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**Business Process Outsourcing:
A Canadian Purchaser's Experience**

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BUSINESS PROCESS OUTSOURCING: A CANADIAN PURCHASER'S EXPERIENCE

Introduction

Business process outsourcing (BPO) is neither a new phenomenon nor a passing fad; "rather it is the beginning of a permanent structural shift that will considerably impact the functioning of the global economy". There is a tremendous opportunity for developing and underdeveloped countries to capitalize on this structural shift. However, there are still many obstacles to be overcome. To be a contender in this arena, you will have to do more than simply provide cheap labour. Vendor countries and companies that have succeeded in the BPO market have invested a great deal of time and resources to make their projects a success. When we look at the world leaders of BPO, it is evident that there is a formula to their success and that it takes more than low wages and luck. There are best practices that both vendor and vendor countries must implement if they want to be successful in this market.

Through our BPO experience we have encountered five areas that vendor and vendor countries should focus on if they want to be seen as a viable venue for global outsourcing.

1. Helping purchasers find the right offshore resource and the value of working with experts to facilitate this process;
2. The role of the government and the value of their support;
3. The significance of training and communication;
4. Helping purchasers to define and refine their business processes;
5. Marketing and the role of media versus business-to-business relationships.

Background

Before delving into our experience with business process outsourcing, I would like to give you some background on our company. The President and owner of Wall & Associates Professional Corporation is also the founder of Chartered Accountants 4 Information Technologist (CA4IT), an association of public accounting firms who service over 3500 small businesses across Canada with offices in Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montreal. Over the last twenty years our firm has specialized in providing tax and accounting services to Information Technologists. As a result of working closely with the IT profession, we have always strived to be on the leading edge of technology. Twenty years ago George Wall founded Wall and Associates Professional Corporation with his first computer, an Osborne portable PC (which was about the size of a large desktop PC complete with a 5 inch green CRT screen and a full-size detachable keyboard). Even then he knew technology would play an important role in the Accounting industry and was determined to be at the forefront. In the mid 90's we were one of the first accounting firms with a website and it wasn't long after that that we started developing our first tax preparation software, Tax saver.

It wasn't until 2000 that we began our latest and most challenging technology venture. At the time I was working in the technology department* and there was a lot of talk about outsourcing and the Application Service Provider (ASP) model. We knew that this was a tremendous opportunity for us and we weren't going to miss out on it. We started off by developing a very simple application that allowed our staff in Toronto to scan our clients' source documents and upload them to a secure web server. Once uploaded, staff in any part of the world could view these documents and enter the relevant information into the bookkeeping software of our choice, Quickbooks. Once the data entry was complete, they could send us the file for a final review and tax filing. In the first quarter of 2000 we were convinced that we had an application that would allow us to deliver a better quality service at a lower cost. All we needed was the right resources.

Choosing the Right Resource

Purchasers of outsourced services are being inundated with offers from vendors wishing to provide BPO services. Without the assistance of an expert, weeding through these offers can be an intimidating task. We had just started talking with a company in India when we met Jacques Rostenne from Perwit International. At the time, most of the interest was around India and we had not heard much about outsourcing to other countries. Jacques informed us about other countries and introduced us to a few companies that were interested in providing outsourcing services. However, it was his experience with and knowledge of both the Canadian and Ugandan cultures that facilitated our process of choosing Uganda over India.

We arranged a trip to Kampala, Uganda in the summer of 2001, systematically interviewed all of the candidates and developed a hiring process. It was clear from our first set of meetings that Kampala had a high number of highly educated English speaking resources. We knew that many of these people were unemployed and struggling to make a living, but we did not expect our company and our product to be so important to the people of Uganda. It was clear that they did not see this as just as a job opportunity for a few businesses but as an industry opportunity for their whole country. Jacques played a very influential role throughout the entire course of this project and he was particularly valuable during the times of trouble and doubt. From my experience working with him, I would recommend that any country hoping to enter the outsourcing industry have a resource in the client country that can facilitate the process as well as Jacques did.

Government Support

When purchasers make a decision to work with a company, one of the most important issues they look at is government support. It is important that vendor countries support the BPO industry at all levels. When we were in Uganda, it was clear the people of the country were committed to building an industry, but we did not know if there was support from the government. We toured Kampala and visited most of the Internet Cafés. There was definitely infrastructure in place but it was nothing like North America.

After speaking with the owners of the Internet Cafés and testing out the Internet connections, we knew that Internet connectivity was an issue that had to be addressed. It was slow and expensive even compared to other African countries. If Uganda wanted to develop a tele-services industry, they needed to address this issue.

