



# The BPO Landscape 2013: Destination South Africa

June 13<sup>th</sup> 2013 South Africa House



**Andrew Craig**



**Leslie Willcocks**



**Mary Lacity**



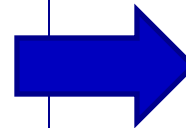
***The Outsourcing Unit,  
London School of Economics and Political Science***



## Study Inputs:

- 30 expert assessments of provider capabilities & SA competitiveness
- 21 interviews with :
  - SA clients
  - SA providers
  - Market analysts
- 4 in-depth case studies
- Client Service Quality Assessment
- LSE Outsourcing Unit 2100 plus global sourcing case data

Plus: review of secondary sources



## Study Outputs:

- 1. Country Competitiveness Assessment
- 2. SA: Performance and Prospect
- 3. Lessons Learned from 4 case studies of successful SA-based BPO relationships



# Agenda Today



- 1. Study 1 - Location Attractiveness:  
Competitor Comparison**
2. Study 2 - South Africa Performance and Prospect
3. Study 3 – Case Studies of Success
4. Destination South Africa - Ten Lessons



# Country Competitiveness



- Nine countries emerged as major competitors to South Africa's specific markets:

**Egypt**

**India**

**Kenya**

**Malaysia**

**Morocco**

**Northern Ireland**

**Philippines**

**Poland**

**Sri Lanka**

- Our respondents discounted Central and Latin American locations as having a different market focus and skills bases.
- Likewise they discounted most South East Asian locations except for India, the Philippines, Malaysia and Sri Lanka.



# LSE Analysis: Country Competitiveness



- Analysts assessed 20 factors organized into six categories

- Framework used in other LSE Outsourcing Unit Research

- Each Factor rated on scale from 1-10:

1-4 = inferior

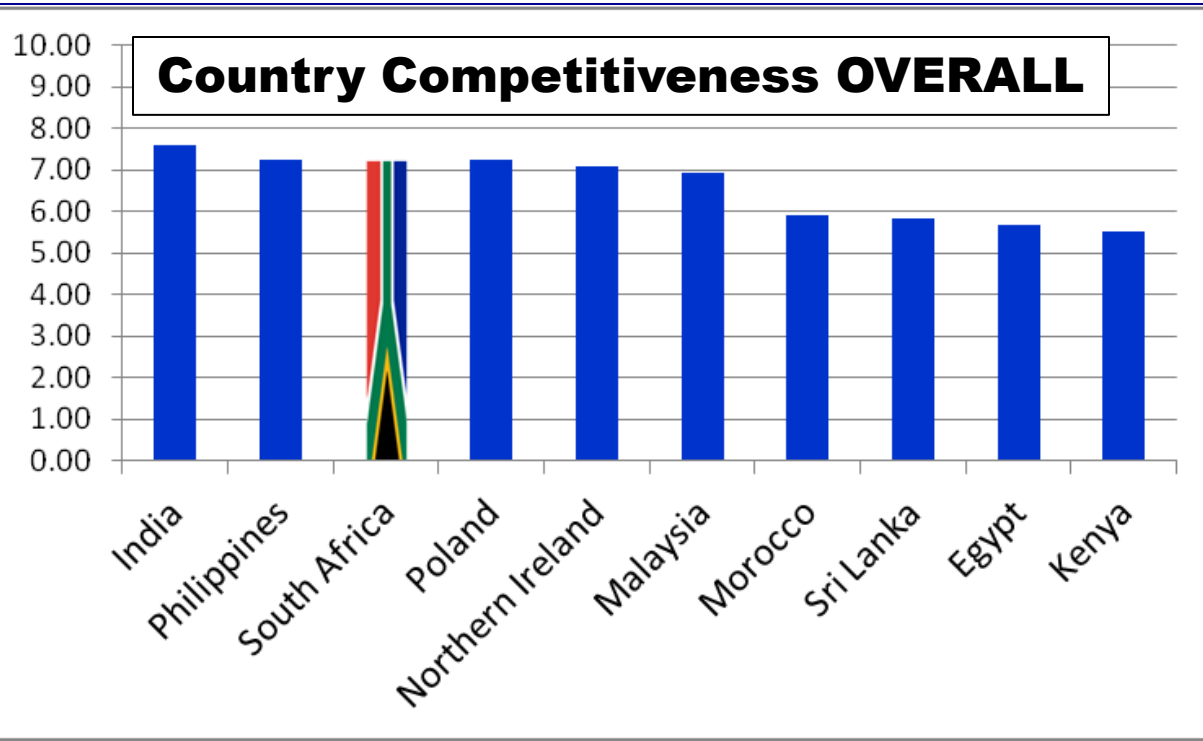
5-6 = meets minimum requirements

7-8 = good

9-10 = high performance



# Country Competitiveness



**Considering the average country competitiveness scores for all six factors, India is ranked first and *the Philippines, South Africa and Poland are tied for second***



