



# Egypt On essay series



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# **EASE OF DOING BUSINESS**

# Introduction

The landscape of today's offshoring and outsourcing industry is constantly evolving and Egypt's Information Technology Industry Development Agency (ITIDA) has partnered with some of the industry's leading thinkers and advisors to create a series of essays looking at key business issues and trends affecting the industry. The series will look at a range of topics from the ease of doing business to education and resources.

This essay, '*Ease of Doing Business*' by Dr. Paul Davies, addresses the question how do you know whether it is easy to do business with you, your company – indeed your country? The issue is that plenty of people will tell you when it's hard to do business with you but almost no-one will say when it's easy. So how do you know when you are succeeding?

# Ease of Doing Business

## Paul Davies

How do you know whether it is easy to do business with you, your company – indeed your country? The issue is that plenty of people will tell you when it's hard to do business with you but almost no-one will say when it's easy. So how do you know when you are succeeding?

It is, after all, what we all aspire to and often complain other people either don't do or don't understand. In short, it is a good deal easier to say what makes a country, a company or people *difficult to do business with*. *When it comes to outsourcing and offshoring, it becomes even more tricky – as on top of everything else there are usually business culture issues as well.*

So what measures are helpful?

### Starting Points

- People will tell you when you are difficult to do business with
- Being easy to do business with implies that what you do seems so unobtrusive and normal it is genuinely **unremarkable**
- So how do you know when you are succeeding?

Over the years when I've been working with countries and companies to make them easier to do business with, I've had a large number of measures suggested to me, some of them negative, some of them positive.

You will have heard somebody senior in the company – even possibly you – say: "We know we're easy to do business with, because . . ."

What follows is surprisingly quite likely to be a hard measure. It will involve numbers, real facts and incontrovertible statements, like the fact that you receive very few complaints, your invoicing had only two errors in the whole of March, you hit your service level agreement (SLA) figures consistently, you are flexible and provided the market with 833 different variants of your products and services, your contracts are written in ordinary language, or you have the widest range of products in your market sector.

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In the same way, I have had similar statements given to me by country representatives, either working directly for their governments or working for quangos. Unsurprisingly, the same hard measures are bandied about. What makes it even more difficult to credit is how on earth the figures are acquired. Even to the most uncynical observer it hardly seems likely that the relevant Minister for Trade will be buttonholed by the Chief Permanent Secretary to be told how appalling the figures for ease of doing business with the country might be. It is much more likely that whatever figures will be airbrushed into some sort of acceptable shape well before then.

Useful though these numbers and factors may be to the people broadcasting them, I doubt that they have much bearing on how easy it is to do business with a country or a company as a whole. In so many cases they just reveal the bare minimum standards all businesses and countries have to meet to grow and prosper – and that is something entirely different.

These measures do however have a purpose in understanding what it is to be easy to do business with you.

I definitely know that it's not a lack of complaints or having a miniscule number of complaints, although I've had that given to me as the best indicator on more than one occasion. At one extreme I've dealt with a business that had very few complaints indeed. But all that actually said was that making a complaint was so hard, you had to be either tenacious or extremely upset, or both, to be able to register a complaint let alone pursue it. Again, when I raised a particularly damning fact about the time a planning agreement took to struggle through the bureaucracy with a senior country representative, I was told that this was most unusual because all their internal figures on complaints of any kind were sparkling.

That doesn't sound to me like a country or company that is easy to do business with at all. And in my experience, being easy to do business with is more generally associated with a company or country that is actually open to complaints and is sensitive to how it is perceived in the market place.

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Not that I'm saying that having a deluge of complaints is what you need to achieve!

I don't believe for one moment that it is a lack of mistakes in invoicing – although I have more than once been given that as the benchmark. It's definitely a good thing and it will save you and your customers and clients time and effort – but it is not a measure of how easy you are to do business with. Accurate itemized billing is essential, of course. This is more the very minimum that you should expect of your company – and the minimum that your clients and customers should expect.

For countries the measure is similar but in a different sphere – tax allowances. Before setting up in a country, such allowances are seen as fundamentally a good thing for all concerned. Once set up, there is a sort of resentment about them that is revealed in a very grudging attitude that trumpets the fact that they are accurately administered as though this shows to all how easy the country is to do business with. Isn't this, in just the same way, the minimum one should expect?

