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Kenya

Peres Were

> *...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)

Introduction

Kenya has entered into the vibrant global market for business process outsourcing and IT enabled services (BPO-ITES). It however lacks empirical evidence and tailored research to guide its policy decisions and investment options. There is demand and specific requests from the government and key stakeholders in the sector for this type of information.

With this in mind, the School of Computing and Informatics at the University of Nairobi conducted a study, 'Development of a Business Process Outsourcing Industry in Kenya: Critical Success Factors', in collaboration with the Kenya BPO and Contact Centre Society and the Kenya ICT Board. The International Development Research Centre (IDRC) provided funding. The study covers four vendor countries (India, Kenya, Mauritius and South Africa) on the policy, legal, regulatory and institutional frameworks; human resources, youth and gender issues; and various forms of incentives. The study also researched outsourcing issues in two client countries (UK and US). This paper is a summary of the study and its findings[1].

State of the BPO-ITES industry in Kenya

The BPO industry in Kenya has been growing steadily since the first international call centre was opened in 2005. There are currently about 50 BPO-ITES firms operating in Kenya, providing various services such as data processing, digitisation, transcription and call centre. A growing number of firms are offering high-end services such as software development, programming, research and development, and finance and accounting services. The domestic call centre space has been rapidly expanding with large telecoms and banks setting up their captive call centres to handle customer service enquiries. In other developments:

- The landing of three fibre optic cables in Kenya – TEAMS, SEACOM and EASSY – is expected to result in further growth of the BPO-ITES sector in the country. Already internet bandwidth prices have fallen significantly from a high of US$6,000 per megabyte to US$500 per megabyte since the cables were activated. It is expected that prices will go down further.

- There is strong government commitment to the growth and development of the BPO-ITES sector in Kenya. BPO has been identified as a flagship project in the country's long-term strategic plan, Vision 2030. The government of Kenya has also started digitising millions of records dating back to the early 1900s. As the government outsources this work, it is expected to result in increased capacity of the local BPO-ITES sector.

- Through the Kenya ICT Board, the government is developing a Centre of Excellence with funding from the World Bank. This is meant to build capacity so that there is a pool of trained individuals who can work in the BPO-ITES sector. The Kenya Investment Authority is a government agency that is currently developing a trade and investment policy for the BPO-ITES in Kenya. This will include specific incentives to promote growth in investment in the sector.

- The Export Promotion Council, a government agency that is charged with promoting Kenya's export of goods and services, has been providing training and workshops on export readiness for professional services firms as well as organising international networking meetings internationally for them.

- In December 2009 the Prime Minister of Kenya formed the BPO-ITES Working Group to monitor, co-ordinate and streamline the BPO-ITES activities of all government Ministries and agencies dealing with the sector to encourage optimal growth of the industry. The Working Group is also tasked with developing a strategy for rural BPO to be implemented by the relevant government agencies.

BPO Study

Methodology

The researchers used a case study approach as the BPO industry is relatively new in the Kenyan context and not much related research has been done. The BPO industry is still rather complicated to analytically assess. The case study approach is best able to yield a rich picture of the situation that could be further subjected to comparative analysis. It is also noted that the depth of enquiry facilitated by the case study method is significantly greater than other research methods such as surveys, focus groups, in-depth interview, experiments and analysis of archival evidence.

A case study protocol was developed to guide the researchers and to guard against discrepancies between them (Table 16.1).

Table 16.1. Case study protocol

1. Protocol overview	• Research objectives; • Key issues on which the researcher needs to focus.

2. Field procedures	• List of informants included:
	    o Policy-maker(s) in the IT sector;
	    o BPO association official(s);
	    o A senior manager (strategic level);
	    o A manager at the tactical level who deals with the BPO client/
	      vendor relationship;
	    o The IT manager;
	    o A worker at the supervisory level;
	    o Workers at the operations level;
	    o Targeted youth and women informants.

3. Case study questions	• The key questions to guide the researcher; • For each question: a list of probable sources of evidence including informant comments, documents, artefacts and observations.
4. Guide to the case study report	• Definition of case study audience; • Outline of report (in soft and hard copy); • Guide to usage of documentary evidence; • Set of key documents that should be collected for inclusion as appendices.

