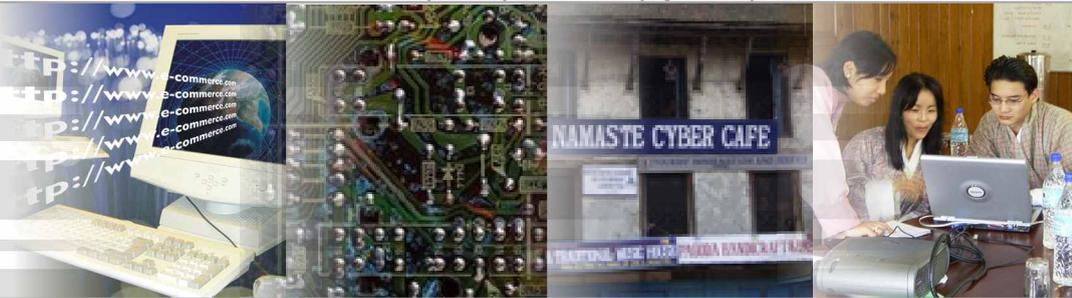


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

BUSINESS PROCESS OFFSHORE OUTSOURCING

Untapped Opportunities for SMEs



UNITED NATIONS

United Nations Conference on Trade and Development

**Business Process Offshore Outsourcing
Untapped Opportunities for SMEs**

Guide for SME Managers

Prepared by the UNCTAD secretariat



**United Nations
New York and Geneva, 2005**

NOTE

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OBJECTIVE OF THIS PUBLICATION

The primary purpose of this publication is to be useful to SMEs in developing and least developed countries willing to sell business process services to organizations in the developed world. However, this publication could indirectly be useful to any large or small organization from either the public or the private sector.

While the focus of this publication is on the interests of SMEs in developing countries, it also takes a detailed look at buyers of outsourcing services located in developed countries. The rationale is that it is essential for service providers to gain an intimate understanding of their clients' behaviours and motivations.

The publication presents case studies to illustrate how SMEs in developing can successfully provide business process services to organizations and international companies in the developed world.

The publication draws primarily on the author's nearly 10 years of practical experience and the many interviews with companies in developed, developing and least developed countries. Secondary sources are used to supplement and support the experiences of the author.

This manual can be seen as an extension of the "Use of the Internet for Efficient International Trade: A Guide for SME Managers,"¹ a publication by the same author and also published by UNCTAD.

¹ UNCTAD/SDTE/TIB/2003/3. The publication can be downloaded free of charge from the UNCTAD website (www.unctad.org).

INTRODUCTION

What does *business process outsourcing* (BPO) mean? Simply put, it means the transfer to third parties of the performance of service-based functions once carried out within a company, or more generally, within an organization.

BPO can occur onshore (i.e. within national borders) or offshore, that is in (remote) foreign countries. In this manual, we refer specifically to offshore BPO, hence the term *business process offshore outsourcing* (BPOO). Special emphasis has been placed on the BPOO occurring in developing and least developed countries

It is not a new phenomenon for companies to outsource part of their activities to developing countries. Until recently, the major scope of these outsourcing activities was manufacturing and assembling. One well-known example is the multitude of Mexican "maquiladoras" (i.e. export assembly plants) located near the United States border and working for US companies. However, over the last decade the outsourcing of services in developing countries has become more and more important thanks to the rapid development of the Internet and the accelerating digitization trend. Outsourcing of services is now comparable with the relocation of manufacturing activities in terms of its importance in the corporate strategic agenda.

The following are the main trends in BPOO activities over the last decade:

(a) BPOO has gained in importance for the economies of developed, developing and least developed countries. Without any doubt, this importance will increase further.

(b) BPOO has become more important primarily thanks to two technical advances:

- The availability of low-cost (high-speed) data networks, primarily the Internet;
- The widespread digitization of texts, images, sounds and videos. In other words, by having digitized files, it is easy to send them at very low cost virtually anywhere in the world.

(c) As a consequence of the two aforementioned technical advances, an increasing number of corporate functions have become mobile, that is outsourceable offshore. Besides, the sophistication of these "relocable" functions has been increasing steadily: not only simple functions such as entering data or answering simple phone calls are outsourced to remote countries but also complex tasks such as financial analysis. In a way, there is a real globalization of white-collar jobs.

(d) BPOO is now a strategic option not only for large organizations: SMEs in both developed and developing countries have much to gain as well.

This manual is structured in the following way. Chapter 1 focuses on the BPOO market, describes what activities can be outsourced offshore and analyses what countries are particularly strong in the provision of such services. Chapter 2 looks at benefits and risks arising from BPOO, especially for the companies that outsource services offshore, and briefly also for BPOO providers. The same chapter sheds some light on the current political discussion about the potential consequences of BPOO at the national level. Chapter 3 presents a number of recommendations for companies wishing to engage in the provision of business process services, and, to a lesser extent, lists some measures by Governments that could help companies in their countries sell such services on a competitive basis. The Annex illustrates some interesting cases of SMEs from developing countries that have been successful in selling business process services to developed countries.

Chapter 1

THE BPOO MARKET

This chapter gives an overview of the BPOO industry, providing estimates of its volume and growth perspectives and outlining major trends in BPOO activities. Examples help to illustrate the breadth of activities that can be outsourced offshore, and what kind of companies are providing and using BPOO services. At the end of the chapter, characteristics, strengths and weaknesses of the countries that have become the main BPOO services providers over last years are examined.

1. How big is the BPOO industry worldwide?

"70% of General Electric's work would be outsourced. Of this amount, 70% would be done in offshore development centres, and of this amount about 70% would be done in India."
Jack Welch, former CEO of General Electric.²

BPOO is already a major industry, but it continues to grow. Here are some figures and forecasts:

- According to an estimate by the management consultancy McKinsey and Company, BPO was worth US\$ 32 to 35 billion in 2002, that is just 1 per cent of the market for business functions that could be performed remotely,³ estimated at US\$ 3 trillion.
- On the basis of a consensus estimate by the market research firms Aberdeen Group, Gartner and IDC, the BPO market is projected to grow by 35 to 40 per cent annually over the next five years.⁴
- According to the management consultancy Mercer Management,⁵ offshore outsourcing of services was projected to reach US\$ 143 billion by 2005.

2. What are the key trends in BPOO activities?

There are two major trends:

Trend 1: New and unexpected BPOO activities are appearing.

² "The cusp of a revolution: How offshoring will transform the financial services industry, Deloitte Research, 2003.

³ Vivek Agrawal & Diana Farrell. "Who wins in offshoring", *McKinsey Quarterly*, 2003, No. 4.

⁴ Idem.

⁵ David Bovet & Andrew Chadwick-Jones. "Outsourced but not out of mind", *Mercer Management Journal*, November 2004.

As an example, in the newspaper industry it was commonly thought that editorial functions could never be outsourced offshore, partly because of the local cultural elements linked to this activity. However, in 2004, there were tremendous changes. It started with IT magazines such as Builders.com (www.builders.com), a CNET Networks website aimed at application developers. Builders.com has started to offshore to India the writing of many of its articles, explaining that one of the benefits of doing so is the advantage of dealing with a single source instead of having to deal with many (US) freelancers.

Furthermore, Reuters has transferred part of its editorial staff from London and New York to Bangalore, from where the small and mid caps quoted companies will be covered. Reuters said it could eventually have as much as 10 per cent of its total workforce in India. In the Spanish-speaking area, Spain's newspapers have also started to outsource part of their editorial work to journalists in Argentina, Chile and Colombia.

Other interesting examples can be found in the medical world. Mr. Mankiw, President Bush's Chief Economic Advisor, quoted the case of radiologists in India analysing the X-rays, sent via the Internet, of American patients. Indeed, near Bangalore's airports, at the office of Wipro Ltd, five radiologists interpret 30 CT scans a day for the Massachusetts General Hospital.⁶

Trend 2: The sophistication of BPOO activities is increasing.

As an example, General Electric (GE) has 11,000 employees in India. They are primarily agents in call centres but recently GE also established a core of about 400 people who analyse credit card data and market trends.

BPOO is being increasingly used for complex financial analysis. For instance, brokerage firms such as Lehman brothers Inc and Bear Stearns & Co are using Indian financial analysts for number-crunching work. In Chennai, Office Tiger (www.officetiger.com), a New York-based research provider offers research and financial analyses to six of the top 10 global investment banks. It employs 200 management graduates and chartered accountants, and another 400 graduates and postgraduates.

⁶ "The great hollowing-out myth", *Economist*, 19, February 2004.

