



Developing Successful Entry Strategies for BPO Operations in Mauritius

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THE PROJECT

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EMS CONSULTING - Our Core Services



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PROJECT SCOPE

- Understand BPO and its business scope for Mauritius
- Briefly study the global BPO industry and identify sub-sectors compatible with capabilities available in Mauritius
- Generic BPO selection criteria
- Review and analysis of Mauritius as an offshore BPO service centre
- Proposition of effective enabling policies for Mauritius and recommendations



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PROJECT OBJECTIVES

- To lead potential providers to choose Mauritius as their operational (offshore) base
- To help raise the profile of Mauritius as an offshore BPO location
- To promote the formation of an offshore BPO industry at par with the other industries (tourist, financial services etc)
- To devise appropriate entry strategies for companies entering the BPO sector in Mauritius.

SCOPE: METHODOLOGY

- Extensively research based (informative), analytical and policy oriented
- Understanding BPO and its business scope
- Trends on global BPO industry
- Identifying the criteria for selecting an offshore BPO location
- Review and analysis of Mauritius offshore BPO centre
- Propositions of effective enabling policies for Mauritius
- Recommendations



THE STUDY

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UNDERSTANDING THE CONTEXT

- BPO - A parcel of service industry, but process driven
 - Global 'EXPORT TRADING' of services
 - Economic development
 - Effect on GDP, etc
- Growing demand globally (US \$ 140 billion growing @ 8 to 10% p.a)
- A high revenue-earning sector in some countries : India > US \$ 2.4 billion
- Country attributes & specialisations



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SITUATING THE PROBLEM - Starting point

- Mauritius is open and well connected to the world
- A host of incentives are offered to domestic and foreign entrepreneurs
 - Devising entry strategies towards promoting entry implies the existence of barriers/bottlenecks that obstruct or impede entry of operators into both country and industry at the sector level.
 - It entails finding an effective mean to encourage both overseas and local entrepreneurs to operate within the BPO industry of Mauritius

NEED

- Demands an
EFFECTIVE INDUSTRIAL DEVELOPMENT MODEL

PROJECT TARGET

- EMS PROPRIETARY SPAF MODEL
- SPAF: Seven-Point Action Framework

DEFINITION: BPO and ICT

- Business Process Outsourcing/BPO: A type of 'soft-process' industrial activity pursued by specialist external provider firms using IT-enabled services (ITES).
- Core and non-core: Firms prefer to concentrate (focus) their resources on their 'strategic' activity (hard or soft) and sub-contract (outsource) certain 'supporting' activities to external specialist firms, located onshore or offshore, on a consistent basis.
- Off-shoring: Industrial activities performed beyond a defined frontier
- ICT: I&C technologies infrastructure encapsulates ITES and fuels BPO activities in a global networked economy
- BPO v/s ICT: Industrial activity v/s infrastructure → two independent, but complementary, components

PLATFORM: Attributes of Mauritius BPO

- BPO industry is not Greenfield
- At the time of investigations (2005/2006):
 - **100 (+)** enterprises were in operation @ G = 19% p.a
 - About **4500-5000 employees** @ G= 10% p.a
 - Some **Rs 3.25 billion investments** approved
 - Actual investment stocks = **Rs 1 billion** (rounded off)
 - Domestic investments = **40%** of total capital stocks
 - Foreign firms mostly from France and India
 - Few reputed firms to create multiplying effect

PLATFORM: BPO Industry Structure

S/N	Activity	Weight (%)	Employees
1.	General service	47	1548
2.	Call centre	22	2371
3.	Software	20	277
4.	Multimedia	8	38
5.	Disaster recovery	2	86
6.	Online education	1	12

CRITICAL ANALYSIS OF MAURITIAN BPO INDUSTRY

- Not yet a catalyst for accelerating capital inflow rate
- Except for a 'mention' by Gartner in 2005 (+ possibly few others from time to time), Mauritius is hardly a prominent BPO player
- Limited contribution to employment and GDP almost 6 years since its inception, especially considering high investments
- Critically dependent on 'experienced' domestic and foreign BPO operators with global market reach