In outsourcing, companies very often refer to their record on their SLAs. I suppose everyone knows the problems with SLAs – especially in offshoring. What they measure is mechanical and actually hitting them may not indicate anything other than you are contractually compliant. (They may also be excellent in themselves and yet the client can be dissatisfied – but that's another story, even if it is far too common. As I always say to clients, be careful what you want measured because that is what you will usually get.) Although this will be heresy for some in outsourcing, how you are doing with your SLAs says relatively little about how easy you are to do business with.

Nor is it measured by how many items or products are returned or rejected. This is obviously the complaint issue in another guise. Yes – it is a quality issue and quality must have some bearing on being easy to do business with, but it probably tells you more about your returns policy than it does about the ease with which anyone can buy from you.

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I don't think it is flexibility either. Being flexible is as often a weakness as a strength because it can so often reveal an inability to understand the market and an aversion to hard decision making. The critical question that shows this up as the disguised form of dithering it really is, is when a customer asks – "Well, what would you have yourself?" – and there is a rather hesitant cough.

### Minimum Requirements

- Complaints handling processes that are straightforward
- Itemized, accurate billing
- *Right first time quality assurance*
- Arrange of products and services to match market requirements
- Straightforward contracts

*But these don't imply that you are necessarily easy to do business with*

Countries, too, major on flexibility as an indicator of being easy to do business with. The downsides of this are actually much more damaging all round because you end up, as I once did, negotiating with a country's ministry in what seemed like a vacuum. To my

question as to whether what we were offering was an appropriate offer in the circumstances, I was told, quite smugly it has to be said, that as the country was really very flexible, we should proceed along the lines I suggested. I certainly had no idea where I was in this – and I have to say that I think the official I was trying to find agreement with didn't know either. Avowed flexibility at national level is too often a way of avoiding the hard choices that will inevitably come to the fore later. That isn't ease of doing business, but a quagmire.

It certainly isn't the size of your range of products or capabilities. Almost four generations of electronic products ago, when twelve inch vinyl was the epitome of high fidelity sound, there were two leading makers of turntables. (I have to provide a glossary here for my younger readers – but take it from me, before downloads, before CDs and before compact cassettes, there were devices which reproduced sound by drawing a needle through a channel in a plastic disk.

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Far fetched as that may sound.) The highly expensive turntables in question did nothing else than rotate a disk at thirty three and a third times a minute. The needle and device to track it through the plastic, for example, were extra. One company was not only hard to do business with, it seemed to pride itself on how exclusive this made it. The other company was not only accessible, but provided information, not only about the (limited) technology but also about where to buy it, and what else you needed if you were going down this route. They seemed to take a real pleasure in you enjoying more of your music. The point is that both were highly successful over a long period of time – in fact until the products were outmoded.

In outsourcing it may well be that the value proposition that you focus on is very narrow and you are so effective and efficient in that narrow range that you can provide extra value and reduced- costs. The point is that breadth of capability is neither good nor bad in itself, it is whether the focus is right. In neither case does it show that you are either easy or difficult to do business with. In fact especially where a company is entering the offshoring and outsourcing market, I always advise them to narrow their product

range as much as is sensible. The temptation is to suggest we can do everything. It's very hard to sell everything – and a good deal easier to sell something specific.

### Outsourcing Countries

It's curious in a world that uses words like *globalization* that when it comes to outsourcing and offshoring we stick to what we already know. It's the old you can't get fired for choosing . . . syndrome.

My own experience has broadened considerably from my starting points of India and southern Africa. I have to understand and take account of SE Asia, north Africa, Latin America and Eastern Europe – and measure them for ease of doing business as well as the other criteria.

The newer countries in offshoring are also well worth considering, including Egypt and Mauritius – and looking at how they fare in my criteria. In fact not being number one is a great advantage when you are buying from these countries. They have something to prove – and many unique qualities that makes the initial analysis and range of countries ever more important.

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For countries the same strictures apply. A country with a defined focus or defined areas that it wishes to focus on – which can be very different – is actually easier to deal with than one that wants to be everything to everyone. You can immediately see that a lack of focus – or what is proclaimed as a breadth of interests – is no guarantor of ease of doing business with that country.

