

SOUTH AFRICA **in the** **DIGITAL AGE**

Think globally-traded services, think South Africa

A STRATEGY FOR SOUTH AFRICA TO CAPTURE AN INCREASING SHARE OF THE DEMAND FOR GLOBALLY-TRADED SERVICES

A strategy developed by Genesis Analytics in partnership with Business Process Enabling South Africa, the Department of Trade and Industry, Harambee Youth Employment Accelerator, and Knowledge Executive

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Introduction

Improvements in the affordability and capabilities of information and communication technology (ICT) are supporting an enormous expansion in the trade of services globally. Although this currently constitutes about one quarter^a of global trade [1], it is growing quickly at a faster rate than manufacturing, mining or agricultural exports [2]. This has been driven by the fact that services constitute the majority of value addition in most developed economies, and a significant number of developing economies [3]. As companies in these markets look to keep costs low and improve productivity, outsourcing functions like customer support, finance and accounting, legal, or digital services to offshore markets with a cost advantage has become an imperative.

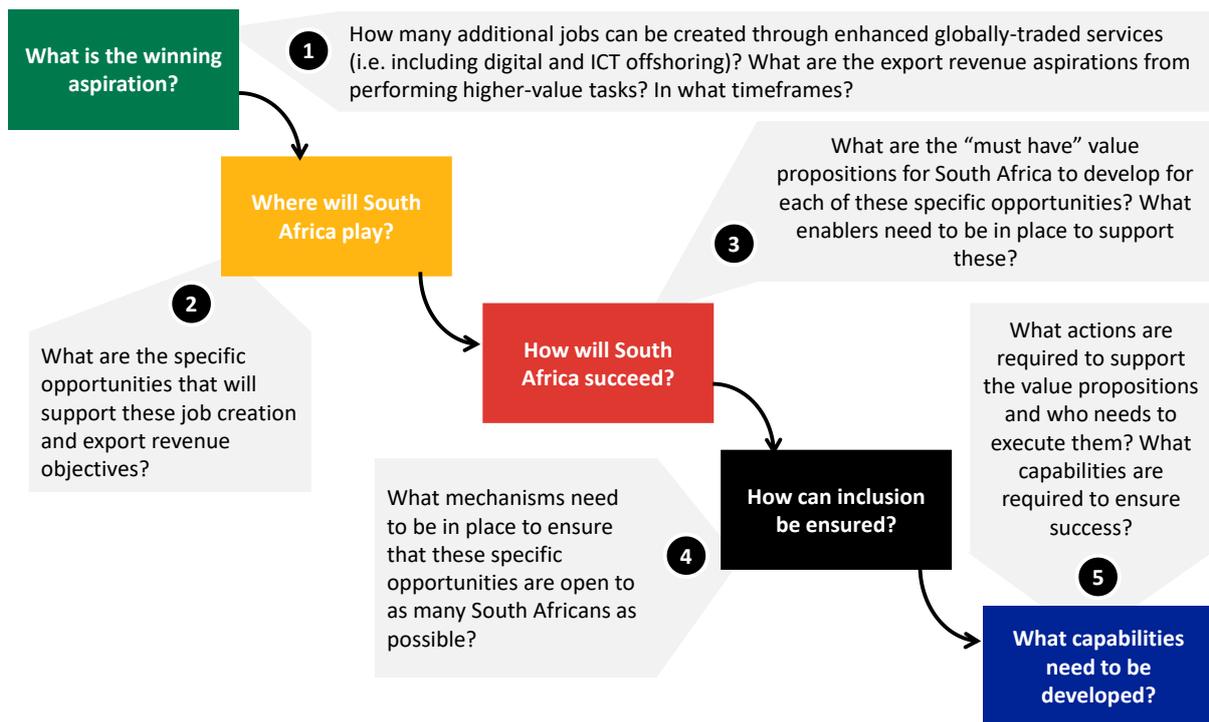
The experience of countries like India and the Philippines have shown that capturing this demand for global business services can stimulate serious scale, and achieve a commensurate growth in employment creation and export earnings. The Philippines' BPO sector grew threefold in ten years, contributing one-third of the country's export earnings and employing 1.3 million people by capturing about 15% of the global demand for BPO services [4]. India's export IT and BPO sectors are still growing at around 8% per year, contributing over one-quarter of the country's export earnings and employing over 4 million people [5]. As all sectors undergo digital transformation, the demand for outsourced digital services in particular will increase – digital services already constitutes 24% of India's IT and BPO outsourcing revenue [5].

Going forward, the expansion of globally-traded services is likely to increase as new technologies develop and ICT improves. Improvements in high-bandwidth internet, telepresence, virtual and augmented reality technologies, and telerobotics are already broadening the range of globally-traded services as tasks which were proximity-based can now be provided remotely [6]. This is also giving rise to new forms of globally-traded services that move beyond business services into personalised and social services in the education, healthcare and lifestyle sectors.

This boom in demand for globally-traded services represents a real opportunity for South Africa to scale work opportunities in a way that is open to as many South Africans as possible. In both India and the Philippines, the scaling of global business services has been a positive driver of inclusion and female empowerment [7]. This strategy sets out a clear path for South Africa achieving scale and inclusion in its own right, according to the strategic framework shown below.

^a The true value of services' share of exports is likely higher as services account for a significant share of manufacturing exports. Estimates suggest that services may account for up to half of global trade when measured by value addition. [6]

Figure 1: Globally-traded services strategy framework



South Africa’s winning aspiration

South Africa already has a small but fast-growing GBS sector that currently employs 255,604 people [8]. The recent growth of the sector has been supported by a partnership between the sector’s industry association Business Process Enabling South Africa (BPESA), the Harambee Youth Employment Accelerator, and the Department of Trade and Industry (dti). The partnership has resulted in improved global marketing efforts, a revised incentive scheme from the dti to support export-oriented job creation, and an improved pipeline of young talent into the sector. This has culminated in a five year growth strategy with a target of an additional 50,000 export jobs created between 2019 and 2023.

