)





Adoption of international standards

Mauritius

Appropriate legal framework for BPO/ITES industry

South Africa

- IPR & data protection laws to provide confidence to investors
- Comprehensive BPO-specific Quality Assurance Framework (stds) – benchmarked to global best practice

Kenya

Communications (Amendment) Act 2009 – e-transactions











Critical issues

- Weak legal framework for BPO & ICT sectors (no data protection legislation, weak IPR laws, etc.)
- Lack of standards (in KBPOCCS in draft form)

Policy recommendations

- Strengthen existing laws and/or regulations to quickly provide an enabling legal environment for ICT-BPO (IPR, labour) in the short-term
- Develop separate legislations critical for ICT-BPO sector and compliant with relevant international laws (data protection, freedom of information, e-commerce, IPR, labour) in the medium- to long-term
- Finalize and operationalize BPO standards, benchmarked to international standards















2.3 Institutional framework



Findings (CSFs)



- NASSCOM's effectiveness and close working relationship with Govt and academia
- Data Security Council dealing with fraud & cyber crime

Mauritius

- Dynamic & effective Board of Investment (offers one stop shop (OSS) for BPO investors)
- Effective advocacy by OTAM

South Africa

Active BPeSA & regional BPO associations, with Government
 funding

Kenya

- KICTB BW subsidy, marketing, ...
- KBPOCCS advocacy, draft standards
- EPC annual training forums for services-oriented exporters on how to market their services







Recommendations

Critical issues

- Many institutions working on different aspects of BPO, with very little coordination
- Many and weak ICT and BPO industry associations (CSK, ITSA, KBPOCCS, TESPOK, KIF, KIS, TNOFF, etc.)

Policy recommendations

- Change the mandates of an existing body to coordinate all the institutions that deal with BPO e.g. KICTB in the short-term
- Create a new entity to coordinate ICT-BPO activities across all ministries and public enterprises that have a role to play in ICT-BPO in the medium- to long-term
- Create a strong ICT association
- Create one strong ICT-BPO association















2.4 Incentives



Findings (CSFs)

Tax incentives

- India has comprehensive tax incentives
- SA has none
- Mauritius abolished all tax incentives, except 15% corporate tax (one of the lowest globally)
- Kenya leveraging on EPZ incentives

Other incentives

 Countries had other incentives that make them appropriate BPO destinations (e.g. SA has training incentives









Recommendations



- Lack of a BPO incentive framework
- High start-up costs
- High tariffs
- Poor marketing of Kenya as a BPO destination
 Policy recommendations
- a) Develop specific tax incentives to encourage industry growth, especially in rural areas
- b) Provide of incubation centres for start-up BPO companies
- c) Government to outsource BPO work to local majority owned centres (show of commitment)
- d) Reduce bandwidth and telecommunication tariffs
- e) Developing the domestic BPO market segment
- f) Marketing and funding local BPOs to market their services internationally















2.5 Human resources

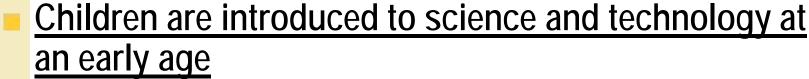


Findings - India



India produces approximately 1 million graduates pa

Fluent English, communication and customer service skills



- Numerous international brands transferring skills to the local population
- There exists a National Skills Registry
- BPO/KPO courses have been entrenched in education system
- A secure career with progression, benefits, perks and transport
- Performance-based recognition and reward







Findings - Mauritius



Dual language speaking population - French, Eng

A UK Education System - clients easily identify with



Teachers are Equipped with the necessary ICT skills to improve pedagogy



Creation of an ICT Academy to train people - post **School Certificate**

Performance-based recognition and reward

Travel opportunities – morale booster

Competitive remuneration

- Conducive work environment
- Job security with career progression







Findings - SA



- Training and Skills Support Grant for company specific training
- Staff retention strategies (job security, career progression and good working environment)
- Continuous in-house training
- Affirmative action





