

SERVICE PIONEERS

STORIES OF INNOVATIVE ENTREPRENEURSHIP



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STORIES OF INNOVATIVE
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Service Pioneers: Stories of innovative entrepreneurship

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Collection of case studies showcasing stories of innovative and creative service enterprises, mainly at the micro business level, in the least developed, developing and transition economies – covers Argentina, El Salvador, Guatemala, Paraguay and Uruguay; Ghana, Kenya, Nigeria and South Africa; Cambodia, Malaysia, Philippines, Singapore, and Viet Nam; China, India, Pakistan and Sri Lanka; highlights how these enterprises created value for their customers through the creation of new services or, by improving the way a service is delivered; explores some of the key themes from the case studies and uses those themes to describe the dynamics and characteristics of the services business.

Descriptors: Services, Trade in Services, Entrepreneurship, Case Studies, Developing countries, Least developed countries, Economies in transition.

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Foreword

Some assume that innovation is restricted to wealthy, developed nations. Some also assume that services drive only rich economies, whereas less developed economies are fuelled by natural resources, agriculture and some manufacturing.

The stories in this publication challenge these assumptions. The innovative enterprises showcased here are but a modest sample of the many service providers who are constantly innovating, providing employment and raising standards in least developed countries, developing countries, and transition economies around the world.

Each organization profiled here has a story to tell, be it about coming up with a new idea, developing a niche, overcoming preconceptions or regulatory hurdles, partnering on the domestic front or abroad, or developing a clever service export model. The result has invariably been the creation of an innovative business that improves the lives of consumers both at home and abroad, as well as those of employees.

In addition to the service stories, two chapters examining two complementary aspects of services are included in this publication. The concept of service excellence is explored, as well as the link between service and innovation with a focus on 'soft skills' and effective organizational structures for service businesses.

Business opportunities exist wherever there are creative, determined and enterprising men and women, irrespective of the country, the age, the level of development and despite any barriers.

The International Trade Centre extends sincere thanks to the enterprises that agreed to be interviewed by ITC for this publication in order to share their learning, knowledge and know-how.



Patricia Francis
Executive Director
International Trade Centre

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Contents

Foreword	iii
Acknowledgements	v
Introduction	1
Part One: Country profiles and company case studies	3
Chapter 1	
South Africa	5
Country profile	5
Case studies	6
Buying electricity from a mobile phone	6
Combining health care with tourism	8
Chapter 2	
Paraguay	10
Country profile	10
Case study	11
Cooking up a storm	11
Chapter 3	
Pakistan	14
Country profile	14
Case studies	15
Punjab AgriMarketing: a first in public-private partnerships	15
Ethical business and responsible competitiveness	16

Chapter 4	
Guatemala	19
Country profile	19
Case study	20
Enhancing well-being and ecological integrity	20
Chapter 5	
Nigeria	22
Country profile	22
Case studies	23
Redefining Nigeria's financial landscape	23
Here comes Nollywood	24
Chapter 6	
Philippines	26
Country profile	26
Case studies	27
A one dollar haircut and shampoo	27
Decentralizing is an enormous success	28
Animation films of quality	30
Chapter 7	
Argentina	33
Country profile	33
Case studies	34
A user-friendly, agile website	34
Taking more than two to tango	36
Chapter 8	
Ghana	38
Country profile	38
Case study	39
Exit cash, enter electronics	39
Chapter 9	
Malaysia	41
Country profile	41
Case study	42
Digital autopsies	42

Chapter 10	
Sri Lanka	44
Country profile	44
Case study	45
Pursuing the printing tradition	45
Chapter 11	
Singapore	47
Country profile	47
Case studies	48
Staying relevant to Singapore's changing environment	48
Boutique bakeries	50
Chapter 12	
Kenya	52
Country profile	52
Case study	53
A special sort of safari	53
Chapter 13	
El Salvador	56
Country profile	56
Case study	57
A big market in a small country	57
Chapter 14	
Cambodia	59
Country profile	59
Case studies	60
Heavy work for light planes	60
Not just a job, but an entry to a career	61
Chapter 15	
India	64
Country profile	64
Case studies	65
'I Do' on line	65
Verist encourages the growth of small and new ventures	66

Chapter 16	
Uruguay	69
Country profile	69
Case study	70
Linguistic niche abroad	70
Chapter 17	
Viet Nam	72
Country profile	72
Case study	73
The successful birth of insurance	73
Chapter 18	
China	75
Country profile	75
Case studies	76
Law firm connects clients to international market	76
Procuring metals and entrepreneurship	77
Part Two: Reflections on excellence, sustainability and innovation	81
Chapter 19	
From excellent service to a sustainable service culture	83
Redefining your customer experience	85
Assimilation of cultural context – Strategize your customer experience!	88
Creating a customer experience brand – Not just an excellent product!	88
Excellent service is not a destination but a journey	89
From excellent service quality to sustainable service culture	90
In search of service excellence	91
Chapter 20	
Creating value through innovation	92
Introduction	92
The role of knowledge	93
A value model	93
The critical role of innovation in a services business	93
The best ideas are at first laughable	95
The needs of the services organization	95
The services organization as a network	96
A knowledge-enabled network	96
Customer presence	97
The power of beliefs	98
Summary and conclusions	99

Introduction

This book showcases the diversity of trade in services that flourishes in developing and least developed countries.

The book is designed to be a learning tool that is entertaining, informative and inspirational. These are real-life stories from people who make trade happen, no matter what the circumstances.

For too long, it has been assumed that services drive only rich economies, and that innovation in trade in services is largely a phenomenon of rich countries.

These stories of innovative entrepreneurship prove the contrary, and are a source of inspiration for aspiring entrepreneurs. The stories showcase an amazing variety of sectors and markets, from a range of countries.

The 28 case studies of export development include tourism, education, forensic services, movie distribution, business training, electricity distribution, health care, legal services, food, dancing, haircutting and more. The markets for these services range from Fortune 500 companies to expatriates, tourists and other small companies.

The stories were selected for innovation in the service offering per se, the service offering within the market context or the trading model within the framework of the *General Agreement on Trade in Services* (GATS).

Case studies are grouped by country, and preceded by a brief country profile to provide the context for trade in services. The country profile combines desk research and insights from the field, highlighting trade in services. Cases are from South Africa, India, China, Pakistan, Kenya, Argentina, the Philippines, Guatemala, Paraguay, Ghana, Malaysia, Singapore, Sri Lanka, El Salvador, Cambodia, Uruguay and Viet Nam.

Each case study is based on an interview conducted by ITC's Trade in Services Programme, based on a common format to elicit insight

Those interviewed were generous in sharing lessons learned and insights gained through the rigours of international business development. The role of innovation and service quality emerged as a common marker of success. The role that culture plays in a clever export strategy was the other common denominator in these stories.

As an initiative of the International Trade Centre's Trade in Services Programme, ITC hopes that these cases provide insight and inspiration for entrepreneurs and national trade development programmes that are looking to trade in services as a way to build sustainable and prosperous economies.

Part One

COUNTRY PROFILES AND COMPANY CASE STUDIES

Chapter 1

South Africa

Country profile

With 11 official languages and a population of over 47.4 million in 2007,¹ the Republic of South Africa is a country rich in natural resources. Mining has played a key role in South Africa's economic development. However, it is the country's dynamic services sector that accounts for the greatest portion of South Africa's GDP, contributing more than 65% of GDP in 2006.²

A multicultural society, South Africa has a productive and industrialized economy – Africa's largest. As seen in one of the following case studies, South Africa also has a flourishing ICT sector, with approximately 2,400 ICT sector companies that together employ more than 200,000 employees.³ The ICT sector offers export opportunities in terms of services relating to the deregulation and privatization of the telecommunications sector in the rest of Africa and markets in the Middle East. South Africa also boasts a suite of unique and technologically innovative ICT offerings, designed for developing country needs. The South African ICT sector grew by 10.9% to US\$ 6 billion in 2002 and maintained a compound annual growth rate of 7.7% from 2002–2007.⁴

A key feature of South Africa's services sector is the vast variety of services offered. Fashion design, for instance, is an exciting and developing services export sector, with a long history. Johannesburg's 'Fashion Week' attracts approximately 500 tailors, seamstresses and designers to showcase the country's fashion district, which has been developed over half a century.

The variety of South Africa's services sector can also be seen within established sectors such as tourism, where innovative niche markets are created, as reflected in one of the following case studies. South Africa is renowned worldwide for its thriving tourism sector and is a successful tourist destination: tourism contributed 66 billion South African rand to South Africa's GDP in 2007.⁵ Success in this sector is also linked to supportive government policy aimed at organizing and promoting tourism abroad.

1 World Bank, *South Africa at a Glance*, September 2008.
Online at http://devdata.worldbank.org/AAG/zaf_aag.pdf.

2 *Ibid.*

3 International Trade Centre, *Services Capacity and Export Potential Study: ICT and Financial Services, South Africa*, October 2007.

4 *Ibid.*

5 OECD, *Tourism in OECD Countries 2008: Trends and Policies*, p. 230.

Financial services are one of South Africa's best-developed services areas, making great progress in international markets. The country's major banks all have significant investments in Africa, making trade in services a priority for the sector.⁶

The significant contribution that the services sector makes to GDP and employment creation in South Africa has been recognized by elevating services to be a priority economic policy. In 1995 South Africa became a member of WTO, and since the early 1990s trade liberalization has occurred. Playing a constructive role in launching the Doha Development Round, South Africa is focused on implementing its WTO obligations.

The strength of the country's services sector shows potential for further expansion and diversification of the country's export base. Part of this process involves branding South Africa, which has long invested in its own brand, both within Africa and abroad. Brand development helps shift perceptions and attract services business to one of the world's most compelling continents – and South Africa in particular.

Case studies

Buying electricity from a mobile phone

Expertron Group (Pty) Ltd (www.expertron.co.za)

In 1991, three lecturers in the Electronic Engineering Faculty of the University of Pretoria started **Expertron** as a consulting company. In 2000 the lecturers resigned from the university to run Expertron as a full-time business. Expertron Group (Pty) Ltd (Expertron) develops Information and Communication Technology (ICT) solutions, focusing on problems in South Africa.

For example, one of Expertron's services, called Cell Power, enables consumers to purchase electricity from a vendor using a mobile phone. Cell Power combats a developing country problem of lost revenues from electricity distribution, a problem that was not a priority for ICT companies in developed nations.

Dr Walter B. Smuts of Expertron describes Cell Power as 'a prepaid electricity vending solution that uses mobile telephones as point-of-sales devices.' Expertron developed the Cell Power system to assist municipalities to reduce their lost revenue through the difficult task of managing electricity usage. Cell Power enables a municipality to take control of its electricity distribution and increase revenues.

Expertron uses hi-tech solutions to enable the informal sector in developing countries. Cell Power, for example, allows consumers without access to either bank accounts or mobile phones to purchase electricity, whereas previously they would only have had access to pirated power. The company is sensitive to the social fabric of the communities in which it operates, and uses technology to solve problems only when they cannot be solved by the social interaction between people.

Many of the solutions developed by Expertron are solutions which cannot be purchased from developed countries, as they do not have similar problems.

⁶ International Trade Centre, Services Capacity and Export Potential Study: ICT and Financial Services, South Africa, October 2007.

Expertron employs a team of highly skilled engineers, with the ability to turn a client's requirement specification into a working solution.

Major challenges for Expertron are long sales cycles and increasing competition. This approach often causes major problems for small companies.

In order to battle the competition, which has copied Expertron's innovations, the company offers improved solutions at a better price, and packages these in a socially acceptable way. In other words, Expertron constantly innovates and tries to stay a step ahead of the competition.

Expertron has been most successful exporting its services when they are packaged as a franchise. According to Dr Smuts, 'This makes it possible for us to provide the technology, by relying on local entrepreneurs with an understanding of the local economy and social environment to operate the service.'

Expertron exports services to other countries in Africa (Gabon, Rwanda), as well to South America (Peru). One of its most successful exporting ventures was selling outsourced software development to the United Kingdom. Other export markets for software services include Belgium and the Netherlands. Expertron service products are packaged as franchises for export to other developing countries.

Expertron started exporting to developing countries because of introductions by partner companies. Entry into future markets may depend more on strategic planning.

To gain outsourced software development business from developed countries, Expertron has targeted European countries because they are in the same time zone and share common languages (English and even Dutch, which is very similar to Afrikaans) and cultural affinity (South Africa has citizens of both English and Dutch origins).

Expertron is a company that understands both technology and needs in developing countries. This gives it an edge over companies from other developing countries (which do not always control the technology) and companies from developed countries (which do not always understand the problems that need to be solved).

Expertron has demonstrated to developed countries, particularly in Europe, that South Africa is an ideal location for outsourcing software development.



Expertron's premises

Lessons learned include:

- Business happens between people.*
- Relationships are important.*
- Partners are crucial.*
- Building long-term relationships with clients is critical to success.*

Recommended advice includes:

- Be sure to understand the implications of import/export taxes on services before giving a quote.*

Combining health care with tourism

Surgeon and Safari (www.surgeon-and-safari.co.za)

Surgeon and Safari offers top-quality, private, elective medical treatment in South Africa, for local, as well international clients. The medical treatment includes:

- ❑ Extensive medical evaluation using website and e-mail;
- ❑ Facilitation, provision of care and support, before and after surgery; and
- ❑ An accommodation package.

The company started in 1999, taking advantage of favourable exchange rates to provide top-quality private health care. The Surgeon and Safari trademark is registered in Europe, the United States and South Africa.

We never compromise quality at the expense of price.

In the words of Surgeon and Safari's Lorraine Melville, 'We ensure that all clients have personalized care and service at all times, thus catering for their specific needs. We are a quality-based and not a quantity-driven business. We are not a cheap alternative.'

Surgeon and Safari has started networking within the 'expat' communities of the insured markets, offering its services to insurance companies that understand the quality and price benefits offered in South Africa compared to travelling back to the country of origin for treatment.

Surgeon and Safari was the first company in South Africa to package medical treatment as a tourism option, targeting developed markets. The market has changed over time, because of increased competition from other developing countries. In response, Surgeon and Safari introduced its unique private accommodation package. The company is using a large, exclusive, private home, catering specifically to the medical tourist, offering a home away from home environment where people can recuperate in 'Boutique Style'.

Surgeon and Safari's main competitive edge is the maintenance of the quality of its services and medical treatment, thus sustaining a reputation that results in increased word-of-mouth referrals. The company maintains an open and honest dialogue at all times with its networks and clients.

Surgeon and Safari ensures that all its clients have the opportunity to express themselves. Being good listeners, and then addressing any needs and concerns during and after the client's stay, avoids problems.

The global medical/health tourism industry has experienced unprecedented growth, which has resulted in competitors entering the global, as well as the local, marketplace. In response, Surgeon and Safari has shifted its focus from the centre stage to the side, into an observer role. Those entering the market could only do so by offering cheaper alternatives. Surgeon and Safari offers alternative recuperation packages at a lower cost and enjoys sustained market growth. The company built its own accommodation facility in an up-market residential area, with a large garden, making for a more personalized recuperation environment. This is preferable to staying at regular hotels, which do not cater specifically to the needs of medical clients and where sometimes clients can feel self-conscious and vulnerable.

Surgeon and Safari targets developed country markets and other markets with high-income earners but no adequate medical facilities, such as sub-Saharan Africa. Approximately 60% of Surgeon and Safari's business is export.

Regarding the Safari connection, Lorraine Melville says, ‘South Africa is known as an up-market safari destination, hence the play on the word “Safari” in the company name. Tell your friends you are coming to South Africa on a safari. Have your surgery and go back. Everyone can say, “Africa looks good on you!”’

Most experienced tourists would like to travel to Africa and safari at some point in life. Surgeon and Safari decided to address both the desire to experience the culture and mystery of Africa, and the growing need for elective surgery.

Many foreigners know little about South Africa, and much of what they do know tends to be negative from media coverage, such as AIDS, crime, and third world conditions. Surgeon and Safari has developed modern first world infrastructure in a place where, unlike the rest of Africa, English is widely spoken. The company offers client protection from all the negatives and creates a positive experience.

Surgeon and Safari contributes about US\$ 6 million to the economy. It has also created an industry which is estimated to contribute much more, although no statistics are available to pinpoint exact figures.



Surgeon and Safari: the African experience caters to the growing need for elective surgery

Lessons learned include:

- ❑ *Believe in your dreams and ability to achieve.*
- ❑ *Stick at it and keep your focus.*
- ❑ *Do not rely on others to assist in achieving your goals.*
- ❑ *Maintain quality and high levels of service at all time.*

Recommended advice includes:

- ❑ *Make sure that you sustain your service delivery and always maintain high standards of service and products.*
- ❑ *Be honest and open in all levels of communication.*

Chapter 2

Paraguay

Country profile

An ethnic mixture of native American and Spanish descendants, with a population of over 6 million,⁷ Paraguay is located in inland South America, some distance from any coast. Its market economy has seen great growth in real GDP, which increased to more than US\$ 9 billion in 2006.⁸ Agriculture dominates the country's economy with primary exports of soybeans, cattle, cotton, grains and sugar. Other defining characteristics of Paraguay's economy include its large informal sector (including micro enterprises and urban street vendors) and the fact that the market is dependent on international trade and commerce. However, of growing importance is the country's services sector, which accounted for 60% of Paraguay's GDP in 2007 and 40% of total employment.⁹

Trade and transport are essential components of the country's services sector, in addition to the communications subsector, which contributes approximately 13% to the country's export performance.¹⁰

As Paraguay is a landlocked country, river transportation is an important channel for facilitating commodity trade. Hydrovia,¹¹ a regional development to transform river systems into shipping canals, has been approved by Argentina, Bolivia, Brazil, Paraguay and Uruguay, although environmental concerns remain. This development will facilitate increased trade between landlocked Paraguay and Brazil.

Paraguay, the leading source of hydropower in the region, has partnered with Argentina and Brazil to create two binational¹² hydropower plants. The resultant electricity generation and exports yield much-needed export revenues and provide neighbouring countries with energy resources; the Parana River is the largest producer of hydroelectric power in the world.¹³ Paraguay's hydroelectric power has attracted the interest of various metallurgical industries and related services.

Paraguay's strong cultural heritage has an important influence on the country's services sector. Among the local services provided in the country are leather crafting services, furniture design and, as seen in the following case study, culinary schools. Many of these schools make use of international foods as well

7 World Bank, Paraguay at a Glance, September 2008. Online at http://devdata.worldbank.org/AAG/pry_aag.pdf.

8 *Ibid.*

9 *Ibid.*

10 WTO, Paraguay Trade Profile, October 2008. Online at <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=PY>.

11 World Bank, Paraguay Country Brief. Website: www.worldbank.org.

12 *Ibid.*

13 *Ibid.*

as unique tropical ingredients and local culinary experts available in the region. These cooking schools and schools of hotel management, or *Escuelas de Hotelería*, for which Paraguay is renowned, are a key feature of Paraguay's private education subsector.

Since the 1980s, Paraguay has experienced liberalization. It was a founding member of MERCOSUR, and has been a member of WTO since 1995. Paraguay has made commitments under the General Agreement on Trade in Services (GATS) 1995, mainly related to the tourism and financial services sector. Liberalization in the financial sector means that domestic and foreign capital are equal under banking legislation, thus encouraging foreign investment. The deposit guarantee fund Fondo de Garantía de Depósitos has greatly increased confidence in Paraguay's banking sector. In 2007, 13 banks, 14 savings and loans companies and 24 foreign exchange companies were operating in the country.¹⁴

Although small, Paraguay's tourism sector is also expanding. Hotel occupancy is rising in the Asunción region, which is promoted as a low-cost venue for business tourism, and attractive for 'shopping tourists, seeking consumer goods at competitive prices'.

Paraguay's status as the region's most cost-effective provider of electricity and labour, in addition to political and economic reforms, bodes well for the expansion of trade in services, fuelled in part by the opportunities offered by the MERCOSUR market of 200 million consumers.

Case study

Cooking up a storm

Escuela Gastronómica Centro Garófalo SA (www.escuelagarofalo.com.py)

The Escuela Gastronómica Centro Garófalo SA (EGCG), is an educational institution dedicated to the continuous training of gastronomical professionals at tertiary and university level. The school is authorized to grant titles such as Professor of Culinary Art.

The school offers more than two dozen different courses, including: gastronomy, technical cooking, sweets, famous cakes, event organization and international cooking.

EGCG also provides consultancy services to enterprises, such as bars, restaurants, tearooms and hotels, involved in the production of high quality food products.

EGCG started in 1951, at which time it was called 'Classes of Cooking for the works of Maria Ausiliatrice', with the aim of empowering women to develop a business. At that time, teaching the considered 'noble' profession of cooking to women enabled them to sustain themselves and their families in Paraguay and abroad.

Regarding innovation at the school, Professor Sarita Garofalo, Director of EGCG says, 'Year

Most of the students become members of the school's network, and many serve as its cultural ambassadors abroad.

¹⁴ Economist Intelligence Unit, Online subscriber service.

after year, we are able to innovate by the frequent involvement of highly qualified international professors and educational staff, who offer international exchange programmes of cooking classes. These are totally free for our students in different places such as in Argentina and Mexico.'

EGCG takes a great deal of care to personalize its services in order to fit each client, and to make clients feel that they are receiving a unique service. This is achieved by careful research, resulting in a total understanding of client requirements.

EGCG's main challenge was cultural at first, because traditionally cooking was associated solely with women. This is a view the school is still fighting. Another challenge is that currently there is little support available to the school in the form of subsidized programmes.

The school keeps abreast of the latest gastronomic trends at the international level. Combining these with EGCG's traditional knowledge ensures continuous innovation.

The school offers the technology and infrastructure to enable students to work in Paraguay or anywhere in the world.

EGCG is the oldest school of its kind in Latin America, and yet at the same time it is cutting-edge modern. This is also an example of its commitment to continuous innovation.

EGCG exports in a variety of ways, such as:

- ❑ Engaging in international exchange programmes;
- ❑ Exhibitions which attract visitors;
- ❑ Its Director giving lectures in other countries on modern Paraguayan gastronomy; and
- ❑ Offering an intensive, nine-month qualification programme to clients who wish to work abroad with internationally recognized competencies.

A significant percentage of EGCG students are foreigners. They come from a variety of countries including Argentina, Austria, Bolivia, Brazil, Germany, South Africa, Spain and the United States. In addition, EGCG has an exchange programme for professors, which helps to market Paraguayan gastronomy.

EGCG attends as many cultural events as possible. It believes that to enhance the perception that Paraguay is a good business environment, private firms have to take the marketing lead.

EGCG has helped in the effort to raise the level of gastronomical culture in Paraguay. Through its various international activities, and by aggressively marketing both gastronomy and the country, the school has undoubtedly made a positive contribution to the growth of Paraguay's trade in services.



Sarita Garófalo (right) and Professor María Clara Benza de Garófalo, founder of Centro Garófalo

Lessons learned include:

- ❑ *The key tool for a service provider is continuous qualification and training.*
- ❑ *It is very important to be honest and do what you do with passion and love.*
- ❑ *We grow with our students, we receive feedback and they guide us in our self-evaluation.*

Recommended advice includes:

- ❑ *Keep an open mind regarding the objectives of your daily activity.*
- ❑ *Be generous in the transmission of knowledge.*
- ❑ *Advocate for respect towards and recognition of the profession.*
- ❑ *Follow a professional code of ethics and be committed.*
- ❑ *Consider the possibility that your professionalism is the best way to overcome adversity.*

Chapter 3

Pakistan

Country profile

Gateway to the Middle East and Central Asia, Pakistan has a population of approximately 160 million¹⁵ and a rich cultural heritage. Pakistan's economy has experienced considerable expansion in recent years. In 2005 and 2006, Pakistan's GDP growth rate was 7.7% and 6.9%, respectively.¹⁶ Key to Pakistan's economic growth has been its services sector, which accounted for more than 50% of the country's GDP.¹⁷

Traditionally, Pakistan's services sector has been linked to the country's major industries of agriculture and textiles. However in recent years, subsectors such as ICT, business process outsourcing (BPO), construction, engineering, and business and financial services have come to the forefront.

