



# THE PROVEN PATH TO OFFSHORING SUCCESS.



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Offshore outsourcing, also known as offshoring, is an exciting opportunity for small to medium businesses worldwide. At a fraction of local costs, you could find highly qualified, experienced talent in another country to help you solve staff shortages and grow your business.

However, for the uninitiated, offshoring can come with challenges – and questions. What tasks should I offshore? What is the quality of work like? What is the quality of the work environment? How do I set-up an offshore team? And most importantly – how can I succeed in offshoring?

Much like hiring locally, there's a lot of work that goes into finding the right offshore candidate, and of course the right offshoring partner – which is also known as a BPO. Don't leave your offshoring experience down to guesswork, take the proven path to offshoring success.

This guide provides an exclusive look into hundreds of firms successfully offshoring, and best practices uncovered by first of its kind independent research. Learn from other businesses and discover how to start offshoring successfully from the get-go. Plus, uncover the ten critical factors for successful offshoring according to businesses just like yours.

# EXECUTIVE SUMMARY.

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25%

of firms surveyed are offshoring some work



44%

of those who offshore send senior personnel abroad to train offshore staff



89%

of those who offshore say that selecting the right provider is a critical success factor



53%

of firms have offshore staff attend all meetings remotely



82%

of those who offshore say that formalising business processes is a critical success factor

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01

# OFFSHORING ACTIVITY

The extent of offshoring of services.



Local, talent shortages



Rising employment costs



High staff turnover

## Propensity to offshore

25 percent of firms surveyed are offshoring some of their work. The study revealed that the choice to offshore is to some extent driven by size as only about 10 percent of firms with 0 to 4 employees offshore. Whereas for the other size groups the percent who offshore is 29 percent or above.

## Amount of work offshored

On average, firms are offshoring 27 percent of their work. However, while smaller firms are less likely to offshore, those who do offshore tend to offshore a greater proportion of work as compared to their larger peers.

## The future

63 percent of offshoring firms are planning to increase their use of offshoring. Offshoring firms are expecting to increase their reliance on offshoring in the near future.

## 02

# OFFSHORED TASKS & SATISFACTION

What tasks are being offshored and levels of satisfaction.

## Offshored Tasks

You'd be hard pressed to find a task you can't offshore. However, not all tasks are created equally – or performed equally!

The Offshoring Study found that firms are offshoring a variety of tasks, however, they are still dominated by those tasks where complexity is low to moderate. High complexity tasks are still being performed onshore. Participant interviews indicated that most firms are very comfortable to offshore simple tasks as they are easily standardised and can be process mapped so that the offshore worker is able to follow clear directions. While more complex tasks are still mostly performed onshore, numerous firms have increased the level of complexity for the work they are sending offshore.

*"We started offshoring simple tasks but have over the years successfully increased the level of complexity of what we send overseas."*

*[Interview #4]*

## Levels of Satisfaction

The offshoring study found that firms are quite satisfied with the quality of work they receive for the tasks they are offshoring. The level of complexity not only predicts what type of work is being offshored but also how satisfied the firm is with the work. Complex tasks that require significant levels of judgement show significantly lower satisfaction ratings as compared to simple tasks.

*"The quality of our offshore staff is great, and they tend to work best with clear direction, so anything we throw at them that is structured ... they do just as well if not better than our in-house staff."*

*[Interview #2]*

## What's the key to high levels of satisfaction?

Start simple and ramp up. Those who are offshoring successfully start cautiously, initially taking 'baby steps' and ramp up their offshoring over time as they gain experience and confidence.

You want to avoid overwhelming yourself with process mapping complex tasks, especially if it is the first time, you're having to develop them. It's also important for you to test out and see how well your processes are working before you attempt to develop more.

As time goes on, you have the chance to iron out and build on the simple tasks and processes. This will put you in a stronger position for when you're ready to add more complex tasks to the mix.

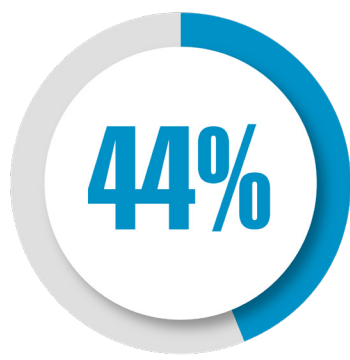


03

# TEAM TRAINING

How firms are setting up their offshore staff.