# Findings On Client Strategy



- Clients understand that cost drivers, environmental factors, and risk profiles can rapidly shift.
- In their analyses mature client organizations focus at country but also regional and city levels.
- Mature clients tend to select destinations using the 20 factor analysis in conjunction with a focused set of business criteria including company's strategic business and sourcing objectives, and its broader commitment to specific destinations.



# Agenda Today



1. Study 1 - Location Attractiveness: Competitor Comparison
2. Study 2 - South Africa Performance and Prospect
3. Study 3 – Case Studies of Success
4. Destination South Africa - Ten Lessons



# LSE Outsourcing Unit Insight: Performance and Prospect



## ● The Service Advantage

*'The South African geography allows us to get a higher quality of agent that can deliver a better service than we're getting in, for example, the Philippines and India. The South African accent lends itself well to telephone services, and the culture of South Africa lends itself well to a British customer'. - Stuart Gunnarsson, country manager South Africa, EE.*

### **Research insight:**

All our respondents, without fail, made the point that service was (to them at least) the not so 'secret sauce' of South Africa's performance successes so far.



# LSE Outsourcing Unit Insight: Performance and Prospect



## ● The Performance Record

*‘The ability to perform higher standard service was critical to our decision.... On customer satisfaction these guys are scoring equal to our UK call centres’. - Senior executive UK utility.*

*‘What the South Africa geography does for us is it allows us to get a better quality of agent and deliver a better quality service than we are getting, for example, in the Philippines and India’ - Senior executive, telecommunications company.*

### **Research insight:**

Performance, Business Value, and Service Quality. On a scale of 1-10 all ten arrangements studied came out between good and very good (average 8.2) with service quality scoring an average of 9.1. Service quality covers tangible physical evidence of delivery, reliability – accuracy and dependability, responsiveness – right timing and speed, assurance – giving confidence and trust, and empathy - attention to users.



# LSE Outsourcing Unit Insight: Performance and Prospect



## 🌱 BPO Potential: General, Financial Services, LPO

‘Expansion in South Africa has seen a sea change... and ...it’s cheaper and easier – for clients and providers - to move to a place that’s already in place’. – senior exec financial services

‘South Africa could do administration in and around financial products very well because it has a mature financial services sector and so a talent pool – you can hire people with experience’.

‘There is no reason why any of the large banking and financial service organizations in London should not be looking at South Africa for the less client-facing roles – I just don’t think we’ve sold it.’

### **Research insight:**

Considerable potential in higher valued, higher margin BPO areas. However, not India scale and require a transfer of the service ethos and rapport from current areas.



# LSE Outsourcing Unit Insight: Performance and Prospect



## ● Rising Demand: The Skills Supply Challenge

*'It's been the people element that's been the really attractive thing. ...so we need to invest heavily in skills, and higher education need to be developing the curriculum further in terms of sector-specific and leadership capabilities. We also need a multiple location strategy across cities in South Africa.... However, the more we see large experienced providers like Serco, Capita and WNS coming to South Africa driving best practice and skills, the more we will see local talent developing, including in leadership and middle management.'* - Fagri Semaar, CEO, Teleperformance.

### **Research insight:**

SA is taking action to address middle management, team leadership and specialist skills in anticipation of even faster market growth.



# LSE Outsourcing Unit Insight: Performance and Prospect



## ● Providers 'Upping' Their Game

*'Providers in South Africa need to grow in scale. They need to be out there in their target markets effectively communicating the South African value proposition. While marketing should be the focus, they need to fix the talent side, demonstrate the breadth and depth in skills and also provide services that credibly demonstrate "high-performance" and "high-value" work delivered from South Africa'. Shyan Mukerjee, Everest Group*

### **Research insight:**

To collaborate and compete with large providers arriving, local service providers need to up-shift their investments in capabilities, marketing and leadership.



