Ghana'S Positioning in West Africa as a Bpo Destination – A Basis for Government Support for the Bpo Sector

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Abstract

BPO is a fertile field for nurturing businesses, jobs and careers. As an emerging and developing sector, much is not known about the strength of the various BPO destinations in West Africa. The purpose of this study was to identify whether Ghana is the leader in terms of a BPO destination in West Africa. The study was a secondary data analysis, based on weightings of measures of the strength of BPO destinations. Of the four measures (i.e. quality of workforce, quality of infrastructure, quality of environment and quality of financial attractiveness) considered, Ghana leads Nigeria and other countries in West Africa.

Key words: BPO, BPO sector, West Africa, BPO leader

1. Introduction

Business Process Outsourcing (BPO) is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or processes) to a third-party service provider (Tus and Sunder, 2004)[13]. BPO is typically categorised into back office outsourcing, which includes internal business functions such as human resources or finance and accounting, and front office outsourcing, which includes customer-related services such as contact centre services (Nellis & Parker, 2006)[8]. BPO that is contracted outside a company's country is called offshore outsourcing. BPO that is contracted to a company's neighbouring (or nearby) country is called nearshore outsourcing (Tus & Sunder, 2004)[13]. Often the business processes are information technology-based, and are referred to as ITES-BPO, where ITES stands for Information Technology Enabled Service (Nellis & Parker, 2006)[8]. Knowledge process outsourcing (KPO) and legal process outsourcing (LPO) are some of the sub-segments of business process outsourcing industry.

Aubert (2004)[2] said that Business Process Outsourcing (BPO) is a well-adapted and potent field of industry, which determines changes in numerous variables of economic growth. Thus the BPO sector has a high potential to generate career and business avenues for the enhancement of national economies, regardless of how new it might be. In fact, economies like India have been able to demonstrate the vibrancy of BPO. It is apparent that the country has been able to harness the sector of BPO in addressing basic economic problems; not forgetting the fact that India has taken on a reputable name of an industry vanguard in terms of progress in BPO (Dhermendra, Jitendra &Naveen, 2011)[4].

The relevance of Business Process Outsourcing (BPO) in terms of variables of economic growth has increased over the years (Arnold, 2000)[1]. Meanwhile, the maximum realization of the potential of the BPO sector relies on how well government commits to the sector. Government's commitment to the BPO sector would need an initial examination of how Ghana's BPO sector is positioned in the Wes African sub-region, considering Nigeria and other countries in which BPO emerges and with respect to the four measures of the strength of the BPO sector.

2 Literature Review

2.1 BPO Industry

The merit of BPO is the way in which it helps to increase a company's flexibility. However, several sources which have different ways in which they perceive organisational flexibility (Gilley & Rasheed, 2000)[7]. Therefore business process outsourcing enhances the flexibility of an organisation in different ways. Most services provided by BPO vendors are offered on a fee-for-service basis (Feeny et al, 2004)[8]. This can help a company to become more flexible by transforming fixed into variable costs. A variable cost structure helps a company responding to changes in required capacity and does not require a company to invest in assets, thereby making the company more flexible (Gilley & Rasheed, 2000)[7]. Another way in which BPO contributes to a company's flexibility is that a company is able to focus on its core competencies, without being burdened by the demands of bureaucratic restraints (Kakabadse, 2002)[9]. Key employees are herewith released from performing non-core or administrative processes and can invest more time and energy in building the firm's core businesses. The key lies in knowing which of the main value drivers to focus on – customer intimacy, product leadership, or

operational excellence. Focusing more on one of these drivers may help a company create a competitive edge.

A third way in which BPO increases organisational flexibility is by increasing the speed of business processes (Leavy, 2004)[10]. Supply chain management with the effective use of supply chain partners and business process outsourcing increases the speed of several business processes, such as the throughput in the case of a manufacturing company (Jeroen et al, 2004). Finally, flexibility is seen as a stage in the organisational life cycle: A company can maintain growth goals while avoiding standard business bottlenecks (Fischer, 2001)[5]. BPO therefore allows firms to retain their entrepreneurial speed and agility, which they would otherwise sacrifice in order to become efficient as they expanded.

