

Developments and Challenges of Business Process Outsourcing Sector in Kenya

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Abstract

The initiatives to make Kenya a leading Business Process Outsourcing (BPO) destination in Africa has been one of the key objectives of Kenyan Government. However, despite the efforts not much has been realized from investments in this sector. This research was set out to explore the current status of the developments in this sector, the challenges faced in setting up and operating BPO investments and the necessary requirements for setting up and operation of BPO business in Kenya. The research was conducted among the companies which offered BPO and Information Technology Enabled Services (ITES) in Kenya. Further information was also sought from their umbrella association, Kenya BPO and Contact Centre Society (KBPOCCS) and also the ICT Authority which is the Kenyan government agency tasked with promotion of BPO and related investments.

The study found out that majority of the companies (95%) were located in Nairobi and the entry into this sector by companies started at high rate and later dropped down mainly because of lack of attractive returns contrary to the expectations. Despite the incentives of bandwidth subsidy by the government a meager 30% of companies took the advantage. Main BPO activities included mainly data entry (67%) followed by transcription (50%).

Key challenges facing investors in this sector included lack of readily available human resource with the relevant skills, high staff turnover which was partly attributed to low remuneration, lack of proper policy governing the sector and high taxation. According to the study, successful development of this sector required government intervention.

Keywords: Business Process Outsourcing, BPO, ICT, Information Technology Enabled Services, Kenya Vision 2030.

1. Introduction

1.1 Background of Study

Developments in Information and Communication Technologies (ICT) and their business applications, together with the globalization of the world economy, have led to a rapid internationalization of Information Technology Enabled Services (ITES), including the Business Process Outsourcing (Qureshi, 2005). The growth of Business Process Outsourcing (BPO) services specifically in developing countries has been boosted by several factors including recent ICT developments in these countries (Waema, 2009; China Daily, 2010). It has also been driven by increasing demand from enterprises located mainly in the United States and Europe to outsource non-core business functions at a low cost in order to focus on their main core operation (UNCTAD, 2003). The main challenges of BPO investors from developing countries has mainly been infrastructure and skills requirements, business plan, and marketing strategies to promote local competencies (Kenya ICT Board, 2010).

Outsourcing as a key business strategy has been used by companies in various industries for many years. Competition and the need for enhanced financial performance are a driving force to the increase in nature, scope and scale of outsourcing across industries worldwide (Maeker, McNamara & Wallace, 2002; Republic of Kenya, 2007a). Manning (2013) established that when firms are deciding where to locate their outsourced operations, they evaluate the overall attractiveness of various geographic locations. At the aggregate level, location attractiveness can be measured by the amount of outsourcing services supplied in the location. This financial measure for various countries and regions is available from government and private sources. These combined with location attractiveness at firm level will determine the attractiveness of a location. Among the key issues which are normally considered in choosing a location include; infrastructure, country risk, Human capital and government policy (Kundu, 2008). Firm-specific and situation-specific factors moderate the direct effects of these four categories of determinants.

As an indication of how important this sector is to Kenya's economic growth, BPO is one of the pillars in the government's *Vision 2030* document (Republic of Kenya, 2007a). Kenya has also developed a policy framework

and defined some strategic directions (Kenya ICT Strategy, 2006), one of which explicitly focuses on BPO as a key opportunity for realising the country's ICT objectives.

Businesses outsourced from developing countries to developed countries are labor intensive and ideal because of abundance of affordable manpower. Business Process Outsourcing (BPO) can heavily contribute towards employment creation and hence poverty reduction in developing countries such as Kenya (Marker, McNamara & Wallace, 2002). Few BPO investments had been established in Kenya and not all the registered BPO companies were operational despite the expectation that Kenya would do well because of various reasons including readily available well trained manpower (Waema, 2005).

This research was aimed at establishing the challenges encountered by companies in setting up and operating as BPO destinations. The findings are expected to guide potential investors and the government in developing and improving the necessary conditions for this sector through providing enabling environment and legislation. This study is also expected to contribute to the development of BPO sector in Kenya and take advantage of the potential which exists.