During each visit the case study researcher collected the following evidence where available:

- Firm's URL and website information;

- Documents describing the BPO strategy;

- Interview notes/transcripts (as in the protocol);

- Record of direct observations;

- Archival records.

The BPO sectors of interest were data entry services, data transcription services, call centres and contact centres (combination of data entry, data transcription and call centre activity). Interviews were conducted in each sector with clients in developed countries that source BPO services from pioneer or emerging environments, and with those that are considering outsourcing to pioneer or emerging markets as well as with consultants who help clients identify vendors. Policy-makers and BPO association officials were also interviewed.

Key Findings

The research found that in India, Mauritius and South Africa, the BPO-ITES industry is given a high priority, there is a strong and appropriate legal framework, and the

industry associations are effective and key in driving the industry. In South Africa the national and regional associations receive state funding.

On human resources, the study found that India introduces children to science and technology at a very early age and it has a national skills registry. In Mauritius, the national association has been working with the government to create an IT academy to provide training for the industry.

The research found that the countries had differing measures for gender equity, participation of youth in employment and incentives in the BPO-ITES industry. It was particularly noted that South Africa did not have tax incentives but had a variety of investment and training and skills support incentives, while Mauritius had abolished all the tax incentives except for a 15 per cent corporate tax.

For Kenya, the research found a widespread perception that it lacked an effective and focused marketing strategy for selling the country as a BPO destination. It also emerged that Kenya (and Africa in general) is viewed as a country (and continent) with challenged infrastructure, poor work culture and ethics, and a constraining socio-economic environment.

However, individuals and organisations that had visited Kenya and interacted with Kenyans gave a different testimony; Kenya has a high chance of being a favourable outsourcing destination if correct measures are put in place. The study contends that Kenya has key strengths including a highly skilled and competitive pool of labour, neutral English accent, and strategic location as a regional hub for communications and finance. It also produces over 30,000 university graduates and over 250,000 high school graduates annually.

Policy recommendations

The key policy recommendations from this study are:

- Develop a BPO sector policy as pledged in the medium-term plan in Vision 2030.

- In order to address the lack of a strategy and a weak monitoring and evaluation framework, combine the results of this study with those of McKinsey and Company to create an informed strategy for the BPO sector in Kenya and strengthen the monitoring and evaluation functions of the Kenya ICT Board and Vision 2030 Secretariat.

- Create a single IT-BPO sector and mainstream it into the national planning and operational frameworks.

- In order to address the weak legal framework, strengthen existing laws to provide an enabling legal framework for IT-BPO in the short-term, while in

the medium- to long-term, develop separate legislation critical for the sector and compliant with relevant international laws. For youth and gender, amend the Employment Act 2007 to explicitly regulate working hours for employees and to require employers to facilitate safe commuting at night.

- Develop a BPO incentives framework as an integral part of the law that will transform export-processing zones (EPZs) into special economic zones (SEZs). In addition, provide tax, training and start-up incentives for a specific time period to encourage BPO industry growth, especially in the rural areas.

- In order to address the lack of standards, develop BPO standards benchmarked to international standards, and ensure all key BPO firms adopt these standards.

- Regarding the institutional framework, change the mandates of an existing body to enable it to co-ordinate all the institutions that deal with BPO in the short-term, while in the medium- to long-term, create a new entity (body corporate with power and a powerful champion) to co-ordinate IT-BPO activities across all ministries and public enterprises that have a role to play in IT-BPO. In addition, strengthen the Kenya BPO and Contact Centre Society to be the key BPO industry association and create a strong IT association.

- In order to address the lack of an updated skills database, establish a framework for collection and updating of IT skills data and task the national body responsible for IT-BPO co-ordination (as proposed above) with this responsibility.

- Fast-track integration of IT into education as defined in Sessional Paper No. 1 of 2005 on Policy Framework for Education, Training and Research and the National Strategy for Education and Training (2006).

- In order to address BPO skills sets, create a policy and strategy on IT-BPO skills requirements and mainstream into relevant ministries for implementation.

- Develop and implement a marketing, branding and positioning strategy for Kenya.

Note

1. The research team that undertook this study comprised Prof Tim Waema (Lead Researcher), Dr Catherine Adeya, Muthoni Masinde, Gilda Odera, Christopher Chepken, Peres Were, Munyiva Ngea and Peter Kenduiywo.