India has revenues of US$10.9 billion from offshore BPO and US$30 billion from IT and total BPO (Southafrica.info, 2009)[12]. India thus has some 5-6% share of the total BPO Industry, but a commanding 63% share of the offshore component. This 63% is a drop from the 70% offshore share that India enjoyed last year: despite the industry growing 38% in India last year, other locations like Philippines, and South Africa have emerged to take a share of the market. The South African call centre industry has grown by approximately 8% per year since 2003 and it directly employs about 54 000 people, contributing 0.92% to South Africa's gross domestic product (GDP) (Southafrica.info, 2009)[12]. China is also trying to grow from a very small base in this industry. However, while the BPO industry is expected to continue to grow in India, its market share of the offshore piece is expected to decline. Important centres in India are Bangalore, Hyderabad, Chennai, Kolkata, Mumbai, Pune, Patna, Trivandrum, Bhubaneswar and New Delhi. In fact, the Philippines has overtaken India as the largest call centre industry in the world in 2010 (Southafrica.info, 2011)[12].

The Ghanaian Business Process Outsourcing (BPO) sector is a fast-developing one, as the sector has made giant strides in terms of economic and infrastructural growth. The sector has contributed remarkably and significantly to Ghana's economic growth, contributing a great deal to employment and job creation. Ghana, for instance, earns about $45 million annually from the BPO sector (Ghana Business News, 2009)[6]. Moreover, commerceghana.com indicated that:

> Ghana's BPO industry scored the highest, followed closely by India, out of 50 countries in the 2009 A.T. Kearney Global Services Location Index", according to Commerceghana.com. Ghana was ranked the 15th most favoured destination overall. The industry is being modelled around the success of India's BPO industry, and has been identified as one of the government's focus areas for development. In 2005 and 2007, The AT Kearney Global Services Location Index ranked Ghana and South Africa as the only two African countries considered to be competitive in the industry. In 2009, Ghana was ranked number one as the preferred outsourcing destination in Sub-Saharan Africa.

Ghana is seen as a preferred BPO destination due to its large pool of English-speaking labour, competitive labour costs and geo-political stability (commerceghana.com, 2012)[3]. The fact that Ghana has a reasonably large portion of the population also capable of speaking French puts Ghana in a position to offer valuable multilingual outsourcing services to its clients. Industry experts also consider Ghana to have the following strengths:

- High-energy, friendly and computer-literate talent
- Educational institutions with capacity
- Strong financial support from BPO industry, government, and World Bank
- Demonstrated investor willingness
- Peaceful, stable political environment with a high level of security
- Located within GMT time zone
- Stable, robust business environment.

Despite the strengths associated with the Ghanaian BPO sector, some challenges have been found to confront it. High cost of real estate, limited telecom infrastructure, high cost of broadband, frequent electric power outages and lack of management depth are said to be challenges confronting the industry (commerceghana.com, 2012)[3].

2.2 Government Commitment on BPO Sector

The Ghanaian BPO industry has shown signs of being an enabler of economic growth in other African countries such as Egypt, Mauritius, South Africa and Kenya (commerceghana.com, 2012)[3]. While Ghana's own BPO industry is fairly young and upcoming, it has a lot of potential to create jobs for Ghanaians and increase income levels among workers (Ghana Business News, 2009)[6]. In October 2009, the Ministry of Communications hired a US-based BPO advisory company, Avasant, to re-brand and market Ghana as a preferred BPO destination (Commerceghana.com, 2012)[3].

The Government of Ghana is committed to the transformation of the services sector of the economy to become the largest source of employment and contributor to the GDP of Ghana. In this respect, the facilitation of the expansion of the Information Communication Technology (ICT) infrastructure to propel economic growth, coupled with the investment in people initiative to build a pool of suitable talent, are both geared to building the

foundation for a stronger economy with real jobs in the services sector (Newghana.com, 2012)[11]. These pursuits of the Government are in line with the national ICT Policy blueprint which identifies the need for Government to promote the development of a regional competitive advantage in the Business Process Outsourcing (BPO) industry to enable the private sector to meaningfully support value added products and services development in Ghana's economic transformation. Three government agencies are being funded with a $45 million World Bank loan to support ICT and Information Technology Enabled Services institutions. When it comes to outsourcing, Ghana has a clear strategy. Ghana's government has been working hard to have a BPO presence over the last few years ((Newghana.com, 2012)[11].