Jacques arranged a meeting with the Minister of Foreign Investment and the President of Uganda and we left this meeting feeling confident in Uganda as an outsourcing venue. The government was aware that they had some stiff competition in this arena, particularly from India. Nonetheless, everyone felt that that Uganda had what it took to compete in the global market. There was no doubt that they had a highly educated labour force that could compete on price. The only question was the infrastructure, and the President himself had assured us that his government would do what ever was necessary to help build the business process outsourcing industry in his country.

Our meetings with the senior officials in Uganda are what gave us the confidence to go ahead with an unproven country. I strongly urge that, if you are a country that is interested in entering the BPO market, then it is essential that your government be available to meet with purchasers of outsourced services and demonstrate its commitment to the industry.

Training and Communication

Training and communication is arguably the most important of the five issues discussed in this paper. Vendors and vendor countries need to understand that training responsibilities and cost should not be saddled on the purchaser. After talking to a number of small business owners in Kampala, we decided to work with Abubakar Luwaga because he was hard working, ambitious

and had an aptitude for accounting and computers that we knew would be helpful in the training process.

Over the Internet we began working closely with Abubakar to develop training materials and work through our beta test. As we began building our client base, Abubakar began a training program in Uganda to train resources there on our system. We did as much training through the Internet as possible but found it a bit cumbersome. Phone calls from Uganda were expensive and instant message tools did not work as effectively as personal contact. Abubakar's government recognized the importance of this training and helped fund two trips for him to Toronto where we underwent several weeks of intense training. Abubakar met all of our staff and learned the entire process from start to finish.

By 2003 Abu was an expert in our system and had about ten people in Uganda trained on it. While Abubakar had learned our system quickly, we were still having trouble with communication and turnaround time. Any issue that required clarification took at least two business days to resolve. Abubakar would identify an issue and email our office in Toronto. Our office would receive the email the following day and send out a response, which Abubakar would pick up the following morning. We tried to make use of instant messaging such as MSN Messenger as much as possible but it was no substitute for real interaction. In addition, Abubakar started having problems with his ISP in Uganda, which started when we were trying to implement our new Voice Over Internet Protocol (VOIP) phones. We did get a few calls through but the quality was so poor that we couldn't even hold a conversation. We asked Abubakar to try and increase his bandwidth in hopes that this would resolve the problem. But instead of improving our communication and decreasing turnaround time on the files, it began taking longer for Abubakar to complete the files.

Once again we reiterated to Abubakar how important it was for us to get the files out on a timely basis. Then suddenly, out of the blue, there were no responses to our emails and no work was getting done at all. We went in to panic mode. We had files piling up and we could not reach Abubakar. Although we eventually found out that the problem had been caused by an interruption in connectivity and not in Abubakar's commitment we found the situation deeply distressing. This experience taught us that reliable and fast means of communication are vital to any outsourcing operation. I recommend that all parties involved in an outsourcing operation maintain a constant dialogue and make effective use of all available tools including instant messaging, VOIP and email and protecting oneself against service interruptions is key.

Defining the Business Process

Business process outsourcing is not just the moving of a job from one country to another, but rather a fundamental change to the way a company does business. Companies must recognize that, in order to outsource a business process, they must be prepared to modify and in some cases, completely over-haul their business processes. Vendors and vendor countries that recognize this and facilitate the transition will be seen as great business resources.

Our company had to undergo a whole ideological change in order to make our process fit the outsourcing model. As I mentioned earlier, we started with a simple application that allowed us to upload our clients' source documents to a secure web server and our offshore resources would then enter the information in Quickbooks. Unfortunately, the feedback we were getting from our accountants was that the Quickbooks files were a mess and that the offshore resources had made mistakes with the debits and credits.

As a result of this experience, we decided to get rid of the Quickbooks component. The main problem was that all the existing bookkeeping software systems shared the same drawback. They all required the data entry technician to know debits and credits details and to have some tax knowledge of the country they were entering data for and Ugandans were not familiar with the Canadian system. We knew we had to sit down to rethink things and began developing our second iteration. This time there would be no Quickbooks or other debit and credit system. We wanted to make our system as simple and easy to use as possible. The hard part would be to

create software that would change accounting and bookkeeping from a double entry, knowledge intensive job into a simple data entry process.

