

# IT Strategies for the Muslim World

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**There is widespread interest among Muslim entrepreneurs about the possibility of moving into Information Technology (IT) fields. The potential for IT to serve as a driver for growth is widely recognized within the top ranks of governments that are members of the Organization of the Islamic Conference (OIC). However, when it comes to choosing IT strategies, uncertainty exists about the extent to which Muslim businesses' IT strategies should follow Western models.**

Anwar Kazi, the CEO of Karachi-based ALT Source Communications [<http://alt-source.com/>] said that developing countries are now looking to follow India in the IT field, rather than imitate the U.S.

We begin here by examining lessons from India's experience, before suggesting IT strategies for Muslim businesses seeking to become software products firms or IT outsourcing service providers. Practical advice is also provided on how to enter the IT field, the role of expatriates in the West, and on the role of open source software in a broader Muslim IT strategy.



## Market Entry

Indian software firms gained large-scale entry into Western markets through projects to repair Year 2000 (Y2K) date issues, primarily for clients who could not recruit enough people in the U.S. with skills in old software languages. This Y2K work was handed out to Indian firms that lacked marketing resources to garner outsourcing business through traditional Western business practices. Western clients were so desperate for Y2K assistance that they overlooked the poor communications and client liaison skills that characterized many Indian IT firms at that time.

Y2K work enabled Indian firms to accomplish the following:

- They learned about Western business practices and how to work successfully with Western clients;
- It provided these IT firms with business contacts and a proven track record of performance;
- Generated confidence for new South Asian investors to enter the IT sector, for new Western clients to begin working with Indian firms, and for existing Western clients to commission Indian IT firms to conduct larger and more complex projects;
- It enabled Indian firms to learn about clients' needs, which enabled those firms to adapt their approach to meet their clients' full range of IT

outsourcing needs once the Y2K boom subsided.

There is no new YK2 bubble on the horizon, or anything like it. No longer will desperate Western clients seek out offshore IT firms that would not normally measure up to clients' standards for professionalism, quality, client relations skills, and Western-style project management approaches. Now different strategies are needed for entry to international markets.

### **Following India's Example?**

Press reports on the IT outsourcing boom have not provided an accurate picture of the problems faced by Indian IT firms in seeking to gain and maintain access to Western markets. These problems have been most acute in the call center outsourcing field, where only ten percent of the original facilities that entered the market in the period of 1999 through 2001 have survived under their original owners. From the time the international call center outsourcing industry began in India in 1999 up through 2003 there were widespread outsourcing project failures from U.S. clients. Although Western clients were quick to blame Indian staff for these failures, actual responsibility often rests with clients who are unwilling to invest in training, quality control, management assistance, and who set unrealistic ramp up schedules that were bound to fail.

There is a continuing resistance by some Western clients to conduct honest assessments of outsourcing facilities' institutional and technical capabilities and then jointly implement measures with facility managers to upgrade those capabilities. Matters have not been helped by the resistance of some old-style Indian managers to accepting and responding appropriately to criticism (whether well founded or otherwise) and resistance to taking personal responsibility for the outcome of work being conducted within their organizations.

The legacy of colonial mindsets, while rarely seen within highly-successful export-oriented IT firms in India, still holds sway among some managers and supervisors in old line corporations.

One of the downsides of the rough period in the Indian call center industry up through 2003 was that some U.S. clients of InternationalStaff.net set prices for work going to India that were 15 to 20 percent less than work sent anywhere else in the world.

### **Components for Success**

The media's treatment of the IT outsourcing boom has been to present it as an easy way to make money, which has encouraged many promoters to enter the field without important components for success. These components, as listed below, are relevant for Muslim IT businesses that are seeking access to Western IT outsourcing markets:

- An understanding of customer service methods and metrics is needed.
- Specialization and domain expertise provide competitive advantages over generalist facilities.
- Skills are needed for recruiting, retaining, and supervising IT workers as knowledge workers, rather than as manual laborers. This is an issue in Dubai Internet City now for promoters whose original backgrounds are in construction and other non-IT fields.
- Outsourcing facilities, particularly call centers, must have sufficient

numbers of customer liaison managers and trainers with enough Western business experience to enable the outsourcing facility to meet or exceed customer expectations. One successful call center in Islamabad, Touchstone Communications

[<http://www.ecommercetimes.com/story/41818.html>] uses one Western trainer for every 50 to 60 customer service agents. Western women expatriates have been found to be particularly effective as trainers and managers on projects for Western clients.