CENTRAL ISSUE AND SUBSIDIARY ISSUES

- **Central issue:**
How to effectively attract 'mature' domestic and foreign operators in the Mauritius BPO industry amid strong international competition?
- **Subsidiary issues:**
 - Not only a location choice problem
 - Not transactional (finance) nor leisure based (tourist)
 - A 'service or software product' of adequate quality for export market, principally OECD
 - International market recognition

DEMAND FACTORS: Investors psychology

- Speculative
- Highly sensitive to 'word-of-mouth'
- Profit-seeker
- Value-addition expectation
- Business security-driven
- Uncertainty and risk averse

Demand and Supply determinants

Factors describing location	Demand: Entrepreneur determinants	Supply : Country's profile
Catalyst (factors of business attraction & activation)	Reputation	1. Technology producer 2. Product types
Infrastructure	Business facilitation	3. Quality and reliability 4. Institutional responsibility 5. Secured business environment
People	Manpower availability	6. Skills development & knowledge base
Finance	Cost of operations	7. Infrastructure

EMS SEVEN POINT ACTION FRAMEWORK (SPAF)

- SPAF provides the contour of the BPO industry according to the entrepreneurs' vision. Its dimensions are:
 1. Turn Into Technology Producer
 2. Types of Products
 3. Quality & Reliability
 4. Institutional Responsibility
 5. Business Environment
 6. People And Skills Availability
 7. Financial Structure

TURN INTO TECHNOLOGY PRODUCER

- **CHALLENGE I:** The knowledge of Mauritius in the field of technology of telecommunications and IT is limited to integration, operation and troubleshooting. This is a major handicap. To acquire a reputation within the global BPO industry, Mauritius has to turn from being an importer of information technology to a producer of technology on a significantly important scale in areas where it has the capacity.
- **POLICY OPTION I:** BPO is often generically understood as outsourcing in all fields. Its relatively new dimension is the use of information technology and telecommunications to find new ways to improve a process, cut cost or change the course of business direction. The first step for Mauritius, therefore, is to determine the technology segment that will drive its BPO industry so as to project 'what it wants to be known for and what is its core competence'. Using a technology-application matrix provides an overview of strategic directions available to Mauritius to undertake its development.

TYPES OF PRODUCT

- **CHALLENGE II:** The Mauritius offshore BPO industry must acquire an identity, a personality and a reputation that differentiate it significantly from other jurisdictions in the global market. The types and quality of its products should yield comparative advantage, compensate for its small scale and cost disadvantage, and strengthen its attractiveness towards global providers and customers in search of a risk free BPO centre.
- **POLICY OPTION II:** Taking account of the exiguity of its scale, Mauritius cannot compete on the basis of cost leadership. It has to compete on other quality-led attributes, such as contents effectively blended into high tech applications, and be recognized internationally for it.

QUALITY AND RELIABILITY

- **CHALLENGE III:** The relationship between government and the BPO industry has to be re-engineered. The government and the industry association have to jointly determine the product profile of the Mauritius offshore BPO industry, the quality standards and compliance processes with a view to further its development.
- **POLICY OPTION III:** Government authorities have to develop a collaborative relationship with the BPO industry association where government focuses on its policy role and work in partnership with the industry to achieve the policy goals.

