

Youth training initiatives position SA as desirable services delivery destination

According to Andy Searle, CEO of Business Process Enabling South Africa (BPESA), the country at the moment is a suitable destination for outsourced projects due to efforts by government and youth training initiatives over the past five years. BPESA is a non-profit organisation that promotes and markets the nation as a favourable services delivery location.



Image source: www.pexels.com

“There has never been a better time than now for the country to begin securing sizable and scalable business services projects and for the tech sector in particular to create meaningful employment opportunities,” says Searle.

His comments are supported by a recent [Mckinsey report](#), which views the country’s strong operational and service capabilities in the business process outsourcing (BPO) sector as among the reasons service exports are identified in the South Africa Big Five report as an inclusive growth sector.

In particular, the country’s standing as a key BPO player has been reinforced over the past six months. While lockdown measures to contain the coronavirus compromised business continuity across the world, South African contact centres were quick to migrate to remote working models and were able to remain operational with minimal disruption for clients.

Potential and existing outsourced services offerings extend across multiple industry sectors, including finance and accounting, telecommunications and media, human resources and even legal services. Some opportunities include call centres, shared and education services, animation, gaming and robotics.

Two factors in SA’s quick positioning

South Africa has seen a 22% annual increase in global business service (GBS) projects over the past four years.

“South Africa’s business services sector has established itself as a dependable, world-class delivery location that can serve the international market at scale,” says Searle.

Why has South Africa become so well-positioned so quickly? What has changed in those five years? According to Searle, two broad factors are responsible. The first factor was a series of changes in the world environment, and the second factor is constructive changes that have been explicitly driven by various players in the country.

The Covid-19 pandemic with lockdowns and international tensions are also definite drivers.

“Key countries this year have realised that they have become too vulnerable when placing all their projects in a single geography. They have actively sought to spread their risk by moving some work to new territories.

“In addition, the simple economics of South Africa’s attractive currency exchange rate with key buying markets, combined with very compelling government incentives, makes sourcing services here more cost-effective,” says Searle.

The effect of youth tech training

It is mostly the impact of government policy and effective training of young talent in South Africa that has had the biggest influence and which has enabled the country to begin managing projects of global size, scope and scale.

Searle explains: “Large-scale investment in the training of mostly youth, excluded from access to good employment opportunities by various social, economic and spatial constraints, has strengthened South Africa's value proposition immeasurably, where so much value is placed on the distinguished quality of service these young people deliver. The digital skills partnership and the initiatives of the Department of Trade, Industry and Competition have been pivotal.”

These initiatives include the approximate R1.6bn investment by government in the GBS sector to date to attract investment, as well as an additional R1.2bn committed in incentives to improve the sector's competitiveness and ability to move up the value chain.

Deep domain skills and advanced telecommunications infrastructure

These trends have escalated the attractiveness of South Africa as a business outsourcing hub. Underpinning these initiatives is the fact that the country has deep domain skills. For example, the country has over 2,000 qualified actuaries and 5,000 legal and 12,800 master’s students who graduate annually.

South Africa’s telecommunications infrastructure is also one of the most advanced on the continent, with a network that is 99.9% digital and includes the latest in fixed-line, wireless and satellite communications.

Cost arbitrage for voice and non-voice services are particularly favourable. Voice-based BPO delivery costs are 65% lower as compared to source destinations, such as the UK, US, Australia and Europe. Similarly, non-voice BPS delivery costs are 60% lower.

Traditional contact centres still crucial amid rise in digital channels



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Huge potential for SA

“South Africa offers significant cost-to-quality benefits for service delivery as compared to the major source geographies and many other delivery locations,” says Searle.

“The potential is vast, 61% of services delivered from South Africa are to the UK, while in North America it’s 18%, Australia 11% and Asia and other territories are 9%. The North American outsourcing market alone, before the Covid-19 pandemic, awarded contracts valued more than \$260bn annually. If we as a country can secure just 1% of the US market, imagine the impact on job creation.”

Data science weighs in

Explore Data Science Academy, a privately-owned training facility for data scientists, plans on diversifying its operations by opening its own international data service centre.

Shaun Dippnall, CEO of Explore, says: “Our academy has trained 1,000 data scientists in three years, over 90% of whom have been placed in jobs. Now we plan to expand our operations and employ many of our own graduates in our own in-house GBS facility to serve international clients. This way we aim to help address South Africa’s chronic youth unemployment and skills shortage challenges.”

Searle confirms Dippnall’s opinion. “There is continued strong support from government in granting ‘priority’ status to the GBS sector to encourage private sector investment. This new GBS initiative is a perfect development for them.”

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