3. What activities can be outsourced offshore?

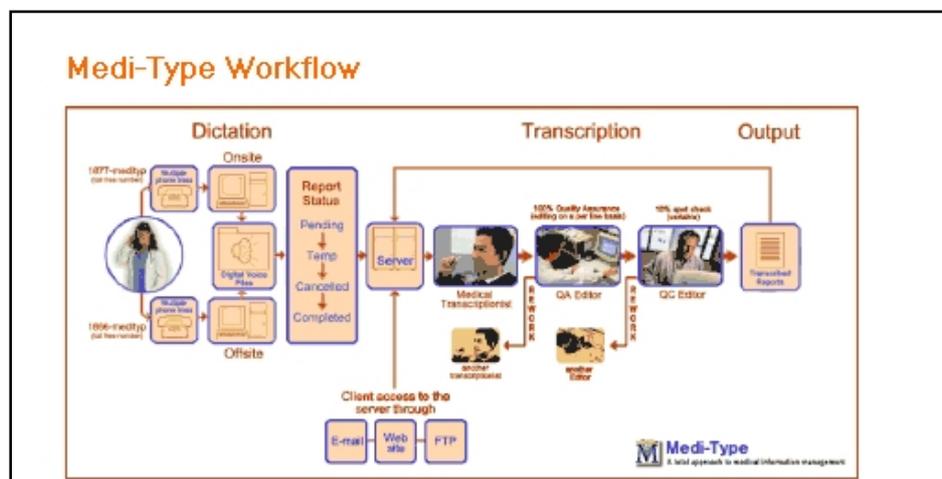
Many activities can be outsourced offshore. Functions that require few interactions and little management attention are prime candidates for outsourcing. Examples of the most frequently outsourced activities include:

(a) *Customer interaction centres* (i.e. call centres, contact centres). An example of such a centre is Togo's CAFÉ Informatique (www.cafe.tg)



Togo's CAFÉ Informatique provides call centre services to US phone companies

(b) *Data entry and conversion services*, including medical transcriptions. Examples of such service providers are the Philippines-based Medi-Type (www.medi-type.com) and Nepal's National Information Technology Institute Pvt. Ltd. (see mini-case study no. 4 in chapter 5).

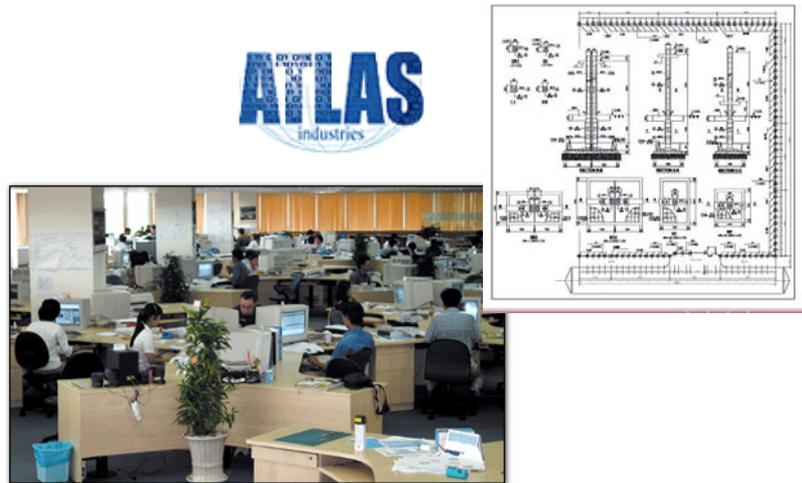


Medi-Type provides all types of transcription services

(c) Finance and accounting services, including billing, collection, tax preparation, claims processing, statutory reporting, equity research, and patent writing and evaluation.

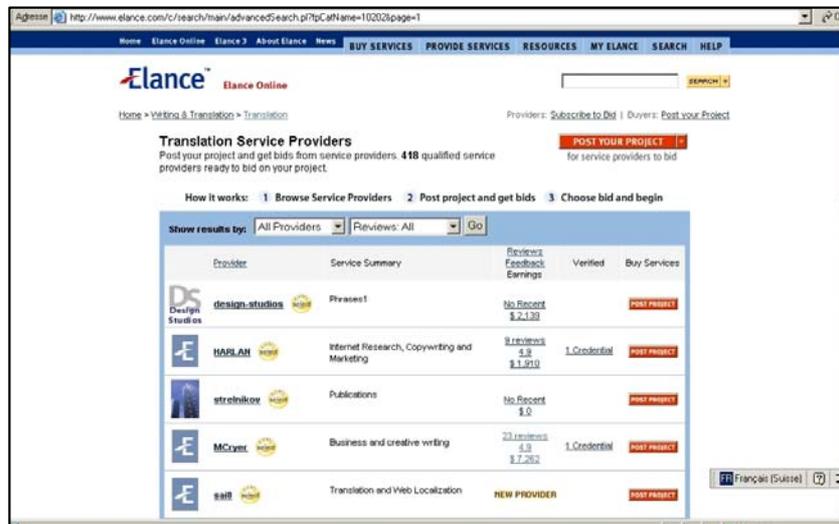
(d) Architectural services, that is turning basic layouts into detailed specifications and blueprints. For this purpose, California-based Fluor Corp. (www.fluor.com) employs

1,200 engineers and draftsmen in the Philippines, Poland and India. In Viet Nam, Atlas Industries (<http://atlasindustries.com>) employs about 85 staff, many of them Vietnamese architects and engineers.



Viet Nam's Atlas helps British architects fill the skills gap during their busy periods.

(e) Translation services. In Elance (www.Elance.com), for instance, the leading web-based services marketplace, more than 400 translation service providers are listed.



Several hundred translation providers offer their services in Elance.

(f) Prepress and digital pre-media services. These services include typesetting, page composition, graphic design, proofing and image scanning.

(g) Geographic Information System (GIS) services. See mini-case study no. 4 about Nepal's National Information Technology Institute Pvt. Ltd.

(h) Human resources services such as payroll processing. These services include compensation processing, recruiting and interviewing, advanced analyses and resource planning.

(i) Insurance services. These services include insurance adjustment, claim processing and management, and subrogation.

(j) Distance learning services. These services include course development, moderation, coaching and grading.

(k) Marketing, advertising and PR services, such as the development of advertising concepts and marketing plans, product/brand management, sales management and publication production.

(l) Legal services. These services include most steps required in case preparation.

The only services that cannot be outsourced are those that absolutely require face-to-face contacts such as the presence of lawyers in a court of law (at least for the time being). However, as mentioned above, BPOO service providers can provide litigation support services. This is, for instance, the case of Togo-based Lawyers' Office Agboyibo, whose clients are reputable French law offices.

4. How to classify activities that can be outsourced offshore?

One possible criterion for a classification is the degree of complexity of the specific service. The list below ranks BPOO services from the most simple to the highly complex.

- Data entry and conversion such as medical transcription.
- Processing based on pre-set rules. An example of processing would be to decide whether a passenger is allowed to upgrade to first class.
- Own judgement-based problem solving. Examples include legal advice, decisions whether an insurance company should reimburse a claim and corporate creditworthiness evaluation.

A dimension which is parallel to the degree of complexity is the level of (foreign) language skills required. It ranges from "no skill required" to "perfect mastery needed". For this reason, call centres focusing on US customers train their operators in American culture, linguistics and pronunciation. The purpose is to give the impression to their counterparts that call agents are located in the United States. Sometimes, call centre agents even adopt American names. Finally, to promote India as a BPOO destination, Kiran Karnik, President of India's National Association of

Software and Service Companies (Nasscom) likes to say that "there are lots of people who not only speak in English, they actually think in it".⁷

Another dimension refers to whether BPOO services must be processed online (i.e. on the spot) or not. Online activities essentially are call centres. In the case of offline activities, the raw information is usually sent through the Internet, but it can then be processed offline. A typical example of offline processing is translation. Online activities naturally require a much more powerful and reliable infrastructure.

5. What type of companies is providing BPOO services?

Many big BPOO providers are affiliates of large groups. For instance, Mumbai-based e-Serve International Ltd (www.eservenet.com), established in 1992 and employing 5,000 people, is an affiliate of Citigroup. Its annual revenues amount to US\$ 60 million and it provides back-office services to Citigroup companies located in over 36 countries. A similar example is the India-based Scope (3,300 employees, revenues of US\$ 65 million), which is owned by Standard Chartered. In the industrial field, General Electric (GE) has 11,000 Indian employees, the majority of them involved in providing business process services to other GE affiliates.

Other BPOO providers are large independent companies such as India's Wipro (www.wipro.com), Infosys (www.infosys.com) and Tata Consulting Services (www.tcs.com). There are, however, many mid-sized companies such as Cambodia's Digital Divide Data (www.digitaldividedata.com; see mini-case study no. 5) and Nepal's ServingMinds (www.servingminds.com.np; see below).

Perfect Symbiosis of Human Minds & Hi-Technology



ServingMinds, one of the first Multi-Media International Contact Centers in Asia, is a symbol of perfect symbiosis of Human Minds and Hi-Technology to reach the Global Market.



ServingMinds Pvt Ltd is a multimedia contact centre based in Kathmandu.

However, there are also a multitude of small independent companies, which provide BPOO services. While many of these small companies are short-lived, many others are successful, as we will see in the mini-case studies in the Annex.

⁷ Phil Reeves, "India: White collar jobs outsourced to South Asia", *Independent*, 29, August 2003.

As a reference, some large and leading BPOO companies are briefly described in table 1.