We spent months working with our accountants mocking up all of the accounting possibilities we could think of and transferring our accountant's brain into stored procedures and sub routines. When we were done, we had developed a very complex application with 6 simple foolproof data entry screens and one Integrity Checker application that would ensure the information was correct. The entire job would be a copy-typing job with the exception of two fields. We had successfully re-designed our business process in such a way that it could be learned quickly and easily by anyone. It no longer required explicit knowledge of bookkeeping or of the Canadian tax system. Because our company was flexible enough to change our business process, we were able to develop a better product that fit very well into the outsourcing model.

I recommend that any countries that are planning to enter the outsourcing market be aware that companies will most probably need to modify their existing business process and will need as much help with that as possible. If vendors can recognize and facilitate changes when necessary, they will be in a much better position with potential purchasers.

Marketing and the Role of Media

Marketing and promoting a vendor country is a very difficult task. Unfortunately for us, we found out the hard way that marketing through traditional media can be harmful. In 2003 we began aggressively marketing our new service. We hired a publicist, developed a website and began marketing to our existing clients. The business began growing at a slow and steady pace. We had several articles published and even appeared on a television show called Venture. Venture is a national Canadian television show on start-up business produced by the Canadian Broadcast Corporation (CBC). We were convinced that, once the show aired, our business would boom.

Unfortunately, most of the responses we received were from people complaining that we were taking jobs away from Canadians. We also received calls from existing clients who were not happy we were sending their accounting information to Africa. The exposure we had received had, in fact, backfired and we had lost more clients than we had gained.

There are a lot of negative connotations associated with outsourcing, particularly in the U.S. CNN's Lou Dobbs even coined the phrase "Benedict Arnold CEO's" to describe corporate leaders that embrace offshore outsourcing². Despite the rhetoric spewed by Americans such as Lou Dobbs and Senator John Kerry, many business owners appreciate the importance of Business Process Outsourcing. However, countries wishing to work with these companies need to recognize the negative publicity that surrounds it. While there are business leaders that recognize outsourcing has existed for decades in the form of production and manufacturing, the outsourcing of higher-level work scares the average person.

Even though many North American jobs are going abroad, this does not mean that there is a net job loss. We have always taken the position that outsourcing will enable our company to deliver a better product at a lower cost, which will in turn deliver us more business and require more labour resources both locally and abroad. There are many studies that confirm that fact, including one done by Global Insight in March 2004. "The Study predicts the US economy will create 516,000 new IT jobs over the next five years. That number would only be 490,000 jobs without global outsourcing".ⁱⁱ

As more studies are done, more and more educated business leaders are recognizing the importance of global outsourcing. However, if you are a country that is entering the outsourcing market, I urge you to be cautious in your approach. I recommend establishing business-to-business relationships and using experts to foster and build an outsourcing community. You also need to appeal to business owners on a deeper level than simple cost savings. You must help businesses to recognize that you can help them build their business by delivering a higher quality product or a better service.

Conclusion

In this paper I have touched on only a few of the issues that may be encountered while outsourcing business processes. I know that business process outsourcing is very complex and requires a lot of planning and work. However, if I can leave you with only a few tips, they would be the following.

Find a representative that understands both cultures and can help foster the marriage between vendor and purchaser. Understand that the vendor's government and its support, or lack thereof, influences a purchaser's decision to outsource to that country. There are a lot of players in the outsourcing game and, if you want to be seen as a viable competitor, your government needs to be there on the sidelines helping you along. Although government subsidies can help ease the burden and cost of training, vendors must invest their own time and energy to ensure the training is a success and the lines of communications are open.

It is also important to recognize that business process outsourcing is not just a matter of taking a process and moving it offshore. It often requires a lot of work to fit the process into the outsourcing model. The countries that recognize this and provide assistance to help transition companies to a new model will undoubtedly be successful.

Finally and most importantly, you must be very delicate in how you promote your country as an outsourcing venue. Traditional media is simply not a good solution; instead, focus on building individual relationships. If you can work with a company to develop a business process that enables them to deliver a higher quality product or service, you will have found your best marketing tool - word of mouth.

I hope that these personal insights and experience may provide some inspiration and help you as either a vendor or purchaser to build and develop global relationships. These experiences have taught me that, although outsourcing is not easy, it can be accomplished and it doesn't require large organizations with big budgets. Our small business with limited resources was successful in building a profitable outsourcing business and I am confident other small business can do the same.

¹ Robert Scott, David Ticoll and Thomas Garner. *The Impact of Offshore IT Services on Canada's IT Landscape*. (PricewaterhouseCoopers, 2004).

² Bendor-Samuel, Peter, "Lou Dobbs: Here's Why You're WRONG!", <http://www.outsourcing-center.com/>, 05-Sept-05

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