A key factor in the success of Pakistan's services sector has been its young, energetic workforce, many of whom have been educated overseas. With a considerable quantity of workers skilled in the English language, the country's workforce includes many trained professionals and is further advantaged by low labour costs. Boosting Pakistan's services export expansion has been the rapid growth in the country's telecommunications sector. Since 2000, the sector has seen improvements in quality and customer service, along with increases in subscriber base, variety, reach and lower cost. A case study highlighting robust BPO services reinforces Pakistan's growth and sophisticated offerings in this subsector.

A member of WTO since 1995, Pakistan has seen liberalization in its banking and finance sectors, and in various telecommunications subsectors¹⁸. Macroeconomic reforms such as privatization, a focus on intellectual property protection and attracting foreign direct investment continue to increase the country's services export potential. Key subsectors with substantial services export potential include professional services, construction services, health and medical services and ICT. There is significant potential in Pakistan's tourism sector, which boasts a diverse landscape and one of the world's oldest civilizations, the Indus Valley civilization.¹⁹

15 World Bank, Pakistan at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/pak_aag.pdf.

16 *Ibid.*

17 *Ibid.*

18 International Trade Centre, Services Capacity in Pakistan: A national report, September 2005.

19 Pakistan Tourism Development Corporation, Explore Pakistan.
Web page at www.tourism.gov.pk/explore_pakistan.html.

Services have the ability to add high value to low-value products and commodities. Incorporating quality services systems, policies and knowledge sharing, linked to commodities and as stand-alone services is a promising developing trend in Pakistan, as highlighted by the case studies that follow.

Case studies

Punjab AgriMarketing: a first in public–private partnerships

Punjab AgriMarketing Company – PAMCO (www.pamco.bz)

PAMCO is an initiative of the Government of Punjab (Pakistan’s largest province), under its public–private partnership scheme.

Incorporated in 2005, the company’s main objective is to attract private investment in the agricultural sector, through targeted interventions which remove supply-side constraints in the marketing, distribution and handling of perishable commodities.

PAMCO is run by a board of directors, comprising a mix of public sector officials and private sector business leaders. The management of the company is entirely composed of private sector professionals, including the CEO.

PAMCO is a service organization. It provides facilities to the private sector so that targeted investment can take place in the post-harvest value addition and marketing of perishable agricultural commodities.

The company’s business engagement policy (see www.pamco.bz) provides a comprehensive seven-point service offering, which outlines the company’s role as an incubator of investment in the agribusiness sector.

PAMCO is an institution sponsored by the public sector. Nevertheless, it invests directly in projects which are critical to ensuring integration of

linkages to the investments of the private sector. In addition, PAMCO supports private sector exporters by providing marketing and brand development products and services.

In Pakistan, the idea of public–private collaboration is new and unique.

PAMCO’s business engagement policy, which covers a wide spectrum of activities ranging from venture capital to marketing support, is also highly innovative. It is a blueprint for a social good, without a profit-making orientation.

The not-for-profit nature of PAMCO enables it to play the role of an honest broker between private sector investors, government agencies, financial institutions and, most importantly, producers of perishable agricultural commodities.

PAMCO makes certain that its innovative edge is maintained, by demonstrating to all stakeholders the benefits of having an organization that creates

The concept of an organization friendly to the private sector, with a social mandate, is regarded as an innovative experiment.



PAMCO’s CEO, Mansoor Arifeen, talking to the media about PAMCO and its impact on Pakistan’s economy

synergy between the private and public sectors, resulting in both improved utilization of their resources and higher national incomes.

PAMCO's concept is being studied by other developing countries, especially in Southeast Asia.

According to Mansoor Arifeen, CEO, 'The biggest challenge for PAMCO since its inception has been the requirement to formulate a well-structured conceptual framework and an effective decision-making apparatus'.

Given the pioneering nature of the public-private partnership, PAMCO had to demonstrate to the private sector that it could invest with confidence in initiatives which feature public sector participation.

Being a not-for-profit organization, PAMCO has found the question of funding self-sustaining operations a particularly sensitive challenge. Initiatives have long gestation periods and government funding is not unlimited.

PAMCO proved that it can provide an innovative way to bridge the gap between the public and private sectors, by creating a business environment which provides solid opportunities and assures the eventual success of private sector investment initiatives.

PAMCO's contribution to the growth of Pakistan's trade in services has been through the creation of a more business-friendly environment, which fosters entrepreneurship, encourages investment, supports growth in trade and enhances the chances of success by risk takers.

Lessons learned include:

- ❑ *Implementing plans and strategies is a challenging task.*
- ❑ *Past successes provide confidence in the future.*
- ❑ *The establishment of service organizations designed to coordinate, facilitate and incubate ideas and promote business interactions, leads to increased incomes for stakeholders, profitability for the business community and growth of the national economy.*
- ❑ *Perseverance, objectivity and hard work are important success factors.*

Recommended advice includes:

- ❑ *Know your own strengths and weaknesses.*
- ❑ *Focus on your strengths and constantly improve weaknesses.*
- ❑ *Create a network of like-minded organizations that can provide you with stability, credibility and access to resources beyond your individual capacity.*

Ethical business and responsible competitiveness

Responsible Business Initiative – RBI (www.RBIpk.org)

RBI, a business advisory service, began in 1998 and is Pakistan's first service provider dedicated solely to corporate responsibility.

The impetus for the business was the recognition that responsible business practices are drivers of competitiveness and that social responsibility is an investment, rather than a burden.

The organization enables multinational and national corporations and local industry to participate in the global phenomenon of responsible corporate citizenship, through an approach driven by knowledge sharing, capacity building and participatory engagement. It brings together stakeholders from across government, international bodies, non-governmental organizations (NGOs), academia, representative associations, the media and key opinion leaders, by providing a neutral forum for learning and action.

RBI's portfolio consists of corporate social responsibility (CSR) related offerings including:

- Awareness and training programmes;
- Primary and secondary research;
- Development and dissemination of policies and systems;
- Mobilizing for popular support in favour of CSR policy;
- Gap analysis and assessments;
- Social and environmental audits and appraisals;
- Customized CSR solutions;
- Stakeholder dialogue facilitation;
- Strategic change management;
- Development of tools, frameworks and guidelines;
- Third-party verification;
- Social reports;
- Capacity building for ethical business;
- Development of compliance systems;
- Customized training and follow-up;
- Recruitment and induction of CSR personnel;
- International linkages and outreach; and
- Continuous learning to amend and enhance scope of work.

RBI sees itself as an 'enabler' of corporate citizenship, which is in itself an innovative organizational stance that indicates thinking beyond the mere provision of services.

Ambreen Waheed, Executive Director, explains RBI's uniqueness in the following way: 'As a reliable reservoir of CSR-related skill and knowledge resources for enterprises within and outside Pakistan, RBI is perhaps unique as a citizen-sector alternative to CSR consultants.'

RBI's work philosophy, founded on participatory learning and stakeholder dialogue, makes RBI one of a kind. The organization's key innovations

are the development of CSR processes that impart integrity to client claims, services or products. RBI has the ability to respond to CSR issues emerging over the horizon, with approaches that clients find appropriate.

Communicating RBI's participatory, inclusive and 'enabling' business model has been a challenge, especially within a trade environment which can view competitiveness as a process of elimination of the weak.

RBI maintains its innovative edge by working to turn the competition into allies or supporters. This is achieved through building networks and partnerships.

Most of RBI's services are exported, because demand for CSR-related services stems from changing consumer attitudes in developed economies. As an



Ambreen Waheed,
Executive Director, RBI

enabler, RBI builds bridges between consumer attitudes and supplier thinking, across increasingly spread-out supply chains that span cultures, regions and belief systems.

Exporting was a strategic decision for RBI, driven by the identification of key clients rather than geographical regions.

RBI's image is linked intricately to perceptions about Pakistan. By doing what it does well, RBI is a marketing ambassador for the country.

A number of RBI's successes have led to a discernable improvement in the policy environment that supports responsible business practices. In addition, RBI has raised general awareness about the case for ethical business and responsible competitiveness.

RBI has helped in the development of a culture of social compliance and fair trade, which no doubt has created a positive economic impact through increased opportunities.

Lessons learned include:

- ❑ *The more RBI has shared the more it has learned.*
- ❑ *The more RBI invests in supporting clients the more support it receives.*

Recommended advice includes:

- ❑ *Build products around your own competencies and values.*
- ❑ *Invest in building partnerships; they are your best support system.*

Chapter 4

Guatemala

Country profile

With a population of approximately 13 million and a strong Mayan indigenous culture, macroeconomic stabilization has been a key factor in the country's economic growth. Sugar, coffee and bananas are the prime products of Guatemala's agricultural sector, which drives employment. However, it is the services sector which is the country's most important economic sector, accounting for approximately 60% of Guatemala's GDP in 2007.²⁰

Steeped in history and ancient culture, tourism represents a large part of the country's services sector. The success of this sector is reflected in the niche tourism market seen in the following case study. In 2006, 1.5 million tourists visited Guatemala²¹ and tourism receipts reached US\$ 1 billion that same year.²² The Government has identified the sector's importance in terms of receipts and employment and has made efforts to further its expansion. The tourism sector has been aided by infrastructure developments including tourism-friendly public works that have taken place in Guatemala, such as the building of five new airports and the improvement of existing airports. Tourism was likewise boosted by the reduction of travel restrictions between the northern triangle of El Salvador, Guatemala and Honduras.

Rapid expansion has also taken place in Guatemala's financial sector, where the number of banks and other financial institutions has increased substantially. The liberalization of the country's financial system in the 1990s is to be thanked for this growth. Guatemala's main stock exchange, the Bolsa Nacional de Valores, was set up in Guatemala City in 1987. In 1994 another stock exchange, the Corporación Bursátil, was established.

A member of WTO since 1995, Guatemala has seen its growth promoted by liberalization. The privatization of state-owned telecommunications companies and a new Telecommunications Law, which was enacted in 1996,²³ aided the expansion in the telecommunications sector. Much of the country's services sector has been opened, owing, in part, to Guatemala's involvement in the United States–Central America Free Trade Agreement (CAFTA), which entered into force between the two nations in 2006. Through contracts and other relationships with Guatemalan enterprises, foreign enterprises may provide licensed professional services in the country. Guatemala's foreign revenue is also enhanced by high volumes of remittances from the country's large expatriate community, many of whom live in the United States.

20 World Bank, Guatemala at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/gtm_aag.pdf.

21 Economic Intelligence Unit, Online Subscriber Service.

22 *Ibid.*

23 WTO, Guatemala: January 2002, online at www.wto.org/english/tratop_e/tp186_e.htm.

In addition to liberalization, measures to increase transparency and strengthen governance are key economic reforms introduced by the Guatemalan Government. The promotion of foreign investment has been made a priority and FDI inflows stood at approximately 19% as a percentage of GDP in 2007.²⁴ Additionally, the Foreign Investment Law guarantees foreign investors market access to most services sectors. Laws have been passed to strengthen Guatemala's legal framework for the protection of intellectual property rights, a key factor in the expansion of the country's trade in services.

Case study

Enhancing well-being and ecological integrity

Spa-Med-Holiday (www.spa-med-holiday.com)

Spa-Med-Holiday organizes 'Wellness Weeks' in Antigua, Guatemala, for stressed-out executives or retired people who want to regain their vitality and withdraw from urban stress. Spa-Med-Holiday makes intensive use of thermal balneotherapy techniques (spa treatment), some of which are derived from the local Maya culture.

Balneotherapy is usually combined with eco-trips and cultural entertainment, making 'Wellness Weeks' a pleasant and affordable package, offering maximum benefits and variety in a minimum amount of time.

Guatemalan health professionals provide quality care at a fraction of what the same services would cost in Europe or the United States. When clients come to Guatemala for medical or cosmetic treatments, they can also purchase alternative medicine, such as homeopathic or indigenous herbal remedies.

Spa-Med-Holiday was launched (along with its website *www.spa-med-holiday.com*) at the end of 2007. The impetus was the recognition that there was a market in the northern hemisphere for a healthier way of life, alternative types of vacationing, and affordable health and wellness treatments.

It was also recognized that the demands of the market could be supplied from Guatemala.

Spa-Med-Holiday believes that a health vacation should be fun, as well as offering many other options, such as private classes (yoga or meditation, Spanish, dance), cinema, shopping, live music, and dining out. Participants should also be able to obtain medical treatments from specialist doctors, at a fraction of the price of such treatments in the United States or Canada.

Spa-Med-Holiday is unique in that it:

- Seeks to minimize its impact on the environment;
- Is committed to sustainable tourism; and
- Benefits indigenous Maya communities that cultivate and produce 100% organic essential oils, which are used in balneotherapy.

²⁴ UNCTAD, World Investment Report 2008.
Online at www.unctad.org/sections/dite_dir/docs/wir08_fs_gt_en.pdf.

It is a way of life simultaneously enhancing well-being and ecological integrity. Apart from generating profit, a business should respect people and the planet.

Spa-Med-Holiday's vision, according to its founder Cecile Billiet, is that 'Doing business should be based on the philosophy of "ETHICAL MARKETS"' (www.ethicalmarkets.com), a concept and movement promoted by world-renowned economist and visionary Hazel Henderson.

For Spa-Med-Holiday, the major challenge is to make the 'Wellness Week' programme known abroad, particularly in the United States.

Spa-Med-Holiday builds a relationship of trust with customers. The company's number one priority is the well-being of people. Therefore it is driven by customer needs and flexible in its activities.

The 'Wellness Week' programme is exclusively designed for the export markets of North America and northern Europe.

Guatemala was chosen for Spa-Med-Holiday's operations because:

- ❑ It is a small country with a rich history and culture;
- ❑ Its people are courteous and gentle, in part because of their Mayan heritage;
- ❑ It has world class health professionals, skilled in a variety of medical treatments;
- ❑ It is very close to the United States, its major market;
- ❑ There are direct flights from 11 United States cities to Guatemala;
- ❑ Miami is just a two-hour flight away; and
- ❑ There are also direct flights from Guatemala City to Madrid, Spain.



Thermal swimming pools in Amatitlan

Spa-Med-Holiday is doing its part to project a positive image of Guatemala by sending each and every visitor back home with a favourable impression of the country.

Spa-Med-Holiday is contributing to Guatemala's growth in trade in services by positioning the country as a world-class health and wellness tourist destination.

Lessons learned include:

- ❑ *Guatemala's health professionals are best practice, both in alternative medicine and in allopathic (conventional) medicine, and they need to be better known and appreciated in other countries.*
- ❑ *The benefits of Mayan medicine deserve to be further explored and shared.*
- ❑ *The profile of medical and wellness tourism would benefit from national export priority designation.*
- ❑ *International accreditation would benefit the health and wellness sector.*

Recommended advice includes:

- ❑ *Research the market thoroughly.*
- ❑ *Cater to the desires of the target market.*

Chapter 5

Nigeria

Country profile

Described as ‘the heart of Africa’,²⁵ Nigeria in Western Africa is the largest market economy in sub-Saharan Africa, with its estimated population of approximately 140 million.²⁶ Nigeria is a country still dominated both politically and economically by oil, which accounts for the majority of the country’s exports and government revenue.²⁷ Nigeria has a fairly low level of service activity, with services contributing approximately 20% to GDP in 2005.²⁸

This level can be explained by a number of challenges regarding export activities. Nigeria, as a developing economy, is faced with the task of improving its profile internationally as a services exporter. There is also the problem of limited awareness of trade in services and a lack of services data capture, common to many economies. In addition, visa restrictions, which affect many countries, have hampered professional service providers’ export endeavours. Global trade in services is heavily dependent on telecommunications infrastructure, as a stand-alone service and as an essential input to other services. Telecommunications services have been improving in Nigeria since the early 1990s through the licensing of private telecommunications operators and regulatory adjustments.

Economic reforms in the 1990s contributed to the slow but steady growth in the country’s services sector. Nigeria, a member of WTO since 1995, has implemented these reforms to further liberalize the economy, reduce the involvement of the Government in the market and diversify Nigeria’s export base. Emphasis has also been directed to due process, transparency and accountability issues.²⁹

Nigeria’s trade in services has also been fuelled by the significant proportion of highly educated labour, much of whom have been educated abroad. Nigerians are also known to be very solution-oriented, with a strong entrepreneurial spirit. In addition, the fact that English is the official language used in both the public and private sectors bolsters Nigeria’s prospects of continuing to diversify its export base. As the case studies that follow will show, particularly in the film and finance subsectors, services are well placed to assist with Nigeria’s trade diversification.

25 Nigeria Ministry of Information and Communication website, www.heartofafrica.com/.

26 National Population Commission of Nigeria website, www.population.gov.ng.

27 Nigerian Export Promotion Council; Commonwealth Secretariat, *A Framework of National Export Strategy for the Federal Republic of Nigeria, 2005–2010*.

28 World Bank, Nigeria at a Glance, September 2008.

Online at http://devdata.worldbank.org/AAG/nga_aag.pdf.

29 International Trade Centre, *Service Trade Capacity Study: Nigeria- A Project to promote further participation of developing countries in the General Agreement on Trade in Services (GATS)*, 2007, p. 9. Also referred to: Nigeria Federal Ministry of Commerce, *Trade Policy of Nigeria*, Abuja, 2002.

Case studies

Redefining Nigeria's financial landscape

Afrinvest (West Africa) Limited (www.afrinvestwa.com)

Afrinvest is a management majority-owned securities firm, created to provide world-class investment services across West Africa. The company is organized along four major business lines: investment research, securities trading, asset management and investment banking.

Afrinvest was established in December 2005 following an investment by Afrinvest International in Securities Transactions & Trust Company Limited ('SecTrust'), a company which had been operating since 1995 as an integrated securities brokerage, asset management and investment research firm, with an enviable reputation in the Nigerian financial services industry.

Afrinvest employs experienced professionals with expertise in financial control, operations, human resources, general services, information technology systems, risk management, compliance and legal and regulatory structures.

According to Ike Chioke of Afrinvest, 'the company's uniqueness in the investment banking and capital markets arena stems from four main areas:

- ❑ Knowledge of African markets, business communities and the regulatory environment;
- ❑ Thorough research, fact-based analysis and recommendations;
- ❑ High professional standards and discretion; and
- ❑ Delivery of innovative solutions, tailored to the specific needs of clients.

Afrinvest is committed to innovation, which constitutes a critical element of its business. The company believes that its people and the corporate culture define its strong competitive edge, which can be characterized by product/service imitation.

Afrinvest identifies, attracts, develops and retains a dynamic team of world-class professionals. The firm places a premium on its employees, as reflected in its career development and compensation structures (fixed and variable pay components, as well as stock incentive schemes and paid dividends).

The Afrinvest corporate culture is built on the pillars of entrepreneurship, integrity and teamwork. Together, these values create a workplace where initiative and innovation thrive and people are provided with the support they require to fully harness their talents.

As a rapidly growing firm, Afrinvest faces a number of challenges. First, the relatively low level of sophistication within the Nigerian financial sector limits the marketability of advanced and complex structures. Furthermore, the firm is affected by infrastructure deficiencies in the operating environment.

Afrinvest has been exporting its services to Ghana since 2006. Over the same period, the company has acted on a number of Nigerian transactions with international reach, including a global depositary receipt (GDR) listing on the London Stock Exchange and a Eurobond offering.

Afrinvest's mission is defined as follows:

- ❑ Providing world-class financial services;
- ❑ Uncovering investment opportunities; and
- ❑ Creating wealth.

West Africa as the primary market was selected after research which revealed a growth trend among emerging markets across the region. Other factors included available in-house capabilities in corporate finance, asset management, advisory, equity research and securities trading.

Since its inception, Afrinvest has demonstrated its ability to provide world-class investment banking services to clients across West Africa, including Nigerian corporate and retail clients. The company continually strives to improve its performance on the delivery promise it makes to customers, and on its value-added and differentiated approach to doing business.

Afrinvest's focus is to deliver superior, innovative and optimal financial solutions, tailored to specific clients' needs. The firm has played a pivotal role in redefining the Nigerian financial services landscape.

Afrinvest's pioneering drive has made a significant contribution to Nigeria's trade in services, as witnessed by some of its first-ever landmark transactions, including:

- ❑ Issuance of over-the-counter GDRs by the United Bank for Africa, a sub-Saharan African corporate;
- ❑ Listing of a dollar-denominated fixed-income fund, the Nigerian International Debt Fund, in Nigeria;
- ❑ Issuance of inflation-linked bonds by the Government of Ghana;
- ❑ Merger by the United Bank for Africa and Standard Trust Bank in Nigeria;
- ❑ Eurobond issue and GDR listing issue by Guaranty Trust Bank, a sub-Saharan African corporate; and
- ❑ Cross-border banking merger in sub-Saharan Africa, by IBTC–Chartered Bank Plc and Stanbic Nigeria Limited (a member of the Standard Bank Group).

Lessons learned include:

- ❑ *Employees are the core of the service business.*
- ❑ *Treat employees well and the business will thrive.*

Recommended advice includes:

- ❑ *Ensure that you have a solid home business before venturing abroad.*

Here comes Nollywood

Kraftman Production (www.maduc.net)

Kraftman Production began in 1995, and has become one of the most diversified production companies in Nollywood, Nigeria's film industry and the world's third-largest producer of feature films.

The company is a pioneer in the Nollywood industry, by establishing the first training institute entirely dedicated to the film industry, the Lagos Film Institute. The company has been very consistent, even in the face of economic adversity, with the company Director, Madu Chikwendu, redefining the action

film genre, developing the idea of an umbrella body for film directors, co-founding the Directors Guild of Nigeria, and launching the Movie Nigeria magazine as the voice of the industry, to counter negative press.

Kraftman Production also pioneered the download of Nollywood movies on mobile phones. This was done with the platform owner 3WC and the mobile carrier MTN, with Kraftman Production responsible for the exclusive supply of content on this platform.

The launch of 3G in Nigeria has opened up new opportunities in this area, especially with the second national carrier, GLO, which is supporting the movie downloads with heavy advertising. Kraftman Production is also in the process of packaging a single Internet platform for African content.

The major challenges for Kraftman Production are:

- ❑ Infrastructure, or, rather, the lack of it. Most of the time the company has to rely on generators for power. Electricity from the much cheaper national grid is irregular.
- ❑ Cultural diversity, given that in Nigeria there are over 250 tribes. This often makes it difficult to find common ground in terms of storytelling. In addition, contractual violations often take a long time to progress through the judicial system.

Mr Chikwendu explains how the company keeps its innovative edge: 'We are in constant touch with technology, trends and consumer behaviour.

We go to major international festivals and markets including Cannes, Berlin and others.'

It is our corporate policy to identify certain aspects of consumer behaviour and influence it.

There has been an increase in the number of multiplex cinemas in Nigeria. The standard fare is Hollywood movies, so Kraftman Production has worked with the industry to create a quota that will give Kraftman Production exports via broadcast licensing. There is huge international demand for Nigerian films, but there is no formal export procedure. Often movies are sold abroad

for three times the price at which they were purchased in Nigeria, mostly to people of African descent.

Kraftman Production started to export because there was a demand for its services, and potential clients contacted the company. Although it has launched an aggressive marketing campaign, Kraftman Production rarely if ever creates demand, but goes to where demand already exists.

The company makes every effort to deliver on promises, as it is the best way to enhance the perception that it is good to do business with the company.

The company has contributed to the growth of Nigeria's trade in services through the creation and maintenance of professional production and distribution services.

Lessons learned include:

- ❑ *Ensuring quality is very important.*

Recommended advice includes:

- ❑ *Cash before delivery, and quality.*

Chapter 6

Philippines

Country profile

Consisting of more than 7,000 islands in southeast Asia, with a population of 84.6 million in 2006,³⁰ the Philippines has seen its economy open significantly over the last two decades because of policies of liberalization, privatization and deregulation. The Philippines experienced substantial development in 2006 with real GDP growth exceeding 5%.³¹ Key to this growth was the Philippines' services sector, which accounted for more than half of its GDP that year.³²

Its highly skilled English-speaking workforce and robust ICT infrastructure, coupled with a strong cultural affiliation with the United States and customer service culture, have contributed to the Philippines' success in the services sector. Additionally, remittances from Filipinos working abroad have boosted export revenues.