Table 1. Some leading BPOO companies⁸

Company (website)	Operational head-quarters	Locations (operation centres)	Employees	Key services	Reference clients
Infosys (infosys.com)	Bangalore	Presence in 15 countries on four continents	35,000 (not only BPO)	IT services and BPO (finance, insurance, telecom)	Large (international) companies
Tata Consulting Services (tcs.com)	Mumbai	Presence in 32 countries on five continents	39,200 (not only BPO)	Overall BPO as well as IT	7 Fortune "Top 10" companies
WNS Global Services (wnsgs.com); former subsidiary of British Airways	Mumbai	India (Mumbai, Pune, Nashik)	4,000	Airline management, cargo support services, CRM	British Airways, Warburg Pincus
Wipro Spectramind (wipro.com/spectramind)	New Delhi	India (New Delhi, Mumbai, Chennai, Pune)	8,500	Predominantly voice offering	Boeing, Ericsson, Sony
eFunds Global Outsourcing (efunds.com)	Arizona, USA	India, USA, UK, Canada, Australia	4,000+	Financial & retail services	
Techbooks (techbooks.com)	Fairfax, Virginia, USA	Delhi	1,750	Predominantly publishing services	
eServe International (affiliate of Citibank), (eservenet.com)	USA	Mumbai, Chennai	5,000	Transaction processing, cash management, card processing	Citigroup companies in over 36 countries
Daksh eServices (IBM subsidiary) (daksh.com)	New Delhi	India (New Delhi, Mumbai), Philippines	5,000	Customer services (e.g. web-based services, real-time chat, etc.)	Amazon.com, Paypal, Yahoo
Larsen & Toubro Infotech Limited (Intinfotech.com)	India	Hyderabad, Bangalore, Mumbai, London	Difficult to assess because of the many other activities	Geographic Information System (GIS), engineering, e-business	Potomac Electric, Columbia Gas, Pratt & Whitney
HCL Technologies BPO (hclbpo.com)	Noida (India)	India (several locations), Malaysia,	2,700	Predominantly voice offering	Fortune "Top 500" and global players in an

⁸ Source: primarily the companies' corporate websites.

Company (website)	Operational head-quarters	Locations (operation centres)	Employees	Key services	Reference clients
		UK			array of industries
EXL Service (exlservice.com)	USA (but originally from Noida (India))	Mostly India	2,850	Diverse	
MsourceE (msource.net)	New York, USA	Pune, Bangalore, Tijuana, London, Birmingham	3,200	Call centres	Fedex, Pfizer, NEC, Samsung
ICICI Onesource (icicionesource.com) (majority owned by the finance ICICI Group)	Mumbai	Bangalore, Mumbai	3,850	Predominantly voice offering	Include Fortune 500 and FTSE 100 (Financial Times Stock Exchange Index) companies in the financial, telecom, media, retail and tourism sectors
vCustomer (vcustomer.com)	Seattle, USA	India (Delhi, Pune)	3,200	Predominantly technical support	

6. What type of companies is using BPOO services?

Large companies in the United States and in Europe - in particular in the United Kingdom - have so far been the most active BPOO service buyers. According to Gartner, BPO expenditures will reach \$ 234 billion in 2005, with the United States contributing about 60 per cent and European countries about 30 per cent.⁹ According to McKinsey & Company,¹⁰ companies in the United States and United Kingdom account for roughly 70 per cent of the BPO market. Relatively liberal employment and labour laws give companies the necessary flexibility to implement a BPOO strategy, including the restructuring of their activities and their workforce. They can also take advantage of the sizeable English-speaking populations in many low-wage countries, such as India, the Philippines and South Africa.

In addition to large companies, many SME and individuals are now also taking advantage of BPOO opportunities. As an example, an increasing number of US SMEs and also individual American citizens have their tax return forms prepared in India. For that purpose, they scan the relevant documents and send them using the

⁹ "Business process outsourcing: A source of competitive advantages?", DTZ Research, 2003

¹⁰ "Offshoring and beyond", *McKinsey Quarterly*, 2003 No. 3.

Internet to Indian companies such as DeftPro (www.deftpro.com; see below) or aBridgeBPO (www.abridgebpo.com).

Service Offerings relating to Taxation

The services enlisted below are only few examples that are currently being done for existing clients. However, if client's requirements stretch beyond these, such requirements can also be catered.

- Federal and State Income-tax returns (Form 1040, 1120, 1065, 990)
- Sales and Use tax returns
- Property tax returns
- Federal and State Excise tax returns
- Research

Taxation-related services provided by India's DeftPro

Every company can consider BPOO opportunities and analyse which functions could be outsourced offshore. As a matter of fact, many services can be provided from anywhere.

Nowadays, even companies in developing countries start to outsource offshore. BPOO providers themselves outsource part of their work to countries with lower wages or to countries where the manpower can provide skills (such as foreign languages) not easily available at home. As an example, India's Infosys Technologies Ltd's back office subsidiary Progeon has opened a centre in the Czech Republic, while Mphasis BFL Ltd's arm MSource has established a contact centre in Mexico. Finally, WNS Global Services, India's largest independent service firm, has opened a centre in neighbouring Sri Lanka in 2004.

7. Which countries are the major providers of BPOO services?

As of today, the main country providing BPOO services is India. In this country, the outsourcing industry had revenues in 2004 to the tune of US\$ 3.6 billion, mushrooming in and around key cities such as Bangalore, Mumbai and New Delhi. In this sector, 245,000 people are employed, six times more than five years ago.¹¹ A non-exhaustive list of BPOO providers can be found at www.bpoindia.org. In addition, as illustrated in figure 3, several thousands Indian companies are offering their services online in Elance (www.elance.com), the world's leading BPOO web-based marketplace.

¹¹ *Hindu Business Line*, 3, September 2004, as well as the Gartner Group.

The screenshot shows the ElanceOnline website interface. At the top, there is a navigation bar with links for Home, Elance Online, Elance SPM 4, About Elance, and News. Below this, there are buttons for BUY SERVICES, SELL SERVICES, RESOURCES, MY ELANCE, SEARCH, and HELP. The main heading reads "Outsource your project to the largest network of service professionals. FREE to use... choose a tab below to get started". There are four tabs: Shop Buy News, Browse Portfolios, Find Providers, and Browse Projects. Below the tabs, a message says "Find professionals that match your expertise and background requirements. Post a project for quotes from these professionals. Want to market your profile to buyers... learn more".

The search results section is titled "All categories (2516 active profiles for)". It includes a search sidebar on the left with filters for Feedback (Any), Reviews (All), and Location (India). The main table lists providers with the following data:

Provider Details	Reviews	Feedback	Earnings
<input type="checkbox"/> pugmarks (Chandigarh, India) SquareTrade Ideas to Profits Pugmarks Design Studio provides advanced services in Search Engine Optimization, Link Building, Web Development, e-Commerce enabling, Database Management, Content Management and Programming. Operating Systems: Windows NT/2000, Linux / Unix / Solaris Web ...	9	4.88	US\$133,627.00
<input type="checkbox"/> winit (AP, India) Come WINIT with us! WINIT provides solutions under the following categories: ? Client Server applications ? Internet and Web based applications ? Object Oriented programming ? Off-shore maintenance ? System Design and Analysis Technical Abilities Operating ...	26	4.92	US\$85,724.00
<input type="checkbox"/> GMI (Maharashtra, Mumbai, India) SquareTrade Grey Matter India Technologies Pvt. Ltd. To provide innovative solutions in Internet domain GMI has developed an eSolutions framework. This framework has evolved after mapping our vertical competencies, practice know-how and process in place. Few of our offerings include: 1. Commerce Solutions ...	11	4.68	US\$83,750.00

Several thousands Indian companies are offering their services in Elance.

Other BPOO powerhouses include the Philippines, Malaysia, Viet Nam and South Africa. However, there are large BPOO service providers in many other countries such as Ghana, where Dallas-based Affiliated Computer Services Inc. (www.acs-inc.com) employs more than 1,300 workers at a data-entry site in the city of Accra.¹²

As a location for BPOO service providers, each country/region has its strengths and weaknesses as illustrated in table 2, which is based on the author's research, interviews and work experience. The table shows examples and does not represent an exhaustive list.

¹² *International Herald Tribune*, 23, May 2003.

Table 2. Locations for BPOO services: Strengths and weaknesses of major countries/regions

Country/region	Areas of focus	Some strengths & weaknesses
India	Call centres; IT services.	English-language; highly qualified personnel; enormous labour pool. High telecommunication costs; infrastructure sometimes unreliable.
China	Hardware design; embedded software; call centres for Japan and Republic of Korea are growing in coastal cities.	Low costs. Insufficient (but fast improving) command of the English language. Concerns can arise with regard to the implementation of intellectual property rights.
Philippines	IT, accounting, architecture, telemarketing.	Good fibre-optic infrastructure in nine IT parks. Good supply of English-speaking, college-educated accountants, software engineers, architects, telemarketers and graphic artists. Above-average understanding of the US market.
Mexico	IT and engineering.	Good supply of IT experts and engineers; proximity to the USA.
Costa Rica	Call centres targeting Spanish-speaking consumers in the USA and in Europe.	Command of the Spanish language.
South Africa	Call centres in French (because of the presence of many French-speaking Africans).	Command of the French language. European time zone compatibility. Limited skill pool.
Eastern Europe (Hungary, Poland, Czech Republic, Romania)	IT services.	Command of the English and German languages. Corruption can be an obstacle in some countries.
Russia Federation	Complex IT services; R&D centres.	Enormous untapped pool of master's degrees and doctorates in sciences, IT and mathematics. Corruption can be an obstacle.

