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IS Master's Dissertation:

The Attractiveness of the Western Cape for Offshore Outsourcing Contact Centres

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In partial fulfillment of the requirements for the course:
Full Time Masters in Information Systems
(by coursework and dissertation)

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Abstract

This study examines the attractiveness of the Western Cape for offshore outsourcing contact centres and suggests a series of normative business practices contact centres can adopt to achieve superior organisational efficiency and performance.

A literature review defines the concept of a contact centre and discusses the various functions these operations perform. Contact centre technology is also reviewed as well as the personnel management and service quality components of these operations, such as first call resolution and the effectiveness of service encounters. The phenomenon of offshore outsourcing contact centres is discussed by reviewing its risks and benefits. Offshore outsourcing is primarily done to reduce costs, as well as for other factors, such as increased flexibility, efficiency and scalability. However, it is risky due to issues such as cultural misalignment and managerial difficulties. A brief overview of the South African contact centre industry reveals that South Africa is home to approximately 525 contact centres including 105 operations situated in the Western Cape. It is estimated that 30% of these operations are outsourcers, of which over 55% service offshore markets.

Qualitative research methods and an interpretive research epistemology were used to inform this research. This approach has enabled the study to consider new insights into the subject matter as it was designed to help us understand people and the social, cultural and business environment which we live in. In line with interpretive research philosophies, this study's assumed knowledge of reality has been attained from social constructs. A series of semi-structured, open-ended interviews were conducted with senior executives of the majority of the contact centres in the Western Cape, who are offshore outsourcers. The textual qualitative data that was obtained from these interviews was analysed and interpreted using a hermeneutic mode of qualitative content analysis. This method was developed by integrating qualitative content analysis with interpretive philosophies and hermeneutics.

The attractiveness of the Western Cape for offshore outsourcing contact centres is described by exploring the strengths, weakness, opportunities and threats of the region for this purpose. Using a SWOT framework, a range of factors or conditions that influence or have the potential to influence the attractiveness of the region, both positively and negatively, have been discovered.

The range and depth of findings varies greatly. Some of the weaknesses discovered include exorbitant telecommunication costs, a shortage of middle management skills, rand volatility,
South African business’ lack of understanding of the industry and difficulty in accessing start-up capital. Offshore English speaking markets, such as the UK and the US were identified as opportunities South African contact centres could exploit. Furthermore, because the Western Cape has access to a diverse work force, Europe was also targeted; most notably the Dutch speaking market. India and near-source destinations, such as Canada and Eastern Europe were perceived to be the biggest threats of the offshore outsourcing sector of the contact centre industry. Some of the strengths discovered include a high quality of voice services, home demand for contact centre services, the presence of related and supporting industries, growth of the industry and interest in the region, government support, and ultimately an attractive value proposition.

This study also suggests several desirable practices contact centres can adopt to achieve superior organisational performance. It suggests that, while some of the desirable practices are more applicable to contact centres in the Western Cape, others are generally applicable to contact centres regardless of geographic location. Similarly, some of the practices are more important for offshore outsourced operations and others are equally important for both offshore outsourcers and local service providers. Some desirable practices suggested include strategic global partnerships and alliances, staff wellness programs, balanced scorecard performance management systems, innovative incentive structures, career path development and documented and formalised processes and methodologies.

In line with the fundamental principle of the hermeneutic circle, the findings are presented and discussed from both an individual and holistic perspective. A modelling language, which integrates with the SWOT variables and desirable practices, was developed and used to create a series of relationship sets with which to explore the findings. This presents a holistic view of the findings and their relationships with one another.

The study concludes that the Western Cape certainly is attractive for offshore outsourcing of contact centres due to the many strengths and opportunities discovered. However, several weakness and threats exist, which contact centres need to be aware of and mitigate when offshore outsourcing. The study comes to a close by reflecting on the academic contributions it has made and their possible implications for future research.
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1. CHAPTER ONE: INTRODUCTION

This study examines the attractiveness of the Western Cape for offshore outsourcing contact centres. In this chapter, the concept of contact centres and phenomenon of offshore outsourcing contact centres are introduced. The value, importance and necessity of the study are then discussed after which the study's research objectives are presented and a structural overview of the dissertation is produced.

1.1 The Contact Centre Phenomenon

When the first concept of a contact centre was introduced in the mid 50's by Pan American Airlines, nobody could have imagined the effect this phenomenon would have on the way modern companies communicate and do business with their customers (Magnin, 2002). Magnin (2002) states that over 70% of a business' customer interactions occur over telecommunication channels.

The widespread use of contact centres is mainly due to the substantial financial benefits organisations can attain from utilising them, as opposed to costly high street outlets and expensive branch networks (Deery and Kinnie, 2004). Through the use of high tech telephony, contact centres have radically altered the transportability of services to customers (Miozzo and Ramirez, 2003). High tech information systems have also helped to achieve great speed, efficiency and standardisation in service delivery (Gutek, 1995). Unquestionably, it is this phenomenon's ability to reduce costs, while improving customer satisfaction that has contributed to widespread global adoption.

Contact centre operations have grown substantially over the past decade in both developed and developing nations. Paul and Huws (2002) state that contact centres are the most rapidly growing form of employment in Europe today, where it is estimated they employ just over one per cent of the workforce (Datamonitor, 1998). In the USA, they employ about three per cent of the workforce (Datamonitor, 1999), while approximately two per cent of all workers in the UK have jobs in contact centres (Income Data Services, 2001).

Developing nations and emerging markets, such as South Africa, India and the Philippines, are also experiencing similar patterns of growth. The contact centre boom began in South Africa between 1997 and 1998 (Lewis, 2000; Paladin et al., 2004). Recently, it was estimated that South Africa is home to approximately 535 contact centres (Paladin et al., 2004). Of these,
about 105 operations are located in the Western Cape, where this industry is one of Cape Town’s 10 largest employers (Deloitte and Calling the Cape, 2004).

Deery and Kinnie (2004) argue that the global growth of these operations reflects a general shift in economic activity from goods production to service provision and state that contact centres epitomize many of the characteristics of service work that have come to dominate developed economies. Indeed, as more and more of the world’s economic activity shifts towards the provision of services, the demand for contact centre operations will only increase.

1.2 Offshore Outsourcing of Contact Centres

One of the driving forces that have stimulated the growth of contact centres in South Africa is a growing trend among global companies to outsource contact centre operations to offshore destinations. This is commonly known as offshore outsourcing. This is possible as contact centres can be physically decentralised in terms of location, infrastructure and personnel, while remaining logically consolidated through the use of telecommunications infrastructure and corporate information systems (Sinha, 2002a).

Less developed countries are attractive for a number of reasons. Perhaps the most commonly cited reason is lower operational costs, which are primarily due to a lower cost of labour (King, 2005; Kliem, 2004; Nair and Prasad, 2004; Pfannenstein and Tsai, 2004; Rao, 2004; Read, 2002a, 2002b, 2003a, 2003b, 2003c, 2004a, 2004b, 2004c; Sinha, 2002a). Labour costs constitute a significant proportion of a contact centre’s operational costs, making them particularly important when selecting a destination to outsource to, however there are many additional factors that influence such a decision, such as risk, quality of service and cultural factors.

1.3 Value, Importance & Necessity of Research

The contact centre industry is one of five key growth sectors the Provincial Government of the Western Cape has identified to help stimulate economic activity and combat unemployment in the region (Deloitte and Calling the Cape, 2004). This industry has been chosen because it shows excellent potential for growth, it is labour intensive, and barriers to entry for potential employees are relatively low.

A significant proportion of this industry’s sustained growth and success is due to foreign direct investment. Of the 105 contact centres situated in the Western Cape, approximately 30% of
them classify themselves as outsourcers. It is estimated that the proportion of outsourcer revenue derived from international clients is 55% (Deloitte and Calling the Cape, 2004).

It is therefore of great importance to understand the factors which contribute, or have the potential to contribute, both positively and negatively towards the attractiveness of the region for these large and expensive IT investments. As Nair and Prasad (2004) note, the promotion of a specific offshore location cannot be viewed in isolation as it is invariably linked to many IT and business factors specific to the region.

Equally as important is identifying and understanding what normative business practices these operations can adopt to achieve superior organisational efficiency and performance. This information is valuable to both established operators in the region and potential investors. As Rottman and Lacity (2004) note, such practices can help mitigate risks, and ensure cost savings while protecting quality and helping organisations swiftly move through the offshore learning curve.

This research is therefore not only useful at a macro governmental policy making level, but also at a lower company level. It is of great value for companies considering whether or not to offshore outsource to South Africa as well as for organisations that run and maintain contact centre operations.

Furthermore, it is noteworthy to mention that no academic research has been conducted which investigates the attractiveness of the Western Cape for offshore outsourcing of contact centres. This study is also unique as it uses a qualitative research approach, an interpretive epistemology and a hermeneutic mode of qualitative content analysis (all of which are discussed in Chapter 3).

1.4 Research Objectives

As the title suggests, the objective of this research study is to investigate the attractiveness of the Western Cape for offshore outsourcing of contact centres. This research study seeks to investigate the competencies, resources or capacities of contact centres in the region which make it attractive for offshore outsourcing as well as their limitations, faults or defects which contribute negatively to the region’s attractiveness. Any favourable and unfavourable conditions, trends or situations in these operations’ business environment will also be examined. In short, the strengths, weaknesses, opportunities and threats (SWOT) of the Western Cape for offshore outsourcing of contact centres will be examined and explored. In addition, a series of
desirable practices contact centres can adopt to achieve superior organisational performance, will also be suggested. Specifically, the primary research objectives identified in Chapter 3 are:

1) To describe the attractiveness of the Western Cape for offshore outsourcing of contact centres using a SWOT framework.

2) To suggest several desirable practices contact centres can adopt to achieve superior organisational performance.

1.5 Structural Overview of Dissertation

The next chapter will begin by reviewing prior, relevant literature around the two concepts that form the locus of this study: contact centres and the phenomenon of offshore outsourcing. The literature review will define the concept of a contact centre and the various functions these operations can perform, after which the technological and personnel management and service quality aspects of these operations will be discussed. Subsequently, the phenomena of offshore outsourcing contact centres will be examined, which will be followed by a brief overview of the South Africa contact centre industry and concluding remarks.

Chapter 3 discusses and justifies the methodologies and theoretical perspectives this study has developed and adopted. The chapter begins by presenting the primary and secondary research objectives of the study after which the philosophical perspectives and the qualitative research methods this study has followed are discussed. The chapter also discusses the analytical and descriptive frameworks used as well as the data collection strategy. A hermeneutic mode of qualitative content analysis is developed and adopted as the study’s primary mode of analysis.

Chapter 4 discusses how the theories and methodologies developed and adopted in the previous chapter were applied to produce the findings that are presented and discussed in the subsequent chapter. This chapter provides the reader with a step-by-step model that was used to apply the aforementioned research methods. Most notably, this chapter presents HCAP, an application that was developed to formally apply the research methods to the data collected.

Chapter 5 is a presentation and discussion of the study’s findings. The findings are appropriately grouped into five broad categories: weaknesses, opportunities, threats, strengths and desirable practices. Hermeneutics is used to interpret and discuss each individual finding presented within the five broad categories. For interest’s sake, a quantitative perspective on this qualitative study is also presented in this chapter as part of the findings.
In line with the fundamental principle of the hermeneutic circle, Chapter 6 discusses the relationships between the findings identified and discussed in the previous chapter. These relationships are discussed and illustrated diagrammatically using a series of relationship sets.

Finally, conclusions will be drawn in Chapter 7 after which the research approach and the study's academic and theoretical contributions are reflected on in Chapter 8. This process of reflection will include a discussion of the study's implications as well as recommendations for future research.
2. CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

2.1.1 Purpose of Literature Review
As Webster and Watson (2002) state, a literature review is an essential feature of any academic project. Surveying prior, relevant literature creates a firm foundation for advancing knowledge, theory development and identifying areas where further research is needed (Webster and Watson, 2002). Webster and Watson (2002) argue that a good literature review is concept-centric, in which concepts determine the organising framework of a review to produce a synthesised summary of relevant ideas.

2.1.2 Proceedings
Following Webster and Watson's (2002) concept-centric recommendation, the literature review will begin by examining the concept of a call centre and describe the somewhat natural, anticipated and prognosticated evolution into what is commonly known today as a contact centre. The functions that contact centres perform vary from outbound operations, such as telemarketing or surveys, to inbound operations, such as enquiries, bookings or insurance claims. Depending on the function performed at an operation, contact centres may also form part of a BPO (Business Process Outsourcing) operation.

The technological infrastructure of a contact centre has to be sound in order for it to be viable. Thus, a brief overview of the technologies that modern contact centres employ will be provided.

Managing the human resource element of a contact centre with regard to service quality is of utmost importance to both contact centre managers and the company employing a contact centre. Employee performance is perhaps one of the most influential factors that offshore outsourcers consider when determining where a contact centre should be located. This section of the literature will review the key issues in this area of contact centre management.

The phenomenon of offshore outsourcing is not new to South Africa, particularly the Western Cape. Global companies are increasingly looking beyond their national borders to form partners that can help design, develop and maintain information systems (Rao, 2004). Lesser developed countries such as South Africa are particularly attractive due to lower costs and improving telecommunication infrastructures, which facilitate communication between the companies in question (Deloitte and Calling the Cape, 2004; Paladin et al., 2004). The literature will review
some of the key reasons companies outsource offshore and the benefits they expect to gain from doing so. Key risks and shortcomings will also be examined.

Finally, a brief description of the South African contact centre industry will be presented. This will be followed by conclusions and reflections, which identify the gaps in the current literature and outline the direction this research study has pursued.

2.2 The Concept of a Contact Centre

In order to facilitate an understanding of contact centre operations, it is necessary to first define a call centre, as the concept of a contact centre builds on the aforementioned definition. Indeed, as certain advancements in technology unfolded, the progression of call centres into contact centres was a somewhat natural development. Contact centre operations can be viewed from several different perspectives, depending on the function or business processes they perform. Therefore, certain categorisations will be made to better understand these characteristics from a functional perspective.

2.2.1 The Definition of a call centre

The concept of a call centre operation is not difficult to grasp. At its core, authors such as Gans et al. (2002) have defined call centre operations as a set of resources – “typically personnel, computers and telecommunication equipment – which enable the delivery of services via the telephone”. In a visual format, imagine a call centre as an endless room with numerous open-space cubicles, in which people with headsets sit in front of workstations, providing services, over the phone, to customers (Gans et al., 2002).

The computers that form part of such an operation are typically connected to a corporate information system, which depending on the function of the centre, assist the agents perform various business processes. These functions range from the responses agents provide for customers to the business processes the agents perform. An advanced call centre will record all of the customer’s records and transaction history on a central customer database, which integrates into a customer relationship management software package (Lassman, 2002).
2.2.2 The Evolution of Call Centres into Contact Centres

Contact centres have also been referred to as web-enabled call centres (Hicks, 2000). An increasing number of organisations have begun to realise that a phone call alone is insufficient to deal with customers and have hence begun to explore and open new channels of communication between business and customer (Gianforte, 2003; Goldenberg, 2001).

In this modern information age, customers want to send faxes and emails with questions about products offered on web sites (Goldenberg, 2001). More advanced web users even want to talk live while browsing a site; whether through text chats or call-back requests (Hicks, 2000). Another relatively new technological trend, which contact centres have begun to adopt is self help facilities. Many contact centres allow customers to solve their own problems – whether telephonically or online. (Compton, 2004b; Elliot, 2003; Hicks, 2000; RightNow 2003)

A contact centre is a call centre which also includes the aforementioned technological advances and new channels of communication. The primary benefits of contact centres over call centres include reduced costs and greater customer satisfaction.

A contact centre incurs lower running costs than a call centre because web enabled technologies are cheaper than traditional phone calls (Dawson, 2004c). Email interactions, for example, are cheaper than phone calls. Another reason that modern contact centres typically cost less than traditional call centres is due to the reduced amount of man hours and hence human resources required to operate them. Undoubtedly, the most expensive element of operating a contact centre is the cost of labour (Read, 2004c; Zeacom, 2004). A live agent talking to a customer over the phone costs a contact centre significantly more than other possible interactions a contact centre can have with a customer (Read, 2003d). Self-service facilities are far cheaper than the cost of a live agent because these interactions are automated and hence require no human effort from the contact centre (Fluss, 2004; Hicks, 2000; Read, 2003d).

Furthermore, contact centres achieve greater customer satisfaction than traditional call centres as customers have more channels of communication with the business at their disposal. Indeed, a growing percentage of “technologically savvy” customers would prefer not to deal with live people at all and rectify an issue without human assistance. (Compton, 2004b; Elliot, 2003; Hicks, 2000; RightNow, 2003)
2.2.3 Categorization and characteristics of contact centres

Depending on their purpose, contact centres can have various characteristics. Understanding and categorizing these characteristics will facilitate a better understanding of the industry and the specific purpose an individual contact centre fulfills. In the paragraphs that follow, some of the most common features of contact centres will be discussed.

2.2.3.1 Function & Business Process

The functions a contact centre can provide for the company employing it are numerous and depend on the needs of the company in question. Some of the more common functions include customer service, help desk facilities, emergency services, tele-marketing and order taking (Paladin et al., 2004).

2.2.3.2 Size and Geographic dispersion

The size and geographic dispersion of a contact centre can vary from small sites with very few agents to large national or even international operations with hundreds or thousands of agents on the phone at any given time. It is even possible for a contact centre to be made up of many other smaller contact centres (Dimension Data, 2003; Zeacom, 2004).

Virtual contact centres are not limited to a specific location. In this particular set-up, agents can be sitting in their offices or at home (Read, 2004d), when a call is routed to them from a particular customer. In such a case the agent is not exclusively a contact centre agent, but also an office worker or a housewife perhaps, who is capable of handling certain queries or dealing with certain client issues over the phone in addition to any other work he or she may have at the office or at home (Blood et al., 2004; Gharakhanian, 2002; Hafner, 2002; Read, 2004d).

Read (2004b) argues that this non-traditional method is a viable alternative to traditional contact centre operations as it reduces staff turnover and increases the quality of interaction between customer and agent due to the fact that many of the agents targeted in this alternative have college educations.

2.2.3.3 Onsite or Offsite location

Contact centres can be onsite or offsite. Onsite contact centres are on company premises, whilst offsite contact centres can be almost anywhere in the world that has the necessary infrastructure to operate a contact centre.
2.2.3.4 Organisational structure and division of work

Figure 1 illustrates the organisational structure of a typical contact centre, which indicates that contact centres tend to have few layers in their organisational structures with large numbers of employees working at the base of the organisation as agents and performing similar tasks. The solid lines indicate a typical flat organisational hierarchy, while the broken lines have been used to indicate roles that have emerged relatively recently in more hierarchical organisations. (Belt, 2002)

Figure 1: Organisational Structure of a Typical Contact Centre

![Organisational Structure Diagram]

Source: Belt (2002)

Whilst most contact centres have a relatively flat organisational structure, some are more hierarchical than others (Belt, 2002). Gans et al. (2002) argue that to a large extent, the organisational structure and division of labour in a contact centre depend on the skill level required to handle an interaction.

When the skill level required to handle an interaction is low, all agents in a contact centre will be given similar training and interactions are dealt with on a first come first serve basis. The organisational structure of such an operation would be relatively flat. Other operations are more layered as more skill and a certain level of seniority is required for differing levels of interaction. In these situations, customers can be transferred through several layers of hierarchy before being served to satisfaction. (Gans et al., 2002)

Another issue to take into account when discussing the division of work in a contact centre is channel specific training. Whereas certain agents may be well equipped to deal with customers over the phone and have satisfactory oral communication skills, their written and hence emailing skills may be insufficient to deal with a similar interaction over the internet or via email. Therefore, while some contact centres have agents trained to deal with interactions from
specific channels, others have agents that deal with any type of interaction regardless of the channel it originates from. (Compton, 2004b; Costello, 2004).

2.2.3.5 Inbound or Outbound calls
Another central characteristic of contact centres is whether they primarily handle inbound or outbound traffic. Inbound contact centres primarily deal with incoming calls or interactions, which are initiated by the outside callers, typically customers. Examples of these types of operations include customer support, help desk services or reservations (Genesys, 2003).

Outbound contact centres typically initiate interactions or calls to customers, or potential customers. These types of operations are usually associated with tele-marketing, market research and survey businesses (Gans et al., 2002).

It is possible for a contact centre operation to handle both inbound and outbound traffic. One example could be an operation that receives an email or web-interaction from a customer and responds or follows up the inquiry by calling the customer at a latter stage (Lassman, 2002). Certain customer-centric contact centres call a customer back if they abandon calls (Hicks, 2000).

2.2.3.6 Outsourced or Internal
Another categorisation that can be made of modern contact centres is whether they are internal or outsourced operations. Internal or “in-house” contact centres are fully owned and operated by a mother company. They provide services exclusively to the company that owns them. An insurance company, for example, might own a contact centre, which sells insurance policies to the public.

Outsourced contact centres, which are also known as “service bureaus” (Read, 2002a), provide services for one or more client companies. An insurance company might, for example, enter into an agreement with a contact centre organisation stating that the contact centre has to sell a certain number of insurance policies per month on behalf of the insurance company. However, a growing trend amongst internal contact centre operations is to take on additional work from other companies for supplementary income.
2.2.3.7 Onshore or Offshore

Contact centre operations may be situated onshore or offshore. An onshore operation usually provides services to a client company inside the same country it is situated. Offshore contact centres service companies outside of their borders. Therefore, even though Canada and the US are on the same continent, an US client company can “offshore” its operations to Canada.

As the title of this study suggests, this research paper is primarily concerned with contact centres that are both outsourced and offshore.

2.3 Contact Centre Technology

The technology and infrastructure supporting a contact centre is the backbone of its operations. Even though this aspect of contact centres is not the integral focus of this study, it has been included to provide the reader with a more holistic understanding of contact centres and the technology that supports them. Moreover, in order for any destination to be considered viable and attractive for offshore outsourcing of contact centres, it has to have the infrastructural and technological backing to support such an operation. This necessitates a brief understanding of contact centre technology.

In order to describe contact centre technology, the proceeding paragraphs describe the sequence of events that occur at an inbound contact centre when an incoming call is made by a customer. Each sub-section will discuss a technology. To understand how these technologies integrate with one another, please consult Figure 2, which is a visual representation of this procedure and the technologies involved.
Figure 2: Contact Centre Technology

Contact Centre Technology

Private Automatic Branch Exchange (PABX)

Public Service Telephone Network (PSTN) Telkom

Agent

Interactive Voice Response (IVR)

Abandon Call

Automatic Call Distributor (ACD)

Client

Source: Created by researcher
2.3.1 Public Switched Telephone Network (PSTN)

When a customer makes a call to a contact centre, the PSTN uses two vital pieces of information to link the caller with the contact centre:

- The number from which the call originates, also referred to by the PSTN as the ANI (Automatic Identification Number),
- The number being dialled, also referred to by the PSTN as the DNIS (Dialled Number Identification Service)

The PSTN uses the ANI and DNIS to connect the caller with the contact centre.

2.3.2 Private Automatic Branch Exchange (PABX)

Almost all large organisations which use more than ten telephones have some kind of PABX installed, and contact centres are no exception. The PABX is connected to the PSTN through a number of telephone lines, called trunk lines, which the contact centre owns. If one or more trunk lines are free, then the call will be connected to the contact centre’s PABX. Otherwise, the caller will receive a busy signal (Gans et al., 2002; Magnin, 2002).

2.3.3 Interactive Voice Response unit (IVR)

If the contact centre is large enough, calls may be routed from the PABX to an IVR (Interactive Voice Response) unit. The IVR will query the customer and is capable of satisfying a customer’s query depending on their needs (Aspect, 2004). This is done by requesting the customer to press certain designated numbers which, depending on the customer’s needs, execute predefined actions or transactions (Aspect, 2004; Gans et al., 2002; Magnin, 2002).

2.3.4 Automatic Call Distributor (ACD)

If the customer’s needs have not been satisfied by the IVR, the caller may be transferred to an ACD (Automatic Call Distributor). The ACD is a specialized switch designed to route calls via the PABX to individual agents in the contact centre (Dawson, 2004b; Gans et al., 2002; Magnin, 2002; Reasoner, 2000).

The ACD is capable of retrieving information about the caller depending on what number they have dialled, using the caller’s DNIS and what decisions they have made at the IVR. The ACD uses this information to match a caller with the most suitable agent available (Genesys, 2003; Zeacom, 2004).
The ACD also keeps information about each agent. Typically when agents begin work, they log on to the ACD, which uses their login identification to retrieve records describing the agent’s competencies (Kraus, 2002; Aspect, 2004).

If there are no suitable agents free to take a call, the ACD will keep the caller on hold and play music for them or give the caller an estimate of the amount of time they need to hold on before an agent will attend to them (Gans et al., 2002).

2.3.5 Corporate Information System

Once connected with a customer, the agent can speak on the telephone while simultaneously working on a workstation connected to a corporate information system. In large companies, such as airlines, banks and insurance companies, the information system is not dedicated to the contact centre. Often, several contact centres as well as other company branches share access to a centralized corporate information system. (Lassman, 2002; Gans et al., 2002)

The corporate information system has many functions including teleprompting the agent and providing an interface, which allows the agent to make the customer’s desired changes to the company’s systems. It is even possible for the front end of the corporate information system to be presented to a customer in the form of an e-commerce site (Lassman, 2002), which the customer can access through the internet.

2.3.6 Computer Telephony Integration (CTI)

CTI middleware can be used to more closely integrate the telecommunications equipment with the information systems at work in a contact centre (Mckoen, 2000; Suomi and Tahkapaa, 2003). For instance, CTI can be used to identify a caller and route their call by using their ANI to query a customer database (Aspect, 2004). Therefore, if the caller has called before, the CTI can be used to infer the customer’s preferred language and route the call accordingly.

Likewise, CTI can be used to automatically display a caller’s customer record on an agent’s workstation’s screen. Rather than the agent asking the customer what their account number is, for instance, which they would then use to enter into the information system, the contact centre’s CTI can be programmed to do this automatically and populate the agent’s screen with the appropriate information (Gans et al., 2002; Lassman, 2002).
In contact centre terminology, this is referred to as "screen pop". This can help reduce talk time, improve service and reduce costs (Blood et al., 2004; Costello, 2004; Lassman, 2002). Even a few seconds of time saved by an agent equals large quantities of money, which often justify an expensive contact centre upgrade if the current information system is too slow (Gans et al., 2002; Magnin, 2002).

2.3.7 Customer Relationship Management (CRM) software

Swann (2002) argues that in its purest form CRM is all about creating a positive customer experience with every B2C interaction the customer has with the company. As Swann (2002) and Lassman (2002) point out, there are many means by which a customer can interact with the company and CRM software should be incorporated into all these channels including the contact centre, whose sole purpose is to facilitate communication with the customer. Magnin (2002) concurs, adding that the contact centre is probably the best place to track and analyse customer needs.

Magnin (2002) argues that the contact centre has become a strategic element for modern day enterprises to catalyse relationships with customers. He therefore believes that CRM is not just a technology, a suite of products, or an application, but a philosophical change in the mindset of organisations from the old traditional seller-centric approach to a new customer-centric approach of the world.

Lassman (2002) agrees with Magnin's (2002) ideas and advocates the idea that a CRM and a customer database should be at the centre of a company's operations and information systems, collecting information about the customer from the company's contact centre, web page, and through personal interactions. A visual depiction of Lassman's (2002) CRM customer-centric view of the enterprise can be viewed in Appendix 1.

As well as keeping the customer happy and satisfied, CRM systems can also be a source of revenue to the contact centre and company employing them. Gans et al. (2002) state that advanced CRM systems can present the agent with cross selling opportunities and even state how valuable the customer in question is to the company. Many systems do this by showing the agent a transaction history the customer has had with the company via screen pop technology.
2.3.8 Knowledge Management (KM) software

The role of knowledge management software in the contact centre is primarily to increase customer service by providing agents with relevant and timely information. Thomson (2002) argues that a good KM system should integrate all channels of communication a business has with its customers, contact centre or other, helping customers and employees work smarter, not harder.

Hicks (2002) and Thomson (2002) argue that knowledge management technology simultaneously benefits customers, employees and the business by decreasing costs and increasing customer satisfaction.

2.4 Personnel Management and Service Quality

The quality of service provided by contact centres is of utmost importance both to the customers and the company employing a contact centre. This necessitates a brief understanding of this area. Three particularly important aspects of service quality provided by an offshore contact centre include agent accessibility, the effectiveness of service encounters and the quality of agent interactions with customers. These concepts shall be briefly reviewed.

2.4.1 Agent Accessibility

The first notion is the accessibility of agents. This notion seeks to answer questions such as:

- How long did customers have to wait to speak to an agent?
- How many customers abandoned their calls before being served?

This type of quality is measured through the ACD, which is capable of generating many different types of reports, which can be used to answer these kinds of questions. Contact centre managers use software that incorporates concepts such as queuing models to generate reports, which can help them tackle these issues and increase contact centre efficiency (Costello, 2004; Gans et al., 2002).

2.4.2 Effectiveness of service encounters

This refers to how effectively a customer who calls a contact centre is dealt with. This issue is of utmost importance for contact centre management, who would prefer that the first agent who deals with a call completely resolves their query, rather than transferring the client from agent to agent for additional work (Compton, 2004a; Gans et al., 2002).
American literature refers to a service encounter that completely resolves a customer’s problem as a “one and done” encounter, while literature from South Africa and other parts of the world refer to such an encounter as “First Call Resolution” (Hart et al., 2004b; Merchants, 2005).

Vendors such as Dimension Data (2003) and Merchants (2005) argue that First Call Resolution is one of the most important commercial measures of agent utilisation and productivity.

2.4.3 The content of agent interaction with customers

The content and the attitude with which an interaction is dealt with at a contact centre can mean the difference between a satisfied and dissatisfied unhappy customer (Cleveland, 2002; Gans et al., 2002).

In layman’s terms, contact centre managers simply want to know if their agents dealt with the customer with a ‘smile’ and in a kind and friendly manner (Cleveland, 2002; Gans et al., 2002). In order to ascertain whether the content of an “agent-customer” interaction was satisfactory, a few relatively simple questions can be asked such as:

- Did the agent use the customer’s name?
- Did the agent manage the flow of the conversation in the prescribed manner?
- What kind of input did the agent put into the encounter?
- Was the customer satisfied? (Customer satisfaction data are typically collected via surveys)
2.5 Offshore Outsourcing Contact Centres

2.5.1 Introduction

One of the key benefits of employing contact centres is their ability to be physically decentralized in terms of location, infrastructure and personnel, while still remaining logically consolidated through the use of corporate information systems such as customer relationship management software, which makes use of centralised customer databases (Sinha, 2002a).

While contact centres play a critical role in the day-to-day operations of the companies that use them, they are perhaps a living testament to Carr’s (2003) famous argument, which declares that “as information technology’s power and ubiquity have grown, its strategic importance has diminished”. This is perhaps one of the factors influencing a growing number of global companies to outsource their IT needs, particularly contact centres.

Offshore outsourcing adds another dynamic to the issue of outsourcing. While distance increases the management required to operate an offshore operation, the most commonly cited reason that influences companies to outsource any type of IT work to an offshore destination is the possibility of achieving significant cost savings (Carmel and Agarwal, 2002).

Hence the growing trend amongst international companies to search beyond their borders for partners that can help design, develop and maintain information systems (Rao, 2004; Read, 2002a). Over the past decade, some of the most popular offshore destinations for European and American companies include countries such as India, Canada, Ireland, the Philippines and increasingly South Africa, particularly in the Western Cape.

Although the potential benefits for a company outsourcing a contact centre to an offshore location can be significant, there are also risks and shortcomings that need to be evaluated and mitigated during the decision making process. The benefits and risks of offshore outsourcing contact centres will hence be examined in the following sections.

2.5.2 The Benefits of Offshore Outsourcing Contact Centres

The primary reason, identified by the literature, which motivates companies to outsource their contact centre operations to offshore locations, is economic in nature. CIOs believe that major cost reductions and savings can be achieved by offshore outsourcing contact centres without compromising quality – increasing it in several cases (Read, 2004a). Authors such as Fluss

Furthermore, the global phenomenon of offshore outsourcing is increasing. In fact, due to the potential cost savings and the growth of offshore outsourcing, Kaiser and Hawk (2004) argue that all IT executives need to carefully consider and explore this option and justify their reasoning to senior management as competitor’s use makes such an evaluation inevitable. Fluss (2004) argues that offshore outsourcing is an option all companies employing contact centres should explore, particularly if their service and support functions do not need to be collated with other company activities.

Other than cost, the benefits of offshore outsourcing a contact centre are numerous. These benefits will be reviewed in the following sections. Some of the benefits to be discussed are applicable to outsourcing contact centres in general, while others are more specific towards offshore outsourcing of contact centres.

2.5.2.1 Lower labour costs

As mentioned earlier, the principle reason global companies outsource contact centres to offshore locations is to reduce operating costs. This is primarily due to the fact that labour costs differ from country to country. Authors such as Read (2002a, 2002b, 2003a, 2003c, 2004a, 2004c), Fluss (2004) and Sinha (2002a) all cite lower labour costs as one of the key reasons for offshore outsourcing of contact centres.

Labour is the most expensive operational cost of running a contact centre. Read (2004c) states that the operational cost of labour can account for up to 66% of the total monthly operating costs involved in running a contact centre. Paladin et al. (2004) concur stating that in a South African context, labour accounts for approximately 48.8% of a contact centre’s operational costs.

Cheaper Foreign Labour Costs

The main reason labour costs are reduced when offshore outsourcing is that lesser developed countries usually have lower labour costs than more developed countries (Sinha, 2002a).
Innovative Pricing Structures
Furthermore, most offshore outsourcers offer innovative cost structures such as PPP (pay-per-performance), whereby the company employing the offshore contact centre only has to pay for each interaction an agent has with a customer, alleviating the cost of idle agents (Fluss, 2004; Read, 2002a, 2003a).

Lower Staff Turnover Rates
Another reason contributing to the lower cost of offshore labour is lower staff turnover rates in offshore destinations (Read, 2002b, 2003c, 2004b, 2004c; Sinha, 2002a, 2002b). This is especially true of lesser developed countries, where unemployment rates are usually higher than more developed countries and people are more likely to hold on to jobs. Higher staff turnover rates increase the labour cost a contact centre has to incur due to the training and costs involved with hiring and training new staff.

Economies of Scale
Additionally, Read (2002a, 2003a, 2003d) and Read and Fleischer (2002) mention economies of scale as a further reason outsourced contact centre labour is cheaper than in-house operations. An outsourced contact centre is capable of running programmes for more than one company simultaneously. This means that a contact centre doing this typically has a larger capacity than an in-house centre. Hence economies of scale can be reached.

2.5.2.2 Better or similar service quality
Another benefit often cited in the literature, by authors such as Read (2002a, 2002b, 2003a, 2003b, 2003c, 2004a), Fluss (2004), and Fleischer and O'Herron (2005), is that better or similar service quality is attainable through offshore outsourcers. Read and Fleischer (2002) report that one particular company they had come across reported an increase in sales of about 50%, while reducing costs by 30%.

However, as Fleischer and O'Herron (2005) and Read (2003a, 2003c) often note, the quality of service is not always necessarily of a higher standard. Read (2003a) advocates the notion of "receiving what you paid for". Read (2003a) states that companies who go for the cheapest option often end up receiving sub standard quality, while companies that are willing to pay more get better quality.
Agent Quality

An added factor that contributes to better service quality from offshore locations is agent quality. Most offshore contact centre agents have college educations, compared to American agents, who are less qualified (Sinha, 2002a; Read 2003b, 2004a, 2004b). However, as Read (2004a) points out, this may not always be an advantage because American clients can relate better to Americans and have a stronger cultural affinity towards people they can relate to better. To accommodate this issue, offshore service bureaus have hence begun to train their staff how to speak in neutral accents (Read, 2004a; Sinha, 2002a).

Another factor that contributes to higher agent quality in offshore locations is the high standard and metrics that are built into many of the service level agreements with offshore bureaus. Many agreements between offshore outsourcers have factors such as average length of call, first call resolution and abandon rates built into them, which forces outsourcers to perform well (Read, 2004b). Read (2004b) states that Indian and Filipino outsourcers accommodate stricter service level agreements to get more business.

Twenty Four Hour Service Seven Days a Week

Another major benefit of outsourcing contact centres to offshore locations is the ability for the company employing the service to have 24 hour service 7 days a week (Carmel, 2006; Carmel and Agarwal, 2002; Paladin et al., 2004; Pfannenstein and Tsai, 2004, Read and Fleischer, 2002; Roa, 2004; Sinha, 2002a; Steer, 2004). A trend Paladin et al. (2004) refer to as “follow-the-sun service” is made possible by utilizing contact centres in different parts of the world at different times of the day or by employing night shift employees. Some contact centre outsourcing firms already have a network of operations all over the world making it feasible for them to perform such a function.

Economies of Scale

Read (2002a, 2003a) and Read and Fleischer’s (2002) notion of economies of scale also has a significant influence on the quality of service possible from an outsourced contact centre compared to an in-house option. Due to the fact that outsourced contact centres specialise in the type of work they perform, the quality of work achieved by outsourced operations is generally better than an in-house alternative.
2.5.2.3 Flexibility

Flexibility is another benefit of outsourcing, particularly offshore outsourcing. A company that has outsourced their contact centre operations has far greater freedom, flexibility and control over their outsourcing programmes, labour and SLAs (Service Level Agreements).

Programme Flexibility

Read (2003a, 2003d) argues that when outsourcing contact centre operations, the company in question has the freedom to extend running programmes, shrink and even drop unsuccessful programmes depending on the company's needs. Additionally, Read (2002a) points out that companies have the option of closing their contact centre operations altogether.

Labour Flexibility

The company employing an outsourcer also has a lot of flexibility over labour-related issues. Read and Fleischer (2002) mention that service bureaus, particularly offshore ones, allow companies to staff up and down as they need. Some even give the company the flexibility of changing the number of agents they are employing according to the time of day should they require it. For instance, certain companies expect more phone calls during lunch hour. This flexibility allows these companies to employ more personnel during this period of the day.

Another trend Read (2002a) brings up is the flexibility outsourcers offer with regard to the type of work being performed. Companies have the flexibility to get agents to do other work when they are idle, such as data processing.

Furthermore, companies that choose to outsource their contact centre operations do not have to deal with labour unions, making this option more legally and financially attractive than running an in-house operation (Read, 2002b; Read and Fleischer, 2002). Read (2003a) states that outsourcing companies have the flexibility of shrinking programmes with few direct costs and without having to deal with the bad publicity of layoffs. This is especially true of offshore operations.

SLA Flexibility

Offshore outsourcing of contact centres is a buyer's market (Read, 2002a, 2003a; Read and Fleischer, 2002). This facilitates more flexible SLAs from outsourcers, particularly offshore outsourcers. Read (2004a, 2004b) states that Indian and Filipino firms accommodate stricter service level agreements to get more business. These SLAs can be structured to have metrics built into them, which if are not met by the offshore service bureau can lead to the termination of a contract (Chamberlin, 2002).
2.5.2.4 Software Advantages

Another advantage of outsourcing contact centres in general relates to the software that will be used in the centre. Read and Fleischer (2002) argue that most service bureaus have installed the latest software capable of integrating quite well with a client company’s information system.

Furthermore, most service bureaus have more expensive and advanced software than an in-house contact centre would typically be able to afford (Read and Fleischer, 2002). Service bureaus also have the resources to upgrade their software whenever it is necessary.

Therefore, not only can a company outsourcing their contact centre operations to a service bureau have access to better software, but it does not have to worry about software upgrades as well as pricing and licensing agreements.

2.5.2.5 Low Start up costs

Another factor that applies to outsourcing in general relates to the start up capital required to commence a contact centre operation. Advocates of outsourcing such as Read (2002a) point out that the start up capital required in order to acquire expensive buildings, technology and people is significant. All of these costs can be avoided if a company chooses to outsource these functions to an external company. In essence a company initiating contact centre operations is better off, in terms of cash flow, leasing the expertise and services rather than buying them.

2.5.3 The Risks of Offshore Outsourcing Contact Centres

Even though the benefits of offshore outsourcing a contact centre are significant, there are nevertheless many risks or shortcomings that can be involved with doing so. Authors, such as Fluss (2004), King (2005), Kliem (2004), Read (2002a, 2002b, 2003a, 2003b, 2003c, 2004a, 2004b, 2004c) and Sinha (2002a), all make mention of the risks involved with offshore outsourcing of contact centres.

2.5.3.1 Financial Factors

Hidden Travel Costs

Fluss (2004) points out that one particular hidden cost that companies disregard when outsourcing contact centre operations to offshore locations is travel costs. He argues that travel expenses must be considered when calculating the ROI and budget for an offshore contact centre. Fluss (2004) argues that these costs build up quickly, but are nevertheless necessary and
important to maintain a healthy relationship between the company in question and the offshore service bureau. He recommends that at least one visit per month is necessary, especially early in the relationship.

**Currency Fluctuation**

Kliem (2004) argues that currency fluctuation is another issue companies should factor into the risk analysis processes that should occur when considering whether to make an offshore IT investment.

**The increasing cost of agents**

In an attempt to curb the growing rate of agent turnover in Indian contact centres, many Indian service bureaus have increasing agent salaries (Read, 2003c). The low cost of labour is the driving force behind many companies' decision to outsource contact centres to offshore locations. Therefore, careful analysis of an offshore destination should be made before such an investment is made.