One thriving services subsector is business process outsourcing (BPO), which generated an estimated US\$ 5 billion in revenues during 2007.³³ In fact, the city of Manila has been named one of the top BPO destinations in Asia-Pacific by the International Data Corporation, second only to Bangalore.³⁴ The BPO sector, like most services sectors, has a transformational role, not only in economic terms but also in terms of social development – the development of people. The subsector offers opportunities for disadvantaged groups, such as women in certain situations, youth, the aged and the disabled, as well as those living in non-metropolitan areas.

The Philippine franchising sector has also had strong growth, with the number of franchises increasing from 50 in the early 1990s to almost 1,000 in 2008.³⁵ Franchising is seen by the Philippine Franchising Association as an important tool in the country's economic growth and is an established business model in the country, apt for export.³⁶

30 World Bank, Philippines at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/phl_aag.pdf.

31 *Ibid.*

32 *Ibid.*

33 Business Processing Association of the Philippines, Offshoring and Outsourcing Roadmap Philippines: Roadmap 2010, 1 October 2007.

34 *Ibid.*

35 Philippine Franchise Association website,
www.philippinefranchiseassociation.com/about-us.html#aboutpfa.

36 *Ibid.*

The Philippines is a land of contrasts, a multicultural hybrid, with Spanish, Malay, Chinese, American and indigenous tribal influences, all with associated religious persuasions. WTO membership since 1995³⁷ and ASEAN membership have been achieved.

As these case studies illustrate, services fuelled by the Philippines' first-rate labour force, in areas of increasing added value, such as animation services, franchising and best practice BPO, have made noteworthy progress towards realizing the country's extensive services trade potential.

Case studies

A one dollar haircut and shampoo

Reyes Haircutters (www.reyeshaircutters.com)

'People laughed at my P 49.99 idea and told me it would fail. Still, I had to trust my intuition,' recalls Les Reyes. And so, in 2001, began **Reyes Haircutters (RHC)**, which today is a chain of more than 200 salons in the Philippines.

Les Reyes, the founder and CEO of RHC, comes from a family with deep roots in the beauty industry. Following a stint in the United States Navy, he joined his brother in business. Eventually he struck out on his own, created a brand new niche in the marketplace and never looked back.

RHC is a beauty salon which offers affordable services and merchandise, such as haircuts, hair colouring, hair treatments and product lines such as shampoos and conditioners.

According to Les Reyes, 'Perhaps the most unique thing that RHC did was to drop its price much lower than the industry rates and make it more affordable to the masses. For P 49.99 (about one United States dollar), one can get a haircut with shampoo at RHC. The company calls itself the "Salon ng Bayan", or the "Salon of the People", and sees itself as a neighbourhood salon catering to every member of the Filipino family.'

The most innovative thing that RHC did was to turn cultural savvy into market share and then build a franchise business around it.

Les Reyes knew that Filipinos place a premium on looking good. He also knew that Filipinos, regardless of their social status, are willing to spend their hard-earned money on looking and feeling good. The rest is history. In fact, it is recorded history, in a book by Lloyd Abria Luna, *Believe in Yourself: The story that made Reyes Haircutters*. RHC is an inspirational story of one man, one intuition and many successes.

Les Reyes believes in keeping RHC five steps ahead of the competition. He personally sees to it that RHC is aware of the latest beauty industry and marketing trends. RHC runs a training centre to keep its personnel current with the latest company and industry news and updates.

Les Reyes understands what it means for RHC to go global. The company is targeting the Filipino diaspora as its main clients. RHC operates five stores

37 WTO, Philippines and the WTO.
Web page at www.wto.org/english/thewto_e/countries_e/philippines_e.htm.

abroad, which are located in the United States and the United Kingdom. Plans are in place to open more stores in foreign markets, initially to serve Filipino communities, and then to go mainstream with an expanded client base.

RHC decided to go international because it was the next logical step after growing from a single outlet to more than 200, all over the Philippines, in just six years. The company also believed that overseas Filipinos represented a huge market waiting to be tapped. For its overseas expansion, RHC used the franchising route, which has helped the company to expand exponentially.

RHC contributed to the growth of Philippine trade in services by exporting the franchise concept that involved marketing the Philippines, thus building awareness and a positive profile.

By offering high-quality beauty services to the masses at a reasonable cost, Reyes demonstrates the cultural preferences of Filipinos. The willingness to invest in one's appearance despite economic adversity highlights the optimistic 'spirit of the Philippines', which can only serve to enhance the perception that it is good to do business with Filipinos.

As Les Reyes reflects, 'We set up the company for the primary purpose of helping other people, particularly women. Minus the profit, we thought of ways where we could help reduce unemployment and at the same time give them some ideas on entrepreneurship.'

Lessons learned include:

- ❑ *Constant innovation is critical to success.*
- ❑ *The franchise model is appropriate for replication of services.*
- ❑ *Understanding the market is key.*
- ❑ *Hard work and perseverance, in spite of any setbacks, pays dividends.*
- ❑ *Customer service is crucial.*

Recommended advice includes:

- ❑ *Ensure strong growth and success at home, prior to entering international markets.*

Decentralizing is an enormous success

Sitel Philippines Corporation (www.sitel.com)

Sitel Philippines Corporation (Sitel) provides outsourced contact centre services including: customer service; sales support and lead generation; technical help desk; business to business (B2B) and business to consumer (B2C) support; back office operations; and chat and e-mail services.

Sitel started operations in December 2000, and in January 2007 became the largest outsourced call centre company in the world.

An example of successful developmental foreign direct investment (FDI), Sitel is an American-owned company that chose to set up operations in the Philippines. Key factors for choosing this location included the availability of an English-speaking workforce, and world-class telecommunications

infrastructure. Investment in the Philippines was part of the long-term export strategy of the company. Sitel's investment has delivered a variety of benefits to Filipinos, through employment, career development and training.

Sitel's core business advantage is its global operating system, which is made up of three components: a standard organization model with clear roles and responsibilities, and the associated training required; a set of processes and procedures for managing a contact centre; and an operational performance standard, against which the company measures compliance through an audit and certification programme.

Sitel is a multiple award-winning company. Its awards include, Most Trusted Contact Centre Outsourcing Firm; 1st American Chamber of Commerce Philippines, CSR Excellence Award; the Global Services Magazine and Global Services 100 award. In addition, Sitel was selected for the International Association of Outsourcing Professionals 2008 Global Outsourcing 100 list.

Since 2006, J.D. Power and Associates (product quality and customer satisfaction researchers and experts) have presented 55 awards to Sitel clients. Regarding the success of Sitel clients, President and CEO Dave Garner says, 'We most definitely would prefer our clients to win awards based on the work we do for them, while we stay in the background and be a great service provider.'

Sitel is recognized as an innovative company for a number of reasons, including its efforts to expand to cities in the countryside.

The decentralization initiative has been a monumental success, resulting in lower attrition rates and higher talent acquisition figures.

A company spokesperson describes Sitel's uniqueness in the following way, 'What makes Sitel unique is the fact that we believe that "reputation is our most valuable asset". As such, we ensure that we give our clients no less than the best. At the helm of Sitel are experienced leaders who bring nearly a century's worth of expertise delivering exemplary customer care solutions. But beyond their résumés are real people, who

care about delivering return on customer investment to our clients.'

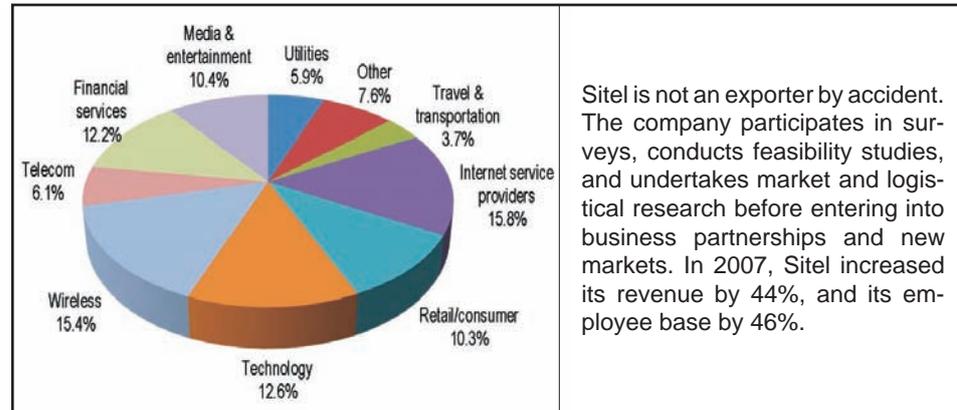
The overall success of Sitel is due to the ability to leverage the competence of an English-speaking educated workforce, the developed infrastructure of the Philippines, the corporate service culture and the spirit of partnership which ensures growth of customer satisfaction and retention of clients.

The greatest challenge for Sitel is to maintain an adequate workforce. To address this issue, the company has instituted agent retention programmes, including a work-life balance initiative, training needs assessment and career path development. Sitel constantly keeps compensation and benefits competitive and provides first-class facilities for employees, such as an in-house gym and fitness programmes.

Sitel had to sell the Philippines first, before it was able to sell its services. This was achieved by shifting perceptions from negatives (political instability, security issues, corruption and inadequate infrastructure), to positives (the people, Westernized business environment, excellent technological infrastructure, favourable and business-friendly economic policy, safe environment and quality of life).

Sitel's ability to think like a customer has been vital in building its service model, which constantly improves the business performance of clients. This is critical for maintaining Sitel's competitive edge in the most globally competitive business environment.

Sitel exports 100% of its diversified range of service support processes to customers in North America, South America, Europe and the Asia-Pacific region. The chart below illustrates the sectoral variation of Sitel's clientele.



Lessons learned include:

- ❑ It is important to establish reliable partners in the markets you serve.
- ❑ Consider FDI as a model, as long as there are 'meaningful' opportunities for the local economy.
- ❑ Develop long-term partnerships with foreign clients as well as local academic and business partners.
- ❑ Success factors include a passion for excellence, proper execution, and delivering on promises.
- ❑ Consistency of performance is key.

Recommended advice includes:

- ❑ Avoid relationship problems.
- ❑ Cultivate strong leadership principles.
- ❑ Ensure profitability and financial stability (within an acceptable time frame for stakeholders).
- ❑ Reduce employee turnover.

Animation films of quality

Top Peg Animation & Creative Studio Inc.
(www.toppeganimation.com)

Top Peg Animation & Creative Studio Inc. (Top Peg Studio) started in the animation production business in November 1996. The company was founded by a group of Filipino animation directors and supervisors, to operate as an outsourcing, third-party and subcontracting studio.

The studio enjoys an excellent reputation for its quality animation output and has worked with Disney Studios and Warner Brothers on a variety of films, television series and other projects.

The company started to produce Filipino content in 2003. *Tutubi Patrol (Dragonfly Patrol)* was Top Peg Studio's first all-Filipino animated series for children. The show was presented with the ANAK TV seal award for child-friendly, family-oriented shows, by the Southeast Asian Foundation for Children and Television.

In 2004, Top Peg Studio expanded its distribution of local content to other Asian countries and to Filipino communities abroad, including in Germany and the United States where the shows were featured in conferences and children's workshops. The series was also exported to Hong Kong and Indonesia and dubbed into the local language for showing. At the same time, Top Peg Studio embarked on a series of international marketing activities, which resulted in contracts from Canada, France, Italy, Spain and the United States. Eventually, the studio stopped all local subcontracting jobs to concentrate on its international clients. Nonetheless, the *Tutubi Patrol* series attracted the attention of local producers, and new local animation production opportunities were offered to the company. The resulting *Jobert* animation show was released in early 2009, locally as well as globally.

Top Peg Studio is a full animation production studio, providing two-dimensional (2D), three-dimensional (3D) and Flash animation, at three key stages of production:

- ❑ Pre-production (storyboard, character/background/props design, Xsheet and lipsync);
- ❑ Production (animation, digital paint, compositing and editing); and
- ❑ Post-production (musical score and sound effects, final DVD/project output, commercials, logo and graphic designs, Flash animation for e-learning, Flash games, production of original conceptualized content for TV or feature films, and animation training at the basic and professional level).

According to Grace A. Dimaranan, 'The creativity of Top Peg Studio's staff is the most unique feature of the company. The skills of deserving individuals employed by the company are upgraded each year, to maximize their potential. Evaluation of staff potential helps the company to assign tasks and ensure the production of positive and quality outputs.'

Top Peg Studio has contributed to the growth of the Philippines' trade in services by securing outsourced business from abroad, increasing job opportunities, and helping to hone the skills of workers in the industry.

The value of Top Peg Studio is inherent in the expertise and skill level of its artists and the key people who supervise the production, affectionately called, the CORE group.

Top Peg Studio maintains its innovative edge by training only in-house artists for CORE group membership. This approach prevents others from copying its training and eventual outputs.

Gaining access to the latest software, technology and equipment has been a daunting task not only for the company, but for the entire industry. The

main challenge for Top Peg Studio has been finding the right people, who can be trained to acquire the required animation skills.

Exporting has been a critical component of the company's business strategy from its conception, with the United States being its most important source of foreign business. Top Peg Studio earns 60% of its revenues from outsourced work and 40% from local content.

Top Peg Studio's export history shows that subcontracting work locally preceded outsourcing contracts. From 1996–2003, the company subcontracted work locally as a third-party contractor for Disney, Hanna Barbera, Cartoon Network, Warner Brothers and Japanese shows. From 2003–2008, the company received outsourced work directly, from Canada, France, Germany, Italy, Malaysia, the Republic of Korea, Singapore and the United States.



Top Peg staff at work

Top Peg Studio has been carefully building its reputation and marketing itself with the help of the Animation Council of the Philippines (ACP). Recommendations by clients continue to result in new business, and also paying dividends are the strategic marketing activities of the company (quality demo reels, participation in shows, exposure on international networks, and attendance at exhibits, conferences and trade missions).

The company makes extensive use of technology to distribute its quality outputs and competes with low-cost outputs from other countries. The studio has been active in the promotion and branding efforts of the Philippine animation industry, including ACP's

'More than 20 years of quality creative talent' initiative.

The desire to produce original content has also contributed to trade in services, by raising the value of Philippine exports from outsourced work to content provision.

Lessons learned include:

- ❑ *The digital world enhances the work of animators and artists and enables them to work faster, but creativity and conceptualization are a human input that no computer software can provide.*
- ❑ *Getting too much work destroys the quality of animation output and often delays delivery, resulting in loss of revenues and client trust, penalties, and burn-out of people and talents.*

Recommended advice includes:

- ❑ *Take on only what you are capable of handling and not more.*
- ❑ *Invest in talented and skilled people and artists before you invest in software, equipment and technology.*

Chapter 7

Argentina

Country profile

With its capital city of Buenos Aires known as ‘the Paris of the South’, the strongly European-influenced country of Argentina has one of the most powerful economies in South America. After experiencing a number of economic crises during the twentieth century, Argentina’s economy is reviving and has had real growth in GDP of over 8% for the last five years.³⁸ Despite the importance of Argentina’s competitive agricultural sector, its considerable natural resources and diversified industrial base, it is the services sector that accounts for the greatest portion of the country’s GDP: more than 50%.³⁹

Argentine trade in services benefits greatly from a highly literate and educated workforce. With a population of over 39 million,⁴⁰ the country has a 97% literacy rate.⁴¹ While Spanish is the country’s official language, Italian and English are also widely spoken, and that strengthens the country’s prospects for expanding and diversifying its services export base in Europe.

In comparison to other Latin American nations, Argentina has a relatively good infrastructure. The telecommunications sector has been growing rapidly since deregulation in 2000 and there is a widespread rail system, road network and important ports, which facilitate exports.

As reflected in the case study, one of Argentina’s main subsectors is tourism. Attracting about 3 million tourists a year, the country is experiencing record-breaking growth in the industry.⁴² The Government recognizes the importance of tourism, which it sees as a tool to create income and employment in the Argentine economy.⁴³

A member of WTO since 1995,⁴⁴ Argentina experienced substantial liberalization of its services sector throughout the 1990s. Argentina has also undertaken commitments regarding GATS, particularly facilitating foreign suppliers of non-insurance financial services to establish operations in-market, as well as some recognition for foreign professionals.

Already developing a prosperous tourism sector, Argentina’s highly educated population is moving forward with plans to attract international students to the country, to boost education and training exports. Argentina’s broad

38 International Monetary Fund, World Economic Outlook April 2008. Web page at www.imf.org/external/pubs/ft/weo/2008/01.

39 World Bank, Argentina at a Glance, September 2008. Online at http://devdata.worldbank.org/AAG/arg_aag.pdf.

40 *Ibid.*

41 *Ibid.*

42 Argentina Secretariat of Tourism website, www.turismo.gov.ar/eng/menu.htm.

43 *Ibid.*

44 WTO, Trade in Services Database. Web page at <http://tsdb.wto.org/default.aspx>.

liberalization of the services sector and economic diversification away from agricultural dominance strengthen its potential for expansion and diversification of trade in services.

Case studies

A user-friendly, agile website

Oporturista.com (www.oporturista.com)

The idea for the company was conceived by Mario Zuker in 2001, following the economic crisis in Argentina. Oporturista.com, as it is known now, was launched in August 2007, after a series of name changes.

Oporturista.com is mainly an Internet-based company which sells hotel accommodations. The company gathers selected hotel opportunities and, through an innovative selling system, allows clients to choose accommodation at a 'fixed price' (FP), or 'in fall price' (IFP).

The impetus for the business was major growth in internal tourism in Argentina, due mainly to the exchange rate. As a result, the hotel business also experienced major growth, but the industry was in need of advertising. The Internet provided an ideal and low-cost solution.

When purchasing at FP, the client is guaranteed a price already below the normal rate at the chosen venue. When purchasing at IFP, in addition to a price that is already below the normal rate, a daily reduction is also applied, until the journey or service pack is sold to someone who is willing to buy at a particular price. The process is essentially an inverse auction.

The clients of Oporturista.com are able to purchase accommodation in various establishments, via a user-friendly and agile website. In the major tourist centres of Argentina, discounts of 50% or more are available to customers. In addition, Oporturista.com provides subscribers to the website with a weekly newsletter, featuring the latest news, offers and features.

The trademark *Escapadas Argentinas* is a new tourism concept based on extensive communication and collection of best options so everybody can afford to travel.

Mario Zuker and Luis Mariñansky of Oporturista.com explains, 'We communicate in a variety of ways, such as via the Internet, through accommodation and travel guide books and on the radio. We are in the process of launching our own newspaper-format bimonthly magazine, to provide a link between the client and the hotel.'

Oporturista.com is unique because it has managed to meet the needs of clients for discounted accommodation, using a specially designed online platform. However, the real secret behind the success of the entire system is the

company's highly trained human capital. Oporturista.com staff receive systematic training, enabling them to supply the demands of tourists via technology. The company keeps its innovative edge by staying informed about the tourist market and by catering to new demands.

This strategy allows the company to be a step or two ahead of the competition, especially those that tend to copy its innovations.

Oporturista.com has an open-door policy at every level, which ensures excellent communications and creates an environment that facilitates the fast development and implementation of new products and services.

Several other initiatives also keep the company innovative and competitive, such as: loyalty programmes; daily personalized follow-up with participating accommodation establishments; web page activity review; business strategy planning services; weekly information newsletters for registered members (online games with prizes coming soon); and personalized telephone hotline and e-mail assistance.

A major challenge the company faced was reluctance by clients to do commercial transactions online. Over time, the honesty of the company and the care and control of the Oporturista.com site are expected to overcome this obstacle.

The periodic economic instability challenge was addressed by considerable research, which yielded alternative approaches that helped to keep clients travelling under a variety of conditions.

A major technological challenge that Oporturista.com faced related to software development, more specifically the need for flexibility to keep information current and allow instant application of emerging technological innovations. This challenge is being addressed every day.

Oporturista.com has noticed an appreciable increase in registered members from foreign countries, especially in South America. Although at the present time the company concentrates on the Argentine market, its intentions are to expand worldwide. Oporturista.com's business matrix is ideal for franchising purposes, because of its adaptability to most other countries.

Business activities that will lead to exporting are under way. The company's websites are being translated into other languages and contacts are being established in Spain, the country chosen as its gateway to Europe.



Oporturista staff

Oporturista.com markets Argentina as a good place to do business, thanks to favourable exchange rates. In addition, it promotes the fact that Argentine companies are good to do business with because they are well-managed, creative, innovative, sensitive to cultural considerations and flexible.

Oporturista.com has contributed to the growth of Argentina's trade in services by helping the tourism industry to promote its products and services, and by collaborating with tourism-generating cultural events, such as tango festivals, shows, fairs and gastronomy events throughout the country.

Lessons learned include:

- ❑ *Clear vision and precise and attainable goals result in sustainable success.*
- ❑ *It is critical to have highly qualified, trained and motivated staff.*
- ❑ *An innovative idea will generate a great deal of value.*

Recommended advice includes:

- ❑ *Offer human and personalized support which is sensitive to the marketplace.*

Taking more than two to tango

TangoTaxiDancers (www.tangotaxidancers.com)

TangoTaxiDancers is an agency that provides teachers and professional dance partners working in the Argentine tango scene in Buenos Aires. The company started trading in August 2007. The impetus was the expansion of the tourism industry in Argentina, which resulted in increasing numbers of visitors coming specifically to dance the tango. TangoTaxiDancers saw that unscrupulous or untrained dancers were entering the market and recognized the need for high-quality, safe, professional and reliable tango services. Most of the company's work consists of providing professional dance partners, with teaching as an accompanying service.

The company offers dance classes, using its own exclusive didactic methods with a money-back guarantee. Other services include: private classes tailor-made to the student; standardized group classes; professional dancers on an hourly basis to accompany clients in classes, practice sessions or milongas (a place or an event where tango is danced); entertainment at private or public events and dance displays.

TangoTaxiDancers is unique in its field because it places high priority on student/client satisfaction. The company is flexible and tries to meet, or exceed, clients' hopes and expectations.

The company constantly invites opinions and feedback, from both its dancers and its clients. However, it then sometimes has trouble balancing the needs of those people in its decision-making. TangoTaxiDancers' workload is not steady. Maintaining motivation during slack periods is a major challenge.

We are permanently alert to the needs of our clients and innovate accordingly, for example, introducing new services and ways of delivering them and raising the bar on quality standards.

Exporting dance culture requires that both the clients and the people in whose world the client will spend time understand the services being offered and learn to use and respect them. It takes a great deal of patience to explain that TangoTaxiDancers is all about assisting or enabling clients to enjoy the dance itself as an art form. It also takes considerable time to explain to

the local population that their culture is not being threatened by the introduction of foreigners.

TangoTaxiDancers observes the competition, as well as the habits of clients. The company is confident that its staff, training programmes, ethical approach, organization and structure are standard-setting and leading-edge.



The major part of TangoTaxiDancers' export business is servicing foreign tourists who come to learn and enjoy the authentic tango. They take home the skills and knowledge that they acquire in Argentina.

TangoTaxiDancers has twice sent dancers to the Miami Tango Festival, but with poor results. The major mistake was not controlling the choice of personnel closely enough and not ensuring that they understood the nature of the work they were being paid to do. It is a common misconception that anyone who can dance can be a TangoTaxiDancer, but the work requires strong interpersonal skills, patience, stamina and dedication to the client's needs. However, the company has learned a great deal from the experience and plans to participate in other tango and dance festivals around the world.

The main services offered to tourists in Buenos Aires are well established and understood. In contrast, when dancers were sent abroad, the export came about unexpectedly through existing contacts and was executed without much thought or preparation.

TangoTaxiDancers is now aware that exporting tango dance services requires forward planning and research. For example:

- Dancers are urged to have a passport in order to be ready for work opportunities abroad;
- The company is aware that it needs to build into its pricing the administrative time involved;
- Groups which go abroad should include a manager;
- The criteria are clear for getting involved in projects; and
- TangoTaxiDancers has a brand and a reputation to protect.

The company operates with a high standard of personal and corporate ethics. This approach has impressed clients, and as a result the company has plenty of return business. In addition, a significant proportion of new clients come through word-of-mouth publicity.

TangoTaxiDancers' clients go back to their countries with very positive views of Buenos Aires and its people, thus encouraging more tourists to visit. This is good for the company, as well as for other cultural, hotel and restaurant services.