Business Process Outsourcing (BPO) is the act of giving another organization the responsibility of running what would otherwise be an internal activity or task. A company outsources to cut costs by taking advantage of economies of scale offered by a third party, who does similar work for many other companies. Business Process Outsourcing sub-sector, worth over \$130 billion worldwide, provides one of the greatest economic opportunities for wealth generation and employment creation (Kenya ICT Board, 2010). BPO is defined as the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administrates, and manages the selected process or processes based on defined and measurable performance metrics. Business Process Outsourcing sector is expected to continue growing. A study conducted by international consulting firm McKinsey and Company indicates that presently only an estimated 10 percent of business processes globally is outsourced and therefore there is still 90 percent to be outsourced. They forecasted demand for outsourcing services to reach \$180 billion by 2010 and potential to generate Sh45 billion (\$600 million) and 20,000 direct jobs by 2014 (McKinsey & Co., 2010).

For this study, outsourced services are limited to the category of Information Technology Enabled Services (ITES). The BPO receiving companies are broadly classified as falling under one or more of the following segments; An *offshore BPO* which is business process outsourced to a company in a different country; An *onshore BPO* where company outsources to a company in the same country for example when a company located in Kenya outsources a business process to another company located in Kenya; A *captive BPO* where parent company that is outsourcing the business process owns the company that is set up to receive the outsourced work and the receiving company services only the parent company and a non-captive BPO which refers to an independent, third party receiver of outsourced business processes. These companies take on outsourced work from any other company including parent companies.

1.2 Global Overview of BPO

A report by UNCTAD (2003) indicates that a steady improvement in IT infrastructure, a steep decline in the costs of telecommunications and IT equipment, and the increased accessibility of the internet have opened the way to the development of BPO services in both developed and developing countries. The process has been further fuelled by the increasing demand for cost-saving measures from enterprises in the developed nations such as the United States and European nations. The lower cost of employing skilled and specialized workers is said to reduce operational costs by up to 60 per cent

The rapid internationalization of BPO services offers developing countries a chance to exploit higher value niches. Marker, McNamara and Wallace (2002) identified the benefits of BPO in developing countries to be coming directly in the form of job creation, a positive impact on infrastructure development, and diffusion of technology and ideas in domestic manufacturing and even in agriculture. This applies especially to the provision of information on marketing and prices, helping business-to-business communications and e-commerce applications, and even the processing of some services for domestic companies. Developing countries may also receive substantial amounts of Foreign Direct Investments (FDI) in the BPO sector (Baily and Farrell, 2004). The UNCTAD report (2003) also mentions that once the required ICT infrastructure is ensured, Information Technology Enabled Services (ITES) will broaden the job prospects for women interested in working from home. Women are also employed on a large scale in different services such as call centers and data entry job.

1.3 *The BPO Sector in Kenya*

The BPO sector in Kenya is still very young and there is little statistics regarding the sector. What is mainly available are the efforts being made by the government to improve the infrastructure and efforts to market Kenya as a preferred destination as well as efforts by the existing investors in BPO sectors. The Government of Kenya development blueprint, Vision 2030 covering the period 2008 to 2030 aims at transforming Kenya into a prosperous globally competitive middle income country by the year 2030. The Vision is based on three pillars that include *economic, social and political* and it will be realized over a successive five-year medium-term period, each with defined goals. The ICT sector has been identified to contribute significantly to the economic pillar where the target is to attain 10 per cent GDP growth rate by 2012 and which should be sustained thereafter. Successful implementation of the BPO project which was identified as a flagship for this sector was expected to generate employment to more than 7,500 direct jobs by 2012. The project was also expected to increase the GDP contribution by KSh10 billion and hence contribute to poverty reduction. This project was expected to be implemented within the medium term plan (2008-2012) of the Kenya Vision 2030.

The success of BPO can only be realized if necessary infrastructure is put in place by the government. This includes investment in submarine Fibre Optic Cable to provide connectivity to the outside world and the National Terrestrial Fibre Optic Network to provide broadband connectivity services countrywide. The Government is committed to facilitate faster national and international connectivity to spur economic development and help in narrowing the rural-urban divide. This will help the country to achieve the goals of Kenya Vision 2030.

