CSDS AFRICA - COVID19 & THE SERVICE SECTOR IN GHANA

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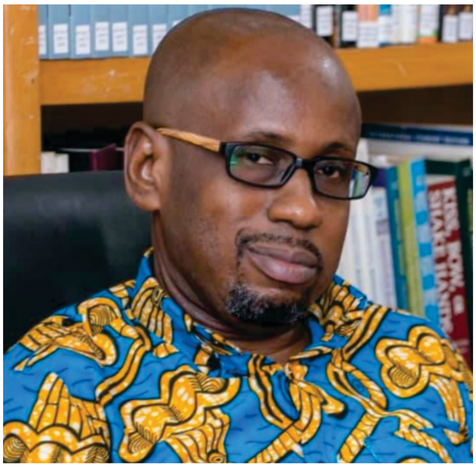

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COVID-19 and the Service Sector in Ghana

The rise and rise of the gig economy

Anecdotal evidence indicates a surge in growth of remote work in Ghana even before the onset of the Covid19 pandemic. For some service-sector SMEs in Ghana – particularly professional service businesses - cutting back on recurrent expenditure such as office rent and related expenses was always a necessary tactic to offset lower margins on fees and increases in direct costs of doing business. Many have fallen on the SOHO and virtual office work modes to address the issue.

These two modes of remote work, though related, are not entirely the same. A small-office/home-office (SOHO) is considered a microenterprise, and their owners are self-employed or working remotely. Often, they are small businesses that are run out of homes or even virtually, and typically have fewer than ten employees. A virtual office, on the other hand, gives companies a physical address and office-related services without the overhead of a long lease and administrative staff. With a virtual office, employees can work from anywhere, but still have things like a mailing address, phone answering services, meeting rooms, and videoconferencing.

The growing interest in SOHOs and virtual offices as well as telecommuting, to some extent, has had a trickle-down effect along the service value chain. Acting in concert with Covid19, the two developments have now led to the endorsement of the country's gig economy - a labour market that revolves around a flexible, temporary, or freelance mode of work - and often

[1]Scans of online adverts and local social media pages indicate a surge in telecommuting in the past two years
[2]This article focuses on professional service businesses e.g. advisory services, traditional/ social media marketing, accounting/ auditing etc
[3]Source: Ghana Statistical Service: Summary report of the Integrated Business Establishment Survey, November 2017; retrieved from: http://www2.statsghana.gov.gh/IBES1.html on 22nd April 2020.

involves connecting with clients or customers through an online platform.

Up until recently, the gig economy in Ghana had only been in response to unemployment, underemployment, and a resilient informal economy. Available statistics show that as of 2015, Ghana's service sector employed only six out of every ten people engaged for work, indicating some incidence of casual and freelance work in the five years leading up to the Covid19 breakout. Additionally, a business sector survey by the Ghana Statistical Service published in 2017, showed that while large service companies directly employed 89.9% of the total number of people they engaged, micro-service businesses employed only 34% directly out of all the people they engaged for work.

These trends notwithstanding, some questions remained unanswered in the lead up to the Covid19 outbreak. Were Ghanaian service businesses adopting remote work and gig workers as part of an entrepreneurial philosophy to operate small businesses (i.e. to satisfice)? Or did they believe it was an appropriate model even if they wanted to scale up their service businesses? To what extent did professional service vendors see the service infrastructure as an integral part of the service delivery? And, importantly, to what extent do value chain players within the broader service ecosystem pressure or facilitate service vendors' modes of service delivery?

Covid19 and the black swan event in service delivery

Expert advice from the World Health Organisation is that the Covid19 pandemic may be with us for some time, spurred on by re-infections, cross-border dynamics, and mass community spreads. Local entrepreneurs seem to be responding to this advice. A scan of social media pages and the quality press suggest that a lot of service businesses are considering SOHOs, virtual offices, and gig workers more than before. The resulting impact on the service business and service delivery will be tremendous and may resound through service value chains.

The change is also going to force a lot of bigger companies to start dealing with service providers in their value chain on a virtual basis. There is now a tacit acceptance by service buyers – albeit forced by the Covid19 situation – that there are more advantages to virtual work than may have been previously acknowledged. The decline in physical meetings is giving most service buyers a lot of flexibility in collaborating with their vendors. Meeting times can be changed spontaneously compared to the traditional work model where a vendor was required to commute to a client's office or vice versa.

For many of such service buyers, online meetings – when co-ordinated and executed well – have their own unique merits. The ease of roping in as many people who matter on any decision point, some in far-off locations, results in more productive meetings. For more experienced users of telecommuting tools, virtual meetings also allow them to immediately pull up and share supporting documents with meeting participants with ultimate impact on turnaround times for decisions and actions. All these are done more seamlessly than in traditional face-to-face meetings and project collaborations.

Within the operations of the service provider, there will be significant implications for business restructuring and process alignments if it can make a bold move away from the old ways of doing business. This will, in turn, have implications for human resourcing, IT adoption and integration, cashflow management, and standard operating procedures. Perhaps, the more remarkable development will be how everything else impacts on the way the service provider 'produces' the service for its buyers.

