NITA UGANDA

- Driving the IT Revolution -

National Information Technology Survey 2022
BPO Report

August 2022

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Abbreviations

Term	Description
4IR	Fourth Industrial Revolution
AI	Artificial Intelligence
BPO	Business Process Outsourcing
FGD	Focus Group Discussions
ICT	Information and Communication Technology
ITES	IT Enabled Services
ISP	Internet Service Provider
IT	Information Technology
ITU	International Telecommunications Union
KCL	Knowledge Consulting Limited
MDA	Government Ministry, Department and Agency
MoICT&NG	Ministry of ICT and National Guidance
NITA-U	National Information Technology Authority-Uganda
SAAS	Software as a Service
UBPOA	Uganda Business Process Outsourcing Association
UGX	Uganda Shillings

1. Introduction

The National Information Technology Authority Uganda (NITA-U) is an autonomous statutory body that coordinates and regulates Information Technology (IT) services in Uganda through a mandate proffered by the NITA-U Act 2009. To effectively execute its mandate as provided under the law, NITA-U requires up-to-date information to use in the generation of key indicators to inform and monitor national development policies and international frameworks related to Information Technology (IT).

In line with its mandate to coordinate, promote and monitor IT developments in Uganda within the context of national social and economic development, NITA-U developed a five-year Strategic Plan for Statistics to provide quality IT statistics for informed policy and decision-making. As part of these efforts, NITA-U has conducted the National IT Survey 2022 to understand the availability, access and usage, affordability and satisfaction with Information Technology (IT) infrastructure, equipment and services amongst individuals, households, Government Ministries, Departments and Agencies (MDAs), Local Governments Administrations (LGAs) as well as businesses. Amongst businesses, NITA-U singled out the Business Process Outsourcing/ IT Enabled Services (BPO/ITES) category for special interest with a separate instrument. This report presents the findings of BPO/ITES component of the National IT Survey 2022.

1.1 BPO Survey

The BPO survey covered five main topics, namely:

i. BPO company information and characteristics

ii. BPO functions in terms of areas and service lines supported

iii. BPO staff employment and training

iv. BPO sources of business and revenue

v. Business facilities in terms of space and bandwidth

vi. Perceptions, opportunities and challenges.

These formed the basis for the survey questions highlighted in Box I.

Box I: BPO Survey Questions

- Which of the following broad areas do you support (vertical activities)?
- Type of BPO service line (horizontal activities)?
- What Standards are being followed by your company?
- How is your company demonstrating value to clients in the current environment?
- What is the biggest demand made by customers that is driving change in your company?
- What are the company's future proposed areas of expansion/interest/investment (consider the next 3 years)

- What is the current total number of employees in your company? (male vs. female)
- How many employees are in each of these categories: (Agents, IT Support, Team Leaders)
- In which age group are most of your employees?
- Does your company offer any form of training to employees?
- What type of Training do you provide to employees?
- In order of importance please state the three most critical skills you consider when recruiting your employees?
- What suggestions would you make in relation to improving the training offerings for workers and potential workers in the BPO/ITES Industry?
- Does your company employ any of the graduates of the BPO Training conducted by NITA-U?
- How would you rank the performance of these graduates?
- What proportion/percentage of business do you get from each of the sources below? (local vs. international)
- Do you own or rent office premises?
- What is the cost of rent per square meter?
- How many square meters in total, does your company office occupy?
- How much internet bandwidth does your company use per month?
- What is the total cost of internet bandwidth for your company per month?
- Do you have sufficient amount of bandwidth to accomplish your business activities?
- What would be the ideal amount of bandwidth required for your business activities?
- What are the key business challenges and risks facing the BPO/ITES industry?
- Have you received any kind of support from government or development partners?
- Which industry vertical is more likely to see the most growth in BPO services in the next five years?
- What single technology capability will be the most important for BPO organisations to remain relevant and competitive in future?

1.2 Report Structure

This report is structured as follows, from this point onward:

Chapter 1 introduces the study.

Chapter 2 summarises the key survey findings on BPO/ITES services, highlighting key gaps and challenges.

Chapter 3 provides key recommendations to address the gaps and challenges identified.

2. Findings from BPOs

This chapter summarises the findings on different indicators related to how BPO/ITES services operate in the country.

2.1 BPO Characteristics

NITA-U collected data from 21 member businesses of the Uganda Business Process Outsourcing Association (UBPOA), an umbrella organisation that brings together BPO/ITES providers. It is important to note that members of UBPOA are just a subset of the entire BPO sector in Uganda and that the resulting findings are not nationally representative.

BPOs employed a higher proportion of male staff (64.4%) compared to female staff (35.6%) as indicated in Figure 1, highlighting a female-male gap.

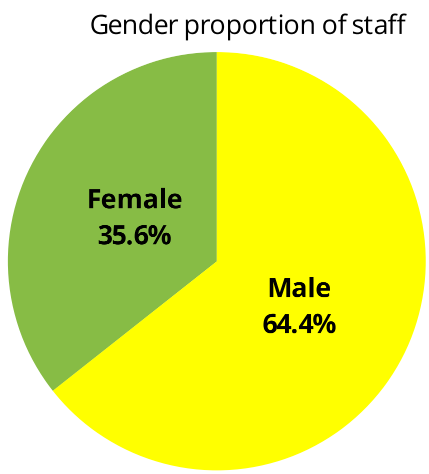

Figure 1: Proportion of BPO employees by gender

Most BPOs (76.2%) had between 10-49 employees, with only 14.3% having 250 or more employees as shown in Figure 2. This has an impact on full-time employees (FTEs), a measure often used to determine and compare the capacity and operating costs of the BPO sector across different countries.