The Government is committed to the attainment of *universal access* to enable Kenyans to communicate efficiently and affordably in the shortest time possible. Implementation of this project is not profit motivated but it is driven by the public interest. It is the duty of the Government to enable its citizenry to access appropriate information, communication and technology as a tool for development. This project will enable the Government to implement the e-government strategy and enhance service delivery to the public which will ultimately reduce the rural-urban migration through of new opportunities for businesses in the rural areas. There is an elaborate plan which through the terrestrial cable network the government will facilitate the establishment of Digital Villages at constituency levels. The digital villages shall be used by the people in accessing some of the government services through the internet and hence support the achievement of e-governance.

The government was also in the process of establishing BPO Park at a location in Athi River (Konza Technology Centre) which would be served by adequate telecommunications infrastructures, easy access to international transport facilities, affordable and readily available energy. Before the landing of the fiber optic cable the country relied on satellite communication to link the rest of the world which was costly. Lack of high capacity bandwidth connectivity has restricted Kenya from exploiting its full potential.

1.4 *Organizations involved in BPO Sector in Kenya*

At the time of this research BPO sector being new in Kenya was undergoing a lot of transformation in terms of understanding the business potentials, support by the government in enacting the necessary legislation and providing the necessary universal infrastructure among others. There are various government and non governmental organizations which play leading roles in development and support of BPO sector including;

- ICT Authority which is a state corporation tasked with marketing, advisory, capacity building and project management of ICT related projects and activities on behalf of the government
- Communication Authority (CA) which is an independent regulatory authority for the communications industry in Kenya is responsible for developing and co-coordinating the policies and strategies with respect to development and operation of telecommunications services in Kenya.
- Brand Kenya which is a governmental organization which was set up purposely to provide the coordination of marketing activities to market Kenya globally. It is tasked with building national identity and pride in every Kenyan and to instill confidence in Kenya among foreigners which range from investors, development partners and tourists.
- The Export Processing Zones Authority (EPZA) is a Government agency responsible for promoting the establishment of export oriented industries in Kenya's free zones.
- Kenya Investment Authority is a government organization established to provide professional assistance, facilitation and advice to local and foreign investors interested in investing in Kenya by

facilitating setting up of new investments and promotion of available investment opportunities in Kenya locally and internationally.

- The Kenya BPO & Contact Centre Society (KBPOCCS) is a private sector association that brings together all Business Process Outsourcing & Contact Centre industry investors in Kenya.

Studies undertaken by global consultancy firm McKinsey and Company have found that Kenya loses out to its competitors in the outsourcing space because it has not addressed certain fundamentals affecting its offering such as identifying a niche market and creating investment opportunities and addressing associated risks. Identified business process outsourcing challenges include quality of service risks, language skills, staff turnover, company knowledge, qualification of suppliers, security, productivity, and the buyer's capacity to effectively monitor progress.

From the review of relevant literature in this sector, it was realized that the BPO and ITES sector is an evolving sector in Kenya and there are various attempts by the government and private sector to promote and create investments in this sector. However, there is no concrete and conclusive information on some issues such as the actual number of operational BPO and related sector activities, challenges faced in setting up business in this sector and the challenges faced in the investors currently involved in this sector. This research therefore provides an opportunity in addressing some of these puzzles and therefore informs and contributes in enlightening on the sector.

1.5 Research Objectives

This research was aimed at understanding the developments and progress made in the Business Process Outsourcing sector in Kenya as well as challenges faced by the practitioners in this sector.

The specific Objectives are;

- a) To establish the developments which have been made in BPO sector in Kenya.
- b) To determine the challenges encountered by practicing BPO companies in Kenya.
- c) To determine the requirements for successful setup and operation of a BPO investments.

1.6 Scope of Study

The study was undertaken to cover all the established firms operational as at September 2010 in the BPO sector in Kenya and mainly covered non-captive BPO companies. It also involved finding information from the umbrella association of the BPO practitioners, the Business Process Outsourcing Contact and Companies Society (BPOCCS) and the Kenya ICT Authority which is the key government organization directly involved with BPO sector activities.

2.0 Methodology

2.1 Introduction

The BPO sector is a relatively new sector and not much research has been done on this area especially in Kenya. An exploratory survey research method was employed in the study. Initially literature review was conducted to understand the area of study and current developments in the sector. This provided a guide on the developments of the data collection instruments and appropriate study design.

