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Africa: The Next Frontier of Outsourcing

Richard Mills

November 06, 2007 (Computerworld) **Vidia Moonegan**, *managing director of Ceridian Mauritius*, discusses the emerging growth opportunities in Africa for business process outsourcing (BPO) with Richard Mills.

Why is Africa becoming of interest to offshore outsourcing decision-makers? Asian countries have

been very successful over the past few years at growing their outsourcing industries. However, India, for example, is now experiencing a labor shortage, which is leading to high attrition, high cost and lower-quality service as Indian companies move to rural areas to find resources. Naturally, this is starting to slow down their growth. People are now considering other locations. The only untapped region left with a large supply of underemployed labor is Africa.

The AT Kearney Global Services Location Index 2007 showed a steady rise of African countries in the ranking, pushing out countries from Eastern Europe and Latin America as labor costs increase in those regions. Seven African countries are among the world's top locations for outsourcing. Datamonitor predicts Egypt will experience most aggressive growth in next decade.



What are some of the benefits of Africa as an outsourcing destination? Africa has a population of 933 million (2007 estimate), and 50% are under 20 years. It has a large pool of underemployed at highly competitive rates. With Asia rapidly increasing in costs, Africa will be a strong alternative over the next few years, and work may be cascaded to Africa.

Another significant advantage is language capabilities. Due to its strong history of European colonial rule, many European languages are spoken on the continent, including English, French, German, Portuguese, Dutch (Afrikaans), Spanish and Italian. As other non-English-speaking countries start to take outsourcing seriously, Africa seems to be a good choice.

It also has a favorable time zone, almost the same as Europe. For U.S. companies, working hours are usually in the evening, so Africans avoid the night shifts that Asians have to work.

Its geographical location may be an advantage. North Africa is a few hours away from Europe compared to India and China.

What are some of the problems about sending outsourcing work to African countries? They are the same concerns that people talked about in Asia a few years ago, things like infrastructure, political stability, training and so on.

Africa needs to address the following issues if it wants to be a serious player: 1) [It needs] a redundant and

reliable Internet broadband infrastructure; 2) more IT education; 3) government needs to invest in IT or business parks for outsourcing businesses; 4) the regulatory environment needs improving; 5) a change in mind-set, e.g., [companies] cannot depend on government handouts; and 6) more entrepreneurs to build markets, probably having the diaspora to come back and start building the Infosyses and Wipros of Africa.

Some African countries such as South Africa, which already has a strong brand, and Mauritius, which is well known to Europeans but not as well known to Americans yet, are quite advanced and already have fast-growing BPO sectors. From Mauritius, I host officials visiting from many of these countries to learn about how we have done it in Mauritius. Given their enthusiasm, I expect improvements to continue steadily.

Countries like Kenya, Botswana, Ghana and others are already organized and quite stable. They seem poised to be strong outsourcing destinations over the next few years.

You mentioned that Mauritius is a fast-growing outsourcing destination. What more can you say about it?

Mauritius is a small island nation off the coast of Africa with a strong democratic tradition and one of the most advanced economies in the region. It has a long history of colonization by the British and French. Not surprisingly, almost everyone speaks both English and French fluently.

Mauritius has been doing outsourcing since the early 1990s. Accenture, Infosys, Ceridian, AXA, TNT and Orange are examples of companies with a strong presence here. We have been growing by about 35% to 40% over the past few years. The majority of the companies serve the European countries, mainly the U.K. and France. Currently, the largest BPO provider is Accenture.

What role do you think Mauritius and South Africa can play for the lower-cost countries of Africa? It is very difficult to deploy directly into Africa, as most people can understand. Mauritius and South Africa can act as hubs much like Taiwan and Hong Kong did for China until just a few years ago.

This is also what happened in the textile industry in Mauritius as it migrated to lower-cost African countries over the past few years. Mauritius retained all the higher-value functions like customer interactivity, design, management and marketing. All production work went to lower-cost African countries.

We see the same progression happening over the next few years in services outsourcing. This is why Indian companies are quite interested in Mauritius. Infosys, Hinduja Group and others are already here partly for this reason. Indians do not enjoy the same favorable reputation in Africa as Mauritius does because of past history. Mauritius can be a channel between India and Africa. Furthermore, there is very strong historical and cultural ties between Mauritius and India.

Mills

is chairman of Chalré Associates, an executive search and management consulting firm working in the emerging economies of Asia.