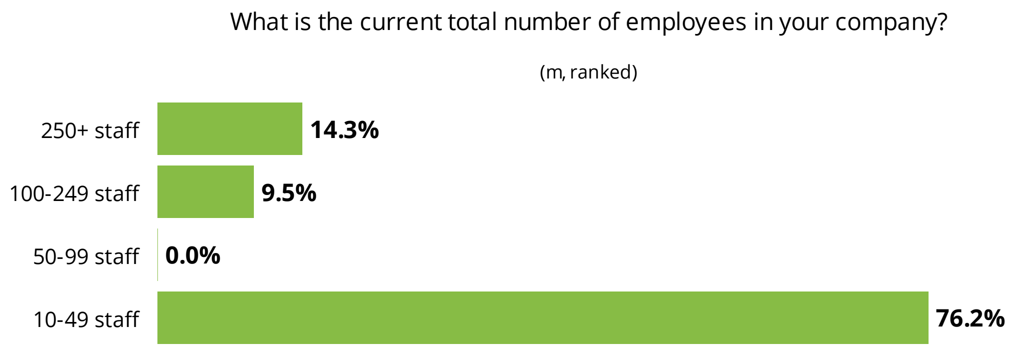

Figure 2: Proportion of BPOs with a given number of employees

The largest proportion of employees were Agents (48.2%), followed by IT support staff (25%) and team leaders (5%).

Most of the BPO employees were between 25-34 years of age as highlighted in Figure 3. This affirms the importance of the BPO sector as a potential source of job creation for the youth after the COVID-19 pandemic.

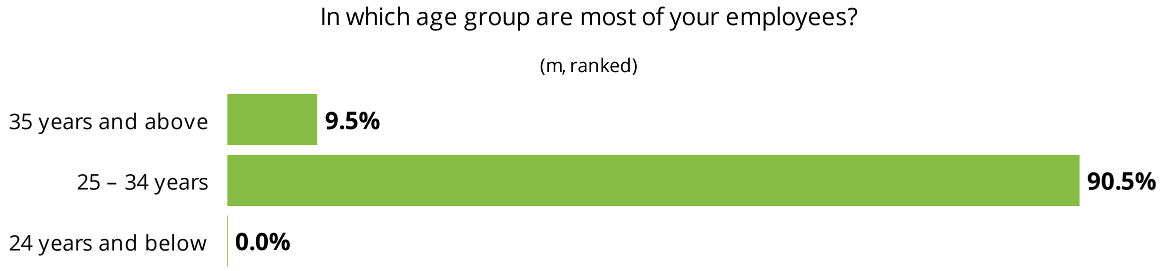

Figure 3: Employee age across BPOs

2.2 BPO Services

BPOs in Uganda provide a range of services that can be looked at from both a vertical (one industry domain) and horizontal (across various industries) perspective. From a vertical perspective, most BPOs (76.2%) supported the telecommunication/IT services vertical, followed by the retail vertical (33.3%) as presented in Figure 4.

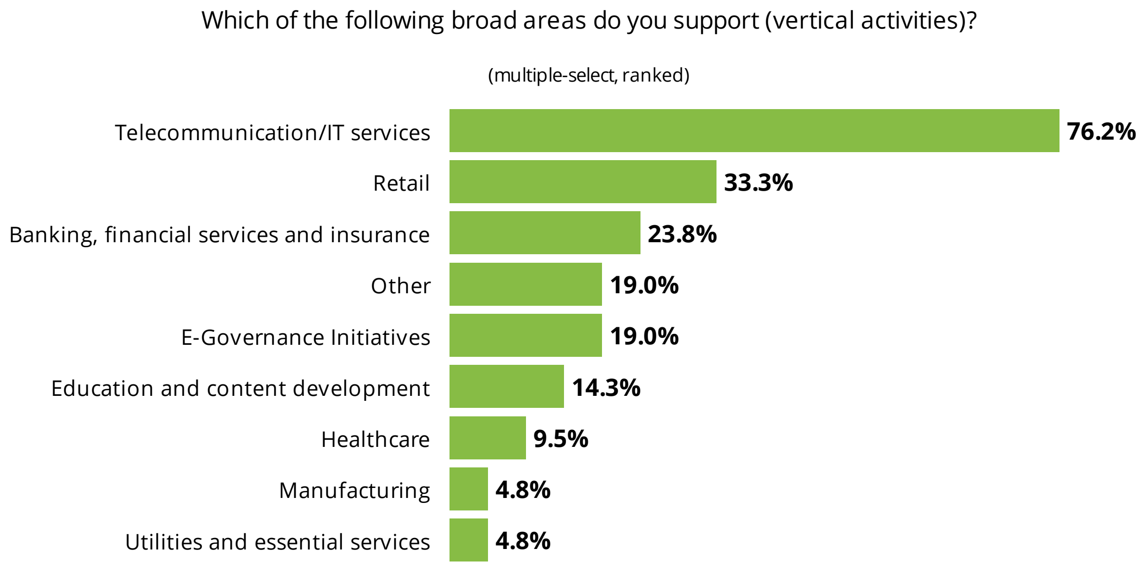

Figure 4: Proportion of BPOs that supported different verticals

From a horizontal perspective, most BPOs (47.6%) provided IT consultancy services, closely followed by applications' development (42.9%) and contact centre/customer services (38.1%) as shown in Figure 5.