2.2 Research Design

According to Kothari (2003) survey study is an efficient method of collecting descriptive data of the characteristics of population's current practice. The primary data was collected using survey questionnaires which helped to gather information to facilitate informed decision making. Secondary data collection involved review of documents including physical and web/internet based documents. These included national policy documents, strategy papers, BPO policy documents, information about the BPO firms, The BPOCCS policies and functions, ICT Authority and Government documents relating to ICT and BPO in particular. Most of this information was found in the websites of the respective organizations.

2.3 Data Collection Techniques

Contacts for the BPO companies were obtained initially through their umbrella body, KBPOCCS and from the ICT Authority. A questionnaire consisting of both closed and open ended questionnaire was administered for the BPO companies. Interview guide was used to gather information from the ICT Authority and the BPOCCS.

The questionnaire was sent to the BPO companies as a follow up after making a telephone call to request for participation in the research. The telephone calls made were very useful since it enabled clarification of the contact person to send the questionnaire to. Study Area was within Kenya and since BPO companies in Kenya are few data was collected from all the existing BPO companies and therefore there was no sampling. Piloting was done initially with two BPO companies and BPO society to get more insight and test of the data collection instruments.

2.4 *Data Analysis and Presentation*

Collected data was analyzed using both quantitative and qualitative techniques. Statistical Package for Social Scientists (SPSS) Software (SPSS ver. 20) was used to analyze the quantitative data. Triangulation of the results with the qualitative data obtained from the interviews and observations was done to understand and interpret the phenomenon under study.

2.5 *Ethical Considerations*

During data collection confidentiality was maintained and the researcher promised not to divulge any company secrets. Where data was sourced from elsewhere other than the researcher's own initiatives reference has been made accordingly.

2.6 *Study Challenges*

In carrying out this study the researchers encountered a lot of challenges which were varied with some being difficult to overcome. The following are some of the challenges

- a) It was difficult in establishing the contact of the companies involved in the BPO/ITES and related activities since the umbrella body of these companies is not well established. At the time of this study they were still setting up an office. The contacts available at the ICT Authority were more reliable, though about 50% of the listed companies were not reachable by phone and never responded to our emails. Most of their websites were also not active with outdated information
- b) Some of the companies initially accepted to participate but did not return the questionnaires or they kept on promising to respond.
- c) Tracing some of the companies physically were challenging because some of them seemed to be based in peoples' houses or were not clear in description of their physical location, or they could have moved but nobody has their contacts

3.0 **Findings and Conclusion**

This chapter consists of the findings from the study starting with the general information on the BPO sector and then followed by the findings on developments in the sector covering type of business engaged by the company, employment, client destination and sector, and government intervention. This is followed by a summary of the challenges faced in the sector in setting up and operating and finally a deduction of the requirements for successful setup and operation in the BPO sector. A summary of the findings from two organizations the ICT Board and KPOCCS is also given. Finally, conclusion and recommendations by the author follows.

3.1 *General Information*

Most of the companies were based within Nairobi city with only less than 10% of the BPO companies outside the capital city. This could be attributed to the knowledge of the business and proximity to the factors required for setting up and successful operation of BPO. Majority of the companies are less than five years old with over 75% of them having been established before the year 2007 indicating that there was a lot of enthusiasm initially. The companies are mainly registered and locally owned accounting to over 90%.

3.2 *Developments of BPO Sector*

The companies are engaged in various BPO activities as shown below

Table 1.

Activity	Number of companies (%)
Data entry	52.1
Transcription	60.5
Software Development	23.4
Web Design	32.5
Document Imaging	24.4
Telemarketing	34.3
Customer Service and Care	37.8
Market Research	36.4
Lead Generation	22.4
Appointment Setting	23.8
Online Research	12.6

Among the activities, most prominent is transcription with 60.5% of the companies being engaged followed by data entry with 52.1% percent of the companies being involved. However, there were many activities not included in the Table 1 including; braille conversion, IT support and troubleshooting, application testing, telesales, training of BPOs, knowledge processing outsourcing and billing which had very low percentages.