- Enthusiasm is needed for instilling a sense of personal responsibility for quality, integrity, and customer responsiveness at absolutely every level of an organization. Quality is not a 'program' that can be assigned to someone else in an IT organization. Quality means taking the initiative to ensure that problems are solved with each and every customer phone call and email, rather than merely making referrals to others. This has not always been an easy lesson for those of us (this author included) who grew up under British colonialism.
- Adequate marketing resources and working capital have to be committed in order to sustain an IT business until it can achieve consistent profitability. The awkward pre-profitability period may be considerably longer and more difficult than the period required to achieve profitability with other types of investments, such as real estate. Unless promoters are prepared to provide continuing financial support, particularly for marketing and training, then their entire investment could be put in jeopardy. Successful U.S. high-tech startups often commit at least 35%-40% of their initial capital to be spent on sales and marketing campaigns. For non-U.S. firms seeking to break into the North American market, even greater resource commitments are needed.

In India, as in many parts of the world where the IT outsourcing craze is becoming popular, many investors have jumped into the IT field without the components listed above. Their failure was predictable and inevitable.

The lessons of India's entry into Western IT markets have not always been taken seriously in countries seeking to compete with India. Nor have they been adequately considered by many new entrants into the IT outsourcing field in India itself. This explains the high failure rate for call center outsourcing firms in India.

### **The Ability to Sustain Failure**

The difference between India's global outsourcing position and the positions of OIC countries is that India has the scale to fail. According to Rohit Shukla, "India can afford to fail 15 million times." He compares the Indian economy to the Chinese Army, which is so big that it can afford to expend tremendous resources in order to gain ground.

Rohit Shukla is the founder of the Larta Institute [<http://www.larta.org>] in Los Angeles, which from 1993 to 2004 served as the official commercialization agent for the State of California and now provides outsourced go-to-market services for clients worldwide, including the U.S. National Institutes of Health. Rohit and I have been in discussions with the Government of Pakistan on how to jump start Pakistan's IT industry in global markets.

"India has the scale to afford to fail," Shukla said, "Pakistan and other countries competing with India do not." If several firms from the same country rush headlong into the Western IT market and initially fail to deliver properly, then it

will give that entire country's IT industry a bad name and make it harder for anyone from that location to receive fair consideration in the global marketplace. This phenomenon is now being played out in Mauritius.

India no longer faces such a risk, Shukla said. "India has not only become a superpower, it has integrated itself into the firmament of the world economy, of the world mindset," Shukla said. Other recent entrants to international IT markets have not.

India's vibrant, diversified domestic economy also serves to lure Western IT companies to set up both export-oriented operations and business units focusing on the domestic Indian market. IBM, for example, in addition to having export-oriented operations in India, is also winning domestic IT contracts in India-at U.S. labor rates.

In the language of Silicon Valley venture capitalists, India has achieved critical momentum, escape velocity. In U.S. boardrooms, a common question now being asked is: "What is our Bangalore strategy?"

### **Strategies for Muslim Software Firms**

Jordan provides an example of an OIC country committing itself to rapid growth of its information technology industries and that is not following India's example. Jordan's software exports have grown from zero in the year 2000 to US\$85 million in 2004, according to Mr. Maher Matalaka, Director, Economic & Commerce Bureau of the Jordanian Embassy in Washington DC.

Export-oriented IT firms in Jordan have focused on the U.A.E. and Saudi Arabia, which are its two major software export markets. The United States is Jordan's third biggest IT export market. Once Jordanian IT firms have established a strong market presence in other OIC countries, they will be in a stronger position to enter Western markets successfully than if they had attempted to enter Western markets directly.

In the U.A.E. and Saudi Arabia, according to Bilal Abuzeid, CEO of the Information Technology Association of Jordan [<http://www.intaj.net>], Jordanian firms have competitive advantages because of a common language and because of the large numbers of Jordanian IT specialists and IT managers working in those countries, particularly in the U.A.E.



The capabilities that Muslim IT firms bring when they enter markets in OIC countries can provide competitive advantages over IT firms with little or no background in OIC countries. Western firms are drawing on this lesson and are establishing bridgeheads in one or more OIC countries in order to aid their subsequent market expansion efforts elsewhere. Jordan, Dubai, Malaysia, and Pakistan have all demonstrated success with their IT exports and have all created favorable business environments that are attracting multinational firms, which use those countries as a base for business activities in surrounding regions.

To fully appreciate the benefits for multinational firms of using one OIC country as a base to begin to sell and provide customer services in the surrounding region, Matalaka said that multinationals should see OIC countries as part of a larger market of 300 million consumers, many of whom have unmet needs for goods and services. According to Matalaka, Jordan's advantage for outside investors and as an outsourcing destination is that Jordan is the most stable country in the Middle East. Matalaka points out that rising labor costs in India have helped Jordan into the unexpected position of being increasingly cost-competitive with India on many fronts.

