

Zelalem Getahun
Marketing Executive
GeoMark Systems
Tel: +251 114 673213/14/15
Fax: +251 114 660942
P.O.Box 42955
E-mail: gms@ethionet.et
Addis Ababa, Ethiopia

Outsourcing Services in Ethiopia - The GeoMark Experience

1 Objective

The objective of this small compilation is to provide a high-level description of outsourcing activities and the experiences of GeoMark Systems in Ethiopia as well point out some of the challenges frequently faced.

2 GeoMark Overview

- *A geospatial services Company*
- *National company in character and vision targeting the international outsourcing and Managed Services demands,*
- *Founded as geospatial Company in 2006*
- *An ISO 9001-2000 standards certified Company*
- *An Approved Production Centres for FUGRO-MAPS,*

3 Outsourcing Definition

Outsourcing may be defined as sourcing service work to a foreign, lower-wage country that is relatively close in distance or time zone (or both). The customer expects to benefit from one or more of the following constructs of proximity: geographic, temporal, cultural, linguistic, economic, political, or historical linkages.

Moving operations to low-cost countries offers a variety of advantages including reduced wages for qualified workers and other production costs.

Outsourcing is now a winning strategy for forward and aggressive thinking managements. Reducing the cost has become a trivial factor rather value addition to the business is on the main focus. It enables organizations to concentrate on their core business, carry out business reengineering, and provide information that is valid, timely, and adequate to assist decision making at the management level and quality and cost control at the middle and lower

levels. Technology, like Internet, is diminishing global distances to the point where, in reality, having work performed halfway around the world is not much different from having it done in an office building across the street. Outsourcing has emerged as the single most powerful tool for companies seeking to stay competitive.

Outsourcing Advantages

- ***Local Skill Building***
- ***Increase the inward foreign exchange flow***
- ***Creates employment opportunities***
- ***Reduce outgoing foreign exchange for local works***

Outsourcing Service Resource Requirements

Since outsourcing services are usually done for multi-national companies, it requires significant hardware, software, and professional for high quality service delivery. Below are high-level resource requirements to render outsourcing services:

- ***Professional Qualification***

Despite lower wages, outsourcing companies demand for availability of skilled professionals with desired level of technical qualification to deliver quality output. Language skill (mostly English) is an additional qualification factor especially for call center outsourcing.

- ***Suitable Infrastructure and Delivery Module (Communication, Hardware, Software, ...)***

Hardware and software infrastructure facilities have to be in place properly in order for the professionals to deliver quality output. The outsourcing client in an exceptional cases assist in providing required software/hardware and training to address issues related affordability.

- ***Quality Service Delivery***

Due to the nature of the service clients frequently require urgent delivery of outputs. The outsourcing service provider is expected to render high quality services and immediate response utilizing state-of-the-art infrastructure.

- ***Low-Wage Advantage***

The major reason why companies in developed countries use outsourced services is to benefit from lower wage rates in developing countries.

4 Ethiopian Outsourcing Case – GeoMark Systems Map Production Services

Compliance with outsourcing requirements: *GeoMark has complied with the following in becoming a successful outsourcing company;*

- *Professional Staffing: Staff with relevant educational background was trained complying with the client skill demand.*
- *Production Facilities: Large investment was made on Hardware, Software and Communication facilities to comply with the demand of the service.*
- *Low-wage & Quality Advantage against competitors: GeoMark has gained a low-wage advantage from competing companies from China, Pakistan, Lebanon, Moldova, Romania, etc, further complying with quality requirements through continuing training and QC procedures.*

Milestone achievements: *GeoMark since establishment has achieved the following;*

- *An approved map production center for FUGRO-MAPS*
- *An ISO 9001:2000 Certified for Spatial data Acquisition, Processing, GIS Integration and Mapping (**The first company to achieve Such ISO Certification in East Africa**)*
- *Developed capacity to manage and work in 3 shifts (24 hours)*
- *Employs*
 - *75 3D Photogrammetry Operators*
 - *10+ Quality Control Experts*
 - *5+ GIS & Remote Sensing experts*
 - *5+ Programmers & IT Experts*
- *Facilities*
 - *2 Fully Equipped 3D Production Labs*
 - *25 - 3D Photogrammetry Workstations*
 - *20 – 2D Data Capturing Workstations*

- 30 – Licenses of Photogrammetry Software
- 256 Kbps Broadband subscription

5 Challenges

As the outsourcing service industry sector in Ethiopia is new, it faces a number of difficult challenges in different aspects, which include:

- *High cost of training: The sending of staff abroad for advanced training and training of operators prior to engaging them in the actual production work after their employment had a significant cost/time implication.*
- *Taxation rates: Tax incurred in importing workstation components (PCs, Monitors, Servers, Graphic Cards, Stereo glasses & Emitters) on top of the high price of the items in the global market was one challenge faced.*
- *Poor Internet services: Despite the subscribing for 256 Kbps Broadband Internet, the performance of the service is poor, which incurred a time and cost disadvantage as the data has to be delivered to both ends via courier.*
- *Less Priority & Recognition: As outsourcing is not fully recognized by the concerned government bodies, it does not enjoy privileges availed to other investments considered priority sector. Thus potential outsourcing establishments are discouraged and divert to other market areas like India.*
- *Policy/Regulations: Whilst GeoMark has made significant investment in infrastructure, training and international standard certification, it has not been privileged to conduct local mapping services due to regulations prohibiting the same.*
- *Internet Bandwidth Tariff: Ethiopia's Internet tariff is extremely expensive compared to other countries in the world. Thus, this cost factor discourages local companies from entering into outsourcing and call center services as it would not be international competitive or profitable.*
- *Cost of Office Rent: The existing high office rent rate is one major cost challenge being faced.*

- *The Bias: Convincing on the capability and commitment of our local professionals towards delivering quality services was one major challenge.*

6 Recommendations and Expectations

- *Support from government policy makers to recognize outsourcing services sector as a potential source of foreign currency generation and employment opportunities*
- *Improve communication (Internet) service performance to accommodate bandwidth requirements in a sustainable manner*
- *Revised lower Internet tariff*
- *Tax relief on Income & Import (as an investment for a foreign exchange generating industry)*
- *Removal of existing legal regulation prohibiting local companies from conducting local mapping services*
- *Higher Institutions should focus on designing their curriculum with due consideration of the outsourcing service industry*

7 Conclusions

As a third world country, Ethiopia can take advantage of the prevailing low-wage by investing on technology transfer and working towards upgrading the local skill.

From our experience, the youth with the proper educational base has the capacity to be trained and grasp new technology advancements, which with the adequate guidance can produce quality output.

Besides the commitment of the investing party all concerned bodies should recognize the outsourcing business as a potential foreign exchange generating industry and work towards its success.

Ethiopia has most what it requires to be a major outsourcing country. Though, at the initial phase there will be challenges, the potential for success is real and the benefits to be reaped are very appetizing.