Over 50% of the BPOs reported their operations to be running for over twelve hours a day, but in some situations it depended on the available work and timelines agreed with the outsourcing company. The composition of the employees mainly constituted of female who were over 55%. Limited numbers accounting to about 12% of the companies operational at the time of this research receive outsourced work from sister or related with the rest receiving business companies with no relationship in ownership.

The source and magnitude of the outsourced business vary across the continents of the world with America having the highest source of over 65% followed by local and within Africa with 50%, Europe with about 30% and lastly Asia and Middle and Australia and New Zealand continents contributing very little or none at all.

The sectors or industry of the companies outsourcing to Kenya firms included; Public Relations, Non-Governmental Organizations (NGO), Engineering, Internet Service Providers (ISPs), Software Development, Research Firms, Banking and Finance, Telecommunication, Insurance, Retail and Manufacturing with majority being in NGOs, ISPs, Finance and Banking and Telecommunication sector. The BPO firms also served clients ranging from one to six.

During the period 2007 to 2010 the government was offering subsidy to firms in the BPO sector in an attempt to encourage the development of BPO sector, however a third of the companies in this sector took the advantage of the offer. This is rather strange and it was not clear why most companies did not benefit although one of the companies attributed to lack of knowledge of the existence of the facility. Companies which took the subsidy facility reduced their bandwidth costs by half resulting in an expansion of their business (Ratio Magazine, 2009).

Some of the BPO companies engaged in other activities to enable them meet their operational expenses when they don't have outsourced work. Some of the activities include; training on ICT technical skills such as software development, Installation of computers, money transfer services such as MPESA among others.

3.3 *Challenges of setting up and operating BPOs in Kenya*

There is general agreement that availability of qualified personnel is one of the challenges with 14% strongly agreeing and 57% somewhat agreeing. This is supported by the 57% strongly agreeing and 29% somewhat agreeing that there is high staff turnover. Over 71% of the companies strongly agree and 29% somewhat agree that Kenyan labor laws affect the performance of BPO sector. Securing business for the companies was also reported to be a key challenge with over 71% strongly agreeing. Marketing of BPO services and securing of BPO business was considered not to be a very critical challenge with 43% strongly agreeing and 29% agreeing

somewhat. Respondents also considered accessibility to capital for startup and improvement of BPO business to be an important factor with 43% strongly agreeing and 43% somewhat agreeing.

Availability of premises for setting up BPO businesses was a moderate challenge and about 55% agree to this. Though the government had offered a subsidy on the bandwidth to investors in the BPO sector, there is still consideration of bandwidth cost as challenge with 29% strongly agreeing and about 40% somewhat agreeing. Competition from other countries involved in the BPO business was not reported to be a great challenge with only 28% strongly agreeing. Lack of policy and guidelines regarding BPO business was reported to be a significant factor by over 86% of the respondents similar to the taxation which also considered being high. The cost of energy was also rated highly challenging factor with almost all the respondents.

Other challenges reported by the companies include;

1. The attitudes of the employees who don't consider call center employment as a career but rather as a stopover as they look for better employment.
2. Double taxation of transactions done by two countries resulting into reduced profit margins. This was reported by a BPO having outsourced work from America
3. Complexities in setting up BPO business and lack of centralized one stop facility for BPO licenses by the government and the issuance of licenses only from the capital city affect the setting up and operation of BPOs especially outside Nairobi.
4. Lack of service level agreements among majority of the service providers.
5. An unreliable communication system was initially a challenge but with the completion of the fiber optic connectivity by the government across the country which was ongoing during this research this will be resolved.

Established companies have been trying to overcome the challenges through engaging in marketing activities of their services, which has involved visiting the current clients and other potential destinations. Retaining employees has also been done by some companies through creating an attractive career path for the employees such as enabling those who start as agents to grow to team leaders, supervisors and eventually to quality managers. Such incentives encourage the retention rate of the employees as they grow through the career path. Other initiatives considered as reported by one of the companies is conversion into an Export Processing Zone to get the benefits including lowered taxation.