Table 3. Four-stage pattern in BPOO locations

	Stage 1: Infancy	Stage 2: Emerging	Stage 3: Escalating	Stage 4: Established
Asia-Pacific	Pakistan Rep. of Korea	Malaysia Thailand Viet Nam	China Philippines	Australia India Singapore
Americas	Brazil Chile Venezuela	Jamaica	Mexico	Canada
Europe, Middle East & Africa	Bulgaria Romania	Russian Fed, Ukraine	Czech Republic Hungary Poland South Africa	Ireland Israel UK

According to DTZ Research (www.dtz.co.uk), a firm of international property advisers, BPOO locations follow a four-stage pattern based on an assessment of key elements such as labour costs/skills as well as availability/quality of IT and other infrastructure. Therefore, each country can be placed in one stage as illustrated in table 3.¹³

¹³ "Business process outsourcing: A source of competitive advantages?", DTZ Research, 2003.

Chapter 2

BENEFITS AND RISKS ARISING FROM BPOO

This chapter will look at the benefits and risks of engaging in BPOO activities. The analysis at firm level will address BPOO user companies and providers, uncovering potential cost reductions but also potential hidden transaction and restructuring costs that are not always easily measurable. Benefits and risks will be also briefly discussed with regard to the national level, where the key question will be to compare productivity gains and negative impacts such as job drain and losses in human capital.

1. What are the advantages for companies that outsource offshore and BPOO providers?

Organizations involved in outsourcing (offshore) parts of their processes can derive a number of significant benefits such as:

(a) Access to lower labour (and capital) costs. As an example, an experienced Indian accountant can expect to earn 17,000 Rupees (US\$ 390) per month, which is less than one tenth of the salary of his American counterparts. Furthermore, software developers who cost US\$ 60 an hour in the United States cost only US\$ 6 an hour in India. According to B. Valentine, Senior Vice President at Microsoft Corporation, "In India, you can get quality work at 50 to 60 per cent of the cost.¹⁴ That's two heads for the price of one".¹⁵ More generally, salaries for staff with few qualifications can be as low as US\$ 2 an hour in India, while many people in least developed countries earn only 1 US\$ a day. Usually, BPOO service buyers reduce mainly their fixed costs in such a way that they are more capable of dealing with fluctuations in demand.

(b) Gain in speed not only thanks to the time differences but also because flexible labour laws allow employees in many developing countries to work several shifts per day and even round-the-clock shifts. As an example, European and US employees of large management consultancies can have their presentation slides prepared overnight in countries such as India. In addition, thanks to BPOO, many large companies such as American Express, Dell Computer and Eastman Kodak can offer round-the-clock customer care while keeping costs in check.

(c) Gain in quality. As Sir Keith Wilson of HSBC explains, "Indian call centre staffs are quick at answering the phone, highly numerate and keen to come to work everyday. They are hugely enthusiastic about their jobs and the quality of the work is

¹⁴ Microsoft seems to pay Indian software developers very well. This example corroborates the experience of the author, who indicates that fees paid for BPOO services in developing countries vary very much from company to company; this is partly because markets are far from being mature and transparent.

¹⁵ "The new global shift", *Business Week*, 3, February 2003.

exceptionally high".¹⁶ It is therefore often advantageous to have such work done by university graduates from developing countries who are fully motivated to earn much more than they could have earned otherwise.

(d) *Easier coordination.* Many companies for instance, newspapers work with a huge number of freelances. Coordination-wise, it is often much easier for newspapers to deal with one single large BPOO provider than with an array of freelances.

(e) BPOO enables the management to *concentrate on the core business.*

Finally, the *advantages for BPOO service providers* are significant: employment at probably better wages than would be available otherwise and, in more general terms, increased business opportunities.

2. What risks do companies outsourcing offshore face?

BPOO-related risks are due to either outsourcing or offshoring, or to a combination of both. The risks listed below are often interlinked and even partly overlapping.

Companies, that outsource may *lose control or knowledge* of strategically critical elements. This could be partly due to sometimes insufficient protection of intellectual property rights. Therefore, the choice of functions to be outsourced is essential.

Outsourcing offshore can also entail a large number of *unforeseen and hidden costs* such as management attention as well as intense communication and coordination. Furthermore, the high costs of telecommunications and network infrastructure in some developing countries often come as a surprise. These high costs are often due to monopolistic situations. Companies willing to outsource offshore are well advised to start with the easiest parts in order to grab low-hanging fruit first and grow from there.

BPOO often requires challenging *business process reengineering*. A mere replication of processes developed at home is not the way to make use of the full potential of offshoring. Since wages represent a very important part of the total cost in a developed country, processes are designed to minimize labour costs. In developing countries, processes should rather be designed to minimize complex communication needs and to maximize asset utilization. An activity carried out with computers and using expensive software in the United States could thus be performed manually in a developing country.

Quality might be a problem. For this reason, some companies ended up repatriating outsourced work. Owing to differences in culture and education, the expectations regarding quality standards and efficiency in meeting deadlines can differ in developed and developing countries. If this situation persists, companies may feel obligated to "insource" activities. However, experience shows that the required quality standards can be achieved if extra training is provided.

¹⁶ "Business process outsourcing: A source of competitive advantages?", DTZ Research, 2003.

Because BPOO may be perceived as a cause of increased unemployment in developed countries, companies outsourcing offshore may see their *corporate image damaged*. Furthermore, if customers know that low-paid workers are performing important processes in developing countries, they may boycott the products or try to negotiate lower prices. Jean-Paul Darbellay, spokesman for Credit Suisse, emphasized that, "as a general rule, we want to continue having our key competencies in-house in order to ensure the quality of our services."¹⁷ One could read between the lines and interpret Darbellay's statement as a communication strategy to reassure clients and employees rather than a policy to stick to "Made in Switzerland". Partly because of the above-mentioned societal reasons, BPOO providers are sometimes required to sign a non-disclosure agreement (NDA) that is a contractual prohibition on mentioning the name of their clients. A good example of a NDA is the Togo-based lawyers' office Agboyibo: their clients are reputable French law offices, but their names cannot be mentioned because of the existence of a NDA.

In addition to preventing consumers from boycotting a company's products or demanding lower prices, NDAs are used to prevent competitors from obtaining the same low-cost services and suppliers from becoming competitors.

BPOO service providers bound by a NDA may try to negotiate better prices, longer-term contracts, exclusivity and a guaranteed minimum volume to counterbalance the fact that they are unable to use their clients' names as references to attract new customers.

A high employee turnover among BPOO employees, who take advantage of the strong demand for their skills, can be a problem for both BPOO providers and the client companies in developed countries. The turnover rate has a direct impact on coordination and training costs as well as on service quality.

Political instability. As in the case of investment, companies wishing to outsource services offshore may be reluctant to do so in a country where the political situation is such that there is a risk of instability that may adversely affect the level and reliability of the service that is being outsourced.

Data privacy and security may not meet legal or commercial requirements. For instance, individual social security numbers or confidential company accounts could be stolen or lost. To ensure data privacy, employees of OfficeTiger in Chennai, which has emerged as a virtual research facility and back office for Wall Street, "are unable to print out material from their screens; the floppy disc slots on their computers have been disabled; the premises are monitored by security cameras; and workers have their bags searched as they leave".¹⁸ Furthermore, to ensure data security, the OfficeTiger IT infrastructure has built-in redundancy.

¹⁷ Interview with the author (February 2004).

¹⁸ Phil Reeves, "India: White collar jobs outsourced to South Asia", *Independent*, 29, August 2003.

3. The political discussion: Who is the winner countries that are providing BPOO services or those using BPOO services?

Benefits and risks of BPOO services are examined not only at the company level. There is a much more emotional discussion about the consequences of BPOO at the national level, where BPOO, unemployment, closedowns and brain drain are often mentioned in the same breath. The following examples illustrate that fear.

On 12, September 2004, the following appeared in *The Enquirer* (www.enquirer.com),¹⁹ a newspaper published in Cincinnati (United States):

Offshore: U.S. workers face job drain
Don Hunt's programming job was sent to India.
He has joined the ranks of U.S. workers whose
jobs have been offshored

The article was illustrated with the following picture:



Don Hunt of Fairfield was laid off from Lexis-Nexis, which is pictured behind him.

(Enquirer photo/MEGGAN BOOKER)

Middle-management positions in developed countries seem to be more exposed than ever, as illustrated by the following data:

- According to the IT research firm Forrester, offshoring will transfer 540,000 jobs from the US economy to foreign countries in 2004, a figure that will rise to 3.4 million in 2015.²⁰
- According to Deloitte & Touche's estimates, the developed countries will move two million jobs in the financial sector to low-wage countries between 2004 and 2009. Half of them will go to India.²¹

¹⁹ The full article is available from

http://www.enquirer.com/editions/2004/09/12/biz_biz1aoffshored.html.