The interaction between vertical and horizontal perspectives is important to understand as the country positions her BPO sector to attract both foreign investment and work opportunities to grow the sector. As BPO destinations mature, they tend to shift away from providing horizontal services e.g., customer relationship management to become more vertical as a way to build end-to-end domain knowledge and provide more services to customers from a specific domain or industry e.g., insurance claims processing.

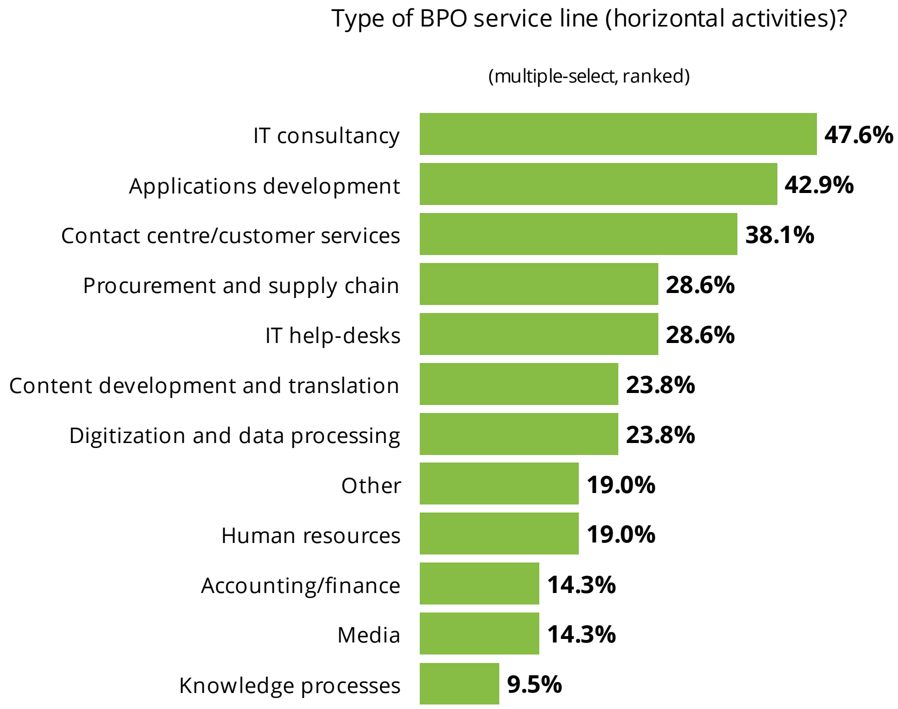

Figure 5: Proportion of BPOs that provided different service lines

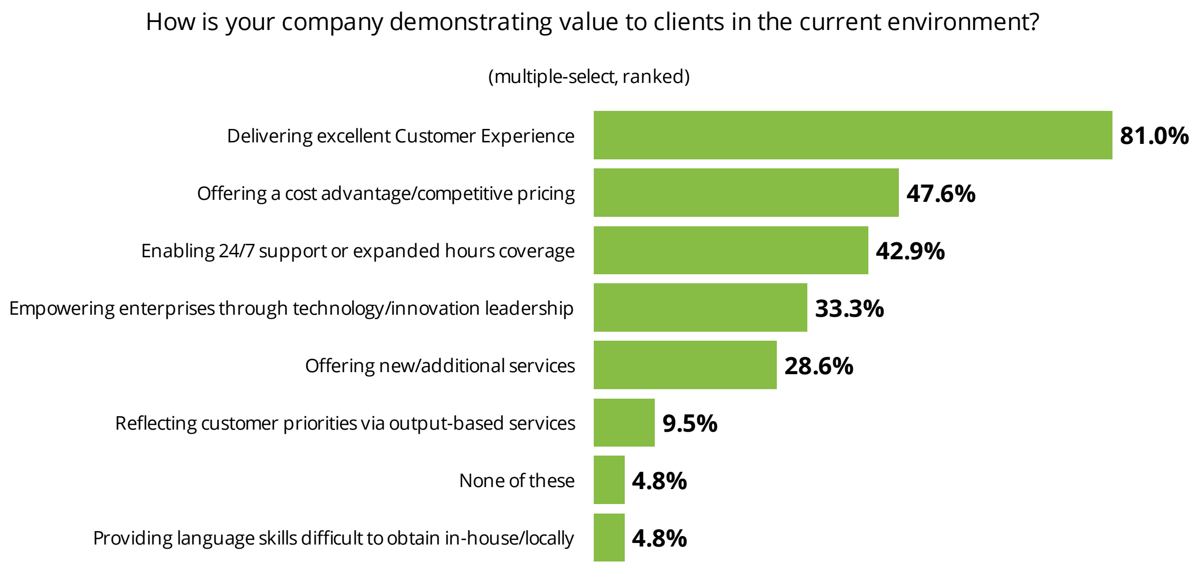

Figure 6: Different ways through which BPOs delivered client value

Due to increasing competition in the sector, both nationally and globally, BPOs are facing pressure to demonstrate value to their clients. Figure 6 summarises data on the various ways that BPOs in Uganda are demonstrating value to customers in the current environment. Most have made improvements in delivering customer service (81%), followed by offering competitive pricing (47.6%).