# LSE Outsourcing Unit Insight: Performance and Prospect



## Marketing, Alignment and Support

*'The actual BPO experience has been very good and South Africa is an undersold offering. Other countries are better at co-ordinating industry, government, and NGOs to consistently market the benefits of offshoring to that country.'* - financial services company senior executive

### Research insight:

Compare to India, Philippines and China. The creation of one single body for South Africa, funded by the public and private sectors, is now bringing all the stakeholders together to work in the same direction. This offers a single, higher profile for the country's BPO sector and establishes alignment amongst the overseeing bodies in South Africa.



# LSE Outsourcing Unit Insight: Performance and Prospect



## ● South Africa Is Similar But Also Different.

*‘All the successful clients I’ve worked with ...concentrate on building solid platforms to grow from as opposed to replicating exactly what exists onshore and assuming it just works.’ - CEO of Capita South Africa/Full Circle*

*‘There is much more to South Africa than meets the eye. There is a straightforward culture, work ethic and a rapport you do not discover on a short visit’. - Senior executive, provider.*

*‘Investors have to come to South Africa knowing that they cannot treat it simply as a low cost destination. They have to treat it as a quality offshore destination otherwise they will never get the best out of it.’ - Lisa Roos, Merchants.*

### **Research insight:**

**Invest properly from the outset. Concentrate on building solid platforms to grow from as opposed to replicating exactly what exists onshore and assuming it just works.**



# Agenda Today











1. Study 1 - Location Attractiveness: Competitor Comparison
2. Study 2 - South Africa Performance and Prospect
3. Study 3 – Case Studies of Success
4. Destination South Africa - Ten Lessons



# Case Studies



Case	Client	Provider	Year	Model
1			2011	Outsourcing
2			2008	Outsourcing
3			2010	Outsourcing to Captive
4			2012	Acquisition



# Case Studies



Case	Client	Provider	Year	Model
1			2011	Outsourcing

*“WNS South Africa’s customer satisfaction measures are hitting scores equal to our UK call centres.”* – General Manager, British Gas Residential





# British Gas Business Case



*“For many years we’ve said that we would not put our voice activity offshore; we would put back office and process activity offshore, but not voice. We’ve been forced into the debate predominantly because of cost, but have been very selective to ensure the customer service offering will not be any different to what we offer onshore.”*

*“The grants were a key consideration for us along with the high standards of customer service and that is why we chose South Africa” - General Manager  
BG Residential*

## **Research insight:**

1. The service imperative was challenging - British Gas’s call centers have prestigious awards. E.g 'European Call Centre of the Year' and 'Best Centre to Work for in Europe' 'Large Contact Centre of the Year (over 100 seats)' in 2010.
2. British Gas also considered South Africa because, in addition to cost savings, the accent is neutral, the business culture is similar to the UK, and the time zone is favourable.



# Why WNS?



*“They appeared to be a business that we could work with... as a partner, not just as a supplier. When we walked into their office, we could see that they positioned their values quite nicely. They wanted to share what they stood for.... But likewise, they made sure that the client also got their own space. They had to make sure that they could enable their agents to get very close to our brand and understand what we’re all about.” - GM, BG Residential*

*“WNS South Africa won the bid in part because the company had absolute understanding of the local South African market. We’ve been here since 2003 and have gotten to know the local market extremely well. I think British Gas had the confidence that they would be dealing with an established partner.” – MD WNS South Africa*



# BG Perspective: Transition and Running



*“We used one governance model for the pre go-live phase .... The governance board and the entire project team had weekly review meetings, service review meetings, and steering committee meetings. Risk and risk mitigation and go-don’t-go gateways were all in place and followed rigorously on a week-by-week basis. A team on each side jointly managed this process until go-live. ...it was well managed. There was a real structured approach.”*

*“The (BG)manager is not there to run the show; instead he’s our eyes and ears. He’s there for WNS South Africa to be able to use as need be, and to ensure that they are up to speed on any business changes that we’re implementing.”*

*“We visit Cape Town each quarter, and carry out a full review of performances in every area, listen in to make sure that what they tell us is what we’re seeing. As a client... we do tend to inspect what we expect. We don’t take what they tell us for granted. We get into the detail to make sure that the offering is absolutely where it needs to be.”*



# BG-WNS SA: Performance



*“I think the relationship is excellent. We’re really happy with our experience of how this venture has gone. I think the team have been first class. We’re delighted we chose them. They’ve been a real strong partner and a strong integral part of our business strategy moving forward.” - GM BG Residential.*

## **Research Insight:**

Performance overall superior. In particular, the client rates ‘very good’ for the provider’s performance against targets and business value gained. The client also rated service quality and the service experience as ‘very good’. This was rated on tangible physical evidence of delivery, reliability (accuracy and dependability), assurance (giving confidence and trust), and empathy (attention to user).



