Handing it Over

Perceptions of Africa as a risky business case for outsourcing are hard to shift, but many countries are working hard to change that. Pamela Whitby reports

'Nobody ever got fired for hiring IBM' is an old adage in the business world that became quotable in the 1980s when companies were pondering which supplier to hire. Then few Western companies would consider hiring an Indian company and IBM was considered a safe bet. Today, as one British executive puts it: "You can barely get a seat on a flight to Mumbai." Certainly 20 years on, nobody would get fired for outsourcing to India, an industry which contributes an impressive 5.8 per cent to the sub-continent's gross domestic product.

Yet tell the executive of a multinational firm that the new destination for business process outsourcing (BPO) is Nigeria, Senegal or Kenya and the response may well be: "Over my dead body."

But are they about to miss the next big opportunity in an increasingly globalised market?

Alex Blues, head of off-shoring at information technology (IT) consultancy PA Consulting, says right now a sea change is happening in the world of outsourcing and Africa is becoming one of the world's fastest growing off-shoring destinations.

Driving this is globalisation which is forcing big business to harness global talent while being increasingly competitive on price. "Companies used to say, 'Let's outsource to a country like India or Vietnam, for example'," explains Blues. "Now they are asking, 'Where can I go to access global talent cheaply?' So the mantra of the big American outsourcing players like EDS and IBM or Indian companies like Wipro and Infosys is increasingly becoming: 'Mr Customer, don't fret about the country. We will meet all your needs using our global infrastructure.'"

So what exactly does Africa have to offer and what does Africa stand to gain?

Of course it very much depends on what a company is hoping to achieve. There are two main types of outsourcing – IT, which includes anything from software development to technical support, and BPO, which spans data processing to call centres and customer service. So Egypt, for example, where many big names in outsourcing already have a presence, is known for its IT graduates and favourable tax breaks. Meanwhile South Africa is the continent's biggest BPO market by turnover, though most of that is generated by local companies. Less well-known is that West Africa has a few star performers. In 2009 Ghana was ranked the most favourable destination in sub-Saharan Africa by AT Kearney because it is cheap. In fact New York-listed outsourcing giant ACS, which was recently acquired by Xerox, currently employs 1,800 people in Ghana. Then there is French-speaking West Africa – Senegal a favourite – which provides call centre services to French-speaking countries.

Nigeria, though considered risky, has the advantage of being the continent's most populous country and has highly competitive mobile and banking sectors. In fact, the recent consolidation and clampdown on Nigeria's banking sector as a result of the global financial crisis is forcing banks to become more competitive and efficient. And to do so they are increasingly looking to outsource so-called non-core activities like data processing, call centres or computer maintenance.

"The local banking sector . . . is leading the charge in outsourcing," says Taj Onigbanjo, head of Africa for Cable & Wireless Worldwide. Educated in the United States from the age of 13 Onigbanjo admits that if you live outside the continent it is very easy to get a bleak picture. "But there is a lot of opportunity here," he says. "This is a virgin market and the region is grabbing that with both hands."

East Africa, where fibre networks were installed last year, is the latest newcomer on the outsourcing block. "Kenya, and in fact the whole of East Africa, is now the most data-rich, highest-bandwidth-yet-untapped-region in the world," says Nik Nesbitt, chief executive of Kencall, Kenya's biggest call centre. "Today we have four times the capacity of South Africa and with two more cables coming in the next 18 months that is going to keep growing."

Perhaps unsurprisingly then governments like Uganda, and to a greater degree Kenya, have been positioning themselves as viable BPO destinations. Certainly with the technology now in place, a major hurdle has been overcome, but there are still plenty of challenges. "A big, big problem is perception," says Peres Were, managing director of Kenyan outsourcing advisory firm, Cascade Global. Governments need to invest substantial resources to rebrand a country, which are not always readily available. Although Kenya has embarked on a number of initiatives including the establishment of a dedicated Brand Kenya board Were admits this has "not been as effective as one might have hoped".

But things are changing, if slowly. "Put it this way, five years ago when we came to London we'd never get through the door of a multinational company. Now at least they are willing to meet us," says Nesbitt.

The Kenyan government certainly means business. On the main road between the airport and Nairobi's city centre, a state-of-the-art technology park is going up, the current outdated telecoms act is being revised, various tax breaks are being considered and training centres for operators are being set-up with World Bank funding. This is all part of Kenya's 2030 vision which identifies BPO as one of the six pillars necessary to meet economic growth targets of over ten per cent a year for the next 20 years.

If that is not ambitious enough, the plan is to create 7,500 BPO jobs by 2012. With unemployment currently at 40 per cent, this may cheer the 50,000 graduates that leave Kenya's universities each year.

So the Kenyan government seems serious enough but what exactly does the country have to offer?

David Stewart, an independent consultant who has set up call centres from scratch in the United Kingdom, South Africa and now Kenya, says that with just two to three hours time difference, Kenya is particularly well-placed to provide outsourced services to the UK. In India, for example, multinationals have had to invest significantly in voice training but this is seldom necessary for Kenyans, or for that matter Ugandans.

In the current economic climate, keeping costs down is a major incentive so another plus for Kenya is the cost of labour. Put in context, in the UK a call centre agent's monthly wage starts at around $2,000 a month whereas in Kenya that is around $250.

So is this just another opportunity for multinationals to exploit the global labour market to their own ends?

If anything, says Onigbanjo, it is a mutually beneficial situation. Were agrees: "There are thousands of jobless people here in Kenya who would relish the opportunity to make a decent living," she says. Monthly salaries may start at $250 but that is nearly three times the urban minimum wage and operators can boost that to as much as $400 on additional sales. For the multinationals the advantage is that as a less mature labour market Kenyans are willing to stick at a job for longer. "Right now Indian companies are losing a lot of staff and that is a big problem," Were points out.

In addition Kenyans are well-educated and have a strong service-driven culture, which is absolutely central to the success of call centre services. Certainly Stewart, who has trained call centre operators in the UK and South Africa, cannot sing the praises of Kenyans highly enough. "Kenyans are incredibly hard-working and easy to work with, well-educated and attentive," he says. "Unlike in the UK, you don't have to tell a Kenyan to sit up straight when they answer a call because that will make them sound brighter, they just do."

Now it seems all that is needed is for the multinationals to buy into the story. If Africa is the last piece in the global jigsaw, then that is only a matter of time.

Pamela Whitby is a freelance journalist and the sub-editor of BBC Focus on Africa magazine

"Africa is becoming one of the world's fastest growing off-shoring destinations"

A call centre worker at the company Ambition 24hours in South Africa

ERIC MILLER/PANOS