INSTITUTIONAL RESPONSIBILITY

- **CHALLENGE IV:** The Mauritian society has to undertake a cultural transformation to succeed in the consolidation and operation of an offshore BPO industry, distinct from the standard ICT services sector. This cannot be achieved without political direction and institutional adaptation to bring about attitudinal change, emancipation and alignment of social groups to common goal.
- **POLICY OPTION IV:** It is necessary for government to chart the responsibility of the leading institution, responsible for ensuring the development and growth of the offshore BPO industry and to map out its connection with the subsidiary institutions

BUSINESS ENVIRONMENT

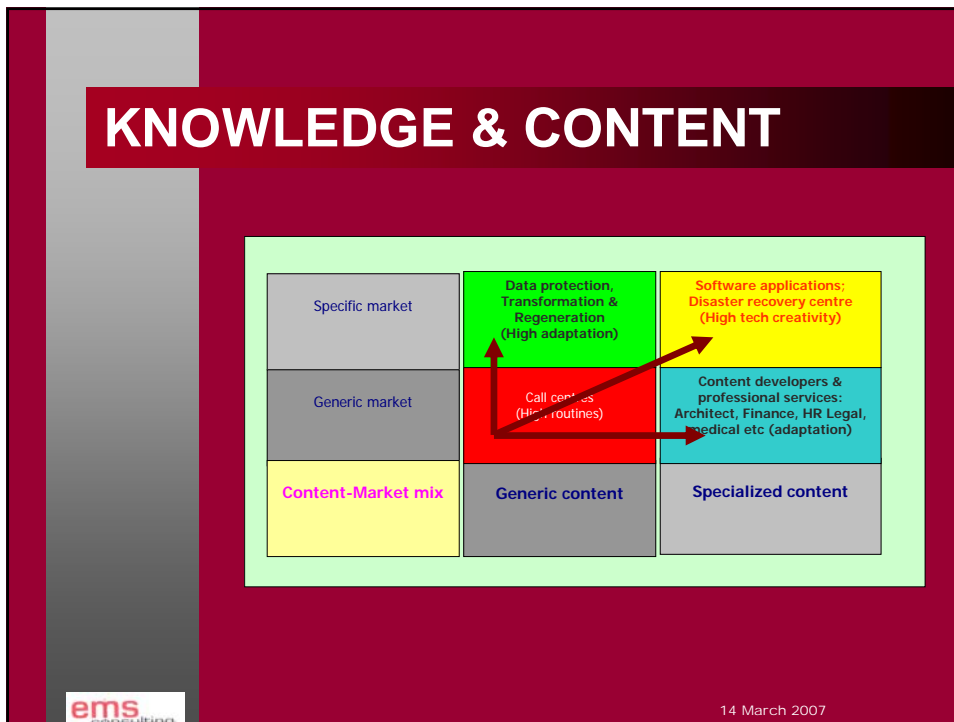
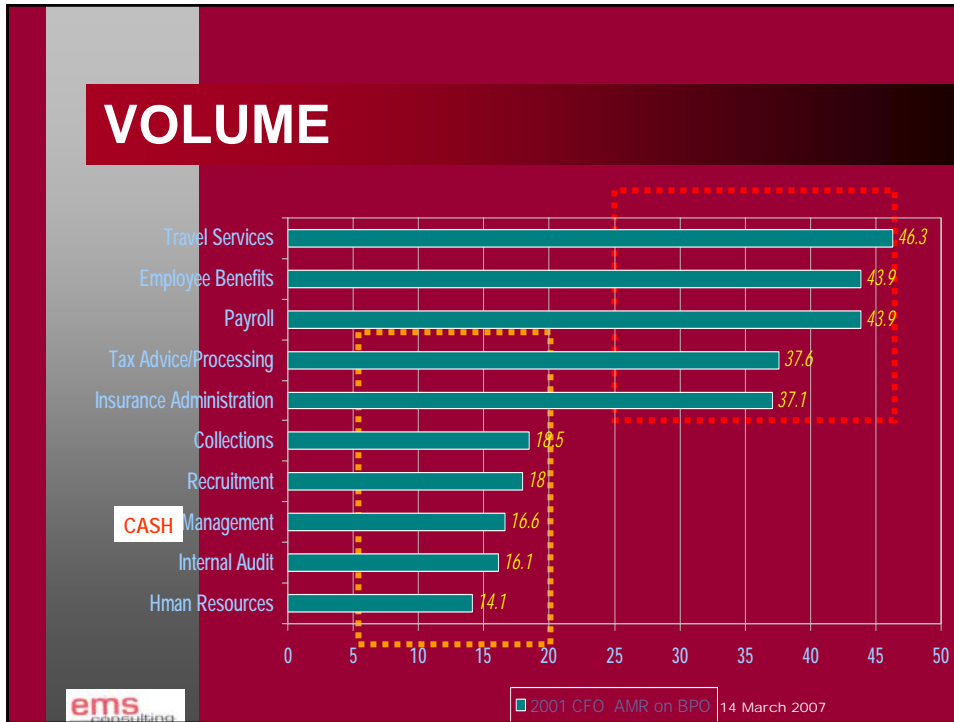
- **CHALLENGE V:** The offshore BPO centre has to be secured against illegal practices that are common in the intellectual property/knowledge/software/cyber industry, such as piracy and such other odds, to promote knowledge workers and protect its reputation as a risk free centre
- **POLICY OPTION V:** Adequate laws have to be introduced and constantly updated, that fit an evolutionary cyber and electronic environment such as to establish a secured business framework adapted to the demand of high tech industry