**Cheaper is not always better**

Authors such as Dawson (2004a) and Read (2003a) advocate a notion that can be described as "you-get-what-you-pay-for. Many companies, such as Dell, have chosen the offshore outsourcing option for contact centre operations and in doing so opted for the cheapest option. The result of such decisions has almost always been a significant and noticeable loss in the quality of customer interactions (Dawson, 2004a). Read (2003a) believes that in an attempt to cut costs, the cheapest offshore service bureaus do not train their agents well enough.

Read (2003) and Dawson (2004a) caution companies against opting for the cheapest offshore option and urge companies to conduct better analysis before making a commitment.

**2.5.3.2 Technical and Infrastructural Factors**

**Communications Infrastructure**

One of the foremost risks associated with offshore outsourcing, as identified by authors such as Carmel and Agarwal (2002), Kliem (2004), Paladin et al. (2004), Rao (2004), Read (2002b) and Sinha (2002b), is the state of communications infrastructure between the company and the offshore country being outsourced to.

Sinha (2002b) states that the countries that are primarily being outsourced to, such as India, do not yet have a robust public international data communication infrastructure, which increases
the risk of latency when transferring information. This jeopardises the reliability of the service. As a result, the development of communications infrastructure has become one of the primary objectives of the Indian government.

In an attempt to mitigate this risk, countries such as India and Mauritius have developed “cyber-parks” or “technology parks”, which provide local companies with highly developed telecommunications networks, including satellite earth stations and high speed landlines (Rao, 2004).

Data Security

Read (2003a) cites a Wharton Business School study which indicates that security concerns and vendor viability were the key reasons only 5% of US companies with US$100m to US$4bn in revenue outsource contact centre operations offshore. Read (2003a) argues that many offshore service bureaus underestimate the complexity of running contact centre operations and that in order to convince American companies to invest in offshore contact centres, offshore service bureaus should convince the company that their location is secure. Most offshore service bureaus have their data stored on American soil to protect against data theft (Read, 2003a).

Road Networks and Transport
Sinha (2002a) and Read (2004a) both make reference to the poor road network and the inadequate public transport systems that exist in developing countries, making it difficult for contact centres to operate as effectively as they would like to, particularly after hours. Many offshore contact centres have hence resorted to developing their own transport systems for their employees (Read, 2004; Sinha, 2002a).

2.5.3.3 Managerial Factors
More costly and difficult to maintain
One of the biggest challenges of outsourcing is managing the relationship between the client company and the outsourcer (Compton, 2004a; Cullen et al., 2005). These dynamics become even more complex when the outsourcer is offshore.
The distance between the company and the outsourcer makes the management effort and cost required to maintain such a relationship significantly higher than an onshore or in-house operation (Carmel and Agarwal, 2002; Rao, 2004). Carmel’s (2006) study illustrates some of the challenges and opportunities organisations managing and working with information systems across different time zones are faced with. Read (2002a) states that another downfall associated with operating an offshore contact centre from a distance is the lack of direct control over quality, service and management. Kliem (2004) mentions inadequate feedback on reporting issues as another risk of a long distance offshore relationship.

Lack of contact centre expertise
Read (2002b) also states that certain Indian outsourcers lack the customer service, sales, business and IT skills to manage service bureaus for quality-demanding US based customers. Sinha (2002b) argues that this is due to the fact that in many developing countries, such as India, a domestic market for contact centre services does not exist. Therefore few individuals, or companies, have the deep operations and management experience needed to run a successful, high-quality contact centre (Sinha, 2002b).

There has hence been a drive by offshore service bureaus to create partnerships or merge with American and or European contact centres in an attempt to gain more expertise and mitigate this risk (Sinha, 2002b).

2.5.3.4 Cultural and Behavioural
Different management styles
An additional issue is the different management styles that exist between the two parties involved. Read (2002b) highlights several issues between a more American style of management compared to a Japanese or Indian management style, such as the different way each culture deals with conflict and rejection.

Accent and Language Barriers
At first glance, the issue of an agent’s accent might seem to be rather trivial. However, as authors such as Bailor (2004), Carmel and Agarwal (2002), Paladin et al. (2004), Rao (2004), Read (2002b, 2003b), Sinha (2002a) and Steer (2004) point out, according to customers, it is not. As Rao (2004) notes, redirecting calls to overseas locations can lead to customer frustrations in dealing with local accents and scripted responses.
Read (2002b) states that many offshore agents simply do not speak English acceptably. The Spanish spoken by the Hispanic community in the USA is different from the dialect used in Mexico, where offshore contact centres for the US Hispanic community are situated (Read, 2002b). Similarly, Indian agents find it hard to understand British customers and vice versa (Read 2003b).

In order to mitigate this risk, contact centre training in offshore locations now includes what Sinha (2002a) refers to as accent neutralisation and cultural affinity training. Contact centre agent training for British customers in India now includes training on how to understand a British accent (Read, 2003b).

Affinity Issues
There are also cultural and affinity issues. Americans relate better to Americans than they would to people from other countries (Read, 2002b).

2.5.3.5 Political
Job shedding
Many Americans are simply unhappy about shedding jobs to offshore companies (Fleischer, 2004; Karmarkar, 2004). The issue of offshoring and its effects on the US job market has even become a topic issue during presidential elections in the USA (Fleischer, 2004). Similarly, the European and British economies are heavily protected by labour unions and political opposition, which oppose job exporting and have hence made it difficult for companies to do so (Read, 2003b).

Country stability and political tension
Carmel and Agarwal (2002) and Read (2003b) both cite examples of companies who do not want to offshore IT services to India because they are worried about the political stability of the region. Carmel and Agarwal (2002) state that one of the reasons many firms are bystanders as far as offshore IT sourcing is concerned is because managers were concerned about “atomic bombs in India”. Similarly, Read (2003b) points out that many managers fear India and Pakistan will go nuclear.

The diplomatic relationship between the two countries concerned can also be of concern (Read, 2004a). However, Read (2004a) states that as more and more large American firms, such as General Electric, export jobs and assets to India, these American firms will put pressure on the US government to ease or avoid any tension between the two countries.
2.5.3.6 Legal

When outsourcing a contact centre or any IT function to an offshore location, a company needs to pay attention to the unique legal and regulatory issues of the country to which they are outsourcing (Davis et al., 2004; Kliem, 2004; Kolsky, 2002; Rao, 2004; Read, 2002b). Read (2002b) states that foreign offshore outsourcers require a variety of licences to do business in India and many offshore service bureaus require the client company to assume liability for staff insurance.

Furthermore, Read (2002b) argues that India has a high telecommunication cost and complex bureaucracy and regulations, which complicates doing business there. Companies need to take steps to ensure that they have satisfied all the legal and bureaucratic requirements of their host countries because there is a high chance that they will lose a legal battle in a foreign country's courts (Read, 2002b).

Authors such as Alexander (2002), Bahli and Rivard (2001), Lacity and Hirschheim (1993), Rottman and Lacity (2004) have hence advised companies who are offshore outsourcing IT functions to hire legal help for such operations.
2.6 The South African Contact Centre Industry & Offshore Outsourcing

This section of the literature review will provide a brief overview of the contact centre industry in South Africa and the Western Cape, including factors that contribute both positively and negatively to the industry’s growth and the growth of the offshore outsourcing sector. Most of the data for this section of the review was obtained from existing research reports on the industry by various consulting firms and representatives of government agencies.

2.6.1 Overview

According to research by Paladin et al. (2004) and Mital (2002), South Africa is home to approximately 525 contact centre operations. Of these, 125 are categorised as “pocket size” contact centres as they have a capacity of less than 20 seats (Paladin et al., 2004; Mital, 2002). Paladin et al. (2004) estimate that there are over 47,000 seats and 79,000 employees in the South African contact centre industry.

2.6.2 Contribution to the economy

It is estimated that the contact centre industry contributes approximately R8,522 million a year to South Africa’s economy, making an estimated contribution of 0.83% to the GDP (Gross Domestic Product) (Paladin et al., 2004). It is important to note that this value does not include the contribution made by related and supporting industries, such as recruitment agencies, training services, IT support and consulting.

2.6.3 Growth

The contact centre boom occurred in South Africa between 1997 and 1998 (Lewis, 2002; Paladin et al., 2004) and has been growing at between 10% and 14% per year since then. Paladin et al. (2004) argue that if current growth patterns persist, this industry could, in a best-case scenario, account for up to 2.7% of South Africa’s GDP in 2017. Figure 3 illustrates the estimated growth in the number of contact centre sites in South Africa from 1997 to 2005 (Mital, 2002).
2.6.4 South Africa in Perspective

Table 1 compares South Africa's contact centre industry with those of India and Ireland, two of the world's most popular destinations for offshore outsourcing contact centres.

<table>
<thead>
<tr>
<th>Country</th>
<th>India</th>
<th>South Africa</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1 billion</td>
<td>40 million</td>
<td>5.5 million</td>
</tr>
<tr>
<td>Number of contact centre seats</td>
<td>38,000</td>
<td>50,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Major locations</td>
<td>Mumbai, Bangalore, New Delhi, Chennai</td>
<td>Johannesburg, Cape Town, Durban</td>
<td>Dublin, Cork, Belfast</td>
</tr>
<tr>
<td>Language skills</td>
<td>English</td>
<td>English and major European languages</td>
<td>English and major European languages</td>
</tr>
</tbody>
</table>

South Africa is home to more contact centre seats than India or Ireland. However, no data is available indicating what percentage of these operations are offshore outsourcers as opposed to local service providers. It is also interesting to note that similar to Ireland and contrary to India; South African operators are capable of operating in English and other major European languages.

The pursuit of lower operational costs through lower labour costs is one of the primary driving forces of the offshore outsourcing phenomenon. Table 2 illustrates the range of cost categories available in the global offshore outsourcing contact centre industry.
Table 2: Contact Centre Cost Categories

<table>
<thead>
<tr>
<th>Example Countries</th>
<th>Cost Range</th>
<th>Percentage Cost Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA, UK and The Netherlands</td>
<td>$25+</td>
<td></td>
</tr>
<tr>
<td>Ireland, Canada and Scotland</td>
<td>$20 - $25</td>
<td>10% - 20%</td>
</tr>
<tr>
<td>South Africa, Middle East, Mexico and Eastern Europe</td>
<td>$15 - $20</td>
<td>30% - 50%</td>
</tr>
<tr>
<td>India, Philippines, Jamaica and Malaysia</td>
<td>$10 - $15</td>
<td>50% - 70%</td>
</tr>
</tbody>
</table>

Source: Dimension Data (2003)

As shown in Table 2, South African labour costs are lower than destinations such as the UK, Canada or the Netherlands, but not as competitive as destinations such as India or the Philippines. South African labour costs are similar to Eastern European destinations and Mexico.

2.6.5 Industry Analysis

South African contact centres service a number of industries and are situated in various locations throughout the country.

2.6.5.1 Industries Served

Research performed by Mital (2002) indicates that almost 28% of South African contact centres service the financial services industry. Table 3 illustrates Mital’s (2002) vertical market analysis of full size South African contact centres.

Table 3: Vertical market analysis of full size contact centres in South Africa

<table>
<thead>
<tr>
<th>Vertical Industry</th>
<th>Number of Sites</th>
<th>Expressed as a Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Sector</td>
<td>115</td>
<td>27.9%</td>
</tr>
<tr>
<td>Telecoms</td>
<td>57</td>
<td>14.0%</td>
</tr>
<tr>
<td>Medical Care Services and Medical Rescue Services</td>
<td>41</td>
<td>9.9%</td>
</tr>
<tr>
<td>IT</td>
<td>38</td>
<td>9.2%</td>
</tr>
<tr>
<td>Retail</td>
<td>35</td>
<td>8.6%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>32</td>
<td>7.7%</td>
</tr>
<tr>
<td>Hospitality and Leisure</td>
<td>20</td>
<td>4.8%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16</td>
<td>3.7%</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>11</td>
<td>2.6%</td>
</tr>
<tr>
<td>Government</td>
<td>9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Industrial</td>
<td>9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Transport</td>
<td>9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Security</td>
<td>9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Post and Courier</td>
<td>8</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other sectors</td>
<td>5</td>
<td>1.1%</td>
</tr>
<tr>
<td>Total</td>
<td>410</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Mital (2002)
It is interesting to note that Mitial (2002) only lists 11 operators as outsourcers. For the purposes of this study, this figure and system of categorisation can be somewhat misleading because even though a contact centre may be categorised as serving the financial sector, it may accept work as an offshore outsourcer from both South African and international clients.

Moreover, research by Deloitte and Calling the Cape (2004) estimates that of the 105 contact centres in the Western Cape alone, 30% classify themselves as outsourcers, accounting for at least 31 operators. Within this group, data indicating the number of offshore outsourcers is unavailable. However, Deloitte and Calling the Cape (2004) estimate that approximately 55% of outsourcer revenue is derived from international clients.

2.6.5.2 Geographic Distribution

Mitial (2002) estimates that the majority (58%) of South African contact centres are situated in greater Johannesburg. Table 4 illustrates the geographic distribution of full size contact centres.

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of Sites</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Johannesburg</td>
<td>238</td>
<td>58.0%</td>
</tr>
<tr>
<td>Cape Town</td>
<td>62</td>
<td>16.2%</td>
</tr>
<tr>
<td>Greater Durban</td>
<td>30</td>
<td>7.2%</td>
</tr>
<tr>
<td>Pretoria</td>
<td>21</td>
<td>5.1%</td>
</tr>
<tr>
<td>Other KZN</td>
<td>12</td>
<td>2.9%</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>3</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other</td>
<td>45</td>
<td>10.9%</td>
</tr>
<tr>
<td>Total</td>
<td>410</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Mitial (2002)

While research by Mitial (2002) states that there are approximately 62 contact centres operations in Cape Town, Deloitte and Calling the Cape (2004) estimate that there are approximately 105 contact centre operations in the Western Cape. This discrepancy is possible due to the fact that Mitial’s (2002) research has only counted full size operations, while Deloitte and Calling the Cape’s (2004) study also accounts for many “pocket size” operations. Furthermore, the study by Deloitte and Calling the Cape (2004) is more current than Mitial’s (2002) survey.
2.6.6 Contributors of Growth

Various factors contribute to the growth of the contact centre industry in South Africa, some positively and others negatively. While most of the factors that will be discussed have particular significance for the offshore outsourcing sector of the contact centre industry, others are equally applicable to all sectors of the industry.

2.6.6.1 Positive Factors

Paladin et al. (2004) and Deloitte and Calling the Cape (2004) argue that the following factors contribute positively to the growth of the contact centre industry and offshore outsourcing:

- South African labour is cheaper than labour in developed countries. However, it is not cheaper than Indian or Filipino labour.
- The quality of South African service is generally quite good and South Africans have a strong cultural affinity towards Americans and Europeans.
- South African literacy rates are generally high – about 84%, about 24% higher than the norm in India.
- South Africa’s business risk profile is generally positive in terms of business security and continuity. Furthermore, South African contact centres have access to affluent markets and business hubs, especially those in Cape Town and Johannesburg.
- The existing telephone system and general infrastructure is excellent. South Africa has a more resilient telecommunications infrastructure than India and costs are becoming more competitive.
- South African accents are generally quite good and not an issue for American or European clients.
- The country has a customer-service culture.
- There is a large support base for technical expertise. South Africa has the largest percentage of Microsoft certified technicians per capita in the world.
- It is fairly easy to access the country from anywhere in the world.
- South Africa is in a favourable and compatible time-zone for the UK and the US.
- Staff turnover rates are generally lower than those available in other parts of the world. Paladin et al. (2004) report a general staff attrition rate of between 5% and 7% per annum, compared with 35% to 40% in India.
- The quality of life in South Africa, particularly the Western Cape, is perceived as being an enabler to the growth of contact centres in the region.
In order for South Africa to become a successful player in the global contact centre industry, these factors should be used to create a strategy, which positions itself well in the world's contact centre industry and offers a unique value proposition to potential investors.

2.6.6.2 Negative Factors
Research by Deloitte and Calling the Cape (2004) and Paladin et al. (2004) has also suggested that South Africa does have certain shortcomings or risks, which contribute negatively towards the growth of the contact centre industry and offshore outsourcing in the country.

Lack of Skilled Labour
While there is a significant amount of skilled labour available in South Africa, many skilled South Africans have emigrated. This is especially true of highly skilled IT professionals and higher and middle management positions. Paladin et al. (2004) suggest that this skills shortage has stunted the growth of the industry.

Negative Publicity
Perceptions are very important for countries setting up operations in offshore destinations. Another major obstacle outlined by both Paladin et al. (2004) and Deloitte and Calling the Cape (2004) is the crime and violence statistics, which are often inhibitors of contact centre growth in the country. Paladin et al. (2004) mention that perceptions of regional instability have negative effects on South Africa's perceived stability. The crisis in Zimbabwe continues to have an unfavourable effect on South Africa's credit worthiness (Paladin et al., 2004).

Telecommunications costs
A major obstacle for the growth of this industry in South Africa is telecommunications costs and the regulatory environment that exists in South Africa (Deloitte and Calling the Cape, 2004). These costs are comparatively expensive due to the Telkom monopoly in the country. However, efforts are being made by the government to rectify this situation.

Other
Other obstacles include the lack of tax incentives, a growing inflation rate and labour legislation (Paladin et al., 2004).
2.7 Conclusions & Reflections

2.7.1 Literature Summary

Outsourcing contact centres to offshore destinations is a phenomenon that is increasing in many developed countries and South Africa is no exception to the growth of these operations. It is therefore important and relevant to devote rigorous academic research into this subject. At a national level, a host of economic benefits can be attained from understanding why companies will or will not outsource to certain destinations. Similarly, it is valuable to identify what steps companies outsourcing to the Western Cape can take to make such a decision successful.

A concise understanding of the technological infrastructure requirements of a contact centre is necessary in order to understand the backbone support structures of these operations. Without the advances in modern technology that are currently available the world over, the modern contact centre would cease to exist. The literature has hence listed and discussed the various components of a modern contact centre operation with the aid of a diagram.

Another critical factor that influences the delivery of a successful contact centre operation is the quality of service produced by the human resources of a contact centre. Service quality is important to managers, clients and customers of contact centres. The three important concepts that were discussed by the literature are agent accessibility, the effectiveness of service encounters and the content of agent interaction with customers. Perhaps the most important measure of success with regard to service quality is first call resolution.

The following section discussed the central theme of the literature survey and the proposed research – the concept of outsourcing contact centres to offshore destinations, such as South Africa. This is possible due to a contact centre’s ability to be physically decentralised in terms of location, infrastructure and personnel, while still remaining logically consolidated through the use of corporate information systems (Sinha, 2002a).

The benefits of outsourcing contact centres to offshore locations identified by the literature include lower labour costs, better or similar service quality such as 24 hour a day service, flexibility on the part of the company employing a contact centre and various other software advantages.

The risks identified by the literature include financial factors, such as the hidden travel costs, infrastructural factors, such as a weak telecommunications backbone, managerial factors, such
as an increased load on management or a possible lack of contact centre expertise and cultural factors, such as accents and management styles. Political and legal considerations should also be made when offshore outsourcing, such as complex bureaucracy and regulations, which can complicate doing business in certain offshore destinations.

There are approximately 525 contact centres in South Africa. This industry makes an estimated revenue of R8,522 million, which accounts for approximately 0.83% of the country’s GDP. Most of the country’s contact centres are situated in Gauteng and most service the financial sector. (Mitial, 2002; Paladin et al., 2004)

It is estimated that approximately 105 operators are located in the Western Cape. Of these, 30% classify themselves as outsourcers. Many of these outsourcers have international clients because about 55% of their revenue is derived from such clients. (Deloitte and Calling the Cape, 2004)

2.7.2 Gaps and Research Direction

Reports by consultancies, such as Deloitte and Calling the Cape (2004), Mitial (2002) and Paladin et al. (2004), have briefly outlined the factors that make South Africa attractive for offshore outsourcing. However, there has been no conclusive or comprehensive research in this area that exclusively focuses on the attractiveness of South Africa or the Western Cape for offshore outsourcing of contact centres. Furthermore, such research is not academic. It is therefore not based on valid academic research methods, methodologies, theoretical perspectives or epistemological and ontological research philosophies.

Another point to note is that these studies have been done from a somewhat positivistic research paradigm using quantitative methods, which have been used to try and measure this social phenomenon. Conversely, the interpretive research epistemology that has been used to inform this study has examined this phenomenon using qualitative research methods, which are more meaning oriented, descriptive and exploratory. This research is also based on solid academic methods, methodologies and theories.

It is hoped that interpretative research onto this subject will shed further light upon this issue and compliment the positivistic commercial research conducted by these consulting companies. It is also hoped that this study will expand the current body of knowledge in this research area and uncover issues which previous studies have missed.
As demonstrated by the literature review, academic research has been conducted on the subjects of offshore outsourcing and contact centres. However, this research was done in the context of American or European firms looking to offshore outsource elsewhere; mostly India and the Philippines. As Rajkumar and Mani (2001) note, offshore outsourcing literature in the field of IS has mainly been done from a US customer's perspective, rather than from a supplier's perspective. This study aims to bridge this gap and has been done in the context of foreign companies looking to invest in South Africa, specifically the Western Cape.
3. CHAPTER THREE: METHODOLOGY & THEORETICAL PERSPECTIVES

This chapter will discuss the methodologies and theoretical perspectives this study has adopted and developed. It begins by stating the primary and secondary research objectives of the study, which set the scene for the research project and guide all theories and methods used throughout the study. A description and justification of qualitative research is presented after which the philosophical assumptions of the study are discussed. The analytical and descriptive frameworks, which are used to examine and present the study’s findings in an eloquent and academically sound structure, are then presented and discussed. The data collection process, which primarily consists of interviews with senior executives of offshore outsourced contact centres in the Western Cape, is then presented. This study develops and discusses a ‘hermeneutic mode of qualitative content analysis’, which combines two well known text analysis techniques. Finally, the study’s ethical considerations and limitations will be outlined before concluding methodological remarks are made.

3.1 Research Objectives

In line with the aims of this study and based on the gaps identified in the literature review, the primary research objectives of this study are:

1) To describe the attractiveness of the Western Cape for offshore outsourcing of contact centres.

2) To suggest several desirable practices contact centres can adopt to achieve superior organisational performance.

3.1.1 Secondary Research Objectives: SWOT Analysis

A SWOT (strengths, weaknesses, opportunities, threats) analysis will be used as a framework to describe the attractiveness of the Western Cape as an offshore destination for outsourcing of contact centres. The related secondary research objectives, which can be derived from the fusion of the first research objective with this descriptive framework, are:

3) To explore the strengths of the Western Cape for offshore outsourcing of contact centres.

4) To explore the weaknesses of the Western Cape for offshore outsourcing of contact centres.

5) To explore opportunities in and for the offshore outsourcing contact centre industry of the Western Cape.

6) To explore threats to the offshore outsourcing contact centre industry of the Western Cape.
3.1.2 Secondary Research Objectives: Desirable Practices

The second research objective seeks to suggest several desirable practices contact centres can adopt to achieve superior organisational performance. Elaborating and contextualising these practices produces the following related secondary research objectives:

7) To suggest which of these practices are:
   - More applicable to offshore outsourced contact centre operations
   - Applicable to contact centre operations regardless of whether or not they are offshore outsourced.

8) To suggest which of these practices are:
   - More applicable to contact centres in the Western Cape
   - Applicable to contact centres regardless of their location

3.2 Qualitative Research

As opposed to quantitative research methods, which were originally developed in the natural sciences to study natural phenomena (Myers and Avison, 2002), this study has elected to utilise qualitative research methods. It is felt that qualitative research methods are appropriate for this study as they were designed to help us understand people and the social and cultural contexts in which we live (Myers and Avison, 2002; Palvia et al., 2003; Palvia et al., 2004).

Myers (1997) also notes that as the focus of IS research shifts from technological to managerial and organisational issues, qualitative research methods become increasingly useful. This is due to these methods' abilities to assist us consider new insights that can arise from shifting the lens from positivist to other paradigms (Greenhill, 2004; Hirschheim and Klein, 1989; Howcroft and Trauth, 2004; Pozzebon, 2004).

As argued by Myers (1997), the main motivation for doing qualitative research over quantitative research in IS comes from the observation that one of the most pertinent distinguishing factors between humans and the natural world is our ability to talk and hence produce textual data. In fact, Kaplan and Maxwell (1994) suggest that the goal of understanding phenomena from a participant's point of view and the specific social and institutional content in which they exist is largely lost when textual data is quantified.

As stated earlier, the overriding goal of this study is to produce a description of the attractiveness of the Western Cape for offshore outsourcing of contact centres. This study has been designed to help us understand the context in which we live and the factors that contribute
or have the potential to contribute, positively or negatively, to its attractiveness. It is hence argued there is a good fit between this study's objectives and the results which qualitative research methods can enable the researcher to produce.

### 3.3 Philosophical Perspectives

All research is based on some underlying assumptions about what constitutes 'valid' research and which research methods are appropriate (Myers, 1997; Myers and Avison, 2002). It is hence felt that in order to produce high quality research, these sometimes latent or hidden assumptions and philosophical perspectives should be divulged and discussed to familiarise the reader with the researcher’s philosophical perspective.

#### 3.3.1 Three Well Known Epistemologies

There are three generally well known research paradigms or underlying epistemologies, which guide and influence qualitative research in the field of information systems (Hirschheim, 1992; Myers and Avison, 2002; Orlikowski and Baroudi, 1991). These three distinct epistemological categories of qualitative IS research are: positivist, interpretive and critical (Myers and Avison, 2002) (see Figure 4). Epistemology refers to assumptions about knowledge and how it can be obtained (Hirschheim 1992, Myers and Avison 2002). The reason for the existence of these different research methodologies is, as Myers (1997) notes, because just as different people have different beliefs and values, there are different ways of understanding what research is.

**Figure 4: Underlying Philosophical Assumptions**

![Epistemology Diagram](image)

Source: Myers and Avison (2002)

Klein and Myers (1999) make specific note of this point and argue that qualitative research is not always synonymous with interpretative research. Qualitative research can be positivist (Yin, 1994), interpretive (Walsham, 1993) or critical (Pozzebon, 2004). Myers and Avison (2002)
also state that while these three research epistemologies are philosophically distinct, in the practice of social research the difference is not always so clear-cut.

3.3.2 An Interpretive Epistemology

Klein and Myers (1999) state that research can be classified as interpretive if it is assumed that our knowledge of reality is gained only through social constructs such as language, consciousness, shared meanings, documents, tools, and other artefacts. Interpretive research does not predefine dependent or independent variables, but focuses on the complexity of human sense making as the situation emerges (Kaplan and Maxwell, 1994; Klein and Myers, 1999). Interpretive methods are aimed at producing an understanding of the context of the information system, and the process whereby the information system influences and is influenced by the context (Klein and Myers, 1999).

In the context of this study, the last statement made by Klein and Myers (1999) can be taken quite literally if one assumes that the information system being studied is the contact centre industry in the Western Cape. One of the primary objectives of this study is to produce an understanding of the context in which the contact centre industry operates. This study hopes to portray the attractiveness of the Western Cape for offshore outsourcing of contact centres by investigating and examining the factors which influence it, or have the potential to do so. Figure 5 is a conceptual model of this mindset.

Figure 5: A Conceptual Model for Describing the Attractiveness of a Region

![Diagram showing the factors influencing attractiveness positively and negatively in the context of the Western Cape for offshore outsourcing of contact centres.](image-url)
Interpretive researchers also tend to be more concerned with understanding actors' meanings. These researchers have hence often preferred meaning-oriented methods, which differ from positivist researchers' preference for measure-oriented methods (Pozaez, 2004). Hence the choice and fit of qualitative research over quantitative research, which tends to better suit positivist research traditions.

Furthermore, even though interpretive research is not synonymous with qualitative data, this study argues that there is a good fit between the two methods, hence the common misconception that has led to an interchangeable use of these two terms. As Brown (2005) notes, for interpretive studies, qualitative data is more often used. The matrix in Table 5 clearly illustrates this argument.

<table>
<thead>
<tr>
<th>Research Philosophy</th>
<th>Data Type</th>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positivist</td>
<td>Also feasible</td>
<td>Good fit</td>
<td></td>
</tr>
<tr>
<td>Interpretive</td>
<td>Good fit</td>
<td>Also feasible</td>
<td></td>
</tr>
</tbody>
</table>

Interpretive research is therefore suitable to meet this study's objectives due to its ability to help us understand people and the context in which we live, and also due to a good fit between the qualitative data and an interpretive research philosophy.

3.4 Analytical & Descriptive Frameworks

If the two primary research objectives of this study are examined, it can be assumed that the findings of this study can be broadly classified into two categories from which all of the secondary research objectives stem. The categories are:

- Findings organised into a SWOT format to describe the attractiveness of the Western Cape for offshore outsourcing of contact centres.
- Findings presented as desirable practices, which contact centres may choose to employ after careful consideration.

The SWOT framework that is used and developed to describe the region's attractiveness has considered the work of other researchers who have used a SWOT matrix to describe a region's attractiveness, such as Nair and Prasad (2004) and Weitrich (1999). It has also taken into account Porter's (1990) determinants of national advantage model, which in the context of this study serves a similar purpose.
The second component of the findings seeks to identify practices recommended by existing contact centres in the Western Cape, which can be adopted by other contact centres in the region and perhaps elsewhere, depending on the business environment. Special attention is paid to the development of these practices as there is considerable debate in IS academia surrounding the concept of ‘best practice’.

In summary, these frameworks serve two purposes. They can be considered as the lens through which the data for this study will be examined, thereby serving an analytical purpose. They also serve a descriptive purpose by presenting the findings of this study in an eloquent structure, which is both academically sound and easily recognisable in colloquial and non-colloquial business discourse.

3.4.1 A Framework to Determine a Region’s Attractiveness

South Africa has been intensively promoting its IT sector, particularly with regard to contact centres and BPO (Business Process Outsourcing). The existence of NFP (Not For Profit) organisations such as Calling The Cape, which is supported by government, is evidence of government’s support for this industry. The main aim of these organisations is to use the BPO / contact centre industry as a strategic enabler of economic growth and a tool to decrease the country’s unemployment rate by encouraging offshore investments in the form of contact centres into the province and indeed the country.

Nair and Prasad (2004) argue that the promotion of a specific offshore location cannot be viewed in isolation, as it is invariably linked to many IT and business factors that are specific to a region or country. In order to examine the viability of an IT outsourcing location, factors which differentiate this location from other locations need to be identified (Nair and Prasad, 2004). Nair and Prasad (2004) have employed a SWOT matrix to determine the attractiveness of a state in India for offshore outsourcing.

This study has considered both a SWOT matrix and Porter’s (1990) determinants of national advantage model to describe the attractiveness of the Western Cape for offshore outsourcing of contact centres. Porter’s (1990) model will be briefly outlined after which a discussion of the SWOT matrix will follow. The research approach adopted by this study uses the SWOT structure, but also incorporates Porter’s (1990) findings by discussing the issues in his model as part of the interview agenda.
3.4.1.1 The Determinants of National Advantage

Porter (1990) argues that the reason a nation achieves international success in a particular industry lies in four broad attributes of a nation that shape the environment in which local firms compete. Each promotes or impedes the creation of competitive advantage. They include:

1. **Factor Conditions**: The nation's position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.
2. **Demand Conditions**: The nature of home demand for the industry's product or service.
3. **Related and supporting industries**: The presence or absence in the nation of supplier industries and related industries that are internationally competitive.
4. **Firm Strategy, structure and rivalry**: The conditions in the nation governing how companies are created, organised, and managed, and the nature of domestic rivalry.

Figure 6 visually depicts a model of Porter's (1990) "diamond" - the determinants of national advantage. Porter (1990) explains that the "diamond" is a mutually reinforcing system; the effect of one determinant is contingent on the state of others.

**Figure 6: The Determinants of National Advantage**

Source: Porter (1990)
3.4.1.2 The SWOT Matrix

The SWOT analysis, also known as a TOWS matrix (Weihrich, 1982, 1999) or a WOTS-UP analysis (Rowe et al., 1994), is a tool of situation analysis often used for strategic decision making (Johnson et al., 1989; Koch, 1999). It generates lists or inventories of strengths, weaknesses, opportunities and threats, which organisations use to create a strategic fit between their particular situation and their capabilities and objectives (Bourgeois, 1996; David, 1997; Miller and Dess, 1996; Pearce and Robinson, 1997; Thompson and Strickland, 1998).

An analysis of the environment is important because it increases the quality of strategic decision making by considering a range of relevant features well before the need to make an irrevocable decision (Rowe et al., 1994). As Weihrich (1982) argues, a SWOT matrix is "a conceptual framework for a systematic analysis that facilitates matching the external threats and opportunities with the internal weaknesses and strengths of the organisation". Rowe et al. (1994) state that a SWOT analysis helps find the best match between environmental trends (opportunities and threats) and internal capabilities (strengths and weaknesses). Wheelen and Hunger (1998) argue that a SWOT analysis is the simplest way of conducting an environmental analysis, which produces an identification of a company's distinctive competencies and opportunities. Rowe et al. (1994) provide the following definitions for the components of a SWOT analysis:

- A **strength** is a resource or capacity the organisation can use effectively to achieve its objectives.
- A **weakness** is a limitation, fault, or defect in the organisation that will keep it from achieving its objectives.
- An **opportunity** is any favourable situation in the organisation's environment. It is usually a trend or change of some kind or an overlooked need that increases demand for a product or service and permits the firm to enhance its position by supplying it.
- A **threat** is any unfavourable situation in the organisation's environment that is potentially damaging to its strategy. The threat may be a barrier, a constraint, or anything external that might cause problems, damage or injury.

Table 6 has been created by reviewing and integrating the work of Robson (1997), Rowe et al. (1994) and Weihrich (1999). All authors describe the various strategies, or as this study has called them "desirable practices", that can emerge from a SWOT analysis.
Table 6: Emergent Strategies from a SWOT Analysis

<table>
<thead>
<tr>
<th>External Factors / Internal Factors</th>
<th>Internal Strengths (S)</th>
<th>Internal Weaknesses (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Opportunities (O)</strong></td>
<td>S-O Strategy: Maxi-Maxi “Exploit” The Most successful strategy can be formulated by taking advantage of strengths to exploit opportunities. The organisation should reduce internal weaknesses and overcome external threats in order to focus on this segment.</td>
<td>W-O Strategy: Mini-Maxi “Search” Opportunities exist, but the organisation requires strengths where the organisation currently has weaknesses. The weaknesses need to be turned into strengths before competing organisations take the opportunities.</td>
</tr>
<tr>
<td><strong>External Threats (T)</strong></td>
<td>S-T Strategy: Maxi-Mini “Confront” Organisations in this segment should use their strengths to overcome external threats. Organisations should try to avoid unnecessary competitive battles.</td>
<td>W-T Strategy: Mini-Mini “Avoid” Organisations should adopt a strategy to reduce both weaknesses and threats. As this segment is rather precarious, organisations should take steps to avoid it.</td>
</tr>
</tbody>
</table>

Sources: Adapted from Weirich (1999), Robson (1997), Rowe et al. (1994)

3.4.1.3 A Refined SWOT Analysis

Weirich (1999) argues that the SWOT analysis is perhaps one of the most appropriate tools for analysing the competitive advantage of a country’s industry. Weirich (1999) states that Porter’s (1990) model provides a useful framework for analysing the environment, particularly the economic one and a SWOT analysis does not contradict this, but rather complements and supplements Porter’s (1990) analysis. Moreover, Weirich (1999) argues that Porter’s (1990) model is mainly descriptive and does not necessarily result in the formulation of alternative strategies. He also argues that the SWOT Matrix approach is less deterministic than Porter’s (1990) model and provides a framework for developing alternative national strategies by analysing a nation’s strengths and weaknesses and integrating them with global opportunities and threats.

A less deterministic model is more suited towards this research and its objectives as this study is exploratory and adopts an interpretive research epistemology. However, Porter’s (1990) contributions are undoubtedly valid and have hence been integrated into this study’s research strategy and methodology. Furthermore, much of the content of Porter’s (1990) model can be mapped onto and integrated into a SWOT analysis. For example, Weirich (1999) argues that Porter’s (1990) factor conditions relate closely to a nation’s strengths in industrial production, and consequently to leading industries.
Illustrated diagrammatically, the refined SWOT analysis model this study is adopting can be viewed in Figure 7. This model will be utilised due to its open ended, non-deterministic ability to explore and contextualise the analysis of the industry's attractiveness in its current business environment.

As can be seen from examining Figure 7, this model explore the attractiveness of the region by categorising the factors or conditions in its business environment as strengths, weaknesses, opportunities or threats. Strengths and weaknesses are internal factors or conditions, which contribute positively and negatively respectively to the attractiveness of the Western Cape for offshore outsourcing of contact centres. Threats and opportunities are external factors or conditions, which have the potential to contribute negatively and positively respectively to the Western Cape's attractiveness for offshore outsourcing of contact centres. Each component of the SWOT framework is made up of an undetermined number of subcategories. There can be, for example, 36 individual strengths, which contribute positively to the attractiveness of the region for offshore outsourcing of contact centres.

Again, it is important to note that this refined SWOT model is not a SWOT analysis in the classic sense of the phrase – a tool organisations use for strategic decision making (Johnson et al., 1989; Koch, 1999). It is being used to explore the attractiveness of the region for a particular business activity – offshore outsourcing of contact centres. Researchers, such as Nair and Prasad (2004) and Wolfrich (1999) have also used a SWOT analysis in similar contexts.
3.4.2 Best Practices

During the process of conducting this research study, one of the trends detected in academic literature was a debate around the concept of ‘best practice’ in information systems. Studies, such as Derakhshani and Roode (2005) and Wagner et al. (2004), have critically examined the notion of ‘best practice’ in information systems, and raised a number of important issues around its applicability, use and development in IS.

Due to the fact that the second primary research objective of this study is to determine certain practices recommendable to contact centre operations on the Western Cape, it is felt that some of the issues raised by this debate are particularly relevant to this study. Therefore, a definition and introduction to the IS debate around ‘best practice’ will be presented to the reader after which some of the concerns around the use of ‘best practice’ in IS will be outlined. Finally, this study’s approach towards these issues and the steps taken to minimise these concerns shall be discussed.

3.4.2.1 Definition & Introduction to the Debate

Sia and Yeow (2004) define “best practices” as a set of normative business practices that can be adopted to achieve superior organisational performance. Wikipedia (2005) defines a best practice as the “best way of doing a thing” and state that they are formulated after the study of specific business or organizational case studies to determine the most broadly effective and efficient means of organizing a system or performing a function.

Wikipedia (2005) argues that this term was popularized by Peters and Waterman’s (1982) publication entitled “In Search of Excellence”. Newell et al. (2000), suggest that some of the earliest publications by Taylor (1911) introduced the term as one of the principles of scientific management. Taylor (1911) argues that:

“...among the various methods and implements used in each element of each trade there is always one method and one implement which is quicker and better than any of the rest” (Taylor, 1911)

This notion is also embraced and advocated by authors such as Kanigel (1997), who argues that there is “one best way” of performing a function. Nattermann (2000) argues that the concept of ‘best practice’ emerged during the period in the US automobile industry when the industry transformed itself by adopting Japanese manufacturing techniques.
While authors such as Peters and Waterman (1982) and Kanigel (1997) advocate the concept of ‘best practice’, there are researchers who question this concept’s objectivity and applicability to the field of IS. Sia and Yeow (2004) argue that the plausibility of a set of objective and context-free knowledge that can be readily acquired, stored and transferred is questionable. Even the process by which organisations arrive at a consensus as to what constitutes best practice and how these practices are embedded into software packages remains debatable (Sia and Yeow, 2004; Wagner et al., 2004). As Sawyer (2001) notes, software vendors are increasingly shaping the definition of industry best practices or standards for organizational consumers.

As stated by Derakhshani and Roode (2005), the concept of ‘best practice’ has been used by business schools, consultants and managers for such a long period of time, seldom does one stop to consider the relevancy, origin and applicability of this concept.

3.4.2.2 Issues with Best Practice in IS

Derakhshani and Roode (2005) state that recent IS research has critically evaluated the notion of ‘best practice’ and indicate that adopting these practices can be problematic. Wagner et al. (2004) argue that these benchmarks are increasingly driven by consultants and software vendors seeking economies of scale for their products and services (Newell et al., 2000; Sawyer, 2001; Walsham, 2001). Swan et al. (1999) argue that the notion of ‘best practice’ within the field of IS is illusory and potentially disruptive due to the difference of interests between technology suppliers and potential adopters of the technology. Rost (2005) suggests that whether ‘best practices’ are really best depends on the type of project and the nature of the adopting organisation – applying them in certain cases could actually cause more harm than good. Even the process by which best practices are developed is questionable. Wagner et al. (2004) argue that the development of ‘best practice’ is a black box, which is under researched.

Derakhshani and Roode (2005) identify and discuss some of the fallibilities associated with the notion of ‘best practice’ in the field of information systems. The following paragraphs briefly discuss some of these issues, which are relevant to this study.