# Agenda Today



1. Study 1 - Location Attractiveness: Competitor Comparison
2. Study 2 - South Africa Performance and Prospect
3. Study 3 – Case Studies of Success
4. **Destination South Africa - Ten Lessons**



# Case Lessons



## 1. South Africa complements the global delivery portfolio for many international companies.

*Capita selected South Africa as its next destination beyond the UK, Channel Islands, Northern Ireland, Poland, and India because it complemented its global delivery platform.*





# Case Lessons



2. South Africa's value proposition cannot only be about costs because other locations are cheaper; South Africa's value proposition is about overall economic value, high quality staff, high cultural compatibility, and favorable time zone.

*“We start the day in **Auckland**, New Zealand, and then **Sydney**, followed by **Melbourne** at the same time and then **Perth** later and then obviously **Cape Town** really close the day... So the decision was made that we needed 24-hour coverage, however, we did not want to lose that people focus of giving our staff a high quality way of life.”*





# Case Lessons



3. The notion of a “Model Office” allows international clients to experiment in new locations before making long-term commitments.



Full Circle serves as a “**landing strip**” for international businesses through its “Model Office”. The Model Office is a facility that allows clients to experience customer service delivery from South Africa for a trial period prior to making any long-term investment or commitment with regard to location or specific operating model.

For those clients wanting to move beyond the Model Office, Full Circle serves as a “**launch pad**” by helping clients transition work to a client’s own captive centre or even to other service providers.



Launchpad



# Case Lessons



## 4. For best results, clients should find a strategic partner not a vendor;



**What clients, like British Gas, Amazon, and iiNet, mean by “partnership” is that the partners are flexible, open, honest, and transparent with each other.**

*“I really think it’s a true partnership. It’s not a question of you’re the supplier, you sort it out, we’re dumping everything on you, make it happen. It’s a shared approach and it’s sharing knowledge both ways, but also making available additional resources. I think sometimes it’s important to bend, exceed or to step over the scope a little bit to make sure the partnership functions very well.” –  
Managing Director*



# Case Lessons



## 5. Invest in enough resources, particularly leadership, during transition.

**Investing in resources like onsite managers and investments in knowledge transfer (e.g., shadowing, mentoring, and training).**



Amazon's Senior Site Leader advised:

*"I'd say not to under-invest in your leadership and in your support groups at the beginning which is what people will tend to do to cut cost and think, 'Oh we're just a few employees. We don't need that many people in HR from start up. We can add those later on.' When you're in a new country and need to adapt company policies to a new country's labour laws, you must understand the new environment and how it will function in your new operations."*



# Case Lessons



## 6. Partners resolve issues—they don't assign blame

In good outsourcing relationships, partners are transparent about service issues and seek to resolve them together.

Sample service issues included problematic IS infrastructure set up, higher than expected attrition rate, and middle managers who were too “hands off”.





# Case Lessons



## 7. Protect the provider's commercial interests.

**In high-performing relationships, each partner cares about the other party's commercial interests.**

**This is not altruism; it is actually in the client's best interest to care about and protect the provider's commercial interests and vice versa because service performance is directly tied to financial performance.**

*"There's some interesting ways that you can cut your contracts and your commercials but I do think you have to do it with partnership in mind. If you're just doing it to save money, then the reality is it's a short-term solution, not a long term investment."* General Manager





# Case Lessons



## 8. Governance: when to lead, when to follow.

Should the home office impose all, some, or none of its own rules, processes, and values on the local service centre?

### Decentralized:

*“I can’t pontificate about what to do in South Africa. It’s not my role; We’ve got the humility to recognize that it’s different in South Africa than in the UK.”* -- Director,

**CAPITA**



### Centralized:

*“If you walked into this centre and then walk into our centre in Sydney, Melbourne, Auckland, or Perth, it would look and feel exactly the same.”* -- General Manager,

**iinet**  
connect better



# Case Lessons



**9. BPO relationships in South Africa demonstrate strong Corporate Social Responsibility (CSR) by transforming the lives of employees and the broader communities.**



**Helping Hands is one of Fusion's preferred charities, based in the Carterville township of Wellington. It supports children that have been affected by HIV/AIDS or fetal alcohol syndrome.**