Eduardo Amarillo of TangoTaxiDancers explains, 'We try to influence other service providers we come into contact with and explain the notion of enlightened self-interest when it comes to treating customers well and offering excellence. This can counteract the common short-term thinking which is concentrated more on extracting as much money as possible from the tourist, with little regard to value for money, or the overall impression of Argentina and its people that they will take away.'

Lessons learned include:

- It pays to be permanently flexible and open to suggestions.*
- There is no one definitive business model in a new service area.*
- Nothing is as straightforward, nor as easy, as it at first appears.*

Recommended advice includes:

- Do not imagine that everything will run smoothly.*
- Be flexible and imaginative when things go wrong.*
- There is always another way around.*

Chapter 8

Ghana

Country profile

Ghana has a tropical climate, a population of over 23 million,⁴⁵ and its economy has been influenced largely by its natural assets. It is a country rich in natural resources, and a renowned producer and exporter of minerals and timber.⁴⁶ Large amounts of cocoa are also produced by the country's strong agricultural sector, which has long dominated Ghana's economy, accounting for nearly 40% of GDP in 2006.⁴⁷

Despite the importance of agriculture and mineral production in the Ghanaian economy, the country's services sector is a growing component, also accounting for nearly 40% of GDP in 2006.⁴⁸ The importance of the services sector has been recognized by the Ghanaian Government, which has focused on diversifying the country's export base. Economic reforms such as privatization, an emphasis on economic stability, transparency and efficiency in the public sector, have had positive effects on the expansion of trade in services.

Ghana's services sector has seen success in some key subsectors such as tourism and financial services, in addition to remittances from the African diaspora.⁴⁹ The restoration of historic sites and the development of eco-tourism at Kakum National Park have led the country's tourism sector to increase substantially over recent years. One of the main entry points for western tourists visiting Africa for the first time, Ghana's tourism sector is expected to grow at an average rate of over 4.1% a year over the next few decades,⁵⁰ fuelled by cultural tourism including the slavery pilgrimage route well known to African-Americans.⁵¹ Opportunities exist in the sector for foreign direct investment (FDI) in various accommodation offerings.⁵²

Ghana's financial services sector has likewise shown significant development over the past decade as reflected in the following case study. The Ghanaian Government is keen to support the country's financial services sector by strengthening various financial regulatory institutions and bodies. The

45 World Bank, Ghana at a Glance, September 2008.

Website at http://devdata.worldbank.org/AAG/gha_aag.pdf.

46 Ghana Official Portal website, www.ghana.gov.gh/ghana_at_a_glance.

47 World Bank, Ghana at a Glance.

48 *Ibid.*

49 World Bank, Ghana Country Brief, October 2008. Online at: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/GHANAEXTN/0,,menuPK:351962~pagePK:141132~piPK:141107~theSitePK:351952,00.html>.

50 Ghana Investment Promotion Centre website, www.gipc.org.gh/Pages.aspx?id=74.

51 Ghana Tourism official website, www.touringghana.com.

52 Ghana Investment Promotion Centre.

Universal Banking Business Licence, introduced in the country in 2003,⁵³ is expected to increase competition within the banking industry, which bodes well for future financial services exports. The financial services sector is also strengthened by a developing insurance market regarding both life and non-life insurance subsectors, the development of best practices in microfinance services, and the presence of capital markets. The Ghana Stock Exchange (GSE), established in 1990, and the Securities and Exchange Commission (SEC), have promulgated rules for investors, brokerage firms, listed companies and allied service providers, facilitating trade in services.⁵⁴

The success of key services subsectors and continuous supportive government policies will assist Ghana, a member of the Economic Community of West African States (ECOWAS)⁵⁵ and a WTO member since 1995, to realize and diversify its plentiful services export potential.

Case study

Exit cash, enter electronics

eTranzact Ghana Ltd (www.etranzact.com.gh)

eTranzact Ghana Ltd (eTranzact) started operations in 2006. The impetus for launching the company was a passionate vision to see Africa develop into a cashless society.

eTranzact offers an electronic payment platform for banks, merchants and individuals, enabling them to do business without carrying physical cash. Instead, they are able to transfer funds in a variety of ways, among them mobile devices, Internet devices, and point of sale (POS) terminals.

The specific services offered by eTranzact include, among others:

- Mobile banking (checking account balances, last five transactions, money transfers, etc.);
- Telco services (virtual and voucher top-up for mobile phones);
- Merchant services (bill payments and payment for goods and services, via mobile phones and the Internet);
- Ordering and payment (for goods ordered via mobile devices and using the Internet);
- Web payment gateway (for airline industry, embassies, e-commerce sites, schools, etc.);
- Online cash collection (pay outlet for school fees, government revenue collections, etc.); and
- Facilitation of service exports (utilizing mobile and web payment technology).

George Babafemi, Head of Operations at eTranzact Ghana Ltd, sums up the uniqueness of the company in the following way: 'Our services are unique because they allow the cardholder to make payments in a number of ways, conveniently, within a secure environment. Developed in Africa from scratch,

53 PricewaterhouseCoopers Ghana, Financial Services. Web page at www.pwc.com/extweb/industry.nsf/docid/5aad03fa0361699180256f510029434f.

54 *Ibid.*

55 Europa World Plus, Ghana: Economic Affairs Online subscribers only.

eTranzact is the first online payment technology in the world which is truly multi-channel, multi-application, multi-bank and real time online. Furthermore, the merchant services of eTranzact are fully customizable to exact client specifications.'

The greatest challenge for eTranzact was the cultural acceptance of new ways of doing business. Moving from the traditionally cash-based transaction approach to a world of electronic business was a huge change for people.

The company maintains its competitive edge by performing continuous research, aimed at ensuring the maintenance of first-class standards.

eTranzact is currently deployed in Côte d'Ivoire, Nigeria, South Africa, the United Kingdom and Zimbabwe. Works are in progress in other African countries like Liberia and Sierra Leone.

Making available an award-winning online payment service ensures that excess money remains within the banks, which helps the economy and contributes to trade development.

The company also does business with foreign companies operating in Ghana. One of eTranzact's largest clients is Amadeus, based in Madrid, Spain.

The services of eTranzact will be marketed soon to the African diaspora. The company will be offering to take remittances from all over the world and send these back to the country of origin, utilizing eTranzact technology.

Strategic partners abroad are important to eTranzact, as is a presence in selected countries such as the United Kingdom. Exporting was a strategic business decision for eTranzact. The company was well aware of the existence of the African market, consisting of both wealthy and poor countries, where risk reductions in travelling with money would be welcomed.

eTranzact has enhanced the perception that it is good to do business with companies from Ghana in a number of innovative ways, such as:

- ❑ Emphasizing the political stability of Ghana;
- ❑ Promoting the existence of excellent infrastructure (an extensive mobile phone network); and
- ❑ Highlighting that there are no serious regulatory hurdles in the country.



Lessons learned include:

- ❑ *Everyone has their own unique way of doing business.*
- ❑ *Adaptability and flexibility, especially with regard to pricing, are key to success.*

Recommended advice includes:

- ❑ *Learn about the environment to which you will export.*
- ❑ *Undertake at least some basic market research.*
- ❑ *Understand clearly the needs of the market.*
- ❑ *Find a partner.*
- ❑ *Attend to customer needs and adapt to satisfy them within their business framework.*

Chapter 9

Malaysia

Country profile

For many hundreds of years, Malaysia has been an important part of the international spice route. Traditionally a producer of raw materials such as rubber and tin, this southeast Asian country, with a population of around 26 million,⁵⁶ now has a multisector economy with strong manufacturing and services sectors. In 2006 the services sector accounted for more than 40% of the country's GDP and industry accounted for nearly 50%, with agriculture contributing 8.7%.⁵⁷

Malaysia has experienced considerable expansion in trade in services with service exports, particularly tourism, ICT, finance and construction increasing substantially in recent years. Since 2003, government policy has aimed to increase Malaysia's value-added activities in the services sector, including attracting investments in high technology industries, medical technology and pharmaceuticals. Key among policy initiatives for services is the implementation of the Third Industrial Master Plan (IMP3). Initiated in 2006, IMP3 will continue until 2020 and seeks to further develop Malaysia's services sector. The plan will focus on the further expansion of certain subsectors including education and training, tourism, business and professional services, and ICT.⁵⁸

Eclectic cultures characterize the prosperous Malaysian State, with Malay, Chinese, Indian and a number of indigenous cultures co-existing. Malaysia's official language is Bahasa Melayu (Malay) but many other Asian languages and English are also widely spoken. Malaysia, as seen in the case study, offers a niche market for companies providing services that incorporate the country's Muslim culture. Successful Malaysian industries such as Islamic banking provide innovative Islamic banking products and services while Malaysia's halal food industry is a fast-growing sector aiming to make Malaysia a hub for halal or permissible Muslim food.

A member of WTO since 1995, Malaysia has implemented market liberalization in some of its services sectors such as tourism and private education, and has promoted manufacturing services, health and construction

56 World Bank, *Malaysia at a Glance*, September 2008, http://devdata.worldbank.org/AAG/mys_aag.pdf.

57 *Ibid.*

58 Malaysia Ministry of International Trade and Industry, IMP3. Available from Professional Services Development Corporation, website www.miti.gov.my.

services.⁵⁹ Export opportunities exist for the healthcare services sector, education, construction and professional services such as consulting and architectural services.⁶⁰

The common use of the English language, the country's educated population and the fact that intellectual property administration has been strengthened are key factors in the growth of the country's trade in services. In addition, ICT connectivity has enabled service providers, large or small, to promote and offer their services online. Awareness campaigns regarding Malaysia's commitments under GATS have been undertaken, to boost competitiveness in meeting the increased foreign services supply offerings due to globalization.⁶¹

Case study

Digital autopsies

INFOVALLEY Group of Companies (www.infovalley.net.my)

INFOVALLEY is an integrated life sciences technology company with three main lines of business:

- ❑ Bioinformatics (custom-made software solutions for management and development of biotechnologies through scientific workflow design, analysis and visualization);
- ❑ Biotechnologies (molecular diagnostic kits and bioservices); and
- ❑ Medical informatics (high-intensity computing and high-definition visualization, aided with custom design navigational and analytical tools, specifically for forensic use).

INFOVALLEY exports healthcare services and upstream healthcare-related technology research and development. It has a staff of 35 at its headquarters in Kuala Lumpur, Malaysia, and employs 25 people in Bangalore, India.

The company started in 2000, with a vision of becoming a technology powerhouse in life sciences, providing cutting-edge solutions with an aim of creating socio-economic values.

INFOVALLEY is the worldwide leader in digital autopsy services. Within the Muslim faith, classical autopsies are forbidden, unless required by law or a medical reason. In Malaysia, a decree supporting digital autopsy was released, stating that priority must be given to digital autopsy before a classical autopsy is done. If digital autopsy establishes the cause and manner of death adequately, then there is no need to perform a classical autopsy.

Mathavan A. Chandran, Group CEO, explains, 'We provide a digital autopsy service, a software solution which sits in a high-performance computing environment. It generates a high-definition virtual body, enabling a forensic pathologist to do post-mortem examination, record all findings of interest and generate a report in compliance with the international standard.'

INFOVALLEY is unique in that it makes the most out of its superior knowledge base. It creates value through the delivery of innovative technological solutions.

59 WTO, Malaysia: Strategies for the Liberalization of the Services Sector, 2005. Online at www.wto.org/english/res_e/booksp_e/casestudies_e/case25_e.htm.

60 *Ibid.*

61 *Ibid.*

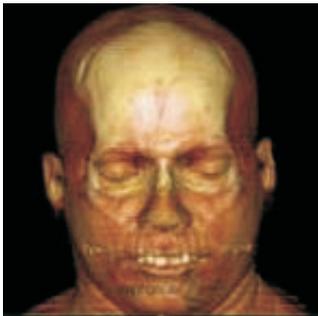
The main challenge for the company has been the creation of the right set of human capital; more specifically, finding candidates who embrace change at full speed. In addition, a global company such as INFOVALLEY meets the challenge of cultural difference head on by innovating to integrate cultural diversity.

The competitive environment makes INFOVALLEY a dynamic organization. It continuously raises the performance benchmark. The focus of the company is on the development of superior human capital and work challenges that indirectly translate into superior output.

The company has been exporting since 2005. Current export markets include Australia, India, Indonesia, Singapore, Thailand, the United Kingdom and the United States. Exporting accounts for less than 10% of total revenue, which comes mainly from the sale of bioinformatics.

INFOVALLEY is designed to serve the global market and plans are in place to expand into additional countries, including via the licensing of the digital autopsy service.

INFOVALLEY is an exporter by design. Its strategic business development plan has been in place since inception. According to Mathavan A. Chandran, 'As a market leader in Malaysia, we have been expanding our presence in the Southeast Asian market as the next step of growth. Subsequently, the plan is to enter the European and American markets.'



Digital autopsy image

INFOVALLEY has associated itself with world-class companies such as Intel, Oracle, SGI, Illumina and GE Healthcare since the very beginning, to ensure that each and every member is benchmarked against the highest possible standards. As a result, co-branding and co-existence have enhanced the image of INFOVALLEY.

INFOVALLEY is closely associated with the Government of Malaysia's lead agency for ICT, Multimedia Development Corporation (MDeC). Through this association and the support of MDeC, INFOVALLEY is able to market itself globally, at a faster and more economical rate than would be possible otherwise.

INFOVALLEY has contributed to the growth of Malaysia's trade in services. As the only provider of specific services which are globally marketable, it has the lead and so does Malaysia by association.

Lessons learned include:

- ❑ *People are the real assets and capital.*
- ❑ *People are the true competitive edge.*
- ❑ *Today, there is only one market: the global one.*
- ❑ *In order to attain the highest appreciation of market challenges, it is necessary to establish first-hand interaction with target market representatives.*
- ❑ *All business activities are to be of a global standard.*

Recommended advice includes:

- ❑ *Carefully identify the right local partner, even if it takes time.*

Chapter 10

Sri Lanka

Country profile

An island state south of India, Sri Lanka was once predominantly agricultural, but today services have begun to play an important role in the growth of the national economy. Services employed approximately 40% of the labour force in 2006⁶² and accounted for 56.5% of the country's GDP in 2007.⁶³ Sri Lanka's population approaches nearly 20 million.⁶⁴

Strong expansion in the services sector has been focused in the areas of trading, transport and financial services. Rapid growth has been seen in the telecommunications industry, where the total number of fixed telephone lines increased to 1.2 million in 2005 and the wireless and cellular phone markets have also grown in recent years.⁶⁵

The tradability of services has been enhanced by this increase in ICT-driven connectivity, in addition to a growing ICT sector focused on training and software development. In particular, Colombo's reputation for outsourcing is growing, and demand is rising accordingly. The high level of English language skills, low labour costs compared to neighbouring markets, and professional expertise available, augur well for the development of this subsector.

One of Sri Lanka's key services subsectors is its historic print industry. With 4,000 printing establishments, the industry provides job opportunities for over 40,000 people.⁶⁶ Printing companies offer sophisticated services that meet international standards – colour separation houses, print packaging supply, (including diaries and famous Sri Lankan tea labels), book and commercial printing – all making a significant contribution to the country's export endeavours. Investment in technology and willingness to adapt to meet international trends (such as the development of print trading houses offering one-stop print service packages, including print finishing and book binding⁶⁷) are positioning the country higher up the services value chain.

A member of WTO since 1995, and a participant in many bilateral and regional trade pacts, Sri Lanka is poised to build on the growth in trade in services, particularly regarding tourism, ICT, and the printing industry.

62 Europa World Plus, Sri Lanka: Economic Affairs.

63 World Bank, Sri Lanka at a Glance.

64 World Bank, Sri Lanka at a Glance, September 2008.

Online at http://devdata.worldbank.org/AAG/lka_aag.pdf.

65 Economist Intelligence Unit, Global Technology Forum, Sri Lanka telecoms: Services boom continues, July 2006. Online at

http://globaltechforum.eiu.com/index.asp?layout=rich_story&doc_id=9002&title=Sri+Lanka+telecoms%3A+Services+boom+continues&channelid=4&categoryid=30.

66 Sri Lanka Export Development Board website,

www.srilankabusiness.com/trade_info/srilankaproduct/printing.htm.

67 *Ibid.*

As reflected in the following case study, Sri Lanka adapts to the needs of the international services landscape to offer solutions, not just services.

Case study

Pursuing the printing tradition

Graphitec Pvt. Ltd (www.graphitec.biz)

Graphitec Pvt. Ltd (Graphitec) is an offset printing and packaging enterprise, ISO 9001:2000 certified and a winner of numerous awards. The company has been audited and approved by Disney World to manufacture Disney packaging products.

Graphitec started up in 1990 during difficult economic circumstances. The founder of the company, Sudath Silva, believed that the economy was about to turn around and that the timing was right to start the business.

The company produces a wide variety of items, such as labels, books, annual reports, brochures, product inserts, posters, greeting cards, business cards, calendars, and unique packaging for food, cosmetics and gifts.

Graphitec's uniqueness is illustrated in its motto: 'Build not on sand but on rock that your effort withstands the storms of time.' According to Sudath Silva, 'We at Graphitec are fastidious about the quality of our every endeavour. Our processes, technology and people work in synergy to create unmatched quality in printing in Sri Lanka and in export markets.'

Graphitec is a modern enterprise, built on a bedrock of quality. It has its own code of conduct, which outlines the high standard that governs the company's day-to-day operations. Among other things, the code of conduct specifies compliance with ISO 9001:2000 guidelines, no employment of child labour, no discrimination of any type, and environmental protection.

The thorough understanding and exact delivery of quality parameters, as per market demand, is a unique feature of Graphitec. In addition, flexibility (team work), speed (redesign and retune within 24 hours), and meeting delivery deadlines (95% success rate) are innovative ways the company differentiates itself in the marketplace.

Graphitec's competitive edge is derived from its constant awareness of what is going on in the global marketplace. The company carefully monitors trends, fashions and the behaviour of end-users. Timely knowledge is the ultimate weapon against the competition. It allows the company to make intelligent business decisions and keep ahead of the competition, especially those who copy its products and services.

Businesses in Sri Lanka have faced numerous challenges during the past 25 years. These have ranged from economic downturns to political and social instability, from high interest rates and inflation to work and life balance issues. In order to survive and prosper, Sri Lankan businesspeople have had to work hard and rely heavily on their creativity.

The market forces that dictate product and service offerings in Sri Lanka are very different from those in the international marketplace. In order to enhance its chances for success, the company has spent considerable resources on identifying what products and services are suitable for different markets. One of the many positive outcomes of the research was Graphitec's successful entry into the EU and the subsequent growth of its exports.

Approximately 30% of Graphitec's yearly sales figures are accounted for by exports. The company exports books to the United Kingdom, promotional materials to the Maldives, books to West Africa (via a deal made with a religious organization headquartered in the United States), regular periodical publications to India and West Africa, and gift packaging to the EU.

To become an exporter was a strategic business decision for the company. Once Graphitec had successfully established itself as a major player in the domestic marketplace, it realized that the Sri Lankan market was nearing saturation. Exporting was the logical next step in order to grow. Following extensive research and preparation, Graphitec selected the EU as its first export destination.

Graphitec is guided by a cardinal principle, a promise it renews every day:

Graphitec has contributed to the growth of Sri Lanka's trade in services. The company has earned foreign currency and raised awareness about the quality products and service offerings of Sri Lanka in general and Graphitec in particular.

- ❑ When we look back on our sweat, tears and joys, we find that our journey has been enriched by the partnerships we have built along the way;
 - ❑ Partnerships which are built on the foundation of trust and confidence blossom into friendships;
 - ❑ Graphitec is a community built on quality and family values, and it is a community of customers who are friends;
- ❑ Friendships are not sacrificed for mere commercial gain; and
 - ❑ There comes a time when counting the cost and paying the price are no longer the things to think about, and all that matters is value.

Lessons learned include:

- ❑ *A business must be flexible and able to adapt to any situation, ranging from economic to political fluctuations, and from global to technological changes.*
- ❑ *Searching for new customers is a continuous process and nothing is ever permanent.*

Recommended advice includes:

- ❑ *Build your domestic market first.*
- ❑ *Offer the highest possible quality.*
- ❑ *Meet the international standards relevant to your industry and maintain your process standards.*
- ❑ *Learn from your mistakes.*
- ❑ *Research potential markets at home and in the market to prepare your staff for international business.*
- ❑ *Perform a strengths, weaknesses, opportunities and threats (SWOT) analysis of your company.*
- ❑ *Prepare an Export Marketing Plan.*

Chapter 11

Singapore

Country profile

A strategic hub in southeast Asia, Singapore has been transformed into an international economic powerhouse. With one of the busiest ports in the world, and a well-developed network of roads and airline services, Singapore is an important aviation and shipping centre with strong international trading links. Fuelling Singapore's economy is its services sector, which accounted for 70.5% of its GDP in 2007.⁶⁸

As a multi-ethnic society, Singapore has four official languages – Malay, Chinese, English and Tamil – which are spoken among its population of over 4.5 million.⁶⁹ Expansion of Singapore's export base has been greatly aided by the high level of English spoken, strong networking skills and a relationship-orientated workforce. Top quality telecommunications and Internet facilities ensure swift communication for international trade in services.

The services sector has also been boosted by supportive government policies aimed at reducing the cost of doing business and stimulating a knowledge-based economy, promoting higher value-added offerings.⁷⁰ Allied to this is strong intellectual property regulation to protect, promote and foster innovation. Key subsectors within Singapore's services sector are sophisticated financial services, high-quality transportation services and robust education and training services incorporating lifelong learning.

A member of WTO since 1995,⁷¹ Singapore is a staunch advocate of free trade and has few trade barriers. Restrictions currently exist in some sectors, but many are progressively being liberalized such as telecommunications, power and the financial and banking sectors. This liberalization aims to increase overall efficiency.⁷² A member of ASEAN and APEC, Singapore embraces regionalism.

Singapore's skilled workforce, advanced infrastructure and emphasis on efficiency, coupled with a services mindset, has earned Singapore an international reputation as a high-quality service provider. In areas such as

68 Europa World Plus, Singapore: Economic Affairs, Online Subscribers only. www.europaworld.com/entry/gh.is.51

69 Euromonitor International, Singapore: Country factfile. Online at www.euromonitor.com/FactFile.aspx?country=SG.

70 Economist.com, Singapore factsheet, November 2008. Online at www.economist.com/countries/Singapore/profile.cfm?folder=Profile-FactSheet.

71 WTO, Singapore and the WTO. Web page at www.wto.org/english/thewto_e/countries_e/singapore_e.htm.

72 Economist.com, Singapore factsheet.

franchising and training services (including honing the skill of service excellence); innovative service providers deliver world's best practice trade in services, as highlighted in the following case studies.

Case studies

Staying relevant to Singapore's changing environment

Nanyang Polytechnic (www.nyp.edu.sg)

Nanyang Polytechnic (NYP), established in 1992, provides pre-employment training diploma courses for both domestic and international students in a variety of disciplines such as engineering, ICT, design, interactive and digital media, chemical and life sciences, business, and health sciences.

Currently NYP offers 33 full-time diploma courses to about 15,000 students. It is a government statutory board, and domestic students pay fees that are partially subsidized by the Government of Singapore. NYP also promotes lifelong learning through continuing education and training for working adults, and supports business and industry through professional and technical services.

The polytechnic is a premier global educational institution. NYP offers international programmes and services through its wholly owned subsidiary, NYP International (NYPi). NYPi has the task of enhancing the polytechnic's brand name in technical education and training beyond Singapore, and strengthening its existing international partnerships and collaborations.

NYP was officially established on 1 April 1992. In February 1993 the German–Singapore Institute, French–Singapore Institute and Japan–Singapore Institute were transferred from the Economic Development Board to NYP.

According to Alexius Oh, 'NYP builds its strengths on two pillars, which are effective teaching and a pervasive culture of innovation. The two are interrelated.'

The culture of innovation permeates every facet of the polytechnic's operations, from the way it trains its students and develops the capabilities of its people, to the way it organizes itself and learns as an organization.