PEOPLE AND SKILLS AVAILABILITY

- **CHALLENGE VI:** Offshore BPO industry can only be sustained in the long term with ample supply of cost effective knowledgeable and creative local labour adapted to a high tech industry
- **POLICY OPTION VI:** Develop labour force with the basic skills that can be moulded flexibly to meet the short and long term requirements of the offshore BPO industry. Availability also means available 24/7

FINANCIAL STRUCTURE

- **CHALLENGE VII:** Taking the view that international leased circuit is one of the key inputs for the BPO industry, in whole or in part, its price must be an element of attraction for new entrants and a reason for maintaining their operation in Mauritius over time. Today, the cost of entry into the Mauritian BPO entry is very high as a result of the exorbitant price of private leased circuits, both domestic and international
- **POLICY OPTION VII:** The MIIT, as the responsible institution for the development of the BPO industry, should undertake the necessary measures to remove the price impediment that erects barriers to entry into the Mauritian BPO industry and affects the financial sustainability of operators and constrains the development and expansion of the industry



SIZE : EMERGENCE OF SMEs

- **Critical that SMEs emerge in this sector:**
 - Low initial investments
 - Self employed, especially IT graduates or professional staff
 - High value added & high skill segments (medical transcriptions, translations, etc.)
 - Build on existing competences (architectural drafting, high end financial advisory services, legal services, etc.)
 - Possibility of scaling up
- **Challenges:**
 - Very high connectivity cost (especially for broadband dedicated lines) makes it impossible for the emergences of SMEs
 - High marketing costs

BUILDING ON EXISTING EXPERIENCES

- **Textiles & Garment**
 - Sub-contracted (CMT) works
 - Product Design & Development
 - Marketing expertise (second largest exporter of wool products)
- **Financial & Legal Services**
 - Extension of competencies already existing in these sectors, to offer outsourcing jobs and services
 - High marketing costs
- **Tourism Sector**
 - Call Centre, Customer Relationship Management, Email responses,
- **Regional Market Development**
 - Taking advantage of cheaper locations, with larger pool of labour
 - Madagascar => French Speaking
 - Logistics => Easy



CONCLUSION

- The obstacles to the Mauritius BPO industry are MORE of a reputation, product choice, quality & work culture, sectoral institutional adaptations and pricing of connectivity, rather than scale or manpower shortage
- Connectivity is a strategic issue, not an economic one.
- Emergence of SMEs in the BPO sector
- They are manmade and can be removed

IMPLEMENTATION

- EMS proposes its SPAF model as a solution to promote the BPO Industry
- EMS will be delighted to support government and other institutions in any project for implementing SPAF

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