South Africa's BPO Service Advantage

Leslie P. Willcocks
Mary C. Lacity
and
Andrew Craig

Becoming Strategic in the Global Marketplace

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The *Technology, Work and Globalization* series was developed to provide policy makers, workers, managers, academics and students with a deeper understanding of the complex interlinks and influences between technological developments, including information and communication technologies, work organizations and patterns of globalization. The mission of the series is to disseminate rich knowledge based on deep research about relevant issues surrounding the globalization of work that is spawned by technology.

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Foreword

In recent years, South Africa has made a name for itself as a global Business Process Outsourcing (BPO) destination. This process has been driven by continued investment and expansion by a number of the world's largest service providers, including Accenture, Aegis, Capita, IBM, Infosys, Serco, Teleperformance, Webhelp, Wipro, and WNS. Significant contributions have also been made by other major operators such as CCI, Coracall, EOH, Merchants and Mindpearl. Moreover, during this time, leading international brands such as Amazon, American Airlines, Asda, British Gas, Bloomberg, EE, iiNet, Lufthansa, O2, and Shell have also integrated South Africa into their global service strategies.

The first major BPO investment in South Africa occurred in 1998 when Lufthansa set up a global service centre in Cape Town. Sixteen years later the operation is thriving. Following the Lufthansa investment there were a number of stops and starts in the market – until the arrival of Amazon in 2010, which put South Africa firmly on the BPO map. Since then the location has undergone a number of exciting developments, with five multinational BPO operators investing in South Africa.

AS the Western Cape government, we have earmarked BPO as a key growth area as it provides employment opportunities for the youth (ages 18–30) of our country and helps us achieve one of our main mandates, job creation.

Currently more than 40,000 people are employed in the BPO/contact centre industry in the Western Cape, contributing approximately R9 billion to the provincial GDP. More than 6,000 of these jobs have come about through foreign direct investment over the past two years. On a national level the industry employs more than 200,000 people, of whom approximately 25,000 service the international market.

As government, it is important that we create jobs across the value chain. This sector allows us to do that. We have a number of highly skilled graduates who are currently unemployed; therefore, by developing our offering to include more complex tasks higher up the value chain, we can potentially create thousands of new jobs and in the process create a genuine career path for those entering the market at a lower level.

By working alongside industry association Business Process Enabling South Africa (BPeSA), we have been able to develop a compelling BPO offering that has attracted investments from a number of foreign markets, including the UK, the USA, Australia, and Germany.

Much of the growth in the sector has been driven by the availability of BPO research from leading international analyst and research-based bodies such as the London School of Economics (LSE). The LSE has witnessed firsthand the growth of the South African BPO sector, seeing the country move from an emerging location to an established international player.

The LSE first presented a white paper on the global BPO landscape at the 2012 South Africa Outsourcing and Offshoring Summit. The paper provided detailed insight into the South African offering, comparing the location with the leading global BPO destinations of India, the Philippines, Egypt, Malaysia, Kenya, Morocco, Poland, and Northern Ireland.

Using the world-renowned LSE BPO competitiveness index, readers were able to compare South Africa with other competitor locations using six investment-related factors: cost, market potential, environment, perception analysis, infrastructure, and skills and risk profile. This research has helped provide a truly global overview of the South African offering. The results of this study were validated through detailed case studies highlighting South Africa's ability to support international companies with world-class customer service.

This research was further substantiated with a second white paper in 2013 showcasing South Africa's ability to service clients not only in English voice work but also in more complex back-office processes.

The LSE is one of the world's most highly respected academic institutions, and we are proud to work alongside Professor Leslie Willcocks and his research team of Andrew Craig and Professor Mary Lacity.

This is an exciting time for the South African BPO market. As a service destination, we are in the right time zone, speak the right language, have an eager workforce, and are able to offer significant cost savings.

In recognition of our growing attractiveness as a contact centre hub, South Africa has been acknowledged by the global BPO community, winning three international outsourcing awards in three years. These awards include being named Offshoring Destination of the Year by the National Outsourcing Association (NOA) and European Outsourcing Association and most recently being recognised by the NOA Professional Outsourcing Awards for Skills Development Programme of the Year. The traction we are gaining in this space and the industry's achievements are very important to our continued expansion and will further position the Western Cape and South Africa as a leading BPO destination in the future.

This book provides readers with a consolidated overview of the South African offering and helps showcase the development of the location from an emerging BPO market to one of the most sought-after customer service destinations in the world. Readers will be able to form a well-rounded opinion of what South

Africa has to offer, while gaining the key insights needed to make informed business decisions.