Only about one quarter of the sector’s current total job creation is from the offshore market [8], and in 2017 78% of these jobs were for business from the UK where the sector has historically focused [9]. As such, there is enormous potential to scale the sector by expanding and tapping into new sources of demand globally. The 50,000 additional jobs committed in the sector’s growth strategy is in-line with the sector’s current growth trajectory, and in the first two quarters of 2019 an additional 8,712 jobs have already been created [10]. As such, the targeted 50,000 new jobs are “bankable”, and this strategy’s ambition is to double this target to 100,000 cumulative net new jobs within five years.

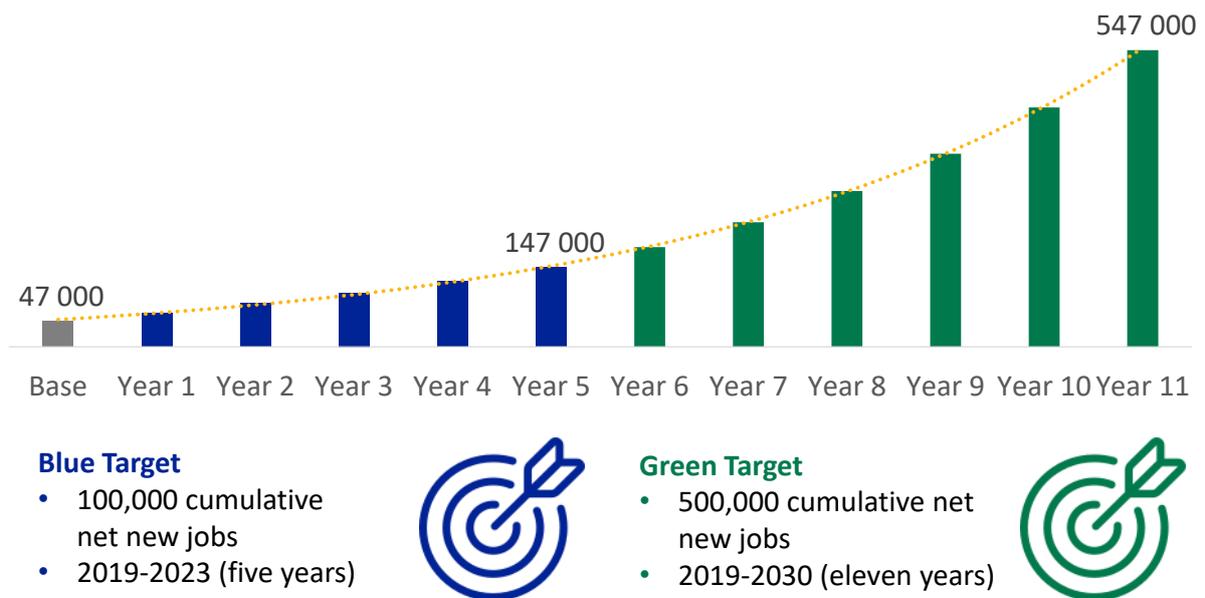
This represents a significant scaling of the sector that will require the realisation of additional concrete opportunities. These include expanding the market share of South Africa’s BPO services in current target source markets like North America and Australia, developing shared service capabilities in the niche areas where South Africa has a competitive advantage, and evolving the sector into digital and ICT outsourcing services. The size of these opportunities

in the short-medium term will be limited by serious scale constraints that need to be addressed before further scaling can take place. As such, 100,000 net new jobs in five years represents the sector’s “blue” or interim target of what is possible in the medium term.

Moving beyond five years, this scale potential can increase considerably. This strategy’s ambition is to grow the number of cumulative net new jobs from globally-traded services to 500,000 over an eleven year period (2019-2030). Achieving this growth assumes that there will be reputational gains from the first five years of scaling as South Africa establishes its track record in source markets and develops a better reputation for larger outsourcing operations. It will also require the sector to innovate into new areas of globally-traded services to keep pace with changing demand and take advantage of new sources of global demand in personalised and social services. Meeting this target will benefit from work that is currently outsourced from South Africa to other markets being “reshored” by South African corporates.

Achieving the scale envisaged over this 11 year period will also require the sector to access new capacity more inclusively. With scale comes the possibility of locating outsourcing centres directly in low-income communities where their employees typically travel from, rather than in business centres. There is also the possibility of expanding outsourcing activities beyond the major economic hubs into tier II and III cities where unutilised capacity currently exists. In addition, virtual outsourcing models that allow employees to work from home, or via strategically located community centres, through the development of digital platforms can enable scale and support inclusion. If all of these possibilities can be actualised, the generation of 500,000 cumulative net new jobs represents the sector’s long-term “green” target.