### OFFSHORE



Q: “Do in-house employees, partners or managers travel to the offshore entity to provide training?” 271 valid responses

### ONSHORE



Q: “Do you transfer offshore personnel to your Australian office to train them on the work required to be performed offshore?” 271 valid responses

### SECONDMENT



Q: “Do you second offshore personnel to your Australian office to work with the onshore team?” 271 valid responses

Hiring your own offshore team is very much like setting up a new office. It is essential that a new team in a new location has a clear idea of your best practices and apply the same principles. They must know and understand your systems, workflows, and expectations.

The offshoring research found that a massive 87 percent of offshoring firms train their offshore employees in person. Meanwhile, 44 percent of firms send their onshore staff to their offshore location to train the offshore team. However, only 29 percent send their offshore staff to their local office to train, and only 14 percent second their offshore personnel to their local office.





## An alternative to in-person training

Naturally, in person training costs add up, and the offshoring firms who participated in the research did highlight this as an expensive aspect of offshoring. However, the alternative approach is to ‘train the trainer’ - that is your first senior hire - and then have that employee train the others, removing the frequency of travel.

*“We didn’t really get any traction until we had one particular member in that team the Filipino team that was really proficient...once we got that proficiency with that one person they become the go-to person a local level, and everybody in that team could feed off that person.”*

*[Interview #7]*

Technology, and the recent global dependency on video thanks to COVID19, also means in person training can be conducted online. However ultimately, a training manual and induction program needs to be prepared from the outset to ensure your first and subsequent offshore employees have the best possible start. A good offshoring service provider should be able to guide you through this process if needed.

## 04

# TEAM INTEGRATION

## How firms are integrating their offshore staff.

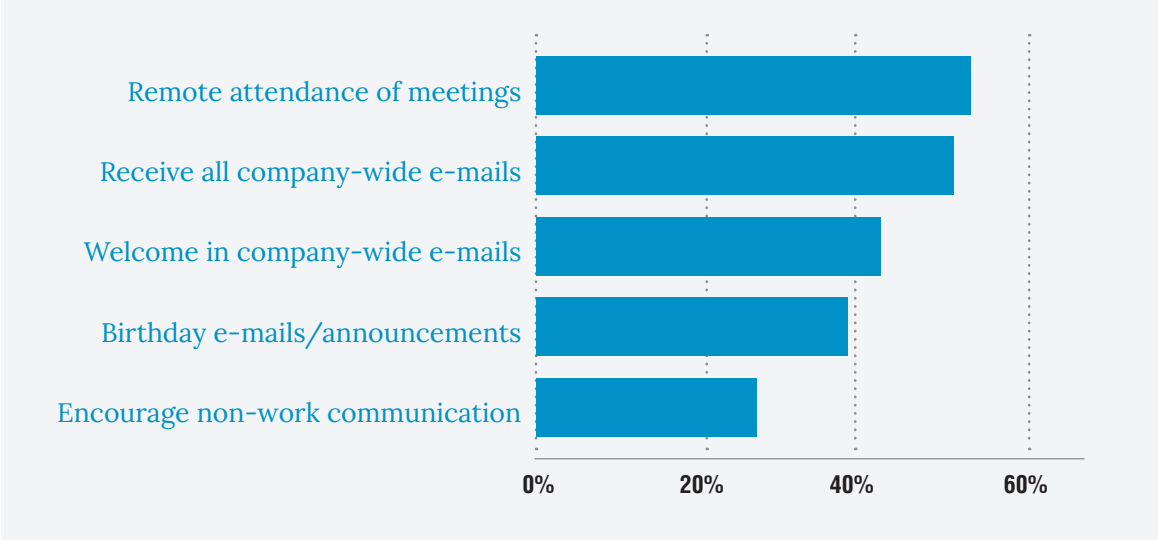
New employees typically get a team lunch, a welcome pack, coffee, and introductions to clients. Firms who are most successful make effort to bond their offshore and onshore teams. Ideally, your new offshore staff should be treated no different to any employee that joins your onshore team. Psychologically, the whole organisation needs to see them as part of the team, not external help.