One Size Fits All Assumption

Swan et al. (1999) argue that one of the fundamental flaws associated with the notion of best practice in IS is that it assumes ‘one size fits all’. This assumption assumes that information systems have definable parameters that can be slotted into any organisation that chooses to adopt the system (Swan et al., 1999).
Researchers Ettlie and Bridges (1987), Swanson (1994), Soh and Sia (2005) and Swan et al. (1999) argue that this assumption is not necessarily always true due to the complexity of IS innovations, which are usually context-dependent. Swan et al. (1999) argue that this assumption raises problems for users, as it de-emphasises the importance of designing IS solutions that can be appropriately used within particular organisational and social contexts.

**Applicability of a Technical Fit**

Swan et al. (1999) argue that the idea of a technical ‘fix’ is easy for technology suppliers to communicate and attractive for managers looking for quick fix solutions. Hosking and Morley (1992) argue that this approach treats the technical and organisational as if they are separable entities. Swan et al. (1999) suggest that the idea of a ‘technical fix’ might be appropriate for technologies which have parameters, such as a factory deciding on what type of machine would best suite a particular process. These technologies are relatively independent of the context in which they operate.

However, as Swanson (1994) and Swan et al. (1999) note, this is not the case with information systems, which by definition are context sensitive. Information systems by definition have properties which are informational and subjective as well as physical and or technical (Swanson, 1994). They are thus embedded and inseparable from the knowledge, social structures and social processes that exist in organisations (Coombes et al. 1992). Swan et al. (1999) argue that with respect to IS, organisational processes form a central part of the technology itself and therefore the extent to which information systems can be objectified into generic, portable solutions is limited.

**Development of Best Practice**

While a lot of literature employing the concept of ‘best practice’ exists – mostly stating what constitutes and what does not constitute ‘best practice’, the process of deriving these ‘best practices’ is under-researched and for the most part unconsidered by the users of this concept (Wagner et al., 2004). The process of arriving at a ‘best practice’ is black-boxed and assumed by its users, who seldom question the process involved in creating these so called gold industry standards. As in Wagner et al.’s (2004) case, if the institution that helped design best practices for an entire industry has trouble adopting them, what implications does this have for other organisations?

Wagner et al. (2004) also note the inequality of influence certain actors have over which practices get to be labelled ‘best’ and which do not. Wagner et al. (2004) argue that ‘best
practice' does not necessarily mean majority rule. IT 'best practices' are constructed by those actors who are able to materialise preferred patterns of use.

**Managerial Fads & the Bandwagon Effect**

The bandwagon effect refers to the extent to which one is influenced by what others have done (Fujimura, 1992; Wagner et al., 2004). Authors such as Fujimura (1992), Kremers and van Dissel (2000), Kumar and van Hillegersburg (2000), Nattermann (2000), Roxburgh (2000) and Wagner et al. (2004) suggest the bandwagon effect as a critique and shortcoming of the concept of 'best practice' in IS.

Derakhshani and Roode (2005) argue that a major problem associated with the notion of 'best practices' in IS relates to their use as a tool used by IS consultants and technology vendors to market the latest managerial fad, fashion or technology. Nattermann (2000) suggests that 'best practices' are perhaps one of the most readily recognised and widely used of all business management tools. Newell et al. (2000) suggest that new ideas are pervasive, particularly in the field of information systems. One of the means extensively used to market these ideas is through management fads and fashions, which rely on powerful language rhetoric and other management fashion setters, such as management gurus, consultants, the mass media, business publications and even business schools (Newell et al., 2000). Abrahamson (1991) argues that businesses fall prey to every new management fad promising a painless solution, especially when presented in a neat, bright package.

Critiques of 'best practice' as a strategic tool, such as Derakhshani and Roode (2005) and Nattermann (2000) argue that organisations should not blindly jump onto any bandwagon or managerial fad marketed as a 'best practice' without carefully examining and analysing the potential effect a practice can have on the organisation. As Derakhshani and Roode (2005), Nair and Prasad (2004) and Sia and Yeow (2004) stress, organisations function in different contexts and business environments, which makes the applicability of objective, context-free knowledge questionable (Sia and Yeow, 2004).

**3.4.2.3 From Best Practice to Desirable Practice**

This study agrees with the issues raised about 'best practice' in IS. Contact centres should carefully assess the applicability of the practices this study has produced before jumping on a bandwagon or adopting a managerial fad and blindly implementing them. While certain practices produced by this study may be well suited to certain organisations, others may not. In the case of best practices, one size will not always fit all. Adjustment may be needed.
Information systems and organisations are context sensitive and the extent to which solutions can be objectified, made portable and transferred from one organisation to another is limited.

It is felt that while every effort has been made to bring these issues to light, the onus is ultimately on an adopting organisation to conduct feasibility studies and determine which of these practices are indeed best. It is perhaps also more appropriate, in the context of this study, to speak of 'desirable practices' as opposed to 'best practices'. The practices developed by this study have been suggested by existing contact centres in the region after a rigorous research process, which this chapter and the next details.

In line with secondary research objectives seven and eight and the aforementioned arguments, this study has developed and employed a framework to contextualise the practices developed in this study. Figure 8 presents this framework as a two by two matrix, which categorises these practices along two dimensions.

**Figure 8: A Matrix for Contextualising Desirable Practices**

![Desirable Practices Contextualization Matrix](image)

<table>
<thead>
<tr>
<th>Applicability to the Western Cape</th>
<th>Desirable Practices Contextualization Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable to any contact center regardless of location</td>
<td>practices applicable to contact centers regardless of location and whether or not they are offshore outsourced</td>
</tr>
<tr>
<td>More Applicable</td>
<td>General</td>
</tr>
<tr>
<td>Applicable to contact centers in the Western Cape</td>
<td>practices more applicable to offshore outsourced contact centers</td>
</tr>
<tr>
<td>Applicable to offshore outsourced contact centers</td>
<td>practices more applicable to offshore outsourced contact centers</td>
</tr>
<tr>
<td>More Applicable</td>
<td>More Applicable</td>
</tr>
</tbody>
</table>

**Applicability for Offshore Outsourcing**
The X-axis categorises practices in accordance with how applicable they are to offshore outsourced contact centres. This dimension corresponds with secondary objective number seven. While certain practices may be more applicable to offshore outsourced contact centres, other practices may be equally important to contact centres in both situations, regardless of whether or not they are offshore outsourced.

The Y-axis categorises practices in accordance to their applicability to the region where this study was carried out. This dimension corresponds to secondary objective number eight. Due to the context and unique business environment in which contact centres operate in this region, it is argued that while certain practices are more applicable to this region, others are generally applicable to contact centres regardless of their location.

It is important to note that this matrix is only a guideline. It was created as an attempt to minimise some of the concerns about the use of best practice in IS. While certain practices may be listed as more applicable in certain circumstances, the feasibility of adopting them must still be assessed by a potential adopter prior to implementation.

3.4.2.4 Twenty Best Practices for Offshore Outsourcing

One of the inspirations for including desirable practices as part of this study’s research design is a paper by Rottman and Lacity (2004), which lists twenty practices US organisations can adopt when offshore outsourcing. This research was inspired by Carmel and Agarwal’s (2002) study, which developed a four stage model of offshore outsourcing: offshore bystander, offshore experimenter, proactive cost focus and proactive strategic focus. Rottman and Lacity’s (2004) research essentially lists twenty best practices CIOs can employ to swiftly move their organisations through these four phases. It is important to note that neither of these studies is specific to contact centres. Rottman and Lacity (2004) developed their 20 best practices by asking US organisations about four offshore challenges. These are:

- How can US organisations swiftly move through the offshore learning curve?
- How can US organisations mitigate offshore risks?
- How can US organisations effectively work with offshore suppliers?
- How can US organisations ensure cost savings while protecting quality?

The results of their findings were categorised into 3 groups:

- Practices that are equally important for both domestic and offshore outsourcing
- Practices that are more important for offshore outsourcing
- Practices that are unique to offshore outsourcing

Appendix 5 summarises Rottman and Lacity’s (2004) findings.
3.4.3 A Synergetic Fit

A further motivation for using both a SWOT model and desirable practices in the same study is the synergy achieved when these two models are used together. While the SWOT analysis describes the attractiveness and viability of the Western Cape for offshore outsourcing of contact centres, the desirable practices component offers counsel as to how interested organisations can go about operating contact centres efficiently in the region. Reiterated, the SWOT matrix is descriptive and presents reasons why the Western Cape is or is not attractive for offshore outsourcing of contact centres, while the desirable practices provide suggestions as to how interested or existing centres can operate efficiently. Diagrammatically illustrated, the relationship between these two frameworks is presented in Figure 9.

Figure 9: Integration of the SWOT and desirable practices model

3.5 Data Collection

In line with an interpretive research philosophy, it is assumed that our knowledge of reality is attained through social constructs such as language (Klein and Myers, 1999). The data gathered for this study has hence been generated through a series of interviews with experts in the field. Interviews were conducted in several phases from November 2005 to April 2006. A description of the study's participants and the research instrument used to gather data from these participants shall be presented and discussed.
3.5.1 Participants

The primary participants of this study were contact centre executives, such as directors and business managers. In addition to twelve interviews with these participants, a final interview was conducted with a director of Calling The Cape, a government agency dedicated to promoting the contact centre industry in the Western Cape. A total of thirteen interviews were conducted.

3.5.1.1 Senior Contact Centre Executives

The primary participants that have been used to collect data from for this study were senior contact centre executives with operations in the Western Cape, such as directors and other senior managerial positions. Every effort was made to ensure that the contact centres interviewed performed offshore outsourcing work for foreign clients. While some of these organisations were South African, others were owned by foreign, non-South African companies.

Out of approximately 60 contact centres that exist in the Western Cape, roughly 23 conduct offshore outsourcing work. This figure is rough because many contact centres are not exclusively offshore outsourcers and some operations do not disclose their clients to the public.

All 23 offshore outsourcers in the Western Cape were contacted, often repeatedly. Ultimately, a positive response rate of over 50% for this group of participants, which is quite a positive figure. As other South African researchers such as Hart et al. (2004a) note, low response rates are not unusual when dealing with a very busy population such as IS managers and executives.

It is important to note that almost all of the larger offshore outsourcers in the region participated in the study. These operators represent the most successful and influential players in the industry. Section 3.5.1.3 has full details of the participant profile.

3.5.1.2 Calling The Cape

In addition to interviewing contact centre executives, a final interview was conducted with a director of Calling The Cape, an organisation set up to promote and encourage investment in the form of contact centres, in the Western Cape. This interview was necessary for three reasons. Firstly, almost all the executives interviewed made reference to Calling The Cape as a foremost authority on this area of study. Secondly, this interview provided a good overview of
the industry and thirdly it finalised many of the discussions and thoughts initiated in the previous 12 interviews.

3.5.1.3 Participant Profile

Table 7 profiles all the participants interviewed for this study. Additional information was included to provide the reader with an understanding of the market serviced by the operator as well as an indication of the operator’s size. The participant’s position was included to give the reader an idea of the calibre and rank of the participant representing each organisation. The interviews have been numbered in the chronological order in which they were performed.

<table>
<thead>
<tr>
<th>Interview No.</th>
<th>Participant’s Position</th>
<th>Industries serviced</th>
<th>Languages used</th>
<th>Number of Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Director</td>
<td>IT</td>
<td>English</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Director</td>
<td>Petroleum, Energy, Financial Services</td>
<td>English, Afrikaans</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Director</td>
<td>Retail, FMCG</td>
<td>English</td>
<td>300</td>
</tr>
<tr>
<td>4</td>
<td>Call Centre Manager</td>
<td>Outbound Selling</td>
<td>English</td>
<td>300</td>
</tr>
<tr>
<td>5</td>
<td>Director</td>
<td>Financial Services, Insurance</td>
<td>English</td>
<td>600</td>
</tr>
<tr>
<td>6</td>
<td>Director</td>
<td>Government Services, Financial Services, Short Term Insurance</td>
<td>English, Spanish, German, French</td>
<td>1000</td>
</tr>
<tr>
<td>7</td>
<td>Outsourcing Consultant</td>
<td>IT &amp; Telecommunication</td>
<td>English</td>
<td>500</td>
</tr>
<tr>
<td>8</td>
<td>Executive</td>
<td>Travel, Airlines, Online Entertainment</td>
<td>English, French, Spanish, German, Dutch</td>
<td>500</td>
</tr>
<tr>
<td>9</td>
<td>Business Manager</td>
<td>Online Shopping, Retail &amp; Entertainment, IT Services</td>
<td>English</td>
<td>500</td>
</tr>
<tr>
<td>10</td>
<td>Director</td>
<td>IT Services, Back Office Support</td>
<td>English</td>
<td>300</td>
</tr>
<tr>
<td>11</td>
<td>Director</td>
<td>Outbound Selling</td>
<td>English, Afrikaans, various African languages</td>
<td>300</td>
</tr>
<tr>
<td>12</td>
<td>Business Manager</td>
<td>Financial Services, Outbound Selling</td>
<td>English, Afrikaans, various African languages</td>
<td>300</td>
</tr>
<tr>
<td>13</td>
<td>Director</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>
3.5.1.4 Reflective Comments Concerning Participants

The researcher acknowledges that further valuable data could have been obtained by interviewing foreign companies still considering whether or not to set up contact centre operations in South Africa, and who have not yet made the decision to outsource to the Western Cape. However, the logistical feasibility of transporting the researcher to various overseas destinations around the world was unworkable. Perhaps if more researchers from different parts of the world were involved in this study, this would have been possible.

It is however felt that this weakness in the study's design has been minimised by interviewing Calling the Cape, an organisation that faces potential offshore investors still in the decision making process on a daily basis. Furthermore, most of the South African contact centres interviewed had both won and lost bids or tenders from offshore investors seeking to outsource sections of their contact centre operations to South Africa. By asking South African contact centres about reasons why they had lost offshore contracts, it is felt that an understanding of this occurrence has been achieved.

3.5.2 Research Instrument

The primary data gathering instrument for this study was a semi-structured interview agenda, which was used to carry out open ended interviews with. The interviews were conducted from November 2005 to April 2006, whenever an executive could make time for them. The time gaps between interviews were used for the purposes of reflection, learning and refinement to take place during the study.

While much valuable data was obtained from the first two interviews conducted, these interviews were treated as pilot interviews, after which the data gathering process was modified and refined. All interviews were recorded onto audio tape. The audio from the tapes was then transcribed onto text for further analysis.

3.5.2.1 Pilot Interviews

Although the first two interviews conducted were different from the rest, valuable information was gathered from them. See Appendix 2 to view the preliminary data gathering instrument, which was later discarded.

These interviews brought to mind several shortcomings of the preliminary interview design. It was discovered that participants found it difficult to think of issues and list them as strengths,
weaknesses, opportunities and threats. These interviews were characterised by periods of long silence, during which the participant would think of an issue and finally discuss it within the context of the study’s descriptive framework.

For the best practices component of the pilot interviews, the four questions Rothman and Lackey (2004) (see section 3.4.2.4) used in their study were adopted. It was observed that these questions did not bring out the suggestions this study was hoping to uncover as effectively as simply asking participants to list some of the best practices their operations utilised or allowing these practices to surface naturally throughout the course of the open ended interview.

3.5.2.2 Final Interview Set Up

After reviewing and reflecting on the findings and progress of the pilot interviews, the interview design was modified in pursuit of a more refined and effective data gathering process.

The result is a less structured interview. This second less structured interview style asks participants to talk about general issues pertaining to offshore outsourcing of call centres. To aid this discussion, participants were provided with an interview agenda, which contained a list of issues that were collected from the literature review and from previous interviews. Rather than specifically asking participants about the strengths, weaknesses, opportunities and threats of the Western Cape as an offshore destination for call centres, participants were provided with a preliminary list of issues, which they were asked to talk about within the context of this framework. None of these are identified in the list as being specifically negative or positive.

The purpose of the interview agenda was not to provide the participants with a rigid, structured or comprehensive list of issues, but rather a guideline to initiate communication and allow the creative juices of the participants to flow. It was found that this list was in no way comprehensive and often many issues were discussed that had no relation to any of those presented to the participants. However, these were brought up as a result of discussing other similar issues listed on the interview agenda.

This decision was made because it was found that during the first few minutes of the interview, participants would usually talk about general issues before addressing the researcher’s specific questions. These discussions would often lead to the discussion of other points and so forth. The use of the agenda was hence to provide a guideline and an instrument to facilitate the creation, discussion and discovery of further new phenomena, which were undiscovered by the literature or by previous interviews.
In addition to asking the participants to talk about certain issues pertinent to South African call centres, the researcher also asked them for reasons why they had lost bids, tenders or contracts from companies investigating the South African option in the Western Cape.

With regard to the desirable practices component of this study, it was discovered that it was more effective to simply ask participants to list “best practices” or let suggestions and recommendations surface naturally during the conversation. It was discovered that, under this new interview design, managers would, without being specifically asked, mention some of the best practices they believed call centre managers should adopt when discussing the previous points.

Furthermore, the issues raised by Porter’s (1990) model of national competitiveness were included and discussed as issues in the interview agenda. It was found, for example, that Porter’s (1990) issue of internal rivalry plays quite an important role in the Western Cape’s contact centre industry and was perceived as a strength by interview participants.

Please consult Appendix 3 to view the final interview agenda.

3.6 Mode of Analysis

While a clear distinction between data gathering and data analysis is often made in quantitative research, such a distinction is not always clear-cut for many qualitative researchers (Myers and Avison, 2002). Myers and Avison (2002) cite the example of hermeneutics to formulate their argument, which assumes that a researcher’s presuppositions affect the gathering of data, which in turn affects the analysis of the data in significant ways. This study concur with Myers and Avison (2002), who propose that it is more accurate to speak of “modes of analysis” in qualitative research as opposed to “data analysis”, which is the term commonly used by quantitative researchers.

The mode of analysis used in this study is a combination of hermeneutics and a form of qualitative content analysis. The paragraphs that follow present and discuss both modes of analysis and their fusion within this particular study.
3.6.1 A Hermeneutic Mode of Analysis

Hermeneutics and Interpretive Research in IS

Boland (1985) was one of the first to advocate hermeneutics as a valid interpretive approach for IS research. Other IS researchers who advocate hermeneutics as a valid method for interpretive studies include Davis et al. (1992), Kanungo (1993), Klein and Myers (1999), Lee (1994a, 1994b), Myers (1995), Visala (1991) and Westrup (1994).

Two Types of Hermeneutics

Bleicher (1980) argues that hermeneutics can be treated as both an underlying philosophy and a specific mode of analysis. Myers and Avison (2002) state that as a philosophical approach to human understanding, it provides grounding for interpretive research, while as a mode of analysis, it suggests a way of understanding textual data. This study is more concerned with hermeneutics as a mode of understanding the textual data, which will be gathered as a result of conducting and transcribing interviews.

Hermeneutics' Primary Concern

Hermeneutics is primarily concerned with the meaning of a text or a text-analogue (Myers and Avison, 2002). Radnitzky (1970) states that the basic question in hermeneutics is: "what is the meaning of this text?" Taylor (1979) argues that hermeneutics is an attempt to make clear, to make sense of an object of study. The object, which can be a text or text-analogue, is in some way confused, incomplete, cloudy, and seemingly contradictory and unclear. Interpretation aims to bring to light an underlying coherence or sense (Taylor, 1979).

The Hermeneutic Circle

A central principle to hermeneutics, which guides and informs interpretation, is the hermeneutic circle. Klein and Myers (1999) argue that the most fundamental principle of hermeneutics is that of the hermeneutic circle and that this principle is foundational to all interpretive work of a hermeneutic nature.

The hermeneutic circle refers to the dialect between the understanding of the text as a whole and the interpretation of its parts (Gadamer, 1976; Myers and Avison, 2002). Klein and Myers (1999) explain that the idea of the hermeneutic circle suggests that we come to understand a complex whole from preconceptions about the meanings of its parts and their relationships. Gadamer (1976) explains that the movement of understanding is constantly from the whole to the part and back to the whole:
“Our task is to extend in concentric circles the unity of the understood meaning. The harmony of all details with the whole is the criterion of correct understanding. The failure to achieve this harmony means that understanding has failed.” Gadamer (1976).

Gadamer (1976) explains that it is a circular relationship whereby “the anticipation of meaning in which the whole is envisaged becomes explicit understanding in that the parts that are determined by the whole, themselves also determine this whole”. Klein and Myers (1999) suggest that the process of interpretation moves from a precursory understanding of the parts to the whole context back to an improved understanding of each part.

If the principle of the hermeneutic circle is applied to this study, the whole can be interpreted as the contact centre industry in the Western Cape. The parts can be interpreted as all of the factors or processes which influence and have the potential to influence this whole, either positively or negatively. Viewed from this perspective, the principle of the hermeneutic circle is of fundamental importance to this study.

3.6.2 A Qualitative Orientation of Content Analysis

As a text analysis method, content analysis is perhaps the longest established method in the social sciences (Herkner, 1974; Holsti, 1968; Silbermann, 1974). The term content analysis originally only referred to methods which concentrate on directly and clearly quantifiable aspects of text content, such as word count frequencies (Titcher et al., 2000). Berelson (1952) was one of the first researchers to put together the methods and goals of content analysis, which concentrated assessment on the basis of frequency analyses. Research by Palvia et al. (2003) and Palvia et al. (2004) indicates that this method has been used in IS research, but has yet to capture the attention of the majority of IS researchers.

Researchers such as Kracauer (1952) reacted critically to a quantitative orientation of content analysis and argue that it neglects the particular quality of texts - their meaning content. Kracauer (1952) argues that particular attention has to be paid to the reconstruction of contexts or interpretation. Kracauer (1952) argues that ‘patterns’ or ‘wholes’ in texts can be demonstrated not by counting and measuring their manifest contents, but by showing the different possibilities of interpretation of ‘multiple connotations’. Kracauer (1952) states that while categories are of central importance to content analysis, particular attention has to be paid to the “selection and rational organisation of such categories as condense substantive meanings of a given text.”
Consequently, content analysis has expanded to include qualitative methods. This is perhaps the reason authors Titscher et al. (2000) argue that one could describe content analysis as all those methods which somehow approach texts by means of categories. Titscher et al. (2000) also suggest that content analysis is more a question of research strategy rather than a single method of text analysis. Mayring (1988) argues that the establishment of 'qualitative content analysis' makes it difficult to separate these from other methods of text analysis, particularly ethnographic methods or grounded theory. Merten (1983) has therefore concluded that the range of procedures in content analysis is enormous.

3.6.3 Content Analysis and Interpretive Research

If one examines early definitions of classical content analysis, one might conclude that this method of text analysis is more geared towards studies with a positivistic epistemology, which consequently have more of a bias towards the scientific method and objectivity. The following early definitions of classical content analysis provide a good summary of this mindset:

Content Analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication. (Berelson, 1952)

Content Analysis is any research technique for making inferences by systematically and objectively identifying specified characteristics of messages. (Flick, 1968)

However, this study argues that not only is an interpretive research philosophy compatible with qualitative content analysis, but this method is better suited towards studies guided and informed by this epistemology. This is argued as the researcher feels qualitative content analysis is not completely free from subjectivism.

Even social scientists, such as Mostyn (1985), who advocate qualitative content analysis as a scientific and objective method, state that during qualitative content analysis we constantly draw conclusions and make inferences from unstructured communications based on our own personal judgements about the content. Mostyn (1985) goes on to admit that not only should inferences be made from the text, but qualitative content analysis requires another function beyond inference: interpretation. Others, such as Freud (1950) argue that interpretation "gives meaning to content". Mostyn (1985) herself suggests that interpretation makes us more concerned with content as a reflection of deeper phenomena. Jones (1981) argues that interpretation allows us to examine both manifest and latent data – "the complex gestalt".
Accordingly, this study is somewhat uncomfortable with Mostyn's (1985) description of qualitative content analysis as objective and scientific. It is felt that inference and interpretation are both part and parcel of subjectivism and an interpretive research philosophy. This study has hence elected to use qualitative content analysis, but with a deeper understanding that embedded in this method are philosophies that are guided and informed by an interpretive epistemology.

3.6.4 Content Analysis and Open Ended Interviews

One of the motivations for using qualitative content analysis is its applicability for analysing textual material that has been derived from semi-structured, open-ended interviews (Mostyn, 1985). Mostyn (1985) explains that open-ended research material is that resulting from responses to non-directive questions, which by their nature impose as few constraints on the respondent’s answers as possible.

Interpreting responses from unstructured material should by default come quite naturally to us as the world we live in constantly throws large volumes of unstructured material at us. Mostyn (1985) explains that most of the messages and communication we receive in our daily lives is to a large extent fragmented and unstructured (Goode and Flatt, 1952). We should hence, by default perhaps, be quite experienced in restructuring communications before we can make sense out of them. This is perhaps the reason researchers, such as Berelson (1971), have commented that content analysis does not differ from close reading plus judgement, a traditional and time-honoured method.

The central and perhaps most important characteristic (Kracauer 1952) of content analysis, which provides the researcher with a tool and technique for interpreting and understanding large quantities of textual data, is its ability to compress many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 2004; Mayring, 2000; Weber, 1990). The exact mechanics of this technique, which will be informed by hermeneutics, will be elaborated on in the following sections.

3.6.5 A Method of Qualitative Content Analysis

Mayring (2000) argues that two procedures are central to qualitative content analysis. These procedures include: inductive category development and deductive category application (see Figure 10). This study has employed a combination of both techniques. Deductive category application has been used to classify textual data from interview, while inductive category development has been employed to further develop such categories into sub categories.
Inductive category development is concerned with where categories come from and how they are developed. As noted by Krippendorf (1980), little is written about how categories are defined. With inductive category development, the material is worked through and revised until main categories eventually emerge from the text (Mayring, 2000).

Deductive category application works with a prior formulated framework or theory and brings the text in connection with the framework or theory. Analysis consists of methodologically assigning predefined categories to a passage of text (Mayring, 2000).

Mayring (2000) states that the main idea behind deductive category application is to give explicit definitions, examples and coding rules for each deductive category, determining exactly under what circumstances a text passage can be coded with a category. These category definitions are put together to form a coding agenda (Mayring, 2000).

As stated earlier, the research objectives of this study are to explore the strengths, weaknesses, opportunities and threats of the Western Cape for offshore outsourcing of contact centres in order to describe the attractiveness of the region for this purpose. This study also wishes to suggest several desirable practices contact centres can adopt to achieve superior organisational performance. The deductive categories for this study have been identified by examining these research objectives.

The coding agenda that has hence been used for the deductive category application of the textual data, which results from the interviews, is presented in Table 8.
<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Examples</th>
<th>Coding Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST: Strength</td>
<td>Conditions in South Africa’s business environment or competencies of South African contact centres, which contribute positively to the attractiveness of the Western Cape for offshore outsourcing of contact centres.</td>
<td>“They love our accent. Everybody in the world likes a South African accent because we are very neutral. We can talk to anybody with little training.”</td>
<td>Interview participant must make reference to a competency, skill or resource contact centres in the Western Cape have or describe a condition within South Africa’s business environment, which makes the region attractive for offshore outsourcing of contact centres.</td>
</tr>
<tr>
<td>WK: Weakness</td>
<td>Limitations or faults of the Western Cape’s contact centre industry as well as conditions in South Africa’s business environment, which contribute negatively to the attractiveness of the region for offshore outsourcing of contact centres.</td>
<td>“Our public transport infrastructure is atrocious... certainly not suited to this industry.”</td>
<td>Interview participant must make reference to a limitation or fault of contact centres in the Western Cape or describe a condition within South Africa’s business environment that contributes negatively to the region’s attractiveness for offshore outsourcing of contact centres.</td>
</tr>
<tr>
<td>OP: Opportunity</td>
<td>Any favourable trend or situation in the offshore outsourcing contact centre industry of the Western Cape or its external business environment that can be exploited.</td>
<td>“There’s quite a large local market into which we can tap into here too. Everyone has a cell phone. The other day I was watching the guy collecting my rubbish run after the truck and talk on his cell phone at the same time. Now everyone can talk. Cell phones have really changed the call centre industry in South Africa.”</td>
<td>Interview participant must make reference to a trend or situation that has the potential to be exploited.</td>
</tr>
<tr>
<td>TH: Threat</td>
<td>An unfavourable situation or trend outside of South Africa’s business environment that has the potential to be damaging to the offshore outsourcing contact centre industry of the Western Cape.</td>
<td>“The reason I keep mentioning India is that India is the biggest competitor to South Africa as far as call centres go.”</td>
<td>Interview participant must discuss an unfavourable trend or situation outside of South Africa’s business environment that has the potential to be damaging to the offshore outsourcing industry of the Western Cape.</td>
</tr>
</tbody>
</table>
As can be seen by examining the coding agenda, all the text from the transcripts will be categorised into six broad deductive categories. Each category has a code and definition, which identifies and defines the category respectively. Examples of text passages relevant to these categories from interview scripts are also provided for the reader. The coding rules determine the circumstances under which a passage of text can be categorised into any of the six aforementioned categories.

Within each main category described in the coding agenda exist several subcategories, which will be inductively developed. For example, the Western Cape has several strengths, which contribute positively to its attractiveness for offshore outsourcing of contact centres. These inductively developed subcategories will be presented to the reader in the findings chapter of this study. The exact mechanics of the inductive category development process will be detailed in the following chapter.

### 3.6.6 A Hermeneutic Mode of Qualitative Content Analysis

The mode of analysis this study has elected to use can be referred to as a hermeneutic mode of qualitative content analysis. In summary, this mode of analysis has adopted and incorporated elements of qualitative content analysis with a well established interpretive IS research method: hermeneutics. In a sense, the mode of analysis used in this study has replaced the more positivistic characteristics of content analysis with interpretation and hermeneutics.

It is argued that there is a good fit between the objectives of qualitative content analysis in seeking to understand the “complex gestalt” (Jones, 1981) and the fundamental principle of the hermeneutic circle, which serves a similar purpose in interpreting complexity. In trying to
understand the complex gestalt, the hermeneutic circle can help relate the whole to its parts and the parts to the whole (Gadamer, 1976).

The process of hermeneutics is implicitly implied throughout this mode of analysis and plays an important role. It helps with the interpretations that have to be made on the text using the coding agenda. Hermeneutics is used to interpret each passage of text into deductive and inductive categories. Additionally, it is used to interpret quotes presented as evidence during the write up process.

On the surface, a hermeneutic mode of qualitative content analysis can be seen as similar to other interpretive even critical methods used in IS research. Mayring (1988) makes note of the similarities between qualitative content analysis and methods such as grounded theory and other ethnographic methods. The main difference between this and other methods is perhaps the focus this method places on analysing and understanding the content of textual data, rather than latent structures. This is the case for methods such as critical discourse analysis, which attempts to identify speech genres and discursive themes in passages of text. A hermeneutic mode of qualitative content analysis places a larger emphasis on understanding and interpreting the content of text.

3.7 Ethical Considerations

An issue that is of utmost importance to the researcher, The Department of Information Systems, The Faculty of Commerce and The University of Cape Town is research ethics. Consequently, the researcher has taken every measure possible to ensure that the information gathered for the purposes of this study remains strictly for the purposes of this study and possibly any ensuing research papers. Every effort has been made to ensure that the participants, their companies and the information and opinions expressed by them remain completely anonymous.

The researcher has made every effort to comply with the requirements set forth by the research institution in question and in doing so has submitted a form, including a copy of the research proposal and the appendices included in this document, to an “Ethics in Research” committee appointed by the faculty for the purposes of approving or denying research proposals. Appendix 4 is an interview consent form, which has been presented to all of the participants of this study for them to read, understand, agree to and sign. It has been included in this document to assure the reader and the participants, who sign it, of the importance and significance of this practice.
3.8 Limitations

This study is being conducted in partial fulfilment of the requirements of a Master's program in Information Systems. This factor brings with it certain time and budget constraints. As the researcher is working towards a tight deadline, this study only captures data from a specific point in time. Deeper insight would be possible had the study been conducted over a longer period of time, however given the circumstances, this is not practical.

Similarly, this study is limited and focused more on the Western Cape rather than the whole of South Africa. It is not feasible in terms of time and finance for the researcher to conduct interviews with contact centre executives throughout the country. If more researchers in various regions of the country were involved in this project, it could be a viable option to increase the scope of this study to the whole country.

Furthermore, the researcher is the sole interpreter of the data being captured. This could cast certain doubts about the integrity of the data, however, it is felt that by being critically reflective on the research process and by following the guidance set out by Klein and Myers (1999), this limitation has been minimised. The researcher acknowledges the possibility of alternative interpretations of the data.

3.9 Concluding Methodological Remarks

This chapter has outlined the methods and methodologies that shall be used during this study. As interpretive researchers such as Jones (2004) and Heeks (2002) note, it is important for researchers in the field of information systems to acknowledge the research paradigm, method, theoretical perspectives, philosophical stance and underlying assumptions of a study so that a reliable framework can be created from which concepts and objectives can be explored from the appropriate lens or mindset.

It is felt that it is also appropriate to note some of the arguments Jones (2004) puts forward in a paper discussing methodologies in information systems research. Jones (2004) notes that no amount of appendices, instruments or datasets can prove that the methodology used for information systems research is good methodological practice. Jones (2004) argues that no checklist however comprehensive can contain a list of items that all good information systems research papers should contain, because methodological practice varies so much from good paper to good paper that there is hardly any consistency between papers, which are all classified as having good IS methodological practice. One of the conclusions Jones (2004) makes is that
the evaluation of an IS research paper involves trust that the author conducted the research appropriately.

The following chapter of this study will delineate the exact mechanics of the methodology this study has adopted to present and discuss the findings in Chapter 5. Chapter 5 presents and discusses the empirical data collected using the analytical and descriptive frameworks detailed in this chapter.
3.10 Summary of Research Strategy

Table 9 presents a summary of the research strategy this study has adopted.

<table>
<thead>
<tr>
<th>Component</th>
<th>Approach &amp; Short Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Method</td>
<td>Qualitative. There is a good fit between this study's objectives and the results which qualitative research methods can enable the researcher to produce</td>
</tr>
<tr>
<td>Philosophical and Epistemological Perspective</td>
<td>Interpretive research was chosen due to its ability to help us understand people and the context in which we live and also due to a good fit between the qualitative data and an interpretive research philosophy.</td>
</tr>
<tr>
<td>Key Analytical and Descriptive Frameworks</td>
<td>SWOT and desirable practices frameworks</td>
</tr>
<tr>
<td>Research Instrument</td>
<td>Open ended interviews using a semi structured interview agenda. Each interview lasted on average between one and two hours.</td>
</tr>
<tr>
<td>Participants</td>
<td>12 executives of offshore outsourcing contact centres in the Western Cape as well as a final interview with Calling The Cape (a total of 13 tape recorded and transcribed interviews) (see Table 7 for a profile of participants)</td>
</tr>
<tr>
<td>Mode of Analysis</td>
<td>A hermeneutic mode of qualitative content analysis is developed, described and implemented.</td>
</tr>
<tr>
<td>Type of Study</td>
<td>Descriptive and Exploratory. This study has used a SWOT matrix to describe the attractiveness of the region for offshore outsourcing of call centres by exploring various factors in its environment.</td>
</tr>
<tr>
<td>Unit of Analysis</td>
<td>The offshore outsourcing contact centre industry in the Western Cape</td>
</tr>
<tr>
<td>Longitudinal / Profile</td>
<td>Profile study. Interviews were carried out from November 2005 to April 2006</td>
</tr>
</tbody>
</table>
4. CHAPTER FOUR: APPLYING THE RESEARCH METHODOLOGY

This chapter of the dissertation will describe and discuss each step taken during the research process to produce the findings in the following chapter. It has been appropriately placed prior to the findings chapter to make it more helpful for the reader to understand the logical progression of steps taken to produce the results. This chapter was conceived and included as it was felt that it is important for the reader to thoroughly understand each individual step the researcher has taken to produce this study's results.

Figure 11 diagrammatically illustrates each phase of the research process.

**Figure 11: Data gathering and analysis process**

Each subsequent section of this chapter will describe and discuss one of the phases illustrated in Figure 11. It is hence felt that a familiarity of this diagram, the study's methodology and the hermeneutic mode of qualitative content analysis this study has developed and adopted, is
beneficial towards comprehensively understanding this chapter and the methodology this study has employed.

4.1 Phase 1: Performing a Literature Review

During the first phase of the research process, a literature survey was conducted, which reviewed and examined past research the two topics that form the locus of this study: contact centres and offshore outsourcing.

The literature review was useful as it familiarised the reader with contact centres, contact centre technology and concepts surrounding human resource management and efficiency in such an environment. The literature review also examined the concept of offshore outsourcing contact centres and looked at the risks and benefits of doing so. A brief review of the South African contact centre industry was also presented.

Perhaps, the most valuable outcome of this exercise was that it helped identify key issues surrounding the notion of offshore outsourcing contact centres.

4.2 Phase 2: Developing a Research Instrument

The key issues identified in the literature review were used to develop a research instrument. A semi structured open ended interview agenda was designed, which took into account issues that were identified when selecting and designing the analytical and descriptive frameworks this study has employed, such as the points raised by Porter's (1990) determinants of national advantage model.

4.3 Phase 3: Conducting Interviews

In total, 13 interviews were conducted from November 2005 until April 2006. All interviews were conducted on site with a senior contact centre executive, usually a director. All interviews were recorded with audio tape. This and the next phase of the study were done simultaneously and were the most time consuming.
4.4 Phase 4: Interview Transcription into Text

Each interview was then transcribed from audio tape to text producing 13 scripts. Excluding the first four, each interview script is on average 12.7 pages long, which amounts to approximately 6,300 words per script. A more detailed quantitative analysis of the interview scripts will be provided in the following chapter.

4.5 Phase 5: Simultaneous Inductive & Deductive Category Development

Using the hermeneutic mode of qualitative content analysis developed and described in Chapter 3, each interview script was examined and analysed. This mode of analysis simultaneously employed both inductive category development and deductive category application processes.

This was achieved by systematically reading through each passage of text, interpreting it, deductively categorising it using the coding agenda developed in Chapter 3 and finally assigning it to an undeveloped inductive category. Electronic notes were made next to each passage of text indicating the deductive and inductive categories to which the passage was assigned. See Table 10 for an example of this mode of analysis.

Table 10: Mode of Analysis Example

<table>
<thead>
<tr>
<th>Weakness: High Cost of Telecommunication</th>
</tr>
</thead>
<tbody>
<tr>
<td>The call centre industry in the Western Cape specifically still has potential for growth, if we can cut costs. One of the biggest costs, of course is Telkom. That’s a disaster. I mean we spend... Our costs on a monthly basis are about 1.5 million rand that we spend on telephone costs, even though we use things like least cost routing and things like that.</td>
</tr>
</tbody>
</table>

Source: Interview Number 5, Page 5

The passage of text in Table 10 has been interpreted as belonging to the deductive category described in the coding agenda as a “weakness”. The inductive category that this same passage of text has been assigned to has preliminarily been named “high cost of telecommunication”.

4.6 Phase 6: Electronic Indexing & Spreadsheet Development

Each interpreted passage of text, such as the example in Table 10, was then indexed and added to a spreadsheet together with an accompanying explanation, references to the interview script and where possible, examples of quotations from the transcript. See Table 11 for an extract of the spreadsheet.
Each entry in Table 11 is assigned two identities. ID is the unique primary key for each entry added to the spreadsheet, while ID2 is the unique primary key for the interview in question. Therefore the second entry in Table 11 is the 80th entry made to the spreadsheet, but only the 27th entry made from interview script number 3.

Each entry is also assigned a deductive category and an inductive category from the previous phase. This was recorded in the third and fourth columns respectively. An explanation accompanies each entry as an interpretation, which further elaborates the argument being made in the corresponding passage of text. References to the location in the interview scripts from which each passage of text has been extracted have been recorded using the interview number and the page number of the corresponding interview. The final column records possible examples of quotations made during the interview, which can clarify and strengthen the argument being made in the relevant passage of text.

4.7 Phase 7: Database Development & the Hermeneutic Content Analysis Program
In Phase 7, the data from the spreadsheet developed in Phase 6 was migrated into a database. The researcher then developed an application to simplify, manipulate, search and extract information from the database (for the purposes of this study, this application will be called the "Hermeneutic Content Analysis Program" or HCAP for short). HCAP has greatly enabled the
researcher to do a more in-depth analysis of the data from all angles, maximising the information gathered and analysed and adding to the richness of the results.

**Figure 12: HCAP, The Hermeneutic Content Analysis Program**

![Data Grid](image)

Figure 12 shows how the data is presented on a data grid in the centre of HCAP, which enables the user to search, sort and manipulate data by providing the user with a number of functions. In the following paragraphs, some of these functions will be briefly detailed.

**Deductive Category Sort**

The first function, *Deductive Category Sort*, allows the user to filter through records in the database according to the dataset’s deductive categories. In this case, the six deductive categories of the study are: strengths, weaknesses, opportunities, threats, desirable practices and other. These categories can be selected from the combo box and at a click of a button, HCAP will generate a dataset to reflect all records that match the enquiry. This is useful if the user wants to view all passages of text that were interpreted as a strength, for example.
Inductive Category Search

The Inductive Category Search function allows the user to search the study's inductive categories using a search string. For example, a user might want to do an inductive search on the phrase "government support". The results of such a query will illustrate that while most executives perceived this as a strength, several perceived it as a weakness.

Explanation and Quote Searches

These two functions work similarly to the inductive category search. HCAP uses a search string to search through relevant records of the database. A user can use the quote search function to locate a familiar quote or the explanation search function to find interpretations on inductive categories.

