

# **KENYA ICT BOARD**

## **PROGRESS REPORT IMPLEMENTATION OF THE Mckinsey BPO/ITES STUDY RECOMMENDATIONS**

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By: Eunice M. Kariuki

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The Kenya ICT Board is taking a lead role in the implementation of the Mckinsey BPO/ITES Value Proposition. The recommendations called for a collaboration strategy between the board, its Parent Ministry of Information and Communication, government agencies whose mandates include the promotion of Kenya as an investment destination, and industry players and lobby groups. 70% of the recommendations are 50% implemented and more work is underway. The overall outcome of the full implementation will be a positive impact to the development of BPO/ITES industry. The biggest challenge is underfunding and specifically funding to drive the international go to market campaigns.

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## Introduction

The Kenya ICT Board commissioned Mckinsey Consulting between Jan – March 2009 to undertake a study to validate and deepen version 1 of Kenya’s BPO Value Proposition. Version 1 was a high level expression of Kenya’s BPO investment opportunity and was commissioned by the ministry of information and communication as a follow on to the Vision 2030 strategy.

The Mckinsey BPO Value Proposition study was funded by Rockefeller Foundation. The study made 14 recommendations.

The Purpose of this report is to recap the recommendations and to provide an update on progress on the implementation.

## The Study Recommendations

	Recommendation	Responsible body	When
1	Focus efforts on becoming a niche global player in sales and customer service (voice)	KICTB	Immediate
2	Launch an international go-to-market campaign to bring in investors	KICTB Brand Kenya	Immediate
3	Build a track record in BPO&O by targeting Africa-friendly countries before targeting other global companies based in the UK and US	KICTB	Immediate
4	Prioritize large-scale players (>250 seats) and offer contained incentives for first movers	KICTB	Immediate
5	Show government commitment to the industry by offering global incentives in line with other BPO&O countries	MoIC	Immediate
6	Formalize the ‘facilitating role of KenInvest’ in the short term, before moving towards approving a one-stop shop. This will be driven by the ministry of information	MoIC	Immediate
7	The ministry to fast track passing of Freedom of Information Act and begin the process of enacting data privacy and security legislation	MoIC	Immediate
8	Kenya ICT Board to drive the BPO strategy implementation effort until the industry reaches critical mass and a NASSCOM type body emerges to take over	KICTB	Immediate
9	Improve the international perception of Kenya abroad, specifically through the Brand Kenya initiative	Brand Kenya	Immediate
10	Work with the academia to Adjust common curricula across all universities to deliver basic BPO&O skills	KICTB	Immediate
11	Implement short- term specialized and highly practical BPO&O training programmes for operators, managers and IT engineers at selected universities	MoIC, KICTB	Immediate
12	Coordinate university-industry collaboration to develop specialized technical skills for the IT industry	KICTB, MoIC	Immediate
13	Ring fence funds to develop the BPO industry	MoIC	Immediate

