

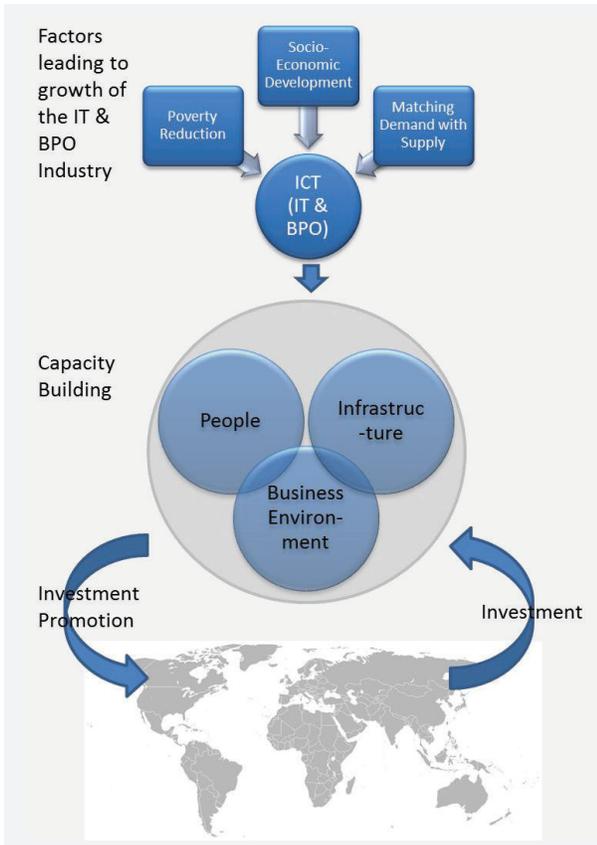


Elements of Capacity Building in the IT/BPO Sector – A Perspective

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In the past two decades, the world has experienced rapid growth in the IT/BPO sector. It touches the lives of millions of people worldwide and is a source of livelihood for many. In recent times, some countries have been able to exploit this sector and transform their economies from a stagnant and depressed state to a vibrant and rapidly growing one. Seizing the opportunities presented by the digital revolution and the rapid growth of the technology services industry is, therefore, one of the most pressing issues facing countries today. Building capacity to harness the benefits from the IT/BPO sector is an essential prerequisite to transform the society and economy of a country. This article focuses on the elements of capacity building in the ITO/BPO sector in order to provide an overview of some of the essential building blocks for economic growth in the 21st century.

What is Capacity Building?



In a broad sense, capacity building encompasses the development of a country’s human, scientific, technological, organizational, institutional and resource capital in order to meet the requirements and skill sets to compete effectively in a modern global economy. So, what do we mean by capacity building for the IT/BPO sector? Essentially, it is the task of developing the country’s potential to take up IT/BPO as a leading industry sector and develop it to the point where it can become a strategic pillar in the country’s economy.

India, for example (which according to NASSCOM, had IT/BPO industry exports valued at US \$49.7 billion with 2.5 million employed professionals in 2010, USD 49.7 billion employing 2.5 Million professionals) was able to build huge capacity in the IT/BPO space from the mid 1990’s through policy reforms in the telecom sector, thereby enabling investment by both public and private sector players. India primarily relied on tax incentives to build the economic foundation that enabled the development of IT and BPO service providers. India had the additional advantage of a very well educated English speaking work force as well as high levels of computer literacy, which were the result of investments made in public education

going back several decades. This provided a large talent pool for both domestic and foreign companies to tap in order to develop economies of scale and establish a global market presence. The Indian success story amply demonstrates that there were three important aspects to the success of the IT/BPO industry – People, Infrastructure and Business environment.