*“To me, they’re part of our team, they’re individuals who we talked with by name and we treat them the same way you’d treat any of your other colleagues with the same kind of treatment and care”*

*[Interview #3]*

However, the Offshore Study found that many firms are still not integrating their offshore staff completely but instead treat them as an external workforce. Remote attendance of meetings is the most common way to integrate offshore staff, yet 47 percent of participants do not invite offshore staff to meetings. Other ways to integrate staff including receiving company-wide e-mails, being welcomed, or congratulated on their birthday are even less common. Interestingly we find that those that do engage in these practices are generally happier with their offshoring experiences and our interviews confirm that team integration is a critical success factor.





Q: "How do you integrate the offshore team with your wider business culture?" 257 valid responses.

*"Knowing (and spending time with) our staff, and their families, has been critical to our offshoring success. It is risky for overseas staff to make the move to offshoring, as it is new to them and their families. Getting to know the families helps to ease any concerns that they may have. Family is a huge influence on performance and loyalty."*

*[Survey comment]*

05

# REALISED BENEFITS

The most important benefits of offshoring.

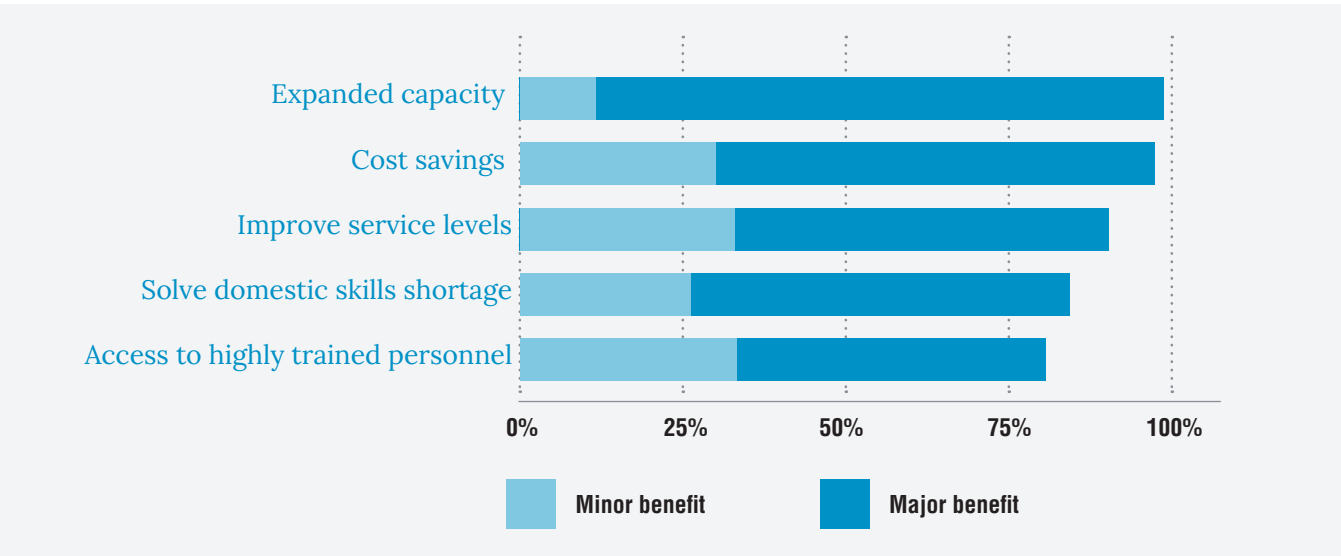
Despite common belief, cost savings are not the greatest benefit of offshoring or the main reason why businesses continue to offshore. Rather, they are the enabler.

## Extended Capacity

The Offshoring Research found that the greatest realised benefit of offshoring is expanded capacity. That is, that ability for businesses to focus on higher-value, business-critical work thanks to their offshore staff.

Where onshore staff are drowning in menial tasks, it may not mean enough consistent work to warrant hiring a full-timer locally. Although if that hire were made offshore, it would therefore be affordable, sustainable and make a huge difference to the onshore team's workload.

Expanded capacity is considered to be the most important realised benefit from offshoring as 88 percent of firms consider it as a major benefit and an additional 11 percent consider it as a minor benefit.



