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Knowledge Process Outsourcing: The Next Big Thing?

Knowledge process outsourcing is forecast to become the next growth sector in the global outsourcing industry, and Kenya wants in.

Rachel Keeler talks to the experts at the AITEC outsourcing conference about why this may be premature.

As usual, the next big thing has arrived promptly with fanfare in Kenya. Just a few months ago the country was still pondering how it might break into the lucrative global business process outsourcing (BPO) space. But it turns out there is something even better than BPO: KPO knowledge process outsourcing, expected to become an industry worth anything between USD10 and USD17bn by 2010. India is of course leading the way on this. And never mind that Kenya has yet to develop a successful BPO industry it wants in.

So what exactly is KPO? Turns out the definition is somewhat squishy acronyms ending in -PO has been multiplying like bunnies over the last several years, and many of them remain a bit fuzzy at the edges. During her presentation on "Knowledge Process Outsourcing: The Next Big Opportunity" at the AITEC outsourcing conference held in Nairobi on 11 and 12 November 2009, Alice Muigai from Global Business Process Solutions (GBPS) Kenya talked about BPOs maturing into KPOs, domain expertise, legal services, an excess of chartered accountant graduates in Kenya, web design and software development. GBPS wants to work with Jomo Kenyatta University to make Kenya the "KPO center of East Africa", she said. JKU is apparently churning out ICT and computer science graduates and PhDs for the occasion. The Permanent Secretary for Information and Communication also liked the idea of training Kenyans to work in software testing, an up and coming field commanding high salaries in the US.

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Unfortunately, international experts in attendance at the conference said none of this really qualifies as true KPO. With the caveat that even leading provider nations have yet to get KPO right, Bobby Varanasi explained the general idea as being highly specialised analytical and research services that have a top-end impact on a companies development: e.g., R&D, market research, intellectual property and patent services, business research and analytics, clinical research, engineering services, and high-end legal processes. Anything that has a quick or easy entry point does not count. KPO requires years of experience and specialisation, and is largely entered into as a vertically integrated, subsidiary or joint venture model, rather than the typical BPO buyer/seller relationship.

Focus on BPO

Kenya is still very much at the easy entry stage. "My humble request to you is don't talk about KPO for the next couple of years focus on BPO," said Varanasi, who runs Matryzel Consulting, a strategy consulting and sourcing advisory firm based in Malaysia.

And you could tell that by saying a "couple of years", he was just being nice. Kenya has already taken several years (and millions of dollars in World Bank funding) trying to get BPO right. Revenues have not met expectations, and even reps from the biggest companies in the room looked frustrated last week. Now that the fibre optic cable has landed, business is expected to pick up. But Varanasi has more rough news: fibre is a basic necessity, not an edge.

To make it in the fiercely competitive global marketplace, Kenya has to set itself apart. That is difficult to do when providing BPO services that have become highly commoditised. Which one assumes is why (along with the fat price tag) the industry is now so interested in KPO, or what it believes to be KPO. Definitions aside, there are problems with this uniformed ambition: constantly changing and unrealistic goals have prevented the Kenyan government and outsourcing companies here from focusing on the details of what they need to do to succeed. Experts all commend Kenya for its passionate commitment to developing the industry which is an advantage over more fickle, advanced markets like India where companies have high turnover and worse customer service but desirable capabilities are lacking.

Varanasi emphasises that the capability to deliver a BPO service with value added beyond cost saving is what a country like Kenya must develop to become a serious destination. Kenya already has the advantage of price and service flexibility. Services can also be delivered faster and by better skilled workers. Providers need to improve quality, boost revenue and conserve capital for clients. That requires learning about the company you service employing business analysts and undergoing extensive discovery periods to size up their problems and design tailor-made and packaged solutions.

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Packaging is key: Jerry Durant, Chairman Emeritus of the International Institute for Outsource Management, says leading companies should consider mergers and acquisitions as a way to build a portfolio of skills. This would also help to organise the overpopulated tier-three provider market and make it more efficient.

Perspectives

A few Kenyan companies are moving in these directions: Horizon Contact Centre has brought in a team of experienced internationals and is adamant about multiple discovery stages and customer service. Ken-Tech Data wants to integrate information technology enabled services (ITES) with the call centre model. And Advantech Consulting gave an encouraging presentation about developing outsourcing projects to meet African-specific needs. The company has developed what it calls the eBay for specialty coffee exchange in Africa where farmers can sell high value, roasted beans directly to buyers around the world, and is developing a similar online agricultural exchange for Comesa. Advanteches latest project is the design of a monitoring and evaluation framework for non-profit organisations.

NGOs are infamous for their data mismanagement, and thus M&E presents a good area to outsource that carries potential efficiency and value added for both NGOs and their donors. There is also a lot of money in it, because donors set aside a specific portion of every grant to cover M&E activities. Advantech says they already have long list of potential clients. If the company can get this right, there is nothing stopping it from providing similar solutions to NGOs even beyond the region.

Durant says Kenyan providers must develop industry niches like this to differentiate themselves. He is not sure what other industries the country would be best suited to tackle, but he had one significant suggestion: Kenya might consider an outsourcing approach that no one not even China or India has tried before by offering a shared ROI model. That would involve sharing risks, resources and rewards on both sides of the outsourcing relationship, with service providers taking responsibility when their clients business takes a hit, and also sharing in the upside benefits when things go well.

Making sure the Kenyan market is perceived as data secure is also a must. The permanent secretary noted that data protection legislation has been linked to the Agenda Four reforms and should thus be passed very soon. And the experts still say that if Kenya can continue to develop just a few core companies, e.g. KenCall, KenTech Data, and Horizon, who attract business from high profile multinationals, the industry will grow.

Localisation is another area with potential: with the fibre optic cable now in place, many Asian outsourcing companies will look to establish themselves in East Africa to service clients who want a regional footprint here. This presents competition, but also an opportunity to peddle the local expertise these companies will need, and extract knowledge transfer through partnerships with them.

Partnerships with companies from leading regional countries like South Africa have been discussed as another good way to build capacity, although competition will likely continue to prevent this. Ideas like training Kenyan BPOs to specialise in software testing are also good ones. They just need to avoid attachment to mislabelled and unrealistic bandwagons like the "KPO revolution".

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