

The Business Case for Offshoring Staff





Does this sound familiar in your business?

1. Staff costs are now way too high
2. You are unhappy about your return on staff investment
3. Quality talent is increasingly hard to find
4. Your high-paid staff are wasting too much time on low level work
5. The work ethic and productivity of some staff is less than acceptable
6. Your customers are demanding lower prices
7. Your competitors are dropping prices to win new business
8. Your profit margins seem to shrink every year
9. The cost of adding new staff is restricting growth and profit
10. You wish you could have a more manageable, lower cost, higher performing team

The massive opportunity



Recruitment companies in Australia are struggling to find good consultants and continue to waste money on expensive, recycled non performers. Worse still, firms are paying rec to rec fees, visas and relocation costs to consultants who may or may not work out after moving from the other side of the world. Meanwhile, their best consultants become jaded performing low level parts of the recruitment process which limits both their performance and job satisfaction.

US recruitment companies have used the combination of sales people and resourcers for years, yet the UK and Australia persist with trying to find the rare high performing 360 degree consultants who can do both and bill over \$500,000 a year. There is another model which is now proven by many global leading companies.

Instead of continuing this frustrating and costly cycle of inefficiency, Australian recruitment companies can save huge amounts of money, reduce staff turnover, increase performance and satisfaction by offshoring lower level parts of the recruitment process. Big US and European staffing companies proved the offshore model many years ago, but so far very few Australian and NZ recruitment companies have stumbled on the benefits of a low cost, skilled and motivated offshore workforce. The rapid emergence of cloud computing, faster internet and quality video connections have brought offshore workforces even closer to Head Office.

How Offshoring Can Help Your Business

Offshoring involves moving recruitment tasks or processes to an overseas market where access to talent is easier and costs are lower. The Philippines and India are world leaders in Business Process Outsourcing (BPO). After initial teething problems, many global companies have proven they can dramatically reduce staffing costs with real **increases** in delivery quality and client satisfaction.

How does it work?

Companies identify tasks that could be performed by someone who works from home or sits in a purpose-built modern overseas managed office. With good training and communication, the work can be completed at a much lower cost and often at a significantly faster rate and high levels of quality. Dedicated offshore staff can seamlessly provide your company and customers with world-leading support, often without anyone knowing they are not sitting in your expensive local head office.

The basic steps to offshoring include:

1. Identifying suitable tasks/processes
2. Recruiting overseas staff
3. Selecting a facility or service provider
4. Training staff
5. Establishing a communications platform
6. Implementing a motivational performance management program
7. Spend 75% less on staff costs with a highly motivated and efficient overseas workforce

Benefits of Offshoring



There are many compelling and now proven benefits of offshoring:

1. Access a large pool of quality, lower cost and highly motivated staff
2. Free your best people up to increase productivity and revenues
3. Retain existing staff by providing them more admin/resourcing support
4. Give your staff extra support that is normally too expensive
5. Boost your customer service levels and response times
6. Build your business faster with less operating costs
7. Relieve the headaches of managing larger, high cost teams in Australia
8. Reduce your business risk by diversifying the cost and location of your people

What are the myths?



Overseas workers are exploited – not true - offshore companies are highly desirable places to work as global companies are often providing better wages, training careers and working conditions than local employers.

Staff in developing countries lack education and English communication skills – not true - offshore hubs have some of the world's highest English literacy levels and numbers of university graduates.

Communication with remote workers is difficult – not true – with similar time zones, excellent English skills, fast internet, cloud computing and quality video conferencing - virtual workers now feel closer to the head office team than ever. It is no different than communicating with an interstate office.

People in overseas countries are difficult to manage and motivate – not true – workers in many developing nations are highly motivated to support their families, advance their careers and please their employers.

Offshore facilities are taking local jobs – not true – developed western nations have substantial skills shortages in many areas but increasingly restricted immigration policies prevent companies bringing in quality overseas workers. Offshoring of lower level tasks frees up capital for local companies to hire **more local talent** in revenue generating areas to grow faster.

Overseas contact centres damage customer relationships – not true – if done correctly, customer service levels and response times are dramatically improved. Global giants have proven that they can provide much better service and business efficiencies by establishing much larger, highly responsive teams in lower cost offshore facilities.

India Vs Philippines



India has traditionally led the global BPO market due to its huge population and very low wages. India is best suited for technology outsourcing. However, the Philippines is set to take the lead with the IT and Business Process Association of the Philippines (IBPAP) expecting revenues to reach a staggering \$25 Billion by 2016 with 1.3 million people employed in the industry.