Q: "Could you rate the realised benefits from offshoring work as you perceive them?"  
251 valid responses.

While cost savings are also considered beneficial, only 68 percent of firms consider it to be a major benefit, while 30 percent consider it to be a minor benefit. This lower focus on cost savings was also present in interviews as most successful offshoring firms view the flexibility and ability to quickly increase or decrease staffing to be more important than simply saving costs.

This is also in line with some of the other benefits, which include improved service levels, the ability to solve domestic skill shortages and access to highly trained personnel. This marks a shift in the perception of offshoring away from a cost-saving exercise to a strategic choice that firms are using to transform their business model.

*“Offshoring enables us to plug capacity gaps, and that means that we can better manage our workflows...”*

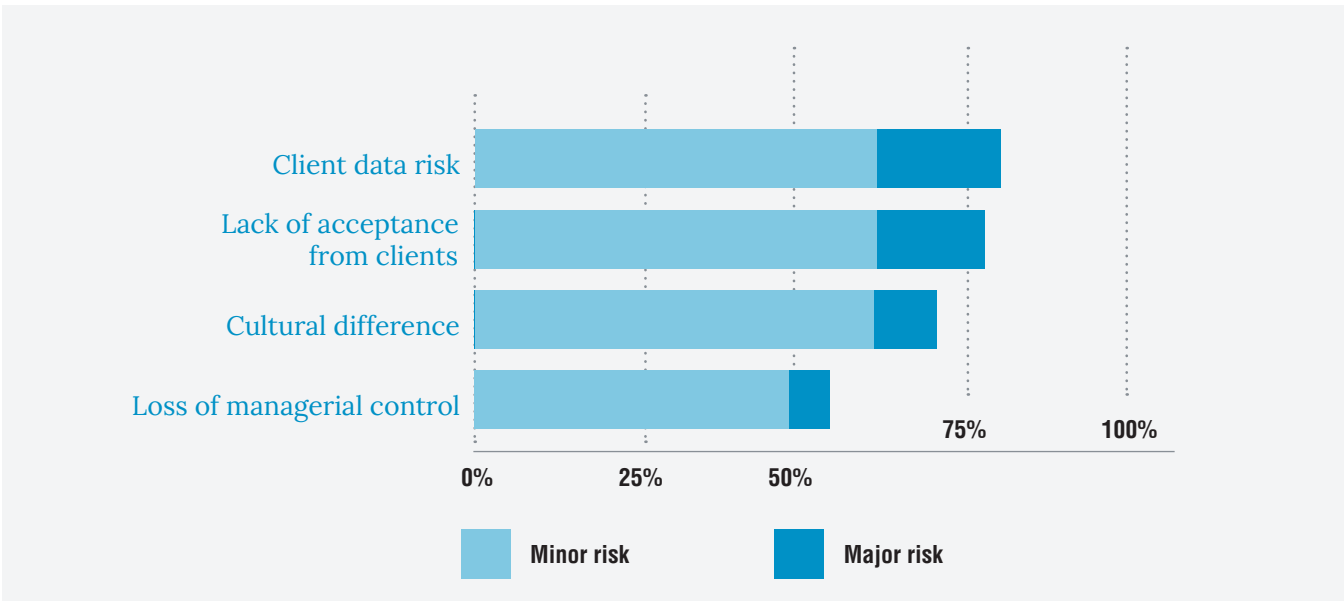
*[Interview 12]*



06

# PERCEIVED RISKS

Offshoring risks and how businesses overcome them.



Q: "Could you rate the associated risk with offshoring work as you perceive them?"  
253 valid responses.

Most of the perceived risks that are associated with offshoring are considered to be minor. Client data risk is identified as the most significant risk, but only 19 percent consider it to be a major risk, while 62 percent consider it to be a minor risk. A similar proportion of participants consider the lack of acceptance from clients and the cultural difference to be minor risks, but less of them consider these to be major risks. The view that data risk is a minor risk can be attributed to the fact that the majority of firms take control mechanisms very seriously.

## How do you protect client data to the point that it is a minor risk?

A good offshoring company, regardless of location, will have stringent policies and procedures in place to protect data.