To say more would detract from the reader's experience; I trust you will enjoy the book and that if you have not travelled to South Africa, you will soon feel compelled to do so.

Helen Zille
Premier of the Western Cape

Series Preface

We launched this series in 2006 to provide policy makers, workers, managers, academics and students with a deeper understanding of the complex interlinks and influences among technological developments, including information and communication technologies (ICT), work, organizations and globalization. We have always felt that technology is all too often positioned as the welcome driver of globalization. The popular press neatly packages technology's influence on globalization with snappy sound bites, such as, "Any work that can be digitized will be globally sourced." Cover stories report Indians doing US tax returns, Moroccans developing software for the French, Filipinos and South Africans answering UK customer service calls, and the Chinese doing everything for everybody. Most glossy cover stories assume that all globalization is progressive, seamless, and intractable, and leads to unmitigated good. But what we are experiencing in the 21st century in terms of the interrelationships between technology, work and globalization is both profound and highly complex.

The mission of this series is to disseminate rich knowledge based on deep research about relevant issues surrounding the globalization of work that is spawned by technology. To us, substantial research on globalization considers multiple perspectives and levels of analysis. We seek to publish research based on in-depth study of developments in technology, work and globalization and their impacts on and relationships with individuals, organizations, industries and countries. We welcome perspectives from business, economics, sociology, public policy, cultural studies, law and other disciplines that contemplate both larger trends and micro-developments from Asian, African, Australian and Latin American, as well as North American and European viewpoints.

As of this writing, we have 19 books published. These books are introduced below.

1. *Global Sourcing of Business and IT Services* by Leslie P. Willcocks and Mary C. Lacity is the first book in the series. The book is based on over 1000 interviews with clients, providers and advisers and 15 years of study. The specific focus is on developments in outsourcing, offshoring and mixed sourcing practices from client and provider perspectives in a globalizing world. We found many organizations struggling. We also found some organizations adeptly creating global sourcing networks that are agile, effective and cost-efficient. But they did so only after a tremendous amount of trial and error and close attention to details. All our participant organizations acted in a context of fast moving technology, rapid development of supply-side offerings, and ever changing economic conditions.

2. *Knowledge Processes in Globally Distributed Contexts* by Julia Kotlarsky, Ilan Oshri and Paul van Fenema examines the management of knowledge processes of global knowledge workers. Based on substantial case studies and interviews, the authors – along with their network of co-authors – provide frameworks, practices and tools that consider how to develop, coordinate and manage knowledge processes in order to create synergetic value in globally distributed contexts. Chapters address knowledge sharing, social ties, transactive memory, imperative learning, work division and many other social and organizational practices to ensure successful collaboration in globally distributed teams.
3. *Offshore Outsourcing of IT Work* by Mary C. Lacity and Joseph W. Rottman explores the practices for successfully outsourcing IT work from Western clients to offshore providers. Based on over 200 interviews with 26 Western clients and their offshore providers in India, China and Canada, the book details client-side roles of chief information officers, program management officers and project managers, and identifies project characteristics that differentiated successful from unsuccessful projects. The authors examine ten engagement models for moving IT work offshore and describe proven practices to ensure that offshore outsourcing is successful for both client and provider organizations.
4. *Exploring Virtuality within and Beyond Organizations* by Niki Panteli and Mike Chiasson argues that there has been a limited conceptualization of virtuality and its implications for the management of organizations. Based on illustrative cases, empirical studies and theorizing on virtuality, this book goes beyond the simple comparison between the virtual and the traditional to explore the different types, dimensions and perspectives of virtuality. Almost all organizations are virtual, but they differ theoretically and substantively in their virtuality. By exploring and understanding these differences, researchers and practitioners gain a deeper understanding of the past, present and future possibilities of virtuality. The collection is designed to be indicative of current thinking and approaches, and provides a rich basis for further research and reflection in this important area of management and information systems research and practice.
5. *ICT and Innovation in the Public Sector* by Francesco Contini and Giovan Francesco Lanzara examines the theoretical and practical issues of implementing innovative ICT solutions in the public sector. The book is based on a major research project sponsored and funded by the Italian government (Ministry of University and Research) and coordinated by Italy's National Research Council and the University of Bologna during the years 2002–6. The authors, along with a number of co-authors, explore the complex interplay between technology and institutions, drawing on multiple theoretical traditions such as institutional analysis, actor network theory, social

systems theory, organization theory and transaction costs economics. Detailed case studies offer realistic and rich lessons. These cases studies include e-justice in Italy and Finland, e-bureaucracy in Austria, and Money Claim On-Line in England and Wales.