²⁰ James McNair, "Offshore: U.S. workers face job drain", *Enquirer*, 12, September 2004.

²¹ The cusp of a revolution: How offshoring will transform the financial services industry, Deloitte Research, 2003.

- Finally, according to the management consultancy McKinsey & Company, the US finance service industry is planning to shift half a million jobs 8 per cent of the total – offshore between 2004 and 2009.²²

Consequently, legislators in more than 30 US states have introduced measures to discourage offshoring. In 2004 President Bush signed a bill forbidding the outsourcing of federal contracts overseas. Similar measures have been initiated in the United Kingdom. However, the impact of these political barriers may be limited because private companies will continue and even intensify their offshoring moves. Indeed, companies unable to use (lower-cost) labour on a global basis will ultimately be at a disadvantage.

Can BPOO nevertheless lead to a win-win situation at national level?

Countries that are providers of BPOO services and countries that are users of BPOO services can be winners.

Liberal economists would argue that by moving services to countries with lower labour costs, companies in developed countries could focus on creating higher-value jobs. Even Gregory Mankiw, President Bush's Chief Economic Advisor, made the point that if a good or a service could be produced more cheaply abroad, Americans would be better off importing it than producing it at home.²³

Liberal economists argue further that outsourcing offshore accounts only for a tiny proportion of jobs in developed countries. In all, outsourcing abroad creates more jobs than it destroys. The process allocates resources – money and people – to where they can be most productive. In the long run, higher productivity is the only way to raise standards of living across an economy, while any attempts to dampen or distort the quest for increased efficiency can only lead to higher costs, greater inefficiencies, decline in market shares and lower profitability for companies in developed countries. But, obviously, reallocation and retraining of employees can be painful.

Current discussions in developed countries highlight the importance of focusing on investment in human capital through a considerable improvement in the educational system so that the workforce can be competitive in high-value-added jobs. Another part of a possible solution could be to consider whether back-office operations in the public sector could take advantage of BPOO to optimize the use of taxpayers' money.

The benefit for countries providing BPOO services is more obvious and direct. Thanks to BPOO, these countries attract employment at higher than usual levels of remuneration (and of increasing sophistication), business opportunities and foreign direct investment.

²² Phil Reeves, "India: White collar jobs outsourced to South Asia"; *Independent* 29, August 2003.

²³ "The great hollowing-out myth", *Economist*, 19, February 2004.

Chapter 3

SUCCESS FORMULAS FOR BPOO PROVIDERS

This chapter provides practical information and guidelines to SME managers in developing countries who are interested in engaging in BPOO activities. The first step would be to select a suitable service, and then it has to be promoted in order to attract foreign customers. Promotion should be multidimensional and channels can be very diverse (websites, press, etc.), depending on the specific needs and constraints of the company. How Governments of "BPOO provider countries" can foster the industry and facilitate the start-up phase for SMEs discussed in the end of this chapter. The case studies presented in the Annex complement the information given in chapter 3, providing valuable experiences of successful Asian and African SMEs providing BPOO services.

1. How can potential BPOO service providers select suitable services to offer?

BPOO service providers are encouraged to be imaginative in order to offer services facing limited current and future competition. To generate ideas, a good start is to have a look at the extensive list of services proposed in Elance (or its competitors), as illustrated below.

Browse Categories:	
Graphic Design & Art 3D Graphics · Banner Ads · Brochures · Business Cards & Letterhead · Corporate Identity Package · Graphic Design · Illustration · Logos · Package Design · Page & Book Layout · Printing · Product Design · Photo Retouching · Photography · Presentation Design · Print Ads	Website Development Ecommerce Website · Flash Animation · Flash MX · HTML Email Design · Internet Marketing · Online forms & Database Integration · Search Engine Optimization · Simple Website · Usability & Interface Design · Web Design & Development · Web Hosting · Web Programming
Software & Technology Application Development · Database Development · Enterprise Systems · Handhelds & PDAs · Linux Networking · Scripts & Utilities · Security · System Administration · Technical Support · Wireless	Sales & Marketing Advertising · Branding · Email & Direct Marketing · Grassroots Marketing · Lead Generation · Market Research & Surveys · Marketing Collateral · Marketing Plans · Marketing & Sales Consulting · Public Relations · Sales Presentations · Search & Online Marketing · Tradeshows & Events
Writing & Translation Children's Writing · Copy Writing · Creative Writing · Editing & Proofreading · K-12 Preparation & Testing · News Articles · Newsletters · Proposals/RFPs · Speeches · Technical Writing · Translation · Web Content · White Paper & Reports	Training & Development Corporate Training · Diversity Training · Management Training · Policies & Manuals · Sales Training · Technical Training
Management & Finance Accounting & Bookkeeping · Budgeting & Forecasting · Billing & Collections · Business Plans · Competitive Analysis · Cost Analysis & Reduction · Project Management	Administrative Support Customer Response · Data Entry · Fact Checking · Mailing List Development · Office Management · Transcription · Research · Word Processing
Audio, Video & Multimedia Animation · Film & Television · Music · New media · Other - Audio, Video & Multimedia · Post Production · Radio Jingles · SMIL · Streaming Audio · Streaming Media · Voice Talent	Architecture & Engineering Architecture · CAD · Civil & Structural · Electrical · Mechanical
	Legal Contracts · Incorporation · Litigation · Patent, Copyright and Trademarks

Types of services proposed in Elance

2. How can BPOO service providers credibly promote their services?

To be able to acquire customers is obviously a key success factor. A non-exhaustive list of ideas for doing so can be found below.

(a) Use of web-based service marketplaces. In this domain, Elance (www.elance.com), owned by eBay, plays a leading role. It has sellers in more than 80 countries. The advantages of using such a well-known marketplace are as follows:

- Many qualified buyers use this marketplace;
- Some qualifications/credentials of service providers can be verified by Elance or its partners;
- Suppliers' performances are evaluated by buyers; since these evaluations are publicly available, suppliers can build a solid reputation;
- Fees (subscription-led and transaction-based) are reasonable. Also, many suppliers use Elance to build credibility and acquire a portfolio of clients. Once this has been done, they no longer work through Elance in order to avoid the payment of commissions.

Many SMEs and freelancers in developing countries are getting interesting orders from Elance. This is, for instance, the case of India's MagNet Web Publishing (see mini-case study 1 in the Annex) and Thailand's ORvisions (see mini-case study 2).

While Elance is widely regarded as the pre-eminent web-based service marketplace, it has a number of competitors such as:

- *Guru* (www.Guru.com). Guru.com is an online marketplace for freelance talents. Created in August 2000, Guru.com's web-based marketplace directly connects businesses with freelancers locally, nationally or globally who specialize in over 160 professional categories, including website design, programming, graphic design, business consulting and administrative support.
- *eWork* (www.ework.com). eWork is a provider of web-based products and outsourced services that optimize the supply chain for projects and contractor-based work. eWork recently merged with ProSavvy (www.ProSavvy.com).

(b) Personal and/or face-to-face contacts remain essential even in the Internet era:

- The CEO of Madagascar's Ibonia (see mini-case study 6 in the Annex) has studied in France, which is definitely an advantage for acquiring clients and sales agents in that country, as well as for understanding the expectations of these clients/agents.
- The Chairman of India's MagNet Web Publishing has an uncle in the United States who has helped him to establish contacts with an American sales agent.
- Togo's Langue and Business (see mini-case study 3 in the Annex) uses primarily face-to-face contacts to acquire new clients even though its services are delivered through the Internet.

- Viet-Nam Atlas Industries (www.atlasindustries.com) does not wait passively for British architects to knock on their door. They go to England to make presentations about outsourcing and about their services. Atlas Industries also has offices and representatives in Europe, the United States, Japan and South-East Asia.

<p>SEMINAR PROGRAMME:</p> <p>MANCHESTER - CUBE Thursday 24th APRIL 2003 6pm to 9pm 113 Portland Street Manchester, M1 6FB</p> <p>LONDON - LONDON BUSINESS SCHOOL Wednesday 30th APRIL 2003 6pm to 9pm Room LTS, LBS Regent's Park London NW1 4SA</p> <p>BRISTOL - BRITISH AND COMMONWEALTH MUSEUM Thursday 8th May 2003 5pm to 8pm Clock Tower Yard Temple Meads Bristol BS1 6QH</p> <p>GLASGOW - SCHOOL OF ART Thursday 15th MAY 2003 6pm to 9pm 167 Renfrew Street Glasgow G3 6RQ</p>	<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: center;"> <p>OUTSOURCING - BRIDGING THE CHASM</p> </div>  </div> <p>The perfect outsourcing service provider should be a flexible, cost effective resource to manage peaks in workload. It can also:</p> <ul style="list-style-type: none"> Improve practice profitability Provide greater job security Make work more rewarding <p>Find out how to make an informed choice.</p> <p>These two-hour seminars are free, and certificates will be provided for CPD authentication. They will conclude with wine and refreshment.</p> <p>If you would like to attend, please phone or email us.</p> <p>Or, if you cannot make any of the listed dates but would like to know more, we can run the seminar in your office at any time to suit you.</p> <div style="text-align: right;">  FULL CONTACT DETAILS </div>
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To acquire clients, Atlas Industries holds seminars about outsourcing in the United Kingdom.