Surprisingly enough for some people, it also isn't how simply contracts are worded. When most other things have failed, I find that companies and countries look to the straightforwardness of their contracts to prove that they are easy to do business with. If it does what it says on the tin and your contract backs that up, it can be quite an advance on competitors. But when you think about it, unless you are a charlatan, it looks like the minimum that you need to stay in business! It doesn't make you easier to do business with – it just means that you are reaching minimum standards.

These negatives have, however, started to give us the insight we need. My starting point for ease of doing business – a very active and engaging phrase – is to focus on an external perspective – and what the examples above focus on are the internal perspectives. But before we go there, let's look at the macro-level.

Over the years a whole industry has grown up around ease of doing business at a macro level. And if there was ever a concept that summed up motherhood and apple pie and was even more universal than being pragmatic, then ease of doing business is it. In outsourcing and offshoring there are the complications I mentioned of different business cultures and different countries, with all that entails and so quite a few consultancies make good money here. Although no-one buys from a country – except in very rarefied circles – the country-related elements of doing business are quite a significant factor in making it easy to do business.

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So let us look first at how ease of doing business works at a country level. Astonishingly enough, there is an international survey based on apparently hard facts that ranks countries – not companies – on the ease of doing business. And the World Bank adds its imprimatur to the survey – so it must be good.

Having done business in the country that comes out consistently top in the World Bank survey – Singapore – and having done business in some of the worst, I can say that there can be a huge gulf between them. That's self-evident – but not, I think that helpful in itself. The actual criteria in the tables are constructed with quite a degree of subjectivity and so the actual difference between the top and middle may not be all that important.

I'll look at what influences the judgments behind the tables, but taking them seriously does not mean that we can uncritically accept the criteria. Perhaps the best example is China's position. It certainly is strange that China is 89th in the world whereas Egypt is apparently 106th when there is almost no protection of intellectual property (IP)

in China and a proper system in Egypt. I know where I'd rather do business!

### World Bank Measures

- An understandable regulatory environment
- A strong legal framework
- A straightforward fiscal system
- Appropriate labor laws
- Ease of company formation and dissolution
- Straightforward planning laws
- An established banking and credit system with good money transmission systems
- Sensible cross border labor flows
- Effective customs procedures
- Investor protection

For what it is worth my view is that IP is usually the most valuable asset a company has – and the World Bank criteria do not reflect that.

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It is also no surprise that India is 133rd but, actually, if you know your way around, it could easily score higher. In my real world experience countries that are apparently poor in certain areas have developed work arounds to un-gum the system. I have also found that a company that is easy to work with in a lowly rated country is worth more than a poor company in an apparently great environment.

What does the index actually focus on – to give us the high level understanding?

Regulation is a key. And, from my experience, the reason that the countries higher up the scale come out on top is not that they have restricted or abolished regulation – but the regulation is consistent, documented, accessible and readily understood. In Singapore, it's partly to do with the lack of corruption amongst civil servants – who are well paid and have colossal pensions as a deliberate act of state so that they would lose far more by accepting a bribe than could possibly be afforded. It is wider than that – and a country like Egypt, which prides itself on clear guide lines is a good bet. On the other

hand, many of us will remember ten years ago in India when regulations were just a money making regime for the inspectors – and for the equivalent of US\$2 you could be certified to be hygienic, observing every law under the sun, legitimate and having paid all your corporate taxes – as well as providing every luxury for your staff.

If you ask anyone about regulation, the chances are they are against it. Except when it provides them with protection, and then regulation becomes important. Regulation in itself is neither good nor bad. Clarity is the key concept to look for.

Labor laws are strong in the countries that do well in the survey – but fair-minded. It's not like running a company in some of the Gulf states where you have to employ locals and can't get rid of them, so the locals neither feel obliged to work or even to turn up except in extremis and thus you have to employ migrant workers to do the work.

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This doesn't mean that you should be looking for a hire and fire environment – just an open and documented one. A country where respect works both ways is most likely to provide the right environment.

