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## The South Asian Experience

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### Introduction

This chapter is based on a report entitled ‘Regional Collaboration on IT Enabled Services – Smart Strategies for Jobs and Growth in South Asia’, by the South Asia Regional Programs Unit and the South Asia Poverty Reduction, Economic Policy, Finance and Private Sector Development Unit of the World Bank. The example of South Asia holds lessons that are very relevant to anyone, in any region in the world, with an interest in services trade. Many of the points made below cut across regions, as there is a huge amount of commonality. The basic premise is that collaborative initiatives could drive the growth of the industry through a two pronged approach: to increase business through joint promotional activities, sub-contracting of work, building common standards and world class business practices; and to develop supply side resources such as skills, support infrastructure and enabling policies.

### Catalyst for change and regional collaboration

The twin objectives that need to be addressed in South Asia are whether regional collaboration can drive growth in IT enabled services on the one hand, and, on the other, can the ITES sector be the catalyst for regional collaboration. The countries of the region<sup>1</sup> have tried to collaborate in more traditional sectors like energy, roads, waterways, and have met various road blocks; in particular, the geopolitics of India and Pakistan have not helped the cause. Also, the nine countries that form this regional market are very different from each other in size, ranging from India with a population of 1.1 billion to Pakistan and Bangladesh (150–160 million) to Nepal and Sri Lanka (20–30 million) to the very small countries like the Maldives at 300,000. That also presents its own difficulties in coming together as one market.

In addition, there are the benefits of the regional market. In particular, it is very attractive for the smaller countries with a narrow market base: since they may not be mature enough to go to the international export market in one step, they can use the regional market as a platform to experiment, cut their teeth and then move on to the export market.

The message here is that a country can grow faster, leapfrog and accelerate the development of the IT enabled services industry by going regional instead of developing in country silos. South Asia has the unenviable statistic of being the least integrated region. There have been no concerted efforts to collaborate and develop the region as a single market for offshoring and outsourcing. Thus, from an outsourcing and offshoring perspective, the region is still seen as a collection of individual countries rather than as a common unit. Collective collaboration toward some forms of standardisation – in terms of service delivery, quality levels, or the capability levels of talent from the different countries – would benefit the entire region. This can be achieved through formal information exchange, and economic growth and geographical proximity can be the key drivers for the process. With collaboration, the countries would then be able to leverage common strengths such as a large talent pool in the employable age group, knowledge of English, expertise in the finance domain, and overlaps in the identified potential opportunity areas. The potential revenues for the local industries and employment generation for the countries would be much larger if they work together.

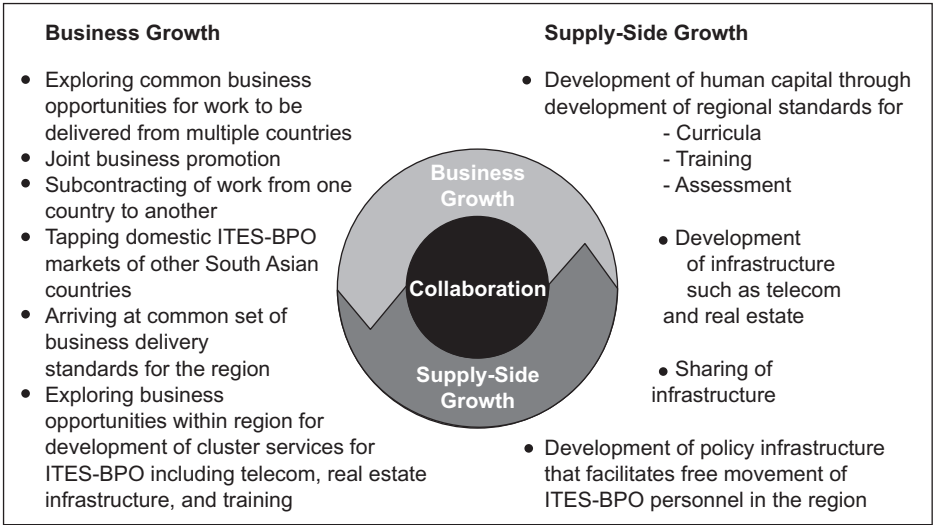
South Asia in particular can leverage India's success story and become the region of choice for offshoring and near-shoring from India. Even though India's trajectory has been meteoric and often quoted in the literature, each country will have its unique trajectory. One size does not fit all and, indeed, India was a success story for the industry at that point in time. The industry has moved on and so India's route may not necessarily be the way any country should go now, although there are some lessons one can draw from it.