6. *Outsourcing Global Services: Knowledge, Innovation, and Social Capital* edited by Ilan Oshri, Julia Kotlarsky and Leslie P. Willcocks assembles the best work from the active participants in the *Information Systems Workshop on Global Sourcing,* which began in 2007 in Val d'Isere, France. Because the quality of the contributions was exceptional, we invited the programme chairs to edit a book based on the best papers at the conference. The collection provides in-depth insights into the practices that lead to success in outsourcing global services. Written by internationally acclaimed academics, it covers best practices in IT outsourcing, business process outsourcing and netsourcing.
7. *Global Challenges for Identity Policies* by Edgar Whitley and Ian Hosein is a perfect fit for the series in that the authors examine identity policies for modern societies in terms of the political, technical and managerial issues needed to prevent identity fraud and theft. The scale of the problem exceeds political boundaries and the authors cover national identity policies in Europe and the rest of the world. Much of the book provides in-depth discussion and analysis of the United Kingdom's National Identity Scheme. The authors provide recommendations for identity and technical policies.
8. *E-Governance for Development* by Shirin Madon examines the rapid proliferation of e-governance projects aimed at introducing ICT to improve systems of governance and thereby to promote development. In this book, the author unpacks the theoretical concepts of development and governance in order to propose an alternative conceptual framework which encourages a deeper understanding of macro- and micro-level political, social and administrative processes within which e-governance projects are implemented. The book draws on more than 15 years of research in India, during which time many changes have occurred in terms of the country's development ideology, governance reform strategy and ICT deployment.
9. *Bricolage, Care and Information Systems* edited by Chrisanthi Avgerou, Giovan Francesco Lanzara and Leslie P. Willcocks celebrates Claudio Ciborra's *Legacy in Information Systems Research*. Claudio Ciborra was one of the most innovative thinkers in the field of information systems. He was one of the first scholars who introduced institutional economics in the study of IS; he elaborated new concepts, such as "the platform organization" and "formative contexts"; and he contributed to the development of a new perspective altogether through Heideggerian phenomenology. This book contains the most seminal work of Claudio Ciborra and work by other authors who were inspired by his work and built upon it.

10. *China's Emerging Outsourcing Capabilities* edited by Mary C. Lacity, Leslie P. Willcocks and Yingqin Zheng marks the tenth book in the series. The Chinese government has assigned a high priority to science and technology as its future growth sectors. China has a national plan to expand the information technology outsourcing (ITO) and business process outsourcing (BPO) sectors. Beyond the hopes of its leaders, is China ready to compete in the global ITO and BPO markets? Western companies are increasingly interested in extending their global network of ITO and BPO services beyond India and want to learn more about China's ITO and BPO capabilities. In this book, the findings of the best research on China's ITO and BPO sector are accumulated by the top scholars in the field of information systems.
11. *The Outsourcing Enterprise: From Cost Management to Collaborative Innovation* is by Leslie Willcocks, Sara Cullen, and Andrew Craig. The central question answered in this book is "How does an organization leverage the ever growing external services market to gain operational, business and strategic advantage?" The book covers the foundations of mature outsourcing enterprises that have moved outsourcing to the strategic agenda by building the relationship advantage, selecting and levering suppliers, keeping control through core retained capabilities, and collaborating to innovate. The book provides proven practices used by mature outsourcing enterprises to govern, design and measure outsourcing. The final chapter presents practices on how mature outsourcing enterprises prepare for the next generation of outsourcing.
12. *Governing through Technology* by Jannis Kallinikos is thoughtful scholarship that examines the relationships among information, technology and social practices. The author discusses the regulative regime of technology, and issues of human agency control and complexity in a connected world. He provides a valuable counter perspective to show that social practices are, in part, unmistakeably products of technologies, that technologies are, through historical processes, embedded in the social fabric, and that if technological determinism is naive, the notion of the regulative regime of technology remains alive and well into the internet age.
13. *Enterprise Mobility: Tiny Technology with Global Impact on Information Work* by Carsten Sørensen explores how mobile technologies are radically changing the way work is done in organizations. The author defines enterprise mobility as the deployment of mobile information technology for organizational purposes. The author contrasts how large technology projects in organizations, such as enterprise resource planning (ERP) implementations, will increasingly be managed differently because of mobile technology. The introduction of mobile technology supporting organizational information work will often be driven by individuals,