Figure 2: Job creation projections over blue and green target periods



Note: the 47,000 jobs that have accumulated in the base year are carried through to the five and eleven year targets
 Source: Data and calculations made by Genesis Analytics, BPESA and Harambee Youth Employment Accelerator, 2019

Where South Africa can succeed

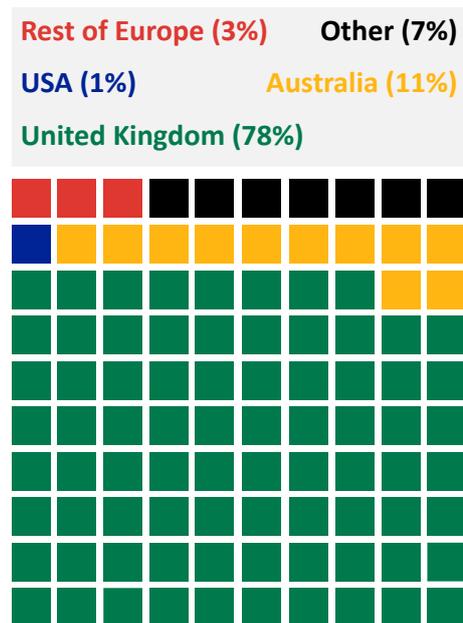
In order for South Africa to achieve this, it is critical to identify and capture concrete sources of demand which can support this. There are five key opportunities identified here where South Africa is well positioned to do this.

BPO expansion in target source markets

The majority of South Africa’s GBS activity caters to a single source market – the UK. In 2017, only 22% of the headcount from offshore work was made up of work from other source markets [9]. There is enormous potential for South Africa to expand its market share of outsourced services from markets in North America (the USA and Canada) and Australia as more companies are looking for a viable alternative to India and the Philippines. As English-speaking markets, South Africa has a natural advantage in providing high-quality, empathetic English-speaking talent with strong cultural ties and favourable accents for these source markets [9].

The GBS sector is also currently providing a smaller share of offshore services to the rest of Europe and the Asia Pacific region which represent additional markets for growth. In the longer term, there is potential for South Africa to expand its footprint into the rest of Africa, a geography that will increase in importance as the demand for business services in economies transitioning away from agriculture increases.

Figure 3: Current GBS source market split by headcount, 2017



Source: Everest Group, “South Africa’s BPO industry - Pivoted for the next generation of service delivery,” 2018

Development of niche shared services

In addition to the contact centre work that makes up the majority of the current offshore activity within the GBS sector, South Africa is well-positioned to develop niche areas of shared services that can be exported. This can take the form of captive shared service centres that global companies set up in a particular location to service the various components of the business across multiple locations (e.g. a shared legal processing hub for a global law firm). It can also take the form of a third party company that provides outsourcing services in a particular area of specialisation (e.g. legal process outsourcing).

In either case, South Africa has existing capabilities in a number of areas that make it well suited for providing these shared services. There are already shared service centres in South Africa set up for legal processes, customer lifecycle management/support and knowledge

services, and South Africa's strong capabilities in finance and accounting and human resources provide a strong opportunity going forward. This mix of niche shared services are particularly strong across a number of industry verticals where South Africa has good capabilities: insurance, telcos, financial services, and health care. The sector is currently in the process of developing a clear shared services value proposition which can be used to market South Africa as a competitive location for delivering these services.

Reshoring of domestic activity

There are a significant number of South African corporates who, like companies anywhere in the world, outsource some of their non-core functions to offshore locations. This represents a lost opportunity for the domestic business service outsourcing sector to capture this demand. Much of this offshored work is in areas where South Africa's GBS sector has yet to develop a compelling value proposition - shared services and digital/ICT outsourcing. These functions are currently being outsourced to locations like India where there is a clear cost advantage and the capabilities to provide scaled solutions.

Bringing this offshored work back to South Africa constitutes a significant opportunity for growing domestic job creation, and should be thought of as a form of export revenue. It would make sense for this to start in the area that South Africa is closer to developing – shared services – moving into digital/ICT functions like testing, data services, and analytics as local capabilities develop.

Corporates in South Africa have to make a number of strategic decisions about how to outsource and where to locate their operations – choosing between local and offshore locations, and choosing the location for shared service centres that service multiple markets. Having an appropriate incentive framework in place to encourage these corporates to choose to locate or relocate their functions in South Africa can influence this decision-making process. The dti's current incentive scheme for GBS does not cover jobs created by reshoring outsourced work. These incentives do not necessarily need to be financial – these decision-making processes could be influenced by changes to South Africa's BBBEE framework to recognise work that is located or relocated in South Africa as part of the scoring system.

Development of digital/ICT outsourcing

In addition to BPO services, the need for digital transformation across all industries and organisations has given rise to the next wave of outsourcing in ICT and digital services. Traditional ICT outsourcing locations like India have made a large push to capture the rising demand for services associated with digital transformation across multiple industries including data services, analytics, AI, cloud computing, cyber security, and others [11]. Other emerging locations like Egypt have managed to quickly develop capabilities in ICT outsourcing by capturing the significant demand in Arabic-speaking markets [12].

South Africa has a well-developed domestic ICT sector. A number of the large global tech companies have set up subsidiaries in South Africa – including Microsoft, Google, Oracle, IBM,

Intel, SAP, Dell, Amazon Web Services, and others – and South Africa is seen as a regional hub and supply base for neighbouring countries [13]. However, the sector has not pivoted to significantly tap into global sources of demand for ICT and digital services. This represents an enormous opportunity for scale if South Africa can carve out niche service areas to compete with established digital outsourcing locations like India or Egypt.

There are already areas where South African companies are doing this. One example is technical support where contact centre agents provide troubleshooting support to users of software applications. South Africa's strong capabilities in contact centre support and good English-speaking talent suggest that this is an area for strong potential growth. Another area that South Africa could realistically scale within the next five years is testing. This function - requiring multiple people to test software, applications or websites to find bugs or errors and ensure that it is fit for use - can easily be crowdsourced^b and does not require deep tech skills. Moving beyond the five year timeframe, South Africa may be able to scale capabilities in a range of other exportable services like the data storage, cleaning, and labelling required for analytics; and AI applications, data analytics, cyber security, and cloud engineering.