4.8 Phase 8: Conclusive Inductive Category Development & Coding using HCAP

During Phase 8 of the process, HCAP was used to manipulate the data in order to develop a conclusive set of inductive categories. Alphanumeric codes were used to catalogue each inductive category. A fourth column, "code", was consequently added to the dataset to enable codes to be assigned to each record. As Lacity and Willcocks (1998) note, coding textual data along meaningful categories enables the researcher to interpret a large body of qualitative data in a succinct and meaningful way so as to clearly communicate the findings.

Perhaps the best way to describe this method is to work through an example with the reader. Please therefore refer to Figure 13.
If one types in the phrase “time zone” as a search string and performs an inductive category search on the phrase, HCAP will generate a dataset of 15 records. Of those 15 records, 4 have been assigned the deductive category “weakness”, while the remaining 11 are assigned the deductive category of “strength”. Let us assume that the researcher is interested in developing this deductive category as a “strength”. This means that the 4 records recorded as “weaknesses” can be ignored until a later stage.

The next step the researcher will take is to assign this inductive category a code, “ST2” in this particular example. The code is both necessary and useful, because as can be seen from Figure 13, not all inductive categories have been assigned the same text. The researcher has to read through each of these 11 records to decide which of them can be included as category “ST2”. Once a user has found a record that matches his or her criteria, it is highlighted, as demonstrated in Figure 13, and the code which will be assigned to this category is entered in the textbox.
circled in Figure 13. The researcher can then finalise the code assignment for this deductive category by clicking on the hyperlink “Update Code”.

HCAP also allows the user to change the inductive category of a record. So for example, if the researcher decides that a certain record is no longer a “weakness”, but a “strength”, HCAP will allow for this change to be made.

The process of assigning codes to each record in the database was performed iteratively until all of the records in the database were assigned a code. Table 12 presents the alphanumeric prefixes that were used for each deductive category.

<table>
<thead>
<tr>
<th>Deductive Category</th>
<th>Code Prefix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength</td>
<td>ST</td>
</tr>
<tr>
<td>Weakness</td>
<td>WK</td>
</tr>
<tr>
<td>Opportunity</td>
<td>OP</td>
</tr>
<tr>
<td>Threat</td>
<td>TH</td>
</tr>
<tr>
<td>Desirable Practice</td>
<td>DP</td>
</tr>
<tr>
<td>Other</td>
<td>NA</td>
</tr>
</tbody>
</table>

It is important to note that no meaning whatsoever should be attached to each code’s numeric suffix. These numbers merely serve the purpose of distinguishing one deductive category from another. Therefore, one cannot conclude that due to the existence of a deductive category labelled “WK26”, there are at least 26 weaknesses. This process was iterative during which many categories were omitted or combined.

4.9 Phase 9: The Write-Up Process

Once all the categories had been developed and Phase 8 had been completed, the write up process could begin. Primarily, two HCAP functions as well as hermeneutics were used to write up the findings and discussion. The HCAP “Code Search” function was used to extract all of the records from the database assigned a certain code. If “ST2” was inputted for example, HCAP would generate a dataset reflecting all the records that correspond to this code. This dataset can then be exported and saved in a spreadsheet using HCAP’s “Export to Excel” function. From here, all the necessary information the researcher required to write up a certain topic was at hand, including categories, references, explanations and possible quotes.

If additional quotes were required during the write up process, another program called “Ocean Research Library”\(^1\) was made use of. As can be seen from examining Figure 14, Ocean works

\(^1\) Ocean Research Library can be downloaded from www.habbl-education.org
very similarly to a search engine. A search string (in this case “accent”) is typed into the textbox with which all interview scripts are searched. The results are displayed on the left hand column of the window, which allows the user to navigate through relevant results.

4.10 Summary
This chapter has coherently described the processes the researcher has undergone, in consultation with the theories and methodologies from the previous chapter, to produce the findings, which shall be presented and discussed in the following chapter. Perhaps one of the most notable processes was the development and use of HCAP, which enabled the researcher to maximise the richness and completeness of the information gathered from the interviews.
5. CHAPTER FIVE: FINDINGS AND DISCUSSION

This chapter begins by providing the reader with a quantitative perspective of the study's findings mainly for interest's sake. Before the SWOT component of the study is presented and discussed, some preliminary comments are shared with the reader, which provide an overview of the contact centre industry, its strategic importance to the Western Cape's economy and some of the primary reasons contact centres are outsourced to offshore destinations.

Each deductive category, weaknesses, opportunities, threats, strengths and desirable practices, is then presented and discussed. Discussions begin with a quantitative analysis of each deductive category's inductive categories and some general comments about each deductive category before presenting and discussing each finding in detail. Hermeneutics is used thoroughly during the interpretation and discussion of each inductive category. Many quotations are presented, interpreted and used as supporting confirmations for each argument made.

Similarly to Rowe et al.'s (1994) WOTS-DP model, findings are presented in a WOTS-DP format. In this format, weaknesses are discussed first. Once the reader has understood the weaknesses, opportunities are presented and discussed as many of them exploit the weaknesses. Threats are discussed next and strengths are discussed last because in most cases, the strengths should be further developed in order to overcome the aforementioned weaknesses and threats. Finally desirable practices are suggested, many of which exploit the opportunities, minimise the weaknesses and threats and maximise the strengths.

A wide range of topics were discussed during the interview process, which have no natural ordering or compact grouping. Inductive categories (weaknesses, opportunities, threats, strengths and desirable practices) will hence be presented and discussed in the order they were identified and classified as detailed in Chapter 4.

Before presenting a summary of the study's findings, this chapter is fittingly concluded by discussing several recommendations for policy makers, government and practitioners suggested by interview participants.
5.1 A Quantitative Perspective on a Qualitative Study

After reading the previous chapter, which discusses the exact process undertaken by the researcher to produce the findings of this study, a curious researcher may wonder what quantitative outcomes this process has produced.

Although this study is qualitative and adopts an interpretive epistemology, it is nonetheless felt that it is interesting to present and discuss some of the findings from a quantitative perspective. Indeed, several interpretive researchers, such as Jones (2004) and Lacity and Willcocks (1998), that have used qualitative methods have divulged a certain amount of quantitative information in their studies. This information has not been used to quantify the arguments made by the interpretive researcher or strengthen them, but is included for the sake of richness, completeness and mainly for interest.

As Lacity and Willcocks (1998) state, the use of “hard numbers” and frequency counts in qualitative research can give a false impression of objectivity, however the codes and the inductive categories are the creations of the researcher and have been expanded, changed or discarded through repeated interactions with the data as detailed in Chapter 4.

5.1.1 Interview Script Analysis

After completing Phase 1 to Phase 6 of the research process described in Chapter 4, the statistics in Table 13 emerged. Table 13 displays the number of contributions each interview has made to the spreadsheet and consequently the database, the number of pages and words per interview and the average number of words each interview participant took to make a contribution. Descriptive statistics, such as totals, averages, standard deviations and ranges for each measure have also been included.
From examining Table 13, it can be seen that a total of 685 entries were made to the database. On average, each interview script contributed 53 records to the database. Interview Script 1 contributed the least, with only 26 entries made to the database from this interview, while Interview Script 13 contributed the most entries to the database with 88 entries. Figure 15 graphically illustrates these contributions using a bar chart.

<table>
<thead>
<tr>
<th>Interview Script</th>
<th>Contributions</th>
<th>Pages</th>
<th>Words</th>
<th>Words per Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview Script 1</td>
<td>26</td>
<td>3</td>
<td>1,391</td>
<td>54</td>
</tr>
<tr>
<td>Interview Script 2</td>
<td>27</td>
<td>3</td>
<td>1,345</td>
<td>50</td>
</tr>
<tr>
<td>Interview Script 3</td>
<td>31</td>
<td>6</td>
<td>2,642</td>
<td>85</td>
</tr>
<tr>
<td>Interview Script 4</td>
<td>35</td>
<td>6</td>
<td>2,840</td>
<td>81</td>
</tr>
<tr>
<td>Interview Script 5</td>
<td>61</td>
<td>14</td>
<td>8,289</td>
<td>136</td>
</tr>
<tr>
<td>Interview Script 6</td>
<td>70</td>
<td>12</td>
<td>5,808</td>
<td>83</td>
</tr>
<tr>
<td>Interview Script 7</td>
<td>55</td>
<td>13</td>
<td>6,313</td>
<td>115</td>
</tr>
<tr>
<td>Interview Script 8</td>
<td>52</td>
<td>12</td>
<td>4,171</td>
<td>80</td>
</tr>
<tr>
<td>Interview Script 9</td>
<td>46</td>
<td>12</td>
<td>5,978</td>
<td>130</td>
</tr>
<tr>
<td>Interview Script 10</td>
<td>53</td>
<td>14</td>
<td>5,968</td>
<td>113</td>
</tr>
<tr>
<td>Interview Script 11</td>
<td>70</td>
<td>11</td>
<td>4,308</td>
<td>62</td>
</tr>
<tr>
<td>Interview Script 12</td>
<td>71</td>
<td>10</td>
<td>4,752</td>
<td>67</td>
</tr>
<tr>
<td>Interview Script 13</td>
<td>88</td>
<td>17</td>
<td>7,753</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>685</td>
<td>133</td>
<td>61,558</td>
<td>1,143</td>
</tr>
<tr>
<td>Average</td>
<td>53</td>
<td>10</td>
<td>4,735</td>
<td>88</td>
</tr>
<tr>
<td>Std Dev</td>
<td>19</td>
<td>4</td>
<td>2,228</td>
<td>28</td>
</tr>
<tr>
<td>Minimum</td>
<td>26</td>
<td>3</td>
<td>1,345</td>
<td>50</td>
</tr>
<tr>
<td>Maximum</td>
<td>88</td>
<td>17</td>
<td>8,289</td>
<td>136</td>
</tr>
</tbody>
</table>

**Figure 15: Contributions per Interview**
The first observation that can be made from examining Figure 15 is a marked difference between the contributions the first four interviews have made compared to the latter 9 interviews. Figure 16, which counts the number of words in each interview script, confirms this. This difference is probably because the first two interviews were pilot interviews. Observably, the researcher's skills were still being refined for the next two interviews as well.

![Figure 16: Number of words per script](image)

Another interesting observation to note is the number of results obtained versus the length of the interview. One would expect that more points and arguments were made during lengthier interviews than shorter interviews.

If one compares interview number 3, which is 6 pages and 2,642 words long, with interview number 13, which is 17 pages and 7,753 words long, this assumption holds. A total of 88 passages of text were interpreted from interview 13, whilst only 31 interpretations were derived from interview 3. However, juxtaposing Interview 6 with Interview 9, it can be observed that this reasoning is not always entirely accurate. While Interview 6 and Interview 9 are roughly the same length (12 pages each; 5,808 words and 5,978 words respectively), an additional 24 entries were interpreted from Interview 6.
These examples demonstrate the range of words various executives used to discuss assorted issues. While certain executives concisely discussed any relevant issues, others spent more time elaborating, explaining and discussing an issue. A measure has been developed (see Table 13) to calculate the average amount of words an executive spent discussing an issue. "Words per contribution" divides the total amount of words in an interview script by the total number of contributions. See Figure 17 for a graphical representation of this measure.

Figure 17: Average number of words per contribution

![Average Number of Words per Contribution](image)

As can be seen from examining Figure 17 and Table 13, on average executives used an average of 88 words to construct an argument. Some executives, such as interview 1 and 2, used as few as 54 or 50 words on average respectively to make a point, whilst others, such as interview 5 and 9, used as many as 136 and 130 words on average to discuss an issue respectively. It is particularly interesting to note the different styles of discourse and oral communication, concise or more elaborate, used to make similar arguments.

5.1.2 Deductive Category Analysis

Other than measuring how much interview participants talked in terms of words, pages and contributions made, it is also interesting to observe what topics were discussed during the interviews in terms of the analytical and descriptive frameworks this study has adopted. This is, after all, one of the core focuses of content analysis. Table 14 lists each deductive category this study has adopted and defined in the coding agenda in Chapter 3 as well as the total number of appearances this deductive category has made in all interview scripts. This information could be
extracted once all phases up to Phase 8 of the research process were complete. The database was then queried to obtain these results.

Table 14: Deductive category analysis

<table>
<thead>
<tr>
<th>Deductive Category</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>281</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>141</td>
</tr>
<tr>
<td>Opportunities</td>
<td>61</td>
</tr>
<tr>
<td>Threats</td>
<td>21</td>
</tr>
<tr>
<td>Desirable Practices</td>
<td>148</td>
</tr>
<tr>
<td>Other</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>655</td>
</tr>
</tbody>
</table>

Figure 18 graphically expresses these frequencies as a percentage in a pie chart.

As can be seen from examining Table 14 and Figure 18, 40% of the contributions interview participants made during the interview process were categorised as "Strengths". Clearly this category received the most attention from participants. Contributions towards "Desirable Practices" and "Weaknesses" were made approximately equally as much as each other, with 22% and 21% of contributions respectively. Nine per cent of contributions made during the interview process related to opportunities for and in the contact centre industry. Five per cent of the interpreted passages of text were categorised as "Other".
Only three per cent of the contributions made were categorised as “Threats”. This could be because interview participants did not anticipate any threats to the industry in the foreseeable future. At the moment, the contact centre industry of the Western Cape is experiencing exceptional growth, which could make it difficult for executives to predict gloom or foresee any threats to this successful industry.

Another important technicality to note is that 31 out of 685 passages of text were identified as complaints about issues relating to the local telecommunications monopoly. This accounts for 4.5% of all entries made to the database. Eventually, this issue was recorded as a weakness as opposed to a threat to avoid double counting, even though this issue is both a weakness and a threat to the contact centre industry of South Africa. If this issue had also been deductively categorised as a threat, the percentage of threats would have been 7.5%.

Whatever the case, it is important to remember that this is a qualitative study, which focuses less on quantifying and measuring variables and places a greater emphasis on interpreting and understanding IS phenomena.

5.1.3 Inductive Category Analysis

Each deductive category (strengths, weaknesses, opportunities, threats and desirable practices) is comprised of several inductive categories, which have each been assigned a unique alphanumeric code. The inductive category analysis of each deductive category has been placed in the corresponding section’s introduction in order to make it more accessible to the reader.
5.2 Preliminary Comments

As noted in Chapter 3, the interviews were fairly open ended. Participants were free to diverge off topic and discuss related matters. Consequently, it was discovered that during the first few minutes of the interview, most participants generally spoke about three topics:

- Themselves and their contact centre operations
- The strategic importance of the contact centre industry to the Western Cape
- Some of the main reasons companies offshore outsource contact centre operations.

It is felt that while the first topic is fairly impertinent, the latter two topics are particularly applicable in the context of this study. Some of the comments which emerged from these discussions, will hence be presented, interpreted and discussed. It is felt that they provide the reader with a good overview of the contact centre industry in the Western Cape and confirm many of the points made in the literature survey about the main reasons for outsourcing contact centre operations.

5.2.1 The Strategic Importance of the Contact Centre Industry to the Western Cape

One of South Africa's major challenges is a high rate of unemployment. As a result, certain key industries have been identified by government to assist the promotion of economic activity and combat unemployment in each province. In no order of importance, the five priority sectors identified in the Western Cape, are:

1) Tourism
2) Contact Centres / Business Process Outsourcing
3) Boat Building
4) Oil and Gas
5) The Film Industry

The two main reasons the contact centre industry has been prioritised in the Western Cape are: it is a direct source of foreign investment and more importantly, it is a labour intensive industry. As one executive explained:

"One of the reasons for the contact centre industry being so important is because it is a labour intensive industry. In some businesses, you may have 3 owners or directors with a very small staff complement. In this industry, you could have one or two owners of a company and you could employ up to 1000 people – it's not unheard of. In fact, it's quite common. That's why job creation in this industry is a very key factor"
A few provinces have funded and developed their own contact centre bodies. The following quote summarizes the function of Calling the Cape – a body set up to support the contact centre industry in the Western Cape:

“We are a Western Cape based organisation funded by the provincial government of the Western Cape and the City of Cape Town to grow, improve, and promote the contact centre industry in the Western Cape.”

The contact centre industry has also been identified as a priority sector in Gauteng and KwaZulu Natal. Consequently, a national contact centre body has been established called SACCCOM (South African Contact Centre Community). As one executive explained:

“In Gauteng, we’ve got a body called Contacting Gauteng, in KwaZulu Natal, we have an organisation called KZN on Source that does exactly what we do. These three organisations form part of an umbrella national body called SACCCOM – South African Contact Centre Community. We promote South Africa as a viable offshore destination to foreign investors.”

While domestic demand for contact centre services in South Africa is relatively healthy, a significant proportion of the growth and success of this industry in the region is due to foreign investment. As one executive explained:

“Although we do place a heavy emphasis on local development... local development would almost be nothing without international investment coming in because the local market has a certain capacity. Foreign business increases that market.”

The offshore outsourced contact centre industry is clearly an important part of the Western Cape’s economy. The study of this industry is therefore relevant and hopefully contributes to its development and ultimately to the economic wellbeing of the province.

5.2.2 The Primary Reasons for Offshore Outsourcing

Executives explained that the main reasons companies offshore contact centre operations is to achieve cost savings and economies of scale as well as for practicality and accountability purposes.

5.2.2.1 Cost

Indisputably, the primary reason companies outsource contact centre operations to offshore destinations is to achieve cost savings. Contact centre operations are very expensive to run.
Accordingly, any improvements in costs will be seriously considered. As one executive remarked:

"The point is it’s expensive, a hundred seat call centre costs 2 million bucks [rands] a month to run – in South African prices, so clearly anything you can do to reduce this cost – there’s a fairly good business case to do so."

As another executive remarked, the outsourcing industry would not exist if not for the potential cost savings. These savings do however come with a certain amount of risk:

"The main driver or the key driver for offshore outsourcing is cost. Offshoring and outsourcing would not exist if it wasn’t for the cost savings. And hence the risk, because you are in fact outsourcing a certain part of your business to another company or another entity and there is always risk involved. Will the company look after your operation like you want them to? Will they meet targets that your company has set to achieve internally?"

At the heart of the offshore outsourcing decision, is the issue of how an offshore outsourcing organisation manages cost savings with risk. One executive noted:

"The problem for an outsourcing is that offshoring comes with a huge amount of risk. The real focus of any organization that is going to outsource and offshore is: how they are going to manage that risk. Because you’re putting your primary interface with your own customers in the hands of (a) another organization with a different culture and (b) an organization you can’t even see, cause they’re not at your doorstep – they’re on the other side of the world. From a business risk perspective, that’s perceived as quite a big risk."

Indeed, the perception of risk is such that the decision to offshore outsource has left the IT organisation and become a strategic board level decision, which can take very long. As one executive explained:

"...outsourcing is a very strategic decision; that decision is being made at board level. Also, the sales process is very long. I started talking to a UK client probably 2 years ago and they still may or may not outsource to us in the future."

In this light, it can be assumed that the most important question outsourcing companies want answered is how to balance risk with cost savings. This study contributes to this debate from a South African angle. It describes the risks and benefits of outsourcing to the Western Cape in terms of strengths, weaknesses, opportunities and threats. After examining these sections, it is hoped that potential outsourcing organisations will have an accurate idea of the potential benefits and risks of offshore outsourcing contact centre operations to the Western Cape. These benefits and risks can be weighed against the cost savings of outsourcing to the Western Cape.
This should ultimately provide such an organisation with an extensive business case and a value proposition for organisations considering outsourcing contact centre operations to the Western Cape.

5.2.2.2 Economies of Scale
Another reason relates to achieving economies of scale. Organisations that outsource contact centre operations have access to a higher quality of service, skill, expertise, experience and technology all at a lower price than performing such an operation internally. Outsourced contact centres can reap these benefits by consolidating similar functions from a number of organisations into one operation. As one executive noted:

"It makes sense to the outsourcer and for the outsourcer, it makes sense to consolidate... to have all these different contracts come in. Because then, in terms of economies of scale, you can offer a very, very competitive price."

5.2.2.3 Efficiency & Accountability
A common reason companies outsource any of their functions is due to increased efficiency and accountability. External organisations are almost always more accountable than internal departments. Contact centre executives explained that costs are more real when dealing with external organisations as opposed to internal departments, which push costs onto each other. Furthermore, contractual agreements and predefined SLAs (service level agreements) force external organisations to perform and attain a certain level of quality and efficiency.

5.2.2.4 Practicality
Contact centres are expensive to set up. They require heavy infrastructure investments as well as extensive ongoing operational, administrative and maintenance costs. Instead of making a costly investment in contact centre infrastructure, many companies would simply rather rent seats from an existing operator. It is far more practical to rent than buy. Companies may also have varying or very little demand for contact centre services, in which case the decision to buy is almost always not an option. As one executive explained:

"Many companies have realised that it's expensive for them to run their own call centres in house... they would rather outsource it because they don't necessarily have the requirements for 20 or 100 seats. They may need 5 or 10 seats between 8 in the morning and 8 at night... and there may be other companies, who need 20 or 30 seats at another time of the day..."
5.3 Weaknesses

In the context of this study, weaknesses were defined as limitations or faults of the Western Cape's contact centre industry as well as conditions in South Africa's business environment, which contribute negatively to the attractiveness of the region for offshore outsourcing of contact centres. Figure 19 presents all of the weaknesses identified as well as the number of times each inductive category was mentioned by interview participants.

Figure 19: Inductive category analysis of weaknesses

Overall 21 individual weaknesses were identified after completing phase 8 (see Chapter 4) of the research process. Each weakness was discussed an average of 6.3 times taking WK15 (Telkom issues) into account, but only 5.1 times, if this inductive category is ignored.

Examining Figure 19 makes clear the extent to which Weakness WK15 (Telkom Issues) dominates. It was mentioned about six times as much as the average of 5.1 occurrences. One possible interpretation of this result is that this weakness is the greatest inhibitor of growth to the industry. Another possibility is that this issue is currently on everybody's mind as it is receiving a lot of media attention at the moment. There is a lot of talk in the industry and media about the deregulation of this monopoly, the legalisation of VOIP and the creation of a second network operator.
5.3.1 HIV AIDS and Drugs (WK1)

The ramifications of the HIV and AIDS epidemic in Sub-Saharan Africa are present in all sectors of society and the economy. Like many other labour intensive industries in South Africa, it was discovered that many employees in the contact centre industry are affected by this virus, which contributes to a rising attrition rate. As one executive noted:

"HIV AIDS is a contributing factor to rising attrition. It’s not sustainable. You need some kind of stability to do business; you can’t work when your attrition is too high. Bear in mind that the contact centre industry is a sector, where attrition is generally higher than other sectors.”

Besides HIV and AIDS, it was discovered that another contributing factor to a rising agent attrition rate, particularly in the Western Cape, was a growing drug problem, commonly referred to as “tic” on the street. As one executive explained:

"...20% of the people here in the Western Cape are on tic... it is a big problem here. Those are realities that you have to deal with. No one’s burying your head in the sand and saying that that doesn’t happen. We say guys, what you do out of here is not out business, but you can’t be under the under the influence of anything while you are here at work, if you are, we’ll send you home – I know it sounds harsh, but what can you do?”

In one extreme case, an executive complained about having to escort quite a few people out of their premises every week due to “tic fits”. One executive’s explanation for this problem is the relatively young age group, which the industry primarily employs:

“...you’re dealing with young people – they’re all between the ages of 20 and 25 and they have their own young people problems: sex, drugs and rock ‘n roll. That’s the reality of people that age.”

5.3.2 Lack of Technical Skills at Agent Level (WK2)

An interesting weakness that surfaced during the interview process was a lack of IT and technical support skills at an agent level. Certain large IT organisations chose not to outsource to South Africa because of this weakness. As one executive explained:

“We had an inquiry from a large IT company... likes of, and I’m not saying it is, IBM and Microsoft, and they didn’t find the skill level high enough – technical skills.”

South African agents can be described as less “tech-savvy” than their Indian counterparts, who were described as “amazing” or “incredible”, as illustrated by the following quote:
"...when it comes down to IT skills... working for Microsoft, more technical functions, Indians generally have a knack and such an amazing ability... they're also more qualified."

This has led to the creation of a very well developed market in India, which provides a sophisticated service to Europe and the Americas. South African firms will find it very difficult to compete in this space, unless they niche themselves even further. For example, one call centre in the Western Cape provides technical support for a Dutch corporation.

5.3.3 Time Zone (WK3)

In the majority of cases, having a similar time zone to Europe and the UK was perceived as an advantage. However, when dealing with North American clients in particular, the opposite can be said. As stated by one executive:

"America is a little bit more challenging in the sense that we're anywhere between 6 and 8 hours ahead of them..."

The ramifications of serving a client in a different time zone are numerous and ultimately all lead to higher agent attrition rates. As noted by two different executives:

"I used to work as a call centre agent in Holland and I worked there for 3 years. The only reason I stopped working there was the hours. We had to work American hours, which meant that I had to work, from 3 o'clock in the afternoon until 5 in the morning – everyday! And that won't let you last long – even if you are a successful agent, which I was, you get to this stage, where you need your proper sleep and you need to eat healthy. It's so unhealthy."

"...we all know it's a difficult thing working at night. It's not natural. Most people don't like working at night. People have families, they have children... What ultimately happens is: people take it home, make it a personal thing, a host of factors and it leads to higher attrition rates. We have huge, huge increases in staff turnover rates."

Many South African call centre executives also noted the difficulty of communicating with their counterparts in different time zones. Meetings and conference calls often have to be scheduled at 9pm South African time.
5.3.4 A High Crime Rate (WK4)

Unfortunately, South Africa is generally known for a high crime rate. Many contact centres have to employ security guards and due to late working hours, one executive complained about muggings after hours. As stated by the following executive, crime affects all sectors of the economy:

"People always say the more generic things, which are not specific to our sectors, but these things are a challenge. Crime is a big concern."

While this issue was perceived as a weakness of doing business in South Africa, it was somewhat played down as a part of daily South African life, as illustrated by the following quote:

"Crime is obviously a problem... You shouldn't have to worry about it in an area like this, but you do. It's become part of life here"

As far as foreign investment is concerned, this issue has seldom been a deterrent, but a challenge nonetheless:

"Nobody has really said to us: we aren't coming here because of crime. I haven't heard of anything like that... Although I've heard people say afterwards: thank goodness we didn't go there because of the high crime rate."

5.3.5 Maturity of the Contact Centre Industry (WK5)

When speaking about the maturity of the call centre industry, it was discovered that it is important to distinguish between offshore outsourcers and local providers. Unanimously, call centre executives felt that the offshore outsourcing sector of the call centre industry was still in its infancy and has a long way to go before reaching a similar maturity level to the likes of India. The following quotes illustrate this point well:

"The maturity of our contact centre industry is in its infant stages. We're now experiencing a growth phase and the industry is maturing although we have a long way to go."

"...the industry is still young and still has a long way to go in terms of competing with India. We'll get there... I believe that we are not as mature as India is predominantly because they've been around for a long time, everybody knows about India. People are only starting to find out about South Africa."
"We’re nowhere near India... If you look at India with offshoring, they’ve gone through the growing pains, the leanings. They’ve gone through the simply things like: How do you balance the currency fluctuations with profitability. We’re going through those things right now."

These quotes imply that the offshore outsourcing contact centre industry is in its infancy as it is a relatively new sector of the economy; maturity will occur as more time passes. Many executives felt that one of the signs of an immature contact centre industry was a strong emphasis on cost as opposed to the value proposition South African contact centres can make:

"...you cannot compete with India on cost, so don’t try. You have to articulate a different value proposition. What is it that you can do for your customer’s interaction, their customer, to make it worth for them? The answer to that question cannot be cost. Because that’s not a good enough answer. It’s got to be some qualitative thing. It may be expertise in a specific vertical. It may be a cultural thing. There’s a lot of different things it can be, but the one thing it cannot be is cost."

Executives from larger call centres felt that the industry is currently comprised of many small players and maturity will occur when these smaller players consolidate and form larger, more financially capable operations. These sentiments can be seen in the following quotes:

"...in any industry... you start off with a base of whatever 100, 200 small players and as the industry matures, there will be acquisitions, acquisitions, and eventually you end up with the top 10 or top 20, with acquisitions. And all 20 will be fairly big companies. We’ve seen that with the IT industry."

"I don’t think we’re mature at all... there are a lot of small players in the market that are hampered from an access to capital perspective, so they cannot put in state of the art infrastructure. They do not have methodologies and processes that are documented that meet international standards"

Once consolidation has taken place, these larger and more mature offshore outsourcers will be able to provide a higher level of service to large international companies:

"People are going to say, we’re now comfortable to offshore 100 million rand a year, because of size. You know the company you are outsourcing to can afford it, has got the money to pay the bills, is not going to close shop in the next year. It’s a big and expensive decision to move something offshore and you’d expect it to at least run through that period, because that’s your return on investment. So, you need to make sure that the company is a stable company... we’re finding a lot of interest now in offshoring call centres, but very targeted. Guys are coming in and saying that we want to deal with companies that turn over a amount of dollars per annum — if it’s below that, not interested. So its becoming a very targeted now as opposed to lets put a tender out there and have every man and his dog with a screw driver put a tender in."
"...if I am Bank One sitting in America and I want to offshore outsource my contact centre to South Africa, I want to go to a company that I know is stable, that has got a track record, that can show me infrastructure that is on par with what I've got."

At the moment, many contact centres in the Western Cape do not have the size and resources to win contracts from large international clients. Once consolidation has occurred, the industry will be comprised of bigger and more mature call centre operations, which will be capable of handling larger volumes of international work.

5.3.6 Rand Volatility (WK6)

Rand volatility is arguably one of the biggest weaknesses of the country for any kind of international business relationship. One executive described South Africa's currency fluctuations as simply "unbelievable". The following quotes illustrate the frustrations contact centres in the Western Cape have with this issue:

"We're not really too concerned about how strong or how weak the rand is as much as we are about how volatile the rand is."

"Having a currency that does fluctuate obviously affects the customer and it affects us... How do we find that fine balance between the two, which keeps the customer happy and keeps us profitable?"

Perhaps the biggest blow to the contact centre industry in the Western Cape was a loss of interest from huge American ecommerce giant, amazon.com, primarily due to this issue:

"We lost the Amazon people because on one day, the Rand dropped down to 6.5 ...that was purely due to investors saying: well... we don't know what's going to happen to the rand. At this rate, its going to cost us 12 million, at that rate, its going to cost us R15 million... it's a big discrepancy there in price."

5.3.7 Power Outages (WK7)

Perhaps this issue surfaced more than it should have, as the period in which data was gathered for this study was marked by a series of unusual power outages in the region. Nonetheless, many of the call centre executives interviewed expressed concern over the impact this issue has had on the attractiveness of the Western Cape for offshore outsourcing contact centres – an environment in which even several minutes of downtime can cost both client and outsourcer dearly. As noted by the following executive:
"Something like a power failure in Cape Town could all of a sudden affect your market from global continuity. And that has happened... It certainly has thrown a spanner in the works as far as the contact centre industry goes."

Other executives lamented over what appeared to be a deteriorating situation:

"...we used to brag about Eskom being the world’s 2nd most efficient supplier of energy. The cheapest in the world I think... globally very, very effective and efficient, but unfortunately the tables seem to have turned... We can’t hide from the reality – it’s a bit of the mess up for the Western Cape."

In one case, one contact centre lost a global account due a sudden loss of power. In the following quote, an executive recounts her experiences:

"We were in the middle of a very big tender with a large American airline and they couldn’t get hold of us for that specific reason. We had a power outage, we were in crisis mode, we were trying to get calls re-routed and they said: ‘does this happen on a fairly regular basis?’ And unfortunately, we had to say yes. And unfortunately, we lost that account."

5.3.8 Shortage of Middle Management Skills (WK8)

Another major weakness of the call centre industry in the Western Cape as far as labour is concerned is a lack of middle management skills. As noted by one executive, “there seems to be a void in that area”. The following quotes, made by other call centre executives, illustrate the gravity of the situation:

"In Cape Town, there are probably 6 or 7 call centre managers that are great and we know them all personally"

"We do have a shortage of middle management, which most people in the industry are talking about. It’s a big problem. It’s a massive problem. It’s a bigger problem than the amount of noise you’ll read about it, because it is the thing that drives maturity; it is the thing that drives operational performance. The ability to have that team leader at call centre management level that understands how to look at the MIS and see what’s happening with the business, that understands how to drive people, and what motivates people and what behaviour motivates people is key to call centre performance... having a lack at that level is a fundamental weakness.”

The latter quote implies that this weakness contributes negatively to the maturity of the industry. It also conveys the seriousness of the situation, which according to one executive is such that middle managers are being imported into South Africa from overseas.
Executives offered two reasons for this skills shortage. Some felt that many South Africans do not perceive call centre employment as a career and hence leave before they are able to reach a middle management level. Others explained that they personally trained and groomed many of their middle managers only to see them move to greener pastures before completing their training:

"...we've got serious problems in middle management in call centres in Cape Town – there's no middle management whatsoever. And it's a problem. A lot of the guys we've got here, I've personally trained to come through the ranks. And then they have half the skill before they bugger off to the next call centre – they just keep on moving."

Many executives raised their concerns over this issue and in the words of one of them, "If we don't start to up-skill, we're going to run into problems" indicating that if this problem is not addressed, the situation could become even more serious.

5.3.9 Stringent Labour Laws (WK9)

Many executives voiced concern over the country's somewhat stringent or rigid labour laws. Executives expressed the difficulty they faced in making decisions about letting go of human resources. As one executive explained:

"...our labour law is not in our favour. We've taken 2 years to set up a contract of employment that's beneficial to both parties. Letting people go is a challenge... If you don't do it properly, you can be in a lot of hot water with the labour law and the CCMA. I don't think the labour law is in our favour – call centre operations."

Due to the difficulty call centres face in letting go of personnel, they are also more reluctant to hire new staff:

"It is very difficult to employ somebody in this country and, if that person doesn't work, to get rid of them and replace them with somebody better suited for the job... when it comes to employing people, you've really got to think twice. Do you really need to fill that spot? Is it a temporary spot? If you've got several candidates in mind, which one do you choose? Because you can't contract both – you might need to replace that person. And the amount of time companies spend sitting at the CCMA is a hell of a lot of time wasted."

Perhaps the biggest criticism executives have with the country's labour legislation is the amount of time it consumes. The latter quote conveys this point well. Many executives felt that they spend too much time trying to comply with labour legislation, leaving them less time to run and operate an efficient contact centre. Some executives even revealed that they spent a lot of time and money employing consultants to help them comply and deal with labour legislation issues.
5.3.10 Public Transport (WK10)

One of the shortcomings of running any type of labour intensive operation in South Africa is an inadequate public transport infrastructure. As stated by one executive:

"Our public transport infrastructure is atrocious... certainly not suited to this industry."

The problem worsens towards nightfall when public transport becomes non-existent. A number of contact centres have taken on the responsibility of providing transport for their employees between home and work. This has however placed an additional burden on overheads, as explained by the following executive:

"Transport is a big concern. You open up a call centre and you have to hire the exorbitant costs of car- ing people from one area to another, whereas you could use a cheaper method of transport, which is public transport."

5.3.11 Perceptions of Contact Centre Employment as Temporary (WK11)

Similarly to many developed nations, it was discovered many South African agents perceive contact centre employment as temporary:

"...in South Africa, you find that it is a one stop here. You stop here for one or two years and the next available opportunity, you’re out of the call centre environment"

Many executives felt that this was due to the fact that the contact centre industry is relatively new to South Africans, who are not yet aware of the career opportunities that exist in the industry:

"The call centre industry in the country is new, so therefore people see the role of a call centre agent in as a temporary measure towards getting a suitable prospect or suitable job."

Some executives felt that one of the effects of this perception is a lack of career development in the industry – a self fulfilling prophecy:

"There is a lack, in terms of perception, of people seeing the call centre industry actually as a career. Because of a lack of understanding and because of the poor perception that exists of the contact centre industry as a career, there’s been a lack of career development in the industry. But that is starting to change."
5.3.12 Access to start up capital (WK12)

Many executives felt that South African banks and venture capitalists lack experience and understanding of service oriented industries, such as the contact centre industry. This has made it difficult for some contact centres to access start up capital. Ultimately, many operators were forced to look elsewhere:

"From the financial side of it – it does make it difficult to gather capital. You go to the bank and tell them you need to grow your call centre, you need capital to buy the kit to do so – it’s very expensive and the banks aren’t very accommodative. One of the challenges in the industry is getting the financial world to invest in service orientated businesses. In the end we just had to raise the capital ourselves...."

Some executives complained that banks and venture capitalists are not nimble enough to understand such a fast moving industry. Many felt that South African financial institutions simply do not understand the nature of the contact centre industry and its potential for growth:

"It’s that nimbleness again. In three years, a very healthy attractive business has developed here and banks don’t know what it is so they won’t invest with people to develop the industry, particularly because it’s service.... what is our product? Service. It doesn’t exist as far as the bank is concerned. What is the product? They don’t understand that."

"When you’re talking to the bank and tell them your client is the second largest insurer in the UK, they tell you ‘yes, so?’ That’s where the cultural divide materializes. People here don’t understand the magnitude of UK’s business as far as outsourcing is concerned."

"They ask you for financials and we show them – this company particularly has grown from 40 seats in February to 1000 seats two years later. And they say ‘these figures can’t be right!’... When was the last time a South African organization grew 50 fold?"

One executive felt that South African banks have not evolved at a fast enough pace due to a somewhat monopolistic banking sector. This has led to an arrogant attitude, which he felt South African banks have. As recollected by this participant:

"If you look at the banks here, there is that arrogant attitude. Why do you want to be a customer here? You have to almost prove yourself to the bank. Whereas in the UK, if you want to be a customer here, come on in – let me show you how I can make a difference in your life.... If you look at the UK, people carry 6 or 7 credit cards around with them. Whereas attitudinally in South Africa, you’ll be lucky to only carry one credit card around with you. I went to Nedbank the other day and I asked them: why should I be one of your customers. And they said, we have great service and I said no you don’t. You have long queues, your service is horrible, I’m just a number, and your call centre is not that good. I said I’ll go to Standard, which is bad, but not as bad as you.”
5.3.13 South African Business’ Understanding of the Industry (WK13)

This weakness relates closely to weakness WK12 and opportunity OP5. South African financial institutions are not the only sector of the economy that does not understand the contact centre industry. It was generally felt that most South African businesses had not fully realised the potential benefits arising from employing a contact centre. As explained by one executive:

"The South African market doesn’t understand the need for call centres. In the UK, they understand the need for call centres. They understand what you’re talking about."

As elucidated by the following interview participant, a better understanding of contact centres by business would be beneficial to the contact centre industry and business:

"There are South African corporates that do not have a great understanding of the contact centre industry. So we’ve got to come in and say: this is what the contact centre industry is; this is what it can do for you; this is how it can aid your business... you can improve on sales... instead of having people sitting at desks and just making calls and having brokers out there, you could consolidate that into a call centre and have aggressive outbound selling techniques... The local industry is still very, very big in South Africa."

5.3.14 Government Support (WK14)

The issue of government support for the contact centre industry in the Western Cape was probably the most controversial topic discussed by the interview participants. While many perceived government support as a strength, others felt there were areas where support was lacking. Possibly the biggest criticism call centres had with government support was that it was too little too late. The following quotes echo this perception:

"I think government has come to the party a bit late... The support has been improving, but I do feel that there was a bit too little too late."

"I’m a bit disappointed in government support. It is improving, but it’s not at the level that, for example, Ireland managed to get it to..."

Certain participants explained that their criticism of government support was that it was not as agile as it needs to be in an ever changing industry:

"The criticism I have about government is that they are not nimble enough to change direction as one needs to do in an ever changing market place. It’s almost like trying to put a 747 in reverse. It takes a lot of time to turn. The outsourcing industry is forever changing and it may be driven by customer demand, customer rejection, problems in India, shortage of jobs in UK, union pressure. The messaging into that market needs to be able to adapt, especially with a growing industry here. One has to change regularly to
keep in tune with client expectations. If you want to play in this space, you’ve got to know what you are dealing with and you’ve got to be in tune with it.”

As implied by the latter quotes, government support is present in the call centre industry. The weakness of this support is that it came too late and that it is not nimble enough to adapt to an ever changing industry. One of the frustrating outcomes of government’s slow pace, which call centres have had to deal with is confusing and incoherent marketing of the region’s attractiveness to potential clients. As noted by one executive:

“...how much does a call centre agent earn? We say R5000 a month, government says R3000 a month and Calling the Cape says R4000 a month... from an operations point of view it makes us look like we are a) over paying our staff or b) not giving clear information... It’s small things like that.”

Specifically, many executives felt that government support, as far as providing formalised training programs and bursaries for new entrants into the contact centre industry, was lacking. As noted by the following executives:

“...how much formalized training really is there for call centres? We’ve read about lack of team leaders, but we’ve only found two team leader courses out there!”

“Government support is poor – very, very poor. Learnership is a complete embarrassment. I’m thinking of a stronger word, but it’s just a complete disaster. It’s very badly managed. This whole learnership CISA story – we’ve tried 3 or 4 times and it just doesn’t work. The whole thing about learnership and paying a skills levy is actually utterly pathetic...”

5.3.15 Telkom Issues (WK15)
Possibly the biggest weakness and threat to the contact centre industry in South Africa is Telkom. Telkom has a monopoly on much of the telecommunication in South Africa. This was perceived as an inhibiting factor to the growth of the industry. As noted by these executives:

“It [Telkom] definitely is holding back the growth of call centres here...”