### ***Areas of collaboration***

Working in country silos duplicates effort, wastes scarce resources and neglects the rich experience available in the region. Taking the company registry as an example, instead of each country going through the lead times, the costs, the consultancy, the systems cost of doing this in country silos, there is an opportunity where one provider, one system with specifics for each country can cut out a lot of the duplication of costs. It is all about the duplication of effort, lead times, and time to market being cut out by looking at things regionally. Developing curricular nationally is another example; internationally accredited curricular can be something one country shares with many others so that the benefit of mutual recognition comes naturally as each country has a system that is well recognised outside. Or, in the case of the NASSCOM accredited certification called 'NAC Assessment', everyone in America knows that if workers in another country have NAC Assessment they work to an internationally recognised minimum standard. Therefore, instead of developing your own curriculum, why not use the NAC Assessment? That is an example of collaboration amongst the countries of a region to come up with one system.

There are different potential areas in which collaboration can take place for the development of the ITES industry. While business-to-business relationships have already been explored in the telecommunications infrastructure space, and some degree of sub-contracting of work from Indian ITES companies does occur, there are no formal mechanisms to identify potential collaboration areas and facilitate knowledge sharing. Nonetheless, corporations use informal channels to explore collaborative possibilities of doing complementary work.

Figure 6.1 shows some of the areas where collaboration is already happening for good commercial reasons, including business continuity and disaster recovery. A number of the larger players have a disaster recovery centre site in another country for obvious reasons, so already that degree of collaboration is happening and even in South Asia there are green shoots of bilateral collaboration. The next step is to make that much more multi-country by moving to design and to share solutions to common problems.



**Figure 6.1.** Benefits of collaboration

In terms of training, for instance, reduce the number of consultants making money selling the same thing, when one common training programme could be delivered in multiple places; or, why spend a lot of money developing a data centre or multiple data centres in each country when a number of countries can share a well-run tier I data centre in one of the countries.

The process of collaboration requires integrated efforts from three main stakeholders: country governments, corporations and institutional bodies. Each stakeholder has a specific role to play in the various collaborative initiatives to be undertaken at the regional level. These initiatives have been broadly classified under the following areas:

- Talent development in areas such as education, training, assessment and accreditation;
- Investment promotion in terms of marketing the entire region as a single unit as well as attracting investment, joint ventures and sub-contracting of work;
- Infrastructure initiatives – building support infrastructure for the ITES-BPO industry in terms of telecom, real estate, air connectivity, and so forth; and
- Regional policy development initiatives in terms of macro-level initiatives that may be taken up by the government.

Figure 6.2 looks at various initiatives under each of these core themes across the major stakeholder groupings, the actors who need to play their various roles, and relates to the South Asian context.

		Government	Institutions	Corporates
Human Capital Development	Training for Entry Level Talent	<ul style="list-style-type: none"> <li>• Create conducive investment policy regime for regional training vectors</li> <li>• Align secondary school certificate to needs of the ITES-BPO industry</li> </ul>	<ul style="list-style-type: none"> <li>• Identify skill gaps in individual countries</li> <li>• Identify partners for trainings</li> <li>• Fund country-level education and assessment initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate talent requirements in terms of skills and volume to government through country-level associations</li> </ul>
	Executive Training	<ul style="list-style-type: none"> <li>• Create attractive investment regime for institutional training education institutions to open local branches</li> </ul>	<ul style="list-style-type: none"> <li>• Identify world class organisations in the South Asian countries that can provide on-the-job training</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate mid/senior management talent requirement in terms of skills and volume to government through country-level associations</li> </ul>
	Internship and Employment	<ul style="list-style-type: none"> <li>• Ease visa and migration laws</li> <li>• Ease repatriation of salaries for regional countries</li> </ul>	<ul style="list-style-type: none"> <li>• Identify global and regional employees willing to employ regional candidates</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage employment of candidates from region since it builds the employer brand</li> </ul>
	Common Assessment Test	<ul style="list-style-type: none"> <li>• Provide government infrastructure for running test</li> <li>• Provide student subsidies for the test</li> <li>• Link employment schemes to test</li> <li>• Align education to test results</li> </ul>	<ul style="list-style-type: none"> <li>• Project manage implementation of the test</li> <li>• Identify organisations willing to employ on the basis of test</li> <li>• Subsidise government spending on test on per-candidate basis</li> </ul>	<ul style="list-style-type: none"> <li>• Provide feedback on quality of talent qualifying on the test</li> <li>• Replace internal testing procedures with the test</li> </ul>
	Accreditation	<ul style="list-style-type: none"> <li>• Assess quality of the government educational infrastructure using accreditation framework</li> </ul>	<ul style="list-style-type: none"> <li>• Project manage accreditation success</li> <li>• Fund creation of accreditation mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Provide feedback on quality of talent emerging from accredited institutions</li> </ul>