Dubai has the advantage of a highly developed infrastructure and sophisticated domain expertise in areas such as banking and network administration. Malaysia has been and will continue to be a leader in attracting hardware manufacturing to Cyber Jaya, the free trade zone south of the capital Kuala Lumpur. Pakistan offers costs that are 20-30% lower than India's and English-language skills that U.S. clients often find superior to India's.

### **Market Visions**

The marketing questions facing Muslim IT firms can be seen, in part, as questions of vision. Malaysian firms, for example, often look towards other countries in the Association of Southeast Asian Nations (ASEAN) for market expansion opportunities. IT firms in the Middle East often look towards countries in the Arab League of States. Pakistan's IT firms are increasingly looking towards India for marketing and partnership opportunities (and vice versa).

China will be seen as the subject of increased marketing and partnership efforts in the future. Muslim IT firms throughout the world often look optimistically towards markets in the U.S. and also to the U.K. However, the vision of Muslim IT firms of OIC-wide markets has not been well articulated in many of the discussions that I have had to date, with the notable exception of *Dinar Standard* [<http://dinarstandard.com/>], a business publication for the Muslim business world.

According to Rafi-uddin Shikoh, Editor of *Dinar Standard*, in 2002 only about 12% of the total trade by OIC member countries was done amongst each other. Drawing on figures provided by the Islamic Chamber of Commerce and Industry [<http://www.icci-oic.org/>] (ICCI), Rafi-uddin Shikoh highlights Saudi Arabia, Turkey, and Indonesia for their role as exporters, but urges an increased focus on importing from OIC countries.

The vision of IT as a driver for growth within OIC countries and the significance of IT trade between OIC countries have not been fully articulated. With an appreciation of current benefits provided by inter-OIC IT trade, and with a vision of the benefits that could be provided if that trade was expanded—even modestly—it would be possible to work backwards from those visions to help Muslim businesses and governments decide on strategies to be undertaken now.

The vision of a Muslim IT strategy, as applied on a global basis, is being taken up by a new, energetic generation of business analysts, exemplified by Athar Osama [[http://paksoftwarestudy.vtpp.org/Curriculumvitae\\_AtharOsama.htm](http://paksoftwarestudy.vtpp.org/Curriculumvitae_AtharOsama.htm)], a Doctoral Fellow at the Rand Graduate School of Policy Studies in California. Athar Osama combines sophisticated statistical analysis with sound business knowledge to not only envision a Muslim IT strategy, but to participate in its creation.

## **What Can Expatriates Do?**

One advantage that all OIC countries share is a vibrant expatriate population, consisting of highly talented and globally-savvy individuals with professional skills and other resources that can make a difference in the development and prosperity of their home countries. Expatriates have a special duty to help their mother countries, according to Jordan's Maher Matalaka. Matalaka said that expatriates can invest money, provide technical resources and advice, and keep themselves updated on developments in their home countries even though they may have lived away for many years.

Ayub Khan, who lived and worked in London for most of his life before returning to Pakistan to help found the business automation and ecommerce infrastructure firm InfiniLogic [<http://www.infinilogic.com/>] suggests that expatriates can help in four areas:

1. Provide business intelligence on Western IT markets and current IT and business process outsourcing trends. Such information is not readily available outside of the West, Ayub said, adding that World Wide Web is useless if you don't know where to look.
2. Provide a 'cultural bridge' relaying information like the correct ways of opening and sustaining dialogue with potential customers, as well as protocols for customer support, etc.
3. Expatriates who have business contacts or some degree of business acumen can be recruited as point-of-sale agents working on a commission basis to win contracts for firms in their home country.
4. Looking at the bigger picture, Muslims in the West have a role to play in improving the image of their home countries and Islam as a whole. Years of negative media slant will take time and effort to overcome, Ayub said.

Expatriates can provide charity to schools and other institutions in order to encourage economic development in their home countries. Opportunities can also be undertaken for providing training and mentoring for businesses and individuals.

In seeking to provide training and technical assistance to Muslim businesses, however, expatriates need to ensure that there is full support for their efforts from the top managers of the firms they are intending to help. Otherwise such well-intentioned efforts may ultimately go to waste. Participation in politics in the U.S. is one area that has not been fully explored in the Muslim business press, but has the potential to improve the business climate in the U.S. for exports from OIC countries and the esteem with which expatriates from OIC countries are held.

Participation can include pooling campaign contributions to gain maximum impact, meeting with candidates and elected officials to establish a dialog, and communicating with elected officials on a frequent basis so as to not have one's voice drowned out by others. Writing letters and articles for the media can also make a difference, particularly where Muslim perspectives are rarely heard.

## **Including Muslim Businesses in Procurement Processes**

Simply being able to bid on IT projects and other outsourcing opportunities can be a big step forward for Muslim businesses that have traditionally been shut out of the procurement processes of large international firms. If international firms are keen to sell into Muslim markets, then they also need to become more

inclusive in encouraging Muslim businesses to become preferred or short-listed bidders and suppliers.