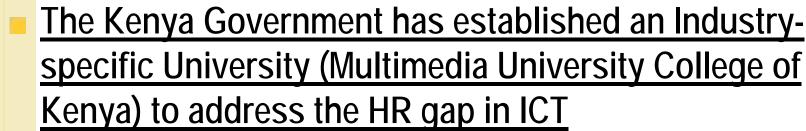


<u> Findings - Kenya</u>



- Kenyans generally have a neutral accent and English is the official language
- Kenyans are hospitable in demeanour
- Good education system
- > 30,000 graduates per yeat







BPO companies and Call centres practice continuous recruitment and training of call centre agents









Recommendations

Critical issues

- No updated skills database for ICT exists
- Poor integration of ICT in teaching and learning
- Lack of strategy on ICT-BPO skills
- Absence of common certification of agents based on a common curriculum

Policy recommendations

- Establish framework for collection & updating of ICT skills data
- Fast-track implementation of integration of ICT as in Sessional paper No. 1 of 2005 & Education sector ICT strategy
- Develop strategy on ICT-BPO skills requirements and mainstream into relevant ministries for implementation
 - Incorporate BPO training into curricula across the education system
 - Provide training incentives for tertiary institutions to provide BPO training
 - Set up Centres of Excellence (COEs) based on PPP, to support BPO training
 - Regulate examinations and certifications in ICT-BPO









2.6 Youth and gender



Salary scales







	<u>Kenya</u>	<u>SA</u>	<u>India</u>	<u>Mauritius</u>
Operators /Agents	<u>150 -500</u>	<u>500-1,500</u>	<u>From 400</u>	<u>500-1,500</u>
Professio nal Staff	500-1,500	2,000-3,000	800-2,500	500-1,200
<u>Managers</u>	500-3,500	1,500-8,000	800-4,000	From 1,000

Salary scales (in US\$ Per Month)



Minimum qualifications & age



Kenya

- Operators/Call Centre Agents; At least a diploma, some have a bachelors degrees
- Minimum age: 18

South Africa

- Call Centre Agents; Grade 12
- Minimum age: 15

Mauritius

- Operators/Call Centre Agents; at least High School Certificate
- Minimum age: 16







Findings

Kenya



- Women/family-friendly labour laws (Kenya's Employment Act, 2007) that provide for:
 - 3-months maternity leave
 - 21 days annual leave
 - 2 weeks paternity leave
- Government Ministries specifically for gender and youth issues





South Africa

Provision for Family Responsibility Leave



India

- Women in Leadership-IT Initiative by NASSCOM aim at enhancing participation of women into the workforce
- An elaborate 'Equal Remuneration Act, 1976 (Act 25 of 1976 amended by Act 49 of 1987)'

Mauritius

- Labour Act that prohibits
 - employment of female employees in industrial undertakings between 10 p.m. and 5 a.m.
 - employment of young employees in industrial undertakings between 6 p.m. and 6 a.m.
 - employment of youth for more than 36 hours in a week
- ICT Awareness courses by National Computer Board are provided to women







Recommendations



- Labour legislative provisions may not be appropriate for BPO (e.g. 3 months maternity leave)
- BPO not marketed as a source of viable employment for the youth

Policy recommendations

- Amend the Employment Act, 2007 to
 - explicitly regulate working hours for employees
 - require employers to facilitate safe commuting at night
- Ministry of Gender to provide a social welfare kitty to compensate employers who may be adversely affected by the employees' absence
- Relevant Government Agencies e.g. Ministries of Labour, Youth and ICT, Kazi Kwa Vijana, etc, to promote the industry among the youth
- 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









3. Kenya's niche

India

- Software development
- Engineering services
- <u>Call Centre services</u>

South Africa

- Call centre services for financial services industry.
- High-end actuarial services.

Mauritius

- French/English call centre services
- Translation Services
- Software Development

Kenya

- Customer Service
- Back Office e.g. transcription, data processing
- BPO Training for the region
- NB. This does not mean we cannot do other things e.g.
 Software Development



