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Development of a BPO Industry in Kenya: Critical Success Factors

CSFs and Policy Recommendations

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Kenya's niche





1. Introduction

Overall objective

To undertake comprehensive research in the business process outsourcing (BPO) sub-sector 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



BPO clients

- 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)



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



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

Critical issues

- 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) Create a single ICT-BPO sector and mainstream it into the national planning and operational frameworks





2.2 Legal and regulatory framework

India

- Strong legal system and compliance with international laws, e.g. labour laws
- 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



Recommendations

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)

India

- 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 Govt 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

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

Critical issues

- Lack of a BPO incentive framework
- High start-up costs
- High tariffs
- Poor marketing of Kenya as a BPO destination

Policy recommendations

- Develop specific tax incentives to encourage industry growth, especially in rural areas
- Provide of incubation centres for start-up BPO companies
- Government to outsource BPO work to local majority owned centres (show of commitment)
- Reduce bandwidth and telecommunication tariffs
- Developing the domestic BPO market segment
- 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
- Children are introduced to science and technology at an early age
- 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
- Review of the curricula at the level of primary and secondary levels to integrate ICT
- 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



Findings - Kenya



- Kenyans generally have a neutral accent and English is the official language
- Kenyans are hospitable in demeanour
- Good education system
- > 30,000 graduates per year
- High school graduates – over 260,000 every year
- The Kenya Government has established an Industry-specific University (Multimedia University College of Kenya) to address the HR gap in ICT
- 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>
<u>Operators /Agents</u>	<u>150 -500</u>	<u>500-1,500</u>	<u>From 400</u>	<u>500-1,500</u>
<u>Professio nal Staff</u>	<u>500-1,500</u>	<u>2,000-3,000</u>	<u>800-2,500</u>	<u>500-1,200</u>
<u>Managers</u>	<u>500-3,500</u>	<u>1,500-8,000</u>	<u>800-4,000</u>	<u>From 1,000</u>

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



■ 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

Critical issues

- 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
- Call Centre services

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