Figure 6.2. Role of stakeholders in human capital development

In the industry, a complex task may be distributed to partners with work practices that are established in a certain way. But if both sides understood each other’s business a common standard could be established as to how staff members are trained. In this way common business delivery standards develop that can be shared across borders and divide tasks. Let us take a concrete example of attracting sub-contracting work to illustrate the point. In this kind of collaboration, the companies in the host country execute work that has been outsourced to them from another country. This work could be part of a larger project that the outsourcing company is executing or could

be a single process that the foreign company has outsourced to the local company. Possibilities of this form of collaboration include the following:

*Downstream work:* One of the key concerns for the organisations in the countries studied is market and opportunity identification. In many cases, potential clients already have standing contracts with an Indian firm; hence, smaller firms from the other countries lack an entry point.

All efforts should be made to develop a specific marketing plan for each country individually. But the companies should explore partnerships with larger Indian players to execute downstream work. This would reduce business development costs for smaller companies and allow them to display the range of work they do. It also would give the smaller firms an opportunity to deliver to world-class standards and expose them to best practices of quality and service delivery. This knowledge transfer would help the firms improve their output.

*Multi-location delivery:* A single firm that obtains a contract to execute the multiple processes of a client sub-contracts these processes to firms in different countries and locations, taking advantage of the specific competencies that the locations may offer in terms of talent, cost of delivery, and so forth. This matches the global trend of organisations offshoring different functional processes to different locations. For example, a client may run financial processes out of Sri Lanka, a data centre out of Bhutan, a call centre out of Nepal, and have the overall project management controlled by an organisation in India. This reduces the need for the client to scout for individual companies to outsource to. It also mitigates risk because it is unlikely that all locations would be affected at the same time. It also allows the countries to specialise in certain areas, which are especially important for the smaller countries.

*Outsourcing particular processes:* Countries should leverage particular skill areas and strengths to attract work from other countries in the region. This collaboration – a company from one country outsourcing work to a company from another country – allows the host to deliver better work and at reduced risk.