Personalised and social services

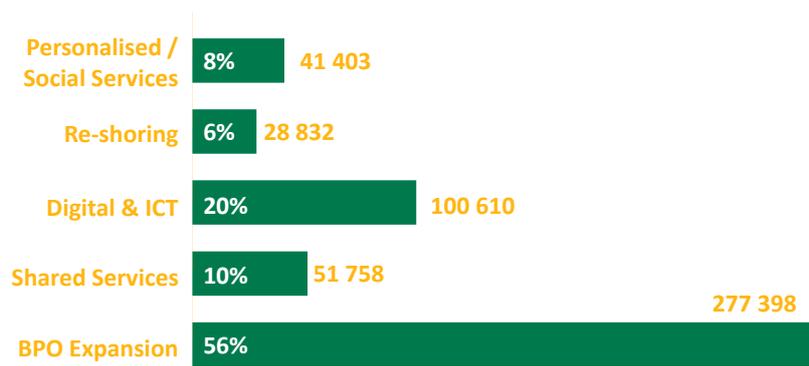
In addition to the business services discussed above, there are also a set of personalised and social services being traded globally. While business services tend to be provided through a business-to-business model, personalised and social services which are typically proximity-based are now being delivered virtually, often in business-to-consumer or freelancer-to-consumer models using digital platforms.

There are already companies in South Africa that provide lifestyle services such as virtual assistants and concierge services, both to businesses and directly to individuals. There are also companies that have set up centres for English tutors to provide virtual tutoring services to students in China, as well as a number of global platforms that allow South African individuals to provide tutoring and other educational services virtually to clients in offshore markets. Going forward, there may be a number of emerging areas where these kinds of personalised and social services are delivered virtually.

^b A sourcing model for obtaining inputs to a process from a large and relatively open group of internet users. This could take the form of outsourcing to individuals outside an organisation, or internal crowdsourcing from within an organisation's globally-distributed workforce.

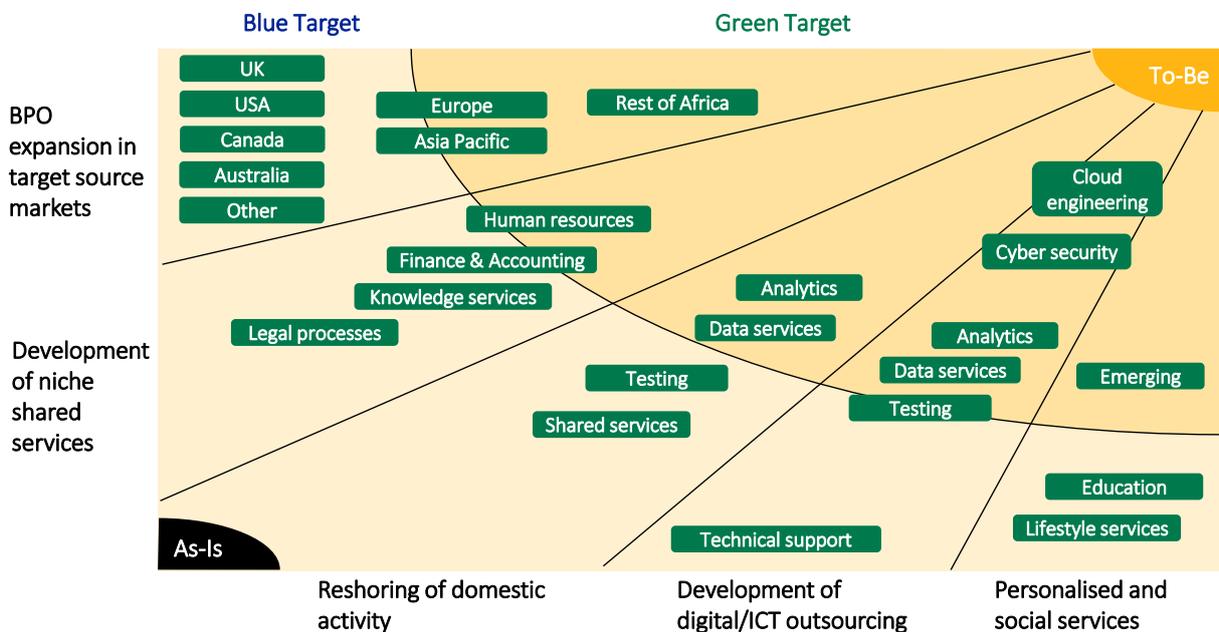
The figure alongside provides an estimation of the distribution of job creation across the five areas of opportunity identified to make up the 2030 green target. The figure on the following page summarises the five areas and details the specific opportunities within each area.

Figure 4: Distribution of jobs created in globally-traded services



Source: Data and calculations made by Genesis Analytics, BPESA and Harambee Youth Employment Accelerator, 2019