For example, in the traditional work model, getting the employee to do many things well over doing a few things exceptionally well is justified because the employer has to pay a salary even if there are no contracts in a month. The gig worker, however, presents an optimal alternative. It focuses on the worker's strengths or skills and enables them to achieve depth in those skills by doing the same things for different service-sector companies. The service companies that are using gig workers point to this deepening of skills and how it is creating new opportunities for product development.

For example, an HR consulting company cites how a gig worker offered to do a dashboard report for a client in place of PowerPoint reports that were previously prepared by an employee. The result has been transformational for the firm; the spanking dashboard has increased quality levels of reporting, slashed timelines by half, and put control in the hands of the client. The critical point here is that the gig worker had picked up the idea of the dashboard working for international firms in the same industry and had only passed on the depth of his skills to a new client; an advantage that an employee of one company may not enjoy.

But is remote work worth all the hype?

The service businesses that maintain a physical presence claim they do it as a necessary measure to assure their clients about service capability or quality. Similarly, buyers of services explain that they need to see 'physical evidence' because of past experiences with fly-by-night service providers. They suggest that service businesses that are not formally set-up with standalone offices are more difficult to track down when there are service failures or when the service providers do not comply with the terms and conditions of contracts. Additionally, the companies that run virtual or home offices are less likely to comply with or adequately supervise confidentiality or data protection regulations and other business operation standards.

Some service vendors have also had their fingers burnt trying remote working models and gig workers. They suggest that because the gig economy focuses on the execution of tasks rather than the delivery of business goals, there is a bigger burden on the entrepreneur to co-ordinate work from different freelancers. For example, a CEO of a local market research company points to significant differences in experience between the traditional and virtual models when using in-house data analysts versus when sourcing data analyses out to freelancers. According to him, when a data analyses assignment is outsourced to a freelancer, there is often too much time and legal work involved in onboarding and ensuring that there is a clear understanding of the context, scope, and outputs of the assignment.

Many have also seen first-hand how home and virtual offices stymie growth opportunities for service businesses. The remote work model hinges the service business' success and growth on the energy and passion of business-owners or their founding partners. Gig workers linked to the business owe no allegiance to the specific entity and are therefore not motivated to pursue a company's broad goals or vision. Often, this leads to silos of tasks in work processes instead of a seamless operation working effectively to deliver value to a final customer. Overall, the service business is then unable to offer a broader or augmented proposition that becomes a barrier to entry for competitors, especially from foreign ones.

How will businesses respond going forward?

The exposition above indicates that while some transformation was already taking place in the services sector and service delivery, Covid19 has forced a tipping point. As businesses prepare to respond, the niggling questions on many minds will include: to what extent do we adapt business models following from the disruption? If there will be a move away from the traditional work model to remote work, what strategies will service buyers and sellers adopt to deal with the challenges that arise from the changes? How have business support services, e.g. the telcos, financial services companies, IT companies, employment agencies, law firms, and all players in the ecosystem ramped up their propositions to take advantage of the increased interest in new work models?

There are answers to these questions. First, service businesses must pursue a phased transition to remote work and should not attempt an abrupt switch. The challenges cited by other companies and by service buyers are real and must be acknowledged. To deal with the drawbacks mentioned earlier, both service buyers and sellers will need the help of a new intermediary. These intermediaries will provide a virtual office for companies exploring a move to home offices and provide the 'physical evidence' to which service buyers in Ghana have become so accustomed.

But they will go beyond this to provide legal services and risk insurance to service buyers. They will recruit and pay one officer as a permanent employee who will, in turn, co-ordinate gig workers and liaise with clients to provide the semblance of a seamless operation or to help scale up the service business. These intermediaries in the service value chain will be new generation commercial incubators catering to service businesses with a dynamic array of propositions to help them with their service delivery, typically on a pay-as-you-go basis.

Secondly, until now, three key sectors that enable service businesses to operate, namely, financial services, telecoms services, and IT services, were operating as different cogs in the service delivery wheel. For example, local telcos have struggled to sell accounting software developed in partnership with IT experts because they did not fully integrate their propositions with financial tools or functions. Even in the traditional work model that incorporated administrative or accounting units, the resulting workload from manual entries of financial information stalled the uptake of accounting software.

This will change. Covid19 has forced deeper thinking on why the three sectors now need to be reconfigured as one cohesive enabler of the service function. Going forward, we are going to see more professional service companies now integrating e-commerce or e-payments into existing IT systems, including websites and mobile apps. Partnerships with telcos will ensure that the data (Internet) required to run such a system is affordable and reliable. This move is now imperative because of a gradual phasing out of administrative and accounting departments as companies go remote.

While all these predictions are fair and good, who bells the cat? Who gets the big picture enough to be that 'hand of God' prodding the process along? Academia? The Ministry of Business Development? The Ministry of Employment and Labour Relations? The Youth Employment Agency? My bet is on academia; and this opinion paper will be one of many to spur critical thinking on post-Covid19 business in Ghana and to unearth opportunities where others have found obstacles.

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