- Even though Medi-Type (www.medi-type.com) has its operation centres in the Philippines, it is officially registered in the United States and has some offices in that country (see picture below) in order to be physically closer to its clients.

Medi-Type Transcription Services Corporation

80 Triangle Center Yorktown Heights NY 10598
(866) - medityp or (633-4897) (877) - medityp or (633-4897)

Voice (650) - 421-2506 & 1-866-746-6986
Fax (650) - 421-2505 & 1-866-478-4329

Medi-Type operates in the Philippines but is officially based in the United States.

(c) Press coverage is essential because editorial content looks credible and is tantamount to free advertisement. A number of companies therefore do not spare any effort in order to be covered by the press. An alternative strategy is to create one's own editorial content such as (online) newsletters/magazines, white books, press articles or portal websites. MagNet Web Publishing started as an electronic magazine, while Ibonia uses its content website MadaNews to increase credibility and acquire clients.

c|net NEWS.COM
TECH NEWS FIRST

Net companies go to extremes to be noticed
Last modified: April 8, 2000, 7:00 AM PDT
By [Stefanie Olsen](#)
Staff Writer, CNET News.com

PRINT E-MAIL YOUR TAKE SAVE

It isn't easy being heard over the roar of all those Internet companies vying for attention.

Net companies are resorting to guerrilla ad tactics in the very real war to pull in customers, turn profits and satisfy investors.

(...)

Or the [Charitycounts.com](#) campaign where 10,000 wallets were scattered on the streets of New York and San Francisco. Each wallet had a note inside reading: "If you were looking to get some free cash, shame on you. Redeem yourself by visiting [Charitycounts.com](#)."

CharityCounts.com managed to get press coverage in key publications such as News.com, a major online information provider.

(d) To have one's own website is often important. Even more important is to be positively covered/mentioned in the websites of other organizations. Examples include an excellent rating in Elance, membership of a renowned professional association (see Languet et Business) or press articles.

(e) Obviously word-of-mouth recommendations remain of paramount importance. As a consequence, it is essential to make sure that clients remain really satisfied.

Finally, there are many other ways to promote one's BPOO services credibly. In this regard, readers are invited to refer to the UNCTAD publication "Use of the Internet for Efficient International Trade".²⁴

3. What can developing countries do to support their BPOO service providers?

BPOO is not only about cost advantages. Indeed, those countries that stress primarily the benefits of lower costs will find their relative positions being overtaken by other countries in time. With regard to the business environment other critical factors that contribute to the success of BPOO service providers, are as follows:

- Political and social stability;

²⁴ In particular, section 2.3, "Using websites as a mean to acquire clients and leads".

- Good infrastructure (low-cost, high-performance, reliable), in particular in the area of telecommunications;
- Large pool of skilled labour; Language and IT skills are certainly an important element;
- A favourable legal environment, for with regard to e-commerce;
- Governmental support in the area of quality assurance (e.g. Fund for Small Innovative Enterprises in the Russian Federation);
- A large and qualified diaspora, i.e. people living outside their original homeland. In this regard, it is certain that the many qualified Indians living in the United States have enormously helped Indian BPOO companies. Therefore, Governments should also see the positive side of this "brain drain";
- Financial incentive and assistance. examples: tax holidays for investment in infrastructure, telecom services, and R&D companies; facilitation of access to capital for BPOO provider start-ups (such as the National Venture Fund for the Software Industry in India).

Another important point is that it is often very difficult (or even illegal) for BPOO providers in developing countries to accept payments from their customers or to make payments to foreign suppliers. To solve these problems, BPOO providers may have to circumvent laws and/or rely on friends, relatives or business partners living abroad. These difficulties greatly limit the development of BPOO companies. Therefore, Governments would be well advised to put in place a financial structure and framework which facilitate national and international payments, so that the BPOO service providers can devote all their energies to acquiring and keeping foreign clients rather than to overcoming structural obstacles.

Annex

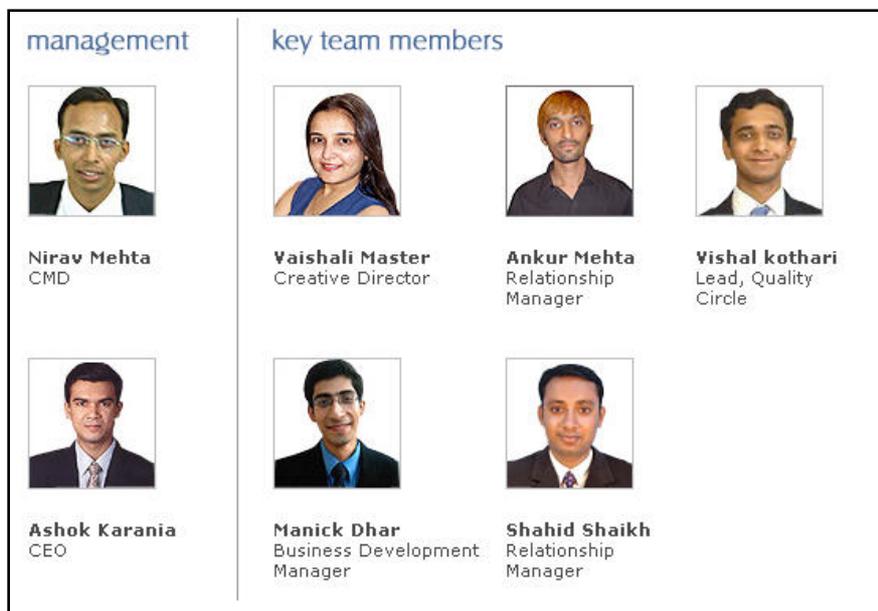
MINI CASE-STUDIES



1. MagNet Web Publishing, Mumbai, India

MagNet Web Publishing (www.magnet-i.com) is a Mumbai-based privately owned organization, that specializes in web application development, intranet development, and wireless technologies.

We interviewed Nirav Mehta, founder, Chairman and Managing Director of the company, in Mumbai on 3 September 2004.



MagNet Web's young leadership team

Question: How was MagNet founded?

Mehta: I started the company in 1998 as a student. At the beginning, it was an e-zine (i.e. an online magazine) and then it started to provide Internet-related services to local clients.

Question: How many employees does MagNet have?

Mehta: We now have 50 regular employees, working in two shifts (7:00 -15:30; 15:30 - 23:30)

Comment of the interviewer: MagNet's offices are quite crammed, but this allows them to optimize the use of their assets. To work with two shifts allows them to complete projects fast.

Question: How do you acquire foreign clients?

To garner foreign clients, we started to use Elance five years ago. Now, all our clients, except KPMG India, are foreign-based: most of them are from the United States.

www.elance.com/c/feedback/main/Details.pl?action=sellstats&catid=10223&view_person=magnet



Feedback and Selling Stats for magnet

Overall ratings are dollar-weighted averages of past scores and project values. Scores on higher-value projects count more toward each overall rating. [More info.](#)

Detailed Feedback

	Last 6 Months	All Time
Feedback Reviews	4	109
Projects Accepted	5	168
Earnings Reported	US\$5,100	US\$146,061
Overall provider rating:	5.0	4.8
Quality of work	5.0	4.9
Responsiveness	5.0	5.0
Professionalism	5.0	5.0
Subject matter expertise	5.0	5.0
Adherence to cost	5.0	5.0
Adherence to schedule	5.0	4.8

MagNet's buyers-based record in Elance is outstanding. The best grade is 5 (extremely satisfied) and the worst one is 1 (extremely dissatisfied).

Question: To acquire foreign clients, do you use other web platforms in addition to Elance?

Mehta: We tried several other web-based platforms, but Elance is by far the most established. Today, we get most of our jobs from Elance, at least the first order comes from Elance. Otherwise, we get some projects thanks to referrals and word of mouth, commission-based agents in the United States and, recently, in Greece.

Question: What do your agents do exactly?

Mehta: In addition to selling, they clarify project specifications. If they are a web agency themselves, they actually sign the contract and subcontract it to us.

Question: How did you get to know your agents?

Mehta: Some of our agents are former clients. We got to know others with the help of an uncle who resides in the United States.

Question: Do your staff travel abroad to meet clients?

Mehta: No, because our projects are too small to justify it. We communicate with our clients using the Elance tools as well as e-mail, Instant Messenger, regular phone and Internet-based telephony.

Question: What would be the motivation of your clients to keep using Elance as opposed to dealing directly with you?

Mehta: Our clients may feel more confident if their evaluation of our job is publicly available. But once we have reached a critical mass of positive feedback, this is less needed. Actually, after using Elance for two years we start to have fewer clients who need to use Elance to deal with us. Another element is that the Elance's payment systems are very practical for our clients.

Question: What are the limitations of Elance?

Mehta: We do not get large projects (i.e. above US\$ 5000) through Elance because face-to-face contacts would be needed. Another limitation is that, so far, we have not got any exciting projects in Flash and mobile applications. Finally, we find that Squaretrade (www.squaretrade.com), Elance's mediation partner, is not useful at all; in a case of conflict, their services proved to be useless.