Customers are making more demands on BPO operators despite the disruptions caused by COVID-19. Figure 7 shows demands made by customers and how they are driving change across BPO companies. Most customers want improved quality of service (61.9%), followed by improved speed of delivery (52.4%).

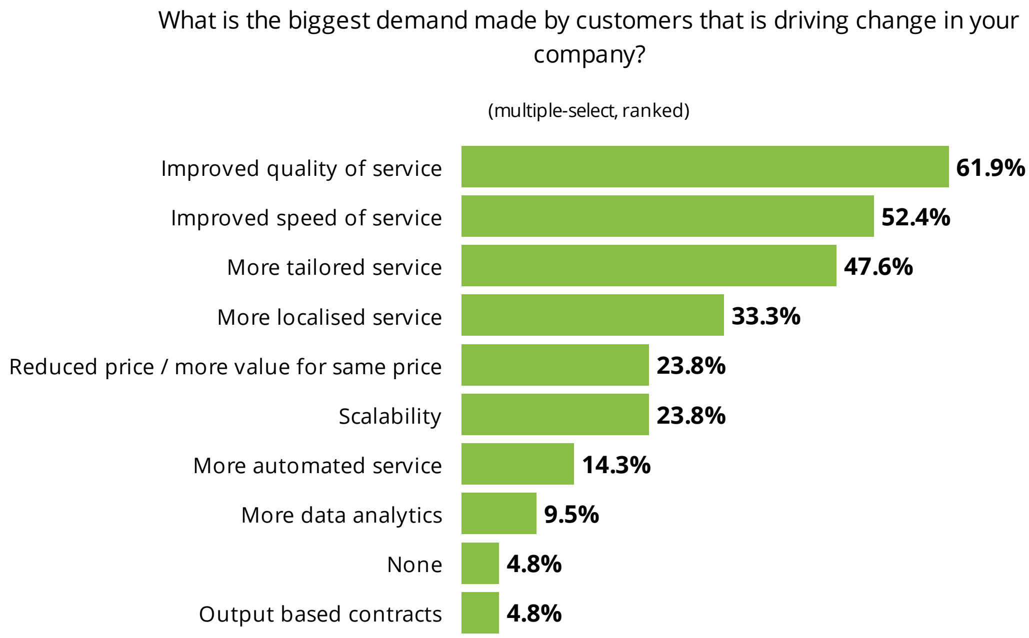

Figure 7: BPO customer demands

BPOs expect several factors to shape the sector in 2023 and beyond, and are investing in various areas/functions to ensure relevance in the future. Figure 8 highlights some areas that BPOs are investing in to remain relevant in the next three years.

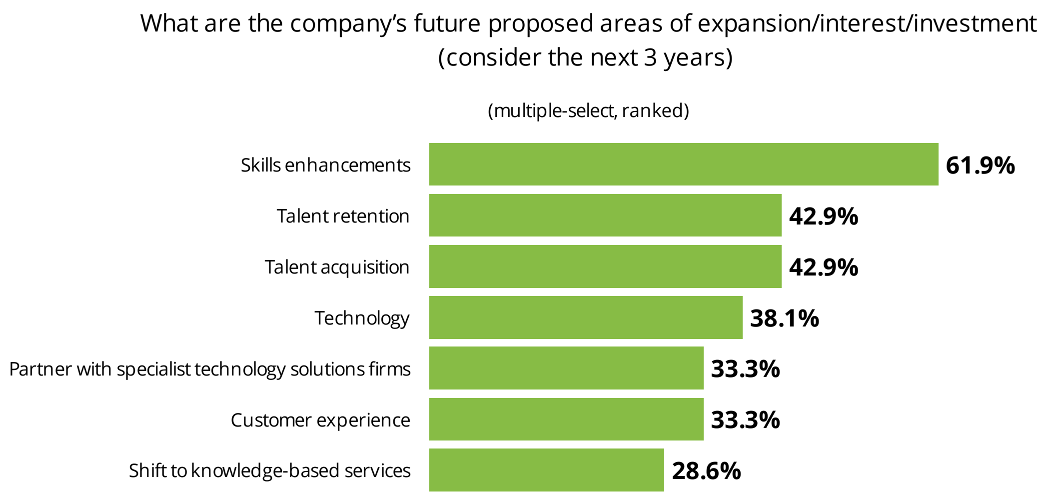

Figure 8: Areas of future investment identified by BPOs

Most companies want to invest in skills enhancement (61.9%), followed by talent retention (42.9%). Investing in training makes sense as the BPO industry will need higher skilled employees with better competencies as it strives to grow beyond customer service management to include internal business functions such as accounting, human resources, web design, coding, and other tasks.

2.3 BPO Sources of Business and Revenue

Most BPOs (80.4%) get the largest proportion of their business from local sources (on-shore) as highlighted in Figure 9. This is interesting to note, given that most BPOs (52.4%) felt that the biggest challenge BPOs faced was the unwillingness of domestic customers to take on BPO services locally. This perhaps is a reflection of latent demand in the country that is yet to be exploited to develop the local BPO sector.