Similarly, the Philippines, a country that had faced huge unemployment challenges over 3 decades, recognized during the 1990s that BPO services (as a subset of ICT) was a potential sector that could lead to sustained growth by the early 2000’s. Government support in the form of developing and marketing the Cybercity Corridor and creating policy directives through a designated body (ITTEC) helped usher in an inflow of investments to build the foundation of the BPO sector. Like India, the Philippines leveraged a large, proficient English speaking population and investments in the telecom sector by both public and private sector players (the latter which led to the reduction in the bandwidth costs by over 70% over a four year period) to make it one of the most attractive global destinations for BPO services. Data from the Business Processing Association of the Philippines (BPAP) predict that the country will earn revenue of \$11.6 billion and employ 708,000 full-time employees by the year 2011. As in the case of India, the Philippines’ experience underscores that the common underlying components for growth include investments in people, infrastructure and the business environment. In short, two of the most visible suc-

Capacity Building initiatives by some countries have enabled them to plan for revenue and employment

Country	Revenue Plans (Million USD)	Employment Plans
Sri Lanka	392	60,000
Jordan	127	14,928
Bangladesh	500	30,000
Uganda	346	20,000
Ghana	750	35,000

cess stories in the IT/BPO sector indicate that a planned approach to building capacity based on a partnership between government and business interests (as opposed to letting the free market determine the approach without public sector participation) will lead to a more rapid and sustainable development of capacity to support the technology services industry.

Why is Capacity Building in IT/BPO a growing phenomenon worldwide?

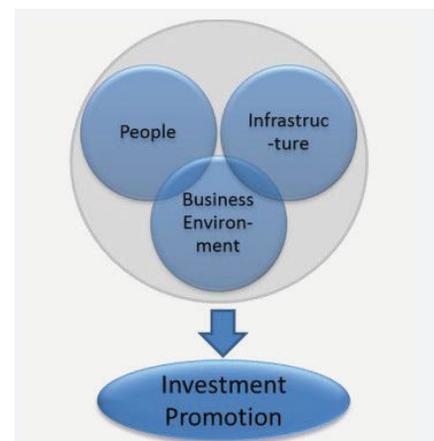
Most countries focus on economic growth and socio-economic development as key objectives. Those who have invested in building capacity to support the IT/BPO sector appear to be well ahead to achieve these goals. There is a strong correlation between investing in the IT/BPO sector and a positive impact on the social and economic sustainability. Past data show that investments in IT/BPO have helped countries increase their GDP by 0.6% to 0.7% on an annual basis for every 10% increase in broadband penetration. Furthermore, the employment generation through the IT/BPO sector in countries like India has transformed the lives of many people. The growth of the industry from simple call centers to BPO and later KPO has enabled people to grow vertically as well as horizontally and has created multiplier effects to lift the overall growth of the entire economy.

Moreover, as recent examples and available data indicate, using a planned, road-map approach to build the infrastructure, the talent pool and the economic environment to promote a sustainable growth is the most effective. A road-map to building capacity in the IT/BPO sector takes a holistic approach to achieving economic objectives and focuses on the following:

1. Efficiency and Effectiveness of socio-economic development
2. Poverty reduction through employment generation
3. Inclusive growth
4. Reducing gap between demand and supply

The key elements of Capacity Building

As discussed above, people, infrastructure and business environment are the three biggest components of capacity building in the IT/BPO sector. Utilizing the built capacity to advance the IT/BPO requires a fourth component of direct investment to stimulate the development of actual IT/BPO service providers who will leverage and transform the components of capacity into a sustainable, profitable global industry. All the four components are highly interrelated and if planned and implemented effectively, lead to a snowball effect in contributing to the growth of the sector. This is evident in the examples of India and Philippines, where the IT/BPO sector has grown at a brisk pace over the last decade. It is imperative that investments in the components of capacity are well-planned and enjoy the support of both public and private sectors in the country. Below is a summary of specific factors to focus on with respect to each of the components outlined above:



People

The lack of trained IT/BPO professionals has been a recurrent theme in recent reports on the state of the development of the IT/BPO sector in most of the developing economies of the world. In the absence of a skilled workforce capable of performing IT services at a global delivery standard, no successful IT/BPO sector can take root. In addition to the availability of skilled service personnel, an equal if not larger concern lies in strengthening the management and professional skills in the human resource pool for the middle and upper management. Countries need to thoroughly examine their educational systems and training institutes to determine the gaps between the industry requirements and the skillsets produced through the existing system, and identify various strategies to develop both short term and long term solutions to improve the secondary and tertiary education systems in the country and make it more industry relevant. Such initiatives need a long gestation period to realize the full benefit and require sustained focus and investments.