Question: Which methods of payment do you use?

Mehta: We use four methods.

- Elance: This method is very practical for our buyers; its downside is that we have to bear the risk of fraud even though we have to pay an 8.5 per cent transaction fee to Elance.
- Credit cards: The negative part of this method is that, here as well, we bear the risk of fraud and that we have to pay a 5 to 6 per cent commission to our bank. As with Elance, this method is risky for sellers but practical for buyers.
- Sometimes we also get paid by wire transfer, but Americans are barely used to it, especially small banks.
- Sometimes we also use Paypal, but the problem with this system is that it is not possible to transfer money from a Paypal account directly to an Indian bank. We must repatriate money in our bank account in two steps.

Question: What are your standard payment terms?

Mehta: For projects over US\$ 1000, we ask for 25 per cent upfront, 25 per cent on delivery of the beta version and 50 per cent on delivery of the final version. For projects under US\$ 1000, we require 50 per cent upfront and 50 per cent on delivery. For all cases, we will provide free technical support for a one-month period.



2. ORvisions, Bangkok, Thailand

ORvisions (www.orvisions.com) is a company specialized in designing multimedia websites using Macromedia's Flash.

This one-person company works with the support of a network of freelancers and is run from home by Ms. Plaior (Kathryn) Aroonrat.



Ms. Plaior Aroonrat, an autodidact Flash specialist

Ms. Aroonrat graduated from Chiangmai University, Northern Thailand, with a B.S. in mathematics and with minors in business management and computer programming. She first worked in the field of policy and planning analysis and then co-founded ORvisions in 2003.



Interview with Ms. Plaior Aroonrat, conducted on 13 November 2004

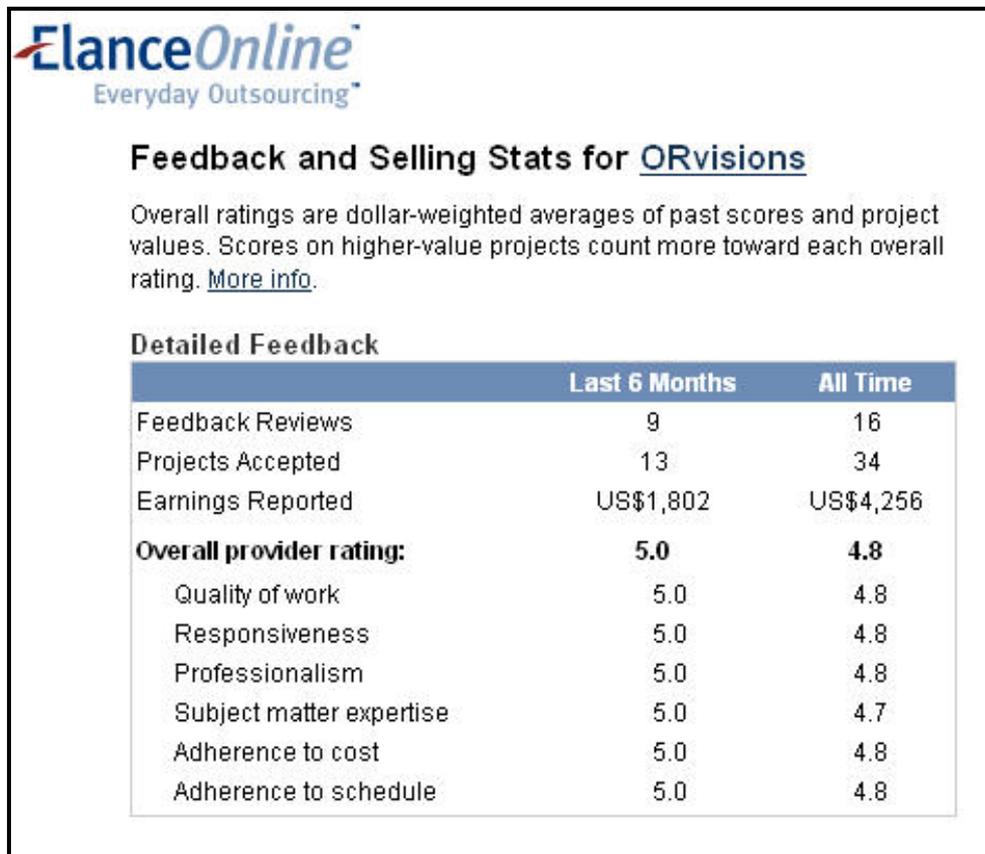
Aroonrat: OK, what are the questions you would like to ask me? Please ask me only questions that do not increase my amount of competition. I have competitors not only in Thailand but also in India.

Question: Your professional background is primarily mathematics and policy and planning analysis. How did you learn Macromedia's Flash?

Aroonrat: I learned it by myself.

Question: How do you acquire your clients?

Aroonrat: All my clients are acquired through Elance. Actually, I am even not prepared to accept projects outside Elance. I have been bidding on Elance projects on an irregular basis since 2003 and I will stick to it.



The screenshot shows the ElanceOnline logo with the tagline 'Everyday Outsourcing'. Below it is the title 'Feedback and Selling Stats for ORvisions'. A paragraph explains that overall ratings are dollar-weighted averages of past scores and project values, with higher-value projects counting more. A link for 'More info' is provided. A table titled 'Detailed Feedback' follows, comparing 'Last 6 Months' and 'All Time' data across various metrics.

	Last 6 Months	All Time
Feedback Reviews	9	16
Projects Accepted	13	34
Earnings Reported	US\$1,802	US\$4,256
Overall provider rating:	5.0	4.8
Quality of work	5.0	4.8
Responsiveness	5.0	4.8
Professionalism	5.0	4.8
Subject matter expertise	5.0	4.7
Adherence to cost	5.0	4.8
Adherence to schedule	5.0	4.8

By November 2004, ORvisions had been awarded 34 projects through Elance. Clients' evaluations are outstandingly positive.

Question: If a client hires you through Elance, would this client hire you directly for a subsequent order, i.e. without using Elance?

Aroonrat: Sure! I even encourage my clients to do so to avoid Elance's commission. However, some clients prefer to continue working through Elance because they feel more comfortable when they have the possibility to post an evaluation about my work in Elance; in other words, they feel they can control my work better.

Question: Are most of your clients regular clients?

Aroonrat: Yes.

Question: How is it to work with a network of freelancers?

Aroonrat: It is very difficult to find qualified freelancers in Thailand. For six Elance projects, because I was very busy, I have worked with 4 freelancers, but all of them gave me headaches. One of the reasons why I do only (small) Flash projects, as opposed to more comprehensive IT projects, is that I cannot count on a complete team.

Question: Are all your clients from foreign countries?

Aroonrat: Yes and mostly from the United States. As a matter of fact, I refuse Thai clients. I even do not work for foreigners living in Thailand. It is actually much easier to work for foreigners living abroad.

Question: You also have a website www.orvisions.com. Is it useful? Could it bring clients to you or at least does it help convince prospective Elance clients?

Aroonrat: So far, I have not got any client through my website. I do not think it is really useful in my case, partly because it is not updated and not so good. Besides, to bid on Elance projects, it is not required to have one's own website. At any rate, I shall revamp it soon.

Question: What kind of Internet connection do you normally use?

Aroonrat: I have a simple dial-up connection.

Question: How do your clients pay you?

Aroonrat: I get paid either by wire transfer or through Paypal.com. As a policy, I never ask for down payments.

Question: Not asking for down and/or partial payments is unusual and risky. Have you ever had dishonest clients who refused to pay you?

Aroonrat: No, it has never happened.

Question: Is it highly profitable to do Flash projects for foreigners through Elance?

Aroonrat: Not really because my fees are so low. Actually, I do not charge an hourly or a daily fee. I agree on a price for a whole project and I work until my clients are fully satisfied. But my fees are OK provided I live in Thailand and work from home.

3. Langue et Business, Lomé, Togo

Langue et Business is a small French - English translation company located in Lomé, the capital of Togo. This company was founded and is run by Kofi Elolo Sylvester Kumodzi, a member of the *International Association of Conference Interpreters* (www.aiic.net). Lomé is ideally located on the border between the French-speaking and the English-speaking parts of Africa. Therefore, *Langue et Business* can easily have access to qualified employees and freelancers.

Langue et Business is able to perform good-quality work. Thanks to Internet-based electronic mail, the company can receive and send back assignments from anywhere in the world. Naturally, *Langue et Business* is particularly interested in getting international orders because fees are much higher than in the case of local orders.