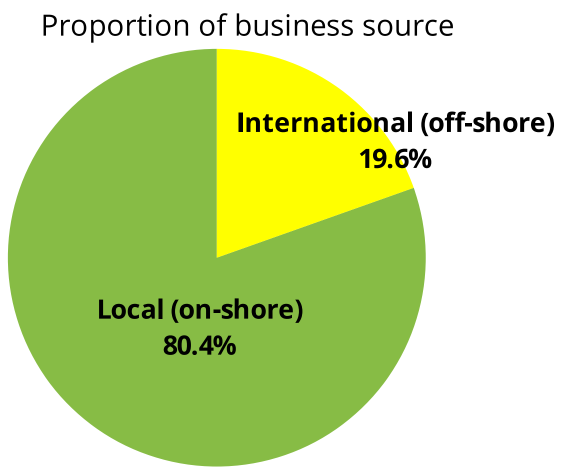

Figure 9: Location of revenue sources for BPOs

On average, each BPO generated about UGX 1.4 billion during the FY 2020/2021. But this masks the wide range in terms of annual revenue highlighted in Figure 10. Most BPOs (42.9%) generated an annual revenue between below UGX 100 million.

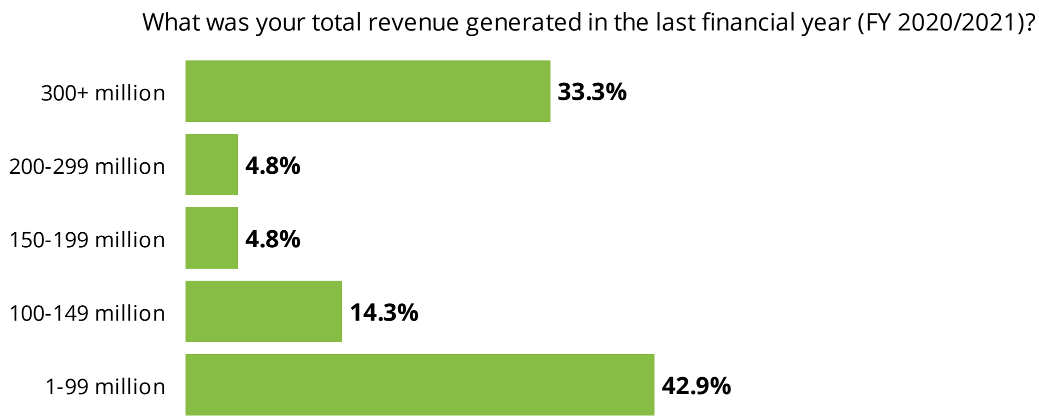

Figure 10: Proportion of BPOs and their self-reported annual revenue for FY 2020/21

2.4 BPO Business Facilitation

2.4.1 Office Space

Most BPOs (90.5%) rented their office premises as shown in Figure 11. On average, each BPO paid UGX 174,000 per square metre in terms of cost per square metre. The minimum reported was UGX 11,000 and the maximum was UGX 700,000 per square metre.

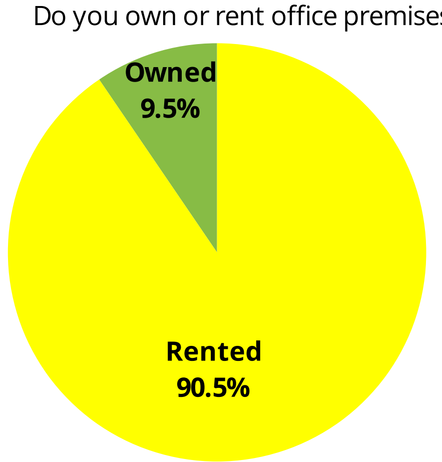

Figure 11: Proportion of BPOs that owned or rented office space

On average, most BPOs that rented (57.1%) occupied between 10 and 50 square metres each. Minimum occupied rented space was 6 square metres while the maximum rented occupied space was 600 square metres.

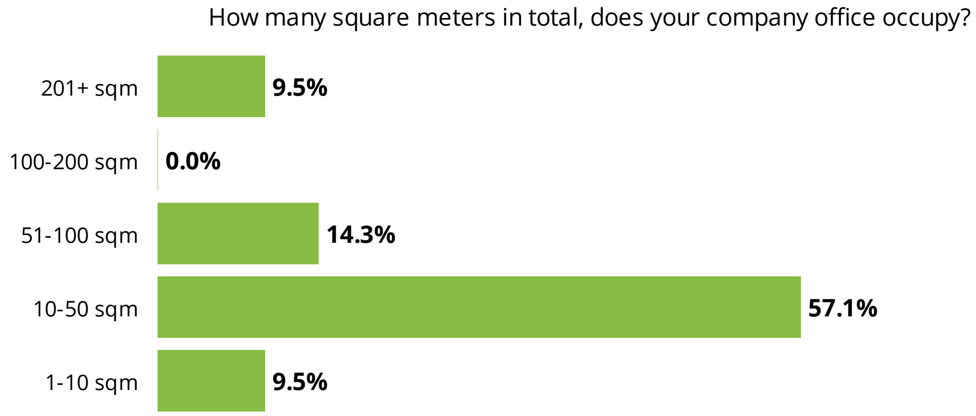

Figure 12: Amount of rental space occupied by BPOs

2.4.2 Internet Bandwidth

Internet connectivity for BPOs is still considered a challenge despite some BPOs indicating that they received subsidised internet from NITA-U. One in every two BPOs (52.4%) felt they had insufficient bandwidth to accomplish their business activities.

