The Definitive Guide to
OUTSOURCING
IN THE PHILIPPINES

A Complete Guide to Growing Your Business with Outsourcing

Contents

Introduction

Raise your hand if you have ever felt overwhelmed by staffing issues within your company.

As your business grows, you start to face steadily increasing employee costs; not just payroll but the overhead of managing your staff, the cost of real estate to accommodate them and infrastructure to support them. You may also be challenged in finding particular skill sets, or need to scale up quickly without a massive injection of cash into your business.

Well, there's good news. While large enterprises have been reaping the benefits of outsourcing for many years, there are a number of options that make it viable for smaller business now. Accessing offshore staff can considerably improve your bottom line, and relieve you of a load of employee related headaches too.

Outsourcing isn't for everyone. In this comprehensive e-book guide, we'll walk through the pros and cons of outsourcing, explain which types of business can benefit, and take a look at the most commonly outsourced positions in the world today.

Ready? Let's dive in.

The Basics

What is Outsourcing?

Outsourcing is a business practice in which an organization hires staff or transfers portions of work to outside suppliers, rather than completing it internally. This can range from everyday business processes such as payroll and claims processing, to non-core functions such as manufacturing and call center support.

The most common reasons for outsourcing are reducing costs, scaling up quickly, tapping into a new resource pool for particular skills, and providing extended service hours.

How Does It Differ from Offshoring?

Although outsourcing and offshore are often used interchangeably, there are distinct characteristics between the two. Outsourcing or "outside sourcing" is when a company contracts an outside provider for services or functions that can be or are usually carried out by in-house staff and are typically non-core business functions.

Offshoring is the moving of various internal operations to another country to be carried out at a lower cost. In this situation, no external service providers are used; the company typically establishes it's own legal entity in the lower cost location.

If you think you might like to set up a company in the Philippines, **here is what you should know first.**

Signs You Might Need to Outsource

Outsourcing doesn't suit every business, but there are a multitude of activities that don't need to be performed in your expensive location. Do you answer "yes" to any of the following?

1. Do you need to reduce operating costs?

Are you feeling a financial strain from your day to day operational costs? Outsourcing is one way that you can free up some much-needed capital to be used to reinvest into your business.

Moving your staff to an offshore location not only results in lower payroll costs, but also the operational overhead associated with staffing.

2. Do you need to scale up quickly?

Is your business doing well, but you cannot free up enough capital to expand your operations? Scaling up is expensive and there are a lot of cost involved in doing so. Let's say that you are ready to hire 5 new staff for your business. Those new team members will require office space, furniture, computers, maybe an internet upgrade.

By outsourcing these new roles, or perhaps some other roles in your business, you can scale with no up-front expenditure, depending on the outsource partner you select.

3. Do you have senior staff doing basic administrative tasks?

Is your sales manager creating basic reports? Is your finance manager doing your data entry? A common issue that a lot of companies face when they are still growing is that there is too much to do, and not enough staff to do it. Often, high-level staff are bogged with mundane tasks that is not generating income and preventing them from focusing on the more important tasks. Outsourcing administrative roles can greatly improve operations by freeing up your expensive staff.

4. Are the staff you need to hire too expensive for your budget?

Do you find yourself needing to hire an employee for a high-level position, but you are unable to afford their salary? Rare skills command higher rates anywhere in the world, but those rates are generally much lower in outsourcing friendly countries and you still get access to the same skill set as you would in your own country.

5. Do you want to extend your services or capture markets in another time zone? Would you like to extend your operations to a new country or to cover a new time zone?

In many Western countries, it is nearly impossible to find staff to work the night shift, regardless of pay. Outsourcing a key role such as a Customer Service Representative to cover different time zones will ensure that your business is not missing out on a broader market due to geographical location.

If you answered "yes" to any of those questions, your business could greatly benefit from a free assessment on outsourcing.

Advantages and Disadvantages

In assessing if outsourcing is the right resourcing strategy for your business, a quick assessment of the pro's and cons is in order.

Advantages of Outsourcing

● Reduce and fix operating costs

Outsourcing eliminates the costs associated with staffing such as office accommodation, infrastructure, management oversight and of course payroll. You can also agree with your service provider on fixed costs which enables you to manage your budget and cashflow effectively.

● Improve company focus

Handling every facet of your business yourself can be distracting. Outsourcing allows you to shift specific functions to another company so that you can focus on your core business.

● Access a new talent pool

In your market, you may need a skillset that is rare and therefore expensive. While opening up your employment search to a new market, you may be delighted to learn you can aquire the skills you need readily, and at lower cost.

● Scale up quickly

If you need to grow quickly, the associated costs can be prohibitive. In addition to the recruitment, you may need to expand your office space, purchase new furniture and upgrade your IT infrastructure. Handing all these problems over to someone else can save you considerably.