Muslim professionals employed by large Western corporations have a role to play in helping to open the procurement process to Muslim businesses. In letting out IT outsourcing contracts, Indian professionals employed by major Western corporations have often played an advocacy role to help steer contracts towards Indian outsourcing firms, while excluding bids from Muslim businesses.

In the interests of fairness and encouraging better value for purchasing firms, competition for IT outsourcing opportunities in Western markets needs to be made available to Muslim businesses and to bidders from newer outsourcing destinations, particularly from OIC countries.

Competition for IT contracts is needed within OIC countries themselves. Muslim IT firms often have superior products and services-including specialized areas such as Internet security, as exemplified by Arpatech [<http://www.arpatech.com/>]. This firm provides best-of-breed security solutions in Western markets but has not received much attention within OIC countries.

True to the classical Muslim tradition that emphasizes the creation of new knowledge, Arpatech is known primarily in the West as a research firm. Locally in Karachi Pakistan, Arpatech is making waves as a provider of low-cost open-source computer systems (both hardware and software).

Strategically, Arpatech serves as an example of a Muslim IT firm that is ready to team and cooperate with other businesses. Arpatech provides critical technology transfer and skill training to its partners, clients, and the IT community at large.

### **Cooperation, Teaming, and Product Interoperability**

In order to compete effectively in Western markets, Muslim businesses need to cooperate and team up more often. Whereas teaming is common among Western firms in fields such as civil engineering, it is not always widely practiced among Muslim businesses, especially IT firms in South Asia.

Schools and universities in the U.S. emphasize and encourage teaming skills in class exercises and group projects. International business environments encourage teaming as a means to employ highly experienced professionals for specialized tasks. Muslim businesses need to better avail themselves of the advantages that teaming provides.

In the IT sector, cooperation is needed so that software products made by different Muslim businesses can work together and complement each other. Products that complement each other and exchange information automatically are more valuable and sought after than stand alone products that work in isolation.

In the customer service field, rather than spend the money to establish their own in-house call centers, businesses can lease space at existing call centers. Unused capacity can be leased with call center agents provided, or with clients providing their own staff. Outsourcing saves time and money, and provides ready access to specialized technologies and experienced managers. Once a client has experience in a leased facility, they will be better prepared to make decisions on building their own facility.

## A Long Range Vision

A longer term Muslim IT strategy will include an increased emphasis on interoperability and on complementary software systems. Whereas an argument could be made in favor of building software suites based on open source software, the willingness of major proprietary software firms such as Microsoft to offer deeply discounted products and establishing local operations centers in OIC countries such as Jordan is diluting that argument, at least in Jordan.

The fact remains that the rate and extent of business computerization in OIC countries is relatively low. Even within computerized firms, annual investments in IT are often only made at one third the rate (as a percentage of total revenue) of IT spending in U.S. companies. The challenge facing Muslim businesses is that full computerization and continuing investment in proprietary software is simply too expensive to be feasible in many cases.

There is a need for businesses to become more efficient and better managed through computerization, but the funds for it often are not available, at least for high-cost proprietary software products. Hence the attractiveness of open source software.

The four most commonly used open source software programs are collectively referred to as LAMP, and which consist of:

- Linux operating systems
- Apache web servers
- MySQL databases
- PHP for creating web-based applications with minimal programming

Open source enterprise software is often put together for using LAMP.

At present, the major strengths that software firms in countries such as Pakistan and Jordan have to offer come in terms of the development of software products, particularly proprietary software products. However, if the rate of computerization among businesses in OIC countries is to begin to approach Western levels, then revenue models for IT firms in those countries will need to stress services such as customization, installation, training, and support.

In other words, Muslim IT firms will need to become more involved in customizing, installing, and maintaining software products developed by others. It will be cheaper and more profitable for those firms if the products they support are open source ones, thereby enabling Muslim IT firms to charge less to their clients while retaining a greater percentage of revenues for themselves from each project.

Continuing price pressures and the availability of open source software products will accelerate the dissemination and utilization of enterprise IT systems in OIC countries. IT firms that can thrive on the open source model and can gain widespread domain expertise within OIC countries can build momentum and competitive advantages that will serve them well once they enter Western markets directly.

IT firms that focus on providing high-quality software solutions at low cost (i.e., largely through the provision of open source products) in OIC countries will be drawn into Western markets hungry for low-cost, proven IT solutions. This is a

less risky approach to marketing and sales than attempting to enter Western markets immediately and directly.

### **Who Decides?**

The decision on whether there is to be a Muslim IT strategy and whether it is to be successful rests with the market, i.e., the market for IT products and services within OIC countries, their expatriate populations, and Muslim businesses everywhere. You will influence that decision by your own market behavior. Please choose wisely.

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