But the key challenge for *Langue et Business* is to acquire foreign customers located in Lomé. To tackle this issue, Mr. Kumodzi has devised the following solutions:

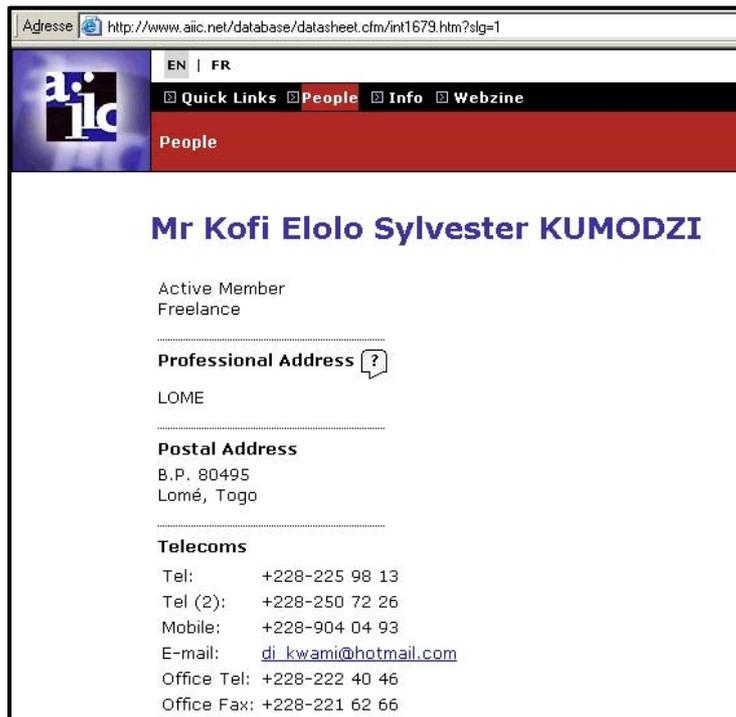
(a) The *Langue et Business* small office cum business centre is located in a big hotel (Hôtel 2 Février) very near an international convention centre located itself in the hotel. Therefore, many foreign conference participants enter the business centre and, as such, are potential direct or indirect clients.



Hotel 2 Février in Lomé, Togo

(b) Mr. Kumodzi carries out regular international interpretation assignments where he meets many people. Thanks to these face-to-face contacts, he has additional opportunities to acquire clients.

(c) As a member of the *International Association of Conference Interpreters* (AIIC, www.aiic.net), Mr. Kumodzi is listed in the website of this association. He can therefore refer to this site to help convince potential clients of *Langue et Business's* ability to deliver quality results.



**Mr. Kumodzi's listing on the
International Association of Conference Interpreters' website**

Two lessons can be learned from this example:

(a) While *Langue et Business* uses the Internet intensively to communicate with its clients, the company does not have its own website because Mr. Kumodzi thinks that to be listed in AIIC's website is simply more credible. In other words, to have one's website is not always a necessity for selling online services.

(b) *Langue et Business* mostly uses offline methods to acquire new clients. The Internet is then used to communicate with existing clients, receive assignments from them and deliver finished products to them. In other words, to provide online services does not necessarily mean that these services must be sold online.



4. National Information Technology Institute, Kathmandu, Nepal

National Information Technology Institute Pvt. Ltd. (NITI, www.niti.com.np) is a company providing information technology (IT) services and Geographic Information System (GIS) services to clients in Nepal and overseas.



NITI premises in Kathmandu

On the occasion of an UNCTAD seminar²⁵ on 19 November 2004 in Bangkok, Mr. Suresh Pradan, NITI's Data Manager, provided the following information about his company. Mr. Pradan's presentation has been complemented by an interview.

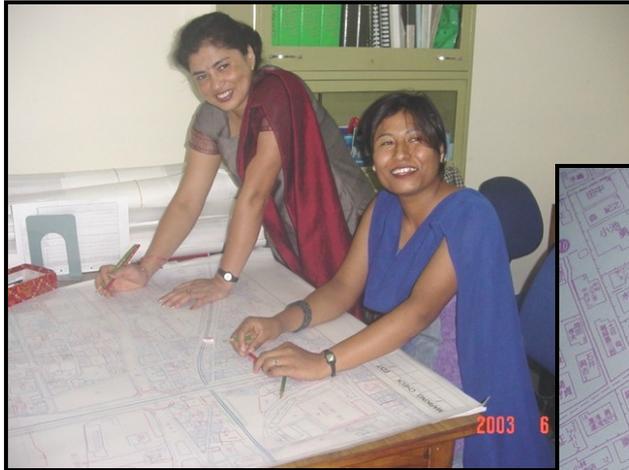
"NITI was established in 2000. In 2004, its forecast revenues amounted to US\$ 200,000. In 2004, the company had roughly 100 employees, over 70 per cent of them women. People from other countries such as Afghanistan, Bhutan and Thailand are trained in NITI and even clients from Japan visited the company.

"NITI provides two types of BPOO services: digital mapping (i.e. the making of maps using computerized data and procedures) and medical transcriptions (i.e. the transcription, formatting, and proofreading of medical dictations, most commonly those outlining a patient's health).

"Regarding digital mapping, clients are Japanese digital mapping companies that outsource part of their work to NITI. The demand for digital mapping is increasing because of the increased use of GPS (Global Positioning Systems) and navigators. Process-wise, NITI receives raw data from its clients. These raw data are picture files²⁶ on CD-ROM or printed maps, both of them received by courier. If raw data are small electronic files, FTP is used. Finalized digital maps are sent to clients by e-mail, FTP or on a CD-ROM (by courier), depending on their sizes. The minimum order is US\$ 10,000 for one month. This division employs 80 people (two shifts per day). For these digital mapping activities, the software used includes Nigmas, Mapedit, Autocad, and ESRI GIS systems. The main challenge faced by NITI is the fierce competition from companies based in countries such as China, India, Thailand and the Philippines.

²⁵ On the occasion of the regional UNCTAD Training Workshop on Internet and International Trade for Trade Support Institution (TSI) Senior Managers, held in Bangkok.

²⁶ The format used is jpg or gif.



NITI's employees working on Japanese maps

"Regarding medical transcriptions, clients are US doctors and medical institutions. Audio files are received through FTP. The software used depends on the wishes of each client. Given the political insecurity in Nepal, late evening work has not been possible since 2002. For this reason, the number of employees working for this division went down from 500 persons (three shifts per day) to 20 persons (one shift per day). Therefore, NITI is now concentrating its efforts on its digital mapping services, which do not require on-the-spot and/or late evening work because delivery deadlines are much longer.



NITI's medical transcription staff

"For both above-mentioned BPOO services, invoices are sent by e-mail (and/or fax) and payments are received by TT (telegraphic transfer)."

5. Digital Divide Data, Phnom Penh, Cambodia

Digital Divide Data (DDD, www.DigitalDivideData.org) is a Phnom Penh-based non-profit organization which provides digitization services to more than 50 foreign clients. Digitization services include converting archived newspapers, journals, magazines and other periodicals into digital media by retyping them or using optical character recognition (OCR). Other examples of services are OCR cleanup, markup/tagging, forms processing, survey processing and analysis of courtroom telephone records. Many DDD clients are libraries of US universities. The first major assignment was to provide digitization services for *The Harvard Crimson*, one of America's oldest university newspapers, published continuously since 1879.

After two years of operation, DDD has about 100 employees, who have above-average working conditions. Its 2002 revenues totalled US\$ 150,000. In 2004, new offices in Battambang (Cambodia) and Vientiane (Lao People's Democratic Republic) were opened. Thanks to rapid growth, DDD plans to provide jobs and educational opportunities for up to 500 people and to increase annual revenues to US\$ 1,000,000.



DDD premises in Phnom Penh

Says Nhev SithSophary, General Manager of DDD, "our mission is not only to satisfy our customers; to our employees, we promise to facilitate their human development through providing fair wages, health care, education, and career advancement opportunities". Actually, many DDD employees are landmine or polio victims.



Leng Sorpheha has been working for DDD since 2001.

DDD employees, and primarily those with physical disabilities, use intensively Internet-based Instant Messengers services to communicate. Output from clients is usually received and sent via the Internet, often using FTP.

To acquire clients, DDD works with three US-based sales representatives and sends targeted promotional e-mails on a daily basis.

8. Ibonia, Antananarivo, Madagascar



Ibonia (www.ibonia.com) is a Madagascar-based company specializing in software engineering, multimedia development (websites, CD-ROM), pre-press work and data entry.

Ibonia has about 25 employees (software engineers, computer technicians, designer, data input operator) and takes assignments from both local and international (mostly French) clients. One of Ibonia's core businesses is the design of websites for French travel agencies. Some websites designed by Ibonia have received international awards. The major award was for the website Look Voyages (www.look.fr), which was selected by Ziff-David Press as one of the ten best websites in the world for travel agencies.

The way in which Ibonia acquires (international) clients is interesting. Says Iharizaka Rahaingoson, CEO of Ibonia, "To promote our professional services, one method we used was to run MadaNews.com (www.madanews.com), an online newspaper. At some point, we employed three journalists, but since banner ads did not cover their costs, we could only keep one of them on a part-time basis. It is difficult to make money in a direct way with an online newspaper, but MadaNews has been very effective in obtaining visibility and in getting orders". It should be noted that the use of MadaNews was discontinued once a critical mass of clients was achieved.



Ibonia used e-zine MadaNews to get visibility and orders.

Ibonia works with a French agent who is responsible for getting orders, primarily websites for travel agents. This agent also helps to get the specifications right. Finally, another advantage of Ibonia is the fact that its CEO studied at the undergraduate and postgraduate levels in France.