



How Australian businesses use outsourcing to fuel growth



Introduction

The pressure on Australian businesses for improved performance is unrelenting. And it's increasingly challenging for businesses – whatever their size – to stay competitive in today's rapidly changing global economy by relying solely on their own resources. Outsourcing of certain business functions and increasingly, knowledge processes, is a necessary response to this challenge.

But is the way in which Australian businesses approach outsourcing changing? What is the impact of outsourcing on their onshore business? And can we expect the demand for offshore services to continue to grow?

Drawing on recent survey findings from our clients, together with industry studies, this report aims to provide an in-depth review of the drivers and trends in the onshore market.

The bottom line

Outsourcing is fuelling business growth and leading them to invest more in their onshore and offshore teams:

- 83% of businesses report positive results in terms of efficiency gains, improved margins and cost savings
- 56% of these businesses predict an increase in their current full-time staff headcount over the next 12 months
- 66% of these businesses say they appreciate the quality of employees most.



THE BIG PICTURE

Outsourcing has taken a new direction. Following hot on the heels of the success of Business Process Outsourcing (BPO) and the improvement in offshore providers' offerings, companies are now outsourcing core processes that require higher specialised skills in a phenomenon known as Knowledge Process Outsourcing (KPO).

In the traditional BPO model, outsourcing core processes requiring complete knowledge was considered somewhat risky. Today, however, companies are confidently outsourcing recruitment services, operations management, IT support, human resources, financial and accounting services, marketing, creative services, web development and many more 'knowledge processes' to offshore partners, indicating a decisive shift.

KPO opens the door to a talented resource pool with advanced analytical and technical knowledge as well as a high degree of specialist expertise – talent that Australian enterprises may not be able to access or afford closer to home.

This goes some way to explain why KPO is not the exclusive domain of larger organisations, but, is embraced by businesses of all sizes, from enterprises with just a few employees to blue-chip businesses.

Respondent profile

This report is based on primary data. Predominantly it draws on the results of our survey on onshore outsourcing conducted with clients in 2019. 78 businesses were asked about the use of outsourcing in their businesses, their reasons for implementing an offshore element into their organisation, their outsourcing experiences, future growth plans and other outsourcing related topics.

Respondents represent a broad range of industries, including IT services, tech, retail, financial services, HR and recruitment and more.

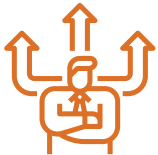
Detailed survey findings



Strategic cost savings

The need for businesses to operate more efficiently and cost-effectively is an ongoing trend. **40% of respondents reported cost savings as their primary objective** behind outsourcing.

Outsourcing is just one way that businesses are looking for longer-term cost reductions to stay competitive.



Flexible teams at the ready

Second only to cost savings is operational flexibility. **18% of respondents revealed flexibility was their second most important driving force** behind outsourcing.

Businesses of all sizes are able to customise their offshore operations according to what they need – whether that's one or many business processes, on a continuous or project basis.



Extending global reach

Operating out of other countries enables clients to extend their company footprint outside of the local market. Australian businesses recognise the benefits that Asian integration and cultural enhancement can bring to their firm – not to mention the ability to create a regional hub and time zone flexibility. As a result, **17% of respondents identified global reach as their number one driving force behind outsourcing.**



Improved focus on core business

With services and assets being handled by an offshore partner, businesses can concentrate on doing what they do best. Client feedback indicated cost savings were being reinvested back into the business growth strategy, revealing that **15% of respondents utilised outsourcing to improve focus on their core business.**



Access to knowledge and skills

10% of respondents identified that access to knowledge and skills was their number one driving force behind outsourcing. Businesses want to draw on an additional, highly skilled talent pool to improve business performance – in other words, to obtain skills they otherwise cannot afford closer to home. This is evidence of the growing trend towards KPO among Australian businesses.

