



CHECK REGIONAL INNOVATION PROJECT

Overview of the BPO Innovation System in the Western Cape

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Parik Bohra, Raven Naidoo, and Mark Neville

Leona Craffert (University of the Western Cape)



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1 Introduction and Context

The Cape Higher Education Consortium (CHEC) aims to establish the Western Cape as a strong higher education region through systemic inter-institutional cooperation and academic programme collaboration.

The University of the Western Cape (UWC), in collaboration with the University of Stellenbosch (US) has successfully responded to a Joint Research Programme call for proposal from the CHEC/WCG.

The Cape Higher Education Consortium (CHEC) is currently coordinating a project with the Western Cape Government (WCG) on Regional Innovation Systems (RIS). The joint task team consists of partners from the University of the Western Cape (UWC), Stellenbosch University (US), WCG and CHEC. Further information on CHEC can be found at www.chec.ac.za

In response to the COVID-19 pandemic, the economic and governance sections of the WCG's Provincial Recovery Plan identify the importance of innovative systems in addressing developmental priorities within the region. At the core of the RIS approach is an emphasis on economic and social interactions between agents, spanning the public and private sectors, to engender and diffuse innovation within regions embedded in wider national and global systems.

The Project includes a specific focus on the following economic sectors:

- Green Economy (focussing on Renewable Energy and Solid Waste Management)
- Biotech
- BPO Sector
- ICT / Digital technology (including Fintech, Internet Security, Payment systems)
- Agriculture and Agri Processing

This document focuses on the Business Process Outsourcing Sector. The research undertaken includes the identification of existing networks and role-players, factors that influence regional innovation in these sectors, and any further support required.

2 Aim of the research project, scope and methodology

2.1 Aim of the research project

The main aim of the research project is to provide an overview of the current BPO ecosystem, which will allow other researchers and collaborators to adopt a common frame of reference. It is not a strategy document, nor is it a comprehensive literature review using citation indices or bibliometrics. The goal is to provide a overview of the sector and make recommendation on which policy levels and initiatives to pull to fast track the development of the sector. In the final analyses promotion of innovation is important to advance the medium term goals of the Western Cape Government as laid out in the Provincial Strategic Framework (2019-2024).

The premise is that innovation, in firms, enables improved competitiveness, and that regional development ensues. This, in turn, leads to better outcomes in the social and economic fabric of the region (e.g., more/better jobs, lower crime, etc.).

2.2 Scope

The scope of this report is to assist CHEC in updating the baseline information on the BPO sector in the Western Cape. The scope of work entails:

- Literature review on the sector with specific emphasis on the Western Cape Province
 - Utilising publicly available literature on the BPO sector
 - Meeting with the BPO sector agency
 - Collecting information on BPO initiatives
 - Develop a baseline understanding of the sector landscape, including key players, high level value chain and business models
- Environmental scan using both qualitative and, where possible quantitative, data points
 - Review of domestic and global positioning of the Western Cape BPO sector
 - Inputs from key players

2.3 Methodology

The following methodology was used to prepare this baseline overview:

- Secondary desk research of relevant research papers, articles and documents on innovation systems

- Secondary desk research of the relevant policies and strategies affecting the WC BPO system
- Secondary desk research of the relevant models guiding the discourse on the WC BPO system
- Interviews and other engagements with selected practitioners to add value by corroborating, or contesting, the findings

The generally-accepted protocols of conducting secondary research and the appropriate conventions for referencing secondary research data have been followed consistently.

The intention of the project was to utilize quantitative to build an interactive and visual presentation of the main actors, intermediaries and their interactions, however access to data proved to be very difficult and cumbersome. As a result, the current version of the report will mainly capitalize on qualitative data sources. However, the intention is to supplement the current version of the report with quantitative data. The project also aimed to establish a common measurement framework that can be used by future researchers to enhance and enrich our current understanding of Regional Innovation Systems in the Western Cape Province.

3 Background: Global Perspective on the BPO Industry

Companies have outsourced manufacturing operations, business services, and even entire business lines for many decades now (Ghodeswar & Vaidyanathan, 2008). This was however not always the case. Until the 20th century, businesses preferred to own, manage, and directly control their whole chain of production and distribution, to maintain control of revenues without reliance on third parties (Handfield, 2006). In the 1960s, companies started to diversify their business operations globally to protect profits from unexpected shocks and market turmoil. However, international expansion became difficult because of the lack of agility caused by a bloated management structure. Subsequently, outsourcing began to emerge as a strategy when businesses started to shift focus on core functions. This allowed businesses to be more flexible, creative and agile (Du & Miao, 2022).

During the 1980s, companies looking to lower costs moved manufacturing work from expensive urban areas to cheaper rural areas which offered lower labour costs, cheaper land, and tax incentives. With the commercialisation of the Internet, the 1990s experienced a rise in IT outsourcing, when companies sought expertise to develop IT systems and maintain

legacy systems (Ghodeswar & Vaidyanathan, 2008). Outsourcing of contract information technology (IT), payroll, logistics, human resources (HR) management, and core functions such as engineering, research and development (R&D), manufacturing, and marketing have recently become common practice (Ghodeswar & Vaidyanathan, 2008).

The extent to which instances of these activities constitute BPO can vary depending on the business relationship. Sometimes these are nothing more than traditional outsourcing (for example, the contracting of advertising to an agency) conducted at a distance.

3.1 Definitions

Business process **outsourcing** is the delegation of one or more business processes to an external provider that, in turn, owns, administrates, and manages the selected processes based on defined and measurable performance metrics (Gartner, n.d.). Sometimes these business processes are shifted beyond a nation's border, this known as Business process **offshoring**, as compared to **onshoring** where processes are outsourced to an external provider within the same country¹.

Offshoring may be done by a

- Corporate outsourcing to an independent third party in another country
- Corporate outsourcing to an independent third-party vendor, that has itself set up its own captives in other countries
- Multinational setting up a captive in another country

When a company establishes a BPO outside its country's border in the form of a subsidiary primarily for its own purposes, it is known as a **captive** operation. Although BPO operations distinctly fall within those 3 categories, it is expected that there may be exceptions, with a few companies with overlapping categorisation.

The BPO industry is thus defined as being composed of those independent companies that specialise in undertaking responsibility for business processes within a business function on behalf of their clients on an ongoing basis.

¹ This report will focus on offshoring activities in the BPO ecosystem. This is because the Western Cape BPO industry is focussed on BPOs providing global business services to offshore companies.

3.2 Examples of commonly outsourced business processes

Customer support – a practice of assisting customers with issues relating to products or services. Customer support was traditionally provided through call centres which utilised telephony as the method of communication. More recently companies have shifted to providing omnichannel customer support through contact centres. Contact centres provide support services through email, text messages, social media, web chat, and chatbots (Contact Center vs Call Center: 6 Key Differences and Why It Matters, n.d.). Outsourced customer services can include:

- inbound and outbound customer services
- inbound and outbound sales
- digital contact centre services such as email, social media, web chat, and chatbot support
- customer lifecycle management

Shared services – a collaborative practice that involves centralisation of a company's administrative functions that provides services to various departments in an organisation (*Shared Services Definition*, n.d.). Typically outsourced shared services are:

- back-office support
- finance and accounting
- legal services
- debt recovery
- human resources
- workforce administration
- learning services outsourcing

Data analytics – a collection, transformation, and organisation of data in order to draw conclusions, make predications, and drive informed decision making (What Is Data Analytics? n.d.). Organisations typically hire service providers to perform analytics on data they provide. The following list identifies the most commonly outsourced data analytics services:

- contact centre analytics
- customer personalisation analytics
- web/online analytics
- customer feedback analytics
- behavioural analytics

IT Outsourcing - the use of external service providers to effectively deliver IT- enabled business processes (*IT Outsourcing*, n.d.).

- global ethernet services
- managed server hosting
- user experience design/management

3.3 Drivers of Outsourcing

There are several factors that drive companies to outsource key functions. These drivers can be internal or external, and can include financial reasons such as reducing costs, generating additional profit; technical reasons such as quality improvement, gaining access to new technology; or strategic reasons such refocussing on innovation and core competencies. Drivers of outsourcing can be classified as (Ghodeswar & Vaidyanathan, 2008):

- Organisational drivers such as achieving a higher focus on core business, increasing flexibility to deal with dynamic business conditions and changing demands for products and services, leveraging emerging technologies, and achieving higher stakeholder value
- Improvement drivers such as improving operating performance, quality, timeliness, and productivity
- Financial and cost drivers such as reducing investment in assets, reducing investment of capital funds in non-core business functions, and controlling operating costs
- Revenue drivers such as achieving aggressive growth objectives by gaining increased market access, leveraging a service provider's best processes, capacity and systems, and expanding capacity to design, test and build new products and services

3.4 Global Context

The global BPO industry is worth an estimated \$232 billion annually; India is the largest provider of BPO services for the English speaking BPO market, followed by the Philippines. The US is the largest source market, accounting for 25% of global demand. IT Outsourcing is the largest outsourced service area, with a contract value of \$66 billion; customer service/sales support is the second largest with a contract value of \$18 billion annually. The top growing outsourced services are legal process outsourcing, recruitment process outsourcing, and knowledge process outsourcing. While the top growing industries for

outsourcing are education, legal, and logistics and supply chain (*South Africa National GBS Quantification & Investment Report, 2022*).

4 Framework for the BPO Sector: South African Perspective

This section of the reports provides an overview of literature relevant for the South African and the Western Cape BPO sector and provides a perspective on the current state of the South African BPO sector.

4.1 Literature Overview

The literature overview provides a synthesis of research, policies, strategies and anecdotal information on the BPO generally, with a focus on the Western Cape BPO sector. It is not a rigorously structured literature review and does not use citation indices.

Table 1: List of documents reviewed

Focus	Document, reference or link
Cape Town	
Cape Town's call centre industry	<p>No signs of slowdown for Cape call centre market. https://www.itweb.co.za/content/rxP3jIMBE1wa7A2ye. (May 2022)</p> <p>Opening of new Cape Town call centres to boost the city's R14bn industry. https://www.engineeringnews.co.za/article/opening-of-new-cape-town-call-centres-to-boost-the-citys-r14bn-industry-2022-05-17. (May 2022)</p>



	<p>Call centres becoming big business. https://www.news24.com/news24/community-newspaper/city-vision/call-centres-becoming-big-business-20220525-2. (May 2022)</p> <p>Cape jobs windfall as contact centre giant moves into Mitchells Plain. https://www.timeslive.co.za/news/south-africa/2022-03-26-cape-jobs-windfall-as-contact-centre-giant-moves-into-mitchells-plain/. (March 2022)</p> <p>Cape Town becoming Africa's call centre hub, says MMC James Vos. https://ewn.co.za/2020/08/20/cape-town-becoming-africa-s-call-centre-hub-says-mmc-james-vos. (August 2020)</p>
Investment in Cape Town's BPO sector	<p>Cape Town's BPO sector pumps R3,4 billion in investments into economy. https://www.investcapetown.com/press_release/cape-towns-bpo-sector-pumps-r34-billion-in-investments-into-economy/. (April 2021)</p>
Industry competitiveness of Cape Town's BPO sector	<p>Open for Business Process Outsourcing, Invest Cape Town. (2021)</p>
Western Cape	
Western Cape's BPO market policy and regulatory environment	<p>Naidoo R., Neville M., Call centres/Business Process Outsourcing (BPOs) second paper: Policy recommendations and interventions. (undated)</p>
Western Cape's BPO market	<p>Survey ranking SA as top BPO destination a boost for the sector in the WC. https://www.westerncape.gov.za/news/survey-ranking-sa-top-bpo-destination-boost-sector-wc. (April 2021)</p> <p>Naidoo R., Neville M., The call centre and Business Outsourcing (BPO) industry in the Western Cape,</p>

	Department of Economic Development & Tourism. (April 2005)
South Africa	
Global positioning of South Africa for BPO&O industrial expansion	Altman, M., Industrial strategy, offshoring, and employment promotion in South Africa. (2022)
South Africa's BPO sector insight	<p>South African Global Business Services (GBS) sector insights, Business Process Enabling South Africa (BPESA). (October 2020)</p> <p>Barendse et al., Driving economic recovery in South Africa's BPO industry, McKinsey & Company. (September 2020)</p> <p>South Africa's BPO industry – Pivoted for next generation of service delivery, Everest Group. (June 2018)</p> <p>South Africa Business Process Services – Key indicator report, Business Process Enabling South Africa (BPESA). (2018)</p> <p>Craig et al., South Africa's business process outsourcing services sector: Lessons for Western-based client firms, South African Journal of Business Management. (2014)</p> <p>Gwala et al., BPO industry growth in SA, Deloitte. (undated)</p>
Challenges in South Africa's call centre industry	Pandy et al., South Africa's call centre industry: The emerging challenges of growing destination in the global south, Mediterranean Journal of Social Sciences. (2014)
Competitiveness of South Africa's BPO industry	Craig et al., Becoming strategic – South Africa's BPO service advantage, Department of Management, London School of Economics and Political Science. (November 2012)