It's easy to start a company in the better countries and, actually more important, relatively easy to close a company down when it is no longer viable. This is highly important. Cross border trade also has to be straightforward. Immigration processes need to be purposeful and effective. Financial controls usually exist for cross border trade, and they have to be clear and obvious.

### **Don't just read the brochure**

It is essential when looking at how different countries measure up to try them out for yourself in a real world test. My simple test is getting a visa. If that's difficult – think how hard everything else is going to be!

I have a final criterion that I would add – which is government support. This can be more subtle than you might think at first. One country that I have worked with had really focused on the support it gave to foreign direct investors. It had special economic zones, prioritized planning consent, expedited development loans, support for training and re-training local staff, simplified import and export procedures and it fast-tracked applications to make foreign direct investments. On paper it was superb and looked as though it outranked most other countries. In offshoring terms it appeared to have all the advantages.

It fell down in two areas. The first was that each of the various categories of support was handled by different departments and, in some cases, different ministries. The result was different procedures – and sometimes conflicting requirements – for each area of support. The real killer, however, was much more human and had a damaging psychological effect.

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The process of getting a multiple entry business visa had never been looked at in terms of how user friendly it was. It was not only chaotic if you tried to get a visa in person, but it was completely uncertain. On the application forms it said that you should allow three days. In practice it could be two days, but for no apparent reason it could take three weeks and once in my experience took over a month. The result was that even senior business people were unable to plan trips with any certainty until they had the visa – and just that fact alone was tremendously off putting. The question on their lips was obviously – *is this country serious?*

So looking at the issues with the micro and criteria for the macro – do we have any insights into what makes a company, a person – or a country – easy to do business with?

I think so.

In fact I draw up a checklist for my clients focusing on what I think is important – and to get there the macro and the micro above really inform how I approach this. To me the most important element is perspective. I know that’s consultant-speak and I know that it is wild and woolly, fluffy and cuddly, and means anything to anyone.

But bear with me.

Of course I mean the various perspectives you have to take into account, including government, the board, employees and customers – especially customers. But I mean something far deeper than that.

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### Short case study

Making the difference

- Large company selling to a smaller one
- Matched the requirements specification to a fault
- Worked with the client to understand the needs of the end customer
- Delivered to time and budget
- Had an upset client because the financial terms were inefficient in tax management
- On advice, went back and understood the problem from the client's perspective
- Then worked out what would make it easier in fiscal terms, bringing forward some parts of the payments and holding back others
- Result for both parties – a success

And the learning points were around:

- Understanding how it was best for the company to buy
- Ensuring that the buying process took into consideration all the factors that could be relevant.

Let me give you one illustration that continually surprises my clients. I spend some time – as many consultants do – talking early on about consultancy-led selling. We all know the theory – and some of us manage to practice it. It involves getting inside the client's head, even understanding the end customer's deepest needs, working out the real problem that the client has to solve, appreciating the benefits we have to deliver, focusing on what will delight and turn the client into our advocate.

In fact, all these are marvelous when we get them right, but still not enough.

What's wrong with all of that is that the perspective is still wrong. In its time it was a significant advance, but consultancy-led selling is still us centered. And in a *them* and *us* world, that's fine – but it doesn't make us easy to do business with.

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The change is to think of it as consultancy-led *buying*, because once you adopt the client's perspective, the whole attitude changes. And with it, how easy you are to do business with changes. It isn't the whole answer – but once you change the perspective, everything else starts to fall into line.

If you can understand how regulation affects the buying process, you become much more effective – and a good deal easier to buy from. Once you appreciate how the way you encourage and handle complaints appears to the client, you start to see what you have to do to make your business easy to deal with. If you can deal with the fiscal regime so that the client can avoid the most tax, and then worry about your own tax issues, you will see the advantage. If you focus in your contracts on the exit clause – so you understand precisely what it is that the client is really exercised about because that is the trigger for a break – you will be making it easier to do business with you.

When I find clients pushing back and suggesting things might not be as bad as I am making out in their company, I have a very simple test for them.

First of all I ask them to ring their sales line as a mystery shopper. I get them to report back – and no-one will be surprised that they usually come back to me with pride that the phone was answered within three rings. I then ask them to ring the support line and tell me how long that takes to get through.

It is very rare for there to be any further discussion.