“There’s no government support for telecommunications costs. If anything, they’re holding back the whole Telkom monopoly, which is a serious, serious growth inhibitor...”

“There’s not really much pressure on Telkom to do anything differently – they still control most of the accesses out of the country; they control most of the bandwidth of the pipes.”
Notably, many executives felt that government support, as far as the deregulation of this monopoly is concerned, was sorely lacking. Due to the large amount of attention paid to Telkom related issues during the interview process, its discussion has been broken down into specific several concerns, which are discussed in the subsequent paragraphs.

5.3.15.1 Exorbitant Telecommunications Costs

Perhaps the biggest complaint executives made about the Telkom monopoly is the exorbitant cost of telecommunications in the country. Executives described Telkom costs as prohibitive, expensive, exorbitant and uncompetitive. In the words of one executive, it’s a disaster. As noted by other executives:

“I think our biggest problem is our telecomm costs in South Africa – they’re just not competitive.”

“Telecommunication costs are exorbitant in the industry... Call centres are unable to be competitive because of an exorbitant international rate.”

“One of the biggest costs, of course is Telkom. That’s a disaster.”

5.3.15.2 Bandwidth Cost

Added to the high cost of voice, another prohibiting factor of the Telkom monopoly is the cost of data or bandwidth:

“...a lot of call centres that cannot compete sustainably at the international outsourcing level because of the prohibitive cost of communications, whether it be data or voice.”

The high cost of bandwidth inhibits the growth of the contact centre industry in three ways. Firstly, it makes accessing offshore client information a very costly exercise. While a lot of contact centres provide voice services to offshore clients, client information resides on information systems, which reside in their home country. This information has to be accessed by offshore locations in order to provide a service to offshore clients:

“Remember that even with call centres, there are two elements. You need the Telco link, but you also need the data link... If I’m doing inbound call centre and clients are requesting information, I need a link to the onshore information and that is an absolute killer. The cost of bandwidth in South Africa is just crazy – absolutely crazy.”
Secondly, the high cost of data communication inhibits the amount of bandwidth work that can be done in South Africa:

"We get inquiries here for bandwidth work and when we tell them what we have here at the call centre, they say – well… that’s what my daughter has at home. I’m from Holland originally and the kids there have bandwidth at home that we would only dream of in the call centre. That’s currently a problem… the two big problems are the Telkom infrastructure and the high cost of bandwidth."

Thirdly and perhaps most importantly, the high cost of bandwidth is an inhibiting factor to the growth and use of VOIP in the contact centre industry:

"There are techniques for virtualizing global call centre infrastructure that you can do that are limited by the way that Telkom does business. Voice over IP is a good example. Telkom’s VOIP solution delivers the last mile, but their billing system isn’t working that great. Now that limits the CTI communications that you can have for a globalized, virtualized, call centre network – it strains your architecture. Those problems would go away with innovation. It’s not the bandwidth cost that would change; it’s the architectural costs that could improve."

"…the big issue at that time was voice over IP. Voice can be carried over data cables. Telkom wanted voice to go through their PABX and then go across as data and come up as voice in the UK through a PABX that they can control. So, they could keep the records and bill people accordingly. This is unheard of… Call centres are unable to be competitive because of an exorbitant international rate."

5.3.15.3 Poor Service

Executives also generally felt that because Telkom is a monopoly, it can get away with poor after sales service and support. Frustrated contact centres do not have any other choice, but to make use of Telkom. Certain executives described Telkom’s attitude as unaccommodating and arrogant:

"One thing that I do find is that Telkom is so arrogant. We are a massive user of theirs and yet they do nothing to make it easier for us to do business with them. They’re a monopoly. I’ve never had them phone me and say ‘hey you’ve a big user; you spend a million rand a month on us; can we call round to see you; is there anything we can offer?’"

Compared with the quality of telecom services available in other countries, Telkom’s poor service was perceived as a big weakness:

"I lived in New Zealand and I wanted to install a landline and they called me and asked me what time suits you? What time today or tomorrow would be good for us to come to my house and install the line? That kind of service with Telkom is unheard of here."
5.3.16. Overall Costs (WK17)

One of the major inhibitors of foreign investment, in terms of contact centres, into the country has been that overall costs are not low enough to justify the move. Generally, costs are low, quality is better and the risk is lower than other destinations, but for companies, whose primary objective in offshore outsourcing is cost reduction, this value proposition is not enough and does not offer a good enough price saving.

Executives noted that certain companies felt that if cost reduction is the offshore outsourcing client's primary objective, then it is not worth coming to South Africa for a 30 to 35% cost saving when they can get up to 50 or 60% cost reductions in India. However, as noted by one executive, this issue very much depends on what the client’s primary objective is for offshore outsourcing:

“If you want the lowest cost... If cost is your only driver, go to India. If service is your only driver and cost is not that much of a driver, we recommend South Africa cause you will pay a premium to come to South Africa, but the service is guaranteed to be a bit better because of certain criteria.”

Coupled with this are start up and capital costs, which all companies have to incur when setting up a contact centre in an offshore outsourcing. The initial cost of setting up a contact centre is enormous. Some executives felt that this initial cost is too high to justify a move for many companies, who would rather keep their contact centres onshore. A suggestion that local contact centres made to curb this expense is to partner up with a local firm, which has already made the initial infrastructure investment (see desirable practice DP15).

5.3.17. Minor Cultural Issues (WK18)

Some executives brought attention to minor cultural issues with South African agents. One executive, for example, felt that one of the weaknesses South African agents have is that it is difficult for them to admit their mistakes. Another executive stated:

“South Africans are also not all that good at conflict resolution. They deal with it in two ways, both of which are unhealthy. They are either aggressive or subservient.”

Another observation made by one executive was an inferiority complex, which many South Africans have when comparing themselves to more developed countries:

“There is an attitude that whatever comes from overseas is better and that’s not always the case and there’s an arrogance in feeling that they are better than we are”
Another executive described what he called “a strange work ethic”. This executive felt that in many cases, South African agents lack ambition, motivation and drive. This executive felt that South African agents will do only as much work as they as required to do and very seldom pass expectations:

“The work ethic is a strange one.... We’ll give them a target for the day. Let’s say its three sales a day. Then you can do what you want. You can carry on selling or go home. They’ll do the three sales and go home.... Instead of saying wow, its 11 in the morning and I’ve done three sales – if I can do another 3 by 4 in the afternoon, then I can double my salary. They would rather take the afternoon off. They’re youngsters. Maybe that’s more important to them.”

One interpretation that can arise from examining these quotes is that some foreign executives feel many South African agents are content with being mediocre and doing just enough work to get by, live relatively comfortably and lead happy lives; an attitude some foreign executives have difficulty understanding.

5.3.18. Property Issues (WK19)

Several complaints were made about certain business property issues in the South African business environment. One executive, for example, stated that finding suitable office space for contact centre operations was a challenge:

“The number of suitable buildings to house medium size, by medium size I mean 250 seat centres... particularly in town is limited.”

Another executive found South African landlords challenging to deal with. She felt that this was due to high competition for office space in the Western Cape:

“...landlords are quite difficult to deal with. Because there’s so much more competition, people are running after you in Europe. They’re really providing top class services to get you to sign up with them. Whereas here, it’s a lot more lax... there isn’t the fight, the aggressive...”

5.3.19 Issues with the North American Market (WK21)

Many executives highlighted the difficulties contact centres in the Western Cape face when servicing North American clients. For some executives, the issue is cultural. As one Cape Town executive from a multinational contact centre facility explained:
"American clients are difficult to deal with. A lot of our American calls are actually dealt with in America or in Brisbane. We tend to have a cultural difference with America, so it’s quite difficult and the local agents don’t like to deal with the American market. We’re very passive people here and Americans are very the opposite.”

Other than cultural differences, some executives expressed the difficulty local agents had when trying to understand Middle American accents as well as accents from certain areas in the UK:

"Communication is a two way thing and if there is a bad accent on the other end, it’s difficult. It’s the same sort of thing with certain areas in the UK. We battle with Glaswegians, New Castle – some of those harder English accents. When you talk to someone from the States, it’s even harder; like a Tennessee accent. East and West again are fine. In America, they’ve got very neutral accents in the East and West coast. They’re very international. But places like Tennessee and Kentucky – I battle to understand those accents.”

The accent issue is not the only barrier with Middle America. As one executive explained:

"Middle America and people in the south don’t even like taking calls from people in New York.”

Another difficulty cited when dealing with North American clients is a lack of available Spanish language skills necessary to service a certain portion of this population:

"There is a large Spanish contingent in America, which we don’t have the skills and magnitude to answer that.”

Despite these difficulties, there are still several contact centres in the Western Cape servicing this market and it is perceived as a potential opportunity, which contact centres can exploit (see opportunity OP16). This suggests that while many of these issues exist, they are not significant enough to block investment from North America.

5.3.20 High turnover rates in outbound sales (WK22)

Not surprisingly, many executives remarked that agents doing outbound work generally had very high turnover rates:

"The average life cycle of an agent is 6 months in a call centre. Our outbound is 4 to 6 months. Inbound is about 8 to 12 months.”

"...we go through very high staff turnover. The life span of a tele-sales agent is not very long.”

Many suggestions were made by executives as to how the life span of these agents could be extended. These are further elaborated upon in the desirable practices section of the findings.
5.3.21 Cost of Labour and Back Office Processing (WK1624)

The cost of South African labour was perceived to be a weakness when compared with certain offshore destinations, such as India, the Philippines and parts of South America. Due to the fact that the cost of labour is one of the key drivers of offshore outsourcing, executives perceived this issue to be a weakness in a South African context:

"India is still the cheapest destination as far as cost is concerned. Within the next 10 years, I don’t think there will be another country that will be able to compete with India on the basis of cost. Cost is one of the key driving factors and that’s why India has such a mature contact centre and BPO industry."

"Undoubtedly, the way labour costs are judged and measured – labour is cheaper in India than it is in South Africa."

"The biggest factor companies consider when outsourcing call centre operations is cost. Cost is the biggest factor and that’s why Americans like outsourcing their call centres to India – the cost is very cheap"

The higher cost of labour was perceived to be a weakness, especially for back office operations, which are relatively straight-forward and require very little voice communication, if any. Many executives viewed these processes as lower value added services, making it less feasible to perform this nature of work in South Africa:

"When you get to pure back-office work – I want to change my credit card details, people would rather take it to India or the Philippines because of the price."

"That’s [BPO] where India is seen to be a very favourable location, because you can get those services very, very cheaply. I believe we can do it just as well in this country, but you won’t get it as cheaply as you can in India."

"The very simple process, where there is no selling involved or just simple data capturing, the Indians are just good at it at half the price we are. We call it the dollar an hour. In India, you can get staff done for a dollar an hour and we just can’t compete."

However, certain executives felt that while labour in South African is more expensive than certain other destinations, the risk of outsourcing to a destination, such as South Africa, was considerably less:

"I think it’s important for us to know that we don’t want to be the cheapest. There’s other reasons why international organizations would look at South Africa. If you look at any sort of decision like outsourcing, you’ve got to balance cost with risk and service."
5.4 Opportunities

For the purposes of this study, an opportunity was defined as any favourable trend or situation in the offshore outsourcing contact centre industry of the Western Cape or its external business environment that can be exploited. Figure 20 presents all of the opportunities identified as well as the number of times each individual opportunity was mentioned during the interview process.

Overall, 16 individual opportunities were identified. On average, each opportunity was mentioned 3.7 times. While certain opportunities were only mentioned once, the strength of the argument was such that it was decided to include them. As mentioned earlier, qualitative interpretative studies are less concerned with measurement and more concerned with meaning.

As can be seen from Figure 20, the two most mentioned opportunities were OP1, the UK market and OP5, the South African market. This illustrates the importance of both the domestic market for contact centre services and the potential that exists overseas for South African operators, especially in the UK.
5.4.1 The UK Market (OP1)

Many of the contact centres interviewed cited the UK as their primary market. As stated by many of the interview participants:

“Our main market is in the UK”

“There is enough business in this country to develop a sustainable industry from the UK alone.”

“78% of Calling the Cape’s market is in the UK. And if that’s where most of our market is, that’s where we will focus. It’s successful.”

“Most of our income comes from the UK and I’d say that that’s where most of the opportunities lie for South African call centres”

These quotes highlight the importance of the UK market to South African contact centres. This is where the majority of offshore work is outsourced from to the Western Cape and clearly a strategic target market for the contact centre industry. Some of the strengths, which work towards South Africa’s advantage as an outsourcing destination, and can help exploit this opportunity, include cultural affinity, empathy, a neutral accent and a good command and competency of the English language.

5.4.2 Voice over IP (VOIP) (OP2)

Most of the call centres interviewed indicated that they had already implemented or begun implementing a VOIP infrastructure. Since February 2006, VOIP has become legal in South Africa, creating huge potential cost savings opportunity for South African call centres:

“...if you use technology like VOIP, it’s cheaper for us to call to call the UK, than it is for UK to UK calls”

VOIP is undoubtedly a technology that all contact centres servicing offshore clients should consider employing.

5.4.3 Niche IT Services (OP3)

One interesting opportunity that surfaced through discussion with several contact centre executives was a gap in the market for niche IT services. These services include ISP support, ecommerce support and outbound selling. Quite a few executives noted the opportunities that exist for selling IT solutions over the phone:
“There is a big and growing SMME market here that cannot be tapped into by using face-to-face interaction.... The most effective way is to use the telephone. And sales into this market are substantial.”

“If you know what you’re doing and you’re in the right niche, it’s actually quite amazing how much money there’s to be made here... I make something like four or five calls a day and sometimes those are inbound – all referral from our other clients, who sometimes even ask for an online web demo of the software we sell. This is much different to a four or five hundred sweat shop Indian style call centre. Our hours are flexible and we make a lot of money out of each sale.”

As noted by this executive, lucrative opportunities exist in this market, however due to the skills specialisation required to penetrate this highly specialised market, barriers to entry are high.

5.4.4 The Dutch Speaking Market (OP4)

It is well known that Afrikaans and Dutch are similar languages. Given that a significant proportion of the Western Cape population speak Afrikaans fluently, an opportunity mentioned frequently was the Dutch speaking market. Training courses are available in Cape Town, which teach Afrikaans speakers Dutch. As one interview participant explained:

“We run a program in conjunction with the South African Netherlands Chamber of Commerce... It’s a three month Dutch conversion program whereby we take Afrikaans [speaking] people and teach them to speak Dutch. Surprisingly, the easiest people to train and the accent that is most suited to the training is the Cape Flats accent – it’s very flexible. In three months, the agent is able to speak Dutch and then it still requires another 6 months of the agent working in a call centre before the agent is really mature enough to handle international calls by Dutch clients.”

Given the availability of such a large pool of potential Dutch speakers, the opportunities for the contact centre industry of the Western Cape to tap into the Dutch speaking market are evident. Many contact centres in the region have already exploited this opportunity.

5.4.5 The South African Market (OP5)

An unanticipated opportunity that came out very strongly during the interview process was the potential that exists in the South African market for contact centre services. Many executives expressed strong interest in the local market:

“There’s quite a large local market into which we can tap into here too.”
"We have two markets, which we are interested in. One is the South African market and the second is the UK market."

"We see as much opportunity into the South African market as the UK market."

"...there's huge opportunities for domestic call centres, which would create big employment and that would create growth in the economy. In the UK, an average person gets between 6 and 7 calls a day – you've never had a call at home."

Indeed, many of the contact centres that participated in this study had both offshore and onshore clients. Many operations felt that there existed even more potential in the South African market than they had already tapped into. For instance, one executive perceived the wide-spread use of cell phones in the country as a potential opportunity:

"Everyone has a cell phone. The other day I was watching the guy collecting my rubbish run after the truck and talk on his cell phone at the same time. Now everyone can talk. Cell phones have really changed the call centre industry in South Africa."

Other opportunities include after sales service and support, outbound African language campaigns, general outbound selling and inbound FMCG product inquiries. Many executives also highlighted the benefits South African companies could achieve by using contact centres as part of their customer retention strategies in addition to customer acquisition:

"...people in South Africa do not see the benefit of customer care and call centre. Whenever you've bought something in South Africa, you don't get a customer care phone call. I believe in customer care very strongly. I think sales and customer care are a lot closer than people say. The South Africa businesses are very good hunters, but not very good farmers. How many times have you received a call after buying a product?"

5.4.6 The European Market (OP6)

There are also many other opportunities South African contact centres could exploit in Europe – most notably French and German speaking European. French and German speaking agents are available for contact centres in the Western Cape to utilise. Where there is a lack, German speakers can always be sourced from neighbouring country Namibia. Similarly, sourcing French agents from the neighbouring francophone countries, such as the DRC and Congo, is always a possibility. Many of these potential agents have already immigrated and are living in Cape Town.
5.4.7 Follow-The-Sun Service (OP7)

By forming strategic global partnerships with various contact centres in key destinations around the world (see desirable practice DP15), contact centres will be able to provide clients 24 hour services, also known as follow-the-sun service. This capability has the potential to increase the number of potential clients a contact centre has access to and provides opportunities for reciprocal business relationships to develop between these global operations (see opportunity OP17).

5.4.8 The Offset Program (OP8)

As part of the Arms Procurement deal, which South Africa set up with certain European firms, an offset programme was established. It stipulates that in return for South Africa purchasing arms to a certain value from a European firm, that firm should in turn invest a certain amount back into South Africa. As one executive explained:

"What a lot of these companies are now doing is investing in call centres in South Africa because not only are they meeting the offset requirements as per the arms procurement deal, but what they're also doing is they're benefiting their own companies as a result of lower cost labour by setting up call centres."

The offset program is potentially big business for both South African and European countries and a huge opportunity for the contact centre industry in the Western Cape:

"There's a lot of companies in the UK that are setting up companies just to help them assist the offset"

"...they are by default forced to come to South Africa as a result of the offset program."

5.4.9 Services for Previously Disadvantaged Communities (OP91)

Certain executives cited previously disadvantaged communities as new and viable markets to sell products and services to. Having been previously excluded from the economy, this market was perceived by executives as an untapped opportunity:

"They like being contacted... someone phoning them and telling them about something is very welcomed. It's a novelty. It's something new. To us, we're worn out."
5.4.10 Visually Impaired and Handicapped Agents (OP92)

Certain executives noted the opportunities and potential benefits contact centres could achieve by employing handicapped or visually impaired individuals as agents. Not only are opportunities created for those who can be potentially employed, but contact centres also benefit by having increased access to labour.

The physical design of the centre can be easily geared towards providing access for people with disabilities, thereby increasing the number of potential agents a call centre can employ. As for visually impaired individuals, software is available on the market that is specifically designed for use by such agents. This special software reads to the agent from the screen in one ear, while the agent can hear what the client is saying from the other ear. At least one call centre exists in the Western Cape, which exclusively employs visually impaired agents.

5.4.11 Opportunities for individuals with no previous work experience (OP10)

One of the paradoxical problems South Africa is facing is high unemployment rates coupled with a skills shortage. The contact centre industry was perceived by many executives as a solution to this problem by employing personnel with little or no work experience and developing them into professionals, who can then either continue their career in the contact centre industry or move to other industries, such as the financial services industry. As one executive noted:

"It's almost like a starting ground for people who may want to go into the financial services industry or the call centre industry... In terms of the training that we provide them, the financial services accreditation with the financial services board that we provide them with... these are all things they can take away with them and they can use when they leave."

The contact centre industry was also seen by many executives as an ideal starting ground for fresh graduates, with little or no work experience. As one executive noted:

"Call centres then become an ideal vehicle to take them [graduates] from just being trained to being trained plus having job experience"
5.4.12 Government Services (OP11)
An interesting opportunity that surfaced through discussions with one executive in particular, was an opportunity for South African call centres to provide government services, both locally and internationally. Government call centres are generally perceived as less efficient and productive than private operations. Given the high magnitude of calls they receive on a daily basis, an opportunity exists to outsource these operations:

“In jo’burg, I know their call centre virtually collapsed under the weight of everyone calling. ... After about 20 minutes, the whole call centre collapsed.”

5.4.13 Offshore Clients (OP12)
Possibly the biggest implicit opportunity executives alluded to throughout the interview process was to service and exploit offshore client companies. While certain operations have diversified their portfolio of clients between onshore and offshore clients, others exclusively serviced offshore clients:

“All our clients are offshore. We have no local clients at all.”

5.4.14 Cross Selling (OP14)
An opportunity contact centres that have a diverse portfolio of clients (see desirable practice DP7) can take advantage of, provided they have the right technology (see desirable practice DP10), is additional income from cross selling products and services. Contact centres can exploit this opportunity by offering customers from certain client companies products from other client companies, provided that both parties are in agreement.

5.4.15 The US Market (OP16)
While the US market may not have been perceived as big an opportunity as other offshore markets, especially the UK and European markets, certain contact centre operations did see opportunities there:

“Our strength lies in North America... North America is by far our biggest client.”

“Our clients come from all over the world. We have clients from the UK and the US.”
5.4.16 A Reciprocal Business Relationship with India (OP17)

Many contact centre executives felt that Indian operators were not a threat to the contact centre industry of the Western Cape. As one executive explained:

"I wouldn't really count India as a threat because we serve different parts of the market."

Rather, executives felt that South African contact centres complemented Indian operations as each serviced a different part of the market:

"South Africa is a great complement to India, who tends to be able to do high volume low value call and South Africa is able to do high quality, less volume calls."

It was hence felt that greater opportunities could hence be created for both the South African and Indian contact centre industries by having a reciprocal or complementary business relationship with one another. By teaming up together with Indian operators (see desirable practice DP15), more business could be created for both countries:

"We're saying that there are certain campaigns that seem to be better suited to South Africa – send them our way. And we will send other campaigns that are better suited to India your way."
5.5 Threats

In the context of this study, a threat was defined as an unfavourable situation or trend outside of South Africa's business environment that has the potential to be damaging to the offshore outsourcing contact centre industry of the Western Cape. Figure 21 presents all of the threats included in this study as well as the number of contributions made towards the development of each threat.

Figure 21: Inductive category analysis of threats

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Threats: Inductive Category Analysis

- Saturated Offshore Outbound Markets (TH69)
- China (TH5)
- Near-Sourcing (TH238)
- List Brokers (TH10)
- India (TH1)
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All in all, only 5 threats were finalised and included in the findings of the study. Initially, 8 threats were identified, but these were eventually merged as it was felt that they discussed similar issues. As can be seen from examining Figure 21, the two threats that received the most attention from executives were “India” and a growing trend to near-source contact centre operations rather than offshore outsource them.
5.5.1 India (TH1)

Arguably, one of the biggest threats to the South African contact centre industry is the Indian contact centre industry. This was an interesting discovery as many executives did not perceive India as a threat as they felt that India serviced a different sector of the offshore outsourcing market (see the opportunity OP17).

From a quantitative perspective, it is interesting to note the number of sentences in the interview transcripts that mention certain regions of the world. As can be seen in Table 15, the word "India" is mentioned 127 times, implying that the Indian contact centre industry certainly is one of the Western Cape’s main competitors.

<table>
<thead>
<tr>
<th>Word</th>
<th>Number of sentences with occurrence</th>
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<tbody>
<tr>
<td>South Africa</td>
<td>200</td>
</tr>
<tr>
<td>UK</td>
<td>142</td>
</tr>
<tr>
<td>India</td>
<td>127</td>
</tr>
<tr>
<td>Western Cape</td>
<td>68</td>
</tr>
<tr>
<td>Europe</td>
<td>29</td>
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Two factors contributed towards the decision to count India as a threat. Firstly, it was noticed that without being asked almost all the executives interviewed automatically compared and contrasted South Africa’s contact centre industry with India’s. This suggests that while many executives did not admit the Indian threat, they were certainly aware of its presence.

Secondly, nearly half the executives interviewed simply acknowledged India as a threat. The following quotations are good examples of this:

“India is still the holy grail of offshore outsourcing...”

“The reason I keep mentioning India is that India is the biggest competitor to South Africa as far as call centres go”

“India is definitely one of our main competitors”

“The main contender for international, offshore contact centres is India...”

The reason given by participants was that:

“India is still the cheapest destination as far as cost is concerned. Within the next 10 years, I don’t think there will be another country that will be able to compete with India on the basis of cost. Cost is one of the key driving factors and that’s why India has such a mature contact centre and BPO industry.”
5.5.2 Near-Sourcing (TH238)

5.5.2.1 A Growing Trend to Near-Source

A threat that worried many executives was a growing trend amongst corporations in developed countries to "near-source". As clearly stated by one executive:

"...if a company has made the decision to outsource, they would rather do it closer than further."

One of the main motivations for near-sourcing is that it is easier to manage an outsourcer that is closer to home than one which is geographically farther. Near-source destinations can also be more culturally aligned with their target markets than offshore destinations.

5.5.2.2 Canada and Eastern Europe

Two regions that emerged as threats to the South African contact centre industry as a result of this global trend were Eastern Europe and Canada. As one executive explained:

"We’ve had no clients who’ve taken to India or the Philippines, but I know a client who has rather gone to Canada."

Canada emerged as a threat due to its proximity to the US market. Despite a higher price of labour compared to developing countries, Canada is advantageous as it is more culturally aligned with the US. Similarly, Eastern European countries were identified as a threat due to their geographical proximity to the European market. As detailed by one executive:

"People’s geographical perceptions are odd. There are plenty of people in the UK, who think that South Africa is further away from home that Uzbekistan and there are people who think the other way round. Czechoslovakia is selling very well. And it’s hard, because they’re playing the European card. For some people, it works and not for other people."

European solidarity – "playing the European card", is an additional threat towards South Africa’s attractiveness as an outsourcing destination. Since the formation of the European Union, more and more European countries favour investment into Europe rather than other offshore destinations, such as South Africa.
5.5.2.3 Geographical Perceptions

Another issue the previous quote brings attention to are people’s geographic perceptions. As implied by this executive, for some people South Africa may seem very, very far from the UK. This perception implies that due to the physical distance between client and potential service provider, the latter is somewhat inaccessible. However, as illustrated in the quote, the executive in question finds this perception somewhat “odd” implying that the distance is more of a mental barrier rather than a physical space.

5.5.3 China (TH5)

While China was not perceived as an immediate threat, one executive did worry about the future threat this growing economic giant could be to the South African contact centre industry:

“What about China? The scenario is quite simple. The domestic market in China – due to the sheer demand not being able to meet the supply at this point in time – the domestic market has not been saturated. A long as the demand in the domestic market has not been met; we don’t really need to worry about China for offshore markets. Their local market is so huge that at this point in time, it doesn’t make any sense to worry about China. They won’t be challenging India, or the Philippines, or South Africa at the moment... until that happens we are all safe.”

5.5.4 A Saturated Offshore Outbound Market (TH69)

One of South Africa’s strengths is a proven ability to perform outbound sales. A threat to this competency and the growth of an outbound call centre industry in the Western Cape is an increasingly disinterested, and in many cases irritated, client base. Residents of developed countries have become vexed with outbound sales campaigns as these markets have been overtraded and oversaturated.

One executive noted that the average household in the UK receives four to five calls a day. As a result, citizens of developed countries are registering themselves with services that prevent them from receiving outbound calls. As one executive noted:

“...the UK market has got to a point where it is very strongly overtraded. They have a thing in the UK called a TPS – telephone preference service, where people commission themselves not to be called and that database has blown to 26 million people, so there’s not that many people left to call. You just can’t phone into the UK anymore. Telemarketing in the UK in dead...”

In addition concerns in the UK and other developed countries about data privacy make it difficult for contact centres to perform outbound sales campaigns to these countries.
5.5.5 List Brokers (TH10)

Another threat one executive noted, as far as outbound sales are concerned, is the risk outbound contact centres face when making use of list brokers. The following quote explains the function of a list broker:

"...you have brokers, who come along and say "I've got a company in the UK, company A". They will give you a list and they want you to phone those people and they must change from BT to whomever. It's done on spec. In other words, we give you the list, you start phoning and if you do a conversion, we will pay you for that conversion. If you don't get anyone to convert, then we don't pay you."

The risk contact centres face when employing list brokers is described in the following quotation:

"... [What] we've discovered, is that, a lot of these list brokers or these brokers that act as a middle man... they take a cut. It's not the actual company approaching you, it's someone else. He's got contacts, he knows other people. So he'll go along to anyone. What a lot of them have done is that they've already gone to say India, they've run that list through India and that list has been used up. Then they come to you in South Africa. You don't know where that list has been. So you start phoning and you may get lucky. And you may find a few converts. It doesn't cost this guy [the list broker] anything and the company because they don't pay for anything. So you have to be very careful that the person you're dealing with is a very legitimate person and that the list hasn't been overused. That's why we've steered clear of risks like that."
5.6 Strengths

In the context of this study, strengths were defined as conditions in South Africa’s business environment or competencies of South African contact centres, which contribute positively to the attractiveness of the Western Cape for offshore outsourcing of contact centres. Figure 22 presents all of the strengths included in this study as well as the number of contributions made by interview participants towards the development of each inductive category.

Figure 22: Inductive category analysis of strengths

<table>
<thead>
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<th>Strengths: Inductive Category Analysis</th>
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<tbody>
<tr>
<td>Task holidays (ST17)</td>
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<tr>
<td>A Similar Business Environment in the UK (ST16)</td>
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<tr>
<td>Public Infrastructure (ST15a)</td>
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<tr>
<td>Decreasing Telecommunications Costs (ST14)</td>
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<tr>
<td>IT and Technology Support (ST13)</td>
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<tr>
<td>Creation of Standards and Regulations (ST12)</td>
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<tr>
<td>Remote Telecommunications Infrastructure (ST11)</td>
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<tr>
<td>Low African Rates (ST10)</td>
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<tr>
<td>Competency in Financial Services, PMO and Teamwork (ST12)</td>
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<tr>
<td>Non-Indian Talent (ST12)</td>
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<tr>
<td>Cost of Labor (ST17)</td>
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<tr>
<td>Client Satisfaction (ST6)</td>
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<tr>
<td>Access to Labor (ST15)</td>
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<tr>
<td>Upper Management Availability and Competence (ST4)</td>
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<tr>
<td>Political and Economic Stability (ST2)</td>
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A total of 36 strengths were identified. On average, each strength was discussed 7.8 times. The strength discussed the most during the interview process was government support (ST15), a total of 30 times. Within the topic of government support, executives mostly made positive comments about the strength of national and regional contact centre bodies, especially Calling
The Cape. Interview participants also enjoyed talking about the growth of the industry and the interest the region is receiving for offshore outsourcing of contact centres.

5.6.1 Quality of Life (STI)

Executives explained that contact centres are generally infrastructure independent. They can be set up anywhere with access to labour and where telecommunication links can be setup with the rest of the world:

“Telecommunications cables and fibre optics generally run throughout the country and if not, you can always link up to it...”

Therefore, a big factor influencing the attractiveness of a location is the quality of life available at a given destination. As one executive explained:

“A lot of the offshore guys want to outsource to the Western Cape because it gives them a reason to come here.... having a call centre out here gives them an opportunity to come out here on a two week business trip and spend one day in the call centre and the rest on the beach or under the mountain.... people choose the Western Cape because of the Western Cape.”

The tourism industry is very large in the Western Cape and this is perhaps one of the reasons many companies choose this destination for offshore outsourcing of contact centres. As one executive noted, certain European surveys have rated Cape Town as one of the best cities in the world to live in. Another executive described this strength as “executive friendly”:

“...one of the reasons [We] came here is because it is so executive friendly. If the executive has to go and see the offshore call centre, its nice that’s it’s in a place where you can take your wife and kids too.... It’s in the top 5 places you have to see before you die - in the UK especially. It’s important. It’s a big part of the push here.”

Other than the tourist attractions in the Western Cape, many executives cited the favourable climate and the relatively low cost of living in South Africa compared with developing countries. Interview participants explained that foreigners who come to live in South Africa with pounds or Euros are able to access a far greater quality of life than is possible in their home countries. Residential property prices are also relatively cheaper compared with developed countries, it’s a very similar lifestyle and there are many other benefits, such as access to world class education for their children.
All these factors ultimately make the quality of life available for foreigners in the Western Cape very favourable and have interestingly enough influenced many decisions for foreign investors to outsource their contact centres to the Western Cape.

5.6.2 Time Zone (ST2)

South Africa shares a similar time zone with Europe and the UK. On the surface this may seem like a trivial advantage, but as some executives noted, time zone is a very important factor that companies take into consideration when choosing a destination to outsource to:

"...one of the main reasons for locating here [South Africa] is the time zone compatibility with Europe"

"It's not to be underestimated how difficult it is to manage a supplier, your outsource provider, who is not in the same time zone as you are. And a lot of people cite this when talking about moving their call centre operations out of India."

Executives felt that having a similar time zone to Europe and the UK is a significant contributing factor to the growth of the offshoring contact centre industry of the Western Cape:

"Even in terms of time-zone, that's something that's worked tremendously in our favour. I think there's been significant growth in the South African call centre industry because of that."

It is also worth noting that big multinational organisations have at least two trading zones, namely Europe and the Americas. Because South Africa shares a similar time zone with Europe, many European operations have been handled by South African contact centres:

"...a lot of the [Multinational] business in South Africa is handled by the European zone. You know, they've got their European operation and their American operation. Its similar time zones... So a lot of them are controlled from Europe in South Africa – their operation here."

There are numerous benefits to being on the same time zone as one’s trading partner. As one executive explained, it is easier to manage clients in a similar time zone:

"From a management point of view, it's easy for us to manage our clients during a normal business day and it's easier for our clients to manage us. Its silly little things like that, which make it easier. When you call someone at 10 in the morning and you can talk about what happened this morning."
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It is also easier to travel to and from a destination that is in a similar time zone:

"You can jump on an airplane in the evening and be here the next morning. I worked for a boss in Manchester, the UK and he would leave in the evening, be here in the morning for a meeting — and a day later, you can leave again. The time zone is definitely an advantage here."

Agent attrition rates are also much lower for contact centres that are in a similar time zone to their clients. See weakness WK3 for a detailed explanation.

5.6.3 Work Ethic (ST3)

For the most part, executives with international work experience described South African agents as having a good work ethic and being hard working. One executive felt that the many South Africans living and working in the UK have generally created a good impression on English executives. Other executives felt that this was because unemployment was generally high in South Africa or because the South African labour force is still new to the contact centre industry. As one executive articulated:

"The work ethic of our labour force is quite high. Our labour force generally has a desire to work. They're still new to the call centre industry."

This work ethic extends from an agent level to a management level as well. Compared to their counterparts, South African operators are more trusted:

"...there's horror stories of call centres selling credit card information through the back door. I've run two call centres in India, one in Delhi and one in Bangalore and I've ran into that. They unfortunately also have this work ethic where they have this whole mentality, where they always have to please the client and they'll do anything they need to do that... they would sell the data to other competitors..."

5.6.4 Agent Perceptions of Contact Centre Employment (ST4)

Executives explained that in the UK and other more developed countries, contact centre employment is perceived as temporary. Most agents do not view contact centre employment as a serious form of employment and it certainly is not seen as a viable career option. As several executives explained, British contact centres have to compete with fast food restaurants for employees:

"Trying to find someone to work for you in a call centre in Europe is very, very difficult and for 50 pence an hour, people will move to McDonalds down the road."
Call centre working in the UK is often paralleled with waitressing – I’ll do this until I get a real job.”

South African agents on the other hand, view contact centre employment as more of a career and take contact centre employment a lot more seriously that their British counterparts:

"...in Cape Town, South Africa generally, they consider the call centre business a career. It’s not a stepping stone, as it would be in Europe"

One of the reasons South African agents are thought to have a good work ethic is due to this perception. Also, similarly to strength ST3, the reason for this perception in South Africa is possibly a high unemployment rate. It is relatively easier for a contact centre agent to find a new job in the UK than in South Africa:

"If you lose your job there [the UK] – it’s not a big deal, chances are you can find another one pretty easily – that’s why people there are pretty lazy when it comes to jobs like call centres.”

It is important to note however, that this perception is not uniform across the entire contact centre industry in the Western Cape – hence the presence of weakness WK11. As one executive explained, this perception is very much dependent on the industry that the contact centre is servicing. Agents servicing financial institutions and airlines, for example, perceive contact centre employment as more of a career than agents doing help desk support. This is because some systems are a lot more complex to understand and master than others. The barriers to entry for certain industries are a lot higher, which has led to more investment, training and career path development for these agents, compared to their counterparts servicing other industries. As one executive explained:

"...in financial services... for example banking – because the processes and the products are more complex, there’s more invested in training and creating a career path, whereas things like technical support, help desk, it’s more of a thing technology graduates will do before going off and getting a real job.”

5.6.5 Government Support (ST5)

Perhaps one of the biggest strengths of the contact centre industry in the Western Cape is the support this industry has been receiving from the government in various ways. As one executive noted, the contact centre industry is one of five priority sectors identified in the Western Cape to help fight a rising unemployment rate, due to its labour intensive nature and because of the relatively low barriers to entry for potential employees:
5.6.5.4 Telkom

Several executives noted the support government has provided by reducing Telkom rates. One of the reasons for the deregulation of the Telkom monopoly and the recent telecommunications rate reductions was a close working relationship with government. As one executive noted, while operators are not exactly where they want to be, they have acknowledged the progress made thus far:

"I think the reason that things have simmered down a bit is because government is showing interest and we are seeing progress. And although we are not where we want to be, we are seeing progress and at this point in time, we are satisfied."

5.6.5.5 Skills Development Programmes

While certain executives complained that skills development programmes were sorely lacking in the industry, others acknowledged their existence and government support in developing these and other similar initiatives. One executive described a programme that takes unskilled school leavers and trains them for employment in the contact centre industry. As noted by another executive, the government has a lot of initiatives; most which are not directly related to the contact centre industry, but have an effect on skills development in this industry and many other industries.

5.6.6 Availability of formal training programmes (ST6)

While many executives perceived the lack of formal training programmes provided by government as a weakness (see weakness WK14 and strength ST5), other executives perceived the existence and availability of formal training programmes as a strength. It was discovered however that the training programmes these executives referred to, were in most cases operated by privately run institutions. As one executive noted:

"There are various institutions, like Damlin, that are running call centre management courses and more and more people are getting qualified and recognised qualifications in terms of the call centre industry."

5.6.7 Presence of Supporting Industries (ST7)

Perhaps one of the biggest strengths of the Western Cape for outsourcing offshore of contact centres is a strong presence of related and supporting industries. As one executive noted:

"The more service providers you have, the higher quality service they provide, the more attractive it makes a destination."
One interview participant described the related and supporting industries of the contact centre industry in the Western Cape as an ecosystem.

"The call centre industry, like a lot of industries, is like an eco-system. Recruitment companies, training companies, technology companies, facilities companies, transport companies all grow and benefit as a result."

Indeed, many of these supporting industries, such as recruitment agencies and labour brokers, have grown as a result of the growth of the contact centre industry. As these executive explained:

"...there are many industries that have grown in parallel with the contact centre industry. There are many service providers to the contact centre industry... contact centres are only a certain portion or aspect of the contact centre industry. Wherever you see a call centre, think of what goes into it... telecoms, IT hardware and software, people... Those are the supporting industries; those are the service providers to the call centres."

"There's been a lot of growth in parallel industries to the call centre industry as well... training, HR industries... there's been a lot of growth in these industries as well."

Many executives also noted the importance and strength of the IT and telecommunications industry in South Africa, which has been able to help fuel the growth of the contact centre industry. Many of these service providers are global companies and many are strong local brands. As these executives noted:

"...in terms of technology and the support – I think we are now in the position where a lot of the organisations do not need to import IT and technology to run and operate their call centres, which is definitely an incentive."

"The nice thing is that we have a huge presence in terms of vendors and suppliers of equipment for telecoms and the call centre industry. So we've got vendors based here locally and we have technical skills to support that, which is more than sufficient here.... we've got a number of large organisations that support the call centre industry."

While many of these supporting industries are directly linked to the contact centre industry, others are not, but support the industry nonetheless. In the following quote, an executive describes some of the many other services available to offshore operations in the Western Cape:

"You need to know that there is adequate property or property developers willing to assist. You need to know if there are companies that can transport the staff in and out of the contact centre. You need catering companies that cater, electricians, builders, carpenters, layers, doctors, accountants..."
“...the government’s big concern was particularly around new matriculants coming out of historically disadvantaged areas and not being able to afford tertiary education or not having the necessary skills or grades to enter a tertiary institution...”

“There appears to be a lot of government support for the Western Cape. Because they see it as an opportunity for young people to be employed at a fairly unsophisticated [level]. You don’t have to have a degree to work at a call centre and its labour intensive. We have currently about 250, 300 hundred seats. The 300 seats we [have] are actually employing about 600 agents, because we work two shifts. So, in effect that’s the number we would employ here if we were totally full all the time, besides our support staff that we have, which may be in number of about 60 or 70 support staff. So, in total, we could employ over 600, 700, 800 staff. There’s not many business that employ that kind of number with a relatively slow staff uptime.”

The government has supported this industry in many aspects. The following paragraphs will detail various aspects of this support, as discussed by contact centre executives.

5.6.5.1 Growth
Government was credited as a significant contributor to the growth of the contact centre industry. As these executives explained:

“The growth of this industry is largely due to the government funding.”

“In my opinion, government support in this industry is phenomenal. We wouldn’t have the growth that we are experiencing without government support.”

Perhaps the most frequently mentioned statistic with regard to government funding is the following:

“...between 2003 and 2006, government funding for the call centre industry has increased from R250K to R6.5 million.”