The fact that most BPOs rent office space and still struggle with access to the Internet highlight the potential that can be derived by bringing BPOs under an umbrella of a dedicated BPO/ITES park with state-of-the-art infrastructure and connectivity. Besides deriving synergies from operating in one environment, it would also make it easier for government and other stakeholders to address many of the challenges facing the sector.

The survey asked BPOs about the key business challenges and risks facing the BPO/ITES industry in Uganda. BPOs shared a number of challenges and risks summarised in Figure 13. The biggest challenge identified by BPOs was the unwillingness of domestic customers to take on BPO services (52.4%), followed by the mismatch between customer expectations and customer experiences (42.9%).

According to interviews, the unwillingness of domestic customers to take on BPO services largely stems from a lack of trust. BPOs emphasized the need for initiatives to build trust in the local industry. For example, many BPOs felt that government MDAs are reluctant to trust their data and processes with the local BPO sector, denying them the opportunity to build capacity and to earn locally. This in-turn makes it harder for government to understand the challenges of the sector and to act as a promoter of the sector to international entities.

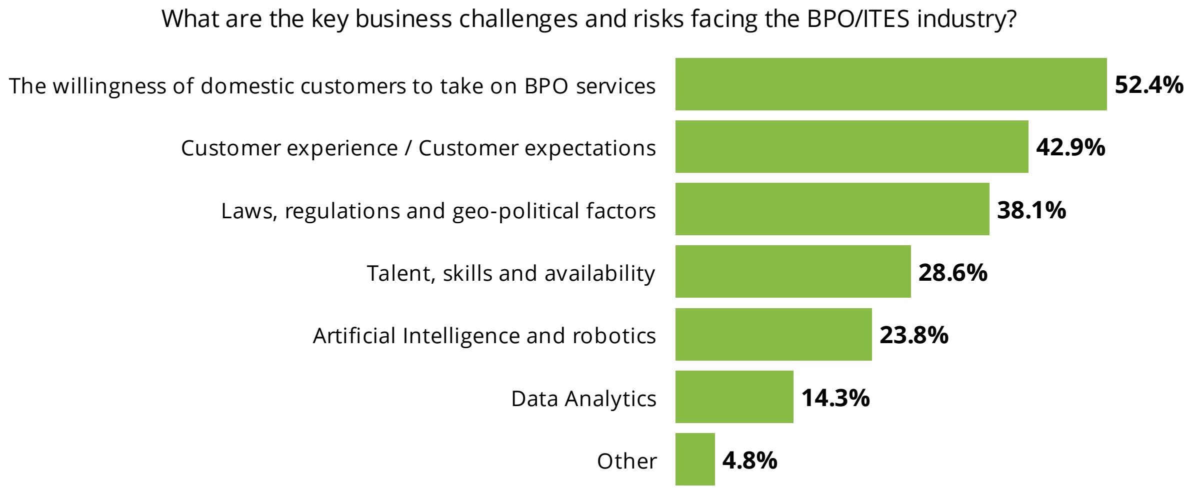

Figure 13: Key business challenges faced by BPOs

About four out of 10 BPOs (42.9%) reported receiving some support from government or development partners. Support ranged from mentorship and training, grants in cash, equipment and furniture as well as discounted Internet charges provided by NITA-U.

2.5 BPO Training and Capacity Building

Investment in staff training, development, and technology to increase the skills and performance of their employees is paramount for BPOs in order to stay relevant and reinforce their market position. All BPOs (100%) indicated that they provided some form of training to their employees. The type of training varied with the needs identified among employees. Most BPOs (76.2%) provided customer service training to their employees, followed by communication and presentation skills (71.4%) as shown in Figure 14.

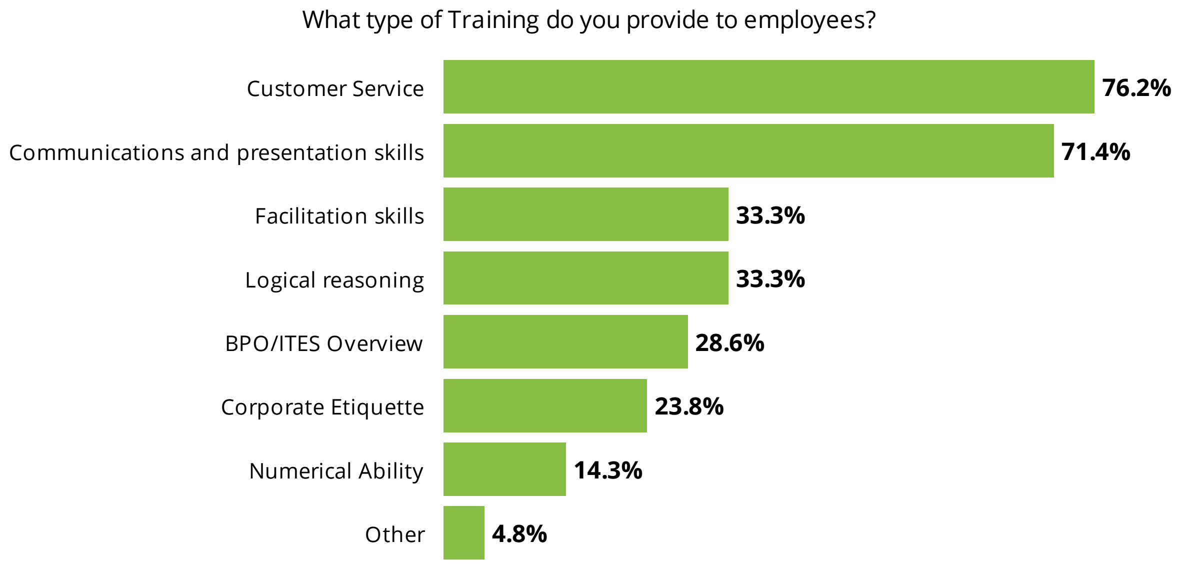

Figure 14: Type of training provided by BPOs to their employees

BPOs also screened for various skills when recruiting new employees as shown in Figure 15. Problem-solving skills (81%) were the most sought critical skill among new recruits, followed by customer handling ability (61.(%).