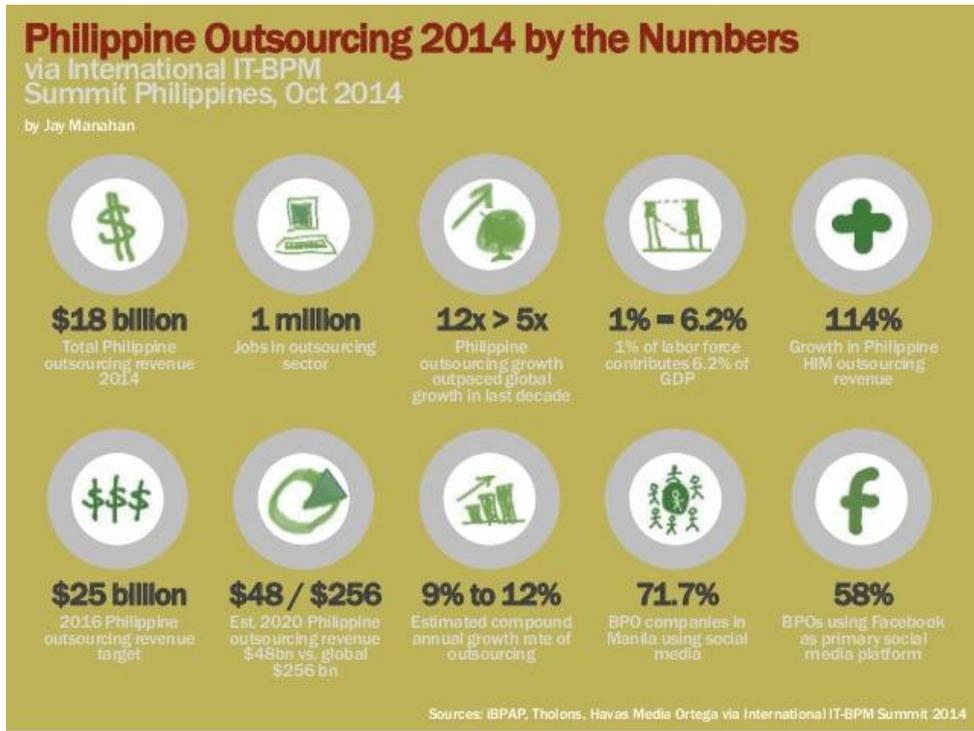
Why the Philippines?



The Philippines has several advantages over India:

1. Better command of the English language
2. Higher literacy rates of 95% versus 63% in India
3. More reliable IT and communications infrastructure
4. A culture that works hard and takes instructions well
5. Similar time zones to Australia
6. An easier and faster flight from Australia/NZ
7. A BPO, tax and foreign company friendly Government
8. Simple visa and employment regulations for expat workers

Of course, like any country, the Philippines has its challenges such as flooding from typhoons, occasional power outages and heavy traffic in the capital Manila – all of which are easily overcome with some simple planning.



Critical Success Factors



To ensure your offshore business is a success from the start, there are some important critical success factors to take into account:

1. Identify the right tasks or processes to offshore
2. Choose the appropriate staff provider with a strong track record
3. Get the recruitment process right
4. Manage communications and performance effectively
5. Understand local customs and legislation
6. Integrate your local and overseas teams
7. Spend time to motivate and develop your staff

What tasks are best to offshore?

Any task that is simple to train, repetitive, process orientated and easy to measure success are perfect for offshoring. Examples which have already been proven include, bookkeeping, customer service, IT help desk, recruitment resourcing and research, database building, new market mapping, web development and many more...

What is a typical set up for a recruitment firm?

Large global recruitment companies such as ManpowerGroup and Adecco have proven that offshoring is a much more cost effective model than using high salary local staff to perform low level tasks.

Which parts of the recruitment process can you offshore?

Due to the high quality of education (500,000 university graduates taught in English every year) and American English spoken since year 1, almost all parts of the non-client and candidate facing recruitment process may be outsourced to the Philippines. You may choose which parts to offshore and which parts you would prefer to keep onshore.

Examples of tasks performed offshore include:

1. Market Mapping with LinkedIn and advanced search techniques
2. Source candidates via LinkedIn, Seek Premium and Boolean searches
3. Expand your network of Recruitment professionals within LinkedIn
4. Map new markets and contacts for expansion
5. Resourcing support for your best performers so they can bill more
6. Post error free job ads
7. Create lists of candidates/ leads as instructed
8. Reformat CV's
9. Basic reference checking
10. Monitor client and competitor advertising
11. Database entry
12. Database cleaning/updating
13. Update contacts of sourced candidates or clients
14. Check candidate availability perm/contract
15. Other tasks as requested

How much money should you save?