Indeed government support for the contact centre industry has increased dramatically in the past three years. Much of the industry’s growth can be attributed to this.

5.6.5.2 Promotion
Many executives noted the government’s support in promoting the region as an attractive destination for offshore outsourcing of contact centres and for other forms of foreign investment. As one executive remarked:
"...the government is very supportive in terms of promotion, positioning and attracting people to the country"

The Department of Trade and Industry (the DTI) was perceived as being especially instrumental in promoting South Africa as an offshore destination abroad:

"...the DTI reimburses you for whatever you’ve spent when you go abroad to represent South Africa – something that would otherwise cost companies thousands of rands. That’s why I have said government support is phenomenal."

One of the executives interviewed had travelled to various trade missions with the DTI. She explained that this not only promoted the region, but provided proof that South Africa is a viable destination for outsourcing contact centres to, as her organisation had relocated their primary contact centre operation and head office to Cape Town:

"We have travelled with the government, the DTI specifically, on various trade missions to Birmingham and Chicago specifically last year to promote not only our own business but South Africa as an offshore location... We try to promote investment into South Africa. We’re telling people that we’re there, the reasons why we’re there and it’s working for us. We’re not only a reference for them, we’re proof."

A close working relationship between contact centres and government has also been instrumental in promoting the industry. As one interview participant explained, contact centre executives can easily access key players in government, which is impressive for clients to see:

"It’s [Government Support] a good thing when you’ve got clients that you can introduce to movers and shakers in government and it helps them feel secure and comfortable. They can ask managers like ourselves questions and then they can get referred to government, who will then confirm the answers to these questions."

5.6.5.3 National and Regional Bodies

Perhaps the most evident and visible sign of government support for the industry is the existence of regional and national contact centre bodies, funded by government. Interview participants unanimously cited the existence of these bodies as a strength of the region:

"Calling the Cape is actually very good. As a government organization – a quasi-government institution, it is probably the best one. So we’re very fortunate."

"We believe that Calling the Cape is one of the better – one of the best run in the country. I think Luke runs a good show – they’ve done some good things for us."
Clearly, there are many industries that support and have assisted fuel the growth of the contact centre industry in the Western Cape. One of the benefits of the presence of these related industries is that offshore contact centres do not have to import specialists into an offshore destination to help develop and maintain a contact centre. There is an excellent supply of world class infrastructure, industries and local expertise, which can be deployed to assist setup and run offshore contact centres in the Western Cape. From a cost perspective, this benefit is also advantageous. As one executive explained, in the long run, the strong presence of related industries has driven the cost of running and maintaining an offshore contact centre down:

“There’s a supply of complementing industries. Absolutely. So from a cost point of view, in an overall scheme of things, we will be more expensive than India, but we will balance out.”

5.6.8 Growth of the Industry and Interest in the Region (ST8)

The contact centre industry in the Western Cape is currently going through a growth spurt. Both national and international investors are expressing interest in the industry and the region as a result. The growth and interest the contact centre industry in the Western Cape is experiencing was perceived by most executives as a strength. As one executive remarked:

“The fact that we’re growing means we’re doing something right.”

Many executives bragged about the growth spurts their operations and their industry is currently going through. Quotes, such as the following, were not uncommon during the interview process:

“There are 60 call centres in Cape Town and they are all on major growth patterns.... Two years ago we were doing site visits once a quarter, last year, we were doing one once a month. This year, if we are not doing one a week, we’re doing two or three.”

“We have something like 2 or 3 three clients coming down here [The Western Cape] a week to see us and the call centre industry.”

“...[Last year], we brought through more than 60 foreigners, from different companies, to see our location.”

“The industry has grown astronomically in the Western Cape and the Country as a whole.”

“In Cape Town at the moment, there’s a very big growth – a boom in call centres.”
Calling the Cape is the regional body responsible for promoting investment, in the form of contact centres, into the Western Cape. Nationally, there are three other similar bodies in the country, each responsible for a certain province, in addition to one national body called SACCCOM:

“There have been call centre associations that have been set up in the forms of Calling The Cape, Contacting Gauteng, KZN On Source, and over and above that, they [have] now funded a national organization called SACCCOM. It's the South African Call Centre Communities, funded by government. And this is all to do three things. One is market South Africa to the international organization and the other is to be able to lobby with various governmental institutions, organizations for funding and then the third thing is to negotiate with the parastatals, like Telkom, to reduce their tariffs. So there certainly has been a lot more support.”

During an interview with Calling the Cape, it was explained that:

“We [Calling the Cape] are a Western Cape based organization funded by the provincial government of the Western Cape and the City of Cape Town to grow, improve, and promote the contact centre industry in the Western Cape.”

Specifically, this executive explained that the purpose of the Calling the Cape was:

“...Skills development, the promotion of Black Economic Empowerment, which is a mandate of government that we have to abide by, SMME development - Small, Micro and Medium Enterprise development and the last one, and that's really our core focus is: the promotion of the Western Cape as an attractive offshore call centre and outsourcing destination to international investors. In a nutshell, we could call that attracting foreign direct investment into the Western Cape economy for the contact centre and BPO industry.”

Other than attracting foreign investment, contact centres in the Western Cape felt that perhaps more than anything, Calling the Cape helps to facilitate communication between contact centres in the region. As these executives explained:

“We tend to work closely, as closely as others will permit us, with other call centres in the Western Cape and Calling the Cape is a great facilitator for that.”

“So for example if we get a business prospect and we are about to do a presentation, so we can phone our competition and ask them if they've seen such a person and how much did they quote and so on, so if there is a bad apple in the forum, we will advise everybody else to be careful of this guy, we think they are cons or so on. So from that point of view it's great, it creates a forum for discussion with our competing call centre providers, which I think is actually quite funny.... we make sure we all charge more or less the same hourly rate per agent.”
5.6.8.1 Foreign Investment

Executives felt that a lot of the growth the contact centre industry in the Western Cape is experiencing is due to foreign investment, which has increased the client base and capacity of the industry. As noted in the following quote:

“Although, we do place a heavy emphasis on local development... local development would almost be nothing without international investment coming in because the local market has a certain capacity. Foreign business increases that market.”

5.6.8.2 Centre of Operation

Perhaps the most encouraging aspect of this strength is the decision some contact centres have made to move their head offices to Cape Town. As one executive explained:

“...we’ve made it [Cape Town] our Head Office. This shows the greatest potential for growth and we plan to expand here very rapidly in the next couple of years to more than triple our numbers. Senior management is here. We house our CEO and Global Sales and Marketing Director as well as the Global HR Manager – it’s all based here in Cape Town. The CFO as well – all the global functions are basically here as well.”

Another executive explained that “not only have the Cape Town agents matched the service of UK agents, but in some cases beat them”, hence a certain large foreign insurance company’s decision to move their main contact centre to Cape Town.

5.6.8.3 IT Industry Interests in the Contact Centre Industry

This growth and interest in the contact centre industry has caused a lot of big national IT players to enter the market as it was seen as a new stream of income. These companies have the funds, resources and technology to penetrate this industry. Executives explained that they identified the growth of the contact centre industry in its early years and as a result decided to diversify their business into this new revenue stream. As explained by these executives:

“Like many IT companies, after Y2K, we started looking for new avenues of business. As a result of that, the cost implications forced companies at alternatives – BPO was one of those alternatives.”

“In the early 90’s, we achieved sufficient size to worry about the long term strategy of data networks and where they were going; saw voice and data communications converging onto the network and started to think, right – if we want to understand where this is going, we need to understand the business drivers for it. Who are the power users of a converged voice and data network? Call centres. Right, let’s buy some call centre companies.”
5.6.8.4 General Interest in the Region

As one executive noted, investor confidence in the region is not restricted to the contact centre industry alone. At the time of writing, one of the biggest banks in the UK was in the process of acquiring one the largest banks in South Africa. It was felt that this type of investor confidence was good for the region generally and sent positive signals about the business climate in South Africa to the rest of the world. As expressed in the following quote:

"Barclays buying ABSA has been big news and is sending a good signal to the rest of the UK – one of the biggest corporates in the UK buying one of the biggest here. It’s definitely a good thing and it can only help South Africa."

5.6.9 International Recognition (ST9)

Several executives mentioned that one of the strengths of the Western Cape as a destination for offshore outsourcing contact centres was that South Africa had what he called “international recognition”. As elaborated by this participant:

"South Africa is very famous... When we call to the UK, we often say we’re calling from South Africa and that creates more of a positive response than if we said we are calling from the UK. South Africa is generally liked overseas."

One executive explained that South Africa was perceived by foreign investors as a recognisable destination on the world map, as far as offshore outsourcing contact centres is concerned. Another executive echoed his sentiments, remarking that:

"We’ve the flavour of the month in terms of [offshore outsourcing contact centres] – from a global perspective..."

5.6.10 Accent (ST10)

All executives interviewed felt that the English speaking South African accent was a strength, which contributed positively to the region’s attractiveness for offshore outsourcing of contact centres. Executives described the accent as neutral, acceptable and easy to understand. As expressed in the following quotes:

"A linguist will describe us as being accent neutral. We can be understood quite easily understood... We’re easy interpretation...."

"Whether you speak to Americans, or Europeans or British people, the English accent in South Africa is acceptable."
Perhaps one of the reasons why the accent issue was the focus of a lot of attention during the interviews is because a growing number of contact centre clients worldwide have become frustrated with bad accents over the phone. As one executive explained:

"The UK population has become increasingly dissatisfied with having to decipher what the person on the other side is saying."

Indeed, many executives servicing the UK market went on to say that their clients even preferred a South African accent to the usual British accent:

"...it's a change from the same old boring English accent that all call centre agents have in England."

"...we have so many clients call from the UK that really love the local accent even more than someone from the UK. That's interesting and that is part of our viability."

Foreign executives also noted the limited accent training required when using South Africa agents:

"They love our accents. Everybody in the world likes a South African accent, because we are very neutral. We can talk to anybody with little training."

Another quality of this accent is its adaptability to the target market they are serving. As these executives explained:

"They're comedians, they can change. They can change and that's the beauty of South Africa. I suppose one automatically does it. These guys do it brilliantly."

"South Africa doesn't have the accent problem. It's incredible. Listen to our coloured folk here. You must hear them change when they talk to different markets."

5.6.11 English Language Competency (ST11)

Beyond the issue of accent, it was generally felt that South African agents have a good command of the English language. This is probably due to the fact that English is a first language for many South Africans:

"English is the first language of many South Africans hence our strong focus on the UK market. When it comes down to international work, which is our area of interest, we don't really target any other markets other than English markets"
This strength has helped a lot of South African operators secure work from the UK and is one of the country’s driving competitive advantages in securing foreign contacts. In cases where English was not the mother tongue of the agent in question, it is still the language of business in the country. This has created a workforce that has very acceptable command of the English language. Indeed, many executives stated that one of the main reasons for locating their primary contact centres in Cape Town was the “availability of skilled linguists”. Executives explained that while agents from other destinations were capable of speaking English, their command of the language was not as strong as it is for South African agents. One interview participant explained that it is the little things first language English speakers intuitively know as opposed to agents who speak English as a Second language:

“When someone says: ‘Four comma nine, nine pounds’ as opposed to ‘four ninety nine’ or not ‘four point nine, nine’... These are things that you can’t get out of textbooks or by reading any books. Its something that is not taught and something that you grow up with…”

5.6.12 Availability of Foreign Language Speakers (ST12)

While most offshore contact centres in the Western Cape service English speaking markets, a significant proportion of them service global non-English speaking clients. This would not have been possible were it not for the availability of foreign language speakers in the Western Cape, which was perceived by many international contact centres as a strength. As stated by one executive:

“...in terms of the language, we’ve definitely got a great amount of basically foreign language skills, which we have, access to here.”

5.6.13 Access to a Diverse Workforce (ST14)

Contact centre operations in the Western Cape have access to a diverse community of people in terms of language, culture and race:

“In terms of culture, you can choose whatever culture you like. There’s a whole range of people and cultures to choose from.”

This diversity provides contact centre operations with a wide variety of potential employees, which can be used to service a wide range of target markets, industries and services.
5.6.14 Maturity of the Contact Centre Industry (ST15)

As mentioned in weakness WK5, executives generally felt that the offshore outsourcing sector of the contact centre industry was not mature and is still in its infancy. However, many executives noted that contact centres that service a home market are fairly mature:

"The call centre industry is fairly mature, but fairly mature within a local context. We do have large banking and insurance call centres.... It's become a more acceptable form of communication over the last five years locally."

Executives explained that this segment of the contact centre industry is fairly mature due to the existence of healthy local brands, such as banks, insurance companies and mobile phone operators. It was felt that this segment of the industry has reached maturity as they have been in existence for many years. As one executive explained:

"You've got your old traditional call centres, which are your in house call centres, which are owned by big companies like Old Mutual, Sanlam, etc. There, the call centre industry is very mature, because they've been around for a hell of a long time."

Indeed, much of the industry’s growth in the Western Cape is attributable to the existence of these more experienced contact centres. Many executives and people in other positions in the outsourcing segment of the contact centre industry have gained experience through working with these more mature institutions.

5.6.15 Domestic Rivalry (ST16)

It was generally felt that there was a good level of healthy competition amongst contact centres in the Western Cape. This was perceived as a strength:

"Domestic rivalry gives your market credibility. If there are several significant operators in your region, it gives your region credibility. It means that it clearly does have the infrastructure to support the industry, which experienced offshore outsourcers do look forward to."

"The more competition there is, they're fighting for different services and everything becomes a lot more attractive. Not only will we expand, but more people will be interested."

Domestic rivalry in the contact centre industry has increased the quality of services and the attractiveness of the region for offshore outsourcing of contact centres. As one executive explained, only competent operators capable of delivering a high quality of service have remained in the industry:
“Domestic rivalry is high, which means that new start up companies or smaller companies... companies that do not pull their weight... they either do pull their weight or they’re out of the industry. It’s not a corner shop — when an investor makes a decision, he’s making a serious decision and it can cost him millions.”

This is not the only benefit of healthy competition within the industry. This rivalry has also led contact centres in the Western Cape to compete for employees, providing increasingly better working conditions for them:

“We lost three or four of our managers to [Contact Centre X] and now they’ve come back again. There is that sort of rivalry within the call centre industry. But now they’ve all come back and what that’s forced us to do is to provide full medical aid for all of our staff. These kinds of shake-ups are good for the industry as they force change to occur, usually for the better.”

It was however made clear that competition in the industry had not reached unhealthy levels:

“We’re quite competitive. We fight for our turf, we fight for our clients, but we’ve never been in a price war. We’ve never ever once heard a client say that they can get it for a rand cheaper down the road. We just won’t do it. We won’t sacrifice quality for price — then I think you’re on a down hill slope.”

In fact, many executives explained that most contact centres actually have quite a close working relationship with one another. As one executive stated:

“[We] quite regularly talk to each other. We have coffee together and talk about things and share things. You’ll find that even though we’re fierce competitors, we have a sort of working thing as well.”

Perhaps the reason a lot of contact centres in the Western Cape have a healthy degree of rivalry with one another is due to this close working relationship they have with one another. As one interview participant explained:

“Have you seen family? Family are sometimes more competitive with each other than they are with other people.”

While domestic rivalry exists across the entire industry, executives of larger operators felt that competition was more intense among smaller operators as more of them exist in the industry and because they service a different segment of the market to larger organisations:

“I think where there’s more rivalry is among the smaller call centres. The guys that are looking to provide 10 to 20 seats... I think there’s a lot of rivalry between those guys...
where the client is not really that concerned about the infrastructure, processes and methodologies – here’s 10, 20 seats and we want to do whatever.”

5.6.16 Outbound Sales Competency (ST17)

Executives felt that South African contact centres are generally quite good at outbound sales, compared to other destinations. Consequently, companies are willing to pay a premium for South African agents due to this competency. As one executive explained:

“...they [UK Clients] overlook the price, the bottom line is that it’s no use having very cheap labour: the calls are cheap, the labour is cheap, all that kind of stuff and the agent on the phone can’t sell. It’s not worth our client’s value. We’ve got load of clients coming from the UK and the reason they haven’t gone to India is that they know that the English customer is not going to buy from that agent”

As noted by this executive, perhaps another reason outbound sales campaigns launched from South Africa are more successful, is due to the greater cultural affinity British customers have with South African agents. It can also be inferred that issues, such as accent, language and empathy, play an important role in shaping this strength.

5.6.17 Quality of Voice Services (ST171)

Over and above outbound sales competency, executives felt that the quality of voice services provided by South African contact centres was higher than that available at other offshore destinations. There are many factors that contribute to this strength, such as accent (ST10), empathy (ST21), cultural affinity (ST20) and English language competency (ST11).

5.6.18 Home demand for contact centre services (ST19)

Another strength of the contact centre industry in the Western Cape is a healthy home demand for contact centre services, which has helped build maturity, credibility and skill. As one executive noted:

“...if you’ve serviced your home country, it increases your experience, it already gives you some of the economies required to be competitive from a price point of view, it gives you access to skilled management.”

Many executives felt that demand, particularly from the financial services sector, has driven home demand and development of contact centres in the Western Cape. Indeed, a significant proportion of offshore contact centres in the Western Cape service financial institutions, both
onshore and offshore. This home demand provides potential clients evidence of contact centre expertise in the region:

“If I am a large insurance company looking to offshore my call centre and if we can see that in the Western Cape Old Mutual and Sanlam have large call centres, obviously it will just give me a comfort feeling that these guys do deliver these services, they have delivered them effectively through call centre operations. I can just have more of a comfort feeling as opposed to feeling like I’m going to be the Guinea pig to try this whole thing out.”

This strength is directly related to the maturity of the industry and some of the industry’s competencies in terms of servicing both a national and international clientele. It also demonstrates the opportunities contact centres in the Western Cape can take advantage of both locally and globally.

5.6.19 Cultural Affinity (ST20)

Executives explained that one of the primary reasons many companies have made the decision to outsource to South African was due to a strong cultural affinity between South African operators and Western clients:

“I think they [British clients] would be more comfortable doing business here, because we all watch soccer, love rugby, hate the Aussies and speak the same language as a first language.”

“We’re stronger aligned to the European culture than the Indians are. We understand the ethos of a British person a lot better than an Indian person would in India. That’s a good point. Our whole culture is very, very similar; our ethos is similar.”

One reason for this cultural affinity between South African agents and Western clients was the young age of agents, who have a very similar culture and interests to their clients:

“The average age of the South African agent is 26 years old. Despite the fact that he might have just come out of Matric or be 18 years old, he knows what an X5 is, he has a cell phone, and he knows what’s going on in the world. There is a strong cultural alignment and affinity with the UK.”

“Young South Africans, most South Africans know what’s happening in the UK. They are familiar with UK TV programs; they’re familiar with the culture. They watch TV all the time. They dress the same. They’re very Westernised. They like the way all these actors and actresses dress. They follow them in that pursuit. So that’s a culture issue.”
One executive explained that the cultural affinity between South Africa and the UK is such that they have an operation that provides the same service to both countries:

"... [We have] a call centre here that services both the UK and South Africa. That illustrates the likeness of the two cultures so much so that we're able to offer the same service to both countries. The British American Tobacco contract that we have shows that we can actually offer the same standards, the same processes, the same systems in two countries, SA and the UK. That illustrates the alignment of the two cultures."

5.6.20 Empathy and Understanding (ST21)

Beyond cultural affinity, executives felt that South African agents have a quality commonly referred to as empathy. As one executive explained:

"What we've found is that our staffs in Cape Town particularly... engage with people rather than robotically going through a script."

This strength is partially due to a similar business environment between South Africa and the UK, which has led South African agents to have a better understanding of European products and services than their Asian counterparts. As one executive explained:

"Our cars are the same. If someone calls [Insurance Company X] and talks about a Golf GTI, they [the South African agent] probably come to work with one, whereas in other destinations such as India or the Philippines, it's foreign. You have to train them."

Executives explained that it is difficult to service customers if one does not understand their culture and hence cannot empathize with the issues and queries that are forwarded to the contact centre:

"... in the Philippines for example, if you’re training an agent to do mortgage processing or credit cards, customer service, you have to teach them what a credit card is and what you can use for it, which is a big training issue, but more importantly it is a big empathy issue. You don’t get the right kind of empathy from a call centre agent with those kinds of things, because they don’t come from the same culture, whereas in South Africa, you don’t get that problem at all... people know what credit cards are. So those are big advantages for us as a country and big advantages for the Western Cape in particular too."

Beyond the ability to understand a client's situation and being able to empathise with them, executives explained that the issue of empathy also included more subtle aspects of conducting a conversation with a client. One executive spoke about a trait the contact centres industry refers to as "rewardingness". As explained in his own words:
“It’s called “rewardingness” in the contact centre industry. You reward the person for things that you would not usually reward the person for – it’s encouraged to keep a viable conversation. It’s like saying: ‘wonderful!; have a stunning day!’. Its empathy – being nice on the telephone... Saying a few more words than what is otherwise needed or required.”

5.6.21. Value of Services (ST22)

A very interesting trend detected during interviews with executives is the value proposition South African contact centres offer international clients. As one executive remarked:

“...we can offer similar value to the UK at about 40% saving of UK prices”

While this may sound like a good business case, low costs alone are not enough to attract foreign investors simply because destinations exist that are far cheaper than South Africa. As one executive noted:

“If you’re purely looking for cost savings, go to Latin America or India. That’s where you’re going to get the ultimate cost saving.”

As explained by another executive, while costs may be higher in South Africa, South African contact centres offer better quality and service:

“Three factors are important in the world of call centres and business: quality, cost and service – I’d like to think of it as a triangle. In South Africa our strengths are quality and service, whereas places like India beat us on price...”

Another executive explained that the overall risk of offshore outsourcing operations to South Africa is lower:

“If you want to balance risk with that cost, then look at a country like South Africa... We are cheaper than they could do it in Europe. And, I think the guys understand that. They understand that they’re not going to get the cheapest in South Africa, but they are going to get different things from South Africa.”

As one executive remarked:

“...it’s more about the value than the cost.”

The underlying point these interview participants made is that the value of services provided by South African contact centres make them very attractive. An idea many executives made
reference to was a hierarchy of global contact centre operators – in terms of price and value. Perhaps the following quote made by one executive most clearly illustrates this concept:

“We find that clients are now balancing their risk by having operations spread in India, South Africa and the UK... The top couple of 100 clients for example, who spend an awful lot of money – they will retain in the UK. The bottom end of the market – the clients, who hardly spend any money... is being handled in India. South Africa is being identified as the middle group of clients... if you ranked it, UK is your gold clients, your silver clients in South Africa and your bronze in India. It’s the growing trend.”

Figure 23 illustrates this idea graphically:

Figure 23: Hierarchy of services provided by global contact centre operations

5.6.22 Political and Economic Stability (ST23)

The political and economic stability of the region was considered a strength. Many interview participants did not devote much time discussing this issue as they felt it was a somewhat “obvious” strength of the region. As one executive noted:

“It’s a given. I think our government is stable. The things we consider a crisis never make headlines over there [the UK]. It is perceived, and perception is reality, that we are stable politically and economically. The economic growth rate, inflation, exchange rates are very favourable macro-economically. Its something that never gets asked because it’s a given.”

It is interesting to note that many outsourcers do not perceive the economic stability of a region as critical when choosing a destination to outsource to. Political stability was perceived as
somewhat more important, but for the most part outsourcers are not interested in finer details. Executives explained that foreign investors are not really concerned about the exact politics of a country so long as they know a multi-party democratic government exists. Nonetheless, most executives expressed great faith in the government and consider South Africa to be a sound offshore investment due to a stable political and economic environment. As one executive noted, the chances of political instability in South Africa are far less than many other offshore destinations.

5.6.23 Upper Management Availability and Competency (ST24)

While the industry may have a shortage of middle management, there is an availability of senior management expertise:

"...senior people are very accessible here. So you can get to the right people during the decision making process"

Not only is senior management accessible, but many executives noted the competence and technical expertise of this group. One interview participant explained that the level of senior management expertise was such that senior South African managers are often exported to other emerging markets, particularly West African destinations such as Nigeria, to help them develop their contact centre industries.

5.6.24 Access to Labour (ST25)

As many executives noted, one of the primary reasons contact centres are outsourced to less developed countries is access to labour. Developed countries generally have higher employment rates, which makes it more difficult for contact centres in those countries to attract and retain agents. One executive commented that contact centres in developed countries often have to compete with fast food restaurants for employees:

"The biggest attraction, and people make a mistake – is not cost. The UK is currently a fully employed economy. Trying to find someone to work for you in a call centre in Europe is very difficult and for 50 pence an hour, people will move to McDonalds down the road. So cost is not a huge issue. People always think it's cost, cost, cost, but its scalability."

Executives noted the abundance of skilled and unskilled labour in the Western Cape. In fact, many executives expressed explicit interest in unskilled labour:
“At the bottom end, we actually employ mostly what we call virgins – they’ve never worked in the call centre industry before. We always employ for attitude and train for skills.”

“Unskilled labour is no problem. Getting matriculants – isn’t a problem. There’s an abundance of matriculants, who work for contact centres as agents.”

“What we do here is we take raw people in our call centres. People who have no call centre experience. We do not take experienced people here, because they have learned bad habits.”

Other than high school leavers, executives also noted the availability of more skilled forms of labour, such as graduates from tertiary institutions and agents with prior contact centre experience. As these executives explained:

“We take people straight from college, or people still working in college, for evening shifts. The University of the Western Cape is right next door to us.”

“...we’ve got is lots of graduates coming out of tertiary institutions, training programs”

“...we have a very large available pool of qualified resources.... The benefit is that we do have a fairly good skilled labour pool at the lower end of the organization – the call centre agent level.”

With regard to the availability of skilled labour, one executive noted that while labour is cheaper in destinations such as India, certain contact centres were happy to pay a premium for more skilled labour:

“In India, you have a reduction of cost of between 40 and 50%. Cape Town or South Africa – it’s somewhere between 20 and 40 percent... But they were happy to incur that cost because of the labour pool. We’re talking about access to skilled labour.”

5.6.25 Agent Competency (ST26)

It was generally felt that contact centre agents in the Western Cape were very competent and capable of handling calls. One executive felt that this was because of the Western Cape’s touristy nature, which has ingrained an attitude of customer service in its residents. Others felt that it was because South African agents are generally good listeners; an attitude certain contact centres have tried to instil in their agents:

“We tend to coach listening skills rather than execution. Our philosophy is that if somebody listens to you over the telephone and gives you the right answer, you won’t
really care where they are from. It’s about getting the right answer at the right time from the right person.”

Other executives felt that agents were enthusiastic, driven and therefore more likely to be competent due to a high rate of unemployment in the country, which has left few opportunities for job seekers:

“We have a labour pool that is eager to work, which if you go to more developed countries you find less…. Having higher rates of unemployment and lots of poverty drives that very much. It does.”

Some executives explained that because South African agents are more competent, fewer are required to do the same amount of work as their Asian counterparts:

“I’ll say, put 100 agents on it, cause we need 100 sales a day and they’ll put 150 agents on it to get 100 sales a day and puff, your numbers have suddenly gone up”

Executives felt that one of the reasons the Western Cape was perceived to be a less risky destination for outsourcing contact centres to is the quality of labour. One executive explained that the transition costs of setting up a contact centre in the Western Cape are lower than other destinations due to the general quality of South African agents. In his own words:

“I can typically transition work quicker to South Africa. So your initial ramp up costs are a lot lower… typically in South Africa, I have a one month transition period whereas in India that would be about 3 months…”

As explained by this executive:

“That transition period includes the training, the recruitment, the access to labour… so it starts including a whole lot of soft issues, which are more difficult to quantify. That does start narrowing the gap of our competitive advantage or the Indian’s competitive advantage over us from a labour cost perspective… we don’t need three months accent neutralisation training.”

5.6.26 Cost of Labour (ST27)

As one executive noted,

“70% of the operating costs of a call centre are the people, which really then translates that cost equation directly onto the cost of labour”

This quote conveys the significance of labour costs for contact centre operations. While South African labour costs are not as low as other destinations, such as India, the Philippines or Fiji,
they are still significantly lower than labour costs in developed nations. This was considered a strength by many executives. One executive, in particular put this notion in to context by stating:

“Our labour is fairly cheap. If we had to look at the start-up call centre agent’s basic skills, we’re probably looking at a salary of about R5000, whereas, if you had to look at the typical salary in India, they start up from as low as $150 to $200 dollars. Now that is a huge difference, a huge difference. And that’s why we just will never be cheaper than India. But, our labour still is cheap.

Other than being comparatively cheaper than labour in more developed countries, many executives also noted that the cost of labour in the Western Cape was generally cheaper than Gauteng because quality of life in the Western Cape was perceived to be higher.

5.6.27 Non-Unionised Agents (ST28)

Several executives mentioned that one of the strengths of South Africa, in terms of attracting outsourced contact centres, is that agents are not unionised:

“...the contact centre industry is not at this point unionised, which makes a big difference... Not having a union in the industry in the industry is a very positive factor.”

One of the reasons for India’s success in the contact centre industry was not having a unionised industry. American clients were perceived as being particularly sensitive to this issue. As explained by one executive:

“India’s contact centre industry is not unionised and that’s one of the reasons for the success of the Indian contact centre industry. Clients, particularly American clients, are very bullish when it comes to business. The first thing they would do if they found out about unions in your country is say: ‘we’re out of here; we are going to another destination’”.

5.6.28 Competency in Financial Services, FMCG and Telecomm Services (ST29)

Many executives felt that one of the strengths of the Western Cape, in terms of contact centre services, is in the financial services industry. This is most probably due to a healthy home demand for these services and the maturity of the contact centres which service this sector. Whatever the reason, many executives felt that contact centres in the Western Cape are certainly competent in providing financial services, onshore or offshore. Some executives felt this strength went beyond the financial services industry and also included the telecommunications industry and the fast moving consumer goods industry:
"The Western Cape particularly has the right skills in the sectors that we are specializing in which is the Telecomm market, the FMCG [Fast Moving Consumer Goods] and Financial Services."

It is interesting to note that all of these industries have well developed home markets and healthy South African brands.

5.6.29 Low Attrition Rates (ST30)

Attrition rates are generally high in the contact centre industry, especially for outbound services. However executives explained that compared to countries, such as the UK and India, agent attrition rates are lower in South Africa, particularly in the Western Cape:

"Even though our attrition rates are high, they are still much lower than India or the UK."

One executive felt that this was because the industry was not as mature as other regions, where agents frequently move from operation to operation for small wage increases.

5.6.30 Robust Telecommunications Infrastructure (ST31)

Most interview participants agreed that despite certain setbacks, the quality of telecommunication services in the country are on par with the best in the world:

"Despite the Telkom monopoly, the South African telecommunications infrastructure is actually quite good – much better than the likes of India – I’d say that’s another one of our strengths – we have a good strong, reliable telecommunications backbone."

Executives also commented on external links:

"In terms of our telecommunications infrastructure, we have one very, very good link to the rest of the world. And we’ve got a second one that’s not as reliable"

5.6.31 Creation of Standards and Regulations (ST32)

Through forums, such as Calling the Cape, the contact centre industry in the Western Cape has been able to establish certain standards and regulations. While many of these standards are still in the process of being developed, the existence of certain agreements and the potential for the creation of more standards and regulations was seen as a strength and the sign of a maturing industry.
Perhaps one of the most important regulations operators in the Western Cape have already agreed to is an established basic wage for agents. Executives explained that the existence of such standards has ensured that healthy competition can exist in the region without damaging its growth and competitiveness:

"...we don't get into a price war with agents. We don't get involved in that. Our philosophy is that we pay a basic wage and the rest you have to earn on incentive. And we've never had an agent say they have to leave because of a higher basic wage."

5.6.32 IT and Technology Support (ST33)

Almost all the executives interviewed agreed that one of the region's strengths is IT and technology support. Many felt that the level of IT skills and services in the country are superior to those of many other destinations:

"...we have cutting edge technology here in South Africa."

"Somewhat bizarrely enough, from a technology perspective, we are quite mature. I think South Africa is far more mature from a technology perspective than say the United States."

"Support from IT is very strong -- we've never had problems from IT"

"When it comes to IT, we're up there. Our IT infrastructure is good; our call centre infrastructure is fine. I think IT knowledge is very good in this country."

Executives felt that the availability and cost of technology in South Africa is similar to most developed nations. There is an abundance of both local and international service providers. As these executives explained:

"Cost from a setup perspective doesn't differentiate the Western Cape from any other location in the world"

"On the IT side, everything that we would have access to overseas, we have access to here."

Beyond IT and technology support, executives also explained that many foreign companies wanted to do business with South African contact centres due to IT professionalism. Clients were happy to see how South African businesses treated their IT infrastructure, processes and data:
“...when they [Foreign Clients] come here and see our server and our dialler and how we treat our data, they’re very happy about doing business with us”

5.6.33 Decreasing Telecommunications Costs (ST34)
Executives pointed out that while telecommunications costs had not been reduced to a satisfactory level, rates have nonetheless been substantially decreased and are becoming less of a major issue:

“The best thing that has happened is a decrease in costs. A 2MB leased line in 2004 would cost you R350, 000 per month. Now it’s come down to R110, 000 per month from a reliable service provider of voice and data. So telecommunications costs have been decreased dramatically helping to make us more competitive. It’s going well at this point in time. It’s made us competitive – we’re not the cheapest, but it is competitive.”

Executives felt that government agencies should continue to apply pressure on Telkom to further reduce tariffs.

5.6.34 Infrastructure Availability (ST35)
A few executives felt that one of South Africa’s strengths is the availability of infrastructure, such as descent office buildings and roads. As one executive noted:

“In general, our infrastructure is quite good compared to what is available in India and what I’ve seen in India. We’re definitely first world in some instances from an infrastructures perspective”

5.6.35 A Similar Business Environment to the UK (ST36)
An issue raised primarily by British executives was the similarity of South Africa’s business environment to the UK’s. Contact centre executives felt that it was fairly easy to set up a company in South Africa, particularly if one did not require start up capital. Running a contact centre operation in South Africa is similar to running an identical operation in the UK. This condition facilitates the provision of a higher quality of service to offshore clients as agents have a good understanding of the clients they are servicing:

“They [South African agents] have been very exposed to a banking system that is the same as the UK, a local government that is almost identical, mobile phones...”
5.6.36 Tax Holidays (ST37)

While certain executives felt that not providing tax holidays to outsourcers was a disincentive for offshoring to South Africa, others felt that in the long run, this condition is better for the sustainability of the industry:

“...it’s not a sustainable contribution, because what happens when they stop it? When the tax holiday finishes, what happens then? Does it then make it so that the pricing is not competitive enough and people move out?”

“If you’re starting to say that we’re now going to have to tax you at whatever, the company tax rate of 29%, whereas previously you as an outsourcer weren’t taxed, what are you going to have to do? You’re going to have to pass that back on to the customer. How does he justify a 20 or 30 percent increase in cost? Then he will have to make some nasty decisions...”

In fact many executives noted that one of the reasons contact centres are being moved out of India is because the tax holidays these firms previously enjoyed are being gradually removed.
5.7 Desirable Practices

Desirable practices were defined as normative business practices contact centres can adopt to achieve superior organisational performance. As can be seen by examining Figure 24, which lists all the desirable practices developed and the number of times each practice was mentioned during the interview process, a total of 22 desirable practices have been included in this study.

Figure 24: Inductive category analysis of desirable practices

<table>
<thead>
<tr>
<th>Desirable Practices: Inductive Category Analysis</th>
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<tbody>
<tr>
<td>Access to Public Transport (DP25)</td>
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<td>Client Synergy (DP23)</td>
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<tr>
<td>Documented and Formalised Processes and Methodologies (DP22)</td>
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<td>Create a Positive Working Environment (DP20)</td>
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<td>Treat the Visitor First (DP15)</td>
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<tr>
<td>Disaster Recovery &amp; Business Continuity Plans (DP17-21)</td>
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<td>Customer Agent Exchange Programs (DP16)</td>
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<td>Strategic Global Partnerships &amp; Alliances (DP19)</td>
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<td>Training Practices (DP14)</td>
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<td>Appropriate Recruitment Process (DP13)</td>
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<td>Combine Telkom Lines with VOP (DP11)</td>
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<td>Try and Achieve First Call Resolution (DP9)</td>
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<td>A Balanced Scorecard Performance Management System (DP9)</td>
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<td>Staff Wellness Programmes (DP3)</td>
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<td>Reward and Audit (DP5)</td>
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<td>Multi-Tasking (DP4)</td>
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<tr>
<td>Innovative Income Structures (DP3)</td>
</tr>
<tr>
<td>Career Path Development (DP2)</td>
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<tr>
<td>Identify a niche to provide services to (DP1)</td>
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On average, each practice was discussed 6.4 times during the interview process. The desirable practice discussed the most was DP14, training practices. This practice was hence further broken down to develop a set of suggestions contact centre operations can consider for their training methodologies. While BP25, access to public transport, was only mentioned once throughout the interview process, it was nonetheless included as several references were made about the lack of public transport being a weakness (see weakness WK10).

Perhaps the most important practice that has emerged is desirable practice BP15, strategic global partnerships and alliances. Adopting this practice will not only provide operations with a host of benefits but facilitate the adoption of other desirable practices (see desirable practice BP15 for more detail). Indeed, many of the practices suggested are related and are best applied when used synergistically.
Prior to discussing the desirable practices component of this study, it is important that the reader to be aware of the differences between desirable practices and best practices. Firstly, many of these practices are contextualised and localised to the contact centre industry of the Western Cape. Secondly and more importantly, the process of developing these practices has been transparent. The researcher has, both in Chapter 3 and Chapter 4, clearly and thoroughly illustrated, using a step by step model, how these practices have been developed. The researcher therefore urges contact centres considering their use to carefully think through their applicability to their operation before blindly adopting them.

5.7.1 Identify a niche for services offered (DP1)

This was one of the first recommendations interview participants made. Executives felt that by specialising in a service offering, contact centres could provide a higher quality of service to their clients. Interview participants suggested that a good place to start was to select an industry, which they can provide services to and specialise in. As one executive explained:

"Say what field or fields you’re going to focus on. Two or three fields is fine... the moment it becomes ten to twelve different fields, it becomes a bit of a joke. How can you be a doctor, a lawyer and an accountant and be good at all thee. If it’s financial services, stick to financial services, but handle many campaigns so you can really specialise in that."

5.7.2 Career Path Development (DP2)

The importance of career path development should not be underestimated in the South Africa contact centre industry. Contact centre operations which adopt this practice can help change the perception certain agents have of contact centre employment as temporary and reduce attrition rates; two weaknesses the industry is currently facing. The importance of a clearly defined career path for agents was perhaps best explained by an executive in the following quote:

"...how do I put a path ahead of you so that I can get the most value out of you over a six or ten year period"

The following quote describes the career path agents at one particular contact centre go through once they are employed:

"When agents do get employed, they start off as agents and depending on performance and how long they’ve been here they can become team leaders - that’s where you’re in charge of a team... and from there a campaign BUL -- business unit leader. If you’re
proving yourself as a leader and your teams doing well, you also get a commission off the team’s performance. Depending on how that goes – three to four months you can actually [be] running a campaign – not just a team. So when a client comes, we’ll actually sit you down in the meeting as well and sit you down and tell you about the campaign and you employ your own agents and take it from there. So there is a lot of career progression. An eventually, you can become a call centre manager.”

Many executives highlighted the opportunities contact centre agents have both in the contact centre industry and in other industries. The contact centre industry is perceived by many as an ideal platform for graduates or inexperienced individuals to launch a career (see opportunity OP10). One executive mentioned the global employability of contact centre agents:

“As a call centre agent there are various things you can do. And a call centre agent is employable anywhere in the world. So you can travel as a call centre agent to England, the US, wherever and get employed”

5.7.3 Innovative Incentive Structures (DP3)

A practice many outbound contact centres already perform is commission based outbound sales. Executives explained that it is not enough to simply set targets for agents to achieve on a daily basis. A commission should be attached to each telephonic sale:

“A guy has to sell so many products per week or so much per month to cover his base and thereafter, he gets x per sale. A decent guy would double and triple his basic. If you don’t double your basic, you shouldn’t be here. And decent guys triple their basic.”

“We’ve structured our remuneration structures with a low base and very high incentives, so those that are earning well and producing for us don’t leave and those that do leave, we want them to leave anyway, because they aren’t producing.... We have highest sharing at the top end. Some of my agents earn R30, 000 per month and good luck to them, because we’re earning more than that.”

As noted by these executives, commission based outbound sales help boost agent enthusiasm and motivation and hence increase a contact centre’s profitability. They also ensure that agents who are most valuable to an operation are rewarded accordingly and hence have a greater incentive to remain with the company. Likewise, agents that are not performing have less motivation to remain with an operator.

Innovative incentive structures are not unique to outbound sales. Such models can certainly be used for inbound operations. One executive explained that his inbound operation rewarded agents for successfully dealing with an inquiry. These pay structures can also be incorporated into client billing:
“...our costing structure is very innovative and attractive to the client, because the client in a way only pays for each sale made on their product. If the agent is making 100 sales per week, the client is happy, and the agent is getting a certain percentage of the commission. We keep costs down by keeping our basic low with an incentive or commission structure”

5.7.4 Multi-Tasking Agents (DP4)

Executives explained that one of the reasons agents attrition rates are generally high in the contact centre industry is because certain forms of agent employment are somewhat monotonous. Providing agents with a variety of different tasks will keep agents interested and give them exposure to different service lines, which can be useful for their careers as well as decrease attrition rates. As one executive explained:

“Somebody providing a directory enquiry service – you don’t want that person in that area for more than 18 months. They’ll just absolutely burn out. But if you can take that person and move them from directory enquiries into customer services after 18 months, you have a renewed energy. And then if you can move them from customer services into text support for another 18 months. So you can end up buying 6, 7, 8 years out of a person in the call centre industry. But, you have to have different types of call centre operations.”