Employment practices in South Africa's call centre industry	Bener et al., The South African Call Centre Industry: A Study of Strategy, Human Resource Practices and Performance, The Global Call Centre Industry Project. (2007)
Telecommunications BPO services in South Africa	BPO industry growth in SA - Factors at work that inhibit and uplift the telecommunications market, Deloitte. (2016)
General	
Technology outsourcing	Bhatnagar et al., Getting business process outsourcing right in a digital future, McKinsey & Company. (2022)
Current and future trends in the BPO sector	Du et al., Business Process Outsourcing (BPO): Current and future trends, International Research in Economic and Finance. (September 2022)
BPO framework	Jalalinia et al., A business process outsourcing framework based on business process management and knowledge management, Business Process Management Journal. (2009)
Review of IT outsourcing and BPO industry	Lacity et al., Business process outsourcing studies: a critical review and research directions, Journal of Information Technology. (2011)
Review of types of outsourcing	Ghodeswar et al., Business process outsourcing: an approach to gain access to world-class capabilities, National Institute of Industrial Engineering. (2008)
Innovation in BPO Sector	
Influence of intellectual capital and innovation on BPO sector	Lopez et al., Intellectual Capital and Innovation in Organizational Competitiveness: An Analysis in the Business Process Outsourcing (BPO), International Journal of Economics and Business Administration. (February 2022)

Factors influencing innovation in BPO companies	Amaral et al., What influences the innovation environment in BPO companies?, Business Process Management Journal. (June 2020)
Innovation in BPO sector in Philippines	Bodwell et al., Business Process Outsourcing in the Philippines: Challenges for decent work, International Labour Organisation. (December 2016)
Dynamic innovation in the BPO sector	Lacity et al., Business Process Outsourcing and dynamic innovation, Strategic Outsourcing: An International Journal. (2014) Lacity et al., Business Process Outsourcing – a catalyst for innovation, Accenture. (2012)
Technology innovation in BPO sector	Li et al., Improving quality in Business Process Outsourcing through technology, Department of Management Science, Lancaster University Management School. (January 2008)

4.2 The South African BPO Industry

South Africa's BPO market is valued at \$461 million annually (which is less than 0.5% of the global BPO market), and was expected to grow at around 3 percent per annum, in line with global BPO growth rate (Rajagopaul et al., 2020). Over \$1 billion was generated in export revenue between 2018 and 2021, with \$290 million export revenue generated in 2020 alone (*GBS Sector Job Creation Report: Q3 FY Oct to Dec 2021, 2022*). There are over 100 local and international BPO providers in South Africa (Rajagopaul et al., 2020) which provide services in one or more of the following *horizontal* segments shown in Figure 1 below. The BPO market is dominated by the customer experience/contact centre services segment, followed by IT outsourcing and back-office processing.

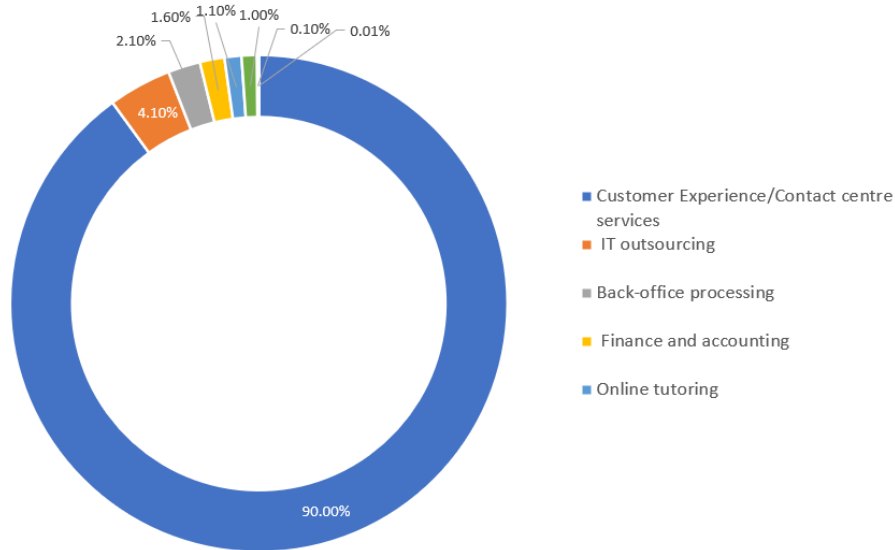


Figure 1: South Africa's BPO horizontal segment split²

In 2021, South Africa's Global Business Services (GBS) industry grew by 22% annually, which is twice the global rate, three times faster than India and the Philippines – which are the two industry leaders globally (Open for Business Process Outsourcing, 2021). There has been an uptick in first time outsourcers looking to offshore their customer service, back-office and technical support functions to South Africa. This growth in the BPO sector is due, in part, to the support provided by the national government. The Department of Trade, Industry and Competition (DTIC) has funded approximately R1.3 billion between 2007 and 2018, with a further R1.2 billion committed in 2019 for BPO sector support and other operational improvement support programmes going forward (Rajagopaul et al., 2020). The COVID-19 pandemic also played a significant role in catalysing this growth (Trends Shaping South Africa's Global Business Services Industry in 2022, 2022).

South Africa offers a compelling value proposition to the rest of the world, particularly the English-speaking markets of North America, the UK and Australia (Jones, 2021). This is evidenced by the fact that South Africa has been awarded the “top most favoured CX delivery location³” two years in a row (South Africa Awarded Top 2022 Most Favored Global Offshore CX Delivery Location Second Year In a Row, 2022). The value propositions that make South

² South Africa National GBS Quantification & Investment Report, 2022

³ CX = Customer Experience

Africa an attractive destination for global BPO services are (*South Africa National GBS Quantification & Investment Report, 2022*):

- ICT infrastructure – South Africa has one of the best ICT infrastructures in Africa, which enables a shift towards technology enabled value additions to enhance customer experience. The global contact centre standard ISO 18295 is based on South African standards
- Enabling environment – there is Government support at national, regional, and sectoral levels to boost infrastructure and skill development
- Cost saving – South Africa offers 60% - 70% lower costs than the UK and Australia, and government incentives further reduce costs – bringing them in the range of India and the Philippines
- Skilled and young English-speaking workforce – South Africans are fluent in English and have a neutral accent with high empathy levels. There is also a cultural affinity with the UK, Australia, and increasingly with the US. Additionally, multiple world-class tertiary education institutions and training facilities provide a supply of large pool of young and talented workforce
- Impact Sourcing – which refers to an arm of the BPO industry that employs socioeconomically disadvantaged individuals as principal workers. South African government incentivises impact sourcing, which adds to the talent pool

The global markets currently serviced from South Africa are shown in a.

Figure 2⁴. The top serviced markets are the United Kingdom and the United States of America.

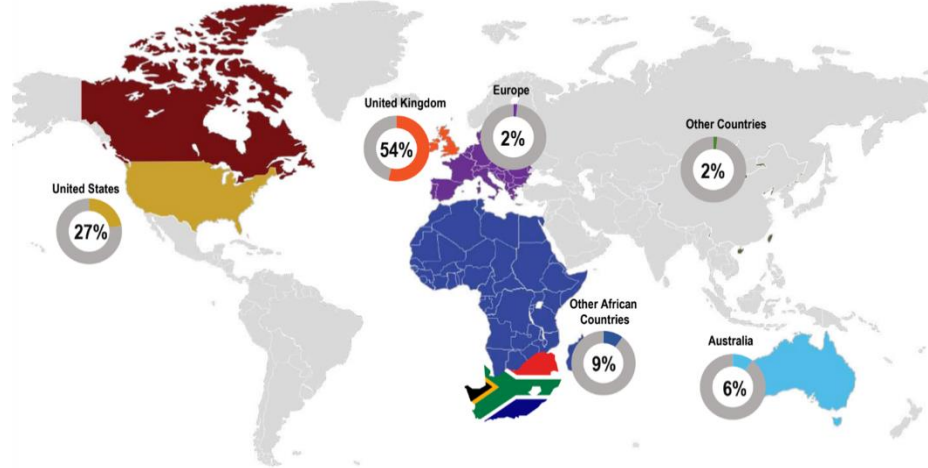


Figure 2: Source markets serviced from South Africa⁵

5 Framework for the BPO Sector: Western Cape BPO Landscape

This report focuses on offshoring activities (also referred to as Global Business Services) rather than local companies outsourcing to local BPOs. This focus aligns with National and Provincial Government strategy where the primary interest in the BPO industry is for its foreign earning and new job creation capabilities. This leaves a gap in data collection as BPO operators providing services to local companies, including locally based captives, are generally excluded from both the academic literature and government programmes.

The purpose of this chapter is to provide an overview of the Business Process Outsourcing (BPO) sector within the Western Cape province, identify existing networks, role players, and innovation activities and the developmental priorities of the region.

⁴ Other African countries include Botswana, Kenya, Namibia, Uganda, Tanzania, Zambia and Zimbabwe. Europe includes Belgium, Germany and France

⁵ South Africa Investor Handbook, 2021

Whilst the Western Cape is happy to attract outsourced business from local corporates, or to attract the establishment of locally owned captive call centres, the major opportunity lies in getting offshore business from:

- Overseas companies contracting with **local independent BPO companies** - overseas companies that need business processes outsourced will contract BPO companies in the Western Cape that have the expertise and capabilities to provide those services. This arrangement can be beneficial for both, overseas companies and the local BPO companies, as it allows the overseas companies to access specialised services from a local provider, and it allows the local BPO companies to gain access to new clients and expand their operations. There are currently no major local BPO companies that are contracted by overseas company. All local BPOs have been acquired by overseas BPO vendors.
- Overseas companies setting up **captive operations** in the Western Cape - overseas companies that establish their own BPO operations in the Western Cape, rather than contracting with a local independent BPO company. This allows the overseas companies to have more control over their BPO operations, and to retain a greater share of the profits generated by those operations. Example of such companies in the Western Cape are: Amazon, Lufthansa, Collinsons Group.
- **Overseas BPO vendors** setting up in the Western Cape to meet the needs of their international clients - overseas companies that provides BPO services to clients, establish a presence in the Western Cape in order to offer services in a more efficient and cost-effective manner. Example of such companies in the Western Cape are: Teleperformance, Webhelp, EXL Services

This chapter also aims to determine key enabling factors and challenges to innovating in the BPO sector in the Western Cape and is structured as follows:

- Current state of the BPO industry in the Western Cape
- Innovation in the Western Cape BPO sector

5.1 BPO Ecosystem in the Western Cape

The BPO industry in the Western Cape is well-established and has long been considered smaller than that in Gauteng. However, over the past five years, the Western Cape has

emerged as a top BPO destination in the country - as seen in Figure 3 - which shows the number of international BPO services delivered in each province from 2018 to 2021 (*Western Cape GBS Value Proposition, 2022*). The Western Cape now accounts for 46% of international service delivery, followed by Kwa-Zulu Natal (36%), and Gauteng (17%). The remaining provinces cover <1% of the total international BPO services delivered. The region is seen as being the leading player in Global Business Services, with the Gauteng market dominated by BPO operators serving the local market.

Like most BPO locations, the Western Capes' origins for the BPO sector lie in the more traditional voice-based call-centre industry. The Western Cape is a world-recognised base for Global Business Services (GBS) delivery, arising from a legacy of global business services delivery, deep talent pool, digital value-add, and an enabling investment environment. The significance of the Western Cape as an offshore GBS location is the province's dominant share of national GBS activity (over 46%). Anecdotally, the international rating as "Most Favoured Offshore CX Delivery Point in 2021" is underpinned by the Western Cape BPO sector.

The regional GBS sector is composed of:

- Overseas BPO vendors setting up operation in the Western Cape to meet the needs of their international clients
- Overseas companies setting up captive operations in the Western Cape
- Overseas companies contracting with local independent BPO companies

The top BPO services provided from the Western Cape are:

- Customer support – inbound and outbound customer service, sales, and customer lifecycle management
- Digital contact centre services – social media, omnichannel communication, web chat, chat bots
- Data analytics
- Back-office support
- IT outsourcing

The top industries serviced from the Western Cape are:

- Telecoms
- Retail and eCommerce
- Utilities

- Insurance
- Banking and Financial Services
- Technology and Software

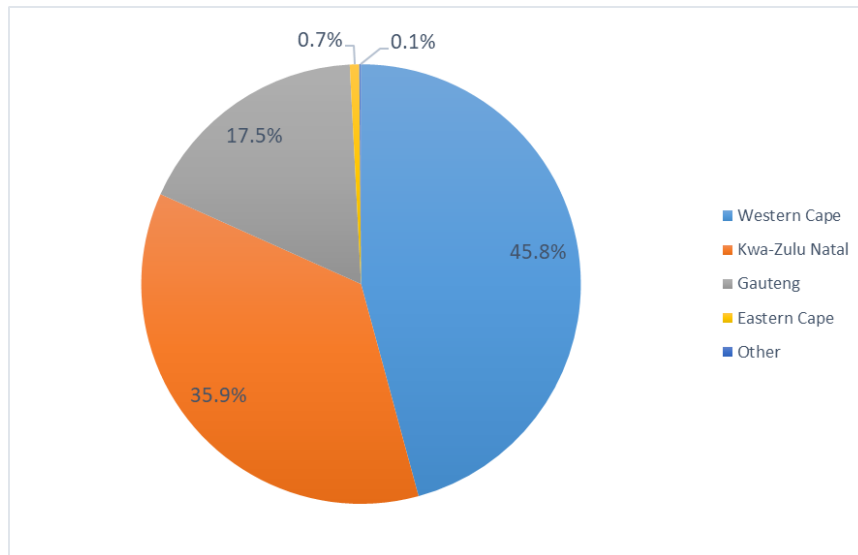


Figure 3: Share of international BPO services delivered between 2018 and 2021 by province⁶

5.1.1 The Western Cape Value Proposition

The following are key elements of the regions value proposition:

End-to-End Customer Experience Lifecycle Management

The Western Cape has the highest number of international GBS/BPO seats in South Africa, of which 90% provide dedicated customer experience (CX) services. Inbound calls, outbound calls and customer lifecycle management are the top three BPO and contact centre services delivered, most of which service the telecommunications, retail and utilities vertical industries.