Figure 5: Areas for expanding globally-traded services in South Africa

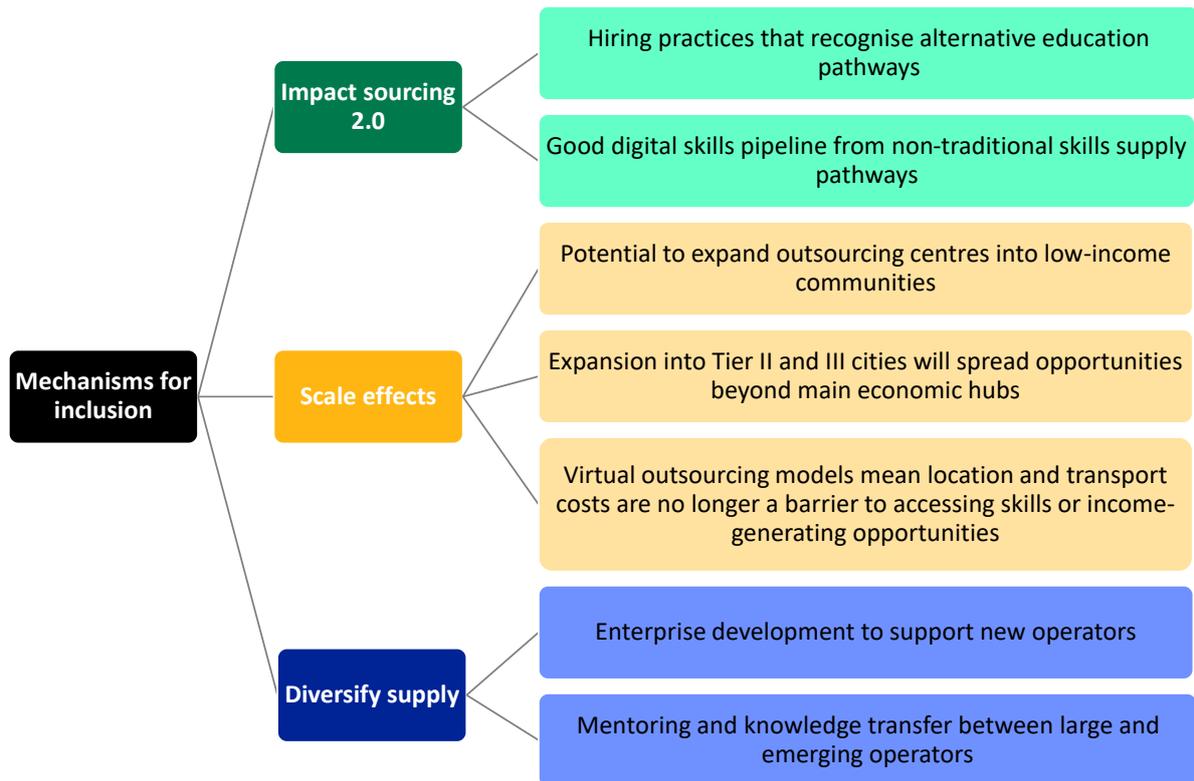


Source: developed by Genesis Analytics, BPESA, Harambee, Youth Employment Accelerator and Knowledge Executive, 2019

Mechanisms for inclusion

Although a significant scaling of employment will have an impact on inclusion by virtue of more people earning an income, it will not necessarily address the many barriers to accessing these job opportunities. These include educational attainment and access to upskilling opportunities, the readiness of young candidates in particular for the world of work in order to retain a job, and the location of where these jobs are created. All of these factors have strong intersectionality with race and gender in South Africa [14]. As such, specific mechanisms for inclusion are critical to opening these job opportunities more broadly, and will become a commercial imperative for scaling in order to access new capacity on the supply side.

Figure 6: Mechanisms for inclusion in scaling globally-traded services



Source: developed by Genesis Analytics, BPESA, Harambee, Youth Employment Accelerator and Knowledge Executive, 2019

The GBS sector in South Africa already has inclusive hiring and impact sourcing initiatives in place. The practice involves GBS operators connecting high-potential, disadvantaged youth to available jobs in the sector which they otherwise would not have had access to. In 2017, 25-30% of the jobs in the export GBS sector were filled through inclusive hiring [9]. This practice has now been included in the dti’s incentive scheme for the sector with a target of 20% of all new jobs created being filled through inclusive hiring.

Scaling impact sourcing and inclusive hiring so that a greater share of jobs are filled through these initiatives will require a strong digital skills pipeline that diversifies beyond traditional education pathways. These traditional pathways – such as attending a Model C high school and acquiring a bachelor’s degree – are not open to the majority of young South Africans, and so scaling will require young talent to be sourced from alternative pathways [14]. The work that Harambee Youth Employment Accelerator is doing through its own contact centre academy and in partnering with alternative skills providers like WeThinkCode and Explore Data Science Academy is notable in this regard. Scaling will also require a culture shift within GBS operators to recognise these alternative education pathways and the importance of providing entry-level candidates with work readiness and on-the-job training.

The second mechanism for inclusion relates to the **geographic impact of scale effects**. Currently jobs in the GBS sector are largely concentrated in South Africa’s major Tier I cities of Cape Town, Johannesburg and Durban – only 4% of export GBS jobs in 2017 were located in other locations, mainly Tshwane and Pietermaritzburg [9]. In addition, even within these

Tier I cities, the location of GBS jobs are largely found in business centres in affluent areas where employees have to travel from lower-income areas to access jobs. One of the key reasons for this is that South Africa's fixed line infrastructure (fibre or ADSL) is highly concentrated in affluent areas and business centres and does not cover low-income communities [14]. As GBS operators require quality and affordable high-bandwidth connections, the potential to set up GBS centres directly in low-income areas has not been realised.