5.7.5 Record and Audit Sales (DP5)

Executives of contact centres that perform telephonic sales explained that it is good practice to record all sales and audit them. A digital recording of a sale serves as a lawful, electronic contract between company and client. Auditing sales also ensures that they are of high quality, both buyer and seller are in agreement with the sale’s terms and conditions, and that the sale was not pushed onto a reluctant client. In the following quote, an executive describes their auditing process:

“All our calls are recorded and we have a team of five or six auditors, who do nothing else all day long, but listen to the calls. We record 100% of our calls and we audit roughly 50% to 60% of all our sales. And the auditors know. They know which agents are more likely to push on sales.”

5.7.6 Staff Wellness Programmes (DP6)

This idea came out very strongly during interviews with contact centre executives, who explained that staff wellness programmes are important because agents are the most valuable asset of a contact centre operation:
“Given that 70% of your costs are your people, you should be more concerned about how to make your people work more efficiently.”

“Looking after your agents, staff wellness programs are very important. Your agents are the most important component of your business.”

Being an agent is a high pressure job, which is why such programs are often necessary in these environments. As one executive of a large outbound operation remarked:

“…these guys sit on the phone all day long and they sell. They speak to anywhere between 180 to 240 people a day, they get all sorts of abuse on the phone… its tough being told to f-off 10 to 20 times a day. You’ve got to try and make them feel good about themselves.”

Contact centres employed a number of creative approaches towards promoting staff wellness. Many contact centres sectioned off a canteen or a lounge, where agents can take a break and relax:

“We’ve put in a fully subsidised canteen in here for them, where they can get subsidised meals and things like that.”

“…we’ve got a canteen for them, where you section off a whole room with a lounge, 2 PCs with internet, a TV. So the guys on break can take a break and check their emails, watch a bit of TV – relax.”

Other firms tried to create a fun atmosphere for the agents in the centre:

“…we also run various fun events for the guys in the call centre. We make the environment fun. We have what we call marathon days, we have spot prizes, we run incentives…”

Many contact centres made a point of running various staff functions to boost employee morale. As these executives noted:

“[We have] A lot of awards, cups… tomorrow night we have a big staff function. We’re getting a few beers, get a lamb on a spit and things like that… and hand out awards… things like that. We make quite a big song and dance about it.”

“…we have staff functions and company awards and we try and create a positive vibe. We try and create a nice atmosphere here in the call centre. We want to be an employer of choice. That’s our hang up line.”

“…we do various team building functions and team building events, where we try and build and improve their performance.”
Executives hoped that staff wellness programs would boost agent morale and ultimately decrease agent attrition rates. These practices should definitely be considered as part of a contact centre’s staff retention strategy.

5.7.7 Diversify Your Portfolio (DP7)
Executives felt that it was important for contact centres to diversify their portfolio between onshore and offshore clients. Contact centres that performed outbound work also felt that it was important for them to diversify between inbound and outbound campaigns. As one executive noted:

“I don’t think anyone should solely be an offshore service provider; you need to service a local market as well.”

A diversified portfolio of clients ensures a contact centre’s long term business survival by providing it with various income streams. Another benefit of diversifying between offshore and onshore work is the ability to cover local overheads in rands, while earning foreign currency.

5.7.8 A Balanced Scorecard Performance Management System (DP8)
Many executives emphasised the importance of managing an agent’s performance against predefined service level agreements. A practice recommended by certain contact centres was a balanced-scorecard performance management system. This system measures key performance areas of an agent’s job and sets goals and targets for them to meet. The balanced scorecard system is designed to look at various different areas of an agent’s job, so that a fair assessment of their performance can be made. As one executive explained:

“We have a performance management system, but because it’s a balanced scorecard approach, we are not looking at [just] one element. You can be sure that if the person, who is rated as not performing on that balanced scorecard, it’s a fair and equitable process that has looked at all of those factors.”

5.7.9 Try and Achieve First Call Resolution (DP9)
First Call Resolution (FCR) was perceived to be the most important metric of a contact centre’s performance. As one executive explained, clients do not mind waiting for their call to be attended to, as long as they know their query will be resolved once the call has been answered. Achieving FCR has the potential to increase customer satisfaction and dramatically decrease costs. As one executive explained:
5.7.10 Information Technology Investments (DP10)

Many executives highlighted the importance of investing in suitable information technology:

"...you have to have access to a certain level of technology."

Executives explained that while it may be difficult to justify certain IT investments in the short term, especially because the tangible benefits may not be immediately apparent, the long run intangible benefits of technology investments are enormous:

"Something else that is important is your technology and infrastructure strategy, which we don't have a great understanding of in South Africa. It's not easy to justify buying an expensive piece of technology to someone, who comes from an accounting or financial background. But in the long run, buying the best technology is one of the soundest investments a contact centre can make."

CRM (Customer Relationship Management) software and KM (Knowledge Management) systems were perceived as especially important for managing the interaction between agent and client:

"...having the right application to manage the interaction... giving the agent the information that they need. And that also includes things like knowledge systems and customer management tools systems"

Ultimately, hardware, software and other technology investments can contribute towards creating a more efficient operation by providing the relevant information at an appropriate time. As one executive noted, by using a predictive dialler, an agent is capable of reaching a far greater pool of potential customers than making manual phone calls.

5.7.11. Combine Telkom Lines with VOIP (DP11)

Since Voice over IP (VOIP) was legalised in South Africa, many contact centres have reaped the benefits of cheaper international phone calls. This has been especially beneficial to offshoring contact centres in South Africa.
However, while VOIP phone calls may be cheaper than traditional landlines, executives pointed out that VOIP infrastructure is not as robust as employing Telkom lines. The quality of voice suffers somewhat when transmitted over data lines and setting up VOIP infrastructure can also be a timely and costly challenge. As one executive explained:

“We have VOIP installed upstairs and it took us 90 days to get it to work properly in which time we lost a client”

It was hence felt that the ideal solution South African contact centres should employ is a combination of traditional Telkom landlines and VOIP infrastructure. This hybrid approach will allow contact centres to achieve cost savings and offer their clients a choice of different services, while maintaining business continuity in situations where their VOIP infrastructure may fail. As one executive noted, if electricity goes down, so does your VOIP infrastructure.

5.7.12. Internationally Recognised Certification (DP12)

A number of executives noted the importance of accrediting one’s contact centre operation with internationally recognised certification. Adhering to certain standards and processes illustrates an operator’s capabilities and the quality of service potential clients can expect from such as operation. As one executive explained:

“...if clients know that you have such an accreditation, they know what is expected of you and what you are capable of delivering. It’s also about seamliness, benchmarking processes, training and developing staff in a certain way and alignment of people. It’s responding to customers in a certain way.”

5.7.13 A Rigorous Recruitment Process (DP13)

Executives explained that a rigorous recruitment process would ensure that agents have the right skills for their market, while enjoying low attrition rates:

“You’ve got to make sure you have the right skills on the phone at the right time”

It is important to select the right personality type:

“...you have to understand the nature of the person you are looking for. As a line of work, it does not suit everyone. There are people that make absolutely appalling call centre agents; there are people that make excellent ones just by their nature.”

It is equally as important to select the right type of person for the specific target market the contact centre is servicing:
"...sourcing the right skills for the market you’re targeting... I would never recruit 120 people on a Saturday morning... My recruitment process is a lot more rigorous. All my staff go through testing, psychometric testing, where we evaluate them for a whole lot of criteria in terms of literacy, numeracy, ability to learn, ability to work in a team..."

Several contact centres make use of assessment centres for their recruitment requirements:

"...our assessment centres have proved very beneficial. The assessment centre consists of our first interview, telephone interview, a language test. It takes the whole day. So they are here for a whole day. There in the work environment for the whole day. It’s quite a hectic process."

Executives explained that this practice is especially important because agents represent an outsourced contact centre, which in turn represents a client company. Agents are therefore responsible for the client company’s most valuable asset, their customers.

5.7.14 Training Practices (DP14)

The importance of agent training was emphasized by all interview participants. Substantial training and investment in agents was seen as important because agents demonstrate the quality of work an operation is capable of producing and ultimately represent a client company to its customers. During the interview process, several important practices emerged as desirable around the issue of agent training. These desirable practices are not comprehensive, nor are they a proven model which contact centres should adopt. They are simply suggestions, which emerged frequently during talks with contact centre executives.

5.7.14.1 Induction

Almost all contact centres interviewed run induction training courses for new agents:

"They go through the whole induction period, which covers the training, the overview of the business, the overview of the call centre industry, the product overview, the financial services industry... all of those things."

5.7.14.2 Incubation

Before putting agents into a live environment, executives recommended putting agents into an incubation environment, where their skills can be tested and refined:

"...it’s not a sink-or-swim situation – you produce or you’re out! We put them into an incubator stage, where we monitor them, we coach them, we develop them, we then
bring them to an acceptable level of performance before they get migrated into the regular work force.”

5.7.14.3 Contextualised Agents Training

Perhaps the most emphasized training practice among executives was the importance of contextualised agent training. Each contact centre operates slightly differently to its counterparts. Executives hence recommended that each contact centre perform their own training sessions in order to customize agent skills according to each operation’s unique specifications. The importance of this practice is such that many executives preferred hiring agents with no prior contact centre employment experience:

“…we take raw people in our call centres. People who have no call centre experience. We do not take experienced people here, because they have learned bad habits.”

Executives also stated the importance of tailoring agents specifically for the target markets they are serving. As one executive remarked:

“It’s important to localize the agent for the country they’re supporting. They need to know that if we are sitting in the summer in South Africa, it’s actually the winter in the UK. Those types of things… Even from a language point of view, different words that mean different things in different countries and cultures. There’s different slang that’s acceptably used in various countries. You almost want to bring your agent as close as possible to that country – almost like they’ve lived there for a couple of years. That’s very important training.”

5.7.14.4 Ongoing Training

As one executive noted, it is important to provide agents with ongoing training throughout the duration of their employment. This ensures that skills are continually developed, improved and refined.

5.7.14.5 Feedback Mechanisms

Providing feedback is an important part of continuously developing and refining agent skills. As desirable practice DP8 suggests, an ideal approach is a balanced scorecard system. Other equally effective methods also exist. As one executive of an outbound operation explained:

“They get feedback. It goes back to the floor manager. And he will tell them you’re over selling or over promising. When the client’s about to buy, the temptation to over promise is very tempting – to hook the fish…”
5.7.15 Strategic Global Partnerships & Alliances (DP15)

It is difficult for foreign companies to come to an offshore destination, such as South Africa, and setup up a contact centre. Similarly, it is difficult for South African contact centre operators to attract and win international contracts. A win-win strategy that can increase foreign investment, while boosting the income of contact centres globally, is global strategic partnerships. The benefits of such alliances, both for South African and foreign operators, are numerous.

5.7.15.1 Access to Local & International Experience & Expertise

From an investor’s perspective, a partnership with a South African operator is beneficial as it provides them with much needed local expertise and experience required to run a successful operation. South African operators will benefit by being able to maintain an international standard of business delivery and having access to international experience and expertise.

5.7.15.2 First Moves

A dilemma many investors face when making the decision to build a contact centre is whether to first build an operation and then tender for contracts or to first win a contract and then invest in the infrastructure. This was described by some as a chicken and egg situation. As one executive explained:

“One difficulty in setting up an operation would be: what do you do first? Do you first build a call centre and look for the contract? You’re going to take 10 million rand and invest it into a contact centre... there’s no guarantee that you’re going to get a contract. Or do you first secure a contract, but nobody’s going to give you a contract until you have a contact centre.... What comes first? The contract or the actual building on the call centre...”

One way of overcoming this dilemma is to partner up with an existing contact centre operation, from which seats can be rented. Thus, the heavy risk of investing in contact centre infrastructure is curbed. Tenders are also more likely to be awarded to a company with access to necessary infrastructure.

5.7.15.3 Strength in Size

For various reasons, offshore clients feel more comfortable outsourcing to large multinational contact centre operations rather than smaller operations. It was hence suggested that if smaller players partner up with other players globally, larger, more credible and more capable bodies
could be formed, which would attract more business. Indeed, several multinational contact centres have already set up operations in various strategic locations around the world.

5.7.15.4 Follow-the-sun Service

Another benefit of forming strategic global partnerships is follow-the-sun capability. A network of global contact centres can provide interested clients with 24 hour support by employing operations in key strategic destinations at various times of the day. Employing this desirable practice will enable operations to exploit opportunity OP7.

5.7.15.5 Reciprocal Business Opportunities

Perhaps the most important outcome of forming strategic global partnerships is the development of reciprocal business relationships with other international operators (see opportunity OP17). As described in strength ST22, certain contracts are better suited towards South Africa, while other campaigns are better suited elsewhere. Employing this practice will enable operators to forward contracts less suited to South Africa elsewhere and receive contracts from global strategic partners, which are better suited to South Africa. As one executive explained, operators can also offer potential clients a menu of services:

“We give clients a menu. If you want the lowest cost... If cost is your only driver, go to India. If service is your only driver and cost is not that much of a driver, we recommend South Africa cause you will pay a premium to come to South Africa, but the service is guaranteed to be a bit better because of certain criteria. Or we can give you a blend – 50% in South Africa and 50% in India...”

5.7.16 Test the Waters First (DP18)

Many executives strongly advised against setting up a contact centre operation in the country without first testing the waters. Executives recommended that companies interested in offshore outsourcing to the region should first try out their concept in the region before making the investment. This can be achieved by partnering up with a local operation. As one executive noted:

“If you came from the UK and wanted to set up in South Africa, I would strongly advise against setting up your own operation. Rather partner up with a South African operation first and see how it goes. Do a joint venture. We’ve done it before... We used our skills and their skills. They sought the clients in the UK and we have the labour skills and we know all the ins and outs here in South Africa...”
5.7.17 Overseas Agent Exchange Programmes (DP16)

A desirable practice many contact centres have already employed is overseas agent exchange programmes. Desirable practice DP15, forming strategic global partnerships with overseas operators, is an enabler of this practice. Overseas secondments are usually rewarded to agents who perform especially well and show the greatest potential for career growth in the industry. This practice aids agent retention, motivation and skills development. As one executive explained:

"...often, we transfer our staff from one centre to another to learn different skills...to learn different product skills and also for the cultural experience... It's great because we are expanding the local knowledge, giving them that experience of travel as well."

5.7.18 Disaster Recovery & Business Continuity Plans (DP1721)

Disaster recovery and business continuity plans are of utmost importance to any contact centre operation. Even a few minutes of downtime can cost an operation dearly. As one executive remarked:

"I'm going to offshore outsource my contact centre to you, but what happens when it fails? What are you going to do? My business suffers..."

This practice is especially important for outsourced operations, as they are responsible for representing client companies. Executives explained that by forming strategic global partnerships with key operators, contact centres could continue to perform business processes during periods of downtime by routing calls to partner operators. As one executive recalled:

"...when we had the power outage there [New York], we were fortunate enough to have everything routed to Cape Town and make this call centre a 24 hour operation for almost a week to handle that."

5.7.19 Create a Pleasant Working Environment (DP20)

This practice relates closely to desirable practice DP6, staff wellness programs. Many contact centre executives, with international work experience, felt strongly against creating a sweatshop environment in contact centres. It was felt that this was bad for staff morale and contributes significantly to high attrition rates and unproductive agents. Executives explained that due to the job's high pressure environment, it is very important to create a pleasant working environment and help agents feel comfortable.
5.7.20 Documented and Formalised Processes and Methodologies (DP22)

Several executives highlighted the importance of documenting and formalising contact centre process and methodologies. Documenting business processes is especially important for outsourcing operations as they represent client companies. As one executive remarked:

"Something like 20% of companies don’t have documented processes for call centres. While the rest do, only half of them have documented processes on how to deal with other media channels, such as email, which is a growing channel and SMS, which is growing faster in Africa, due to obvious reasons. So those processes aren’t documented at all, which is a recipe for disaster."

It is also important for contact centres to develop the ability to document processes and methodologies because service level agreements invariably change from client to client:

"...your ability to document methodology and process as opposed to having it, because your methodology and your processes and your training material will invariably change from client to client, but if you can show the ability to do it... that’s what’s important."

Executives also highlighted the importance of documenting internal administrative business processes:

"...formalizing those soft people management processes – recruitment, training, pay structures, management, post-training, competency frameworks, feedback..."

5.7.21 Client Synergy (DP23)

A subject spoken about at length by several executives was the importance of cultivating a good working relationship and understanding between a contact centre and its client companies. Executives explained that it is important for contact centres to ensure that they comprehensively understand their client’s needs and have the competency and resources to fulfil them.

5.7.21.1 Honesty

It was explained that it is important to be completely honest with your client company and tell them exactly what your operation is and is not capable of doing. As one executive remarked:

"Especially with overseas clients, it’s better to be honest and tell them exactly what you can and cannot do. We have a lot of overseas clients and one of the reasons they’ve stayed with us is because we’re always honest with them. We tell them exactly what’s wrong and what we don’t understand and when we make a mistake, we also tell them."
As one executive observed, it is better to under promise and over deliver, rather than over promise and under deliver.

5.7.21.2 Commitment
It is also important that both companies be committed to the outsourcing process. Executives recommended that companies assist one another with setting up operations. Companies should make sure adequate knowledge has been transferred from the client company to the outsourcer enabling the outsourcer to provide the client company with a high standard of service delivery.

5.7.21.3 Product and Client Selection
Understanding your client’s product well is also of utmost importance. It is difficult to sell or provide services for a product, which is not thoroughly understood by a contact centre. Executives explained that it is also important to partner up with a client company that has a good name brand and a good reputation. You don’t want to represent a company with a bad image as it will damage your operation’s name and reputation too.

5.7.22 Access to Public Transport (DP25)
As noted in weakness WK10, transport is a challenge many labour intensive industries face in South Africa. As a result, several executives suggested locating contact centre operations in areas which are known to have reliable access to public transport infrastructure.
5.8 Recommendations for Policy Makers, Government & Practitioners

It was not uncommon for interview participants to discuss issues that do not fall into the SWOT and Desirable Practices framework. Executives often shared thoughts and made suggestions and recommendations targeted at government, policy makers and the contact centre industry in general. These thoughts shall be presented as recommendations such stakeholders need to be aware of.

5.8.1 A Privately Funded Industry Forum

The existence and support of government funded contact centre bodies, such as Calling The Cape, was perceived as a strength. Much of the attention, growth and support the industry has received over the past few years is due to the existence of contact centre bodies.

However, executives did mention the need for the private sector to take initiative and develop its own bodies, which not only support the industry, but allow industry players to come together and collectively share ideas, create industry standards, lobby for government support and develop a strategy for the call centre industry in the Western Cape. One interview participant cited the example of NASSCOM, an initiative of the IT sector in India, to which much of the industry’s growth and success can be attributed.

5.8.2 Offshore Advertising

Several executives felt that the government could support the industry by allocating it a budget to advertise with abroad. As one executive remarked:

“It would be a very good idea if a budget was allocated by the government to the call centre industry for advertising. That would be a very good idea.”

Other executives felt that it was enough for the DTI and contact centre bodies to promote South Africa and the contact centre industry at exhibitions and trade fairs abroad. One executive felt that South Africa should be advertised as an attractive destination for foreign investment. This should attract investors into the contact centre industry and other industries in the country.
5.8.3 Continued & More Creative Government Support

Many executives perceived government support as a strength, while some perceived it as a weakness in certain areas. The common consensus among both groups was however that government should continue to support the industry. Interview participants felt that government should look at more creative and innovative means of supporting the industry. Some examples, of these more creative methods of government support are illustrated in the following two quotes:

"My opinion is that government needs to support us in various other ways. Fund more learnerships specific to the call centre... Look at funding for companies within the call centre industry that need to expand to grow, but do not have the funding to do so."

"...bridging finance for example, if you want to call it that, might be the ideal opportunity to grow this industry. That's where I'd see government getting involved... going overseas to new countries, arranging call centre expos on behalf of South Africa and sell South Africa."

5.8.4 An Established Track Record

Several executives highlighted the need for South African operations to develop an established track record and reputation as successful contact centre operators. South African has just recently caught the world's attention as an outsourcing destination. In order to gain a larger market share of the global contact centre industry, South African operators have to continue to consistently deliver a high standard of workmanship. As one executive remarked:

"We've got to prove that we can do the same calibre of work that India can as consistently as they can, if not better. We are seen to offer more quality in this country, but it's only recently that the rest of the world has started looking at us as a potential addition or replacement for India."

If this happens, eventually, one big corporate client will decide to outsource their contact centre operations to South Africa. This will increase investor confidence and lead the way for other foreign investors. As one executive remarked:

"What the Western Cape needs is one big corporate client from the UK to come here and all the rest will follow."

This process has already been set into motion in other sectors of the economy, such as the banking sector. One of the biggest banks in the UK has decided to buy one of the biggest banks in South Africa. As one executive explained, once a firm has made the decision to outsource to
a South African operation, even if the contract seems relatively short, there is a good chance that the contract will be renewed and that client will continue its investment in the region.

5.8.5 More Locally Owned Operations

One executive highlighted the need for more locally owned operations, which can exploit foreign markets. Foreign investment is good for a country’s economy, but in some cases that investment leaves as quickly as it came in. As one executive remarked:

“...I think it would be good to get more South African grown and operated call centres – at the moment our call centre is fully owned by an English company and at the end of the day all the profits leave and go to England: what’s the use in that?”
5.9 Summary of Findings

5.9.1 SWOT Matrix

Table 16 is a summary of the SWOT analysis produced in the previous sections of this chapter. Again, it is interesting to note that there are far more strengths than weaknesses and there are far more opportunities than threats. This is evidence of the region’s attractiveness for offshore outsourcing of contact centres.

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<td>Tax Holidays (ST37)</td>
<td></td>
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<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>- The UK Market (OP1)</td>
<td>- India (TH1)</td>
</tr>
<tr>
<td>- Voice over IP (VOIP) (OP2)</td>
<td>- List Brokers (TH10)</td>
</tr>
<tr>
<td>- Niche IT Services (OP3)</td>
<td>- Near-Sourcing (TH238)</td>
</tr>
<tr>
<td>- The Dutch Speaking Market (OP4)</td>
<td>- China (TH5)</td>
</tr>
<tr>
<td>- The South African Market (OP5)</td>
<td>- Saturated Offshore Outbound Markets (TH69)</td>
</tr>
<tr>
<td>- The European Market (OP6)</td>
<td></td>
</tr>
<tr>
<td>- Follow-The-Sun Service (OP7)</td>
<td></td>
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<tr>
<td>- The Offset Program (OP8)</td>
<td></td>
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<tr>
<td>- Services for Previously Disadvantaged Communities</td>
<td></td>
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<tr>
<td>(OP91)</td>
<td></td>
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<tr>
<td>- Visually Impaired and Handicapped Agents (OP92)</td>
<td></td>
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<tr>
<td>- Opportunities for individuals with no previous work</td>
<td></td>
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<tr>
<td>experience (OP10)</td>
<td></td>
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<tr>
<td>- Government Services (OP11)</td>
<td></td>
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<tr>
<td>- Offshore Clients (OP12)</td>
<td></td>
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<tr>
<td>- Cross Selling (OP14)</td>
<td></td>
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<tr>
<td>- The US Market (OP16)</td>
<td></td>
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<tr>
<td>- A Reciprocal Business Relationship with India (OP17)</td>
<td></td>
</tr>
</tbody>
</table>
5.9.2 Desirable Practices

In line with the study’s secondary research objectives pertaining to the desirable practices component of the study, namely objectives seven and eight, Table 17 has been constructed. This framework addresses many of the concerns raised about the notion of ‘best practice’ in IS. Please consult section 3.4.2.3 (From Best Practice to Desirable Practice) and Figure 8 in Chapter 3 for a complete description and justification.

Table 17: Desirable Practices Contextualisation Matrix

<table>
<thead>
<tr>
<th>Practice</th>
<th>Code</th>
<th>Geographic Applicability</th>
<th>Applicability for Offshore Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Identify a niche for services offered</td>
<td>BP1</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2) Career Path Development</td>
<td>BP2</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3) Innovative Incentive Structures</td>
<td>BP3</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4) Multi-Tasking Agents</td>
<td>BP4</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5) Record and Audit Sales</td>
<td>BP5</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>6) Staff Wellness Programs</td>
<td>BP6</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>7) Diversify Your Portfolio</td>
<td>BP7</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>8) A Balanced Scorecard Performance Management System</td>
<td>BP8</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9) Try and Achieve First Call Resolution</td>
<td>BP9</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>10) Information Technology Investments</td>
<td>BP10</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>11) Combine Telkom Lines with VOIP</td>
<td>BP11</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>12) Internationally Recognised Certification</td>
<td>BP12</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>13) A Rigorous Recruitment Process</td>
<td>BP13</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>14) Training Practices</td>
<td>BP14</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>15) Strategic Global Partnerships &amp; Alliances</td>
<td>BP15</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>16) Overseas Agent Exchange Programs</td>
<td>BP16</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>17) Disaster Recovery &amp; Business Continuity Plans</td>
<td>BP17</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>18) Test the Waters First</td>
<td>BP18</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>19) Create a Pleasant Working Environment</td>
<td>BP20</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>20) Documented and Formalised Processes and Methodologies</td>
<td>BP22</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>21) Client Synergy</td>
<td>BP23</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>22) Access to Public Transport</td>
<td>BP25</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Table 17 lists all 22 desirable practices this study has produced. While all the desirable practices identified are important, it is felt that two practices in particular are more significant to the Western Cape than the remaining 20. It can be inferred that these two practices are indeed applicable to the whole country. While 10 of these practices are more important and applicable for offshore outsourcers, it was decided that the remaining 12 are equally important and applicable for both offshore outsourcers and domestic service providers to consider.
6. CHAPTER SIX: RELATIONSHIP MODELLING

6.1 Introduction

It is important to note that while some of the findings presented and discussed in the previous chapter are independent of one another, others are not. Indeed, many of the strengths, weaknesses, threats, opportunities and even desirable practices identified are related to one another in some form. Most factors work together in synergy to make the Western Cape an attractive destination for offshore outsourcing.

In most cases, the participants interviewed would make mention of these relationships. For example, one executive explained the relationship between the shortage or lack of middle management skills (weakness WK8) and its effect on the infant stages of maturity, in which the offshore outsourcing contact centre industry of the Western Cape finds itself (weakness WK5):

"We do have a shortage of middle management, which most people in the industry are talking about. It's a big problem. It's a massive problem. It's a bigger problem than the amount of noise you'll read about it, because it is the thing that drives maturity; it is the thing that drives operational performance. The ability to have that team leader at call centre management level that understands how to look at the MIS and see what's happening with the business, that understands how to drive people, and what motivates people and what behaviour motivates people is key to call centre performance... having a lack at that level is a fundamental weakness."

In other cases, the relationship between the various categories is self-evident. For example, one can intuitively understand the relationship between category "accent" (strength ST10) and category "English language competency" (strength ST11). A person who is perceived to have a good command of the English language will also most probably have an understandable accent.

Ultimately, it is felt that when examining a complex phenomenon, much richness and value can be added by examining the relationships between the various factors, which make up the whole in addition to examining each factor individually – a concept in agreement with the fundamental principle of the hermeneutic circle (Gadamer, 1976; Klein and Myers, 1999). It is not rigorous enough to look at a few factors in isolation as many of these factors work together synergistically to produce a final result. As Gadamer (1976) states "The harmony of all the details with the whole is the criterion of correct understanding". Therefore, while the previous chapter has examined each factor individually, the aim of this chapter is to look at the whole.
6.2 Purpose

This chapter serves several important purposes:

- It provides a concise, eloquent, synergetic overview of the factors that make the contact centre industry of the Western Cape attractive for offshore outsourcing.
- It illustrates the relationships that various variables or inductive categories have with one another and how they either complement or hinder each other.
- It helps to identify bottlenecks and other important areas that need to be improved in order to further improve the attractiveness of the region for offshore outsourcing of contact centres.
- It develops a set of substantive theories, which can through further research be developed to create formalised theories.
- It provides a set of generic strategies, which contact centre operations in the Western Cape can use to increase their attractiveness for offshore outsourcing.

6.3 Modelling Language

In order to achieve these objectives, a modelling language has been created, which is tailored specifically to the variables or categories in this study. Figure 25 illustrates the 5 variable types or deductive categories used.

Figure 25: Deductive category variable types

![Diagram showing deductive category variable types]

Essentially, each deductive category is represented by a unique shape, which differentiates it from other deductive categories. For example, any strength that was identified in the study will be represented by a square shaped entity. Figure 26 provides one inductive category example of each deductive category together with its alphanumeric code and abbreviated name.
An integral part of this modellling language is the relationships that exist between variables or inductive categories. There are essentially two types of relationships that can exist between variables. Figure 27 illustrates the most common type of relationship between one variable and another. ST11, English Language Competency contributes to Strength ST171, Quality of Voice Services. This is represented by an arrow from ST11 to ST171. In this example ST11 contributes positively to ST171 – the high level of English language competency among South African contact centre agents contribute positively to the quality of voice services South African operations can offer. Such a contribution can also have a negative effect. A weakness may, for example, have a negative effect on a strength.

The second, less common type of relationship between two inductive categories is illustrated in Figure 28. Strength ST21, Empathy and Understanding, is closely related to Strength ST20, Cultural Affinity. It is important to note that while these two categories are closely related, they are at the same time very different from each other. This type of relationship is represented by a double edged arrow.
6.4 Inductive Category Relationships

After examining the inductive categories presented and discussed in the previous chapter, several relationships began to emerge. In the following paragraphs, some of these relationships will be presented and discussed. The discussion will begin by presenting some of the simpler and more obvious relationships after which some of the more complex models or relationship sets will be discussed.

6.4.1 Relationship Set 1

Figure 29 illustrates one of the first relationship sets detected when examining the inductive categories. Strength ST2, having a similar time zone to Europe, can help South African contact centres exploit opportunities OP6, the European Market, and OP4, the Dutch market. Another strength that can help South African contact centres exploit these opportunities is ST12, the availability of foreign language speakers. This strength contributes to strength ST14, access to a diverse workforce, which in turn also contributes to ST12. Both ST12 and ST14 contribute towards one another and complement each other.

Figure 29: Relationship Set 1

![Diagram showing the relationships between ST12, ST14, OP6, and OP4.]}
6.4.2 Relationship Set 2

Relationship Set 2 explores the effect some of the weaknesses identified in the study have on other variables (see Figure 30).

**Figure 30: Relationship Set 2**

Shortage of Middle Management Skills

As mentioned in the introduction, one of the reasons that the Western Cape has a somewhat immature offshore outsourcing contact centre industry (WK5) is due to the shortage of middle management skills (WK8). The shortage of middle management skills is partially due to the perceptions certain agents have of contact centre employment as temporary (WK11). Desirable practice DP2, Career path development, can help to change this perception as well as strengthen positive perceptions of contact centre employment in the region (ST4).

South African Business' Understanding of the Industry

South African business' understanding of the contact centre industry (WK13) has also contributed to the limited maturity of the contact centre industry (WK5) as well as the difficulty contact centre operations have in trying to access to start up capital (WK12). One of the reasons for this difficulty is because South African businesses and banks have a poor understanding of the industry (WK13).
Furthermore, because South African business have not yet fully realised the potential benefits of employing contact centres services (WK13), the home demand for contact centre services has not yet reached its full potential (ST19) and the South African market is far from reaching saturation (OP5).

**Bottlenecks**
Relationship Set 2 has helped to highlight two critical weakness or bottlenecks, which need to be improved in order to make the Western Cape more attractive for offshore outsourcing of contact centres: the shortage of middle management skills and the South African business' understanding of the industry.

6.4.3 **Relationship Set 3**
Figure 31 illustrates one of the more complex relationship sets that exist between quite a number of the inductive categories identified in this study. For clarity and easy reading, the discussion has been paragraphed and subcategorised.
Quality of Voice Services
It is interesting to note the positive effect that cultural affinity (ST20), empathy and understanding (ST21), accent (ST10) and English language competency (ST11) have on the quality of voice services (ST171), which South African contact centres offer. These strengths, which have ultimately facilitate a high quality of voice services, can be used to exploit English speaking markets in both the UK (OP1) and the US (OP16).

Two desirable practices identified, which can further enhance the quality of voice services (ST171) a contact centre can offer included desirable practices DP5 and DP9, recording and auditing sales (DP5) and trying to achieve first call resolution (DP9).

Having a high quality of voice services (ST171) has a positive effect on several competencies or strengths, which contact centres in the Western Cape are perceived to have, including agent competency (ST26), outbound sales competency (ST17) as well as competency in financial services, FMCG’s and telecommunication services (ST26).

Offshore Clients
Other than a high quality of voice operations (ST171), having a similar business environment to the UK (ST36) also works in favour of British firms offshore outsourcing contact centre operations to South Africa (OP1). Being in a similar time zone (ST2) to the UK market also helps facilitate business with this market.

A high quality of voice operations (ST171) can also be used to exploit the English speaking US market (OP16). Having non-unionised agents (ST28) is also perceived as a big strength by US firms outsourcing to South Africa. However weaknesses exist which need to be overcome when servicing a North American market (WK21), including a different time zone (WK3).

Other common weaknesses, which affect most offshore clients, include rand volatility (WK6), certain cultural issues (WK18) and the overall cost of offshore outsourcing to South Africa (WK17) to which the cost of labour and back office processing (WK1624) makes a substantial contribution.

Value of Services
The Western Cape offers outsourcers a good value proposition (ST22) by having a relatively low cost of labour compared to developed countries (ST27) and a high quality of service, which is mainly due to competent agents (ST26). Again, quality of voice operations (ST171) contributes to this strength (ST26). It can also be argued that having non-unionised agents
(ST28) contributes to the low cost of labour (ST27), while the availability of formal training programs (ST6) has helped boost agent competence in the region (ST26). Ultimately, all of these factors work together to create an attractive value proposition (ST22) for offshore outsourcing of contact centres to the region.

When examining strengths, such as the value of services South African contact centres offer (ST22), it is interesting to note the domino effect, which other strengths, such as empathy and understanding (ST21), cultural affinity (ST20), accent (ST10) and English language competency (ST11), ultimately have on this variable. Indeed, it can be concluded that many of these factors work together to make the region attractive.

Maturity of the Industry
It is interesting to note that many executives felt that competency in financial services (ST29) particularly has contributed to the maturity of the contact centre industry (ST15) in the Western Cape. Other strengths that have contributed to the maturity of the industry (ST15) include a healthy home demand for contact centre services (ST19), domestic rivalry (ST16), upper management availability and competency (ST24), growth of industry and interest in the region (ST8) and the presence of supporting industries. Again, it is worth mentioning that while executives felt that the contact centre industry in the Western Cape was fairly mature, the offshore outsourcing sector of this industry still has a long road ahead of it before reaching maturity.

Home demand
Another strength the contact centre industry in the Western Cape and indeed South Africa has is a healthy home demand for contact centre services (ST19). This demand has helped create an abundance of supporting industries (ST7), including IT and technology support (ST33) and a robust telecommunications infrastructure (ST31). Desirable practice DP10, information technology investments, has been identified to help support this strength. It has also helped to fuel the growth of the industry and interest in the region (ST8) as well as create a competency in financial services, FMCG and Telecommunication services (ST29) due to the existence of healthy local brands in these industries.

It can also be argued that a healthy home demand for contact centre services (ST19) has helped to facilitate the creation of several opportunities, most notably opportunities for contact centre services to exploit the South African market (OP5), including previously disadvantaged communities (OP91). There is also scope to provide services of this nature for governments (OP11).
Growth of the Industry and Interest in the Region

Three strengths have been identified that make a significant contribution to the growth of the industry and interest in the region (ST8). These strengths include: the presence of related and supporting industries (ST7), a healthy home demand for contact centre services (ST19) and government support (ST5), particularly from organisations such as Calling The Cape and SACCCCOM.

In turn, the growth of the industry and interest in the region (ST8) has contributed to maturity of the industry (ST5) as well as the presence of related and supporting industries (ST7).

International Recognition

South Africa is increasingly being recognised as an option for offshore outsourcing of contact centres. This international recognition (ST9) in the globe’s offshore outsourcing community is partially due to the growth of the industry and interest in the region (ST8). It can also be argued that one of the reasons South Africa and the Western Cape particularly is an internationally recognisable destination (ST9) is due to the quality of life (ST1) available at this destination. A high quality of life (ST1) would not be possible without political and economic stability (ST23).

Contact centres in the region can further broaden their international recognition and marketability by obtaining internationally recognised certification (desirable practice DP12).

Government Support

The growth of the industry and interest in the region (ST8) is primarily due to government support (ST5). Through contact centre bodies, such as Calling The Cape and SACCCCOM, this support (ST5) has also helped the industry to develop standards and regulations (ST32) as well as decrease telecommunication costs (ST34) making the region more attractive for contact centre operations.

6.4.4 Relationship Set 4

Figure 32, which illustrates relationship set 4, demonstrates the role that desirable practices play in strengthening strengths, weakening the effect of certain weaknesses and mitigating certain threats. It also illustrates several relationships between certain desirable practices.
Low Attrition Rates

Firstly, it is interesting to note that the following five desirable practices all have a positive effect on keeping attrition rates low:

- Multi-Tasking Agents (DP4)
- Training Practices (DP14)
- A Rigorous Recruitment Process (DP13)
- Creating a Pleasant Working Environment (DP20)
- Staff Wellness Programs (DP6)
- Career Path Development (DP2)
Other than reducing attrition rates, multi-tasking agents (DP4) is also good for developing their career paths (DP2) as it gives them access to a wide range of services and industries thereby increasing their productivity and work experience.

Inauspiciously, a high unemployment rate and an abundance of access to labour (Strength ST25) are both partially responsible for low attrition rates (ST30). An abundance of access to labour (ST25) has contributed to low attrition rates (ST30) as it has helped create a scarcity of employment, which means that South African agents are more likely to hold on to their jobs. On the other hand Weakness WK1, HIV AIDS and Drugs was perceived by executives as factor contributing negatively to low attrition rates.

The contact centre industry can increase access to labour (ST25) by employing visually impaired and handicapped agents (OP92). Contact centres also often employ individuals with no previous work experience (CP10).

Work Ethic
Desirable practice DP3, Innovative Incentive Structures, and desirable practice DP3, A Balanced Scorecard Performance Management System, both have similar relationships to one another. Both practices are designed to have a positive effect on Work Ethic (ST3) and both can be used to overcome some of the challenges stringent labour laws (WK9) present contact centres with. Desirable practices DP20, Create a pleasant working environment, and DP6, staff wellness programs also contribute to the work ethic (ST3) and employee morale in a contact centre.

Agent perceptions of contact centre employment are generally positive in the region (ST4). Most agents perceive contact centre employment as a serious form of employment and some view it as a career. This has also contributed to a good work ethic in the contact centre industry. Most South African agents were described as hard working.

Strategic Global Partnerships and Alliances
Perhaps one of the most important desirable practices identified is DP15, strategic global partnerships and alliances. It contributes positively to several desirable practices and opportunities.

Contact centres that create strategic global partnerships and alliances (DP15) with other operators in the globe can offer their clients follow-the-sun service (OP7). This desirable practice (DP15) also enables firms to create and develop reciprocal business relationships.
(OP17) with competing destinations, such as India (TH1), thereby mitigating the threat destinations such as India (TH1), China (TH5) and other near-source destinations (TH238), such as Canada, Ireland and various Eastern European countries pose to the South African contact centre industry.

Employing strategic global partnerships and alliances (DP15) can also aid contact centre operations with disaster recovery and business continuity efforts (DP1721), which in turn reduce the effect of weakness WK7, power outages. Such partnerships (DP15) can also enable South African contact centres to develop overseas agent exchange programs (DP16), a training practice (DP14) that ultimately keeps attrition rates low (ST30) while developing much needed middle management human resources - a critical weakness the South African contact centre industry is currently facing (WK8).

Strategic global partnerships and alliances (DP15) can also be useful to foreign companies intending to invest in South Africa. It can be used as a mechanism through which to first test the waters (DP18) before investing and making a commitment to outsourcing to South Africa and the Western Cape.

6.4.5 Relationship Set 5

By diversifying one’s portfolio of clients (desirable practice DP7), contact centre operators can create and exploit cross selling opportunities (OP14) (see Figure 33).

Figure 33: Relationship Set 5

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**Relationship Set Five:**

- **CP14**: Cross Selling
- **DP7**: Diversify Your Portfolio
6.3.6 Relationship Set 6

One of the niches that can be exploited by employing desirable practice DPI is the provision of niche IT services (OP3). Several executives identified this opportunity in the contact centre industry. However, in order to exploit this opportunity, interested operators have to overcome weakness WK2, a lack of technical skills at agent level. (See Figure 34)

Figure 34: Relationship Set 6

6.4.7 Relationship Set 7

Lack of access to public transport was identified as a weakness (WK10). Desirable practice DP25, locating your call centre close to reliable public transport infrastructure, was therefore suggested by certain executives to curb this weakness. (See Figure 35)

Figure 35: Relationship Set 7
6.4.8 Relationship Set 8

Voice over IP was perceived as both an opportunity (OP2) and a desirable practice (DP11), which contact centre operations should take advantage of to reduce their Telecommunications costs. Many executives suggested combining Telkom lines with VOIP solutions (desirable practice DP11) to achieve an optimum balance of quality and cost. This practice (DP11) can also aid contact centres with their business continuity efforts (DP1721) by ensuring that operators have a backup in emergencies when their VOIP infrastructure fails. See Figure 36 for an illustration of relationship set eight.