*"For us in Cape Town, you know, we do a number of things like supporting local charities, local initiatives, and things like that. That also highlights how much we care." -- General Manager for Customer Service*

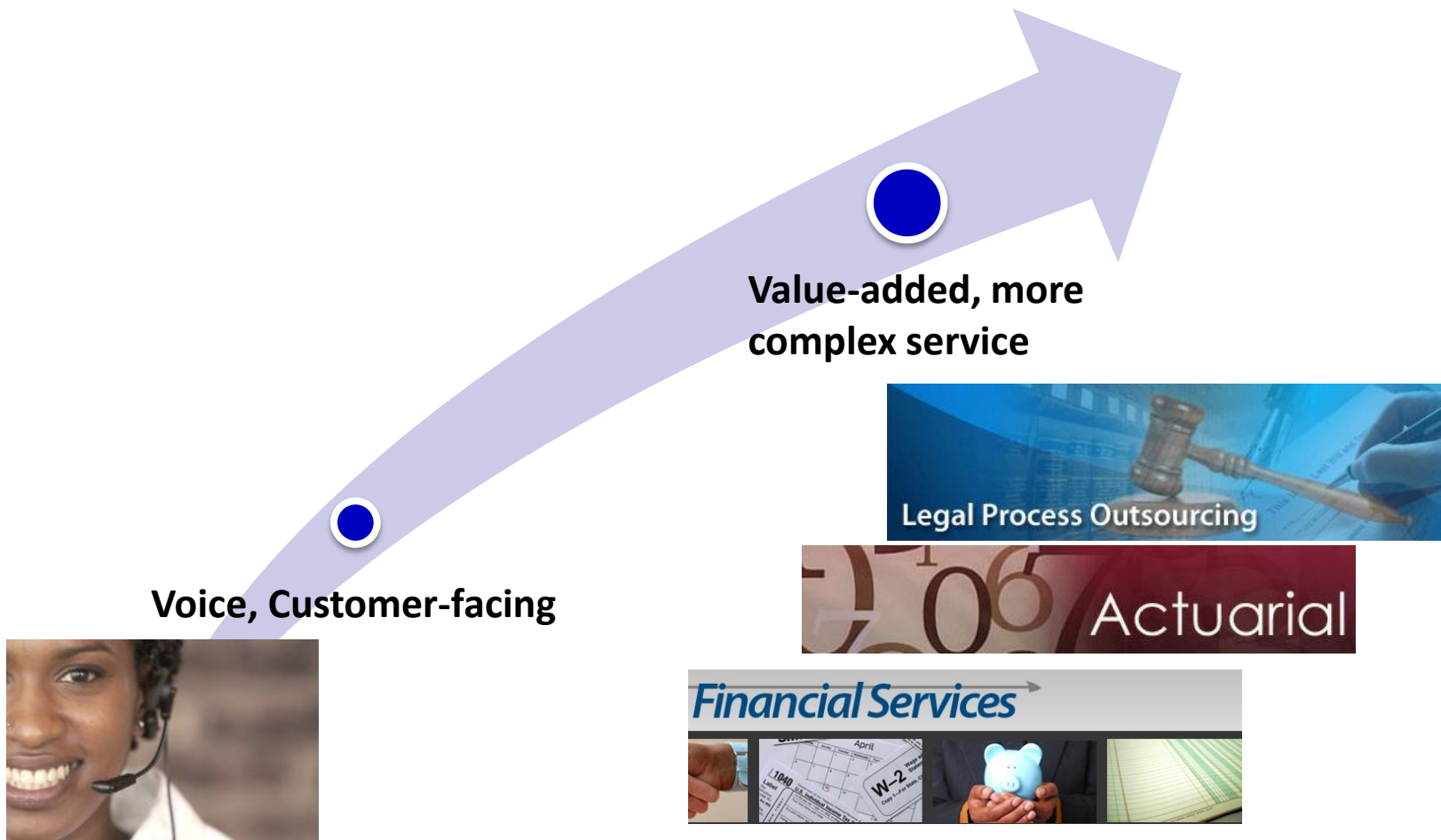




# Case Lessons



**10. South Africa's long-term sustainable advantage will not be based solely on labour arbitrage and call centres, but on more value-added services.**





# Access To Research



<http://www.outsourcingunit.org/>  
[l.p.willcocks@lse.ac.uk](mailto:l.p.willcocks@lse.ac.uk)