Australia
Mid-level recruitment resourcer \$65,000 plus super, insurance, IT, share office costs etc = \$120,000
Philippines
Mid-level recruitment resourcer \$15,000 including super, insurance, IT, share office costs etc = \$30,000
Cost saving is 75%

Staff options in the Philippines?

You can choose between facilities offering to rent desks who will recruit your staff for you free of charge. They make their money from a monthly charge for the desk, PC etc which accounts for around half your staffing costs. Budget \$15,000 a year for the person and \$15,000 for the share of office cost.

Alternatively, you may select lower priced but highly experienced and motivated work from home mothers who prefer not to commute and can work 20-40 hours a week without the stress of commuting to an office. This workforce is paid around **\$A10-12 an hour which can equate to savings of over 80%** There is a big cost advantage of this model as staff do not require payment when sick or on leave.

What other costs should you expect?

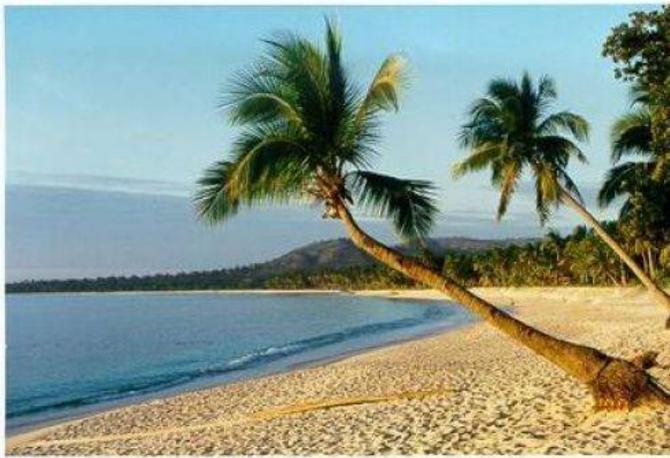
The only extra costs you will need to cover are licenses for software/products such as LinkedIn and a CRM plus marginal phone and internet connection charges.

How to manage staff?

As with all staff, they require strong communication, quality working conditions and equipment, good training, clear objectives, regular feedback and regular praise when they do a good job. Staff in the Philippines will work hard, show respect and are usually very reliable.

The best way to manage an offshore team is using Skype to personalise the communications and make your staff feel an important part of your head office team.

What cultural considerations are important?



Family - is very important in the Philippines. Workers will always put family first and we must respect that this is the case.

Respectful and polite – staff will always try to please their boss and often behave in a very formal and subservient manner.

KPI's – are expected not optional as without clear goals staff will feel very uncertain.

Face – as in many SE Asian countries – loss of face can be very upsetting and best avoided by setting and monitoring KPI's, double checking staff understand the task required and most importantly never criticize anyone in public. Praise in public, criticise (respectfully) in private. Also, avoid expressing anger and swearing, as this is seen as very impolite in the Philippines.

Holidays – the Philippines has many public holidays which are often spent with family. To balance out the 20 or so public holidays, most workers only receive 2 weeks annual leave.

What else should you watch out for?

Traffic in Manila can cause delays and long, slow commutes – find people who live less than one hour from your office or else they will be tempted to look at new opportunities.

The Philippines is in the most exposed zone for typhoons which may hit the mainland 2-3 times a year. Most businesses have back-up generators and contingency plans when flooding occurs.

A Philippines staff member will always say “Yes” if they are not clear on an instruction so it does not seem they are incompetent. Always ask them to repeat back verbally or in writing any

instructions so there is no miscommunication. This is very important when Australians give instructions – we talk fast and use lots of slang.

How do you get the most out of offshoring?

The steps to ensure the success of offshoring a straight forward:

1. Identify the most appropriate tasks required
2. Select the most suitable facility or staff provider
3. Choose the best staff to do the tasks
4. Provide them with quality tools of trade
5. Train staff well
6. Set and monitor reasonable KPI's
7. Communicate with staff regularly
8. Be sensitive to local culture and customs
9. Treat staff as if they were part of your local team
10. Provide polite and constructive feedback
11. Ensure you regularly coach, lead and motivate your team

How do you scale up your offshore office?

You have five main choices when setting up an offshore team:

1. Directly engage a specialist who works from home
2. Hire your own staff in your own office
3. Use a services provider to lease staff and office/desk space
4. Start with an incubator office which you can scale up as you grow
5. Use a full-service BPO provider when you require over 100 staff

GET STARTED >

The best way to get started is to sit down with an offshoring specialist to :

1. Discuss your short and long term business goals
2. Isolate which functions of your business are working and which are not
3. Document tasks most suitable for offshoring
4. Choose the most appropriate office model
5. Decide on your recruitment strategy
6. Identify tools of trade required
7. Develop a financial business case for offshoring
8. Design an implementation plan
9. Prepare an ongoing management plan

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