⁶ Western Cape GBS Value Proposition, 2022

The UK is the province's largest global source market, accounting for 28.19% of the national split of GBS services delivered specifically from the province, followed by the US (9.22%) and Australia (3.40%).

Cost Performance and Customer Lifetime Value Benefits

Cost is a key factor in driving the Western Cape's globally renowned end-to-end CX lifecycle management, where salary costs are 45% to 81% lower when compared to those in key source markets. This, combined with better CX quality compared to competitor offshore markets, translates to higher customer retention, greater customer lifetime value and bottom-line profits. The average salary cost of contact centre employees in the Western Cape are⁷:

Role	Salary Cost (per month)
Contact Centre Agents	\$594
Team Leaders/Supervisors	\$1055
Quality Assurance	\$857
Contact Centre Managers	\$2300

Next-Gen Digital Channel Services and Niche Competencies

The integration of next-gen digital channel services that augments CX delivery and customer lifetime value benefits is made possible through the province's technology and start-up culture. The Western Cape is the technology leader in mobile software, revenue management and payment processes in South Africa and the province has capabilities in digital outsourcing, creative outsourcing and legal process outsourcing.

Global Business Services Talent and Skills Pipeline

⁷ ibid.



Augmenting digital capabilities and niche competencies is a consistent pipeline of skills flowing into a deep talent pool. Over 63,000 relevant degree holders and school leavers are added to the skills supply chain each year. Notably, there are over 12,000 Science, Engineering, and Technology and 8,300 Business and Management graduates produced each year. Of these graduates, 17,500 are English speakers from four of the province's major, world-class universities, adding to the 1,1 million English speakers in the province. The significant number of graduates are sourced from the youth population of 2,1 million aged between 18 to 35. In addition to conventional employee sources, impact sourcing is a widely-used practice in the Western Cape.

The BPO sector employs over 60,000 people in the Western Cape in Global Business Services (GBS) (*No Signs of Slowdown for Cape Call Centre Market*, 2022). The regional BPO industry has created 35,000 additional GBS jobs in the last five years.

Enabling infrastructure and Investment Environment

Complementing skills is a sophisticated, world-class infrastructure and an investment friendly environment that are important enablers for GBS development. Cape Town has been rated as having the best transport infrastructure compared to other middle income country cities. International travel is made possible by Africa's third largest and best airport, Cape Town international Airport, which has direct flights to 34 international destinations, including London (UK), New York (US) and Dubai (UAE). Remote global connectivity is enabled by four undersea internet cables with local internet speed capabilities ranging from 10 Mbps to 1,000 Mbps.

A conducive investment environment is made possible by a range of financial and nonfinancial investment incentives on a national, provincial and municipal level. Industry bodies specific to the GBS sector, including BPESA Western Cape and CapeBPO, provide crucial investment support and facilitation.

5.1.2 Developmental Priorities in the Western Cape⁸

The key developmental priorities of the Western Cape are:

- A resilient, inclusive and competitive Western Cape with higher rates of employment, producing growing incomes, greater equality, and an improved quality of life (OneCape 2040)
- A safe Western Cape where everyone prospers. This is expressed in five Vision-Inspired Priorities (Provincial Strategic plan 2019 - 2024):
 - VIP 1: Safe and cohesive communities
 - VIP 2: Growth and jobs
 - VIP 3: Empowering people
 - VIP 4: Mobility and spatial transformation
 - VIP 5: Innovation and culture
- Improve government service delivery, strengthen citizens' access to opportunities and information, and increase economic competitiveness by addressing broadband infrastructure, access, readiness and usage by government, citizens and businesses (Western Cape Broadband Strategic Framework (2012))
- Enhance the productive and competitive capability of the provincial economy through
 - Investment promotion and catalytic infrastructure
 - Export growth
 - Addressing skills gaps
 - Accelerating the ease of doing business
 - Resource resilience

These provincial developmental priorities are listed in detail in Annexure A.

5.1.3 Mapping the Ecosystem

Western Cape's BPO ecosystem consists of:

- Government skills development support programs that train and provide necessary skills to the BPO workforce. Government programs are identified in The tables below provide detail on the key role players within the ecosystem, with Table 2 focusing on the sector role players, Table 3 on the BPO service providers and Table 4 focusing on the captive BPO operators.

⁸ The Dept of Economic Development has indicated the imminent publishing of a new provincial strategy document.

- Table 2
- Private sector skills development and training programs that train and provide necessary skills to the BPO workforce. Private sector programs are identified in The tables below provide detail on the key role players within the ecosystem, with Table 2 focusing on the sector role players, Table 3 on the BPO service providers and Table 4 focusing on the captive BPO operators.
- Table 2
- Government incentive programs that promote the BPO sector through financial and technical support. Government incentive programs are identified in The tables below provide detail on the key role players within the ecosystem, with Table 2 focusing on the sector role players, Table 3 on the BPO service providers and Table 4 focusing on the captive BPO operators.
- Table 2

The ecosystem is influenced by the following factors:

- Cost of living – affordable cost of living
- Real estate – affordable accommodation and property rentals
- Infrastructure
 - Transport: Cape Town has world-class transport infrastructure. Three national highways – N1, N2, and N7 originate in Cape Town. MyCiti, a bus rapid transit service runs through the city. A 2018 PWC study ranked Cape Town's transport infrastructure at 14 out 30 global cities(Williams & Boyle, 2018). Cape Town's international airport has direct flights to 34 international destinations. In 2022, Skytax awarded Cape Town international airport as the best airport in Africa seventh time in a row, and overall 49th best airport in the world(Daniel, 2022a). There are multiple infrastructure development projects underway in Cape Town, including:
 - Integrated Rapid Transit (IRT) project
 - Terminal expansion in the Port of Cape Town
 - Extension of Cape Town International Airport's runway
 - Atlantis Green Technology Special Economic Zone (SEZ)
 - Cape Health Technology Park project
 - Cape Town Air Access project
 - ICT: 70%+ households in the Western Cape have access to the internet. There are 400 free Wi-Fi zones in Cape Town. High speed fibre (50Mbps) connectivity costs R700 per month, with over 19 fibre providers in Cape Town alone. Multiple under-sea cables such as West African Cable System (WACS), Africa

Coast to Europe (ACE), SAT-3/WASC, SAFE provide global connectivity to the Western Cape. More recently, Google’s Equiano cable landed in Melkbosstrand to provide faster internet speeds at a lower cost (Daniel, 2022b). Western Cape Government’s provincial broadband rollout programme has connected schools, healthcare institutions, libraries, and provincial government sites with high speed broadband. Additionally, City of Cape Town’s broadband project has rolled out municipal-owned fibre network in the Cape Town metro area.

The Western Cape’s BPO ecosystem can be depicted as Figure 4 below.

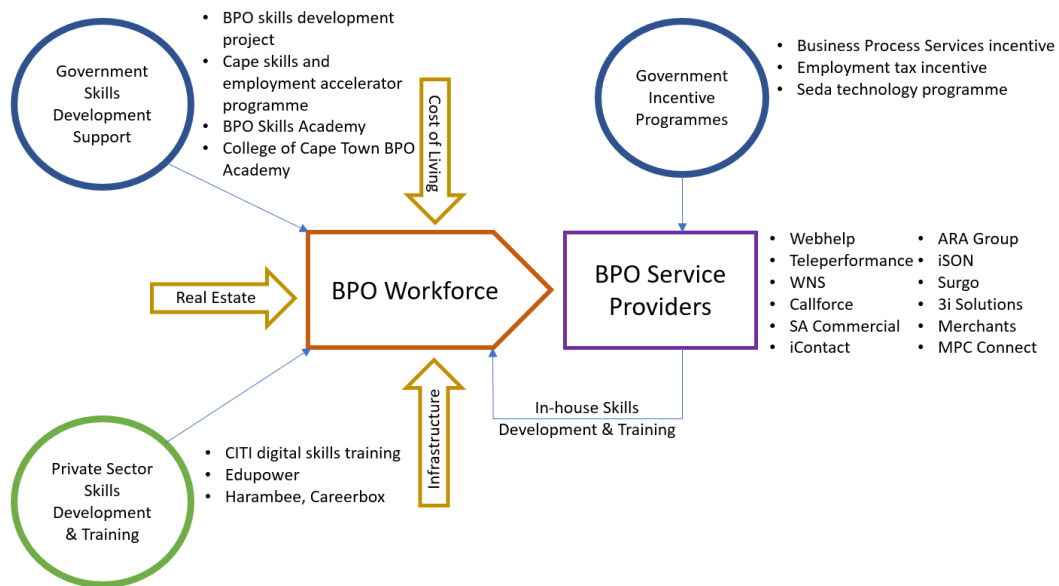


Figure 4: Western Cape's BPO ecosystem

5.1.4 Key Role Players in the Ecosystem

The tables below provide detail on the key role players within the ecosystem, with Table 2 focusing on the sector role players, Table 3 on the BPO service providers and Table 4 focusing on the captive BPO operators.

Table 2: BPO sector role players

Entity	Description	URL	Location
Sector Support			
CapeBPO	CapeBPO is the City of Cape Town and the Western Cape's strategic business partner responsible for the growth and development of the BPO industry in Cape Town and the Western Cape	https://capebpo.org.za/	Greenpoint
Business Process Enabling South Africa (BPESA)	BPESA is the national organisation responsible for the growth and development of the BPO industry	www.bpesa.org.za	Gauteng
Government Skills and Training			
BPO Skills Academy	BPO skills academy (BSA) is an education services organization accredited with various SETA's that provides specialist skills development and Job creation programmes nationally	https://bpoacademy.co.za/	Greenpoint
BPO Academy – College of Cape Town	The BPO Academy is a learning and skills development initiative made possible through a partnership between the Department of Economic Development and Tourism and the	https://cct.edu.za/	Cape Town Central

Entity	Description	URL	Location
	BPO sector. Its curriculum ensures graduates are workplace ready and have the relevant, high-quality skills that are endorsed by the Service SETA and required by the fast-growing BPO sector		
Private Skills and Training			
EduPower Academy	Provides SETA accredited learnership programmes, including skills training in the BPO sector	https://www.edupower.co.za/	Athlone (Cape Town branch)
Government Incentives			
InvestSA One Stop Shop	Provides a single point of service for organisations looking to locate to the Western Cape. It clusters key government departments such as DTI, Department of labour, home affairs, and red tape reduction unit.		
Atlantis Special Economic Zone	In partnership with the City of Cape Town, provides incentives such as preferential corporate tax, employment incentives, building allowance, tax allowance, import duty exemptions, electricity tariff reduction, and discounted development charges		
City of Cape Town incentives	<ul style="list-style-type: none"> • Funding CapeBPO to support the local BPO industry • Provides incentives such as building plan application fee waiver, broadband connection fee waivers, development contribution deferral and write off (up to R1 million), land use application fee waiver, special monthly incentive electricity tariffs for 2 years. In partnership with Wesgro Trade Unit, CoCT provides free services to establish new businesses in various parts of the city 		
Western Cape Government incentives	<ul style="list-style-type: none"> • Funding CapeBPO to support the local BPO industry • DEDAT BPO skills development incentive for BPO operators 		

Entity	Description	URL	Location
Drakenstein Municipality incentives	Provides incentives such as reduced building plan application fees and land use management application fees, rebates on development charges, availability of investment-ready land, property rates rebates, electricity services – free quotes, free consultation, reduced rates and access charges		
Other government incentives relevant for BPO	<ul style="list-style-type: none"> • Foreign investment grant • Skills support programme • Strategic investment project programme • Critical infrastructure facility fund • Sector specific assistance scheme • Export marketing and investment assistance • Technology and human resources for industry programme • Technology development fund • Technology venture capital 		

Table 3: BPO Service Providers in the Western Cape

BPO Service Provider	Services Provided	Industry	Location
Webhelp	Customer service, technical support, sales	Automotive, Fashion & Luxury, Financial Services, Healthcare, Tech & Media, Travel & Leisure, Gaming, Retail & E-commerce, Utilities & Public Services, Telecommunications	Claremont
Teleperformance	Customer service, back-office, finance and accounting, sales, analytics, collections,	Automotive, Energy & Utilities, Healthcare, Media, Retail & E-commerce, Telecommunications, Gaming, Banking & Financial Services,	Cape Town Central