Important:

Successful outsourcing begins with an understanding of your business's core identity and competencies. If you understand your unique competitive advantage, you can look at what work you're doing that others could perform better and more cost-effectively. By avoiding allocating resources on non-core competencies, you will not only operate more efficiently, but you can be confident that these business processes are in expert hands.



CHOOSING AN OUTSOURCING PROVIDER

Organisations are looking to their internal operations as a source of competitive advantage. By outsourcing these internal operations, you can create pathways for efficiency gains, cost savings, improved margins and overall business growth - provided you choose the right partner.

The reasons behind a company's choice of an outsourcing provider comes down to their driving force behind wanting to outsource. Do they want to save money? Do they want access to global talent? Do they want to extend their hours of operation? The list goes on. The better the match, the better a company can fill its skills gaps and improve its overall business performance.

The choice of provider also has a huge role to play in reducing the perceived risks of outsourcing, such as loss of control and impact on quality. As one respondent commented:

“We set out to find good people, even if we had to pay a small premium. This undoubtedly de-risked the venture for us making it a positive experience.”

The top five reasons behind the respondents choice of provider



Referral

Referrals from existing clients attest to a provider's positive delivery performance.



Competitive value

Choosing a provider that has succeeded in the past by providing businesses with a competitive advantage.



Services offered

A range of services packaged to meet the company's business goals and needs given the flexibility and transparency they need in their offshore operations.



Professionalism

Professional attitude that provides businesses with more confidence when embarking on an outsourcing journey.



Quality of facilities

Quality of facilities that mirror global corporate standards, and their own standards.

“The MicroSourcing model is now a critical part of our business; the flexibility in terms of working hours, opportunity to scale as new business comes in the door, and ease of communicating with staff is essential for our business growth.”

Important:

Your outsourcing partner should be just that – a partner. While it is obviously crucial to build a sound understanding of the specific functions the provider will inherit, ultimately what makes the partnership successful are the teams and processes the provider will dedicate to your company. Is there a good cultural fit with your organisation? Can they demonstrate commitment to strong relationship management with clients, including trust, proactive communication and effective issues resolution? These are the factors that will make or break your outsourcing experience.

THE RESULTS

When it comes to outsourcing, the numbers don't lie. A vast majority of company's (83%) claimed that outsourcing has had a positive impact on their business performance. How? Providing clients with access to the Philippine workforce has allowed clients to **reduce their operating costs and labour costs down to 25%**. Considering the cost of living in the Philippines is up to 70% lower than here in Australia, clients are able to access highly skilled talent for a fraction of the price. As a result, clients are reaping competitive advantages, allowing them to scale and grow.

Other measures of success include but are not limited to:

- Reduced overheads
- Productivity and process improvement
- Improved quality
- Enhanced service delivery
- Improved focus on core capabilities
- Improved relationships with customers and suppliers.

Outcomes are everything for companies today. It should come as no surprise, then, that those companies who experienced a positive impact on their business have already invested more in their outsourcing solution. In fact, 56% of respondents predict an increase in their current full-time offshore staff numbers over the next 12 months.

It's also worth noting that 66% of respondents have revealed they appreciate the quality of employees the most - which comes down to the sheer talent that is available in the Philippine workforce and the rigorous recruitment processes implemented.

All of these factors have contributed to the success of these businesses and will continue to improve their overall performance into the future.

IN CONCLUSION

While outsourcing has traditionally been the domain of large multinational companies, our report highlights that size is not a barrier for Australian businesses who want to drive competitive advantage. Our findings show that the vast majority of Australian SMEs currently using outsourcing services are enjoying the advantages it brings – particularly in terms of staff knowledge and expertise. It is fuelling their business growth and leading them to invest more in both their onshore and offshore teams. However offshore outsourcing still remains a widely untapped resource for SMEs who are yet to recognise that its not only a viable business strategy, it is imperative to achieve business growth in a highly competitive and globalised market.



For more information, please visit
our website or contact us today:

U.S./Canada: +1 888-731-0023

Australia: +61 3 7003 9283

www.microsourcing.com