Addressing this geographic concentration of job creation will become a commercial as much as an inclusion imperative as the GBS sector scales. Operators will need to expand delivery locations into low-income communities so that additional capacity can be readily accessed and to reduce transport costs. Once available capacity in Tier I cities is exhausted and salaries rise as a result, operators will have to look to expanding into Tier II and III cities to access additional capacity and keep staffing costs down. Eventually a migration to virtual outsourcing and gig economy models where employees or freelance agents can work from home or from strategically located community centres will be required to be competitive. These models are already taking off in other markets and can significantly reduce the operational costs for GBS operators who no longer require fixed infrastructure in the form of delivery centres, but rather specialise in developing digital platform capabilities to source, upskill and manage virtual agents.^c

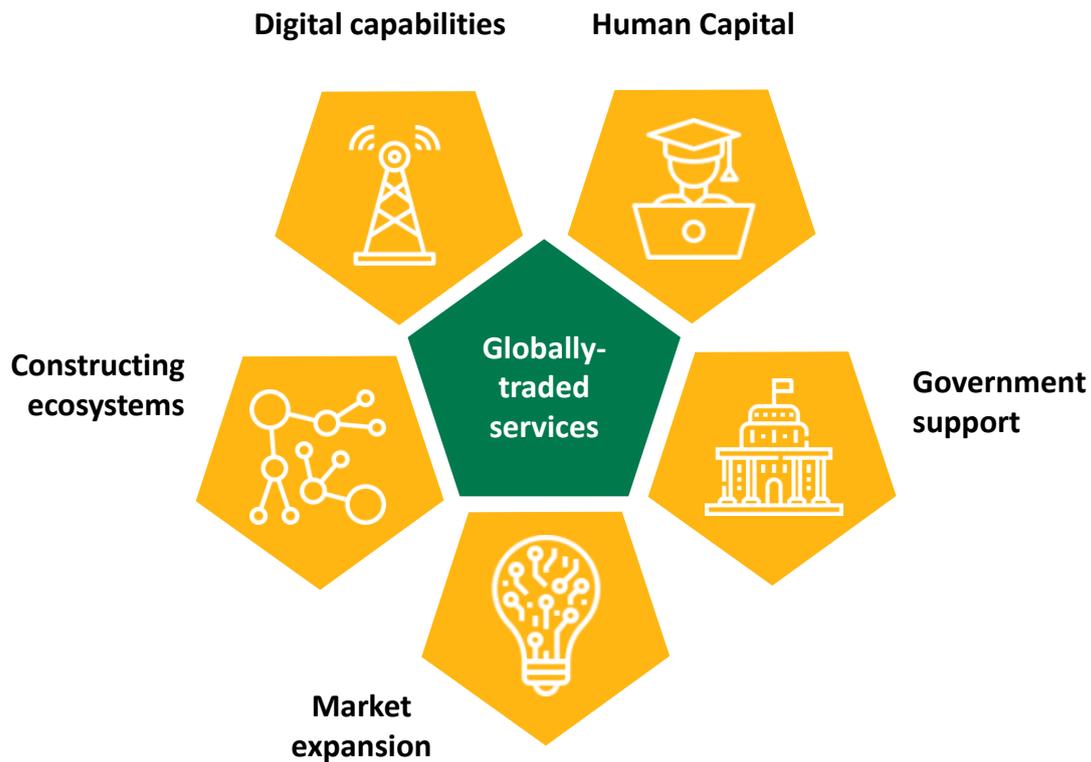
Lastly, **diversifying the supply of globally-traded services** should be an imperative so that inclusion is not just driven by job creation, but also a diversified supply chain. As the sector scales, it will be important to encourage the emergence and growth of new GBS operators. This can be facilitated through enterprise development support provided to new operators, particularly those setting up delivery centres in low-income communities and in Tier II and III cities. It can also be facilitated through mentoring and knowledge transfer between large and established operators and small emerging operators. This can be encouraged by non-monetary incentives, such as the BBEE codes which already recognise enterprise development activities within its scoring framework.

Closing the readiness gaps

The preceding sections have articulated a vision for inclusively scaling globally-traded services in South Africa. This section details what actions South Africa needs to put in place in order for this vision to be realised. The actions are grouped into five key areas where there are currently readiness gaps in realising and scaling the identified opportunities. The five areas are shown in the figure below and elaborated on in the following sections.

^c For example, in the customer support space see the Solv platform developed by Contentrix to provide customer query resolution among a decentralised network of approved virtual agents (<https://www.solvnow.com/>). Another example in the digital/ICT outsourcing space is the Topcoder platform maintained by Wipro which crowdsources sets of coding micro-tasks through paid challenges (<https://www.topcoder.com/>)

Figure 7: Key areas of readiness for scaling globally-traded services



Source: Genesis Analytics 2019 ©

Human capital

South Africa will need to build a strong pipeline of skills, particularly digital skills, which is scalable and adequately prepares candidates for the requirements of working in a tech-enhanced globally-traded services space. Given that a significant stock of this talent already works in the global business services or other related sectors, re- and up-skilling existing employees is also a priority. This will require the following:

- **Re-channel budgeted government funds behind jobs in demand in the sector.** The Sector Education and Training Authorities (SETAs) in various sectors receive skills development levies from the private sector to fund training of employees and unemployed candidates on approved learnerships. Currently this funding can be applied for by companies paying skills development levies provided the learnership content is accredited, among other considerations. However it is not prioritised for skills development that is focused on skills identified by the industry as being in high demand. This should be urgently rectified so that available resources are prioritised for training that is likely to fill a current need, rather than any training which is related to the sector.
- **Change the way government funds for skills in demand are managed.** The SETA model mentioned above allocates funds for training on the basis of output – i.e. learners who get trained – as opposed to outcome. The latter considers whether

training provided has actually helped a candidate acquire a job, rather than simply whether they acquire skills. Changing to an outcomes approach will help to prioritise skills development where it is most likely to lead to job creation. The Department of Higher Education and Training and SETAs need to identify the best model for achieving this approach.