BPO Service Provider	Services Provided	Industry	Location
	translations, visa and consular services	Emerging Payments, Insurance, Public Sector, Technology, Travel & Hospitality	
WNS	Customer service, IT, finance and accounting, HR, legal, procurement, research, business continuity, analytics	Banking and Financial Services, Consulting and Professional Services, Consumer Packaged Goods, Healthcare, Insurance, Manufacturing, Media and Entertainment, Retail, Shipping and Logistics, Telecommunications, Travel and Leisure, Utilities and Energy	Century City
Callforce	Recruitment, training, labour relations, performance management, operations management, infrastructure, payroll, technology, process design, digital optimisation,	Telecommunications, Financial Services, E-Commerce, EdTech, Logistics, Energy	Cape Town Central
SA Commercial	Back-office support, customer sales, customer service, research, shared	Financial Services	Cape Town Central

BPO Service Provider	Services Provided	Industry	Location
	services, tech support		
iContact BPO	Customer services, first party collections, sales and lead generation, customer win-back and retention, back-office, IT help desk and technical support	Financial Services, Telecommunications, Fintech	Paarden Eiland
GQM Services	Back-office, finance and accounting, customer service, architecture and interior design	Financial Services, Architecture	De Waterkant
ARA Group	Debt management, telesales, customer engagement	Financial Services	Cape Town Central
Call-lab	Call centre, survey, live chat support, social media customer service, telemarketing, IT helpdesk	Fintech, Utilities, Media & Entertainment	Woodstock
iSON	Contact centre, HR, document management, surveys, inbound/outbound sales, voice	Telecommunications, Public Sector, Energy & Utilities, Travel & Aviation, Media & Entertainment, Retail & E-commerce, Banking, Insurance, Fintech	Cape Town Central



BPO Service Provider	Services Provided	Industry	Location
	biometric, e-KYC, speech analytics, big data analytics		
Surgo	HR, recruitment, salary benchmarking, job evaluation	Technology, Pharmaceuticals, Financial Services	Century City
Merchants	Customer service, sales, back-office, IT service desk, analytics, recruitment support	Telecommunications, Financial Services, Transport, Retail, Technology	Salt River
Capita	Back-office, finance and accounting, procurement, business intelligence, technology	Defence, Health, Retail, Travel a& Leisure, Education & Learning, Housing, Telecommunications, Technology, Media, Utilities, Consumer Electronics, Financial Services	Maitland
MPC Connect	Back-office, shared services, tech support,	EdTech, Oil & Gas, Consumer Electronics, Property	Cape Town Central
DXC Technology	Contact centre, finance and accounting, fintech, IT outsourcing, data analytics, software engineering, cloud, insurance BPaaS	Aerospace and defence, Automotive, Banking and Capital Markets, Consumer and Retail, Energy, Utilities, Oil & Gas, Healthcare, Life Sciences, Manufacturing, Public Sector, Technology, Media & Telecommunications,	Century City

BPO Service Provider	Services Provided	Industry	Location
		Travel, Transport and Hospitality	
Mango5 Call Centre	Customer service, contact centre support, data analytics	Insurance, Telematics, Utilities, Telecommunications, Education, Medical, Financial Services	Airport Industria
Exigent	Legal outsourcing	Legal	Observatory
Sigma Connected	Customer service, quality assurance and compliance monitoring, debt collection	Financial Services, Debt Management, Public Sector, Insurance, Telecommunications, Vehicle Telematics	Diep River
Mindpearl	Contact centre, customer service	Aviation, Telecommunications, Retail, Finance	V&A Waterfront
DigiOutsource	Customer service, digital marketing, IT outsourcing	Online Gaming	Century City
Cognia Law	Legal outsourcing	Legal	Mowbray
EXL Services	Customer service, finance and accounting, risk and compliance, sales and marketing, IT outsourcing, data analytics	Insurance, Health, Banking & Financial services, Media & Entertainment, Retail, Manufacturing, Transport & Logistics, Travel, Utilities	Cape Town Central

Table 4: Captive BPO operators in the Western Cape

Captive	Industry	Location
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Amazon	e-Commerce, cloud computing	Cape Town Central
Lufthansa	Airline	Cape Town Central
Collinsons Group	Travel	Century City

5.1.5 International sectors serviced from the Western Cape

The distribution of international sectors (verticals) serviced from the Western Cape is shown below.

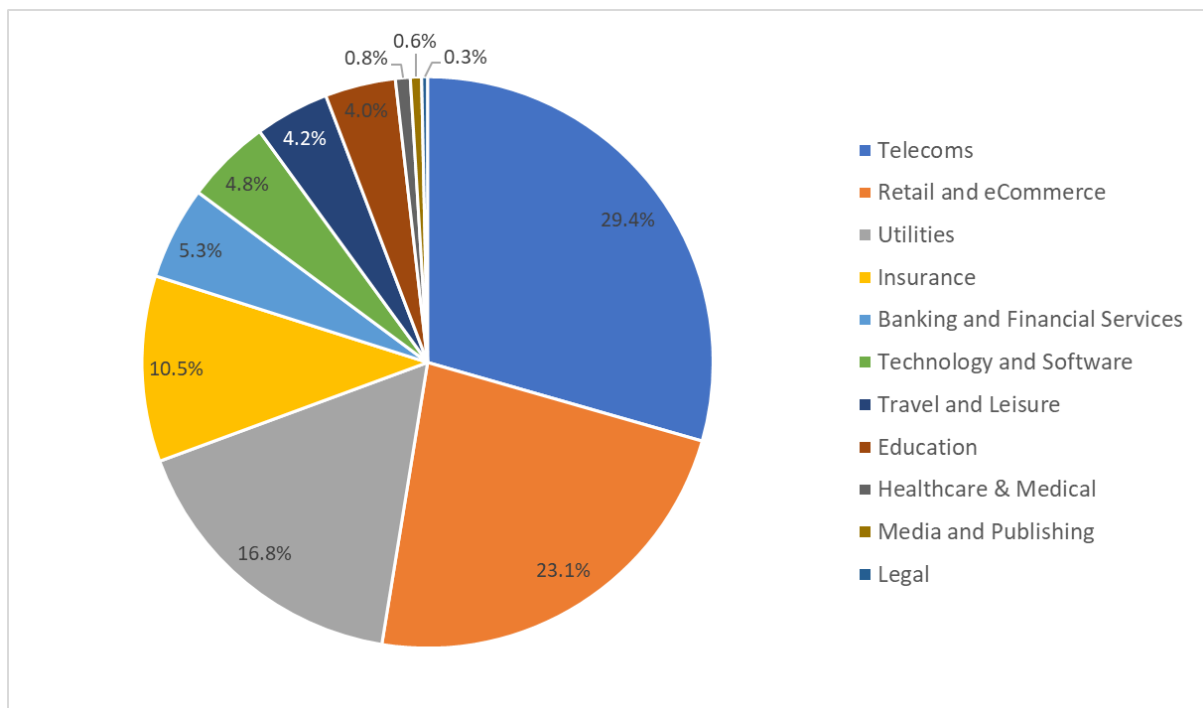


Figure 5: International sectors serviced from the Western Cape⁹

⁹ (Western Cape GBS Value Proposition, 2022)

5.1.6 Cape Town's dominance

Within the Western Cape, as the economic hub of the province, Cape Town dominates the provinces BPO sector, with the majority of operators located in the City. Cape Town's BPO industry is focussed on inbound customer service and inbound sales. Other major BPO segments serviced are: debt collection, back-office processing, outbound sales, and legal process outsourcing (Figure 6). Smaller second tier towns such as George and Mossel Bay have gained some traction in the market.

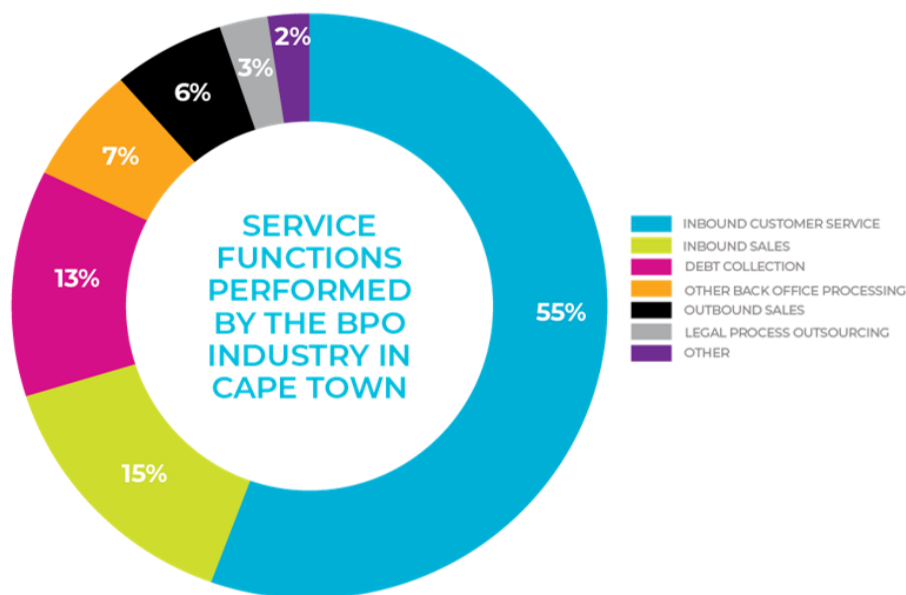


Figure 6: Services provided by the BPO industry in Cape Town¹⁰

Figure 7 provides a few of the geographical location of the BPO service providers.

¹⁰ (Business Process Outsourcing Opportunities Cape Town, n.d.)

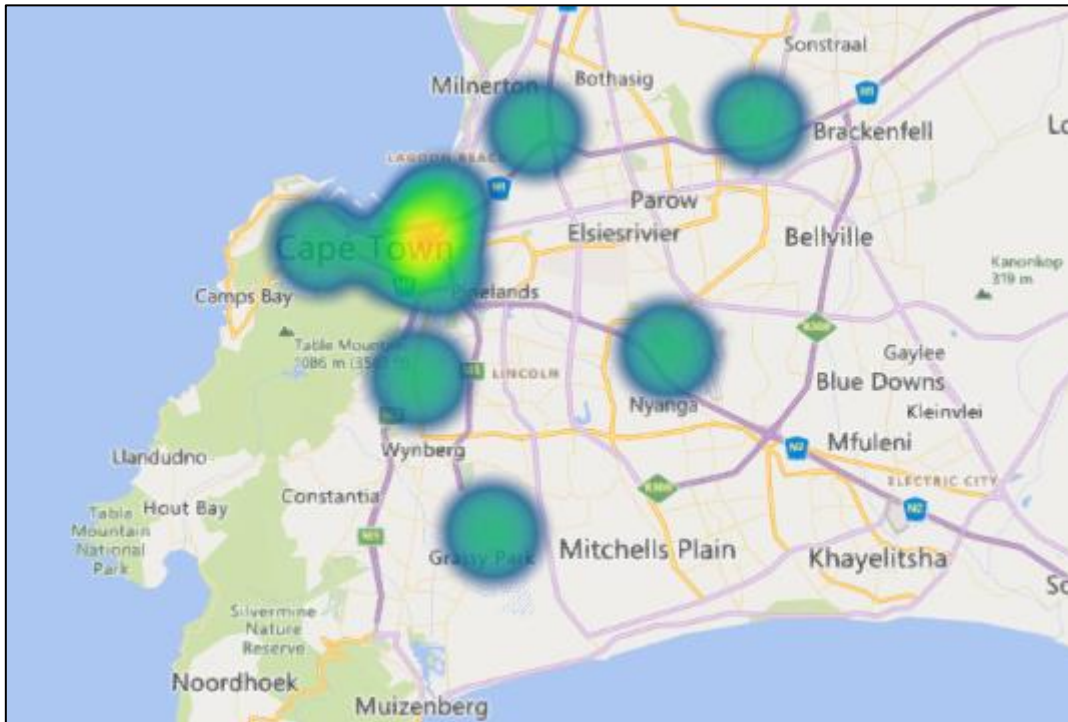


Figure 7: Concentration of BPO service providers in Cape Town

5.2 SWOT Analysis of the factors affecting the WC BPO Sector

Table 6 provides detail on a SWOT analysis of the WC BPO sector.

Table 5: SWOT analysis of the Western Cape BPO industry

Strengths ¹¹	Weaknesses
<ul style="list-style-type: none"> • World class infrastructure • High-quality, multi-channel customer experience (CX) services. • Local and Provincial government support. 	<ul style="list-style-type: none"> • High churn increases costs • High property rentals and prices • High salaries • Technical and management skills.

¹¹ By definition, Strengths/Opportunities are promoters a sector and Weaknesses/Threats are inhibitors in a sector. This can be extended to innovation in the sector, but other factors may also influence innovation.

