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EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY-MAKERS

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Export of Information and Communications Technology
Services - Still an Opportunity?
The Experience of Ecuador

A paper contributed by
T. Paola Arévalo B.
Product Manager
Export Promotion
Corporation for the Promotion of Exports and Investment (CORPEI)
Ecuador
Is It Still an Opportunity?

It’s a big question, hard to define on today’s conditions. But let me tell you a couple of success cases that might change the view that all IT Services are already covered.

These are different cases from small companies in a small country in the middle of the world, a country that you might think that it could never have a shot at competing against big exporters in technology services such as Denmark, Sweden or even the United States.

The small country is Ecuador and one of these small companies is Multisoft.

Multisoft was founded in 1989 with a sole associate, Nicolás Martínez, who started his business just out of curiosity to see if one of his inventions worked. He started developing technological products aim to be applied by the local financial sector. His first client was Banco Amazonas where he provided a unique service, consisting in moving all appliances from a very expensive 800 thousand US Dollar computer to a new 486 PC of just 6 thousand US dollars. The costs went dramatically down and also the time to process the data was reduced from 14 hours to 1 hour.

From then, Multisoft installed many financial solutions for other banks and afterwards, developed a parallel company called Multiservice, which since 1993 has been offering leasing for ATM’s.

Two other players came into Multisoft’s game, Alberto Andrade and Víctor Peñañuel (who are currently working in the United States) they were all former workers for the US Company NCR (hardware distributors).

Through NCR, Multisoft was able to take advantage of an opening bid from the US Navy to provide financial services through out their ships. NCR was accounted to provide the hardware and Multisoft the software. At first this opportunity didn’t seem charming enough, but when they were told that every big ship of the navy carries out over 6000 people, they jumped right in.

The project was very successful. Who would have thought that a small Ecuadorian company with less than 40 employees, will be the one that allows US marines to take out money from ATM’s on their ships?

At the moment, Multisoft and Multiservice have ISO 9000 certification, provide services to various local companies; they have also exported their services to clients in Guatemala, Uruguay, Colombia, Puerto Rico and the United States, and have been able to establish offices in Colombia, Guatemala and the US.

Carrasco & Asociados carried out another success story. This company was created in 1990 and since 1997 has been exporting two specific services: Spiral Soft which involves technological solutions created to cover human resources payments (payment roll), budgeting, commercial and accounting information, and Spyral Consulting to provide consulting and training on human resources and quality systems. With both services, Carrasco & Asociados has been able to target many countries of Latin America. Currently they have authorized distributors in Bolivia, Panama, Peru and Venezuela.

MACOSA, one of Ecuador’s biggest software exporters is really an example for small companies with big dreams. This company started 48 years ago and focused mainly on the financial sector. On the 70’s MACOSA developed its first on-line and on-real-time system called LABIS (Latin American Banking Information System). This system was acquired by 50% of the local financial institutions in Ecuador and by a couple banking institutions in the rest of Latin America.
Even though they were successful, especially inside the country, MACOSA went further on to stay up to date and penetrate in international markets. They developed a new system that was able to respond to the open requirements (client-server architectures and related databases), the system was called COBIS (Cooperative Open Banking Information System) and is being used by dozens of banks and other financial institutions in Ecuador and many others across the continent.

From the initial COBIS, MACOSA developed a whole family of related products to target today’s necessities in a global world, recognizing that the critical factor of success for a financial institution is the effective management of information they decided to convert all this problems into opportunities and those opportunities into services.

We can also mention GRUPO MÁS, a young company established 10 years ago, who develops specialized solutions for information management under one portal –ACCELERATOR- through which information is distributed among all associates of a company in order to take reliable and on time decisions. GRUPO MAS has several clients in Ecuador and in other countries such as BLADEX (Panama), Dominican Popular Bank (Dominican Republic), Costa Rica National Bank and Promerica Bank (Costa Rica), Cable & Wireless (Panama), Confiteca (Ecuador, Peru and Colombia), Banpro (Nicaragua), etc.

SIGNUM initiated its operations in 1989 doing translation work for Apple Computers, Autodesk, Aldus, Software Publishing Corporation and others. In 1994, they focused on research and development on linguistics technology industries and in 1996 they launched Ortógrafo, an orthography corrector that was considered the most advanced and complete for Spanish language. Ortógrafo was licensed to MICROSOFT in order to be included in Office 2000 programs and the newest versions.

SIGNUM as well as other three companies from France, Italy and Portugal are on the top of the list for linguistics technology and have formed the NLUC consortium, to carry out projects for development and trade of language programs. Their actual clients include dictionary and software editors from Canada, France, Indonesia, Ireland, Spain and the United States and their high-end users are located over 30 countries.