Infrastructure

Promoting development of infrastructure in terms of internet connectivity, broadband access, IT parks, electricity and roads is essential to kick-start the IT/BPO sector. Developing infrastructure comprises of two key aspects: the core backbone for IT/BPO which includes internet access through broadband networks, business parks with adequate power supply, mobile and fixed line connectivity & related costs for each of them, and the supporting national infrastructure that is leveraged to support the entire economy, which involves public transportation, and other public utilities such as air connectivity, water supply, and sanitation services.

The most effective approach to building IT/BPO focused infrastructure, based on recent success stories, involves a structured and planned investment program for capacity building that relies on expert advice with respect to technical infrastructure requirements to ensure that new capacity meets global standards and addresses the actual need. As a prerequisite to developing and executing an investment program, governments should undertake a full technical audit of current capacity in order to assess the current scenario and identify gaps. Governments will then need to incorporate the gap analysis into its capacity building plans, which will include additional technology requirements designed to address specific deficiencies as compared to a global baseline standard along with an eye to sustainable development objectives to better ensure a positive return on investment.

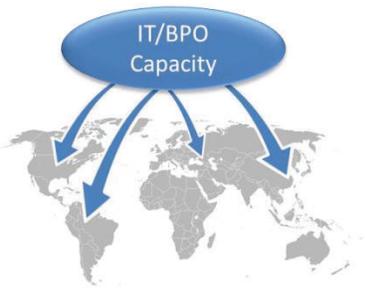
Business Environment

Preparing the business environment to take advantage of the opportunities in the IT/BPO sector requires a strong collaboration between the public and private sectors. This is due primarily to the fact that building the capacity required to support the IT/BPO sector requires changes in several distinct areas (e.g., law, tax, public utilities/services and infrastructure) each of which is regulated, directly or indirectly, by government. Moreover, recent history tells us that successful enterprises in the IT/BPO space are largely privately-run entities, which are organized based on the successful models of other global multinational companies. Collaboration between entrepreneurs, established private companies and government is required to identify the real business roadblocks and a path to remove them in a manner that has public support (or acquiescence) in order to achieve high quality, sustainable economic growth. An example of such an approach which has resulted in the develop-



ment of a robust business environment is that of Romania, where the leading ICT associations entered into a dialogue with the ministry of ICT to bring about reforms like zero salary tax for software developers, amendments to leasing agreements to encourage software acquisitions and establishment of business parks. As a result, these reforms, which were the product of public-private collaboration, resulted in the creation of over 1500 new jobs in 18 months and made the Romanian IT/BPO sector a competitive player in the European market.

The Overarching element: Investment Promotions



Having identified the various elements of building capacity, interested parties must also identify investment resources to implement the various changes and turn plans into reality. Investment promotion, as a general theme, is a key objective in order to achieve the funding and technical assistance objectives required to take raw capacity and turn it into a vibrant, globally competitive IT/BPO sector. Investment promotion requires a well thought out plan along with a go-to-market strategy devised to ensure visibility at the right forums. The strategy should focus on seeking investors that are familiar with the dynamics of the region,

and business partners that can provide access to new markets, mentoring in critical IT/BPO skill sets, and complementary skills in support of market opportunities.

In addition, inbound and outbound trade visits have become a popular means for developing business ties and attracting investment. Attending the right kinds of events worldwide not only aids the IT/BPO sector develop a clientele, but also provides an important learning experience for countries to obtain ideas to address capacity gaps. As a result, one of the necessary components of attracting foreign investment is to identify and invite organizations looking to expand their capabilities and global footprint to attend promotion events held within the country.