<ul style="list-style-type: none"> • Industry bodies: BPESA Western Cape and CapeBPO. • Local investment incentives. • Supportive environment for next-generation digital contact centres. • Talent pipeline. • Quality of life and living standards. 	
Opportunities	Threats
<ul style="list-style-type: none"> • Investment incentives in areas outside Cape Town CBD • Diversification to towns beyond Cape Town 	<ul style="list-style-type: none"> • Highly Cost sensitive industry; high transport costs. • Competing South African locations • Load shedding • Crime

6 Government Support

The following incentives and programmes provide a supporting environment for the BPO industry (*South Africa Investor Handbook, 2021*):

- Business Process Services incentive (Department of Trade and Industry): Provides a cash incentive per job created in the BPO industry. The incentive comprises of (*Guidelines for the Department of Trade and Industry's Global Business Services Incentive, 2014*):
 - A three-tier differential incentive for non-complex jobs, complex and highly-complex jobs, based on fully loaded cost per job
 - A five-year operational expenditure grant that tapers down in line with narrowing cost gap between South Africa and offshoring destinations
 - A graduated bonus incentive which is offered for greater job creation and sustainability, the applicant exceeds certain annual offshore job creation targets

- Employment tax incentives (Department of National Treasury and SARS): Encourages employers to hire young and less experienced work seekers by reducing the cost of hiring young people through a cost-sharing mechanism with government. Employers can claim the incentive and reduce the amount of Pay-As-You-Earn (PAYE) tax payable. This incentive is aimed at employees between the ages of 18 and 29, and earn less than R6000 per month (*How the Employment Tax Incentive Works for You*, n.d.)
- SEDA technology programme (Department of Small Business Development and Department of Trade and Industry): Provides grants and technical support to small enterprises. The programme aims to increase accessibility and utility of technologies, facilitate technology transfer, improve productivity, profitability and competitiveness of small enterprises (Seda Technology Programme, undated)
- Business Process Outsourcing skills development project: Facilitates experiential learning and work placement opportunities for unemployed youth in the Western Cape's BPO sector, to improve the future employment prospects of participants between the ages of 18 - 35 years (BPO Skills Development, 2021)
- Cape Skills and Employment Accelerator Project: Provides skills and training to create more than 3000+ jobs over the next three years. This project will provide a 12-month training to unemployed youth (*A Shot at Youth to Enter BPO Sector as Training Opens*, 2021)
- Youth employment accelerator such as CareerBox, Harambee and ShadowCareers supported by BPESA and Cape BPO provide BPO specific work readiness skills and training.
- Technology skills development programmes: There are a multitude of technology skills development programmes based in Cape Town, run by government, NGOs/NPOs, and industry. Some of institutions are:
 - Cape Innovation & Technology Initiative (CITI): NPO that trains students in digital skills, provides an entrepreneurial ecosystem and incubation for startups.

7 Innovation in the Western Cape¹²

Sometimes billed as the “tech hub” of the African continent, the City of Cape Town is now ranked among the top 100 emerging start-up ecosystems in the world (*South Africa’s ‘Silicon Valley’ Has over 450 Tech Firms and Employs More than 40,000 People, 2021*). This is based on the Global Start-up Ecosystem Report 2020 (Startup Genome, 2020), which provides start-up ecosystem research conducted by Startup Genome and the Global Entrepreneurship Network. Cape Town is the base for almost 60% of South African start-ups.

Wesgro – the official tourism, trade and investment promotion agency for Cape Town and the Western Cape, recorded a total of \$88 million (roughly R1.2 billion) of disclosed investments into tech start-ups in the city of Cape Town across 46 deals, noting it as the “highest investments made in SA” during the period (Mzekandaba, 2021).

“South Africa’s tech ecosystem remains the best on the continent, and we have many factors that are helping the ecosystem to continue to improve. Excellent universities in our major cities provide the talent needed to start and grow quality startups, and in all of these cities, local ecosystem organisations, as well as incubators and accelerators, are there to provide support.”

Aisha Pandor, CEO of SweepSouth

“The greater Cape Town area – including Stellenbosch – has proved itself to have the best startup ecosystem in Africa. This is in part due to the mature and well-established technology clusters, hubs and the incubators. CiTi’s Bandwidth Barn is Africa’s oldest technology incubator and has been running for over 18 years. Cape Town has proved to be well ahead of the technology development curve, where Africa’s first bitcoin academy was launched over three years ago as part of CiTi’s Fintech Cluster – also a first on the continent.

“Another factor that contributes is Cape Town’s ability to attract the best local and international talent. Cape Town is South Africa’s best run city and was ranked the best African city for doing business in 2016. Its inherent creative leaning has pivoted to an innovation focus in recent years.”

¹² Naidoo et al., 2021

Ian Merrington, CEO of the Cape IT Initiative

Business Incubators

Incubators enable entrepreneurs and innovators to find the necessary support and resources to build and maintain a successful start-up. An incubator can offer:

- A creative space to work and interact
- Resources and experience of third parties
- A network of other entrepreneurs and start-ups

There are more than 20 incubators in the Western Cape; most are generic infrastructure and business support incubators, although a few are very sector specific. The large number of privately driven incubators bodes well for the WC RIS; regions that struggle with business and venture creation tend to focus on government and university driven incubators. We can term these push-side incubators, and they often require government or university funding to be sustainable. In contrast private incubators can be termed demand-side incubators. These are organised as businesses, raise funding from both public and private sources, and are dependent on the market for their services. The following list identifies a few business incubators in the Western Cape:

- Bandwidth Barn
- BioCITI Labs
- Stellenbosch University Launchlab
- Mest
- XL Africa
- Akro
- Injini

Business Accelerators

The difference between incubators and accelerators can be subtle. Incubators typically help an entrepreneur to build their business from the ground up, whilst accelerators provide early-stage companies that already have a minimum viable product (MVP) advance to the next stage of their business development. Accelerators are a more recent development compared to incubators. There are at least twelve accelerators in the Western Cape; most are generic

accelerators, although a few are sector focused. The following list identifies a few business accelerators in the Western Cape:

- University of Cape Town Graduate School of Business E-Track Programme
- Founder Institute
- Innovation Edge
- OceanHub
- Injini EdTech Accelerator
- Akro
- SW7
- Startup Bootcamp Afritech

Venture Capital and Private Equity

The prevalence of venture capital and private equity indicates the demand for such services in the region. The following list identifies a few venture capital and private equity firms in the Western Cape:

- Naspers (Foundry)
- Knife Capital
- 4Di Capital
- Hlayisani Capital
- Newtown Partners
- Silvertree Holdings
- HAVAIC
- Athena Capital
- New Ventures Studio
- Agventures
- Spear Capital

Inclusion Projects

Several projects aimed at inclusion exist; these cut across building the capabilities of township-based companies, incubators, and other business support initiatives where innovation plays a role. The focus of the literature is primarily on economic innovation.

The Barn Khayelitsha

The Khayelitsha Bandwidth Barn is working in partnership with the Western Cape Department of Economic Development and Tourism on projects to strengthen entrepreneurial technology solutions in the townships.

The focus area of the project is to support local tech start-ups, as well as neighbourhood development projects and initiatives, with technology solutions to challenges faced in the townships. While start-ups will gain exposure to international best practice, private sector investors will gain an opportunity to invest in the start-ups participating in the project.

Top Tech Tools for Women in Business(Call for Applications: Top Tech Tools for Women in Business Programme, 2020)

The programme was conceptualised and is presented by the Cape Innovation & Technology Initiative (CiTi), the programme aims to create an empowering atmosphere for women who are eager to infuse technology into their businesses. The programme boasts a supportive and creative environment that exposes female entrepreneurs to the latest available technology resources to improve and grow their business.

7.2 Innovation in the BPO Sector

BPESA identified global trends in the following BPO horizontal segments (South Africa National GBS Quantification & Investment Report, 2022):

- Education Technology (EdTech) outsourcing which involves facilitating individualised learning experiences through virtual classrooms and e-learning portals
- Medical Technology (MedTech) outsourcing which includes outsourcing of healthcare systems utilised for patient care, diagnosis, treatment, and improvement of a person's health
- Financial Technology (FinTech) outsourcing which includes several financial solutions used to assist companies and consumers improve financial operations and management

7.2.1 Sector Competitiveness

Sector competitiveness is driven by:

- First world infrastructure and enabling environment
- Good quality, English-speaking talent
- Strong foundation in contact centre and niche areas of work
- Evolving capabilities for next-generation services for digital contact centres
- Costs

Given that the WC BPO direct competitors are India and the Philippines, costs have become THE key differentiator for BPO operations. Cost of operations are at least 50-60% lower than those in England and Australia for both voice and non-voice work. Incentives further reduce the costs to bring them in range of costs in the Philippines and India.

7.2.2 Cost arbitrage

The WC offers significant cost arbitrage for contact centre delivery as compared to source geographies (country of origin of the outsourced activity). Operating cost is driven by people cost (salaries and benefits), facilities costs, telecom costs and other miscellaneous costs. The WC has one of the lowest cost of operations for English language contact centre delivery as compared to other onshore locations (country of origin of the outsourced activity). This is primarily driven by low salaries (lower cost of living and lower competitive intensity for talent) and real estate costs as compared to other locations

7.2.3 Impact Sourcing

Impact sourcing, also known as socially responsible outsourcing, refers to an arm of the business process outsourcing (BPO) industry that employs people at the base of the pyramid or socioeconomically disadvantaged individuals as principal workers in business process outsourcing centres to provide high-quality, information-based services to domestic and international clients.

Impact sourcing is estimated to account for a quarter of jobs in BPO in SA. This is mainly driven by the contact centre industry which hires a large proportion of unemployed high school graduates (who qualify as IS workers). There has been an uptick in the number of companies hiring IS workers which is a reflection of the increasing number of programmes and incentives which the government is putting place. Additionally, companies are now aware that they have the opportunity to make a greater social impact and that the talent pool IS offers is usually

more stable (less mobile). South Africa also offers a very comprehensive ecosystem of enterprises, service providers, training academies and industry support which assists in identifying, training, and hiring impact workers

7.2.4 Sector Innovations

Supply side interventions from National and Provincial Government are the primary innovations in making the WC BPO sector attractive. These encompass a wide variety of government support in areas of skill development, impact sourcing and infrastructure incentives for increasing investment in the BPO sector.

The local BPO sector has dealt with three unique local challenges by being innovative in service delivery:

- Transport costs are relatively high for BPO staff and transportation of shift-based workers can be problematic due to unreliable public transport and crime; customised transport solutions (private shuttle) can help alleviate this challenge but such solutions are costly. Operators have looked at developing facilities closer to workers, with Sigma opening a facility in Mitchells Plain and another operator looking at Athlone. These areas are closer for staff and reduce travel time, whilst also offering cheaper property rentals for operators.
- Load-shedding can affect BPO operations negatively. Operators have mitigated this by enabling staff to work remotely and by having disaster failover facilities in different areas. These actions spread the effect of load-shedding as not all areas (zones) are shed simultaneously, allowing continuous operations.
- Siloed efforts by BPO operators in the same geographical location can be counter-productive for the industry, particularly if all the operators are facing similar challenges. Operators in Cape Town have collaborated through CapeBPO to mitigate common challenges, and ensure there is a single, concerted effort to develop the local BPO industry.

7.2.5 Niche Operations

Although high end skills are often touted as being necessary for certain BPO operations such as IT, Financial services, and legal services – these tend to be niche and small operations within the WC. South Africa is known its financial services institutions, with many international operations having in-house service centres (mainly in Johannesburg).

There is thus no clear indication as to whether high skill development agencies e.g., Universities, play a direct role in innovation in the BPO sector. Skilled suppliers are a part of the BPO supply chain and play a significant role in supplying innovative infrastructure, IT, CRM, legal and financial solutions to the sector.

- Knowledge process outsourcing (KPO) is when the outsourced service provider is hired not only for its capacity to perform a particular business process or function, but also to provide expertise around it.
- Legal process outsourcing (LPO) is a type of KPO that is specific to legal services; these range from drafting legal documents and performing legal research to offering advice.
- Research process outsourcing (RPO) -- another type of KPO -- refers to research and analysis functions; biotech companies, investment firms and marketing agencies are among the types of organizations that engage in RPO for services.

7.2.6 Importance of Soft skills

Soft skills are seen as a key driver behind the high success rates of global contact centre/service desk delivery from South Africa. These include:

- High levels of empathy with the customer (which is often the missing ingredient at other delivery locations)
- Superior quality of English language capabilities, both written and spoken
- Availability of neutral accented English

7.2.7 Performance measures

BPO operations traditionally have the following service desk delivery performance parameters for a service level agreement:

- Emails actioned in expected time
- Non abandoned call proportion
- Calls answered in expected time
- Queries resolved at the desk
- Customer experience improvement

7.2.8 Business Innovations

South Africa is pivoting towards delivery of next-generation of contact centre and digital services. In the core strength of contact centre, companies have successfully demonstrated

capabilities for high quality multi-channel customer experience, supplemented by deep customer analytics. The transition to omni-channel contact centres is very evident in South Africa, with many players successfully demonstrating strong capabilities. Companies are taking advantage of the inherent talent in the country to build a holistic experience for customers. Not only does it leverage the high-quality voice skills, but it also makes use of written language skills which too are far better in South Africa as compared to peer locations. Omni channel service provides:

- Integrated view of customer related information
- Collaboration across channels
- 360-degree view of all customer touchpoints
- Multi-channel interaction

Analytic solutions developed in the local market include:

- Root-cause analysis for call centre agents
- Text-to-speech analytics for quality assurance or tracking performance for call centre agents
- Knowledge process outsourcing
- Digital investment services platforms which generate analytical insights for customers and help them choose the right investment vehicle
- Measuring quality of agents on the basis of a number of performance indicators
- Building prediction models/algorithms using machine learning determine the source of customer “churn” and future demand by analyzing various complaints and “pain points”

An emerging service model based on cloud computing is Business Process as a Service (BPaaS). BPaaS is defined as the delivery of business process outsource services that are sourced from the cloud and constructed for multi-tenancy (Business Process as a Service (BPaaS), n.d.). BPaaS is a special Software as a Service (SaaS)¹³ model in which enterprise cloud service providers provide methods of modelling, utilisation, customisation, and (distributed) execution of business processes (Lynn et al., 2014). South Africa’s BPaaS subsector in the local BPO market is valued at \$188 million (Rajagopaul et al., 2020). The emergence of ‘as-a-services’ (services delivered over the internet instead of provided

¹³ “Software as a Service is the capability provided to the consumer to use the provider’s applications running on a cloud infrastructure. The applications are accessible from various client devices through either a web browser or a program interface” (*Software as a Service (SaaS)*, n.d.)

physically or on-site) economy is expected to further help South Africa as it eliminates through the internet/cloud (*Outsourcing Is Good for Job Creation in South Africa, 2015*).