## Implementation Progress

Recommendation	Rationale	Status
<p><b>Focus efforts on becoming a niche global player in sales and customer service (voice)</b></p>	<p>BPO/ITES was identified as having growth opportunity with potential for higher income returns. Services that can be offered include:-</p> <ol style="list-style-type: none"> <li>1) Software development</li> <li>2) Animation</li> <li>3) Consulting</li> <li>4) Research</li> <li>5) Back office operations including accounting, voucher processing</li> <li>6) IT support services</li> </ol>	<p>Implementation of this recommendation is factored into the various projects currently being implemented by the board. These include</p> <ol style="list-style-type: none"> <li>1) Government Shared Services which will increase efficiency but also transfer skills</li> <li>2) Government Digitization Project to increase information access as well generate local outsourcing work to create references and skills</li> <li>3) Center of Excellence to create skills</li> <li>4) Software Certification Initiative to develop best practice and standards</li> <li>5) The incubation Initiative</li> <li>6) Tandaa/local content Grants support local software and film industry</li> <li>7) One Million Laptop to increase access and opportunity</li> <li>8) Pasha to increase access for those in rural settings</li> </ol>
<p><b>Launch an international go-to-market campaign to bring in investors</b></p>	<p>Prior to the study Kenya had not launched BPO value proposition to target key foreign markets. The validated version should motivate an fresh international positioning campaign</p> <p>International launches were considered very strategic as Kenya has 3 fibre cables which had been underscored as a major deterrent to investors</p> <p>These Launches should also be used to mend the country's image of insecurity following the 2007 post elections violence</p>	<p>Due to financial constraints the board has not launched the Value Proposition in any of the identified key primary international markets yet.</p> <p>In 2010, the board successfully applied for a grant from Rockefeller foundation to launch the study findings in March 2011 to Launch at Bellagio center in Italy</p> <p>For now the board has adopted a direct marketing strategy in which representatives of both the board and the ministry pitch directly to select clients abroad. Key presentations have been made to:-</p> <ol style="list-style-type: none"> <li>1) Mckinsy's outsourcing customers conference in Prague in 2009</li> <li>2) The NGO community at their annual conference and hosted by ICT Board in Nairobi, part sponsored by Rockefeller</li> <li>3) European Firms in Turkey in Feb 2010,</li> <li>4) UNDP International Interoperability Conference in Rio De Janeiro Brazil, in May 2010,</li> <li>5) HP Technology Conference in Frankfurt in April 2010.</li> <li>6) Commonwealth South BPO Summit Mauritius 2010</li> <li>7) Accenture Annual Outsourcing conference in Prague in June 2010</li> </ol> <p>Other Positioning forums targeted in 2010</p> <ul style="list-style-type: none"> <li>• Call Centre expo Birmingham Sep 2010</li> <li>• CISCO CIO Global Summit October 2010</li> <li>• Shanghai Expo participation August</li> </ul>

		<ul style="list-style-type: none"> <li>• Harvard Business School</li> <li>• Shared Services and Outsourcing Summit July 2010</li> </ul>
<p><b>Build a track record in BPO&amp;O by targeting Africa-friendly countries before targeting other global companies based in the UK and US</b></p>	<p>Local and Regional references are a major selling point for any new outsourcing destination.</p>	<p>The Key focus is to reach out to companies with large operations in Africa such as MTN, Zain, Oil companies, insurance and banking sectors</p> <p>The board has established a working relationship with South Africa's Department of Trade and Industry to build partnerships that support B2B matchmaking. Trade missions from African</p> <p>Past initiatives include participation in Bridges Across Africa in Nigeria and Ghana in Nigeria</p>
<p><b>Prioritize large-scale players (&gt;250 seats) and offer contained incentives for first movers</b></p>	<p>Kenya lacked large players apart from Kencal which had over 250 seats.</p> <p>Local players operate a 5-50 seats. This is a sign of underdeveloped outsourcing industry and sends negative signals to would be investors.</p>	<p>ADP Accenture has already developed pilot IT and Procurement shared services project for Net Hope. Net Hope is a membership body of over 29 NGO's purposed for optimization of resource utilization through the shared services concept. A full uptake by all 29 Net Hope members will scale this project capacity to over 250 seats.</p> <p>Accenture is also developing a strategy for government shared services. When completed, the government shared services is likely to exceed 250 seats</p> <p>General electric, an offshore captive is already operating in Kenya servicing its internal clients and the entire Central and East African region. GE's centralized back office function selected Kenya over South Africa and other African BPO centers due to her strategic value propositions including cost, location and fibre cables. It is expected to scale to 250 plus seats gradually</p> <p>Jointly with MoIC, ICT Board has hosted WIPRO, Tata, Unisys and IBM Corporation executives to discuss a possible set up in Kenya, all of whom have intimated intentions to setup 250 seats in Kenya</p> <p>Deloitte consulting is also in the process of breaking ground for a 250 seat Accounts &amp; Finance BPO.</p> <p>Between 21<sup>st</sup> -27<sup>th</sup> May 2009; The Commonwealth business council and a group of UK investors made a trade visit to explore investment opportunities and specifically BPO/ICT technology part and ecommerce</p>
<p><b>Show government commitment to the industry by offering global incentives in</b></p>	<p>This is the strategy adopted by new destinations everywhere in the world and it works.</p> <p>The government would need to develop</p>	<p>Special Economic Zones and the Export Processing Zones framework have been harmonized with export of services now eligible for EPZ incentives. This is still ongoing led by the Ministry of Information and Communication plus other relevant ministries.</p>