- **Improve access to critical and future skills.** Until South Africa is able to develop a strong skills pipeline, filling these skills gaps with foreign talent while ensuring that skills transfer is taking place is essential. South Africa does provide work visas for foreigners with critical skills (as identified on the Department of Home Affairs’ critical skills list). However the critical skills list needs to be updated consistently in conjunction with industry so that it remains relevant. The efficiency of the work visa application process also needs to be improved so that companies do not need to wait lengthy periods before being able to fill skills gaps. As ICT continues to improve and virtual work becomes commonplace, companies will also be able to address local skills gaps by virtually accessing talent in other markets. This provides a good opportunity for transferring skills locally.
- **Re-align BBBEE scorecard and recognition of skills development credentials.** The scope and impact of South Africa’s BBBEE framework can be tweaked to better encourage desirable outcomes in sectors like globally-traded services. The potential to get South African corporates to reshore outsourced work to the country should be encouraged by the recognition of reshoring in the BBBEE scorecard. In addition, since only accredited skills development spending is counted towards the scorecard, the relevance and agility of South Africa’s accreditation framework must be urgently investigated so that it recognises and encourages new forms of skills development, such as micro credentialing, particularly since these forms of training can improve inclusion.
- **Institutionalise digital skills development.** The widespread need for digital re- and up-skilling across the sector means that skills development must become a core activity of GBS operators and not just educational institutions. In particular, the industry needs to develop the capabilities to properly on-board and develop candidates that are entering a new job field for the first time. The training that organisations like Harambee Youth Employment Accelerator provide to candidates placed in the GBS sector leads to improved retention and performance, and so provides real commercial value [15]. This needs to become the practice of operators, or a collaborative industry-wide initiative, to ensure that capacity can be scaled.

Government support

In learning from successfully scaled markets like India and the Philippines, the role of the government in supporting the development of the globally-traded services industry was critical. The South African government has the opportunity to follow this “entrepreneurial state” approach by continuing to invest in and support the sectors scaling. This includes the following:

- **Secure long-term priority status of the sector in government.** Given the high growth and employment potential of the globally-traded services sector, there needs to be alignment at all levels of government that this is a priority sector requiring support. This is important as all levels of government have a bearing on whether global operators choose South Africa as a delivery destination. That this is a priority sector for South Africa also needs to be marketed, by government and private sector, to offshore markets so that South Africa's reputation as a location for globally-traded services at scale is established.
- **Empower public private teams.** The sector's industry association, BPESA, and the dti's agencies responsible for managing the sector's incentives and marketing South Africa as an investment destination abroad need to be empowered to collaborate better. InvestSA already assists BPESA to provide global operators setting up a delivery centre in South Africa with work visas through the One Stop Shop. However, the visas still have to be approved and processed through the Department of Home Affairs which takes time, and InvestSA has no mandate to negotiate deals with potential investors regarding local and provincial government incentives or concessions. InvestSA should be provided with rapid approval capabilities for work visas and deals to improve the pace at which global operators relocate work to South Africa. This was a key strategy of India when it scaled its BPO sector.
- **Continue competitive and sufficiently broad incentives.** The dti already provides a successful incentive scheme for the sector. Going forward, this scheme will need to be adapted to ensure it remains relevant and can support emerging opportunities like getting South African corporates to reshore outsourced work to South Africa. Countries like India have also offered compelling tax incentives in special economic zones focused on IT services exports. While South Africa does have a Special Economic Zone framework, these are largely focused on trade in goods and there is a need to develop specific export zones to encourage service exports. This can include working with other non-financial incentive frameworks, such as the BBBEE codes, to include new job creation and reshoring as part of the scorecard.
- **Develop a sector-specific charter for FDI.** Since a large portion of the demand for globally-traded services is captured by global operators, a key strategy for South Africa needs to be encouraging these operators to shift work to South Africa as a delivery location. Feedback from these global operators is that South Africa's BBBEE framework requires global companies to divulge a portion of their ownership to local interests to be BBBEE compliant and access the dti's incentive scheme. This has been a major limitation to scale. While it is important that these companies comply with domestic requirements and contribute to the transformation of the sector, the development of a sector-specific charter for FDI with dispensation for global operators will improve the rate at which these operators consider scaling their South Africa operations.

Market expansion

Due to the global nature of these opportunities, South Africa's ability to capture global demand will be determined by the sector's collective ability to position and market itself to these sources of global demand. This includes the following:

- **Expand the industry's service offering.** Scaling will require the sector to adapt and evolve to growing sources of global demand. The industry will have to ensure it remains relevant, competitive and in-line with South Africa's current ambitions and plans relating to the fourth industrial revolution. Increasingly this will be determined by how technology is incorporated into operators' business models. The deployment of digital platforms for aggregating supply and delivering skills development will be increasingly important.
- **Intensify business development activities in target source markets.** On the demand-side, improving the industry's capabilities will only translate into growth if South Africa is successfully marketed as a credible delivery location. This requires having industry representatives in each of the source markets targeted for growth to attend events, meet with potential investors, and facilitate interaction with government departments in South Africa. This role should be played by an expanded BPESA which can use additional membership fees from extending its membership base into the ICT and digital outsourcing sector to fund these positions.

Constructing ecosystems

Market facilitators like Harambee have played a critical role in revitalising BPESA, building trust between BPESA and the dti, and convene both public and private sector stakeholders to agree on a sector growth strategy. All of these relationships and capabilities need to continue and evolve going forward. This includes the following:

- **Increase BPESA's capability and capacity.** BPESA's focus has historically been on the BPO sector. Going forward, the industry association needs to expand its mandate and membership base to cover the range of globally-traded services described in this paper. This will require engaging with new role players and providing a broader suite of services to the expanded membership base including increased marketing in offshore markets and delivering on a digital skills strategy for the sector.
- **Crowd in related digital and ICT players in the GBS ecosystem.** As mentioned above, BPESA and the GBS industry it represents has largely been focused on BPO stakeholders. BPESA can play an important convening and supporting role to the digital and ICT sectors, as it currently does for the BPO sector as described above. Successfully co-ordinating private sector players to collaborate as an industry to capture offshore demand will be critical for achieving this strategy's growth

ambitions. In India, the comparative industry association NASSCOM^d has a diverse membership base that includes all tech companies as well as BPO operators and ICT outsourcers. As a result NASSCOM has a membership of over 2,200 firms and can support a large operation of over 200 staff. NASSCOM plays a key role in the scaling of India's BPO and ICT sectors through global expansion.