Digital transformation and digital adoption is core to the BPO industry; innovation in BPO providers tends to be driven by parent operations or service providers – BPO operators are users of such innovations and depend on a workforce that can be easily upskilled for such innovations (one of the reasons BPO staff tend to be younger).

7.2.9 How BPO innovations in the Western Cape are meeting the provincial developmental priorities

Generally, the BPO sector in the Western Cape is lauded for its job creation role, absorbing medium skill workers and earning foreign income. This directly addresses VIP2 of the Provincial Strategic Plan (2019-2024).

7.3 Factors promoting innovation in the BPO industry in Western Cape

There are several factors that can promote innovation in the BPO industry in the Western Cape. These include access to new technologies and tools, robust ICT infrastructure, the ability to attract and retain top talent, and government subsidies. In addition, collaboration, and partnerships with other companies e.g., through platforms such as CapeBPO and BPeSA, academic institutions, and government agencies can help foster innovation. Another important factor is the availability of capital for innovation initiatives, which can help BPO companies invest in new ideas and technologies. Finally, a positive business climate that encourages entrepreneurship and risk-taking can also be a key driver of innovation in the BPO industry. The SWOT analysis also points to Strengths and Opportunities that could promote innovation in the sector.

7.4 Factors hindering innovation in the BPO industry in Western Cape

Factors that can hinder innovation in the BPO industry in the Western Cape include, shortage of skilled labour, rising cost of living, power shortages, and a lack of access to capital. Together, these factors can create barriers to innovation, and limiting the growth and success of BPO companies. For example, a shortage of skilled labour can limit the ability of these companies to develop new services and technologies. Rising cost of living can make it difficult

to attract and retain talent. Rising cost of living can increase operating costs for the company, as they may have to pay higher salaries – which impacts budget for innovation. A lack of access to capital can prevent companies from investing in new ideas. These factors can all hinder innovation in the BPO industry, and it is important for BPO companies to address them in order to drive innovation and achieve success in this competitive industry. The SWOT analysis also points to Weaknesses and Threats that could hinder innovation in the sector.

8 Assessing the Western Cape BPO Industry with the RIS Framework

To assess the Western Cape's innovative capabilities within the context of the BPO industry, the inclusive regional innovation system¹⁴ as proposed by Grobbelaar et. al. (2016) is applied.

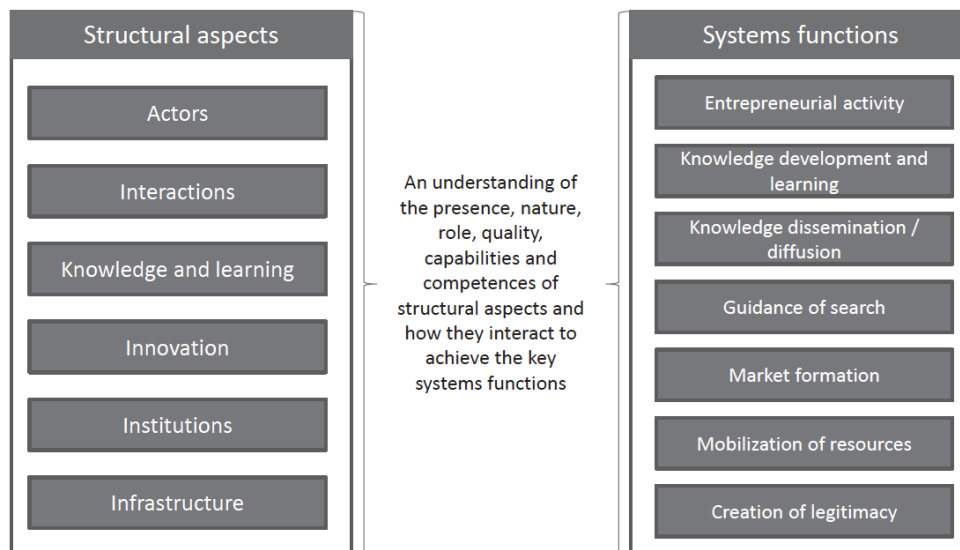


Figure 8: Analytic framework for an inclusive innovation system (Grobbelaar et al., 2016)

The structural elements at play within the BPO sector and therefore contributing towards creating legitimacy in the sector are reflected in Table 7, below

¹⁴ Regional Innovation System (RIS) is the process of knowledge creation. It can help explain why a specific geographic area is more successful in terms of innovation than other areas

Table 6: Western Cape BPO industry assessed with the “Exposure of innovation to area” indicator of the RIS Framework

Structure type	Provincial structures in place
Actors	<ul style="list-style-type: none"> • Government Programmes <ul style="list-style-type: none"> ○ National ○ Provincial ○ Municipal • Industry bodies <ul style="list-style-type: none"> ○ CapeBPO ○ Business Process Enabling South Africa (BPESA) • Skills and Training institutions <ul style="list-style-type: none"> ○ BPO Skills Academy ○ BPO Academy – College of Cape Town ○ EduPower Academy • Higher Education Institutions: <ul style="list-style-type: none"> ○ University of Cape Town ○ University of Stellenbosch ○ University of Western Cape ○ Cape Peninsula University of Technology • Offshore BPO companies such as: <ul style="list-style-type: none"> ○ Webhelp ○ Teleperformance ○ WNS ○ Callforce ○ SA Commercial ○ iContact BPO • Captive BPO companies such as: <ul style="list-style-type: none"> ○ Amazon ○ Lufthansa ○ Collinsons Group
Institutions	<ul style="list-style-type: none"> • InvestSA One Stop Shop • Atlantis Special Economic Zone

	<ul style="list-style-type: none"> • City of Cape Town incentives • Western Cape Government incentives • Drakenstein Municipality incentives • Other government incentives relevant for BPO: <ul style="list-style-type: none"> ○ Foreign investment grant ○ Skills support programme ○ Strategic investment project programme ○ Critical infrastructure facility fund ○ Sector specific assistance scheme ○ Export marketing and investment assistance ○ Technology and human resources for industry programme ○ Technology development fund ○ Technology venture capital
Interactions	<ul style="list-style-type: none"> • CapeBPO Industry forums <ul style="list-style-type: none"> ○ Skills development ○ Destination marketing ○ Human Capital development ○ IT and Digital Readiness • Business Process Enabling South Africa (BPESA) events
Infrastructure	<ul style="list-style-type: none"> • Transport – Three national highways, MyCiti bus rapid transit service, best international airport in Africa, multiple infrastructure development projects including: <ul style="list-style-type: none"> ○ Integrated Rapid Transit (IRT) project ○ Terminal expansion in the Port of Cape Town ○ Extension of Cape Town Internal Airport’s runway ○ Atlantis Green Technology Special Economic Zone (SEZ) ○ Cape Health Technology Park project ○ Cape Town Air Access project • ICT – Multiple undersea cables, WCG broadband programme, City of Cape Town’s broadband programme, 400 free Wi-Fi zones and 19 fibre providers in Cape Town

- | | |
|--|--|
| | <ul style="list-style-type: none">• Well develop property, financial and legal environment |
|--|--|

8.1 Capturing datapoints per function on the Regional Innovation System: BPO Sector

Function 1: Entrepreneurial Activity Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F1	Entrepreneurial activity	F1.2 Private vs public sector enterprises: What percentage of private sector make up this area?	See tables 3 and 4 for description of actors, institutions, interactions and Infrastructure	The sector is only composed of private enterprises. The sector is supported by the public sector through incentives and training programmes. WC BPO sector emerged as top BPO destination in country	Maturity: The sector is majorly made up of private enterprises but works in synergy with the public enterprises present.	Cape BPO database: (https://capebpo.org.za/) BPeSA database: https://www.bpesa.org.za/ Reports and websites of enterprises. See 4.4.4 for listing of main BPO service providers (table 3) and main captive BPO operators (table 4) in the Western Cape Statistics provided in: Western Cape GBS Value Proposition. (2022).
Function 2: Knowledge Development Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F2	Knowledge development	F2.4 Research Collaboration:	Actors Industry Bodies	There is minimal to no funding for knowledge development.	Birth:	Publications made available on the websites and discussed in the forum: Cape BPO: https://capebpo.org.za/

		<p>Who is included in the knowledge creation process?</p> <p>Who finances the knowledge development?</p>	<p>Government programmes to a limited extend (Wesgrow, DTIC)</p> <p>Interactions: Cape BPO Industry Forums; BPeSA</p>	<p>Cape BPO and BPeSA finance collaborative knowledge development specifically related to market information and location marketing, which is shared with trade association members.</p>	<p>There is minimal or no funding for knowledge development</p>	<p>BPeSA: https://www.bpesa.org.za/</p> <ul style="list-style-type: none"> • South African Global Business Services (GBS) sector insights, Business Process Enabling South Africa (BPESA). (October 2020) <p>International scholarly, consultant and other publications are utilised:</p> <ul style="list-style-type: none"> • Du & Miao, Business Process Outsourcing (BPO): Current and future trends, <i>International Research in Economic and Finance</i>. (September 2022) • Barendse et al., Driving economic recovery in South Africa's BPO industry, McKinsey & Company. (September 2020) <p>(See section 4.1 for more publications)</p>
Function 3: Knowledge Diffusion Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources

F3	Knowledge diffusion	<p>F3.3 Distribution methods</p> <p>How is knowledge shared?</p> <p>Are there partnerships or collaborations?</p>	<p>Actors:</p> <p>Industry Bodies Offshore and captive BPOs</p> <p>Interactions: Cape BPO; BPeSA</p> <p>Research information is shared</p>	<p>There is collaborative effort between BPO operators through CapeBPO, and some collaboration between trade association and/or individual operators with academic institutions - for skills development</p> <p>Publications in public</p>	<p>Growth:</p> <p>There are some collaborations among enterprises and between academic institutes – focused on skills development</p>	<p>CapeBPO Industry forums (bi-monthly);</p> <p>BPeSA Industry forums;</p> <p>Events and reports are published on the respective websites</p>
Function 4: Guidance of search indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F4	Guidance of search	<p>F4.3 Main promoters:</p> <p>Who promotes innovation</p> <p>Do the goals cause government involvement?</p> <p>Targets are set towards job creation and growth of the sector rather than innovation</p>	<p>Actors</p> <p>Government programmes, Industry bodies, Skills& training institutions and BPO enterprises.</p> <p>Institutions: all listed institutions are involved in support for goal attainment</p> <p>Interactions with industry bodies and enterprises to</p>	<p>Multiple national, provincial and municipal government incentives support the growth of the BPO industry –</p>	<p>Maturity:</p> <p>The government is steadily involved with goal setting or contributing to achieving the sector-focused goals.</p>	<p>See section 4.3 for detailed description of National and Provincial government policy on BPP</p> <ul style="list-style-type: none"> Guidelines for the Department of Trade and Industry’s Global Business Services Incentive (2014) Employment tax incentives: SARS; National treasury SEDA technology programme Cape Skills and Employment Accelerator Project (2021) [DEDAT incentive scheme]

		Who promotes innovation	deliver on the job creation and growth targets.			<p>Industry supported skills development initiatives and social enterprises:</p> <ul style="list-style-type: none"> List of social enterprises (CareerBox; Harambee), NGOs/NPOs and Youth employment accelerators (CITI etc.) <p>Publications:</p> <p>South Africa National GBS Quantification and Investment Report (2022)</p>
Function 5: Market Formation Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F5	Market formation	<p>F5.2 Market orientation:</p> <p>Are there already markets and for what?</p> <p>Are actors enriching the market?</p> <p>Who is enriching the market?</p> <p>Are their policies, or incentives for the market?</p>		<p>South Africa's BPO market valued at \$461 million annually; over \$1 billion in generated in export revenue between 2018 and 2021. BPO sector in WC is well-established and over the past five years, established itself as top BPO destination in the country. Majority of BPO operators are located within Cape Town</p>	<p>Growth:</p> <p>Policies or incentives to support innovation are introduced and utilised by various entities.</p> <p>Industry supported skills development initiatives</p>	<p>See Chapter 4. 3– Government incentives (reported in F3 and F4 as well).</p> <p>Publication:</p> <p>Western Cape GBS Value Proposition, 2022</p> <p>https://www.bpesa.org.za/invest-in-southafrica/useful-documents/south-africas-gbs-sectors-value-proposition-brochure.html</p>

				<ul style="list-style-type: none"> • Some policies and incentives such as the DTI incentive encourages social innovation through impact sourcing • Policies are oriented to lowering costs of BPO operators and creating jobs, rather than to promote innovation • Innovation often result of global technological innovations 		
Function 6: Resource Mobilisation Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F6	Resource mobilisation	F6.1 Financial access: Accessibility of seed and venture capital (VC)		<p>Cape Town is the tech-hub of South Africa. There is access to multiple venture capital and private equity firms in Cape Town.</p> <p>However, the current flow of venture capital</p>	<p>Maturity: Region</p> <p>Birth: PBO sector</p> <p>Established access to seed and venture capital exists (i.e. established venture</p>	<p>Refer to Chapter 4.6 of the report for list of seed and venture capital operators.</p> <p>https://tracxn.com/explore/Startups-in-Cape-Town/</p> <p>VC database</p> <p>However, the flow of venture capital into the BPO sector, is minimal</p>

				to BPO sector (new entrants) is limited	capital firms and angel investors)	
Function 7: Creation of legitimacy Indicators						
#	Function	Indicator	Structures	Description	Maturity Level	Data Sources
F7	Creation of legitimacy	F7.1: Exposure of innovation to area: Is there recognised actor support?	All actors, institutions involved through industry association interactions	BPO operators collaborate through CapeBPO and provide support to each other. They often collectively come up with social innovations to mitigate the risks affecting the industry (addressing particular local challenges)	Maturity - There is consistent and committed support from recognised enterprises for innovation activities and actors within an area.	CapeBPO Industry forums ICT and Digital forum at CapeBPO

8.2 Experts' evaluation of the innovation maturity of the BPO sector

The table below reflects the view of experts and industry association representatives related to the innovation maturity of the BPO sector. In the table the following ledger is applied:

Green	Green reflects the opinion of industry experts
Orange	Orange reflects the opinion of industry association perspectives

In situations where there is agreement, the green will represent the view of industry experts and industry association representatives. Where there are differences in opinion, the colour orange reflects the alternative opinion of the industry association.