As I say to them, having a responsive sales force is all very well, but ease of doing business demands more than that – and you have to look at doing business as a process not a one off sale.

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Then there are the issues of doing business in a cross cultural environment, especially where outsourcing and offshoring is concerned. These are worthy of special mention although they are really more visible expressions of normal commercial life.

The really difficult elements in doing international business and the major blockers to ease of doing business in offshoring are: the sales process, natural languages, business-speak, the social network, the actual way the web intertwines into our business world especially in payments, lack of confidence and trust, the impossibility of real understanding and the marked difference in attitudes across the world to time.

The way to neutralize all of these factors and make it easier to do business together is to see it from the buyer's perspective. In other elements of business, at the macro and the micro level, we have problems with legal structures, contracts, dispute resolution, whether what you see is what you get, quality systems, protection, corruption, permits, whether you are easy to find in the first place, whether you are easy to contact, whether your paperwork is obstructive, whether your customer service is focused on customers

and service.

### **Cross-cultural blockers – a checklist**

- Sales processes
- Natural languages
- Local business jargon
- Social networks
- Understanding of *time*
- Different legal systems
- Different regulatory expectations
- Dispute procedures
- Payment systems
- Quality perspectives
- Corruption
- Licensing laws
- Accessibility
- Trust.

*The point here is that these are usually merely additional issues – none of the other points should be obscured by these.*

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But all of these are relative – like the concept of heat. The real question is how many of these impede the buying process – and once we have the answer, we can make buying easy.

The real measure is that external perspective. It isn't the chief executive's, it isn't the sales director's, it isn't even the consultant's perspective. It is putting yourself in the same position as the people buying from you – and making sure that everything is focused on that – that will make you easier to do business with. And that's the measure. We know this instinctively as buyers – and we have to remember that when we are hoping to gain a client or customer.

Over time I have taken this perspective much further – and codified it into *benefit management*. My starting point is seeing why the person who is buying has to buy – taking it as axiomatic that every buying decision is a grudge purchase: if the buyers could do without it, they would. People only ever buy to gain some business or personal benefit or benefits. To be easy to do business with therefore means that I have to deliver those benefits – and so in everything I advise my clients about, once we understand consultative buying – I

focus on managing the delivery of those benefits.

I also like to come back here and remind you about my stricture on not selling every-thing but selling something. Turning that round here will show you how true it is. It is a great deal easier to buy something specific than to stand in the sweetie shop of life and not know what to choose, let alone buy.

### **Benefit Management**

- Start with why someone or a company is buying and what they want to achieve
- Focus on being able to deliver that – not just sell it
- Understand the cascade through an organisation
- Ensure you manage the process so that not only do you deliver your products and services – but you deliver the benefits the client or customer is really after

*You then are not only easy to do business with – but you make the experience a pleasure*

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It isn't the end of the story because you still have to have straightforward contracts, responsive complaints procedures, quality built in to every process, and work in an environment where you use regulation to your client's benefit, and ensure that you both understand each other. But it is an excellent starting point and the only place from which to measure yourself

And measure yourself is what you have to do. As I said at the beginning, being easy to do business with won't earn you plaudits – but you will soon know if you aren't! The point is that *you* have to know and to check and focus on this.

After that you can use the really hard measure – increase in profitability and revenues – against your own assessment of how easy you are to do business with. To that extent it is really important that you take a realistic view of where you are when you start to consider this seriously – and then plot your progress on both axes.

To date I have found there is a direct and positive correlation between being easy to do business with and being successful in the market, except, that is, in the very special case of premium, exclusive brands, as I mentioned when discussing the turntable manufacturers. In such a case, you may well find that being extremely hard to deal with has a beneficial effect on your business – but I could never advise anyone to take that risk. If you approach selling as a buying process for your clients and customers, and make yourselves easy to do business with, there is rather more benefit. In time you may even be recognized for it – but I wouldn't count on that!

**ENDS**

# About the author

## Paul Davies

**Paul Davies** is managing director of an offshoring consultancy, Onshore Offshore Ltd. Having managed companies in Europe and SE Asia and having been a sales director in Europe and the US, he brings a wealth of international business experience and a unique insight into offshoring and the newer destinations like Egypt.