<b>line with other BPO&amp;O countries</b>	custom incentives for key investors and show commitment in developing the market as a whole.	The government has invested in land for the construction of an ICT Park in Malili which will accrue many incentives inform of access to tailored infrastructure and EPZ status
<b>Formalize the 'facilitating role of KenInvest' in the short term, before moving towards approving a one-stop shop. This will be driven by the ministry of information.</b>	<p>According to the latest World Bank ease of doing business report, Kenya ranked no 95 compared to Uganda and Rwanda which ranked under 50.</p> <p>The Licenses and steps required to register and operate a business in Kenya are very many and the process too complicated, often a source of bad experience for investors.</p> <p>Kenya needs a 'one stop shop'</p>	<p>Keninvest, is the agency mandated to host and facilitate investors. Currently Keninvest</p> <ul style="list-style-type: none"> <li>• Is driving development up of a 'one stop shop' but there is very little traction</li> <li>• A dedicated officer posted at the airport to receive and host investors.</li> </ul>
<b>MoiC to fast track passing of Freedom of Information Act and begin the process of enacting data privacy and security legislation</b>	<p>The fear of cyber crime is real in Kenya. The need to enact relevant laws including data protection was identified.</p> <p>Some countries have dedicated courts to try cyber and data criminals</p>	The Freedom for information Act Bill has been debated extensively in the public domain under leadership of the Ministry of Information and Communication. It was passed by cabinet and is currently waiting to be passed by parliament.
<b>Kenya ICT Board to drive the BPO strategy implementation effort until the industry reaches critical mass and a NASSCOM type body emerges to take over</b>	KBPOCC needs institutional capacity strengthening before it can drive the BPO industry growth on the same rate card as NASSCOM	<p>A National BPO/ITES Working group was formed to oversee the industry business growth and is under the Prime ministers offices as recommended by the report. The committee is operational. It is envisaged that the work of this working group will lay the foundation for stronger KBPOCC</p> <p>In the interim KICTB continues to drive the implementation of the BPO strategy</p>

<p><b>Improve the international perception of Kenya abroad, specifically through the Brand Kenya initiative</b></p>	<p>While Kenya has a compelling value proposition for BPO/ITES investment, it had not embarked on an international positioning campaign Kenya is known only for tourism, agriculture and athletics country.</p> <p>This perception is major reason why investors do not consider Kenya when shopping for investment destinations</p>	<p>The Kenya ICT Board will form an Inter-government Agency Committee to coordinate spearhead the development of joint international position strategy through which all agencies will leverage each other's campaigns, activities, and resources to more with less. These include</p> <ul style="list-style-type: none"> <li>• Brand Kenya Board,</li> <li>• KenInvest,</li> <li>• EPC</li> <li>• EPZA</li> <li>• Ministry of Trade</li> </ul> <p>This partnership will also be used to drive a consistent message about Kenya's BPO/ITES Value proposition.</p> <p>The ICT Board also collaborates with the BPO society</p>
<p><b>Work with the academia to Adjust common curricula across all universities to deliver basic BPO&amp;O skills</b></p>	<p>Kenya has a large 'potential' talent with the bulk of the skills for call center work and not the broad BPO/ITES service.</p> <p>For this talent to work in the BPO ITS industry they would need 'bridge training' to equip them with industry specific skills that are currently missing in our universities curriculums</p>	<p>A skills Taskforces was set up by the PS MoIC and has since submitted a report detailing the countries BPO/ITES skills gaps.</p> <p>The Board through support of the World Bank has engaged the services of one local and one international consultant to develop a framework and business plan for a Centre of Excellence (COE) for BPO/ITES skills. The COE will be in place by the end of 2010</p> <p>The Skills Task Force has worked very closely with the COE consultants and their findings were considered in the COE Business Plan.</p> <p>Concurrently, and following the completion of the study, and communication of the opportunity in training, many training centers now offer BPO skills training including:-</p> <ol style="list-style-type: none"> <li>1) The Multimedia University college of Kenya(Former KCCT) <a href="http://www.mmu.ac.ke">www.mmu.ac.ke</a></li> <li>2) JKUAT (Jomo Kenyatta University of Agriculture and Technology) <a href="http://www.jkuat.ac.ke">www.jkuat.ac.ke</a></li> <li>3) Augustana College <a href="http://www.augustanacollege.co.ke">www.augustanacollege.co.ke</a></li> <li>4) KSPS <a href="http://www.ksp.ac.ke">www.ksp.ac.ke</a></li> <li>5) Cambridge BPO training center</li> <li>6) Horizon call Centers</li> <li>7) Direct Channel call Centers</li> <li>8) Wisemen Trainers and Consultants <a href="http://www.wisementrainers.co.ke">www.wisementrainers.co.ke</a></li> </ol>