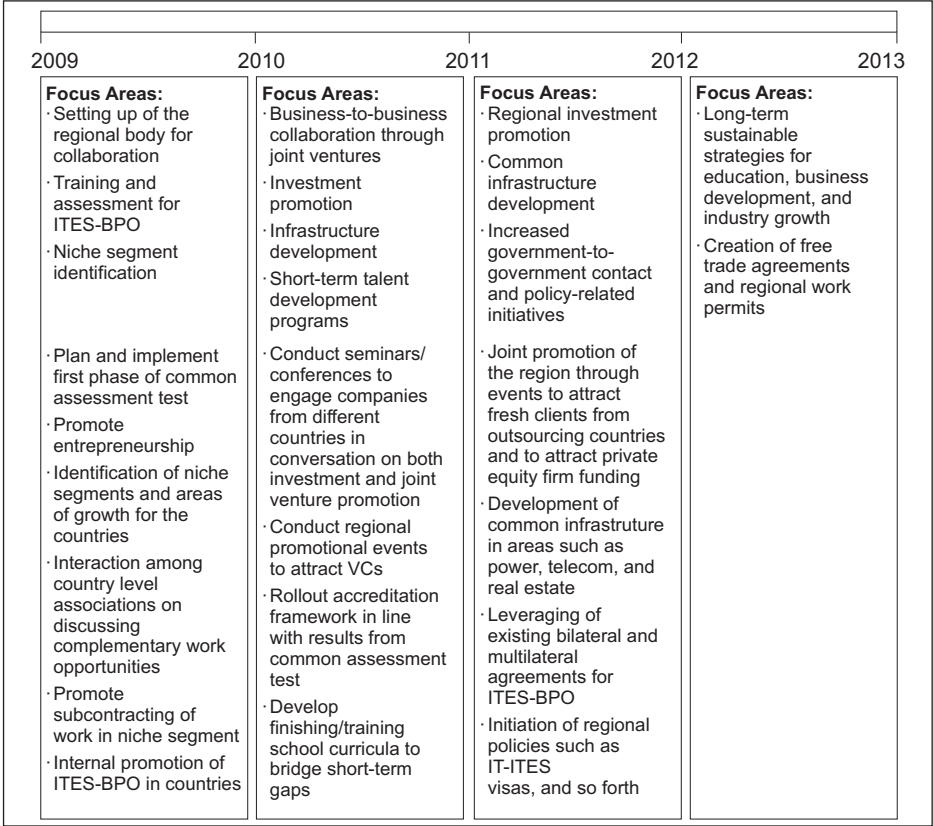
## **Regional initiatives**

What sort of regional initiative is coming out of this? In South Asia, we are considering a two-component investment project to encourage regional collaboration and institutional capacity building. The SAR ITES Venture Fund will make available matching grants to encourage regional collaboration and lower perceived risks associated with it. This includes regional joint ventures/partnerships, intra-regional infrastructure, standard skills assessment, common accreditation process, joint promotional activity, Diaspora and venture capital mobilisation, common support services and industry clusters.

There is also an institutional capacity-building component. For example, if a country does not have an e-transactions act, instead of paying another expensive consultant to develop one the country in question can take one model code, add its jurisdiction specifics and get it done. It has been proposed that a small regional secretariat be affiliated to an existing body such as SAARC Chamber to champion the regional cause.

The core objective is to develop knowledge partnerships across South Asian ITES Industry Associations, local public and private sector institutions involved in industry development and promotion. This will facilitate:

- Transfer of regional good practices on enabling policies and business environment reforms leading to successful enterprises offering well paid employment in South Asia; and
- Increased cross-border collaboration in the ITES sector and related sectors in its value chain leading to centres of excellence for common infrastructure and services for the region.



**Figure 6.3.** Roadmap for ITES-BPO development in South Asia  
*Source:* M. Haththotuwa, powerpoint presentation at the Second Pan Commonwealth Conference on Professional Services, Mauritius, April 2010

From a regional development perspective, Figure 6.3 shows a four-year plan for the implementation of the various proposed initiatives. It demonstrates the logic behind developing a roadmap for regional collaboration. Accepting that countries are mindful they are competing and therefore cautious about doing anything radical, we have put the more difficult areas of collaboration like joint promotion – in which countries are selling each other’s skills as much as their own – at years three and four of the project. The difficult areas require a degree of maturity, trust and understanding; if you put them at the front end they may not happen. So we have been pragmatic in the way we have organised this and put the easier collaborative activities at the front end. The approach followed in the above roadmap is primarily driven by business growth, which in turn is expected to drive closer relations between governments. However, for customers to view South Asia as a single entity, a certain level of standardisation must be achieved in terms of the quality of service delivered, talent capability and overall client experience. The phasing out of the initiatives reflects this thought.

## Conclusions

While it is agreed that regional collaboration could bring enormous benefits in terms of job creation and growth, there are a few factors that could derail the collaboration process:

- *Nationalism* – For collaboration to be successful, countries of the South Asia region need to stop seeing each other as competitors. Also, most view India’s foreign policies as overbearing and somewhat unilateral. To foster collaboration, the countries should work together to project to the outside world the unity and strength of a single entity.
- *Law and order and political stability* – Most multinational corporations (MNCs) cite political instability or the perception of a lack of law and order as the only reasons for not setting up a centre in four of the countries under study: Bangladesh, Nepal, Pakistan and Sri Lanka. The MNCs believed that these countries had the talent and infrastructure development necessary, but that these did not outweigh the risks. On the other hand, there have been recent political changes in all four countries, and thus there is an opportunity to make lasting changes. However, the countries would still have to make sustained efforts to tackle negative impressions that deter investment.
- *Myopic vision* – The benefits of collaboration can be accrued only over time. Short-sightedness might lead the countries to believe that only higher-end KPO or IT sectors are worth pursuing as these processes earn organisations higher revenues per employee. The countries must conduct an analysis to understand the costs of such a narrow focus: the smaller customer base and training talent to meet the demands of these sectors. There is also an opportunity cost: the

chance to create a large number of jobs. On the other hand, short sightedness might drive the countries to concentrate only on reducing costs or competing based on lower costs. Cost can remain a unique selling proposition only for a limited time. The European Union saw a loss of jobs from its lower-cost locations to China, which offered even lower labour and resource costs. Thus, the countries must tread the middle path: identifying niche segments and then refining their offer so that cost no longer is the driver for outsourcing.

These aspects must be kept in mind not only at the country and governmental level, but also by the regional forum, which would be the anchor in most of the regional collaborative initiatives. In the longer run, it is hoped that economic benefit overcomes regional boundaries and that the South Asia region truly becomes the ITES-BPO hub for the entire world.

## **Note**

1. Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan and Sri Lanka.