3.4 Requirements for Successful Setup and Operation of BPOs

This study also involved investigation into the necessary conditions for successful setup and operation of a BPO business. Most of the companies (over 95%) agreed that government support through favorable incentives and support of marketing activities is key in enabling success of the BPO sector which is fragile and new. This is also similar for reliable infrastructure as well as affordable bandwidth. Regarding the BPO personnel it was noted that availability of training programmes and improved remuneration for the BPO sector was very important aspect for success in this sector with over 85% of the companies in agreement. It is also necessary for the government to establish a one stop-shop for facilitating BPO sector in issues relating to licensing and any other requirements. There is also lack of legislation to enable e-transactions though this is in progress. One of the respondents with a client in America reported issues relating to the necessity of sourcing of services of linguist to facilitate training of staff to enable accent neutralization. BPO companies also noted the importance of working with some of the government agents such as Kenya Investment Authority and Export Promotion Council since they have useful information.

Majority of the companies look into the government to play the intervention role by enabling the creation of the necessary conditions to enable success of this sector through incentives such as continued bandwidth subsidies, attractive taxation regime, and necessary specialized training of personnel for the sector among others.

3.5 Contributions of some key organizations

To capture more issues regarding the BPO sector more information was sought from two key organizations through an interview with the CEO or key persons in the organization. The organizations are the ICT board which is a government organ under the ministry of information and communication and Kenya Business Process outsourcing and Contact Centre Society which an umbrella society of the BPO companies.

a) *Kenya ICT Authority*

Kenya ICT Authority is a state corporation under the State Corporation Act 446 established in the year 2007 within Ministry of Information and Communication with the overall purpose of marketing Kenya as an ICT destination. Its vision is set against the Kenya Vision 2030 plan for wealth and employment creation to make Kenya a middle class, highly competitive nation by 2030. The following are the main objectives of the ICT Authority

- To develop and position Kenya as the preferred ICT destination in Africa;
- To develop and promote competitive ICT industries in Kenya;
- To develop world class Kenyan ICT institutions; and
- To increase ICT access, utilization for all Kenyans (become a principle driver in bridging the digital divide)

The BPO sector was one of the six key priority sectors identified as contributors of achieving the vision 2030. The vision for the sector is to be *'The top BPO destination in Africa'*. It was aimed that by 2012 at least 7,500 direct BPO jobs will have been created with an additional GDP contribution of Ksh 10 billion. This was expected to be achieved by;

- (i) Attracting at least five major leading IT suppliers
- (ii) Attracting at least ten large multinational corporation captives and/or global BPO players
- (iii) Targeting at least five large local players to develop as local champions through standalone operations or joint ventures.

Four strategic thrusts were identified for the BPO sector. These are; International IT supplier base in which the strategy is to attract top international suppliers for scale and credibility; the multinational corporation captives and foreign BPOs where the strategy is to attract leading brands to establish at least 300 seat operations; Local champions where the strategy is to develop local champions through standalone operations and joint ventures; and Integrated value proposition which involves use of BPO park to concentrate marketing, training, incentives and telecom infrastructure.

One flagship project was identified for the BPO sector and this is to *'Design and develop one major BPO park in Nairobi that has world class infrastructure developed by top international IT suppliers, offers competitive incentive packages to locate in park, provides a one stop shop for administration and talent and serves as a 'showcase' park to attract top foreign companies'*. In setting up BPO sector, the government aimed at creating wealth and job opportunities, however no data is currently available on the actual contribution of the sector to the national GDP. ICT sector contributes up to Kshs. 450 Million to the GDP. It is also noted that most BPO establishments are based in the cities.

According to ICT Board not much progress has been made in this sector with interested investors facing several challenges in setting up and operating BPO business. Among the key challenges facing the investors noted by the ICT Authority include the following;

- Initial capital to setup the business. The infrastructure required is enormous especially for start-up entrepreneurs.
- Energy sector which is a key requirement is expensive in Kenya and during some instances there is power rationing. This affects the ability to fulfil customer requirements and the installation of backup power is an expensive alternative.
- Bandwidth cost for a long time has been high, however it has since come down and the government through a grant from World Bank offered some subsidy to BPO investors at some point.
- Human resource requirements for the sector have also been a challenge since extra training is required for specific type of operations. There are no specific training institutions producing human resource which can work in the BPO sector. A high turnover has also been experienced by most businesses.
- Another key challenge is the market development and ability to secure business especially for small entrepreneurs. In some situations, available business for the BPO sector required a capacity which was beyond a single business considering the required lead time by the customer.