<p><b>Implement short-term specialized and highly practical BPO&amp;O training programmes for operators, managers and IT engineers at selected universities</b></p>	<p>This is a short term measure to address the skills gap and support existing and new BPO players</p>	<p>This recommendation has not had traction yet due to financial limitations.</p>
<p><b>Coordinate university-industry collaboration to develop specialized technical skills for the IT industry</b></p>	<p>Anywhere in the world Universities are recognized institutes of educating and training while the industry is the main beneficiary. A collaborative effort would produce best curriculum and hence skills</p>	<p>A national BPO skills Task force has already completed a study and presented a report on skills gaps in the BPO &amp; O industry.</p> <p>A center of Excellence for development of BPO/ITES skills is currently being implemented and has taken in the input of the taskforce of skills.</p> <p>Kenya ICT Board is collaborating with ministry of Higher education on initiatives to embed BPO skills in higher education</p>
<p><b>Ring fence funds to develop the BPO industry</b></p>	<p>Kenya still suffers from post elections violence memories. It is also stack with the perception that it is a tourism and agriculture economy only.</p>	<p>The Board has applied to donors and is lobbying the government for funding to go into the implementation of the strategy.-This is ongoing</p>



## The Study Approach

The 8 week study followed a 2 phased structured methodology themed diagnosis and Strategy formulation with the objective of systematically bringing out Key insights about the status of the BPO industry first before progressing to make strategy recommendations. The study team comprised 6 Mckinsey & Company consultants led by Gachao Kiuna and Erika Honnay, Eunice M. Kariuki who was also the Kenya ICT Board project leader, Cynthia Kahumbura and Sheila Kandie who provided Study assistance.

To achieve the objective of the study with highest level of ownership by both the government and the industry, the team formed 2 steering committees whose composition and Terms of Reference were as follows:-

**Steering Committee** – membership of this committee comprised Dr. Bitange Ndemo, PS Ministry of Information and communication, Mr. Paul Kukubo CEO Kenya ICT Board, Catherine Ngahu – Chair of the Kenya ICT board of directors and Eunice M. Kariuki, Deputy CEO – Marketing for Kenya ICT Board. This team provided vision and leadership, ensured total alignment with government goals and steered the study to address Key industry issues on behalf of the government. As a member of this committee Dr. Ndemo assisted with scheduling interviews with PS's of key ministries whose mandates include the promotion of investment and creation of employment for Kenyans. These high profile interviews included meetings with Vision 2030 CEO, PS Prime Minister's office, Trade, Treasury, Youth, Higher Education, Ministry education and indeed the head of Civil Service Amb. Muthaura

**BPO Syndicate Committee** – Membership of the syndicate committee comprised representatives from BPO industry players as well as relevant government parastantals whose mandates include the promotion of BPO or investments. BPO organizations represented included Kencall, Preciss International, Direct channel simbatech and the BPO Society. While membership for industry players was rotational-is this committee still in place?

## Conclusion

The Kenya ICT Board is taking a leading role in implementing the BPO strategy. Plans are in top gear with initial efforts to kick-start the BPO industry while acting as guardian of the BPO&O go-to-market strategy.