*“We use a single sign-on system that is locked to the office location so they can't log in to it from home or anywhere else. All external drives are disabled, there are no printers, and mobile phones are not allowed on the floor. Entry to the floor is by swipe card. No pens or paper are allowed, so no data can be written down or taken.”*

*[Survey comment]*

## What about during COVID-19 and working from home?

Fundamentally, safety and security protocols should be the same for remote working and offshoring.

In the case where staff is forced to work from home, a good offshoring partner would ensure over and above standard protocols:

- Strict, clear policies and procedures. Employees need to know what they can and can't do with company and client information at home.
- Restrictions on the use of personal computers. In the case of Staff Domain – all staff were given office computers. However, if that is not an option, a personal computer should only be used to connect to a computer in the office through a secure server or a secure remote desktop connection. This way, you as the employer, maintain all the security controls and data in your own environment. Two-factor authentication should also be established every time remote access is commenced.

## How do you manage client acceptance of offshoring?

There is only one way to manage client acceptance – upfront and honestly. If you have chosen a professional offshoring partner, and have your own dedicated team, then in effect, you have an office overseas with your own employees. Trained by you, coached by you, collaborating with your onshore team, and following your company's policies and procedures. This is worth promoting upfront as an asset and is certainly worth discussing openly with your clients to dispel any concerns.

## 07

# 10 CRITICAL SUCCESS FACTORS

How to succeed in offshoring.

Through the survey and interviews, the Offshoring Study identified ten critical success factors that are associated with positive offshore experiences. These factors are now built into our methodology providing clients a proven path to offshoring with the backing of the best team in the market.

## 1. Selecting the right offshore provider

The most critical success factor is to select the right offshore provider. The main reason why survey and interview participants rated this as the most important factor is because the right offshore provider will usually ensure that you follow industry best practices rather than letting you make your own mistakes. In most cases, their guidance should ensure that you are also following the other success factors that we have identified. We recommend that you get in touch with multiple providers as it is often difficult to get a sense of right or wrong when you don't have benchmarks.

Based on interviews, the Offshoring Study found that one of the easiest mistakes to make is to choose the cheapest offshore provider. While offshoring is usually a cost-effective strategy, using cost as your main decision-factor will often end up being more expensive in the end as the workers that low-end offshore providers hire tend to be of lower quality. Many of our participants talked extensively to peers and several providers before taking the leap. Things to look out for are excellent communication, customer testimonials and ability to contact existing customers, and transparency of offshore staff working conditions. Finally, consider visiting the offshore office to get comfortable with the site, provider process, meet initial staff, and to start building your relationship.



## 2. Hiring the offshore staff

Offshore providers work under a range of different models that include taking your work and putting it through their team and their system, through to managing the back office for your handpicked team. For generic work and small volumes, using the service providers staff rather than dedicated staff is sometimes efficient. However, as the volume of work grows, you will most likely end up hiring dedicated staff in the offshore location. Some of the Offshore Study's participants let their offshore provider take care of the hiring as they felt the provider should know how to filter through applicants. However, it was found that successful firms are very involved in the recruitment process.

There are several ways to be involved:

- Defining the job description and requisite skills
  - Reviewing the first round of shortlisted applicants
  - Helping to cull the list of applicants
  - Interviewing the final three candidates
- 

## 3. Start by hiring senior staff

This may seem counterintuitive to someone new to offshoring, however one successful strategy is not only to hire your offshore staff but rather to hire senior staff initially. By hiring senior staff initially, you can focus on training and developing this small leadership group, building your working relationship with the one or two initial senior staff. Hiring two insures you against the situation where either one leaves. The senior staff then hire subsequent juniors and pass on the firm's expectations, training, and culture to the junior staff. While this is a more costly strategy, it will pay dividends later on through saving time and ability to grow a quality offshore team.

## 4. Handover, training, and open communication

Offshoring is in many ways similar to opening a new office, no matter where it is located. Consequently, successful firms tend to follow best practices and apply the same principles for establishing an offshore location. It is essential that there is an appropriate handover of tasks and processes so that the offshore staff know what they are to do and how they are to do the work. Related to this is the level of training provided. Some firms have adopted the strategy of hiring and training senior staff first so that they, in turn, can hire and train junior staff to fill out the offshore team. Formalising the training process is an essential step in ensuring consistency over time. Some firms write induction manuals, whereas others use more interactive technology-enhanced solutions. Lastly, creating a culture of being able to 'ask questions' and use open communication with regular check-ins between team members can improve workflow and quality. The importance of establishing open communication is heightened with an offshore location as cultural factors may sometimes decrease the likelihood of staff asking for help.