Except for SIGNUM, most of the above-mentioned companies provide IT services (software) specifically to other companies, outside and inside Ecuador. But let's take a look on a service provider who was able to target thousands of users around the world with a single event that took place in Quito:

KRUGER CORPORATION was founded in 1994 and has been providing quality business solutions for companies through customized software. Kruger counts with ISO 9001-2000 and ANSI/ASQ Q 9001:2000 certifications on: “Design, development and software support”. Additionally, they are certified as “Oracle Certified Solution Partner” and PartnerWorld Developer from IBM.

KRUGER supplied the software for the Miss Universe Contest in 2004, which was held in Ecuador. After being selected by the Ministry of Commerce and through five days of really hard work, KRUGER was able to deliver a Miss Universe website that provided up-to date information to thousands of followers of the contest. Also, a call centre and web system were established to receive purchase orders from all over the world to attend the previous events to the election and view the candidates on real life, turning out to be the biggest e-commerce program in the country.

It is important to understand the magnitude of having all programs and systems related to the contest to work out the best way possible, as this contest was held in Ecuador for the first time in 2004 and as we were receiving thousands of visitors from different countries. It was very important to provide the best service and KRUGER did it.

Just as Multisoft, Carrasco & Asociados, Macosa, Grupo Más, Signum and Kruger, there are many other Ecuadorian companies that have been able to export their services to countries in Latin America, North America, Europe and Asia.
Having stated these examples of successful exporters of IT Technology services such as software…. Can we answer the question: is there still opportunity? Of course there is.

**How did Ecuador Realized these Opportunities?**

In the decades of the 80's and 90's, many countries in Latin America, suffered financial crises that affected their economies and evidently many businesses. Most companies needed to show themselves as transparent and efficient. They were forced to re-do their software in order to use flexible architectures to provide a better and faster service to users and clients. Ecuador was not the exception, software companies started to develop specific financial software using flexible models that were targeted to private banks, and software targeted specifically to other kind of companies, to improve their productiveness.

There was a clear opportunity, to pass on from a huge computer to small and one-user PC that had specific access to information depending on work scope of each member of a particular organization. The opportunity was there, and Ecuador jumped along. The aim of many businesses was achieved; the final consumer had the perception that their operation was fast and transparent.

Today, the constant growth of technology demands creates many opportunities for IT Services development. Ecuador should focus on positioning their custom-made software service in the international market. This software can target any of the product or service industries such as agriculture, manufacture, financial, etc. This is not only a product but also a range of services that try to improve the company’s productiveness and competitiveness. The world will continue to globalize and the competition will be every time bigger. A company that is not renovating their technology on a constant basis will not be able to compete on a globalize world. There is the opportunity for the IT services companies to jump in.

Ecuador has industries such as: agribusiness, cut flower sector, fish industry, wood industry, etc. who have been very successful in the international markets. These sectors have created expertise in some specific services that could be exported to the world market. The best approach to select exportable services might be to point out services that are intrinsic to product exports. We want to focus on generating and creating capabilities on innovative and specialized services.

Right now the IT services companies are working on increasing the competitiveness of the sector. The private sector is engaged in projects to acquire international certifications as well as doing in-house work to improve their services to clients. It's important to considerate that the Ecuadorian Government is carrying out a series of activities to incorporate the Tic's to the population. As of today, the program "Mi compu" was announced. This program (which has the collaboration of INTEL) will make affordable PC's with up to date software and accessible Internet for the majority of the population. Also, an initiative to incorporate HI-Ex broadband in various cities of the country is being analyzed. These initiatives will benefit Ecuadorian citizens, and will have a direct impact on IT dependent industries that will be able to provide more competitive and better services.

Many companies as the ones I have mentioned, companies that have creativity, that are innovators, have been able to survive against all odds, and are true examples for many others. These companies have made their way into international markets with no incentives from the Government, but with a true will for always going further.

So there is still a chance, there will always be need for technology to make things easier and faster. The opportunities on international markets are right there, it just takes a true trooper to take advantage of them.

As CORPEI we have been able to realize the potential of service providers and have been supporting the work from software related service companies since the creation of CORPEI in
1997. Right now we are involved in a project to increase the competitiveness of software exporters through the acquisition of the CMM certification.

With this project we also hope to train many professionals in the CMM procedures and certification so they can repeat the processes on other companies regardless of their size so that they can achieve the certification, which will make them more attractive in other countries.

The Ministry of Foreign Affairs is also paying special attention in developing the service sector and looking for partners abroad to accompany us in this important venture.