Figure 36: Relationship Set 8

6.5 Reflections, Gaps and Implications for Future Research

6.5.1 Different Interpretations of Reality

After carefully examining these relationship sets, a meticulous reader will observe that some deductive categories have not been included in any of the relationship sets, while others have appeared twice. The reason for some categories' absence may be because they are unrelated to any of the other factors identified. It may also be because the researcher was unable to interpret such relationships from the data gathered for this study. It is also important to note that the interpretive research epistemology this study has adopted, which is informed by hermeneutics, allows multiple interpretations of the same data (Klein and Myers, 1999). These results are one interpretation of reality – other interpretations may also be a possibility. Perhaps probing deeper into some of the relationships between the variables discovered by this study could be the focus of future research.
6.5.2 Desirable Practices

Another observation that can be made is that several weakness and threats have been identified that do not have desirable practices that can help mitigate them. Similarly, not all of the strengths and opportunities identified have desirable practices that can help exploit them. In order to understand the reason for this occurrence, one needs to closely examine this study’s research epistemology and approach.

In line with an interpretive research philosophy, the desirable practices identified in this study have been developed through social constructs by focusing on the complexity of human sense making as the situation emerges (Kaplan and Maxwell, 1994; Klein and Myers, 1999). The practices identified in this study have been suggested by contact centre executives in the Western Cape. Therefore, according to this study’s participants and the social constructs they have created to make sense of the reality and context in which their businesses operate, these practices are undoubtedly desirable, relevant, applicable and complete.

However, an avenue future research studies could explore, by utilising the results of this research, would be to further investigate a second volume of desirable practices or strategies these operations could adopt to further strengthen their strengths, exploit their opportunities and mitigate their weaknesses and threats.

6.6 Summary and Conclusions

This chapter has discussed and illustrated a variety of the relationships that exist between the inductive categories identified in the findings chapter of the study. It has demonstrated relationships that assist inductive categories to complement each other and highlighted areas that need to be improved where weaknesses or threats are hindrances to strengths, opportunities or desirable practices. It has also helped highlight major bottlenecks that need to be improved to make the region more attractive for offshore outsourcing, as well as some of the region’s more pertinent strengths, which have a somewhat more profound effect on the region’s attractiveness. It has also illustrated how the desirable practices identified can strategically be used to strengthen strengths, weaken weaknesses and mitigate threats. Finally, by illustrating 8 unique relationship sets, a number of substantive theories have been created, which can further be developed into formative theories in future studies or used for other forms of research.
7. CHAPTER SEVEN: CONCLUSIONS

7.1 The Attractiveness of the Western Cape for Offshore Outsourcing Contact Centres

The Western Cape certainly is an attractive destination for offshore outsourcing of contact centres. A wide range of strengths contribute positively to the attractiveness of the region for this purpose and many opportunities exist which have the potential to contribute positively to the region’s attractiveness. There are however several weaknesses, which contribute negatively, and several threats, which have the potential to contribute negatively, to the attractiveness of the Western Cape for offshore outsourcing of contact centres.

It was discovered that while many of the issues affecting the region’s attractiveness could neatly be categorised into SWOT variables, others had contrary aspects to them. Furthermore, most of the issues identified in this study are related to one another.

7.1.1 Strengths

The value proposition the Western Cape offers contact centres makes it particularly attractive for offshoring. Labour costs, which make up the majority of a contact centre’s operational overheads, are significantly cheaper than developed nations or home country destinations, such as Europe, the UK and the US. This, coupled with similar or better service and quality than both home country options and other alternative offshore destinations, such as India and the Philippines, ultimately amounts to lower risk – a considerably attractive service offering.

Furthermore there is an abundance of access to both skilled and unskilled labour in the region, and attrition rates in South African contact centres are lower than the world average. Agent perceptions of contact centre employment in the region are positive; many agents consider contact centre employment as a career and take it more seriously than their counterparts in developed countries. The work ethic in South African contact centres, at both agent and management levels, was perceived to be very positive; contact centre employees were described as hard working. Inauspiciously, a high national rate of unemployment contributes to these strengths.

South African agents were generally described as competent, particularly at providing voice services over the phone. Specifically, South African contact centres are competent at outbound sales as well as financial services, fast moving consumer goods and telecommunications services.
Factors, such as a neutral accent, cultural affinity with Western clients, a high level of English language competency and empathetic agents, contribute toward the quality of voice services South African contact centres can offer foreign clients, particularly English speaking markets. South African agents have a good command of the English language as it is a first language for many South Africans and the language of business in the country. Combined with a neutral accent, these strengths facilitate effective communication between agent and client. As South African contact centres are situated in a similar cultural and business environment to their customers, it was discovered that agents are more culturally aligned, empathetic and ultimately understanding of their clients’ culture, needs and wants than their Asian counterparts – a critical success factor for this service oriented industry.

Other than various government initiatives to develop skills for the contact centre industry, privately run institutions, such as technical training colleges, have also set up formal training programs. The existence of formal training programmes was perceived as a strength and an enabler of further skills development with which to fuel future industry growth.

Competency in financial services has played an important role in creating a mature contact centre industry, as has a home demand for contact centre services, which has also lead to a large presence of supporting and related industries, such as a highly capable IT workforce. Ultimately, a home demand for contact centre services and the presence of supporting and related industries has helped the industry build maturity, credibility and skill.

Executives felt that while the contact centre industry is fairly mature, the offshore outsourcing sector of the industry is still in its infancy. It was felt that the contact centre industry as a whole was fairly mature due to the existence of healthy local brands, such as banks, insurance companies and mobile phone operators, all of which have been in existence for a significant amount of time. The offshore outsourcing sector of the industry is somewhat immature as it is a relatively new sector of the economy that has not had enough time and experience to develop into more mature destinations such as India.

A healthy level of competition amongst operators in the region has helped offshore outsourcers remain competitive without engaging in a price war with one another. It has also helped the industry mature to a certain extent. Availability and competency of upper management has also helped the industry mature somewhat and is a good indication of the skills and human resources available in the region necessary to run these complex IT organisations.
The government is undoubtedly the biggest supporter of the contact centre industry at both a national and provincial level. In the Western Cape, the contact centre industry has been identified as one of five priority sectors to help fight boost the economy through foreign investment and curb a rising unemployment rate due to its labour intensive nature and the relatively low barriers to entry for potential agents. Indeed, much of the industry’s growth and success is largely due to government support and funding, which has increased from R250,000 in 2003 to R6.5 million in 2006.

Government has also played an important role in promoting the region as an attractive destination for foreign investment. Specifically, the Department of Trade and Industry has helped the country gain exposure through various trade missions across the globe as well as working closely with strategic industries, such as the contact centre industry.

Perhaps the biggest sign of government support for the industry is the existence and support of several contact centre bodies funded by government. SACCCOM (South African Contact Centre Communities) is a national body, which is the amalgamation of three provincial contact centre bodies – Calling the Cape in the Western Cape, KZN On Source in the KwaZulu Natal and Contacting Gauteng in Gauteng. Essentially, the function of Calling the Cape is to grow, improve and promote the contact centre industry by attracting foreign investment in the form of contact centres into the Western Cape.

The existence of call centre bodies has also helped the creation of standards and regulations. Calling the Cape was described as a forum that facilitates communication among contact centres in the region. It has acted as a catalyst in assisting regional operators develop close working relationships with one another. Thus far, a basic wage for agents has been established and executives are optimistic that more standards and regulations will be developed as time passes and the industry matures.

Even though most executives perceived government support as a strength, some perceived it as a weakness. Specifically, these executives felt that government support had come too late, it is not nimble enough for such a fast paced industry and not enough has been invested by government in skills development for the contact centre industry.

Traditionally primarily countries such as India and the Philippines were considered for offshoring by global companies. However, as more companies outsource to South Africa and the offshore outsourcing industry grows, so has interest in the region and in the country. South Africa is increasingly being brought to the world’s attention as an internationally recognisable
option for offshore outsourcing due to the growth and success of the industry. The political and economic stability of the country has also helped boost investor confidence. Surprisingly though, it is the quality of life the Western Cape offers foreign clients, which attracts a lot of investment into the region. The Western Cape is a popular tourist destination and offers Western clients a more comfortable lifestyle, a lower cost of living and relatively cheaper property prices. Tourism has also played an important role in promoting the region in this context.

The mere fact that the contact centre industry is experiencing growth was considered a strength by many investors. This growth has attracted a lot of interest from other foreign investors, who have as a result also invested in the region. Some of the most formidable contact centre investments in the region have been made by large international IT companies. The contact centre industry is viewed by such companies as a new source of income and an area, which they have both technical expertise and financial resources to invest in. Several of the largest contact centres operations in the region are investments by large global IT companies.

Interest in the region is not just restricted to the contact centre industry; as a whole, investor confidence in South Africa is generally good. At the time of writing one of the biggest banks in the UK was buying one of the biggest banks in South Africa. A large British conglomerate is also investing in South Africa’s mobile phone industry.

Perhaps the biggest compliment to the contact centre industry in the Western Cape is the decision certain contact centre conglomerates have made to make Cape Town their centre of operation or head office. This illustrates the confidence international players have in the region and the region’s attractiveness for offshore outsourcing of contact centres.

While certain executives felt that not having tax holidays for contact centres was a weakness, others felt that this was a strength as it is good for the long term sustainability of the industry in the region. Indeed, many companies moved out of India once their tax holidays were concluded.

7.1.2 Opportunities

Possibly the biggest opportunity contact centre executives identified for offshore outsourcers in the region is the UK market. It was estimated that approximately 78% of the Western Cape’s offshore clients originate from the UK. In fact, several executives believe that there is enough business from the UK alone to create a sustainable outsourcing industry in South Africa. Strengths, such as having a similar business environment to UK and high quality voice services, work towards a South African operator’s advantage when providing services to this market.
Another potentially large English speaking market that can be exploited is the US market. In fact having non-unionised agents was perceived as a strength when exploiting this market. However, due to certain minor cultural issues and because the US is not in the same time zone as South Africa, it is more challenging to penetrate this market.

The Time Zone does work towards South Africa’s advantage when exploiting the British and European markets, which were also identified as opportunities contact centres can exploit. Particularly, the Dutch speaking market was identified as an opportunity given the similarity between Dutch and Afrikaans, which a significant portion of the Western Cape speaks. Strengths, such as access to a diverse work force and the availability of foreign language speakers enable the exploitation of European markets. Only minor cultural issues need to be overcome when being outsourced to by certain foreign companies.

Other than opportunities with offshore clients, another interesting find that surfaced during the interviews was the importance of the South African market for contact centre services. The appearance of this opportunity is perhaps testament to a healthy home demand for contact centre services. It was discovered that while many outsourcers only serviced offshore clients, most operators diversified their portfolio with both onshore and offshore clients. Services for government as well as services for previously disadvantaged communities were identified as specific opportunities in the South African market.

Another interesting opportunity that surfaced during the interviews, which contact centres can exploit, is the offset programme which contractually obliges companies that have sold arms to South Africa to make an investment back into the country. This investment could be in the form of a contact centre.

Within the contact centre industry, opportunities exist for individuals who may be physically handicapped, visually impaired or have no previous work experience. Indeed, this industry’s ability to absorb graduates and members of previously disadvantaged communities into the work force is one of the reasons it has been selected as a strategic enabler of growth by the provincial government.
7.1.3 Weaknesses

Possibly the biggest weakness identified is the exorbitant cost of telecommunication in the country. This issue was raised considerably more than any other weakness during the interview process. Contact centres are discontented with the high cost of voice communication and bandwidth costs. Bandwidth plays an integral role for offshore outsourcers who often have to access data on systems located on servers in different continents. Furthermore, most operators felt obliged to employ what they felt was poor service from Telkom as it is a monopoly, which leaves them no choice.

Even though operators are discontented with exorbitant telecommunication costs and poor service, it was nonetheless felt that South Africa has a reliable national infrastructure and a robust telecommunications link with the rest of the world. Furthermore, telecommunication costs have been reduced substantially in a bid to make them more competitive with the rest of the world. Government has worked with contact centre bodies, such as Calling the Cape, to help reduce Telkom’s tariffs. The decreasing cost of telecommunication was perceived to be a strength.

The volatility of the rand is another inhibiting factor for offshore outsourcers, who expressed concern over the currency’s somewhat unstable fluctuations. This has deterred several large corporate companies from investing in the region, most notably ecommerce giant amazon.com.

Factors such as a high crime rate, lack of access to public transport and various property issues were also identified as weaknesses, but were not described as inhibiting towards investment in the region at current levels. The issue of power outages was perceived to be more critical to the attractiveness of the region as they can affect business continuity. At least one offshore outsourcer lost an international client due to power outages.

One of the paradoxical findings of the study is that while there is a shortage of technical skills at agent level, opportunities exist for niche IT services. Another weakness of the contact centre industry as far as human resources are concerned is the shortage of middle management skills. One suggestion offered for the skills shortage is that many agents view contact centre employment as temporary. Several executives felt that the perception of a skills shortage in this area exists because good middle management staff are in high demand, causing them to switch jobs often. This shortage was seen as a major problem because among other things, it contributes negatively to the industry’s maturity.
It was also discovered that the HIV and AIDS epidemic contributes towards a rising attrition rate. Drug abuse is also a problem at some contact centres. Executives felt that these problems were characteristic of the young age group, from which contact centres usually employ agents.

A couple of weaknesses were mentioned with regard to the country’s business environment. Most notably, it was felt that South African businesses do not have a good understanding of the contact centre industry. Many South African companies have not yet fully realised the potential benefits of employing the services of a contact centre. This means that the home demand for contact centre services has not yet realised its full potential and there are still many untapped opportunities in the South African market.

More specifically, contact centre executives felt that South African banks and venture capitalist lack experience and understanding of service oriented business, such as the contact centre industry, making it difficult for operators to source funding for their operations. One executive felt that this inexperience was due to a somewhat monopolistic banking sector, where competition for capital is somewhat limited.

Several executives voiced concern over the country’s somewhat stringent or rigid labour laws. As it is difficult to let go of human resources, contact centres are also more reluctant to hire new staff. Many executives are simply unhappy with the amount of time companies have to invest in order to comply with labour legislation.

A reason many companies frequently provided for not outsourcing to South Africa was that overall costs are not low enough to justify a move to South Africa. While South Africa only offers a cost saving of about 30%, countries such as India can offer up to 50% or 60% cost savings. Ultimately, it depends on the primary objective of the outsourcing company — if their sole objective is to reduce costs, the South African option may not be best suited to their needs. Offshore outsourcing to South Africa is more expensive, but promises better service and quality, lower risk and a host of other strengths.

Interview participants felt that South African outsourcers are not suited towards performing simple back office operations or straightforward business processes, such as data capturing or changing credit card details. This is simply due to the fact that other destinations exist in the world that can perform these exact functions, with the same quality and at significantly lower prices, notably India and the Philippines. Labour costs are too low in these countries for South African operators to compete with. South African contact centres are more suited towards more
complex functions, such as financial services, which require agents to be more skilled and engaging with customers.

7.1.4 Threats
Possibly the biggest threat to the offshore outsourcing industry in the Western Cape is India’s offshore outsourcing industry. Indian outsourcers are cheaper and India’s offshore outsourcing sector has been in existence longer than South Africa’s, making it more mature than the young South African offshore outsourcing industry. Near source destinations, such as Canada and various Eastern European nations, also pose a threat to South Africa’s offshore outsourcing industry as they are sometimes more culturally aligned with their target markets and because by definition they are closer to home, making them easier to manage than geographically farther destinations. Although China was identified as a threat, it was not perceived as a threat contact centres need to be worried about in the foreseeable future.

Even though South African agents are perceived to be competent at outbound calls, offshore markets have become increasing saturated by outbound calls as growing numbers of customers have become frustrated by telesales, raised concerns about data privacy and de-listed their numbers to avoid calls from telemarketers. List brokers were perceived as another threat to the outbound sector as they have been known to provide unreliable lists to outsourcers, which is damaging to business. Coupled with high agent attrition rates in outbound sales, the outbound sector of the contact centre industry has many challenges ahead of it if it is to remain sustainable.

7.2 Desirable Practices & Other SWOT Variables
Overall, 22 desirable practices were identified in this study. These practices were suggested by contact centre executives during the interview process and have been developed using a hermeneutic mode of qualitative content analysis. Most of the practices identified integrate quite well with other SWOT variables.

One of the first desirable practices discussed by participants during the interview process was the importance of identifying a niche to provide services to. Participants recommended that outsourcers select an industry and specialise their competencies towards servicing it.

While it is important for outsourcers to target a specific industry to provide services to, executives felt that it was equally important to have a diversified portfolio of client companies
and work. This is especially important for outsourcers as it ensures an operator’s long term sustainability by providing it with multiple income streams. Once contact centres have diversified their portfolios with a good mix of complementing products, they can offer their client companies cross selling services in order to raise profits for all stakeholder companies.

Another important practice particularly applicable to outsourcers was described as client synergy. It is critical that outsourcers cultivate a good working relationship with their client companies. Outsourcers should be completely honest with client companies and make sure that they comprehensively understand their client’s needs and have the competencies and resources to satisfy them. It is also important that outsourcers select reputable companies to represent and ensure that both contact centre and client company are committed to the outsourcing process.

Documented and formalised processes and methodologies ensure that contact centres have predefined standards and procedures, which guarantee a certain level of service and quality throughout the operation. Such documentation can also be built into service level agreements with client companies. Indeed, such documentation demonstrates an outsourcer’s competency to potential clients.

Since VOIP technology was legalised in South Africa, it has become a huge cost saving opportunity for contact centres, particularly offshore outsourcers. However, because VOIP infrastructure is not as robust as Telkom lines, many executives recommended employing a hybrid of both Telkom and VOIP technology.

While executives felt that infrastructure availability was generally good in South Africa, there is a lack of public transport to many areas, especially at night – this is certainly not suited to such a labour intensive industry. Therefore, it was suggested that South African contact centres strategically place their operations in locations where public transport is most accessible.

Executives recommended employing rigorous recruitment practices to minimise agent attrition rates. Once recruited, several training practices were suggested for contact centres to consider. It was suggested that agents go through induction training, after which they are put into an incubation environment, where their skills are tested and refined before they go live onto the phone. Contextualised training – educating specifically for the target market and product being serviced was also accentuated. The importance of ongoing training and feedback mechanisms was also emphasised, as both help agents to continually develop, improve and refine their skills.
A balanced scorecard performance management system was recommended as a tool contact centres could use to measure an agent’s performance in various key areas of an agent’s job against predefined service level agreements.

Executives also recommended the use of innovative pay and incentive structures, which reward agents based on their performance. Commission based sales are commonly used in outbound operations and similar models can be implemented for inbound operations by rewarding agents for successfully dealing with a query or interaction. Employing innovative incentive structures is not only good for agent enthusiasm, motivation and hence contact centre profitability, these structures can be incorporated into an outsourcer’s billing structure by charging client companies for successful interactions.

First call resolution (FCR) was identified as one of the most important measures of a contact centre’s performance. Indeed, many customers do not mind waiting longer for a call to be attended to if they know that it will be resolved once the call has been answered. FCR is also financially beneficial for an adopting firm and increases the quality of voice services a contact centre offers its customers. Recording and auditing sales also ensures a high quality of interaction between agent and customer as well as acting as a legal contract in cases where sales are made telephonically over the phone.

A contact centre environment is highly stressful. Agents are continuously under pressure to perform, which is one of the reasons attrition rates are so high in this industry. Creating a pleasant working environment for agents was therefore seen to be very important, as are staff wellness programs. The performance of a contact centre is ultimately gauged by the quality of service its agents can provide, hence the importance of keeping agents comfortable and happy in their work environment.

Some forms of contact centre employment can also be somewhat monotonous, which is why it was suggested that contact centres multi-task their agents. This can help decrease attrition rates by adding variety to an agent’s job. It also provides agents with exposure to different service lines which is useful for their career growth.

Career path development was seen as another practice that can be used to decrease attrition rates as well as combat perceptions that contact centre employment is temporary. Most importantly however, career path development is beneficial for both agents and contact centres as it lays out a strategy, which can be used to get the most value out of an agent while further developing their skills and competencies.
Other than investing in agents, executives also highlighted the importance of IT investments. Even though it may be difficult to justify expensive IT investments in the short term, and many of the benefits of such an investment might not be immediately tangible, in the long run IT infrastructure and software, such as KM and CRM systems, are a sound investment and make financial sense as well as improve customer satisfaction.

Internationally recognised certification was seen as another important investment contact centres should make. Such accreditation helps clients understand what is expected of an outsourcer while demonstrating its capabilities and service quality.

Perhaps the most important catalytic desirable practice identified in the study is the importance of forming strategic global partnerships and alliances with contact centres around the globe. A partnership between a South African operation and other international operators is mutually beneficial to all parties involved. South African operators can benefit from a repository of international contact centre experience and skill, while foreign operators can benefit from local knowledge and expertise.

A global partnership of contact centre operations across the globe can also provide multinational clients with 24 hour, follow-the-sun service. Such an international conglomerate also facilitates the creation of reciprocal business opportunities between all operators involved, as each operation has its own unique competencies and is hence better suited towards servicing a certain market. Such partnerships are also more likely to attract and win contracts due to their size and resources.

This practice also allows contact centres to test the waters in an outsourcing destination, such as South Africa, before making an expensive investment. It can also help with disaster recovery and business continuity efforts by providing back-up sites in emergencies. Finally overseas exchange programmes can be formed between the contact centres involved to promote skills development.
8. CHAPTER EIGHT: REFLECTIONS, CONTRIBUTIONS & IMPLICATIONS

8.1 Reflections on Academic Contributions & Implications

It is hoped that this research has made several academic contributions. It has also developed and adopted several novel methods and methodological approaches. The following paragraphs reflect on these contributions and their possible implications for future research.

8.1.1 A Rigorous Review of Relevant Literature

The first academic contribution this study has made can be found in the literature survey. This study has conducted a comprehensive survey of both academic and non-academic literature on the subject of contact centres and offshore outsourcing contact centres.

The papers reviewed came from a wide range of academic sources. Several came from well known IS journals, such as MIS Quarterly Executive and Information Systems Management. Perhaps the most relevant and current information on contact centres was provided by journals, such as The International Journal Of Call Centre Management and Call Centre Magazine, which seem to be the leading publications in this area. Journals from other sources were also consulted including CRM Magazine and the Human Resource Management Journal. Many of the papers used for research were presented at various conferences.

A number of non-academic sources were also used. Literature from Gartner, the world's largest IT research organisation was also extensively used. A number of well known local and international consulting firms and representatives of government agencies have done research into this area. A variety of research papers and proposals from various consultancies, such as A.T. Kearney, Dimension Data, Deloitte, Calling the Cape, Mitel Research, Paladin Consulting, Consulta Research and the Department of Trade and Industry, were used to gather relevant data for the literature review. Various IT vendors have also developed white papers on relevant topics, albeit these were used a lot less frequently due to the commercial interests of vendors involved.

Furthermore, a comprehensive survey of theoretical and methodological literature relevant to this study and its objectives was also generated. This literature described, discussed and motivated the use of qualitative research methods, an interpretive research epistemology, a SWOT matrix for determining a region's attractiveness, desirable practices, hermeneutics and a
hermeneutic mode of qualitative content analysis. This literature was developed by consulting a range of authorities in each theory and method discussed, developed and adopted.

It is hoped that the literature reviews developed for this study can be useful for other studies which conduct research in similar areas. As Webster and Watson (2002) argue, such reviews conceptualise research areas and survey and synthesise prior research, which provide important input in setting direction for future research.

8.1.2 From Best Practice to Desirable Practice

As noted by Sia and Yeow (2004) and Wagner et al. (2004), there has recently been a significant amount of research that critically evaluates the notion of 'best practice' in the field of information systems. Such research questions the black boxed manner in which these practices are developed (Sia and Yeow, 2004; Wagner et al., 2004), as well as this concept's context-free objectivity and transferability (Sia and Yeow, 2004), in an effort to understand why a growing number of researchers are reporting that adopting these practices can be problematic and actually cause more harm than good (Rost, 2005; Swan et al., 1999).

It is hoped that this study has contributed to this ongoing debate in IS literature by providing the reader with some thought provoking arguments, a discussion and a review of relevant literature surrounding this critical evaluation. It is felt that not only has this study raised a number of important issues around this concept's applicability, use and development in IS research, it has also suggested a number of precautions which have subsequently been utilised to minimise these concerns. The phrase 'desirable practices' has been used to describe these practices which have been developed taking into account such considerations.

Unlike best practices, desirable practices detail the exact research process adopted to develop them. Furthermore, they are not presented as objective, context-free knowledge that can be readily acquired, stored, and transferred (Sia and Yeow, 2004). The context in which each practice was discovered and is applicable has been disclosed and discussed thereby offering one possible suggestion for overcoming some of the concerns raised around the use of this concept in academic research. This study has ultimately placed the onus of determining the applicability of each practice identified on the adopting organisation.

The implications of this contribution are far reaching – both for practitioners and IS researchers. It urges practitioners to carefully analyse the applicability of 'best practices' before adopting them. From an academic standpoint, it offers IS researchers a few guideline suggestions for
future research involving the development of such practices. It is hoped that future researchers will take these concerns into consideration.

8.1.3 A Hermeneutic Mode of Qualitative Content Analysis

This study has developed and adopted a hermeneutic mode of qualitative content analysis. It is hoped that this method of text analysis has made an academic contribution, which future research of a qualitative nature will consider adopting for their studies.

As its name suggests, this mode of analysis has essentially adopted and incorporated elements of qualitative content analysis with a well established interpretive IS research method: hermeneutics. In a sense, it has replaced the more positivistic characteristics of content analysis with interpretation and hermeneutics. This method has used hermeneutics to simultaneously interpret each passage of text into deductive and inductive categories. The exact mechanics of this method have been extensively detailed and discussed in the Chapter 3.

The mechanics of this research methodology and mode of analysis have been presented as a formalised process, which includes the used of a software application named HCAP (The Hermeneutic Content Analysis Program). Chapter 4 rigorously details the exact steps the researcher has taken from literature survey to producing and writing up the findings.

This methodology has added much value to the study as it has allowed the researcher to systematically interpret each passage of text and electronically store results in a classifiable database ultimately producing a broad spectrum of results, which are truly reflective and inclusive of all the interview participants' constructs of reality.

It is hoped that this method will be considered by other researchers as an alternative or complement to other leading modes of analysis, such as critical discourse analysis, narratives, grounded theory and pure forms of content analysis or hermeneutics, as was done in this study.

8.1.4 Relationship Modelling

In line with the fundamental principle of the hermeneutic circle, this study has created a relationship modelling language to help examine and understand this phenomenon from a holistic perspective in addition to examining each factor individually, as was done in the findings chapter.
This modelling language examines the attractiveness of the Western Cape for offshore outsourcing of contact centres by examining the relationships the individual categories have with one another and how they synergistically work together to create an attractive destination. It also suggests how certain desirable practices can be used to strengthen strengths, weaken weaknesses, mitigate threats and exploit opportunities in an effort to make contact centres attractive for offshore outsourcing.

This tool has also helped to identify the most important strengths or characteristics of the region in the context of the study's objectives as well as bottlenecks, challenges or weaknesses that need to be improved to further the positioning and strategic service offering of the industry for offshore outsourcing. Finally, it has also helped develop what grounded theorists refer to as substantive theories, which can be further developed, tested and formalised in future research studies.

It is hoped that this method of SWOT and Desirable Practices relationship modelling will be employed in subsequent research involving these frameworks. A preliminary method has been suggested, developed and used in study – further use and development in future studies will help wider spread adoption and acceptance in the academic community, enabling it to become a formalised method that can be used to make future contributions to other fields of study.

8.1.5 The SWOT Matrix and the Determinants of National Competitive Advantage

It is hoped that this study has made an academic contribution by illustrating that a SWOT matrix can be used to describe and determine a region's competitive advantage and attractiveness for a specific industry. This particular study has used a SWOT matrix as an analytical and descriptive framework with which to determine the attractiveness of the Western Cape for offshore outsourcing of contact centres.

This study is not the first to use the SWOT analysis technique to determine the attractiveness of a region for offshore outsourcing. Nair and Prasad (2004) have also used a SWOT matrix to determine the attractiveness of a state in India for offshore outsourcing. In fact, Nair and Prasad's (2004) paper was a precursor to this research. Outside of IS literature, the SWOT matrix has also been used by advocates such as Weihrich (1999), who suggests that it is perhaps the most appropriate tool for analysing the competitive advantage of a country's industry. Even though this study is not the first to use a SWOT matrix to describe a region's attractiveness, it is nonetheless unique as it has combined this approach with a hermeneutic mode of qualitative
content analysis. Porter's (1990) model, the determinants of national advantage, has also been used to inform this study.

Following the unique approach this study has used to determine the region's attractiveness for offshore outsourcing of contact centres, a number of resultant recommendations for future research are possible. These shall be outlined in the proceeding paragraphs.

8.1.5.1 Similar Research in South Africa

The Western Cape is not the only province in South Africa with a growing contact centre industry. Other operators exist nationally. Two provinces that particularly stand out, due to the existence of provincial contact centre bodies, are Gauteng and KwaZulu Natal. In fact, even though the Western Cape is at the forefront of the offshore outsourcing phenomenon in the country, there are more contact centres in Gauteng than the Western Cape. Subsequently, one suggestion for further research is to conduct similar research studies into these provinces and compare these results with the findings from this study. Such research would be of great value to the contact centre industries in these regions as well as their provincial contact centres bodies, namely KZN On Source and Contacting Gauteng and the economy.

It is felt that such a study could also be conducted on a national level. Indeed, such a study could be the result of combined efforts by academics performing regional research in each province. Such research would be beneficial to the Department of Trade and Industry as well as SACCCOM, the South African Contact Centre Community.

8.1.5.2 International Studies

Other than South Africa, the phenomenon of offshore outsourcing contact centres is being experienced by many other developing nations. Similar studies could hence be performed in countries such as India, the Philippines and various other Eastern European or South American destinations. In our own neighbourhood, Mauritius is positioning itself as an up and coming alternative. Similar to the benefits of this study, such research can help boost the economies of these nations by increasing foreign investment into these countries in the form of contact centres.
8.1.5.3 Use in Different Contexts

Other than examining a region's attractiveness for offshore outsourcing of contact centres, it is felt that this research framework can also be used in different contexts. The refined SWOT framework detailed in this study can be used to examine the attractiveness of a region for other forms of foreign investment. This form of foreign investment need not be restricted to the field of IS. For example, future research studies can examine the attractiveness of a region for the film industry or for tourism – both of which are playing an increasingly larger role in South Africa's economy.

8.2 Reflections on the Research Approach

This study has utilised qualitative research methods, namely hermeneutics and a hermeneutic mode of qualitative content analysis. From a philosophical perspective, it has adopted an interpretive epistemology and ontology.

Like the majority of interpretive research, this study's assumed knowledge of reality has been attained from social constructs (Klein and Myers, 1999). Arguably the greatest difference between the study of natural sciences and social phenomena is our ability to talk and hence produce qualitative textual data (Myers, 1997). For the purposes of this study, such data has been extracted using semi-structured open-ended interviews with senior executives of the majority of offshore outsourcing contact centres in the Western Cape.

This data was then interpreted using a hermeneutic mode of qualitative content analysis and hermeneutics. As the nature of this study is primarily descriptive and exploratory, these meaning-oriented methods are far better suited towards this study's objectives than measure-oriented methods, which are more suited towards studies with a quantitative, functional or positivistic orientation (Pozzebon, 2004).

Parallel with a growing trend in IS research (Myers, 1997), the focus of this study has been more geared towards examining managerial and organisational issues as opposed to technological issues. A qualitative research approach coupled with an interpretive research epistemology has enabled the researcher to consider a wide range of insights, which would not have otherwise surfaced in a positivistic study with predefined variables.

In line with interpretive and hermeneutic research philosophies (Myers and Avison, 2002), this study has focused on the complexity of human sense making as the situation emerged (Kaplan and Maxwell, 1994; Klein and Myers, 1999). Many of the issues raised during the interview
process emerged as a result of allowing the participants to discuss the issues they felt were relevant in the context of this study. A system of inductive category development coupled with hermeneutic research philosophies has informed, complemented and facilitated this approach by allowing a wide range of categories to be developed, presented and discussed.

It is also important to acknowledge the support of a clear and structured research methodology as well as well-defined methods and tools, such as the HCAP software application that was developed to assist the research with the content analysis methods utilised in this study. In line with the fundamental principle of the hermeneutic circle (Klein and Myers, 1999), this phenomenon was examined by looking at each factor individually as well as examining it in its entirety. This has presented the reader with both an in-depth and holistic examination of the research topic.

Indeed, it is felt that were it not for this approach, the range, validity and applicability of the inductive categories identified would not have been so conclusive and comprehensive. This approach has enabled this research study to produce a number of issues that have not been raised in previous literature. It is felt that the rigorous range of categories identified in this study have added much richness and value to the study's findings.

This approach has also enabled the researcher to gain a deep, rich, yet holistic understanding of the social, cultural and business environment in South Africa – specifically in the offshore outsourcing sector of the contact centre industry in the Western Cape. It has helped the researcher to better understand the context in which offshore outsourced contact centres operate in the Western Cape, and the factors or conditions which influence or have the potential to influence, either positively or negatively, the region’s attractiveness for this purpose. Using a white-box approach, this study has also suggested a set of context sensitive desirable practices that contact centres, offshore outsourced, South African or otherwise, can consider adopting to achieve superior organisational performance.
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APPENDICES

Appendix 1: CRM in the Contact Centre

CRM in the Call Center and Contact Center

Source: Lassman (2002)
Appendix 2: Pilot Data Gathering Instrument

The eight questions that were asked during the first two pilot interviews were:

1. What are the strengths of the Western Cape and South Africa for offshore outsourcing of contact centres?
2. What are the weaknesses of the Western Cape and South Africa for offshore outsourcing of contact centres?
3. What opportunities exist for offshore contact centres in South Africa?
4. What threats exist for offshore contact centres in the South Africa?
5. What best practices can offshore companies outsourcing contact centres to South Africa employ in order to:
   - Swiftly move through the South African offshore outsourcing learning curve?
   - Mitigate risks, unique or generic to South Africa?
   - Effectively work with South African suppliers?
   - Ensure cost savings while protecting quality?
Appendix 3: Interview Agenda

Interview Agenda:
The Viability of Outsourcing Offshore Contact Centres to the Western Cape

Introduction
Good Afternoon. By signing the participant consent for, you are agreeing to participate in a research project conducted by Saba Derakhshani as part of the partial requirements for the course entitled Master's in Information Systems. From a high level perspective, this research report is broken down into two parts, each detailing the primary objectives of the study.

Part I: SWOT Analysis
The first research objective of this study is to determine the attractiveness of the Western Cape for offshore outsourcing of call centres. The researcher has elected to do this by using a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. Keeping this in mind, please can you talk about the following aspects of the South African Call Centre industry? Please feel free to add any other issues you feel have been left out by the researcher.

- Cost
- Access to skilled labour
- Infrastructures (IT and Telecoms)
- Language, Accent, Culture
- Time Zone
- Government Support
- Political and Economic Stability
- Home demand for contact centre services
- The maturity of the existing contact centre industry
- The presence or absence of related and supporting industries
- Domestic rivalry amongst contact centres in the Western Cape or SA
- The SA business environment: how firms are created, organised, and managed

If you are a South African call centre with overseas clients, can you discuss reasons why overseas companies have made the decision not to outsource to the Western Cape or South Africa for that matter?

Part II: Desirable Practices
The second research objective of this study is to identify certain normative practices contact centres in the Western Cape can adopt to achieve superior organisational efficiency and performance. As a well-established contact centre, what practices do you use and would you recommend to other offshore outsourcers in the region?

Closing
Thank you for the time and energy you have spent participating in this study. Your contribution has been most valuable. I would like to assure you once again that your details will remain confidential and your comments will only be used for the academic purposes of this study. As a token of appreciation, a summarised version of this study's main findings can be emailed to you, if you provide your email address in the space below.

Email Address: ________________________________
Contact Name: ______________________________
Company Name: _____________________________
Appendix 4: Participant Consent Form:

UNIVERSITY OF CAPE TOWN

Department of Information Systems

Leslie Commerce Building
Engineering Mall. Upper Campus
OR Private Bag. Rondebosch 77001
Tel: 650-2261
Fax No: (021) 650-2280

INTERVIEW PARTICIPATION CONSENT FORM

One of the partial requirements for completing a Master's degree in Information Systems at the Department of Information Systems in the Faculty of Commerce at the University of Cape Town is the completion of a dissertation research project.

The researcher, in this case Saba Derakhshani, has chosen to perform a study entitled "The Attractiveness of the Western Cape for Offshore Outsourcing of Contact Centres"

The main research objectives of this study are:
- To describe the attractiveness and viability of the Western Cape as an offshore destination for outsourcing contact centres
- To identify certain practices contact centres in the region can adopt once the decision to outsource to the Western Cape has been made

An issue that is of utmost importance to the researcher, the department, the faculty and the University of Cape Town at large is research ethics. Consequently, the researcher guarantees the confidentiality and anonymity of the details and comments you provide, which will strictly be used for the sole purpose of the aforementioned research report.

Furthermore, your participation in this study is entirely voluntary. You may choose to be excluded from the study at any point in time without incurring any adverse consequences. If you so choose to be involved with this research project, please sign the consent form below.

___________________________________
Name:

PARTICIPANT CONSENT FORM

By signing this participant consent form, you are agreeing to participate in a research project entitled "The Attractiveness of the Western Cape for Offshore Outsourcing of Contact Centres" conducted by Saba Derakhshani as a partial requirement for the course entitled Master's in Information Systems. The researcher guarantees the confidentiality and anonymity of the details and comments you provide, which will strictly be used for the sole purpose of the aforementioned research report. Should you wish to contact the researcher for any reasons whatsoever, please do not hesitate to email him at drksab001@mail.uct.ac.za or call him on 084 34 33 564

Contact Name: ___________________________________________

Company Name: ___________________________________________

Signature: ________________________________________________

Date: _____________________________________________________

___________________________________

The Attractiveness of the Western Cape for Offshore Outsourcing Contact Centres / Derakhshani

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Appendix 5: Twenty Best Practices for Offshore Outsourcing

<table>
<thead>
<tr>
<th>Sourcing Challenge</th>
<th>Practices to Overcome the Challenge</th>
<th>Equally Important for Both Domestic &amp; Offshore</th>
<th>More Important For Offshore</th>
<th>Unique to Offshore</th>
</tr>
</thead>
<tbody>
<tr>
<td>How can we swiftly move through the learning curve?</td>
<td>1. Create a centralized program management office to consolidate management</td>
<td>X</td>
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<td></td>
<td>2. Hire an intermediary consulting firm to serve as a broker and guide</td>
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<td>X</td>
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<td></td>
<td>3. Select locations, projects, suppliers, and managers to leverage in-house sourcing expertise</td>
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<td>How can we mitigate risks?</td>
<td>4. Use pilot projects to mitigate business risks</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>5. Give customers a choice of sourcing location to mitigate business risks</td>
<td></td>
<td>X</td>
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<tr>
<td></td>
<td>6. Hire a legal expert to mitigate legal risks</td>
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<td>7. Openly communicate the sourcing strategy to all stakeholders to mitigate political risks</td>
<td>X</td>
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<td></td>
<td>8. Use secure information links or redundant lines to mitigate infrastructure risks</td>
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<td>9. Use fixed-price contracts to mitigate workforce risks</td>
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<td>How can we effectively work with suppliers?</td>
<td>10. Elevate your own organization’s CMM certification to close the process gap between you and your supplier</td>
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<td></td>
<td>11. Negotiate the CMM processes you will and will not pay for to avoid wasting money</td>
<td>X</td>
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<td></td>
<td>12. Cross-examine or replace the supplier’s employees to overcome cultural communication barriers</td>
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<td>13. Let the project team members meet face-to-face to foster camaraderie</td>
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<td></td>
<td>14. Consider innovative techniques, such as realtime dashboards, to improve workflow verification, synchronization, and management</td>
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<td></td>
<td>15. Manage bottlenecks to relieve the substantial time zone differences</td>
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<td>How can we ensure cost savings while protecting quality?</td>
<td>16. Consider both transaction and production costs to calculate overall savings realistically</td>
<td>X</td>
<td></td>
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<td></td>
<td>17. Size projects large enough to receive total cost savings</td>
<td></td>
<td>X</td>
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<td></td>
<td>18. Establish the ideal in-house/onsite/offshore ratio only after the relationship has stabilized</td>
<td>X</td>
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<td>19. Develop meaningful career paths for subject matter experts, project managers, governance experts, and technical experts to help ensure quality</td>
<td>X</td>
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<td></td>
<td>20. Create balanced scorecard metrics</td>
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