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## 5. Integrating Offshore Staff

The Offshoring Study found that those firms who are the most successful tend to put in the effort to try and integrate the offshore staff with their onshore or local offices. The goal is to treat them like any other employee, meaning that you should try to ensure that they feel part of the team rather than external hired help. This includes traditional work-related processes such as inviting the offshore team to meetings and including them in company-wide e-mails and other communication platforms. However it is equally important to try and establish familiarity and trust by getting to know the person and their family.

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## 6. Manager to manage teams

Just as you would assign someone the role in the onshore team to manage the workflows and the staff, the offshore team also needs to be managed. Successful firms often have a manager who manages onshore and offshore workflows, training and development, all of the organisational processes that makes the practice efficient. The manager needs to have a good working relationship with onshore and offshore parties and run regular meetings to discuss issues and communicate with the staff. In the Offshoring Study, the successful firms stressed the importance of managers travelling to the offshore location to meet with the team face-to-face. This helps build and maintain the relationship and bond between the locations. Where it is not possible, video conferencing is incredibly effective too.

## 7. Getting onshore team comfortable with offshoring

Offshoring is a change management exercise with respect to the onshore team. Onshore teams are naturally going to be hesitant. The fear for onshore staff will be ‘what about my job?’ Partners and senior staff will have to communicate with onshore staff that they are valuable and that this is about freeing them up so that they can spend more time working with clients and client files rather than mundane data entry and compliance work. Regular daily chats with counterparties, using technology, will help build rapport and reduce the ‘them’ and ‘us’ barriers. Regular contact will also reduce the potential for cross-cultural issues.

## 8. Having the right technology setup and skills

It is essential to consider whether you have the technical skills in-house to setup your offshoring processes. For the majority of firms, their offshore provider will generally guide them through the technical requirements and identify if there is anything that needs to be updated or set up before offshoring. It is recommended to have either an in-house IT specialist or engage an IT consultant in the process of offshoring. As the risks of exchanging client data across borders is significant, you need to ensure that your setup is secure.

## 9. Formalising business processes

A recurrent theme in the Offshoring Study interviews was the importance of formalising business processes before attempting to offshore them. Small firms have traditionally relied on tacit knowledge and often make decisions on an ad-hoc basis; however, this approach is a recipe for disaster when attempting to offshore tasks. Formalising business processes takes time; however, it will end up saving a significant amount of time once you are offshoring as your offshore staff will have a clear understanding of your expectations for tasks and how they should be done. This will save time, increase quality, consistency, and in the end, increase your returns.

## 10. Using a staged approach

The final critical success factor is to use a staged approach in your offshoring endeavour. Several of the Offshore Study participants noted that it takes time to get the offshoring right, so by starting with a small team you allow yourself to learn from these experiences to adjust your processes and behaviour before increasing your offshoring investment. Take ‘baby steps’ and ramp up your offshoring over time as you gain experience and confidence. A more staged approach also plays into the other key success factors, especially the people factors. It is going to take time to hire the right staff, train them, and build relationships between the onshore and offshore teams.

## 08

# FINDING THE RIGHT OFFSHORING PARTNER.

The importance of research.

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The Offshoring Study has made it clear that offshoring is here to stay for small to medium businesses:

- Offshoring adds flexibility and capacity to the team and fills gaps that local hiring either cannot fill or cannot fill with suitable local staff that will remain after they are trained.
  - Providing higher-end and more value-adding services is a positive outcome for the onshore team, the clients, and the partners.
  - For some, the change in business model has freed up the partners to provide advisory work and even take on an external role.
  - Offshoring firms are often explaining to their peers the value of offshoring and how it has added value to them, their business, and their client's businesses.
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If you're eager to offshore, it is essential you begin with the right offshore provider – and this starts with research.