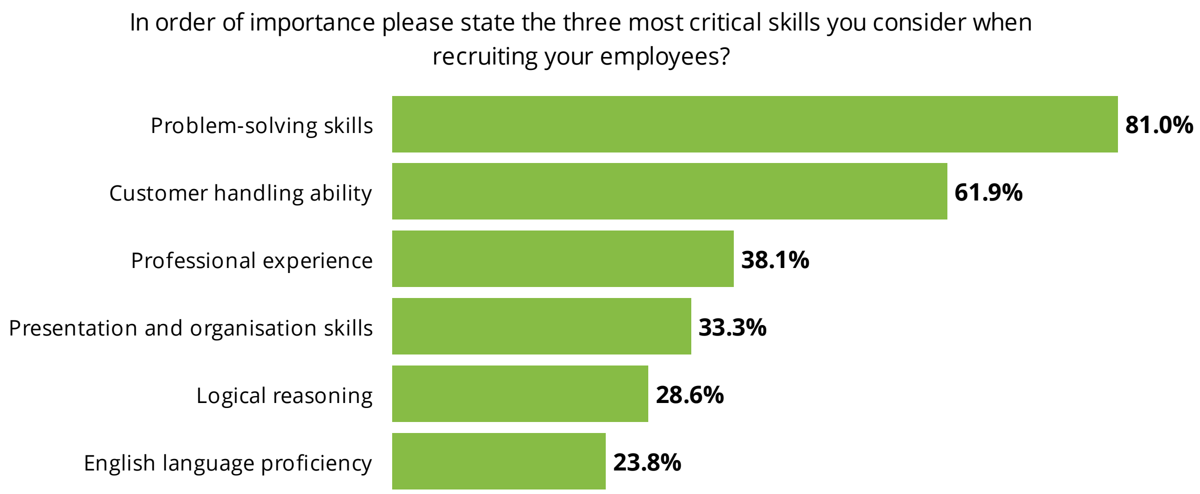

Figure 15: Critical employee skills that BPOs considered during recruitment

Only 4.8% reported employing any of the graduates of the BPO Training conducted by NITA-U. Overall, they all ranked the performance of these graduates as good (on a scale of 1 to 3, they scored 3).

2.6 BPO Perceptions

One in every two BPOs (52.4%) reported that the technology vertical (IT, Internet, SAAS) is the industry vertical more likely to see the most growth in BPO services in the next five years as summarised in Figure 16. This was followed by banking, financial services & insurance industry vertical in a distant second position with 19%. BPOs did not expect some industry verticals like agriculture, education, tourism, local governments and utilities to generate any growth in BPO services in the next five years.

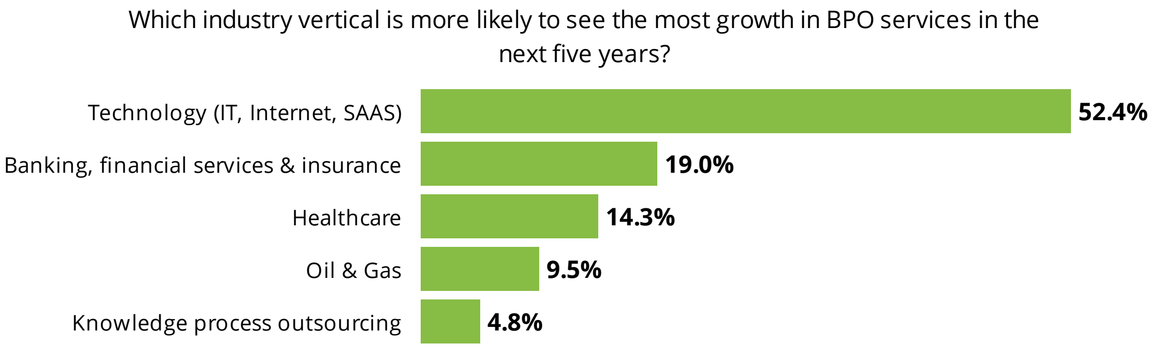

Figure 16: Industry verticals in which BPOs expected most growth in next five years

On the technology front, most BPOs (47.6%) felt that developing technology capabilities in Data Management and Analytics was the most important area for them to remain relevant and competitive in future as indicated in Figure 17. This was closely followed by developing capabilities in cloud computing services with 42.9%.