		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
F 1	Entrepreneurial activity	Number of new entrepreneurs/entrants	A low number of new enterprises. Enterprises are not innovation-focused.	A rapid increase of new enterprises. Few established innovation-focused enterprises.	Continuous introduction of new enterprises. Most enterprises are innovation-focused.	It is difficult for newer enterprises to compete due to too many large corporations. Enterprises do not focus on innovation.	In 2021, South Africa's Global Business Services (GBS) industry grew by 22% annually. Most offshore enterprises have either been acquired by international companies, or operating as captives of international companies. Therefore it is difficult for newer enterprises to compete.	BPOs are growing organically. Major BPOs are in Cape Town - see Gartner report. Existing BPOs experiencing extreme organic growth. Growth is thus due to organic growth rather than entry or new enterprises



	Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
	Private vs public sector enterprises	The sector is made up of a small number of private enterprises and is majorly made up of public enterprises.	The sector has a growing number of private enterprises that build healthy relationships with public enterprises.	The sector is majorly made up of private enterprises but works in synergy with the public enterprises present.	The relationship between private and public enterprises deteriorates. A large number of enterprises leave the system in a shake-out event.	The sector is only composed of private enterprises. The sector is supported by the public sector through incentives and training programmes	Between growth and maturity - investment into this sector in growing with funding from local municipalities, job funds etc.
	Number of entrepreneurs/enterprises	A low number of enterprises. Enterprises are not innovation-focused.	An increased number of enterprises. Few established innovation focus enterprises.	A large number of enterprises. Most enterprises are innovation-focused.	Multiple large corporations dominate the market. Enterprises do not focus on innovation.	There are a large number of enterprises - although only a few enterprises are innovation focused	Growth - not much innovation happening locally. No investment for example in AI, robotics to enhance services. Teleperformance (for example) have limited resources/people
	The entrance vs churn rate of entrepreneurs	There is a slightly higher entrance ratio than the churn rate of entrepreneurs.	There is a continuous increase in the entrepreneur entrance ratio compared to the churn rate of entrepreneurs.	There is little to no difference in the entrepreneur entrance ratio and the churn rate of entrepreneurs.	There is a continuous increase in the churn rate of entrepreneurs compared to the entrepreneur entrance ratio.	No data available on entrepreneur churn rate in the industry	Difficult to determine this - losing contracts but not the enterprise. This information is not available.
	The intensity of the competition	There is no or minimal competition in the IS. There is a small number of actors that compete.	There is increasing competition among a growing actor base. The marketplace is competitive.	There is a large amount of competition in the IS. The market is moderately concentrated.	The market is highly concentrated or is dominated by few market leaders decreasing the intensity of competition.	Competition not based on innovation	Between growth and maturity - this is reflected in the fight for talent visible in the global and local market



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
F 2		Sources and intensity of knowledge development	Minimal or no knowledge creation occurs from sector participants. No clear R&D efforts from enterprises.	Continuous increase of knowledge created. An academic institution in the sector's region has an increasing amount of knowledge production. A small number of enterprises are involved in producing R&D contributions.	A large amount of knowledge is constantly generated. Academic institutes produce large volumes of multi-topic knowledge. Enterprises are aiding in knowledge creation through published R&D efforts.	There is a decreasing amount of knowledge generation. The academic institute associated with the sector has a much lower output than usual. Enterprises have shifted their focus away from performing R&D.	The sector is highly competitive. Relevant knowledge is safeguarded as industry secrets. Most research is published by consulting firms, and no peer-reviewed scientific studies have been published	Birth: Not much going on in this areas; see CapeBPO key indicator report. CoCT contributed towards research. BPeSA outsourced research to Genesis and membership contributes towards funding
		Who finances the knowledge development?	There is minimal or no funding for knowledge development.	There is an increasing number of well-known funding sources for knowledge development.	It is clear where to obtain finances, private or public, for knowledge development.	There is a decrease in the number of sources of funding for knowledge development.	Collaborative knowledge coordinated by agencies like CapeBPO and BPeSA e.g. location marketing	Mostly industry association with limited local and government funding.



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Who leads research and development?	There are no leaders in research and development.	There is an increasing number of prominent leaders in research and development	There is a large number of prominent leaders in research and development	Leaders start decreasing their contributions and/or start leaving the system.		Industry association leads research and no formal relationship exists with universities for research. MoU with Wesgrow failed - wanted to move into the US market but the report did not produce the required information.
		Relevance of knowledge produced	A small amount of academic knowledge produced is relevant to the sector's priorities.	There is a growing level of activity of academic knowledge produced relevant to the sector's priorities.	More sector-relevant knowledge is produced from academia and the private sector.	The knowledge produced has shifted focus away from the sector and is developed more for other sectors.		Birth: Industry association - no formal relationship with universities for research. As stated, the MoU with Wesgrow was unsuccessful. Because jobs are just rolling in at the moment, no pro-active marketing is taking place. Little to no research is being done to understand trends/patterns etc. It is a bit random.



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Who collaborates to produce published knowledge?	There is no to minimal collaboration among actors of published knowledge.	Actors collaborating to produce published knowledge increases rapidly.	There is clear evidence of who collaborates when producing published knowledge.	Collaboration efforts, among actors, to produce published knowledge decrease.	Collaborative knowledge coordinated by agencies like CapeBPO and BPeSA e.g. location marketing	Birth: Mostly the industry association that "outsources" the research to consultants - like Genesis or individual researchers
		Who collaborates to produce knowledge from R&D?	There is no to minimal collaboration among actors of R&D knowledge.	Actors collaborate to produce R&D knowledge increases rapidly.	There is clear evidence of who collaborates when producing R&D knowledge.	Collaboration efforts, among actors, to produce R&D knowledge decrease.		Birth: Limited contribution
F 3	Knowledge diffusion	Are there partnerships or collaborations ?	No clear partnerships between enterprises.	There are some collaborations among enterprises and between academic institutes.	Clear collaboration among enterprises and between academic institutes.	A decreasing number of collaborations among enterprises and academic institutes.	There is collaborative effort between BPO operators through CapeBPO , and some collaboration with academic institutes - for skills development	Between Birth and Growth: enterprise collaboration and limited collaboration with TVET colleges for skills development
		How is knowledge shared?	Minimal or no knowledge diffusion attempts or events occur in the sector.	Knowledge is mostly shared unintentionally, intentional knowledge events, and sharing are increasing in the sector.	Continuous formal events occur between various innovation-related parties related to the sector.	A decreasing number of formal events focused on previous innovations occur in the sector.	Sharing may be tactical, rather than innovation focussed	Growth: Continuous formal events for knowledge sharing for industry partners. Use LinkedIn, bi-monthly knowledge sharing events captured on the CapeBPO website. The events do not necessarily cover all the critical topics and cannot always be rated as efficient.

		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Is the knowledge diffused relevant to the IS?	The knowledge diffused in the area has small relevance to the main sectors in the IS.	There is an increase in the efforts to diffuse sector-relevant knowledge.	There is a high level of activity to diffuse new and sector-relevant knowledge.	Participants in the sector have shifted their focus, from the currently diffused knowledge, decreasing its relevance.	Very little relevance to IS	Birth: Small relevance
		Who shares more knowledge?	There are no leaders in knowledge-sharing efforts.	There is an increasing number of prominent leaders in knowledge-sharing efforts.	There is a large number of prominent leaders in knowledge-sharing efforts.	Leaders start decreasing their contributions and refocusing their efforts on other innovations or sectors.	Collaborative knowledge sharing coordinated by agencies like CapeBPO and BPeSA e.g. location marketing	Birth: not increasing number of prominent leaders
		The absorptive capacity of the IS's actors	IS actors struggle to absorb and utilise the diffused knowledge.	IS actors' ability to absorb and utilise the diffused knowledge improves.	IS actors absorb and utilise the diffused knowledge effectively.	IS actors reject the diffused knowledge as they have shifted their focus and don't absorb it anymore.	no data on absorptive capacity of innovation	Growth: knowledge improves
F 4	Guidance of search	Do clear targets/goals exist?	No innovation-orientated sector-focused targets and goals are set.	Innovation-orientated sector-focused targets and goals are being set and achieved.	Innovation-orientated sector-focused targets and goals have been achieved in the region.	Innovation-orientated sector-focused targets or goals are not revised when met or failed to be achieved.	CapeBPO and WCG have jobs target goals	Birth: No innovation targets and therefore government is not involved



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Do the goals cause government involvement?	The government is not or is minimally involved with goal setting or contributing to achieving the sector- focused goals.	The government is increasingly involved with goal setting or contributing to achieving sector- focused goals.	The government is steadily involved with goal setting or contributing to achieving the sector- focused goals.	The government decreases its support for goal setting or contributing to achieving the sector- focused goals.	High level of National, Provincial and Local Govt support	Birth: No targets thus no government involvement in innovation. Only in job growth. Visas is a real difficulty and home affairs legislation impedes growth
		Does existing or new legislation/ regulation act as a barrier or an enabler?	Current legislation acts as a strong barrier to innovation in the IS.	Impeding legislation is relaxed and/ or new legislation is introduced to aid innovation in the IS.	Impeding legislation is minimal and/ or new legislation strongly aids innovation in the IS.	Current legislation is outdated and hinders innovation, it needs to be updated again.	Multiple national, provincial and municipal government incentives support the growth of the BPO industry, but none clearly focussed on Innovation	Barrier from Home Affairs for visas. Enabler on the incentive side
		Articulation of interest by leading customers	There is minimal to no interest articulated by leading customers in the innovation system. The IS actor's demand is not clear.	Leading customers increasingly articulate their interests showing the IS participant's demand.	It is clear what the IS's interest is and it is well articulated. All actors understand each other's demands.	The interest is not articulated well and the customer's interest has shifted to other innovations or sectors.	Interest in voice based CX is high; the parameters do not capture the sector well	Between Birth and Growth: Innovation is happening on a global level. Our innovation lies in recruitment and upskilling. Might benefit from overseas partners but our challenges are unique to SA – e.g transport
F 5	Market formation	Are their policies, or incentives for the market?	No policies or incentives exist to promote innovation or innovative related solutions.	Policies or incentives to support innovation are introduced and utilised by various entities.	The market is well- formed and self- sufficient. Policies or incentives do not have a large effect on the market's growth.	The policies or incentives in place don't have any impact and the market is beginning to decrease in size due to other markets.	Some policies and incentives such as the DTI incentive encourages social innovation through impact sourcing. Policies are oriented to lowering costs of	Growth to Maturity: Innovation is happening globally and BPO is leveraging off that. CapeBPO created an advisory board with 5 categories/forums>

		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
							BPO operators and creating jobs, rather than to promote innovation	Each individual category can demonstrate thought leadership - especially on the skills levels
		The market size of a specific sector	The sector's market is non-existent/tiny and would require work to develop.	The sector's market is growing rapidly and receives increasing growth.	The sector's market has slowed, but it is receiving a sustaining amount of support.	The sector's market is decreasing in size and needs to pivot to accept newer innovations.	In 2021, South Africa's Global Business Services (GBS) industry grew by 22% annually. BPeSA and CapeBPO keep data on jobs and size of the sector	
		Who are the sector's market leaders?	It is not easy to identify the sector leaders. The market is still for new entrants to succeed.	Clear sector leader(s) emerge and can be easily identified. There is still space in the market for new entrants.	Sector leaders are easily identifiable, they dominate the market making it difficult for new entrants to succeed.	The sector's market starts to lose its relevance and the sector leaders withdraw or shift their focus from the sector.	There are 63 BPO operators in the Western Cape with 21 sector leaders representing the industry, data with CapeBPO. The question is vague - is this referring to local market or international BPO market?	Growth: New entrants are being introduced. Minimal venture capital used for start-ups.