- **Secure financial sustainability of ecosystem co-ordinator.** In order for BPESA to play this expanded ecosystem co-ordinating role, it will need to be sustainably funded. Currently the industry association is funded by membership fees and support from Harambee. Including an expanded membership base of large IT and tech companies will assist in generating enough revenue to sustainably cover the cost of the industry association's important role.
- **Convene government and private sector role players around globally-traded services growth strategy.** The role that a market facilitator like Harambee has played in bringing stakeholder together around a specific opportunity will need to be continued as the strategy expands into new opportunities. This will require additional investment and effort from organisations like Harambee to work with BPESA and the government to execute the expanded sector growth strategy.

Digital capabilities

Given the changing nature of work and the extent of digital transformation across all industries, South Africa's globally-traded services sector will need to develop a number of digital capabilities to remain competitive. In particular:

- **Digital skills.** This has been covered in the human capital readiness category, but it is worth mentioning here that the sector will need to continuously evolve its digital capabilities through re- and up-skilling. BPESA has already conducted an audit of future digital skills required in the sector, and has put a digital skills strategy in place. This can be expanded by following the example of NASSCOM in India. NASSCOM conducted a similar scoping of future skill requirements in India's BPO and ICT/digital sectors and then developed a future skills digital platform to provide training content on the technologies and tasks that were identified. The platform is run by the edtech company Edcast and uses an AI engine to collect open content and curate material based on the technologies and skills required. The platform is now being incorporated into the learning and development processes of many of NASSCOM's member firms and will also be made available to individuals wishing to up-skill themselves in these areas [11].
- **Innovation and solutioning:** South African operators will need to continuously evolve to meet the changing demand for globally-traded services. This will require understanding the digital transformation of the sector's offshore customers, as well as digitally transforming the sector's own operations to remain competitive. In India,

^d The National Association of Software and Service Companies (NASSCOM) was established in 1988 and has played an instrumental role in the development of India's tech, BPO and IT-enabled services sector. The industry association engages in policy advocacy, innovation research, global marketing, development of local start-ups, and skills development across various sectors to improve India's globally-traded services industry.

NASSCOM is supporting this technology dividend by actively supporting tech start-ups, running centres of excellence in the application of frontier technologies to key sectors, and connecting large enterprises in these sectors to potential clients in the digital and ICT sector. An expanded BPESA could play a similar role of driving innovation within the South African ecosystem.

- **Platform business models.** Virtual outsourcing and gig economy models where agents/employees/freelancers are able to provide services remotely from their homes or community hot spots are becoming increasingly important to the cost effectiveness and competitiveness of operators. The sector in South Africa will have to develop the capabilities and conducive environment required to execute these business models and attract investment from global organisations with relevant platform business models.
- **Broadband access beyond urban centres.** To support the geographic scale envisaged in this strategy, affordable and quality broadband access will need to be made available in low-income communities in beyond the Tier I cities of Johannesburg, Cape Town and Durban. Mobile network connections are too expensive for the high volume of data required for globally-traded service operators, or individuals in a virtual model, and so a significant development of the national fibre network is critical.

The timelines associated with closing each of these readiness gaps is indicated in the figure below. Actions are divided into three time periods: horizon 1 which is within the first year, horizon 2 within the third year, and horizon 3 within the fifth year.

Figure 8: Action plan for scaling globally-traded services in South Africa

	Horizon 1 (one years)	Horizon 2 (three years)	Horizon 3 (5 years)
Digital Capabilities	<ul style="list-style-type: none"> • Digital skills 		<ul style="list-style-type: none"> • Broadband access that goes beyond urban centres
Human Capital	<ul style="list-style-type: none"> • Access to critical and future skills – relevant critical skills list, efficient visa process, virtual access 	<ul style="list-style-type: none"> • Re-channel budgeted government funds behind jobs in demand in the sector • Change way government funds for skills in demand are managed – outcomes based model. 	<ul style="list-style-type: none"> • Re-align BBBEE scorecard and recognition of skills development credentials • Institutionalise digital skills development
Government support	<ul style="list-style-type: none"> • Secure long-term priority status of the sector in government • Sector-specific charter or dispensation for FDI 	<ul style="list-style-type: none"> • Empowered public/private teams: provide InvestSA with rapid approval capabilities for work visas and deals; industry associations having a say in what gets accredited; • Competitive and sufficiently broad incentives for new jobs and reshoring 	
Market expansion	<ul style="list-style-type: none"> • Expanding industry's service offering to remain relevant, competitive and inline with the country's 4IR plans 	<ul style="list-style-type: none"> • Intensify business development activities in source markets (BPESA responsibility) 	
Constructing ecosystems	<ul style="list-style-type: none"> • Increase BPESA's capability and capacity to support the expanded GBS scope with additional role players and services • Crowding in related digital / ICT players in the GBS ecosystem • Harambee convening government and private sector role players around GBS growth strategy 	<ul style="list-style-type: none"> • Financially sustainable BPESA as industry co-ordinator 	

Source: developed by Genesis Analytics, BPESA, Harambee, Youth Employment Accelerator and Knowledge Executive, 2019

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