Nonetheless, the government of many economies where BPO is fast-developing are not recognised as significant contributors to the development of the BPO sector. For instance, in India, government is said to have special plans towards the development of the BPO sector, but the success of the industry is said to largely lie on the BPO companies (Dhermendra, Jitendra & Naveen, 2011)[4]. In South Africa, not much is known about government's commitment to the BPO sector, as the South African government itself has no clear-cut policies for the development and enhancement of the sector, though the BPO sector of South Africa is one of the world's largest (Southafrica.info, 2009)[12]. In Ghana, a similar situation prevails, as no empirical evidence exists on the commitment of Ghana towards the development of the BPO sector. The phenomenon where government's do not contribute significantly towards the development of the BPO sector counteracts the admonishing of Arnold (2000)[1], who stressed that BOP businesses cannot reach their maximum potentials when the government does not influence their operations in a positive culture. It is therefore vital to identify the commitment of the Ghanaian government to the enhancement of the BPO sector of Ghana.

2.3 Empirical Review

Roland (2007) [15] undertook a similar study in the United States. Based on his results, Roland (2007) [15] said that it is difficult to identify what government does to elevate the productivity of the BPO sector, as activities of the BPO sector by government are not well communicated or publicised. Nonetheless, there are many programs, policies and provisions that are instituted by government for the enhancement of the BPO sector. Furthermore, direct support for BPO companies is scarce, but some governments grant direct support to BPO companies on conditional basis. In the United States for instance, government collaborates with various agencies to support BPO firms based on size, profitability and stability of BPO firm. Thus government would often grant direct support to BPO companies that credible and have made a significant level of success for a number of years.

The findings of Roland (2007) [15] are informative and make way for policy making. But the results of his study would not suit policy making in Ghana due to differences in economic and geographical situation of Ghana and the United states. There is therefore the need for the research of Roland (2007) [15] to be replicated in Ghana so findings can be reached based on the Ghanaian situation.

3. Research Objective

The objective of the study was to identify Ghana's positioning in terms of leadership in BPO, considering the four measures of a destination's strength, which are quality of workforce, quality of infrastructure, quality of environment and quality of financial attractiveness. The study was also aimed at assessing whether Ghana is actually the leader in BPO in West Africa, as a basis for deciding on government support for Ghana's BPO sector.

4. Methodology
4.1 Research Design and Sampling

The research design was a secondary data analysis. It used data on existing weightings of countries on the measures of strength (leadership positioning) in BPO. The measures were quality of workforce, quality of infrastructure, quality of environment and quality of financial attractiveness.

4.2 Tools for Data Analysis

Data were analysed using Ms Excel and SPSS. The precise statistical tools used were the ANOVA and F tests. These tools were used because data were ratio-based.

4.3 Hypotheses of the Study

The study was governed by a number of research hypotheses, which are outline as shown below:

H_{01}: There is no significant difference in quality of workforce between Ghana and Nigeria as BPO destinations in West Africa.

H_{02}: There is no significant difference in quality of infrastructure between Ghana and Nigeria as BPO destinations in West Africa.

H_{03}: There is no significant difference in quality of environment between Ghana and Nigeria as BPO destinations in West Africa.

H_{04}: There is no significant difference in financial attractiveness between Ghana and Nigeria as BPO

destinations in West Africa.

5. Results and Discussions

Ghana, Nigeria and India are major countries which have solid BPO-ITES policy framework. In Ghana, there are over 50 active BPO companies; whiles India has many more companies in the BPO sector. Nigeria is yet to have a BPO company. In Ghana, software technology parks are being established in Tema, Cape Coast and Tamale. Nigeria has a few technology projects; whiles India indisputably remains a world leader in this respect.