ICT Authority together with other stakeholders in the sector are actively involved in the development of the BPO sector. A notable stakeholder is the umbrella association of BPO companies called the Business Processing

Outsourcing and Contact Centre Society (BPOCCS) which was started in the year 2006. ICT board has been working with the BPOCCS in advocacy activities, capacity building and promotion of the BPO sector in the existing and potential external markets. ICT Authority has been supporting BPO sector companies both directly and through the BPOCCS.

In the period July 2007 to February 2010 Kenya was offered \$8 million grant for bandwidth subsidy to assist BPO sector operators by cushioning it from the expensive bandwidth while awaiting the completion of the undersea fibre optic cable. This saw the bandwidth cost drop from \$2500 to about \$500 for one megabyte per second (Mbps). This incentive was however utilized by few BPO companies (Ratio Magazine, 2003). One of the reasons for this low response was the stringent requirements to qualify for the subsidy facility by the ICT board and the companies were also sceptical in divulging some required information which they considered confidential.

Concerning the role which ICT Authority plays in ensuring an enabling environment for the development of BPO sector is in place, they are planning to lobby the government for enactment of the necessary legislation and policies. One of the considerations is the development of special economic zones where BPOs will be based and with favourable operating conditions such as affordable taxation, reliable infrastructure and ensuring that the education sector starts the necessary programmes to produce the required human resource for the BPO sector. The ICT Authority on behalf of the government is also working on ensuring the availability of a centralised licensing for the sector and providing the necessary consultation and assisting new investors to set up.

b) Business Process Outsourcing and Contact Society

Business Process Outsourcing and Contact Society (BPOCCS) was established in the year 2006 by the BPO sector players with the aim of bringing together private sector players in the BPO industry. As the time of this research in the July 2010, thirty corporate and about 200 individual members were registered with the society, however only five corporates and ten individual members were active. The main type of businesses which members of the society are involved in can be categorised into call centre, business processes and knowledge process. It was also established that the main industries where business is sourced from include; Insurance, Banking, Information technology companies, Translation agencies and government agencies.

Some of the main services offered by BPOCCS to its clients include the training, access to market and networking opportunities through organising meetings and seminars. One of the key reasons why the companies came together was to consolidate efforts in sourcing business for the members. This has been achieved through trade missions, writing proposals to clients and marketing of the companies through channels such as the internet.

The society has also established international links with other similar associations in other countries such as National Outsourcing of Britain, NASCOM of India, Philippines BPO Association of Philippines, Uganda BPO Association of Uganda, and South Africa BPO Association of South Africa. This collaboration has assisted them in access to business opportunities, training of the members and access to new technologies.

The society also reported that apart from the external outsourcing received from countries in the developed countries the society members also receive business locally from the government and the private sector.

Apart from the bandwidth subsidy programme which according to the society benefited only two of their members, the government had also supported the society during the trade missions in foreign countries, providing the necessary market and technology information and facilitating in securing attractive joint ventures. The government support had been achieved through its' subsidiaries including Kenya Investment Authority, Brand Kenya Board, Export Promotion Council, Communication Authority.

The society concurred with the members that some of the key challenges faced in setting up and operating BPO investments included start-up capital, training on required skills and access to market especially considering that most companies were too small to attract clients. However, the society was optimistic that the sector still had the potential of contributing enormously to the country's economy once the teething problems faced currently were overcome. The support by the government is also very promising considering that BPO sector was one of the flagship projects under the economic pillar of the Vision 2030.

4.0 Conclusion

The study found out that there were initially very high expectations in terms of business opportunities from the BPO sector which saw big entrance. More sensitization is required to make BPO successful. It was also found out that training of BPO specific manpower is required. There is also need to provide assistance to BPO companies in securing and guaranteeing of BPO business. Funding for the development of BPO sector especially start-ups was required as well as a clear policy and guideline in development and promotion of BPO by the government. The Government had however shown commitment by setting up a BPO park, centre of excellence for BPO training and developing the terrestrial telecommunication infrastructure among others

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