Effective teaching results from effective pedagogy, which draws heavily on the polytechnic's capabilities in innovation.

Examples of NYP's innovations include:

- ❑ The Teaching Factory® concept (emulation of a real work environment on campus), which also serves as a model abroad for technical education.
- ❑ A borderless concept (multi-disciplinary teamwork and cross-divisional mindset in the organization) that extends to include the Technology Park (clustering the synergies of five schools together).
- ❑ Accumulated Experience Sharing System or AES® (innovation in knowledge management).

There are many challenges in polytechnic education, such as: developing the capabilities of staff to keep pace with advances in science and technology; staying relevant to the needs of industry; meeting the continuing education and training needs of the workforce; and harnessing resources to embrace new technology and adapting it in different applications.

Its innovative approaches to teaching, coupled with its focus on innovative excellence, keep NYP current and relevant to Singapore's changing economic landscape.

By exporting its expertise and experience in technical and vocational education to several regional countries, NYP expands its network of friends and partners, and contributes to Singapore's efforts to build good will among its neighbours in the region. Three of NYP's major international programmes are:

- ❑ World Bank–China Vocational Education Reform Project (provision of training and consultancy to help reform the technical/vocational education system, involving 82 schools from four Chinese provinces).
- ❑ Suzhou Industrial Park Institute of Vocational Training Project (developing a concept plan for the institute, providing training programmes for senior staff, and sharing pedagogical and management concepts).
 - ❑ Initiative for ASEAN Integration Project (train-the-trainers in ICT, a five-year programme to assist Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam to develop a pool of ICT talent).



Students at work, within an integrated learning environment that stimulates real-world conditions

As Alexius Oh explains, 'Higher education had historically been the domain of academic degrees from universities. However, the economy also requires well-trained technologists equipped with up-to-date knowledge and relevant skills to meet the manpower needs of industry.'

NYP has developed its own unique brand of technical and vocational education and training. Its Teaching Factory® concept is such an innovative pedagogic approach to education that it has been adopted by other education institutions abroad which, among other results, has helped to promote Singapore's image internationally.

NYP is also actively working towards providing more of its students with international exposure. One prime example is the Overseas Student Project Centres initiative. NYP has partnered with the Beijing Information Technology College to set up an NYP Student Project Centre within the campus of the college. The centre provides students with a taste of overseas experience, which enables and prepares them for assignments abroad in the future.

At the centre, the students immerse themselves in the culture of the country, as well as working on real industry projects with native students. Such opportunities provide participants with foreign experience and future business contacts. The formula has worked so well that a second Student Project Centre was set up in 2008, at the Suzhou Industrial Park Institute of Vocational Training.

Lessons learned include:

- ❑ *Constant innovation is the key to staying ahead of the competition.*
- ❑ *Keeping abreast of changes in industry and developments in technology is critical for management and staff.*

Recommended advice includes:

- ❑ *Build a strong network of partner organizations.*
- ❑ *Share accumulated knowledge and experience.*

Boutique bakeries

BreadTalk Pte Ltd (www.breadtalk.com)

The **BreadTalk** Group was born in 2000, through the creative and far-sighted vision of George Quek, Chairman and founder.

BreadTalk is an award-winning, multi-sensory cuisine company, comprising:

- ❑ BreadTalk boutique bakery (200 stores);
- ❑ ToastBox local coffee, toast and local delights (24 stores);
- ❑ Din Tai Fung restaurant (5 restaurants);
- ❑ Food Republic food atrium (27 outlets);
- ❑ J. Co. Donuts & Coffee (2 stores, with plans for 15 in 3 years);
- ❑ The Station Kitchen multi-dining concept (CHARCOAL Yakini, AH WOK local cuisine, ALLEY Tapas Bar);
- ❑ Cosmo 'The Bistro'.

According to Joyce Koh, Senior Vice President of BreadTalk Group, 'Creativity and innovative thinking form a major part of our company's core values.'

BreadTalk is known for introducing concepts that are thought-provoking, stylish, sustainable, and have a lasting appeal.

George Quek, the company's founder, revolutionized the bakery business by introducing a new approach to a perceived sunset industry. He created stores that are stylish and boutique-like, with full-height glass, stainless steel, good lighting, furniture and see-through kitchens. Staff are smartly attired in stylish uniforms.

New-to-market and innovative buns, toasts and cakes are given quirky names, with interesting stories. All items are freshly baked on the premises, allowing the aroma to filter through the air. To complete the experience, nicely designed packaging and boxes are used to carry the buns in style.

BreadTalk has faced a variety of challenges, such as:

- ❑ The need to ensure a high level of visibility for brand development purposes, requiring strategic 'A' grade locations in 'A' grade shopping malls.
- ❑ Custom restrictions on ingredients and legality issues in certain foreign countries, which may prevent BreadTalk from establishing outlets.

BreadTalk believes in being an innovator and a leader. The company strives to be the best in all of its activities and to be a continuous innovator.

Creativity keeps BreadTalk's business, as well as its spirit, going. One of the many examples of strategic innovation, which makes it even harder to copy BreadTalk, is the revamping of stores to give them a fresh and energetic attitude.

Its in-house research and development team, consisting of international consultants, spearheads new product innovations to cater to the discerning tastes of consumers worldwide.

BreadTalk stores can be found in China, Hong Kong (China), India, Indonesia, Malaysia, the Philippines, the Republic of Korea, Chinese Taipei, Thailand and the Middle East.



BreadTalk's fresh bread and pastries

Singapore is a relatively small country. For a listed company such as BreadTalk to continue a healthy growth path, it needs to expand beyond Singapore's borders. Before entering markets, BreadTalk evaluates them based on the state of the economy, population base, demographics, cultural dynamics, socio-economic conditions and the suitability of potential partners and franchisees.

In order to build the perception that it is good to do business with a company from Singapore, BreadTalk must:

- Show a good business track record;
- Demonstrate the capability to train people;
- Prove its ability to duplicate business concepts in another country;
- Show that there is demand; and
- Deliver on the promise.

Since the opening of its first store, BreadTalk has received thousands of enquiries and offers to franchise or partner. The company screens all candidates carefully to ensure that they meet its business selection criteria.

BreadTalk has created employment for thousands of people since its inception. The firm is highly regarded as one of Singapore's export model companies.

Lessons learned include:

- Study all new opportunities in detail.*
- Pick the right partner.*

Recommended advice includes:

- Set out all partnership conditions and obligations from day one.*
- Be patient and find a partner who can execute your services without compromise.*
- Review the market potential for a sustainable business.*

Chapter 12

Kenya

Country profile

The East African country, Kenya, is often heralded as the ‘cradle of humanity’. With a population of approximately 35 million,⁷³ the country has suffered from internal conflict. The growth of its economy has gained momentum after long periods of stagnation. Traditionally, agriculture, horticulture and tea have been key exports of the Kenyan economy. However, accounting for nearly 60% of GDP,⁷⁴ Kenya’s services sector now plays an important role. Trade in services is well established in a number of subsectors including tourism, commercial services and transport,⁷⁵ with the European Union (EU), the United States and the Common Market for Eastern and Southern Africa (COMESA) the key players.

An East African commercial and financial hub, Kenya’s capital city, Nairobi, is an important transportation and communication centre in the region. The Government has recognized the importance of developing the country’s telecommunications sector (including privatization of the telecommunications regime), which greatly influences the success of other services sectors. Large-scale infrastructure development and privatization of the sector are occurring. Plans for the construction of an undersea fibre-optic cable that will run from the United Arab Emirates to Kenya are under way, with the aim of increasing the affordability and accessibility of Internet bandwidth.

The Government’s supportive policies on telecommunications development are also important in the growth of its budding ICT business process outsourcing (BPO) sector. The introduction of incentives and the existence of vast investment opportunities are attracting interest in the sector. One of Kenya’s main advantages regarding the development of the ICT sector is its well-trained, educated workforce. Many ICT workers have passed through basic computer skills training colleges, and since the 1980s an estimated 1.1 million Kenyans have undergone computer skills training.⁷⁶ Computer education in schools and other institutions has also been introduced. Educational opportunities are expanding and the development of professional services has been identified as an important factor in Kenya’s economic growth.

A member of the WTO since 1995, Kenya has seen reforms in its financial services sector, where interest rates and exchange rates were liberalized in the early 1990s. Kenya is one of the forerunners in mobile banking, an innovative service allowing subscribers to transfer money to other phone users by SMS.

73 World Bank, Kenya at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/ken_aag.pdf.

74 *Ibid.*

75 International Trade Centre, Services Trade Capacity Study: Project to promote participation of developing countries in the GATS, Kenya 2005.

76 Kenya Export Processing Zones Authority, Kenya’s ICT Sector, 2005.
Online at www.epzakenya.com/UserFiles/File/ictKenya.pdf.

Tourism is one of Kenya's most successful services sectors, with Kenya's total tourism earnings rising to US\$ 612 million in 2006.⁷⁷

As international confidence in the country grows, Kenya's tourism sector, as seen in the following case study, is well placed to pave the way for the further realization of Kenya's services export potential, where BPO, accounting, non-banking financial services and insurance have been identified as key potential subsectors. Foreign direct investment appears to be a common factor in the exporting endeavours of Kenyan services exports, assisted by a large domestic market with a sizeable middle class, the intensity of competition and increasingly upskilled resource power.⁷⁸

Case study

A special sort of safari

Eco-resorts (www.eco-resorts.com)

Established in 1999, **Eco-resorts** offers hospitality consultancy, marketing and training for community-driven projects.

The impetus was the recognition of the need to assist local communities to develop sustainable, income-generating hospitality businesses. These communities can offer a fascinating cultural experience to visitors and also provide access to the wildlife that has made Kenya famous. Villages located in areas outside of the national parks and reserves are vital in the effort to protect the natural wildernesses of Kenya. These villages need to have economic benefits accrue to them for their efforts.

Eco-resorts exports safari arrangements or tour operator services. Its activities include:

- Setting up hotel, camp or lodge accommodation;
- Determining construction requirements;
- Training staff regarding health and hygiene needs and required standards for guests;
- Coordinating prospective safaris;
- Arranging transportation, drivers and guides;
- Acquiring licences; and
- Arranging flights.

Eco-resorts also helps with the marketing of projects on the Internet, in magazines and at trade shows.

In addition, the company arranges for volunteers to visit the sites to help with construction, and provides advice and general help on both the start and ongoing running of the businesses.

According to Melinda Rees, Director, Eco-resorts is unique because, 'We specialize in working with the small, locally owned tourism projects, rather than the large chain hotels/camps/lodges. We work with tribal elders to develop

⁷⁷ Economist Intelligence Unit, Online subscribers only.

⁷⁸ International Trade Centre, Services Trade Capacity Study: Project to promote participation of developing countries in the GATS, Kenya 2005.



The biggest challenge has and continues to be the need for education regarding cultural differences and expectations between the client and the village.

unique, community-oriented safari itineraries that allow visitors to experience true village life and learn about traditional tribal culture, in addition to visiting the better-known national parks and reserves.'

Two of Eco-resorts most innovative products are:

- ❑ Maasai warrior training safari – www.eco-resorts.com/warrior-training.php;
- ❑ Volunteer vacation safari – www.eco-resorts.com/Volunteer.php.

In particular, training is required to help villagers understand and enforce health and hygiene requirements, which are necessary to ensure that their visitors do not suffer any illnesses when staying with them.

Another challenge is ensuring that the local community understands and follows the laws and regulations of the country, such as meeting licence requirements and preparing annual audited accounts.

Eco-resorts is constantly looking for new projects and new itineraries. The company hopes that the competition will continue copying its innovations. This increases the number of local communities that are empowered by economic success, which results in the preservation of wilderness areas and the maintenance of cultural heritage.

Eco-resorts generates most of its income from exporting. It markets the small camps and lodges globally, via the Internet, with a special focus on the United States and European markets.

The volunteer and cultural immersion safaris are very successful. Schools are especially a relevant market, as they arrange cultural immersion safaris for their students, who afterwards become pen pals of local children.

The company has enhanced the perception that it is good to do business with Kenya by generating a long-term link between western visitor clients and local villagers. On return to their homes, the vast majority of clients become donors to local projects. They often help to set up and maintain medical clinics, school bursary funds, libraries and homes for children.

Many visitors start off by making a donation to one of the improvement projects, and then visit Kenya to see the progress. A number of volunteers in the United States and the United Kingdom help to raise awareness about projects and safari ideas. This results in a higher profile via word-of-mouth advertising and personal contact.

Eco-resorts employs approximately 20 people (accountants, driver/guides, mechanics and secretaries), and indirectly employs well over 2,000 people in the villages.

Eco-resorts developed the internationally accredited ECO rating system for Kenya (commissioned by the Ecotourism Society of Kenya), which has made Kenya a truly 'green' global tourism destination.

Lessons learned include:

- ❑ *Agreements must be clearly explained (in every language required to ensure that everybody involved in a project understands exactly what has been agreed).*
- ❑ *Agreements must be signed by everyone involved (to ensure that expectations are properly managed and disappointments and impossible demands are avoided).*
- ❑ *Personal contact is critical (potential clients wish to have first hand information about the project, and speaking to a previous visitor, or directly with Eco-resorts, helps to sell more safaris than any amount of advertising through travel agents, or via printed advertising).*

Recommended advice includes:

- ❑ *If you have done the research, seen a niche and created a product, then stick with it (too many people expect instant success and give up just when the product is starting to develop a name for itself).*
- ❑ *Expect that it will take up to three years to become profitable.*
- ❑ *Manage expectations.*

Chapter 13

El Salvador

Country profile

A mixture of indigenous and Spanish influences, with a population of over 7 million,⁷⁹ El Salvador is the smallest country in Central America, but is the region's third-largest economy.⁸⁰ While arable land and a strong manufacturing sector traditionally dominate its economic base, the country is fast becoming a services-driven economy, with services accounting for approximately 60% of GDP in 2006.⁸¹

El Salvador uses Spanish as its official language. However, strong American influences have led to English being widely spoken throughout the country. The services sector also features an abundant workforce, renowned for its strong work ethic, and thought to attract foreign direct investment. A large number of El Salvadorans work in the United States and remittances are a noteworthy contribution to the country's services economy.⁸²

Key to the success of El Salvador's services sector is its thriving tourism industry. The country is promoted as the 'land of smiles', and travel in El Salvador has recently accounted for nearly 60% of the economy's total exports.⁸³ Aside from the country's warm people and lush landscape, the success of the sector can be attributed to government policy, which recognized the importance of the sector and fostered its development. In recent years the Ministry for Tourism has been established, and a tourism law created, leading to investor incentives and a national sector strategy.

Another important services sector in El Salvador is the country's financial services sector. The success of this sector is largely attributable to reforms that took place in the 1990s, re-privatizing banks and removing restrictions on foreign participation.⁸⁴ El Salvador's financial services export potential was further expanded in 2002 with the 1999 banking law which allows banks to extend their operations into foreign markets.⁸⁵

79 World Bank, *El Salvador at a Glance*, September 2008.

Online at http://devdata.worldbank.org/AAG/slv_aag.pdf.

80 CIA World Factbook, *El Salvador*.

Web page at <https://www.cia.gov/library/publications/the-world-factbook/geos/ES.html>.

81 World Bank, *El Salvador at a Glance*.

82 PROESA –National Investment Promotion Agency of El Salvador.

Web page at www.proesa.com.sv/index.html.

83 WTO, *El Salvador Trade Profile*. October 2008. Online at

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=S>.

84 Economist Intelligence Unit, *Online Subscribers only*.

85 *Ibid.*

A member of WTO since 1995, El Salvador has pursued liberalization policies since the early 1990s.⁸⁶ El Salvador was the first country to ratify the Central America–Dominican Republic Free Trade Agreement (CAFTA–DR) to boost regional trade. In order to implement its obligations under CAFTA–DR, El Salvador has set about improving its intellectual property protection laws, which are important in the expansion and diversification of its services export base.

In addition, foreign direct investment related to services has been assisted by El Salvador's International Services Law (October 2007). Certain benefits such as tax exemptions accrue to services firms operating under this law, in subsectors such as distribution services, logistics, call centres, ICT and international financial services.⁸⁷

Professional services often offered on a pan-Central America basis are building a reputation, as highlighted in the following case study. From multi-jurisdictional legal expertise servicing global companies, to training small business consultants for further outreach in the Central American region, El Salvador is an emerging services exporter, actively pursuing economic diversification.

Case study

A big market in a small country

COMPITE (www.COMPITE.biz)

COMPITE trains consultants for the delivery of management development services to small and medium-sized enterprises (SMEs), and helps micro, small and medium-sized industries to improve their business management capacity. Its specialty is assisting small groups of entrepreneurs who want to export as part of their new business strategy. COMPITE also provides project management services for international organizations in Central America.

This consultancy was created in 2003, in response to a need for qualified consultants focusing on SMEs in the Central American region. COMPITE recognized that Central American entrepreneurs were losing market share in both the local and the international markets. At that time a regional free trade agreement was signed, which meant more foreign competition for local SMEs.

Since 2004, the consultancy has been exporting to South America. COMPITE is unique in that its group of consultants are business people, and therefore they tend to have instant credibility with clients.

COMPITE's philosophy is that the only way to teach SMEs is by offering a mixture of technical knowledge and practical expertise.

This association of consultants is innovative in a number of ways. Yuri Rodolfo Jenkins of COMPITE explains it this way: 'We have created COMPITE in an innovative way. COMPITE was established and operates under the legal entity of an association, but the consulting services are provided by consultants who also do freelance work. The consultancies undertaken by

COMPITE allow the staff consultants to get proper fees for their work, and permit the association to be enriched by the team experience.'

⁸⁶ *Ibid.*

⁸⁷ Office of the United States Trade Representative, El Salvador, 2008. Online at www.ustr.gov/assets/Document_Library/Reports_Publications/2008/2008_NTE_Report/asset_upload_file323_14648.pdf.

COMPITE partners with a variety of well-respected organizations such as: Swisscontact, the Inter-American Development Bank, and the Inter-American Institute for Cooperation on Agriculture. COMPITE also works with universities and trade promotion offices in the region.

There have been some challenges along the way. For example, there has been distrust from entrepreneurs because of negative experiences in the past when they received technical assistance.

COMPITE had to demonstrate from the beginning that its services are focused on SMEs' real needs, and that its concept is tailor-made and responds to precise requirements.

COMPITE's differentiating element has always been the profile of its consultants. There is no problem with the competition copying its concept; in fact its use is being promoted. COMPITE believes that the higher the level of SME capacity, the greater impact it will have in the market, and the greater the demand from the same SMEs will be for more specialized services. In El Salvador alone, the number of micro, small and medium-sized enterprises is in excess of 500,000.



A training session being carried out by COMPITE

COMPITE is a strategic exporter to selective markets in South America, more specifically to Colombia and Peru. Its staff of consultants have an intimate knowledge of the intraregional markets of Central America and this is the reason for keeping its main focus in this region.

This association of consultants trains a large number of SMEs to develop their brands and their country's image.

Some companies in El Salvador have little access to first-class management improvement services. Once companies are trained and able to compete globally, the perception abroad of El Salvador's entrepreneurs is notably improved. In addition, international standards are achieved and a national identity and business culture are developed at the SME level.

Lessons learned include:

- ❑ *Focus on the main line of business, which in the case of COMPITE is training-related activities.*

Recommended advice includes:

- ❑ *Segment the market and know clearly how to position your company (i.e., what to sell and to whom).*
- ❑ *Define the different elements of your service (what makes it unique in relation to the competition).*
- ❑ *Do not expect big profits in the short term (successful strategies are oriented to the medium and long-term time frames).*

Chapter 14

Cambodia

Country profile

Located in southeast Asia, with a rich cultural heritage and a population of over 14 million,⁸⁸ Cambodia has a rapidly growing economy. The country is emerging resilient, with a strong garment sector and an expanding tourism industry being the main drivers of this growth. With growth standing at 12.1% in 2004–2006,⁸⁹ the country's services sector is expanding rapidly, accounting for 43% of GDP in 2007.⁹⁰

Key in the growth of the country's services sector is its thriving tourism industry, as highlighted in one of the following case studies. Recognized by the Government as an important generator of employment, the tourism industry has been made a priority sector. Particular focus has been placed on the development of cultural and eco-tourism, with the number of tourists visiting Cambodia reaching nearly 1.4 million in the period January–August 2008.⁹¹ A significant earner of foreign exchange, tourism in the country is greatly boosted by the Angkor Archaeological Park, a UNESCO heritage site that attracts thousands of visitors to Siem Reap annually.

One of the fastest-growing sectors of Cambodia's economy is its construction industry.⁹² The boom in the construction sector is due to economic development factors such as a rising demand for residential housing, large-scale public sector policies and the need to develop urban infrastructure. Foreign companies working with Cambodian companies via joint ventures have undertaken many of the country's construction projects. The construction of many new buildings has seen advances in urban planning and has changed the country's architectural landscape.

In recent years, Cambodia's financial services sector has shown strong growth, with the sector becoming more market-oriented. In its bid to become a member of WTO, Cambodia made liberalization commitments in insurance and insurance-related services, banking and other financial services.⁹³ One highlight is that the same rights and obligations apply to foreign banks as to local banks

88 World Bank, Regional Fact Sheet from the World Development Indicators 2008 – East Asia and Pacific.

Online at http://siteresources.worldbank.org/DATASTATISTICS/Resources/eap_wdi.pdf.

89 World Bank, Cambodia at a Glance, September 2008.

Online at http://devdata.worldbank.org/AAG/khm_aag.pdf.

90 *Ibid.*

91 Cambodia Ministry of Tourism. Web page at www.mot.gov.kh/statistic.php.

92 Economist Intelligence Unit, Country Profile Cambodia, 18 April 2008.

93 Sok Siphana, *Lessons from Cambodia's Entry into the World Trade Organization* (Japan, ADBi Publishing) 2005, p. 71.

under Banking and Finance law introduced in 1999⁹⁴ and subsequent regulations. There has been an increase in deposits and loans in the country's banking system and microfinance has also expanded.

As part of Cambodia's accession to the WTO in 2004, the country adhered to the GATS and has implemented considerable liberalization of its trade in services, particularly in areas such as professional services and distribution services. Further liberalization of trade in services is proposed by the Association of South East Asian Nations (ASEAN), of which Cambodia is a member. Continued liberalization, preceded by capacity development, augurs well for Cambodia's continued realization of its services trade potential.

Business process outsourcing is a developing sector, as one of the following case studies demonstrates, fuelling services sector employment and vocationally relevant training opportunities.

Case studies

Heavy work for light planes

Wings Over Cambodia (www.wingsovercambodia.com)

Wings Over Cambodia uses ultralight aircraft to provide services such as aerial photography, video and aerial surveying, to organizations requiring a low-cost alternative to helicopter and fixed-wing charter companies.

In 2002, individuals involved in recreational ultralight flying in Cambodia started to operate as a non-profit entity called the Cambodia Ultralight Association. They provided services for free, or at cost, assisting in archaeological and conservation studies conducted by various institutions. As awareness grew, other organizations such as humanitarian trusts, researchers and film companies started requesting low-cost flying services.

Wings Over Cambodia uses what are commonly regarded as recreational aircraft to perform services typically provided by much more expensive equipment. In the words of Lee Baer of Wings over Cambodia, 'Many organizations such as conservation trusts, researchers, and film companies have limited budgets with which to operate and cannot afford more common alternatives such as helicopters. We fill that gap somewhat.'

Managing Wings Over Cambodia has been relatively easy. Cambodian authorities have been very cooperative and generous in allowing the company to operate in most parts of the country. There are certain restrictions on operating ultralight aircraft, to ensure the safety of everyone involved. The company complies with all the rules and safety regulations.

Challenges are mostly at the operating level where cultural differences can make things difficult, regardless of the activity. It is always a challenge to deal with the importance of certain safety issues, such as curious children touching the equipment, or wanting to be too close to it while it is operating. For the most part, explaining things in the local language is usually sufficient to overcome any issues.

⁹⁴ *Ibid.*, p. 72. Also referred to: UNDP and Ministry of Commerce, Cambodia's Updated Trade Integration Strategy: DTIS 2007 – Key Findings Report, 2007.



The main competition is helicopter charter companies, but Wings Over Cambodia provides services at approximately 15% of the cost of the services of a helicopter charter company.