"Avasant is a leading Globalization firm and is currently supporting the e-Ghana project. This project, funded by the World Bank, is critical to ensure the growth of the BPO market sector in Ghana. Avasant's support will also be significant to Africa as a continent. This is our single most critical global initiative in this arena. This project will help put Africa on the map for global services."

Pumela Salela
The Word Bank
Washington, D.C.

Conclusion

Capacity building in the IT/BPO industry is the need of the hour and has become too difficult to ignore, given the current size of the IT/BPO industry at US \$475 Billion a year. Based on the success stories of a diverse set of countries such as India, the Philippines and Romania, building a successful, globally competitive IT/BPO sector is a complex endeavor which requires careful planning and extensive collaboration between the private and public sectors. Government must play a coordinating role given its unique connection to all of the distinct components that are required to be developed and integrated to successfully develop an industry. The private sector

"Avasant in the role as Management Consultant and Investment Promotion Advisors have proved beyond our expectation as Mentors and Advisors and reliable providers of Professional Services to the ITES Secretariat for promoting the IT/BPO industry in Ghana. Jointly with our team, they have been able to successfully put Ghana on the Map of emerging destinations to be watched out for. The breadth and depth of the knowledge their team has combined with proven track record, qualifies them as an ideal partners for promoting the IT/BPO Industry. Given our experience with Avasant, we would recommend them as providers of professional service."

Alhassan Umar
Director- IT Enabled Services Secretariat
eGhana Project

needs to capitalize on fast developing capacity ranging from people to a more friendly business environment to infrastructure and implement a growth strategy that can meet global standards and obtain sufficient market share to maintain and sustain the industry's growth, and enable all parties to obtain a return on investment. Developing countries can learn much from the successful models of recent history in order to determine strengths and identify and address gaps in order to more quickly and efficiently develop an IT/BPO sector that can compete in the global marketplace.

Country	Attributes	Focus
Mauritius	<ul style="list-style-type: none"> • Open Economy Environment • State of Art Infrastructure • Convenient Time Zone • Bilingual Workforce 	<ul style="list-style-type: none"> • Shared Services • Data Recovery • Bi-lingual Helpdesk, French & English
Philippines	<ul style="list-style-type: none"> • Concentrated Government push to promote the Industry • Large English speaking population and cultural affinity to United States of America • Emphasis on skill and talent development initiative 	<ul style="list-style-type: none"> • Contact centers • BPO • Animation
Botswana	<ul style="list-style-type: none"> • Botswana Innovation Hub provides high quality infrastructure and business support • Government focus on entrepreneurship 	<ul style="list-style-type: none"> • Technology companies in Mining, energy and biotechnology • Research
Kenya	<ul style="list-style-type: none"> • Plans to launch Kenya Transparency and Communication Infrastructure project (KTICIP) by Kenya ICT Board to promote IT/BPO companies • Financial hub in the East African Community • Focus on Education 	<ul style="list-style-type: none"> • English Language call centers • Data Entry
Egypt	<ul style="list-style-type: none"> • Large Multilingual workforce • Strong Government support • Large domestic market • Proximity to Europe and Middle East 	<ul style="list-style-type: none"> • MNC captive centers • Islamic accounting services
South Africa	<ul style="list-style-type: none"> • Economic powerhouse of Africa • High R&D spend • Large Domestic market • Cultural affinity to UK and English language skills 	<ul style="list-style-type: none"> • MNC captive centers • Transaction BPO

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About Avasant

With its global headquarters in Los Angeles, California, Avasant is a top management consulting, research, and events firm servicing global clients across the public, private, and non-profit sectors. Our talented team of consultants, lawyers and technologists average over 20 years of industry-honed experience and have conducted 1,000+ engagements in over 40 countries worldwide. Avasant drives customer value through the use of our proprietary consulting and advisory methods, which have been refined over decades of 'real-world' transaction and engagement experience. The combination of our world-class resources allows Avasant to yield superior business outcomes in three primary domains: Strategic Sourcing, Technology Optimization and Globalization Consulting.

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