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		What lifecycle stage is the market in?	The market is a niche market and has limited structural elements.	The market is bridging and welcomes more elements. The elements find it easy to grow.	The market is mature, it is large and well-established. Structural elements are comfortable and there is minimal change.	The market is declining and is either left to phase out or renewed by aiming to grow again.	Elements of the market are very mature - voice based CX; other parts of the market are Niche	Growth
F 6	Resource mobilisation	Nature of financial resources	There are few funding resources or mechanisms available.	There is an increasing number of different funding resources or mechanisms available.	There is a large variety of types of funding resources or mechanisms available.	There is a limited number of types of funding resources or mechanisms available.		Birth: Nothing available apart from the skills grants and DTIC incentives
		Accessibility of financial resources	Financial resources are not available or are difficult to obtain.	Financial resource access is increasingly easier and investors are showing increased interest.	Established financial resources exist (i.e. established banks, venture capital firms and angel investors).	Financial resources are withdrawing their support from the sector.	There is access to multiple financial institutions including venture capital and private equity firms in Cape Town	Birth: not much available. Infrastructure (office space) is a serious need. Financial resources are available but not accessible for BPO sector
		Accessibility of seed and venture capital (VC)	Seed and venture capital are not available or are difficult to obtain.	Seed and venture capital access is increasingly easier and investors are showing increased interest.	Established access to seed and venture capital exists (i.e. established venture capital firms and angel investors).	Financial resources are withdrawing their support and leaving the system.	Cape Town is the tech-hub of South Africa. There is access to multiple venture capital and private equity firms in Cape Town	Birth: Sufficiently available in the WCP but limited for the BPO sector



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Accessibility of infrastructure to provide basic needs (business-facing as well)	The infrastructure to meet basic needs is mediocre or non-existent.	The infrastructure to meet basic needs is improving and is accessible.	The infrastructure to meet basic needs is well developed and stable.	No further investments into the infrastructure to meet basic needs are made, and they start to deteriorate.	Although most operators are energy resilient, load shedding is a concern; transport is a security and cost issue	Birth: Office space, transport for BPO workers
		Availability of appropriately skilled workforce	There are minimal or no appropriately skilled workers available.	There is a large increase of appropriately skilled workers to employ.	There are plenty of appropriately skilled workers in the region.	There is a decreasing number of appropriately skilled workers	There is a shortage of high skilled workers at the management level; majority of workers are appropriately skilled	Growth to Maturity: However, with the caveat of the requirement to upskill. Better to refer to the availability of workers, but need to be skilled. Skills enough to get in, but needs to be upskilled
		Availability of a high- skill workforce	There are minimal or no high skilled workers available.	There is a large increase of high skilled workers to employ.	There are plenty of high-skill workers in the region.	There is a decreasing number of high-skill workers	There is a shortage of high skilled workers at the management level	Birth: Shortage in leadership and technical skills
F 7	Creation of legitimacy	Strength of resistance to change for a specific sector?	The sector's participants are resistant to change and are not open to innovative ideologies or influences.	The sector's participants are opening up to different innovations and are starting to welcome them into their everyday lives	The sector's participants are accepting of innovative solutions and continuous change. There are plenty of examples of what innovation does for the sector. A clear buy-in can be seen by prominent entities.	The sector's participants are starting to lose trust in new innovations and what innovation does for the sector.	No data	Growth and Maturity: resilience is a good trait



	Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
	Is there recognised actor support?	There are no recognisable brands or enterprises supporting innovation.	Large enterprises are starting to support and fund innovation activities and actors within an area.	There is consistent and committed support from recognised enterprises for innovation activities and actors within an area.	Large enterprises are withdrawing their funds and support for innovative activities.	BPO operators collaborate through CapeBPO and provide support to each other. They often collectively come up with social innovations to mitigate the risks affecting the industry. ICT and Digital forum at CapeBPO	Maturity: The nature of the business required flexibility
	Are there mechanisms to engage with the community?	There is no to little way for innovation driving actors to engage with the community.	There is an ever-growing number of ways to engage with the community on innovation topics.	There are established mechanisms to engage with the community.	Current engagement mechanisms are overused and the communities focus shifts while participation decreases.	CapeBPO acts as the community agency. There are social innovations involving communities - e.g. operators opening branches in Mitchells plain, Athlone to "take work closer to home"	Growth: Not good with making all employees feel part of the BPO sector such as providing sufficient health care etc. This is an area that should be improved.
	Do actors lobby for sector support? (Are there resources or formal structures to empower lobbying for actor support?)	Actors do not or barely lobby for support from the appropriate support actors in the IS. There are no formal processes to follow to lobby.	Actors are increasingly lobbying for their required resources, changes to legislation, and implementation of goals.	There is a continuous group lobbying for required resources, changes to legislation, and implementation of goals.	Lobbying groups' presence is diminished and there is decreased lobbying activity. Formal processes become difficult to navigate.	CapeBPO, BPeSA	Between Growth and Maturity: efforts can be more structured



		Indicator	Birth	Growth	Maturity	Decline	Expert Comments	Industry association comments
		Are the benefits of innovation marketed effectively?	No to minimal effort to market innovation is performed.	The benefits of innovation are increasingly marketed more and made clearer to actors in the IS.	The benefits of innovation are marketed effectively and are understood by actors in the IS.	There is confusion regarding the benefits of innovation, some of the benefits expressed are outdated and should be revised.	No data	Birth to Growth: getting better with the advisory board, try to share new information with everyone.

8.3 Recommendation and Concluding remarks

As stated in section 4, South Africa's grew by 22% annually, twice the global rate and three times faster than India and the Philippines. The country offers a compelling value proposition to especially the English-speaking markets of North-America, the UK and Australia and has for the past two years been awarded the "top most favoured CX delivery location" (underpinned by the WC BPO sector). There has been an increase in first time outsourcers looking to offshore their customer service, back-office and technical support functions to South Africa.

The BPO industry in the Western Cape is well-established and has over the past five years, emerged as the top BPO destination in the country. It accounts for 46% of international service delivery, followed by Kwa-Zulu Natal (36%), and Gauteng (17%). The Western Cape is seen as being the leading player in Global Business Services, while the Gauteng market dominates BPO operators serving the local market. The WC BPO sector employs over 60,000 people in Global Business Services (GBS) (*No Signs of Slowdown for Cape Call Centre Market, 2022*) and has in the last five years, has created 35,000 additional GBS jobs.

It seems from the overview and expert interviews that the WC BPO sector is performing extremely well in terms of growth and job creation. The growth in the BPO sector (and WC sector in particular), is due (in part to);

- Support provided by national, provincial and municipal government for infrastructure , operational improvement programmes, skills development support and government incentives programmes such as the Business Process Services Incentives, Employment tax incentives and the Seda technology programme.
- Well-functioning industry association (BPeSA and Cape BPO in particular), that help facilitate collaborative marketing efforts, initiatives to address local industry challenges etc.
- Collaboration with selected TVET colleges and Private Training institutions for skills development initiatives

It is clear from the overview and interviews that innovation within the BPO sector (and WC in particular) relates more to addressing local challenges (such as transport, loadshedding) and

does not necessarily focus on innovation in the sector. It seems as if the WC BPO sector leverage off the innovation of the global partners and those of service providers. Although the Western Cape provides a very supportive environment in terms of venture capital and support to start-up companies, the BPO sector is yet to benefit from this.

It has also been indicated that limited resources are allocated to knowledge creation and that no formal relationship with universities exists for this purpose. It was highlighted that the BPO sector can greatly enhance its current good performance by investment in research and innovation for the pro-active further growth of the sector.

Typical areas identified for research, relate to the following aspects:

- Exploring the available data within the industry to understand underlying preferences and behavioural patterns of customers and countries (e.g. language preferences, personal attributes etc.)
- Investigating the implications of the future world of work for the BPO sector (e.g. work from home, particular leadership competencies and requirements).
- Research on the broader ecosystem implications and developments related to the BPO sector. Limited information is available on the total supply chain of the BPO and the intended and unintended consequences.

Given the very productive and positive results of the concerted ecosystem collaboration in terms of the growth of the BPO sector (with specific reference to job creation), concerted efforts in terms of knowledge creation and innovation need thoughtful consideration.

Annexure A. Western Cape Provincial Developmental Priorities¹⁵

OneCape2040

OneCape2040 is an explicit deliberate attempt to stimulate a transition towards a more inclusive and resilient economic future for the Western Cape region. It is a vision and strategy for society, rather than a plan of government, although all three spheres of government are essential for implementation. It does not replace any existing statutory plans required of either province or Municipalities. It is rather intended as an ambition and reference point and guide for all stakeholders in order to achieve:

A resilient, inclusive and competitive Western Cape with higher rates of employment, producing growing incomes, greater equality, and an improvised quality of life.

Provincial Strategic Plan (PSP) 2019 – 2024

The PSP 2019 – 2024 is a five-year strategic plan with the vision of a safe Western Cape where everyone prospers. This vision is expressed in five strategic priorities identified for 2019 – 2024, the Western Cape's Vision-Inspired Priorities (VIPs), namely:

VIP 1: Safe and cohesive communities

VIP 2: Growth and jobs

VIP 3: Empowering people

VIP 4: Mobility and spatial transformation

VIP 5: Innovation and culture

Western Cape Broadband Strategic Framework (2012)

The broadband framework sets out a holistic approach to address broadband infrastructure, access, readiness and usage by government, citizens and businesses in order to improve government service delivery, strengthen citizens' access to opportunities and information, and increase economic competitiveness.

Western Cape Green Economy Strategy Framework

The aim of the green economy framework is to position the Western Cape as the lowest carbon province in South Africa, and the leading green economic hub on the African continent.

¹⁵ (Naidoo et al., 2021)

Economic Development and Tourism Strategic Plan 2020-2025

The WCG DEDAT Strategic Plan sets out the organisation's mission for the next 5 years. It says:

The Department will enhance the productive and competitive capability of the provincial economy. It will catalyse economic growth and employment creation through:

Investment promotion and catalytic infrastructure

- Export growth
- Addressing skills gaps
- Accelerating the ease of doing business
- Resource resilience

These priorities touch the Regional Innovation System at multiple points, as shown in *Figure 8*.

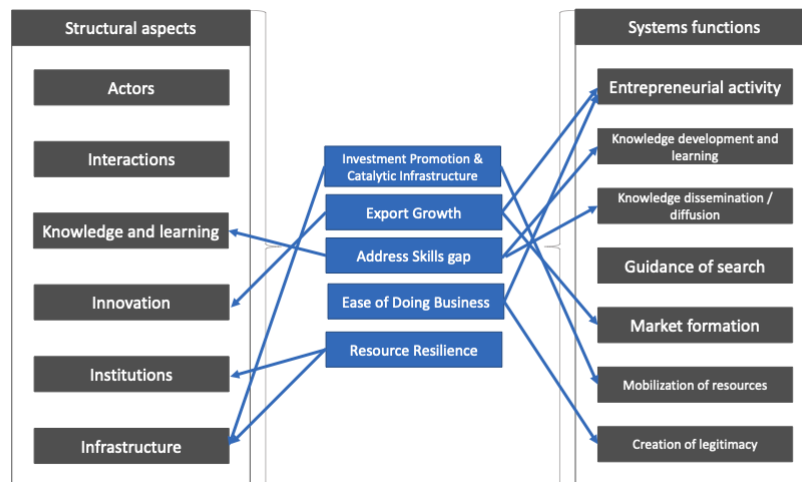


Figure 8: Touchpoints and links between the Western Cape Government Economic Development Priorities and the Regional Innovation System

Each of the listed priorities above has a set of strategic programmes and interventions to achieve the five-year targets.

As an example, for Priority 1: Investment through promotion and catalytic infrastructure, the DEDAT plan says:

The following interventions will be supported and undertaken by the Department in pursuit of its investment- related priorities:

- Increase investment promotion initiatives

The Western Cape Government, through its trade and investment agency, will upscale its investment promotion activities and coordinate investment promotion amongst the public and private sector. Moreover, additional private sector investment may occur through the support provided to businesses by the Department and its partner organisations.

- Strengthening investment by improving the productivity of tradable sectors

The WCG will draw from its toolkit to improve the productivity of tradable sectors, including the use of economic advocacy, economic intelligence tools, as well as coordination to overcome information and market failures.

- Remove obstacles to investment

The Western Cape Government will upscale red tape interventions to assist firms to reduce delays and costs, boosting profitability and investment. Legislative reform will be embarked upon to reduce timelines and costs to businesses and government. Red tape support in municipalities will be expanded with specialised units and a drive to remove legislative blockages. Improved service delivery by government will be enhanced through the government's responsiveness to business requirements by using behavioural economics, agreements, and "Open for Business" campaigns. Reports to business, government and stakeholders on the reduction in costs and impacts will be produced. An Ease of Doing Business index will be developed to assess and communicate red tape improvements.

- Catalytic infrastructure

Support and facilitate catalytic infrastructure aimed at attracting investment such as industrial development zones, special economic zones and other economic development infrastructure initiatives aimed at improving the return on investment and improving the competitiveness of the economy.

- Release of public assets for economic purposes

Support and, where relevant, drive the release of public assets and property to help stimulate the economy using the Special Economic Development Infrastructure Company.

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