Wings Over Cambodia provides services to foreign customers, both in Cambodia and overseas. The majority of clients are from Western countries, with the rest from Asia. Supply of photos and video footage is the most common service offered by Wings Over Cambodia, the majority of which is used in Cambodia, although some of the services and associated products leave the country for foreign destinations.

Most of the enterprise's export has been accidental. People tend to underestimate the capability of ultralight machines, but they are usually pleasantly surprised by the results. Word-of-mouth and Internet searches usually lead clients to Wings Over Cambodia. As an example, various independent film companies have used the ultralight machines as a video platform. Their films and documentaries have since been aired on popular international networks.

The perception that it is good to do business in Cambodia is a very recent view. Nearly all the people interested in the services of Wings Over Cambodia have been in the region for quite a while. They have shed the perception that the region is unstable, and they usually have a highly developed sense of adventure.

Wings Over Cambodia's activities have increased the awareness of Cambodian citizens about their own country, as well as about being able to do business with foreigners.

One of Wings Over Cambodia's recent projects, with the largest television network in the country, involved flying in 15 provinces for a series which is broadcast throughout Cambodia. Most locals cannot afford the luxury of travel even within their own country, so such a programme, in addition to being educational, undoubtedly increased Cambodians' cultural awareness and national pride.

Lessons learned include:

- Be patient.*
- Do not underestimate people.*
- Do not criticize local approaches to problems.*
- Taking the time to observe how a problem may be solved with an elegant and simple solution is nearly always a worthy exercise.*

Recommended advice includes:

- Be patient.*
- Do not make snap judgements.*

Not just a job, but an entry to a career

Digital Divide Data (www.digitaldividedata.com)

In the summer of 2001, Jeremy Hockenstein and his McKinsey & Company colleague Jaeson Rosenfeld were on a holiday in Cambodia. While there, they decided to find a way to help the local people by pitting the people's unstoppable will to learn against seemingly unsolvable poverty. The answer was the establishment of a company called **Digital Divide Data (DDD)**.

The founders of DDD realized that the graduates of Cambodian training programmes could find no jobs in the local economy, even with computer and English language skills. The first step they took was to create an organization, originally called Follow Your Dream, which matched the supply of people with the demand for their skills in the marketplace. Getting an education and escaping from the cycle of poverty gave Cambodians the freedom to dream about a secure and hopeful future.

DDD provides digitization and other ICT services. The organization helps publishers, libraries, newspaper houses and academia to bring content to the Internet. DDD also translates non-digital content, to enable publishing on the Internet.

More specifically, DDD offers:

- ❑ Affordable ICT solutions (a broad range of digitization and ICT services that are competitively priced with private sector outsourcing companies around the globe);
- ❑ Dedicated client service (working directly with global clients to design customized digitization and ICT services that fit their needs and their budgets); and
- ❑ Social responsibility (a core commitment to investing in its staff and their futures, thus making DDD an ideal business partner for socially responsible companies and organizations).

DDD has a staff of over 500, with offices in New York, Phnom Penh and Battambang in Cambodia, and Vientiane in the Lao People's Democratic Republic.

According to Matthew Utterback of DDD, 'The company is structured as a social enterprise (non-profit); however, today, DDD turns a profit. All of the profit is put back into the business and to further its social mission. DDD's revenue covers its operating expenses, while foundation support and individual donations cover the costs of the social mission (education scholarships, child care, health care, and capacity building for employees).'

'DDD is not only a place to work; it's the bridge for our future dreams.' – Maly, operator, Phnom Penh office

The power of DDD is that it is not just a job or an educational opportunity; it is an entry point to a career and a stronger future – both financially and emotionally.

DDD transforms lives by working with some of the most marginalized in Cambodia and the Lao People's Democratic Republic – disabled people whose own families never thought they could be productive members of the society, for example, women rescued from sex trafficking and other abuse, and orphans trying to find a way to support themselves. The sense of accomplishment and fulfilment that comes from being productive has a great impact on their self-esteem, avoiding the desperation that often leads to drug abuse and violence.

DDD has reached out to sophisticated training partners during its climb up the value chain. In Cambodia, DDD has teamed up with CIST, a French non-governmental organization (NGO), which offers world-class training in networking technologies and software development.

DDD practises disruptive innovation. It fulfils demands by supplying high-quality people skills, which are valued by clients. As the overall skills of its staff improve, its value to clients increases.

One of DDD's challenges is balancing its business model with its social mission (by focusing on sales strategies and offering more advanced services, while at the same time enhancing staff skills).

Another challenge for DDD is how best to take advantage of available global business opportunities. In his international bestseller *The World is Flat: A brief history of the twenty-first century*, Thomas L. Friedman highlights DDD's unique model of social entrepreneurialism as an example of how to exploit these opportunities. Relationship management, both internal and external, coupled with the harnessing of the power of information technologies made this possible. As Friedman notes, 'Outsourcing isn't just for Benedict Arnolds. It's also for idealists.'⁹⁵

Exporting was a deliberate business decision by the company. Jeremy Hockenstein of DDD explains, 'We have tried to pioneer socially responsible outsourcing. The United States companies working with us are not just saving money they can invest somewhere else; they are actually creating better lives for some of the poor citizens of the world.'



DDD staff at work in the Phnom Penh, Cambodia office

The concept of outsourcing is well accepted in the United States. DDD's social mission attracts clients for the initial meeting, but its cost and quality need to be comparable to other outsourcing companies. Many clients have made personal donations to DDD's social mission.

DDD's human resources development programme addresses the lack of management talent in Cambodia. It trains managers on a regional basis. This is expected, among other things, to result in additional exports of knowledge of skills and expertise from the region.

Lessons learned include:

- ❑ *DDD's social enterprise model attracts attention from clients and donors alike (a great door opener to academia and policymakers).*
- ❑ *The social and business sides of the business are mutually reinforcing.*
- ❑ *Everyone receives value from working with DDD (business clients and local staff).*
- ❑ *Being totally open and upfront with clients is good business practice.*
- ❑ *DDD's office space in New York is very expensive, but essential.*
- ❑ *A happy team can handle any challenges that come along.*
- ❑ *There are going to be setbacks, but there are always solutions.*

Recommended advice includes:

- ❑ *Be transparent, honest and have a culture of open communication.*
- ❑ *Be in very close contact with the principal market (for DDD, this is the United States).*
- ❑ *Develop personal relationships and build rapport (both are critical for trade in services).*

95 Thomas L. Friedman, *The World is Flat: A brief history of the twenty-first century*, 2005, p. 363.

Chapter 15

India

Country profile

An ethnically diverse culture in Southern Asia with historic trade routes, India has a population of over 1.1 billion.⁹⁶ Its economy has grown at an average annual rate of 8% in the last three years, with services accounting for more than 50% of the country's GDP in 2007.⁹⁷

India is a democracy with a vibrant culture and strengthening physical, political and institutional infrastructure. The country is a services powerhouse. One ingredient in the success of India's services sector has been its highly educated workforce. The Indian educational system is advanced yet affordable, and a high level of English is widely spoken throughout the country, despite there being 18 official Indian languages recognized by the Government.

The growth of India's services sector in the 1990s was mainly due to increases in communication services, financial services, business services and community services.⁹⁸ One of India's most important service subsectors is the ICT-led business process outsourcing (BPO) sector, which grew by 33% in the 2008 financial year to reach US\$ 64 billion in aggregate revenue.⁹⁹ The software and services segment accounted for US\$ 52 billion, growing by 28% over the 2007 financial year.¹⁰⁰

Supportive government policy has played a particularly important role in the growth of the ICT-BPO subsector, with several initiatives established to fuel India's prominence in this subsector. Examples include giving tax exemptions for exporting ICT-enabled outsourcing services, setting up specific commerce zones, or working on stronger data protection to encourage investment in the sector.

A member of WTO since 1995, India is considered to be one of the forerunners of services trade liberalization under GATS,¹⁰¹ indicating openness in areas such as construction, engineering services and transportation services.

Associated economic reforms such as liberalized foreign investment, deregulation in the financial sector and the institutionalization of intellectual property rights have fuelled trade in services. As the following case studies

96 World Bank, *India at a Glance*, September 2008.

Online at http://devdata.worldbank.org/AAG/ind_aag.pdf.

97 *Ibid.*

98 J. Gordon and P. Gupta, *Understanding India's Services Revolution*, International Monetary Fund Paper prepared for the IMP-NCAER Conference, November 2003.

Online at <http://www.imf.org/external/np/apd/seminars/2003/newdelhi/gordon.pdf>.

99 Nasscom, *Indian IT-BPO Industry: Nasscom Analysis*.

Web page at www.nasscom.in/Nasscom/templates/NormalPage.aspx?id=53615.

100 *Ibid.*

101 Centre for Trade and Development (Centrad). Web page at http://www.centad.org/cwp_09.asp.

show, strong ICT infrastructure has assisted services delivery in a number of innovative services, including utilizing intellectual property as a vehicle to deliver knowledge creation and protection services.

India is a leading economy on the services trade landscape.

Case studies

'I Do' on line

BharatMatrimony.com (www.bharatmatrimony.com)

BharatMatrimony, which started as a portal, is a leading online service company offering online matrimonial services to the diversified population of India.

Given the fact that marriage has been institutionalized within the Indian community, Murugavel Janakiraman, the founder of Consim, saw an opportunity to connect Indians spread across the globe by using technology and the Internet, in a manner and medium acceptable to Indian cultural traditions.

In 1997 the company posted an interactive portal catering mainly to the Indian diaspora in the United States. This portal, among other things, had a classified column for matrimonial advertisements. Consequently, 15 language portals were incorporated with all the unique features of an Indian wedding (caste, horoscope, etc.).

Subsequently, the group company, Consim, extended its services to aid in job searches, buying and selling of property, and providing value-based information. It also became involved in social initiatives, more specifically, helping with blood and eye donation.

Consim is an expert in online marketing and very familiar with Internet usage patterns. Several Consim group companies are award-winners. These awards include:

- Best Matrimony Website 2007, for BharatMatrimony.com;
- Best Indian Property Website 2007, for IndiaProperty.com; and
- Best Designed Indian Job Site 2007, for ClickJobs.com.

Our company has been quite innovative and the offerings have been very uniquely positioned.

Some of the innovative features offered by the Consim portal are:

- Language-based matrimony services.
- Real-time horoscope generation and matching in nine Indian languages.
- Voice Matrimony – a unique feature through which one can record, post a voice profile and send voice messages to other members. This helps one to introduce oneself in one's own voice.
- Matrimony on a mobile platform (in partnership with Nokia).
- Leading-edge technology.

The main challenge for the company is managing growth. Consim's target audience, those aged 20-35, is ever growing. The business is year-round and the opportunity to grow is extensive.

Consim patents all its innovations, which is the main way that it differentiates its offerings. The company also obtains trademarks in order to dissuade the competition from copying its innovations.

Approximately 30%–40% of the company's revenues are remittances from abroad. Consim has customers all over the world, with offices in the United States and Dubai.



Founder and CEO Murugavel Janakiraman with his team at their Indian office

According to Murugavel Janakiraman, 'We are truly an international player. We understand the size and scope of the Indian diaspora abroad and have accordingly designed products and solutions to cater to this market segment.'

Consim has done careful research prior to entering new markets. As a result, the company has been growing and earning continuous convertible foreign exchange, while at the same time upholding tradition and trust among Indians living abroad.

Lessons learned include:

- ❑ *The majority of Indians still believe in tradition and have trust in the institution of marriage, no matter where they live.*

Recommended advice includes:

- ❑ *Identify the target customer.*
- ❑ *Understand client needs.*
- ❑ *Engineer services to suit customer needs.*

Verist encourages the growth of small and new ventures

Verist (www.veristonline.com)

Verist started operations in 2005 as a pure outsourcing company, providing legal services in the global marketplace. The company quickly moved up the value chain and expanded its offerings to include consulting services, intellectual property (IP) solutions, innovation services (platforms), and software solutions for inventors.

Our approach is to create services and products that create value for the client, as opposed to companies that primarily rely on a business plan to make the Go or No Go decision.

Verist offers both products and services within its Innovation Life Cycle brand, which features:

- ❑ Idea development;
- ❑ Creation, protection and management of IP; and
- ❑ Commercialization.

According to Arjun Anand, CEO, 'Each part of our business is unique and all our products are

developed keeping in mind our core area of expertise and by understanding the needs of our clients.'

Verist is unique in that it:

- ❑ Recognizes that new IP adds to business valuation, and influences efforts to raise capital;
- ❑ Regards design as much a function of usability as it is of aesthetics;
- ❑ Learns, adapts and changes quickly, in response to business requirements; and
- ❑ Focuses on value creation first and foremost and numbers only after this.

At Verist, value is more important than numbers. It would be safe to say that all business plans are made on assumptions, but value is real and is also easier to validate.

Verist has nurtured a culture of innovation from the very beginning, enabling the company to sustain a competitive edge. Verist has benefited greatly from the fact that an innovative culture is valued in India and the Indian people are renowned for their talent for finding innovative solutions for almost every problem, better known as “Jugaad”.

One example of the competitive innovativeness of Verist is Patent Caddie, a software application (available to universities at no cost) designed to assist users with drafting patent applications.

Another example is Zyrist.com (about to be launched), a platform that takes best practices from professional networking websites and combines them with principles of IP commercialization. This enables companies and individuals to gain a competitive advantage through sharing knowledge, and engaging in networking and collaboration.

Verist has faced a variety of challenges since its inception. Brand positioning, which is especially challenging for start-up companies, was a major issue which the company overcame by positioning itself for both the short term and the long term, keeping in mind its vision, value chain location and desire to grow. The understanding of the relationship between core competencies and positioning strategy helped Verist decide on when to say ‘yes’ to business opportunities and when to say ‘no’. The expense of marketing, which is as important a challenge today as it was in the beginning, prohibited the aggressive marketing of the company. Verist is extremely conscientious about ‘scaling up’, which is an essential step in order to increase revenues, and considers it a daily issue for action by management.

Verist has been exporting its patent services since 2005 and its trademark services since 2007, with the United States being the company’s most important market. Verist ensures that its offerings in the global marketplace are truly global quality, able to compete with anyone, no matter where they are located.

Exporting was a strategic business decision for Verist. Management realized that the outsourcing trend was gaining momentum, and felt that it was well equipped to take advantage of the resulting business opportunities, and that it could handle the associated challenges.

Verist has marketed India as a country with a business environment, which encourages the growth of small and new ventures. The company also made it known to potential foreign clients that many people in India are proficient in English, the legal system has similarities to that of many developed economies, and the labour force offers talented workers with excellent educational backgrounds.

Verist has contributed to the growth of India's services exports through the steady increase in its international business activities, which have earned foreign currency and marketed India as a robust market in which to do business.

Lessons learned include:

- ❑ *Innovation is the key to success and survival.*
- ❑ *It is important to be flexible and ready to adapt to changing situations.*
- ❑ *Incremental improvements are often the secret to success. They offer a faster and more secure return than breakthrough innovations, which are more rewarding, but at a greater risk and on a longer-term basis.*
- ❑ *Cultural change is a slow process which needs a great deal of work, commitment and patience.*
- ❑ *Small and medium-sized companies have an edge over larger companies because of their ability to act very fast, a fact that should be leveraged into creating a competitive advantage.*

Recommended advice includes:

- ❑ *Constantly innovate.*
- ❑ *When launching a new product or service, stick to it (persevere).*
- ❑ *Maintain a focus on customers and markets.*
- ❑ *Learn from feedback, balance various views, incorporate what you have learned into company activities – but always maintain a vision.*

Chapter 16

Uruguay

Country profile

Uruguay rebounded from the economic and financial crisis in 2002 and resumed growth in 2003. Since then the country's real GDP growth rate has shown an impressive pace, reaching 8.7% in 2006.¹⁰² A key feature of Uruguay's economy is export-orientated agriculture. However, it is Uruguay's services sector that accounts for the greatest portion of the country's GDP, making up approximately 60% of this figure in 2007.¹⁰³

Uruguay's services sector has benefited greatly from its well-educated workforce. Offering free universal education, Uruguay is well known for its high literacy rate within the region. Uruguayan education is secular and boasts a high level of compliance with compulsory attendance. In relation to the services sector, Uruguay's Government has recognized the importance of ICT education and has taken steps to integrate it into its primary schools.

Of great importance to Uruguay's services sector is its growing tourism industry. Tourists come mainly from neighbouring Argentina and Brazil, but a substantial number of visitors also come from the United States and the EU. The year 2004 saw 1.9 million tourists enter the country which has a population of about 3.3 million¹⁰⁴ largely from Italy and Spain.

The tourism sector receives widespread support from the Government. In 2006, the Social Tourism Plan,¹⁰⁵ which aims to increase the number of domestic tourists, was launched. Fiscal incentives have also been introduced, aimed at improving the supply of the local tourism infrastructure. Benefits such as value-added tax exemptions apply to tourist accommodation providers under certain conditions. A key feature in the success of Uruguay's tourism industry is Punta del Este, a renowned seaside resort. An allied subsector that represents a substantial portion of GDP is offshore banking and financial services, predominantly provided to Argentina and Brazil.

Developing services subsectors include the information software industry and audiovisual subsectors, which are gaining momentum. In particular, the audiovisual industry of cinema, television, advertisement and videogame development and rights acquisition is burgeoning. The country benefits from competitive costs and strategic location, both of which contribute to Uruguay's position as a hub for distribution of audiovisual services in the region.

¹⁰² World Bank, Uruguay at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/ury_aag.pdf.

¹⁰³ *Ibid.*

¹⁰⁴ *Ibid.*

¹⁰⁵ Euromonitor International, Travel and Tourism in Uruguay.
Web page at www.euromonitor.com/Travel_And_Tourism_in_Uruguay.

A member of the WTO since 1995, Uruguay has seen recent governments undertake cautious economic liberalization. Uruguay is also a founding member of the regional trade agreement MERCOSUR, which seeks to promote regional integration and free trade.

In 2007, Uruguay's trade in services prospects were enhanced with the launch of the National Strategy for Services Exports and the creation of the Association of Latin American Services Exporters.¹⁰⁶

Case study

Linguistic niche abroad

ScriptArch (www.ProZ.com/profile/74269)

ScriptArch began operations in early 2004 offering architecture and construction services, with translation as a separate service. It soon became evident that the combination of the two services made commercial sense. The decision to combine services has resulted in the development of a unique market niche for the company.

Fabio Descalzi recalls, 'I was eager to explore new horizons, new markets, and to develop my professional potential, taking advantage of the World Wide Web.'

Fabio Descalzi markets his capabilities on the Internet via the ProZ.com website – the world's largest community of professional translators. In fact, he notes that language industry portals are a very important tool: 'They are *the* place for bidding and seeking services at a global level. After two years of using *www.ProZ.com*, my company has achieved a relatively stable client list.'

According to Fabio Descalzi, ScriptArch is unique in that it offers the services of the only architect in Uruguay who translates from German to Spanish. Mr Descalzi has worked in Germany as an architect and engineer, and has acquired an in-depth practical knowledge of the German language. In addition, he is proficient in English and Portuguese.

The competitive edge of ScriptArch is that the company can complete projects more speedily than anyone else owing to a double competency in languages, architectural and technical terminology.

The acquisition and application of technology was a major challenge for ScriptArch. It has introduced new software tools, previously unavailable in Uruguay. Becoming familiar with these tools and putting them to best use took considerable time to achieve.

Mr Descalzi remembers, 'I had to learn new technologies, and develop new and innovative relationship 'codes' as well. In fact, I was entering into a new services industry, the *language industry*. I quickly adapted to its rules and codes – I learned by doing.'

ScriptArch has contributed to the growth of Uruguay's trade in services by opening up new international markets, and earning all of its revenues from export activities.

'By "relationship codes" I mean, I decided to make allies of my competitors. I noticed that if I added specific services to competitors' offerings, then we

¹⁰⁶ Uruguay National Chamber of Commerce and Services website, *www.cncs.com.uy*.

complemented rather than competed.’ This commercial practice enhances not only the quality of the service delivered, but also the business climate and country image with international clients.



Mr. Fabio Descalzi

Since the beginning in 2004, all of the company’s business is a result of exports to Argentina, Canada, the Czech Republic, France, Germany, Italy, Spain and the United Kingdom.

Uruguay is not a developed economy, but nevertheless has historically been a society that gives priority to education at all levels, hence there is a highly skilled labour force. At the same time, Uruguay’s economic environment tends not to deliver constant opportunities for service providers. The result is that companies have needed to become flexible in approach and manage unpredictable project loads.

ScriptArch, via its services, has promoted Uruguay’s cultural environment. As Mr Descalzi notes, ‘Whenever an ambitious Uruguayan provides services to a developed country, with effort, the results are usually positive. The mix of strong education, our European roots and the versatility of Uruguayans are clearly assets.’

In September 2007, the company was recognized for its services exporting excellence with an award from the Uruguayan National Chamber of Commerce and Services.

Lessons learned include:

- ❑ *Finding a niche is fundamental.*
- ❑ *A combination of knowledge, experience and endurance, plus the ability to adapt and learn by doing, is the best recipe for success.*

Recommended advice includes:

- ❑ *Never give up trying.*
- ❑ *Explore every potential opportunity.*
- ❑ *Stay in Uruguay, but work for the world – we can do it!*

Chapter 17

Viet Nam

Country profile

The Socialist Republic of Viet Nam, with a population of over 84 million,¹⁰⁷ has one of South-east Asia's fastest growing economies. The country has made great strides in recent years, recovering from the ravages of war and post-reunification economic stagnation, fuelled by its Doi Moi (renovation) reform package. Between 2004 and 2007, Viet Nam's GDP grew over 8% annually.¹⁰⁸ Accounting for 38% of GDP in 2006, the country's services sector is an important factor in this expansion.¹⁰⁹

Viet Nam's services sector has seen substantial growth in a number of key subsectors, including the rapidly growing Viet Nam's financial services markets. The Government's agenda to move towards privatizing some State-owned enterprises (SOEs) has helped to diversify the banking system, incorporating joint stock banks, eager to attract foreign investment. Additionally, Ho Chi Minh City's stock exchange has expanded substantially in recent years, with 106 listed firms and a market capitalization of US\$ 14.8 billion.¹¹⁰ This has generated foreign revenue and a demand for associated services. As seen in the following case study, Viet Nam's insurance sector has also shown considerable growth, holding US\$ 2.2 billion in assets in 2006.¹¹¹ The insurance sector has benefited a lot from reforms such as allowing market access for the cross-border supply of insurance services to enterprises with foreign invested capital or for foreigners working in Viet Nam.

Another services sector that is of considerable importance to Viet Nam's economy is its expanding tourism industry. Generating jobs for a million people, the country's tourism sector grossed US\$ 3.2 billion in 2006.¹¹² The number of foreign visitors to the country is increasing and reached 3.6 million¹¹³ in 2006. The Government has recognized the importance of this sector and is focused on strengthening international cooperation and improving legal regulations regarding tourism. A flow-on effect of an increase in tourism and business travel has been the growth in Viet Nam's aviation sector and some sections of the construction sector.¹¹⁴

107 World Bank, Vietnam at a Glance, September 2008.
Online at http://devdata.worldbank.org/AAG/vnm_aag.pdf.

108 *Ibid.*

109 *Ibid.*

110 Economist Intelligence Unit, 2006 Subscriber Service only.

111 *Ibid.*

112 Viet Nam National Administration of Tourism. Web page at www.vietnamtourism.gov.vn/english/index.php?option=com_content&task=view&id=915&Itemid=50.

113 *Ibid.*

114 Construction and infrastructure contributed 6.6% of the country's GDP in 2006. Economist Intelligence Unit, Subscriber Service only.

A member of ASEAN, other regional and bilateral trading blocks and more recently WTO, Viet Nam has improved its legislative framework and lowered trade barriers as a result of the country's bid for WTO membership. Viet Nam's literate and youthful population, small-to-medium-sized enterprise culture (boosted by Viet Nam's Enterprise Law) and the Government's agenda for export diversification, bode well for the expansion of Viet Nam's trade in services.