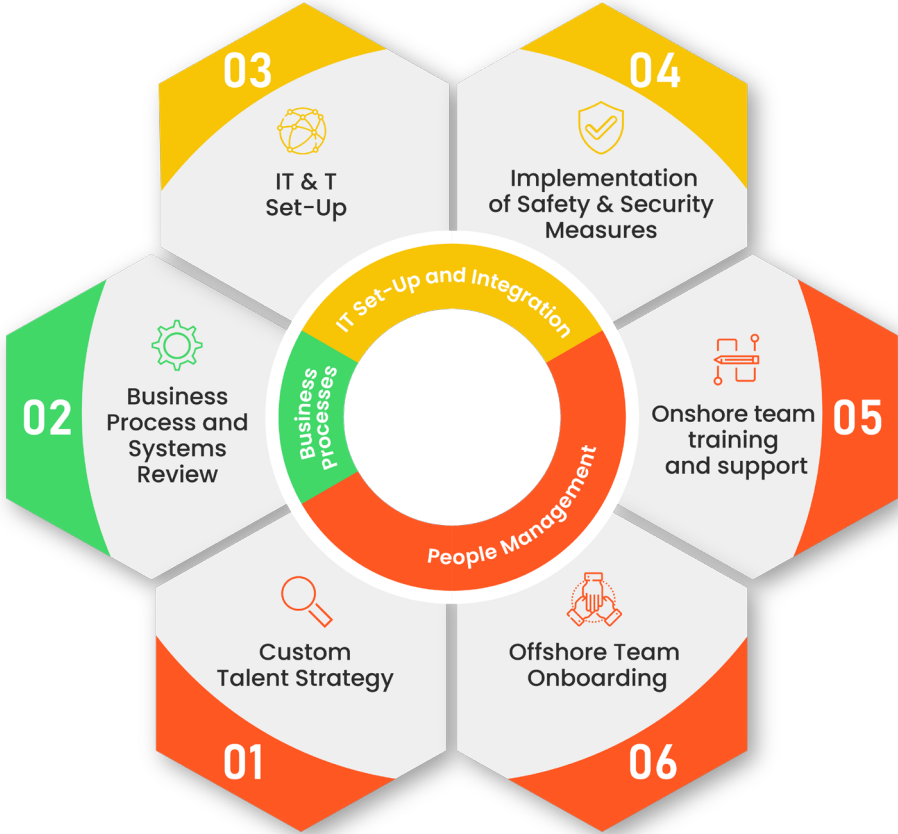
*“We looked for an offshoring partner that was reputable, had reasonable cost and our business models aligned, with ethical and good work culture. Two options were (1) smaller with more personal service and (2) bigger. We went with smaller firm as the vibe felt better.”*

*[Interviewee 1]*

# STAFF DOMAIN HAS YOUR RESEARCH – SORTED.

Staff Domain’s Growth Pack is a valuable piece of free business research you can’t afford to miss. It maps out the best offshore outsourcing approach for your business, including roles, current CVs, full pricing, business requirements and more.

Whilst the solution is unique to your company, it’s based on our methodology which is backed by the Offshore Study and 10 critical success factors cited in this guide.



With exclusive research in one hand and significant experience in the other, getting started with offshoring is easier than ever.

**Contact Staff Domain**



The smart place to grow.

**About Staff Domain:** Staff Domain is a global Business Process Offshoring (BPO) organisation laser focused on supporting small to medium businesses. They help clients worldwide achieve cost savings and rapid growth through end-to-end offshore recruitment and operational management in The Philippines and South Africa.

[www.staffdomain.com](http://www.staffdomain.com)



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## About the Research:

The research referenced in this guide (Offshoring Study) is from a first of its kind study exploring the offshoring practices of Australian small and medium sized accounting firms. The accounting sector was chosen because it was one of the first industries to offshore and is therefore a more mature segment to study. The research has revealed valuable offshoring insights applicable to industries far and wide thanks to a thorough survey and in-depth interview research model.

Conducted independently by Bond University and exclusive to Staff Domain, the study involved a survey of 1,160 SMEs. The objective was to establish the perceived v real benefits, why firms are offshoring and what critical factors are associated with successful offshoring experiences.

Survey Participants: 1125

Firms Surveyed: 1160

In-depth Interviews: 15