

From Canada to Uganda, Business Process Outsourcing

Business process outsourcing can be a win-win deal, even for small firms in developing countries.

Business processes that historically were kept inside the firm, such as accounting and similar paperwork, are increasingly being outsourced to places where costs are cheaper and back-office operations can be provided all day, every day, to keep up with commercial transactions.

So it is no surprise that business process outsourcing is enjoying fast growth. There are predictions of up to 20% increases in the business well into 2008.

Until now international brands have dominated the market. But developing countries can also compete — provided they are willing to make the adjustments and commitments to meet the standards demanded, as the participants in ITC's 2005 Executive Forum learned from a member of Uganda's association for outsourcers.

From paper to online

In Canada, Wall & Associates, an accounting company providing services to small businesses and independent professionals, had been processing most paperwork manually. It decided to try to increase its client base by providing online access to data entry. A family-run accountancy firm, Wall & Associates serves around 13,000 clients in

Canada's major metropolitan areas. It already outsources to India and Uganda. In 2001, the Uganda Investment Authority came to Wall while investigating outsourcing opportunities for its country's firms.

As a result, Wall & Associates sent a mission to Uganda to explain outsourcing opportunities. Fifty professionals attended the presentation, resulting in 20 proposals. Cayman Consults of Uganda, established in 2000 and part of the 30-member Ugandan Outsourcing Association, won the contract to process receipts.

Training, meeting obstacles

The founder and chief executive of Cayman, Abu Luwaga, received training in Canada over three months on issues such as the tax system, attitude, time management, confidentiality and technical skills. He worked with Wall & Associates to develop a curriculum to train people in Uganda, focusing on information technology (IT), personal development and accounting.

"Our expectations were very high," says Mr Luwaga. "We invested in a large overhead of computers and provided expensive connectivity."

A major obstacle was the slowness and high cost of Internet lines — US\$ 700 per month in Uganda, compared to US\$ 50 in Canada. There were also confidentiality issues. Several of Wall & Associates' clients were reluctant to share information online. In addition, until recently, Internet policy in Uganda did not allow for Voice Over Internet Protocol, which was part of Wall & Associates' system.

Opening government's eyes

Nevertheless, following training sessions in 2002 and 2003, Wall & Associates certified 80 people. Cayman now employs five full-time staff, and recruits when needed from a pool of certified professionals who use their skills in either IT companies or accounting firms, or in IT institutes as trainers.

"One success story is what it takes to open the Government's eyes to potential in service sectors," explains Vincent Musubire, head of the Ugandan Outsourcing Association. "In Uganda, this case helped change government policies on telecommunications. The potential exists, but infrastructure is one of the main obstacles faced by small service providers."

Today, connectivity costs in Uganda have been slashed by half because the Government understood the predicament of small providers and allowed other telecommunication companies to build the necessary infrastructure and offer access at a cheaper rate.

Government, the Executive Forum heard, has a critical role in supporting such initiatives. Business development is very expensive. Most managers of small firms cannot afford to pay for the flights to and from the buying country to build trust and sell their service. Nor can the manager afford to package services attractively in the target market. Government needs to channel resources into this area to help make their small and medium-sized companies competitive.

Service-level agreements

Governments' policy-makers also have a role in helping define the services. Only by including the details in the Service Level Agreement can expectations be met, for example through providing appropriate training, setting targets and performance-based penalties or bonuses. Often, this detail is missing from agreements. As a result the client's expectations are not met.

Governments must also recognize their role in developing national strategies that will attract the bigger investors. As a starting point, look at what the leading countries, such as India and Ireland, provide. In Mauritius, the Government offers potential clients special corporation tax rates, reduced telecommunication costs, duty-free technical support and expedited visas for experts in business process outsourcing.

Recommendations

The Executive Forum debate focused on three areas: Is business process outsourcing still an opportunity for

small firms? What are the key components of a successful export strategy? What is the role of the broker?

Points made included suggestions for small firms and government strategists:

Small firms can:

- ▶ Find sustainable service niches. Devise an exit strategy if the demand in their niche dries up.
- ▶ Target opportunities requiring a high skill set and not only offer "cut and trim" services.
- ▶ Move to favourable locations, such as high-tech business parks, to reduce costs (office space, telecoms, etc.).
- ▶ Use their size as a strength: decisions can be made quickly and staff can be kept motivated.
- ▶ Look at opportunities for niche markets that the bigger players will not compete for. At a time when the market for providing business process services continues to grow quickly, new opportunities are appearing all the time.
- ▶ Try to partner with a foreign firm, either one that is already established in the country and can offer world-class facilities, or one that markets its services overseas.

Strategists can:

Make available effective infrastructure so that suppliers can compete on costs. They must also help create the legal structure and provide a secure environment. Form effective partnerships with business to attract investors and promote an attractive national offering.

Treat information technology as a priority sector. Give incentives to brokers, who play a crucial role in ensuring that services get to the market, so that they become active participants in making deals. ■

Contributors: N. Domeisen, E. Barreto, M. Wake (ITC); A. Luwaga (Cayman Consults).

More research on services

ITC held its 2005 Executive Forum for national export strategy-makers in Montreux, Switzerland, on 5–8 October with the theme: "Export of Services: Hype or High Potential?"

The debate was bolstered by over 50 country and specialized papers and presentations summarizing experiences, ideas and best practices on business and professional services; environmental services; construction, engineering and turnkey services; financial services; transport and logistics services; information and technology services; tourism; quality management for services; and branding.

The papers and presentations are available on the ITC web site at <http://www.intracen.org/execforum/ef2005/montreux/programme.htm>