Case study

The successful birth of insurance

AAA Assurance (www.aaa.com.vn)

AAA Assurance (AAA) provides professional financial services. These include more than 100 non-life insurance products, such as global travel insurance and assistance to visitors to Viet Nam. AAA exports a variety of services, ranging from urgent message delivery to tracing lost luggage. The company began trading in February 2005, in order to take advantage of the shift in Viet Nam from an agriculture-dominated economy to an industry and services-based one, which resulted in increased demand for insurance services.

According to Tai Tran Huu, External Relations Director, 'There are many ways in which AAA is unique within the industry, due in no small part to its innovative nature.'

AAA's client education strategy for communities, its Global Alarm Center (which connects AAA to an international network of 49 call centres), the project for safe driving of motor bikes, and its corporate social responsibility policy are examples of the unique and innovative way the company does business. AAA has faced and continues to face a variety of challenges, such as competition from state-owned and new insurance companies, disappearing government subsidies, a shortage of highly qualified human resources, and the continuous need to educate potential clients about the benefits and necessity of travel insurance.

In order to stay competitive and keep its innovative edge, AAA is constantly improving its services. The company motto, 'Fast – Accurate – Sufficient', governs all of AAA's procedures, from sales and customer service to inspection, as well as from claims to investment and financial administration.

AAA is confident of its competitive strength and future growth, because of its constant innovation, strategy development and entrepreneurial culture, which combines modern technology, management skills, and the abilities, diligence and intelligence of the Vietnamese people. One of AAA's most innovative and ambitious projects is to build a chain of service complexes along the national highway, which will enable the company to offer real-time and on-site services to customers across the nation.

AAA projects an image of a young, flexible, dynamic and innovative Viet Nam.

Recent political events in Viet Nam have led to a more open economy and a major increase in the presence of foreign capital. AAA, as a recently created business, was able to capitalize on the new business environment.

AAA provides a series of insurance products and related services, such as motor vehicle and fire insurance, to foreign corporations. At present AAA sells

insurance to more than 75 foreign corporations. Its travel insurance is sold to foreigners visiting Viet Nam. Foreign travellers can also purchase AAA's policies in their country of origin.

Exporting was a strategic decision, a part of AAA's original business strategy. The company realized that Viet Nam was becoming increasingly popular as a tourism destination, which resulted in a demand for high-quality insurance with local, specialized knowledge. AAA planned to export travel insurance to visitors, in cooperation with foreign strategic partners. The sale of other non-life insurance products, to foreign corporations operating in Viet Nam, was part of the organic growth of the company, resulting from its excellent reputation.



AAA's CEO receiving an International Quality Crown Award from Business Initiative Directions, United Kingdom

AAA has grown dramatically in a short period of time. Since 2005, the company's charter capital growth has increased from 80 billion Vietnamese Dong to 1,500 billion.

AAA has received international exposure that reflects well upon Viet Nam. In 2007 the company's CEO, Do Thi Kim Lien, was the recipient of a gold category International Quality Crown Award from Business Initiative Directions in the United Kingdom.

Lessons learned include:

- ❑ *Quality customer service is essential for customer loyalty.*
- ❑ *A quick expansion of the network without solid infrastructure will lead to a collapse of the network.*
- ❑ *Having a vision and a long-term strategy ensures the future of the business.*
- ❑ *It is well worth developing community-oriented businesses.*

Recommended advice includes:

- ❑ *Research and generate partnerships with local partners that are leaders in their industries.*
- ❑ *Provide training for staff so they can cope well in a tough international business environment.*
- ❑ *Foster a corporate culture based on honesty and values.*

Chapter 18

China

Country profile

From 'Made in China' to 'Serviced in China',¹¹⁵ the tiger economy, with a huge population of over 1.3 billion,¹¹⁶ is set to embrace the vast opportunities of trade in services. With the largest reduction of poverty and one of the fastest increases in income levels ever seen, the economy of the People's Republic of China has gone from strength to strength, growing at an average rate of 10% per year since 2005,¹¹⁷ with services playing an important role by accounting for approximately 40% of GDP in 2007.¹¹⁸

China's market-orientated reforms, technological advances, skilled labour and increasing English language proficiency, have led to an increase in entrepreneurship and a focus on knowledge-intensive inputs into the global supply chain. China's current trade in services earnings mainly correlate with the tourism and transportation subsectors, which account for over half of the country's total services exports.¹¹⁹ However, government efforts are focused on diversifying and promoting China's trade in services,¹²⁰ to include more business and 'intelligent' services, such as the legal services highlighted in one of the following case studies.

A great potential for the expansion of Chinese trade in services has been identified in the services outsourcing sector. One notable initiative is the '10+100+1,000 Project', aimed at promoting the development of the outsourcing services subsector.¹²¹ This project entails selecting 10 Chinese cities which will become internationally competitive outsourcing bases, to attract 100 multinational companies that will outsource various services to China and be serviced by 1,000 services enterprises.¹²² It is predicted that China's ICT outsourcing industry alone could generate US\$ 56 billion in revenue by 2015.¹²³

115 China Council for the Promotion of International Trade (CCPIT), From 'Made in China' to 'Serviced in China', November 2006.

Online at http://english.ccpit.org/Contents/Channel_410/2006/1031/15647/content_15647.htm.

116 World Bank, Regional Fact Sheet from the World Development Indicators 2008.

Online at http://siteresources.worldbank.org/DATASTATISTICS/Resources/eap_wdi.pdf.

117 World Bank, China at a Glance, September 2008.

Online at http://devdata.worldbank.org/AAG/chn_aag.pdf.

118 *Ibid.*

119 *Ibid.*

120 CCPIT, Trade in services set to boom by 2010, October 2006.

Online at http://english.ccpit.org/Contents/Channel_411/2006/1012/14309/content_14309.htm.

121 CCPIT, From 'Made in China' to 'Serviced in China'.

122 *Ibid.*

123 China Economic Review, IT services outsourcing has great potential, June 2007. Online at www.chinaeconomicreview.com/it/2007/06/25/it-services-outsourcing-has-great-potential.

Continued trade liberalization since China's accession to WTO in 2001 has played a role in China becoming the world's third-largest trader.¹²⁴ Commitments under GATS, particularly in the areas of financial services and attracting foreign direct investment (FDI), bode well for China's expansion of trade in services, particularly if FDI is diversified beyond the manufacturing base.

China's accelerated growth of satellite cities has added options for FDI, and fuelled opportunities for knowledge-based services in the regions. China's trade in services is expected to grow rapidly, with knowledge-intensive services taking an increasingly central role.

Case studies

Law firm connects clients to international market

Deheng Law Firm (www.deheng.com)

Deheng Law Firm is one of the most highly regarded law firms in China. It employs 120 lawyers and 100 support staff, with offices in Beijing, Shanghai, Qingdao, Jinan, Hong Kong and Seoul.

Established in 1993 as a full-service Chinese Law Firm, the company specializes in:

- Corporate and business law;
- Foreign direct investment;
- Finance and banking;
- Litigation and arbitration;
- Mergers and acquisitions;
- Bankruptcy proceedings; and
- Shipping and maritime law.

According to partner Qiu Yuxia, 'Our innovation is that we try to provide as wide a connection for our clients as possible between China and the rest of the world. This will assist Chinese clients in their efforts to develop business in the global market and to help foreign clients develop business in the Chinese market.'

Deheng law firm maintains its innovative edge by providing the best legal advice, and by pursuing clients' objectives in the most efficient way. This dual approach has brought the firm widespread recognition and maintained high volumes of business.

Exporting was a strategic decision for the company. The firm's main foreign market is the Republic of Korea, where it has been active for more than 10 years.

The firm is confident that its excellent service offerings will continue to result in high business volumes, even if the competition copies its innovations.

¹²⁴ WTO, Reforms, including trade liberalization, have underpinned high growth but challenges remain, press release, May 2008. Online at www.wto.org/english/tratop_e/tp299_e.htm.

A large number of business transactions take place annually between the Republic of Korea and China, most of them via Qingdao. Since the firm's head office is in Qingdao, it is able to take advantage of its geographical location to offer services to the business community.

The company is a member of two strategic law alliances fuelling export opportunities:

- ❑ The Sino-Global Law Firm Alliance (SGLA), created by the Deheng Law Firm and Lovells International Law Firm, along with eight other top law firms from Shenzhen, Guangzhou, Hangzhou, Wuhan, Chongqing, Shanghai, Tianjin and Shenyang; and
- ❑ The Shandong Deheng Law Alliance (SDLA), located in 15 key cities in Shandong Province, the second most energy-rich province on the east coast of China.

Deheng Law Firm is constantly trying to enhance the business environment for its clients, attract foreign investment in Chinese companies, contribute to China's development, and increase trade between China and other countries.

Deheng Law Firm recognizes that 30 years of reforms and the opening up of China for business has transformed the country. This has resulted in strong opportunities for foreign investors.

The firm has won some prestigious awards. In 2006 it was selected by *Asian Legal Business* (ALB) magazine as one of the fastest-growing and most dynamic law firms in the Asia-Pacific region and in 2007 it was included on the 'ALB China 10 Biggest Law Firms' list.

Lessons learned include:

- ❑ *It is important to communicate with foreign law firms.*
- ❑ *Promote teamwork among specialized lawyers in-house, with strong support staff to streamline communications and offerings to clients.*

Recommended advice includes:

- ❑ *Acquire an intimate knowledge of the market.*
- ❑ *Provide high-quality service.*

Procuring metals and entrepreneurship

MetalChina Holdings Pte Ltd (www.metalchina.net)

MetalChina is a hardware procurement outsourcing service provider. The company helps its clients, mostly Fortune 500-type large corporations, to purchase low-tech spare parts. These are mainly fabricated metal products for storage, construction, production, and for the operation of mines and smelters.

MetalChina offers five major services in global supply chain management:

- ❑ Sourcing the right suppliers;
- ❑ Negotiating the best prices by utilizing the company's consolidated purchasing power;
- ❑ Providing full process control;

- ❑ Arranging trade financing; and
- ❑ Setting up factory improvement and supplier development programmes.

MetalChina commenced operations in January 2005, for a variety of reasons. The global supply chain was becoming flat, leaving room for only one ‘middleman’ between the manufacturer and end-user for non-strategic products. ‘Made in China’ products were appearing everywhere, because of their lower cost and the constant improvement of product quality and lead-time. Consistency was a challenge for the buyers and purchasing teams of Western companies. In addition, there was a need for global procurement facilitators in China, with the philosophy of being ‘100% on the buyer’s side’.

MetalChina’s niche is that it exports from China as if it were an import agent for its Western clients.



Production equipment

MetalChina is unique for several reasons:

- ❑ Its focus is on metal fabricated products, large Western end-users, and reputable manufacturers in China.
- ❑ Buyers can expect 100% transparency.
- ❑ It uses a 45-step project control methodology, which guarantees consistency in quality and lead time.
- ❑ It has a Team SPRINT management style (Sprint, Professional, Rapid and continuous improvement, Integrity, No excuse, Teamwork); and
- ❑ Trade financing is available for buyers.

Jay Liu, President, describes the company in the following way, ‘MetalChina is a platform for young talent with strong entrepreneurship skills to succeed.’

With this philosophy, the company has a high-bonus, low-salary plus stock option arrangement, to attract and retain top talent with SPRINT. In other words, it leverages an NBA (United States National Basketball Association) teamwork model into the MetalChina organization chart, culture and incentive system.

MetalChina’s innovativeness is in:

- ❑ Its strong focus on the big client niche market (procurement outsourcing for non-strategic products);
- ❑ The scalability of its business model (leveraging the chain store model of the retail industry into industrial products sourcing);
- ❑ The utilization of project management methodology in international trade (45 control points);
- ❑ Its staff, the people who are the innovators (the main asset of service companies); and
- ❑ The constant search for talent and their subsequent development (with SPRINT).

According to Jay Liu, ‘the biggest challenge is that we are Chinese and far from Western clients’. The dynamic competitive edge of MetalChina is its team SPRINT management style.

The entire business of MetalChina is export. The company's clients are in the EU, North America, Australia and South Africa.

MetalChina has been exporting its sourcing services since 2005, and full purchase services since 2006. In 2008, the main focus was on clients in the mining and smelter sectors.

Exporting was a strategic decision for MetalChina. The company targets big Western clients because the cost gap between the West and China is huge, and big Western companies have an outsourcing strategy for purchasing non-strategic products.

Lessons learned include:

- ❑ *The main target is the end-user, not the middleman.*
- ❑ *It would have been preferable to implement the team SPRINT management style earlier.*
- ❑ *Avoid dealing with short-sighted investors.*

Recommended advice includes:

- ❑ *Leverage the sales and service teams in the West and the purchase team in China.*

Part Two

REFLECTIONS ON EXCELLENCE, SUSTAINABILITY AND INNOVATION

Chapter 19

From excellent service to a sustainable service culture

Some thoughts from Jacqueline Lau, Service Quality Centre Singapore

What is service excellence? It is to meet or exceed customer expectations!

An illustrative example is Singapore's hosting of the **2006 Boards of Governors Annual Meeting of the International Monetary Fund (IMF) and the World Bank Group**. This was a unique opportunity for Singapore to showcase itself to the world as a vibrant global city.

These meetings are held outside of Washington, D.C., once every three years, and the event in Singapore from 19-26 September 2006 was attended by 16,000 delegates and observers from 184 countries. It was by far the largest and most comprehensive gathering of global financial representatives in the world.

The **Singapore 2006 (S2006) event** was also a great opportunity for Singaporean organizations to demonstrate their capabilities to an audience comprising world leaders, finance ministers, heads of central banks, senior government officials, top business executives, influential bankers, global financial movers and shakers, and the international media.



SINGAPORE: Esplanade – Theatres on the Bay houses world-class performance spaces

A project of this nature and magnitude required the full commitment, support and involvement of many government agencies and the private sector. Amid all the media glare and attention, the S2006 event had to be flawless in every aspect. From Singapore's senior government officials to hotel concierges, retail, food and beverage workers, taxi drivers, and so on, everyone had a role to play in the success and smooth running of the event.

Apart from ensuring that the meetings proceeded without any glitches, the Singaporean authorities and agencies also wanted to ensure that delegates and their partners had a positive experience on the island, from the moment they arrived to the time they departed.

Managing customer experience and providing first-class service quality throughout the event underscored Singapore's lofty reputation for service excellence, which was in the spotlight throughout the S2006 event.

Having established this service mission, the authorities' next move was to implement strategic solutions comprising a comprehensive range of holistic customer-centred programmes. Central to this implementation framework was the involvement of many 'frontline people', such as airport workers, immigration and customs officials, taxi drivers, chauffeurs, hotel staff and staff at retail outlets.

Among the challenges was to educate and motivate these frontliners and other staff to speak the same 'service language', while being consistent in delivering excellent services. An alignment in the service mindset was also necessary to get

everyone wholly committed to this national cause. Telling people how to get things right was not enough; people also had to understand the importance of doing things the right way and be passionate about delivering a unique Singapore experience.

Service Quality Centre (SQ Centre) was commissioned to design the national service quality curriculum: **S2006 customer service training programme – Go the Extra Mile for Service (GEMS)**.

GEMS was launched in October 2005 by Minister Raymond Lim, Singapore Transport Minister and Second Minister for Foreign Affairs, as a nationwide movement to raise service levels and to develop a culture of service excellence. It is supported by an executive committee (EXCO) comprising

members from diverse backgrounds, including businesspeople, union leaders and representatives from the media and government agencies. The GEMS movement seeks to encourage everyone – from businesspeople to service workers to customers – to play their part and take the initiative to improve service levels, including:

- ❑ As a **service worker** – demonstrate the capability to perform ordinary tasks in extraordinary ways in the normal course of your duties.
- ❑ As an **employer or manager** – take the lead in creating a service culture and system within your organization to excel in service delivery.
- ❑ As a **customer** – encourage great service by showing simple gestures of appreciation such as smiles, greetings and thanks for service rendered by the service providers.



Photo courtesy of Shangri-La Hotel, Singapore

The approach to designing this programme was to drill frontliners in the ‘key actionable service behaviours’ so they could effectively demonstrate them at their workplaces. About 35,000 service staff were trained over nine months to ramp up service levels at key tourist touch points.

Even seemingly simple gestures such as the correct way to greet visitors and answering their queries, and important responsibilities such as providing chauffeur services for VIPs, had to be fine-tuned to the highest customer service standard. In the S2006 survey conducted by the Singapore Tourism Board (STB), which aimed at measuring delegates’ overall satisfaction with the event and understanding their leisure experience in Singapore, the respondents were most satisfied with the service levels of S2006 staff. In fact, almost 90% of those surveyed said they were very satisfied with the service level. Transport services and organization of social functions all received high positive ratings of close to 80%.

Overall satisfaction with leisure experience was also very high. The respondents stated that they were very satisfied with their dining and shopping experience in Singapore. Importantly, more than three-quarters of those surveyed said they were extremely satisfied with the service quality of staff at the places they visited in Singapore.

These numbers are more than just mere statistics; they also paint a glowing picture of the overall effectiveness of the holistic training programmes in aligning mindsets, and instilling a culture of service excellence among service champions.

Redefining your customer experience

Positive feedback from customers does not just happen by chance. It is the result of sustained holistic efforts and a positive service mindset from everyone within the organization, involving all layers of management and staff. While being excellent in service is laudable, being consistently excellent is crucial to achieving positive customer experience, and ultimately, continued success in the marketplace. At the end of the day, it is not just how well an organization performs in service quality, but how consistent it is in delivering the unique customer experience.

A comprehensive service quality programme may seem like a gigantic undertaking but, in essence, that could not be further from the truth. Virtually any organization, from multinational corporations to small and medium-sized enterprises (SMEs), can easily implement service quality interventions and programmes. All it takes is the commitment to undertaking this change for the better.

‘How do you develop a built-to-last customer-driven organization?’ This question has been repeatedly asked by CEOs from different parts of the world. While there is little debate on the objectives of organizations achieving **corporate performance** by providing **total quality** and delivering **customer value**, the road map for building a sustainable service brand and creating a competitive advantage remains a challenge to many.

The **SQ Framework**© provides a structured and holistic approach to accentuating an organization’s development and corporate performance. It focuses on nurturing a quality-centred and customer-centred mindset within the organization that is the foundation for overcoming the heightened challenges of the new economy. The framework specifically addresses the five

factors critical to an organization's ability to deliver customer value and service excellence. It is then translated into actionable phases, to ensure success of the customer experience improvement initiatives.

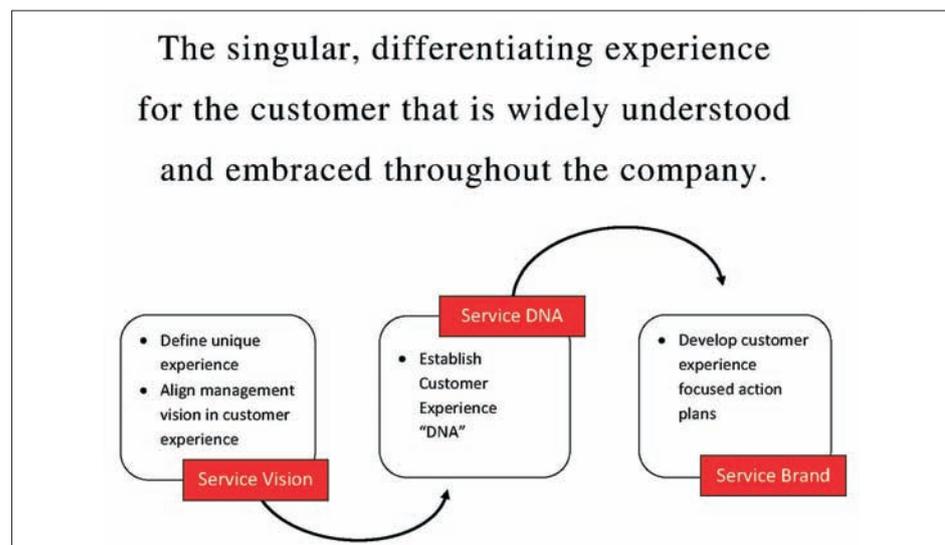
The five factors critical to an organization's ability to deliver customer value and service excellence are leadership, strategy, people, process and results:

❑ THE LEADERSHIP

Leaders ultimately design and direct the organization to become a customer-driven organization. The role of the leader is not just to manage the external customers but also to lead the internal customers (employees). The leadership element must set out to develop the organization's service leadership competencies, to overcome the challenges in today's dynamic environment.

❑ THE STRATEGY

To build a customer-driven organization, it is essential that the organization focus on developing a clear corporate culture regarding the customer. Call it what you will – a strategic thrust, a service vision. However, this vision itself is not enough. It needs the employees to breathe life into it and help the organization live up to its customer experience DNA, and to avoid losses arising out of unfulfilled service promises.



❑ THE PEOPLE FACTOR

Walt Disney attested to the importance of people when he said, 'You can dream, create, design and build the most wonderful place in the world ... but it requires people to make the dream a reality.' With the strategic customer experience defined, the next challenge is how to equip the workforce with the necessary competencies to deliver the unique experience that will 'wow' the customers.

**Capable,
Motivated
& Valued
employees makes
Committed,
Satisfied
& Loyal
customers.**

The usual functions in human resource management, the traditional approach and practice, will need to be modified and re-aligned. Take training, for example: the traditional classroom-based learning methodology would yield little results, if any, in cultivating a customer-experience mindset and culture. Service experiential learning methodology, on the other hand, *engages learners emotionally, is widely adopted and has proven to be effective.*

Excellent organizations believe in their people. The basic premise is that capable, motivated and valued employees make committed, satisfied and loyal customers.

□ THE PROCESS FACTOR

Excellent customer experience can never be consistently delivered if the process element is not managed systematically. Organizations need to identify and manage these moments of truth, and ensure that every point of contact delivers the service promise that is made to the customer.

'Customer experience blueprinting' is a tried-and-tested method which has proven to be effective in aligning critical business processes with the strategic vision, so as to manage all the moments of contact with customers. Taking customers' physical and emotional expectations into consideration, the customer experience blueprint helps to *translate the intent into actionable activities and manage the 'moment of magic' for the customers.*

□ THE MEASUREMENT AND RESULTS

The measurement and results factor focuses on internal and external customer feedback. **Customer service quality has tangible and intangible elements which need to be measured effectively** in order to align the people and processes with the service strategy. These include the measurement of customer service, service audits, customer satisfaction, employee opinions, internal operational processes and people development in order to ensure that service quality is driven deep into the roots of an organization. These audits and surveys help in creating and evaluating the customer survey index, which in turn will help the organization to stay ahead of competition through effective benchmarking, performance monitoring and consistent delivery of services.

Some companies, such as the Bank of China, are tackling the issue of service quality and are translating this into tangible results. For example, **a prestigious bank in India**, which firmly believes in the value of customer service, was rated as one of India's 10 best employers in 2007. It sees service quality as being a definitive tool in a competitive marketplace. A comprehensive study was conducted during the diagnostic phase, to formulate a road map for implementation. *The firm commitment from the senior management helped to effectively develop the bank's customer experience DNA, aligned with the cultural context, which then translated into a customized training curriculum relevant for implementation.* A review of the results in January 2008 revealed that the customer satisfaction rating had improved by more than 10 percentage points.

An offshore bank, incorporated in China after receiving an RMB currency licence from the Government of China in April 2007, recognized the need to address service quality issues and define its customer experience to continuously sharpen its business edge in a foreign land. It is imperative to formulate a customer-focused strategy that harnesses the power of diversity in the rich cultural context of China.

Customized training interventions addressing the service mindset and service skills have been delivered effectively to all frontline and managerial staff. Based on the mystery shoppers' survey conducted in January 2008, the bank's service has improved by 9 percentage points.

But it is not just large corporations which are addressing service consistency, SMEs are also finding this focus valuable. SMEs are a dynamic force in any robust economy. Today's SMEs are tomorrow's 'emerging multinational corporations'. A journey of a thousand miles must begin with a single step. Many SMEs are in a position to deliver excellent service consistently and with more ease than any large corporations. Their size is an advantage on its own!

Agility enables them to be more responsive to changing customer demands. Drilling on the fundamentals to service excellence by being consistent is the key to success. Just like large corporations, they must innovate and invest to succeed, adjust, reinvent, and differentiate themselves.