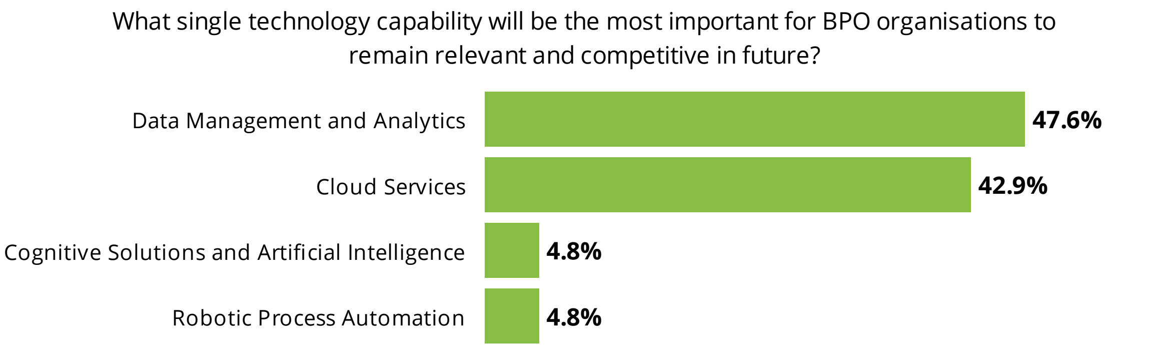

Figure 17: Most important areas for BPOs to remain relevant and competitive in the future

Cloud services can help BPOs minimise the time to market, by enabling flexible provisioning of computing resources, improving quality control processes, and reducing the costs of service delivery. Government through her agencies, needs to explore avenues on how to leverage emerging facilities like the Raxio Data Centre—Uganda's first enterprise and carrier-grade Data Centre facility to enhance the level of local cloud services provided within the country.

3. Conclusions and Recommendations

Table 1 provides a summary of key findings across BPOs, their potential implications for the ICT landscape as well as recommended actions that different stakeholders need to take to better support and grow the BPO industry in Uganda.

Table 1: Summary of key findings among BPOs and recommended actions

	Key Findings	Implications	Recommended Action
1	Many BPOs were difficult to locate, while many had purportedly closed down due to the COVID-19 lockdowns.	There is a dearth of information about BPO/ITES providers across the country and lack of detailed data on the performance of the sector as a whole. For example, it was difficult to ascertain the scale of full-time employees (FTEs), a measure often used to determine and compare the capacity and operating costs of the BPO sector across different countries.	• Clearly define what constitutes the BPO/ITES sector, and set up a robust registration system for entities operating in this space • Document baseline indicators for the BPO/ITES sector, so that sector performance can be tracked over time
2	The biggest challenge identified by BPOs was the unwillingness of domestic customers to take on BPO services (52.4%)	Successful BPO/ITES providers need to horn their skills and capacities by first serving the local market before they can tackle regional and foreign markets that are likely to be more sophisticated	• Government needs to explore avenues that encourage both government and the private sector to outsource more work to the local BPO/ITES sector to help grow and improve the abilities of the industry
3	Internet connectivity is still considered a challenge. One in every two BPOs (52.4%) felt they had insufficient bandwidth to accomplish their business activities	Given the reliance of the BPO/ITES sector on technology to serve her customers both in-country and beyond, connectivity is critical for the BPO/ITES sector	• The MoICT&NG needs to identify ways to drive down the unit cost of bandwidth for BPO/ITES providers and other sector players • Some BPOs reported having accessed subsidised bandwidth from NITA-U in the past. NITA-U needs to explore new avenues to provide subsidised bandwidth to BPO/ITES entities • NITA-U has already identified BPO/ITES companies as a Target User Group. To support the sector, NITA-U currently provides subsidised internet to

			BPO/ITES companies that are within the reach of the NBI. This offer should be extended to all qualifying players irrespective of location relative to the NBI.
4	Most BPOs (90.5%) rented their office premises as shown in Figure 11. On average, most BPOs that rented (57.1%) occupied between 10 and 50 square metres each.		• The fact that most BPOs rent office space highlights the potential that can be derived by bringing BPOs under an umbrella of a dedicated BPO/ITES park with state-of-the-art infrastructure and connectivity. Besides deriving synergies from operating in one environment, it would also make it easier for government and other stakeholders to address many of the challenges facing the sector.
5	All BPOs (100%) indicated that they provided some form of training to their employees. Despite this, interviews with sector players emphasised a lack of adequate skills among their employees and the lack of resources among BPOs to train new employees to the required industry-ready skills.	The youth are much more technologically savvy in comparison to past age-groups. Given the importance of the BPO sector as a potential source of job creation for the youth after the COVID-19 pandemic, there is need to create opportunities that equip youth with the necessary BPO/ITES skills	• Undertake a detailed skills gap analysis for the BPO/ITES sector to ascertain both required and future needs. These can be used to develop a curriculum to address the gaps • Develop a BPO Skills Development Programme that equips both fresh graduates and associates with the industry-ready skills • Develop a work placement programme for unemployed youth
6	Most BPOs (47.6%) felt that developing technology capabilities in Data Management and Analytics was the most important area for them to remain relevant and competitive in future. This was closely followed by developing capabilities in cloud computing services with 42.9%.	Services in these technical areas are still nascent in the country putting the local BPO/ITES sector at a disadvantage compared to their peers in other markets like Kenya where these services are more developed.	• MoICT&NG needs to explore avenues on how to nurture and develop local capacity in these technical areas. • MoICT&NG needs to leverage emerging infrastructure like the Raxio Data Centre—Uganda's first enterprise and carrier-grade Data Centre facility to enhance the level of local cloud services provided within the country.

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