Table 1: Means of Measures of Leadership Positioning by Country

Measure	Mean			Total
	Ghana	Nigeria	India	
Quality of Workforce	6.78	5.23	13	25
Quality of Infrastructure	6.84	5.49	7.7	20
Quality of Environment	7.54	7.13	10	25
Quality of Financial Attractiveness	8.46	6.83	9.7	25
Total	29.61	24.68	41	95

Table 1 gives means of measures of leadership positioning in BPO for Ghana, Nigeria and India. These statistics form the bases of Table 2 below. India has the highest means for the four measures of leadership positioning, followed by Ghana and Nigeria, in that order. Table 2 gives ANOVA tests of the differences in the measures of leadership positioning of the three countries. From it, there is a significant difference in the quality of workforce of the BPO sectors of India, Ghana and Nigeria. In terms of Ghana and Nigeria as two BPO destinations in West Africa, there is a significant difference in the quality of workforce in the BPO sectors of the two countries. Hence, Ghana leads in terms of quality of workforce as far as West Africa is concerned. There is also a significant difference between the qualities of infrastructure of the BPO sectors of India, Ghana and Nigeria, with India leading, followed by Ghana and Nigeria, in that order. Hence, Ghana leads Nigeria and for that matter leads West Africa in terms of quality of infrastructure. There was an observed difference in the quality of environment of the BPO sectors of India, Ghana and Nigeria. In this case too, Ghana leads Nigeria and other countries in West Africa. The same applies for quality of financial attractiveness, on which Ghana leads Nigeria and other countries in West Africa. The table below gives a summary of ANOVA results.

Table 1: ANOVA Results on Measures of Leadership Positioning

Measurers	SS	df	MS	F	p-value
Quality of Workforce by Country	135.5	2	67.75	1.2	0.34
Quality of Infrastructure by Country	40.32	2	20.16	0.13	0.88
Quality of Environment by Country	24.19	2	12.1	0.08	0.92
Quality of Financial Attractiveness by Country	16.85	2	8.42	0.57	0.58

6. Conclusions and Recommendations

Ghana, Nigeria and India were the three countries involved in the analysis. The three countries are major countries which have solid BPO-ITES policy framework. In Ghana, there are over 50 active BPO companies; whiles India has many more companies in the BPO sector. Nigeria is yet to have significant BPO companies. In Ghana, software technology parks are being earmarked for Tema, Cape Coast and Tamale. Nigeria has developed a few technology projects; whiles India indisputably remains a world leader in this respect.

India has the highest leadership positioning in BPO among the three countries, considering the four measures of leadership positioning. Ghana is next to India. Ghana and Nigeria are the current developing BPO destinations in West Africa. So it can be said that Ghana is the leading BPO destination in West Africa. This is confirmed by the ANOVA tests of Table 2. From it, there is a significant difference in the quality of workforce of the BPO sectors of India, Ghana and Nigeria. In terms of Ghana and Nigeria as two BPO destinations in West Africa, there is a significant difference in the quality of workforce in the BPO sectors of the two countries. Hence, Ghana leads in terms of quality of workforce as far as West Africa is concerned. There is also a significant difference between the qualities of infrastructure of the BPO sectors of India, Ghana and Nigeria, with India leading, followed by Ghana and Nigeria, in that order. Hence, Ghana leads Nigeria and for that matter leads West Africa in terms of quality of infrastructure. There was an observed difference in the quality of environment of the BPO sectors of India, Ghana and Nigeria. In this case too, Ghana leads Nigeria and other countries in West Africa. The same applies for quality of financial attractiveness, on which Ghana leads Nigeria and other countries in West Africa. The table above gives a summary of ANOVA results.

The above conclusions stress the fact that Ghana has a huge opportunity to leverage its BPO sector. It has the potential and resources to grow; hence the government of Ghana is encouraged to make efforts necessary to boost the BPO sector of Ghana and to make it realise its maximum potential. BPO companies, their stakeholders and other players of the BPO sector are also encouraged to contribute their quotas towards the enhancement of the Ghanaian BPO sector, and any commitment made should be based on the fact that Ghana leads in West Africa as a BPO destination and therefore has great potential to grow.

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