Assimilation of cultural context – Strategize your customer experience!

‘When in Rome, do as the Romans do.’ There are a lot of nuances to life in different parts of the globe that you can learn only by living there. Culture is the lens through which we view the world. It is central to what you see, how you make sense of what you see, and how you express yourself. Culture is often at the root of communication challenges. The art of managing and harnessing cultural diversity is the key to strategizing your customer experience!

Seeing a queue in the bank lobby, or encountering unfriendly or unhelpful banking staff, can be a real torment to a customer who may just need to do a simple transaction, such as making a deposit or cash withdrawal.

Excellent service quality is not an optional competitive strategy to differentiate one company from another. It is essential to survival and business profitability.

For any customer, the experience begins the moment he or she walks in through the company door. A customer has expectations, and whether or not those expectations are met will determine the outcome of his or her experience. Influencing factors include staff demeanour, speed and ease of transaction, and overall comfort. If the customer is happy with the experience, in all likelihood he or she will return. If not, the company is likely to lose that customer. There is a lot of truth in the maxim that it is easier to lose a client than to gain a new one.

Creating a customer experience brand – Not just an excellent product!

‘Beauty is in the eye of the beholder.’ What an inspiration! However, not all women see the truth in it. That is the reason why the beauty industry is ever booming! Most women want to look good effortlessly. Manufacturers of beauty products clearly understand this fundamental, and introduce new skincare product lines and brands to the market with alacrity.

A fast-moving consumer goods (FMCG) market leader from the United States owns two renowned skincare products, which have become the beauty regimen of many celebrities and beautiful women around the world. This FMCG pioneer understands the importance of going the extra mile in its overall marketing strategy. In addition to advertising efforts to push product benefits, it also realizes the critically important role of its vast army of more than 7,000 beauty consultants.

In an industry where there are many competitors for every product and brand, these beauty consultants are the company’s service ambassadors. Their interaction and relationships with customers are often the make-or-break factor in the clients’ decision-making process.

Customers for their part tend to be a very savvy lot, whether looking for skincare, cosmetics or fashion products. They are brand-conscious, averse to bad service and well-informed of choices in the market. Convincing them to use your product is only the beginning. Winning their loyalty and continued patronage is perhaps a more daunting task. Traditionally, customers tend to

associate a company's brand with its product features. However, it is widely recognized in today's commercial environment that besides excellent product, customer loyalty is influenced by the total customer experience encountered. To ensure a sustainable competitive advantage, companies must develop and deliver a unique 'customer experience brand' that distils the service quality ingredients from excellent products, and processes, as well as excellent people.

The results of FMCG company's service quality programmes were monitored and measured through surveys and other audit avenues. They have indicated that targets were met, amid increased customer satisfaction, and improved service mindsets among the consultants in the area of service quality.

Excellent service is not a destination but a journey

Why do some guests keep coming back to the same hotel even though there are other properties of similar class? Conversely, why do some travellers opt for a particular hotel, or resort, when there are others with more competitive rates and better facilities?

The competition among hotels to sharpen their competitive edge is intensifying by the minute! We are seeing major international hotel companies push ahead in emerging markets, with new development programmes aimed at establishing strong footholds in those fast-growing regions.

A **five-star international hotel group**, with a reputation for outstanding management of premier properties, has always believed in the unique characteristics encapsulated by Asian hospitality. The group's commitment to providing guests with distinctive Asian standards of hospitality and service from caring people remains its competitive edge, and is the very cornerstone of its reputation as a world-class hotel brand.

Much is expected of the staff of this hotel group in terms of service commitment and delivery. Everyone, from backroom people to frontline employees, has to undergo in-house training modules before they are deployed on the ground to serve and to delight their guests.

“The true test of an organization's commitment to Service Quality is not the stylishness of the pledges in the marketing literature, It is the way the organization responds when things go wrong.”

A core competency requirement for all the staff group-wide, from the senior management to the frontline employees, is the focus on skill-based learning to handle service recovery professionally.

Service recovery is a focused effort by the service provider to return aggrieved customers to a state of satisfaction with the institution, after a service or product breakdown. Good service does not begin and end at the front office, or concierge counter. It permeates throughout the various customer contact points, meaning that the chambermaids, room service and restaurant staff also have key roles to play in providing consistent service quality. The true test of an organization's commitment to service quality is not the stylishness of the pledges in its marketing literature; it is the way the organization responds when things go wrong.

From excellent service quality to sustainable service culture

The remarkable growth spurt in international air passenger traffic means that close examination of how airports should view service quality in their airport management process is certainly warranted. **Managing service quality in airports requires great discipline and cohesive involvement of airport agencies.**

Given the vast expanse of today's ultra-modern terminals, passengers may sometimes find their experience within the airport premises anything but warm and inviting.

Negative perceptions and experiences are often made worse by factors such as unfriendly immigration officers, lost luggage, poor signage, long taxi queues or delays in flight connection. In some airports, summer can be a torrid period of heat and humidity for passengers as soon as they step off the plane. Imagine getting blasted by a 40-degree Celsius heat wave as soon as you step on the aero-bridge! Unpleasant experiences such as this will unconsciously set a negative perception and impression of the airport and the country at large.



The challenge for airport authorities is therefore **to transform a 'concrete and steel' environment into one that is customer-friendly, welcoming, warm and cozy.** For example, Singapore's Changi Airport, which won the **Singapore Quality Award (SQA)** in 2003, has successfully aligned all agencies within the airport with its service vision. The airport has continuously delivered a widely acclaimed passenger experience over these years. Through strategic management of customer experience and service-quality interventions, it is not impossible for civil aviation authorities to allay the apprehension, misperceptions and negativity that may be felt among the thousands of passengers who pass through the airport gates every day.

Moulding a pleasant and positive customer experience is not rocket science. Frameworks have been widely adopted by organizations from diverse industries, and have served as the backbone in shaping a sustainable service quality experience for customers.

Airport management and operators hence have a proven mechanism to understand what their customers really want, their perceived expectations and their actual experiences. *For instance, announcements in the airport are often inaudible. This could be due to poor acoustics in the terminal, or the speed and diction of the airport staff making the announcement.* You may think that these are trivial matters, but they may have adverse implications for passengers' entire travel experience. Managing the entire customer experience means not leaving a single touch point to chance.

Learning from Changi Airport, one of the greatest success factors for airports is commitment and whole-hearted support from every single airport staff member, be it in the way a security officer manually screens passengers, or in the facial expression of the immigration officers. All these will have a direct effect in creating a positive impression for the visitors.

Everybody has a role to play & everyone has to play his/her role well.

...consistency in service quality will be their hallmark of service excellence

Everybody has a role to play and everyone has to play his or her role well. In doing so, consistency in service quality will be the hallmark of service excellence.

The catch-word here is '**consistency**', meaning that it is not a straightforward process of sending every staff for training and hoping they deliver what is expected of them every time. Consistency involves a well-aligned service strategy to articulate the unique customer experience the organization wants to deliver, and to change basic mindset from 'can do' to 'will do'. Over the last few years, airports in India and the Middle East have been following the success formulas of Changi Airport and are moving towards delivering a unique passenger experience.

In search of service excellence

How much the customer matters to you will eventually determine your commitment on how your service delivery should be shaped. Service quality management requires a great amount of commitment and a relentless belief in delighting customers. It is not a destination but a journey. You can surely create that '*moment of magic*' for your customers. Take a step forward on your journey to service excellence. Witness the great transformation in your business by redefining your customer experience and not leaving it to chance.

Chapter 20

Creating value through innovation

Greg Oxton, Consortium of Service Innovation

Introduction

This collection of case studies is evidence of the recurring themes of creativity and innovation in creating value, driven by services.

Value, service and innovation are all rather abstract terms and as a result open to broad interpretation. To help us explore this link between value, service and innovation we offer the following definitions of these terms:

- ❑ Value is the degree to which a service is relevant and effective. Or, more specifically, the degree to which the service aligns with the customer needs and the effectiveness of service delivery in satisfying those needs.
- ❑ Service is the act of doing things that helps others to be successful, to achieve a goal or a desired experience.
- ❑ Innovation is the creative use of what exists or is known to create something new and different. Specific to services, innovation is the creation of new concepts, new services or new processes to deliver service that differs from competitive offerings.

Service value involves three aspects, namely, capability, capacity and relevance. Capability concerns the services we can deliver, capacity is how much and how efficiently we can deliver the service, and relevance is the degree to which the service aligns with the customer needs. Following are a few examples from the case studies that highlight each of these value drivers:

- ❑ Capability (new services)
 - Singapore: bakery franchise
 - Philippines: animation services
 - Pakistan agricultural service provider
- ❑ Capacity (improving on existing services)
 - China: legal service
 - Philippines: franchise; hairdressing services
 - El Salvador: training
- ❑ Relevance (alignment and relationship)
 - Cambodia: aerial surveying/photography
 - Cambodia: digitization and IT services
 - Guatemala: tourism
 - South Africa: tourism

Service is a dynamic business. The needs of customers are diverse and constantly shifting. If we look at the case studies, there is more evidence of

quickly recognizing and responding to needs or trends than a highly accurate predictive model. Flexibility or agility is an attribute often cited in the case studies as contributing to success. But agility is only helpful if it allows us to do the right things. It is an organization's agility, combined with alignment or relevance to the customer needs, that creates success. Creativity and innovation play a critical role in dealing with this dynamic. Likewise, the experiential dimension to services is important to consider. A result of a successful service offering or experience is a positive relationship. Services are relationship-centric and consequently service providers need to have strong interpersonal skills or 'soft skills'. Roger Fisher and Daniel Shapiro in their book *Beyond Reason* provide a model useful for understanding emotions and the impact of emotions on the services world.

The role of knowledge

Service is a knowledge-based business – our capability to deliver a service is based on know-how. A knowledge management capability is critical to a service organization because it allows us to capture the collective experience of the organization. This in turn will contribute to the organization's capability.

The use of knowledge management (KM) practices and tools can make a significant contribution to the effectiveness of a services organization in two ways. First, once the resolution to a customer need, question or problem is understood, time re-inventing that resolution again can be avoided. Secondly, every interaction with a customer is an opportunity to improve the next interaction.

In a services model we need to focus on interactions, not transactions. An interaction implies learning and future opportunity while a transaction is a one-time event that is not related to future events.

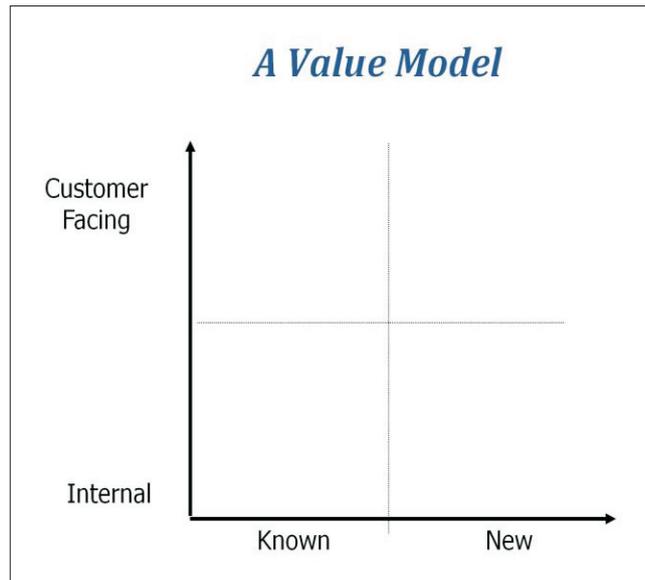
Knowledge management is first and foremost about people and their behaviour. People create knowledge, often as a by-product of an interaction or experience, and people use knowledge. There is a misconception in the business world that KM is about tools and technology. The members of the Consortium for Service Innovation learned very early on that technology along with process is only an enabler. KM is about people; it is the values and behaviours that create success or failure in adopting a knowledge management practice. (For more about the Consortium's work on KM see the KCS methodology on the website at www.serviceinnovation.org.)

Knowledge and people are key ingredients in the recipe for innovation.

A value model

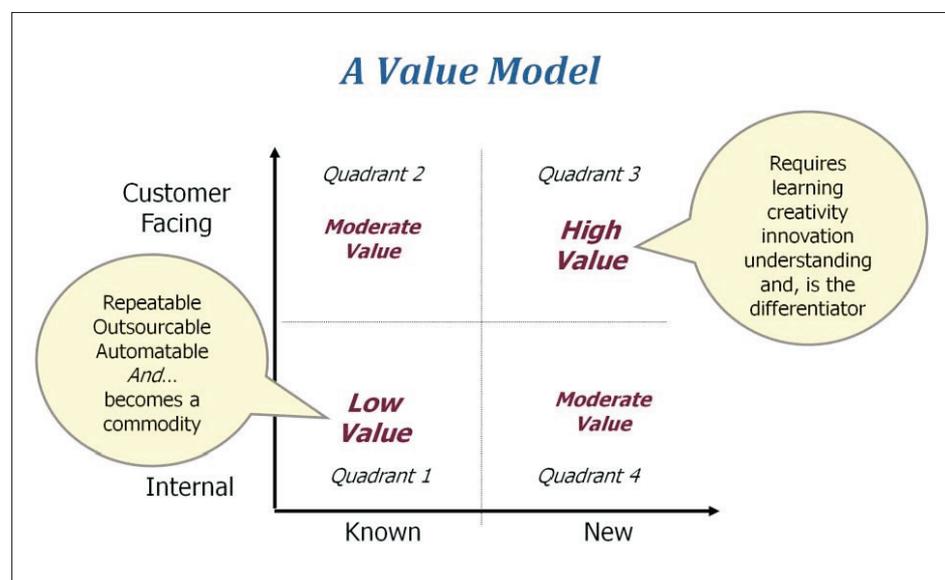
The critical role of innovation in a services business

Consider the conceptual model for value. On one axis we have the nature of the interactions, going from internal, meaning the interactions are within the company or between employees, to customer facing meaning that the interactions are with customers. On the other axis we have the spectrum of known to new services.



Using this grid we can create four quadrants. Quadrant 1, internal and known, these services are commodities and difficult to differentiate; they are low value. Quadrant 3, customer facing and new, represents high value and are highly differentiated. Quadrant 1 is where most business process outsourcing lives. It is a function of who can deliver on known, well-defined processes at the lowest cost. Examples of internal, known processes are accounting functions or software development. This may be a good entry point for attracting clients, but it is difficult to sustain because cost is the only differentiator. The challenge for service providers is to move to a higher value quadrant where added value creates differentiation and a sustainable business relationship.

The difficulty is that this requires a service organization to be constantly innovating. This dynamic re-enforces the critical role that innovation plays in a sustainable service model.



The best ideas are at first laughable

The Consortium for Service Innovation has been pursuing the creation of new and better ways to deliver customer service and support for the past 15 years. Below are some of observations about innovation acquired on that journey:

Observations

- The most creative concepts have often sparked from a laughable idea.*
- Willingness to try something new and unproven.*
- The initial attempt at something new is seldom successful.*
- One idea from one person is necessary but seldom sufficient.*
- People with similar perspectives are less creative than a group with different perspectives.*
- Innovation is not an agenda item.*
- People with common interests who participate in the discussions care about the topic.*

These observations about innovation have been validated by research and a number of recent books on the topic. For more information about innovation see *Group Genius* by Keith Sawyer or *The Medici Effect* by Frans Johansson. It is also interesting to note that these observations about innovation would seldom be used to describe traditional businesses.

This is why the traditional business practices of command and control, tightly bounded hierarchical structures with compartmentalized responsibilities and limited communication, are not effective for a services business.

So, what should the ideal services organization that strives to foster innovation and strong loyalty from customers look like? It is an unbounded network and not a hierarchy.

The needs of the services organization

It's not a manufacturing model

For a large segment of the global business community the source of value has shifted from tangible assets (physical goods or products) to intangible assets (services, information, relationships, loyalty, influence). Traditional business structures and practices, largely based on a manufacturing metaphor, have not yet responded to this shift in the source of value. The linear manufacturing model where research and development are carried out in a R&D lab and products are built in a production line has proved its worth in the creation of tangible things. The manufacturing approach proves to be woefully inadequate for a services business. The traditional approach lacks the flexibility and customer presence we need in a services business to respond to shifting customer needs.

The services organization as a network

The Consortium for Service Innovation has been exploring the principles, practices and structures that would address the challenges of a services business. The model that has emerged is called the Adaptive Organization (AO) and it is quite different from the traditional business model that has evolved over the past 100 years in the production of products. To understand the Adaptive Organization it is helpful to compare it to the traditional model. The AO model represents a shift in focus.

A production focus	A services focus
Successful products	Successful customers
The transaction or sale	The interaction or what we learn
Command and control	Alignment and buy-in
Bounded hierarchy	Unbounded network
Activity-based measures	Value-based measures
Employee and customer satisfaction	Employee and customer loyalty

The services focus seeks to make possible long-term, sustained value creation. The AO model diminishes the distinction between employees and customers. Its focus is to improve the relevance of interactions between people regardless of their role (employees, customers, and partners). In an Adaptive Organization interactions between people are based on need, context and legitimacy. People help each other achieve their goals. Integrating the “customer” into the process, as opposed to making him the target of the process, allows the organization to continuously align its strategies and services to the customer’s needs. In fact, the customer becomes integral to the organization to the point that the distinction between customers and employees becomes blurred. The structure of an Adaptive Organization is more like a network or community than a hierarchy and as a result does away with traditional organizational boundaries.

A knowledge-enabled network

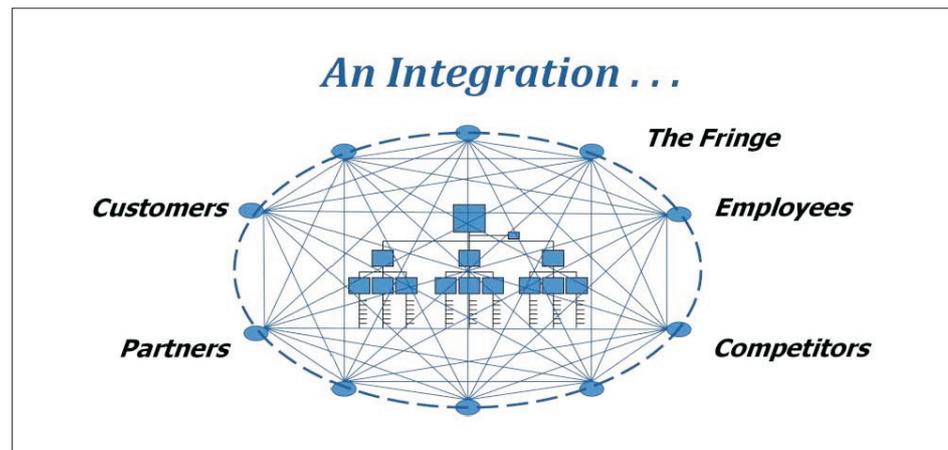
The AO environment is a knowledge-enabled network. It is optimized for the creation and evolution of knowledge. The knowledge enables people to create value. The AO seeks support and to recognize the individuals and teams who create value. It acknowledges how things get done in an organization and across organizations. It nurtures productive relationships and supports optimal productivity, inspiration and continuous innovation.

Such networks exist today. In fact, there is considerable research in the field of Social Network Analysis that demonstrates that every organization functions as a result of relationships between people. The mapping and analysis of these social networks can provide a view of how an organization works that is very different from the organizational chart or process maps. Ironically, the relationships that enable the business to function are not formally acknowledged or supported. For more information about Social Network Analysis see Rob Cross’s book *The Hidden Power of Social Networks*.

Where the traditional business hierarchical structure excludes customers, the Adaptive Organization proposes a network structure that includes customers. In fact, it includes all relevant people.

Lego, Proctor and Gamble and Novell are three companies which are tapping into a customer network model today. Each of these companies has strong customer engagement strategies that integrate key customers into the business processes. This high degree of customer presence creates loyalty and helps drive market relevance.

While we suggest that the hierarchy has outlived its usefulness, it will probably not completely go away. Rather, we are witnessing the integration of the two structures.



Customer presence

By embracing a network structure we increase customer presence in the business. Customers participate as valued players in the definition and creation of new services, and their input and participation can be valuable in solving the challenges of creating new capabilities. As Tapscott and Williams point out in their book *Wikinomics*, the answers to most of the challenges a business faces internally are known externally. The book *Groundswell* by Charlene Li and Josh Bernoff is another resource for emphasizing the value of customer presence and the various techniques and technologies for involving customers.

Integrating customers into the process acknowledges them and gives them a strong sense of affiliation and influence. Giving customers a role in the business process taps into the emotional elements that contribute to a positive relationship and creates strong customer loyalty.

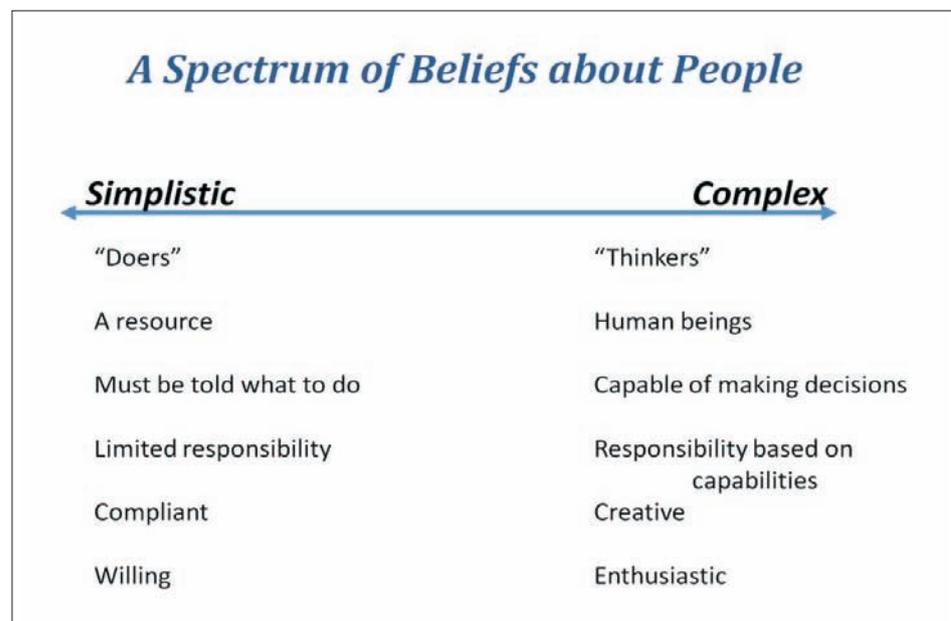
The AO environment is less like a hierarchy and more like a network. This is a profound shift in how we think about business structures. To fully understand this shift and to function in this new model we have to understand the underlying beliefs.

The power of beliefs

In order for us to benefit from a new organizational model we have to understand and re-assess the belief system on which the old model is based. What are the beliefs that made the traditional practices and structures rational?

Perhaps the most interesting and telling area to explore is the organization's beliefs about people.

There is a spectrum we might consider with respect to how we think about people. On the simplistic end of the spectrum we view people as a means to an end, a way to get things done; they have a well-defined role and position in the hierarchy. These beliefs about people are fairly mechanical or production line-based. However, on the complex end of the spectrum, we see people as intelligent, capable and emotional human beings. They can play many roles and these roles reflect uniquely the skills, talents and interests of each individual. These beliefs will lead to an organizational model that will focus on alignment not control, transparency not secrecy, and interaction not boundaries.



Replacing the bounded, hierarchical structure with an unbounded, network enables connectivity or reach. Reach is an indicator of the number of people one has access to as well as the diversity of perspectives to which one has access. Diversity is a driver of innovation. People's reach within the network to relevant players will drive both the speed and the level of innovation in creating new capability as well as speed in developing capacity.

In a complex system using a network structure, relevance and reach become the key indicators of the health of the organization.

Summary and conclusions

Service is a dynamic business that has to deal with numerous abstract elements. At the core, it is about the creation of value for customers. Winners in the services business create capability and capacity that is relevant to the needs of their customers. The result is customer success and customer loyalty.

Innovation and customer presence must be integrated into the business process. Innovation drives continuous improvement in capability and capacity, and customer presence drives relevance.

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