



Colombia: Passion *for* outsourcing



OUTSOURCING
By Atul Vashistha

“Colombia is Passion” is the brand slogan the Colombian government agency at the helm of pro-export chose to promote the nation. What one soon discovers in this charming country of beautiful people is a passion for business, music and family togetherness. One also soon realises that a passion for outsourcing already exists here too!

Colombia is a rising star in Latin

America. Once perceived to be unsafe, the country has over the last decade, transformed itself as one of the best locations to do business in Latin America. The World Bank in 2010, ranked the nation higher than countries such as Peru, Panama, Brazil, Chile and Mexico.

Citi, Henkel, Wyatt, Abbott and HP have captive centres here that serve as regional centres. International firms such as Telefonica, Telmex, Avianca, Greyhound and Tracfone leverage outsourcers such as Telemark, Teleperformance, Assenda, Avanza, Unisys, ACS and IQ Outsourcing.

Domestic firms such as Carvajal, Bancolombia, Suramericana, Banco Agrario and even the Colombian government are not much behind in leveraging outsourcing. Interestingly, Bancolombia leverages not just local suppliers like Assenda but

also leverages global suppliers such as ACS, TCS and Infosys.

What makes Colombia such a passionate adopter and attractive destination for outsourcing?

A country with a population of 46 million with outsourcing friendly labour pools in multiple cities such as Bogota, Medellin, Cali, Baranquilla and even Periera, presents multiple options for buyers and suppliers. Thirty cities have a population of 100,000 or more. Bogota produces 67,000 graduates every year, of which, 17,000 are technical graduates. At present, the combined workforce of IT and BPO industry in Bogota exceeds 50,000.

Labour costs in Colombia are very attractive with Bogota being one of the least expensive cities in the region. Labour cost for bi-lingual while higher than



support, while promotion and business groups such as ANDI, Zona Franca Bogota, Invest in Bogota and ProBaranquilla make it easy for firms to get started and leverage Colombia and its cities for ITO and BPO.

Infrastructure in Colombia is deemed world class. The telecommunications infrastructure ranks 4th among 46 Latin American cities in terms of broadband penetration. Air connectivity is excellent with direct flights from the US, Europe and most key Latin American cities.

The fact that Colombia is in the same time zone as Central Time surely helps too. Office space is easily available and rental rates are very attractive. Land is easily available too.

Political and economic stability is at a premium in South America and Colombia has led the way in the past decade with its pro-business and stable government of President Alvaro Uribe and now President Juan Manuel Santos.

Colombia's average annual economic growth rate of over 5% from 2002 to 2007 can be attributed to an increase in domestic security – resulting in greater foreign investment, prudent monetary policy and export growth.

In 2004, the Uribe government established, for the first time in recent Colombian history, a government presence in all of the country's 1,099 municipalities (county seats). Attacks conducted by illegal armed groups against rural towns decreased by 91% from 2002 to 2005.

Between 2002 and 2009, Colombia saw a decrease in homicides by 45%, kidnappings by 92%, terrorist attacks by 71%, and attacks on the country's infrastructure by 83%. These policies and actions have led to crime rates in Bogotá now lower than Miami, Washington DC and even Atlanta.

But what are the challenges? Let's look at what Colombia needs to do to continue its rise.


While the country has a large population, the level of maturity of ITO and BPO operations is limited. No Capability Maturity Model Integration (CMMI) Level 5 providers or six-sigma black belts are found easily. Call centre operations are advanced but process discipline in other business process needs scale. So, if you are going to setup or outsource here, I suggest that you invest in ongoing training

and process discipline.

While Spanish language is easily available and English can be developed, it is hard to communicate socially and even in business circles in your daily life if you do not speak Spanish. So, either focus on Spanish and if you do focus on English, make sure that your managers speak Spanish too.

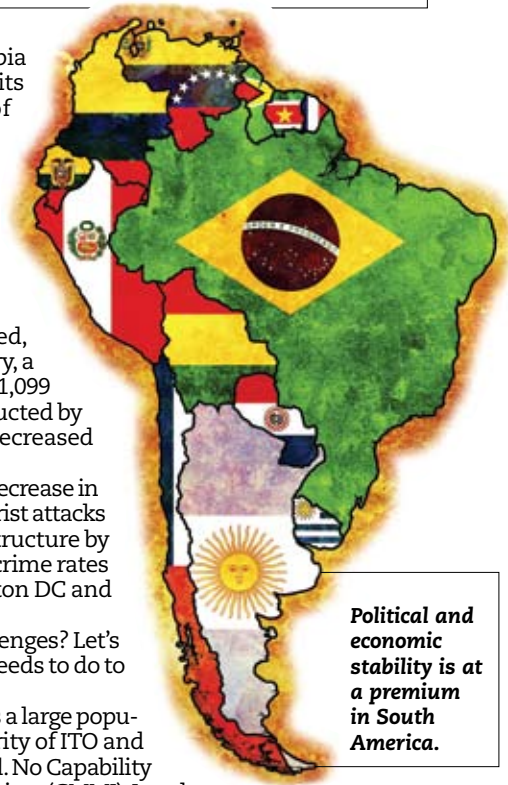
While the free trade regime is very competitive, Colombia still face some challenges in doing business. Starting a business, paying taxes and enforcing contracts are challenges that the country needs to work on.

There is wide spread perception of crime and related challenges about Colombia from foreigners. The country needs to work in a united fashion to dispel this myth. "Colombia is Passion" slogan alone is not enough to change these perceptions.

The good news is that the government, trade promotion agencies, chamber and private enterprise are united in this effort and the rising rank of Colombia in World Bank "Doing Business" rankings proves that the efforts are paying off. The future is bright for Colombia in the global services and outsourcing industry. 

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Political and economic stability is at a premium in South America.

Encouraging numbers ... At present, the combined workforce of IT and BPO industry in Bogotá alone exceeds 50,000.

Spanish speaking employees, is 15-25% lower than comparable employees in Monterrey or Buenos Aires. Real estate costs are lower too than Mexico City and Sao Paulo.

Government led, privately managed initiatives, such as the Free Trade Zone in Bogotá, Zona Franca Bogotá, enable firms to not pay VAT on imports and also reduces income taxes to 15% from over 30%.

The friendly government support even allows for domestic sales and ability to classify specific new operations as free standing free trade zones. Legal stability contract legislation provides a stable 20-year business framework to protect foreign investment.

Government agencies like ProExport and SENA provide complimentary