Disadvantages of Outsourcing

● Loss of Control

Using an offshore team means that staff performing duties for you are no longer under your direct line of site. This means you lose visual cues as to performance and engagement. You need a trusted partner to ensure you are looped in to any changes in behaviours.
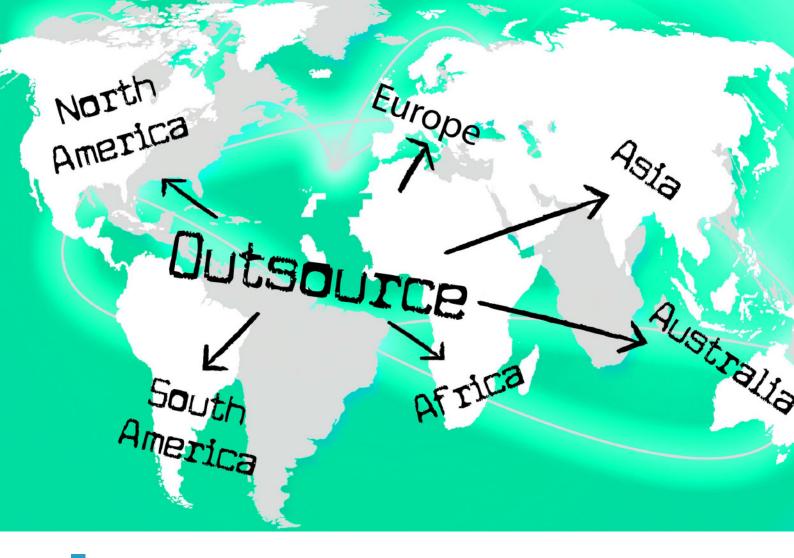
Employee Morale

● Your onshore team may become unsettled if they see some roles being outsourced. They may feel their jobs are under threat and that may affect morale as well as performance. You may also come under criticism from your community. Your service provider can assist you with positioning your strategy appropriately for the global market in which you operate, as well as ensuring your positive culture isn't affected by the change.

Long Term Contracts

● Due to the very investments that you are being spared, such as real estate and infrastructure, some outsourcing companies require a long term commitment, or a minimum spend before taking on your business. Look for a partner that makes it as easy to exit from their services as it is to engage with them.

Cultural Disconnects

● When you outsource to a service provider in the Philippines, you are introducing a global element to your business which may be new to you. There may be misunderstandings and disconnects. Ensuring your partner understands your geographic culture, and is aware of your company culture will smooth these issues.

Best Countries for Outsourcing

In most scenarios, outsourcing is carried out in countries that have a low-cost of living to capitalize on the switch.There are numerous locations across Asia and Eastern Europe that offer a diverse talent pool of highly-educated, motivated employees for hiring.

Here are the top 3 countries for outsourcing:

India

India is perhaps the most well-known for outsourcing. India has an incredible annual growth rate of 25-30 percent per year, and has one of the fastest developing infrastructure in the world.

Other Advantages:

Access to a large talent pool

India has a population of 1.2 billion people and produces 3.1 million graduates for the workforce each year. It offers several outsourcing functions including: engineering, accounting, law, marketing, data entry, HR, and call center agents.

High-quality results at low cost

India is home to a surplus of technically skilled workers that can produce the same quality of work as their Western counterparts, but at a much lower cost.

Reliable infrastructure

India has one of the fastest Internet connections in the world. The Indian government ensured that the country is ready to meet global market demands by investing heavily in infrastructure and technology which means that you won't have issues with communication.

Philippines

The Philippines is another rapidly expanding destination for outsourcing and the sector makes up for 8% of their gross domestic product. This number continues to rise every year as more companies shift their operations to the Philippines.

Other Advantages:

Language and cultural compatibility

Filipinos are accustomed to adapting to other cultures as their nation has been colonized by Spain, United States, and Japan. Filipinos have excellent English skills which makes the country a prime location for voice-related outsourcing jobs such as customer service representatives.

Government support

Since the outsourcing industry brings in so much revenue into the country, the government has fully supported the business practice. Special "Economic Zones" have been established throughout the country which grants fiscal and non-fiscal incentives such as a 4-year or 8-year income tax holidays for offshore organizations.

Work ethics and values

Filipinos are known to have excellent work ethics, and this can be traced back to values and beliefs that have been inculcated through the generations. A predominantly Catholic workforce, Filipinos have been raised to believe that certain personality characteristics like honesty, integrity, and dedication are important in both their personal lives and at work.

Malaysia

Malaysia has a vibrant ICT (information and communications technology) Industry and it is the Malaysian government and industry's aspiration to generate USD 3 billion revenue and with a total of 200,000 jobs by 2020.

Other Advantages:

Government support

The Malaysian government has undertaken various initiatives through strategic plans and policies such as "Business Services" from the National Key Economic Area which focuses on building globally competitive outsourcers, with a target of creating 43,330 high value-add jobs for the country by 2020.

Robust economy

Malaysia's economy is well adapted at handling global economic crisis. In fact, Malaysia has been ranked the 59th freest economy in the world by the Index of Economic Freedom in conjunction with the Wall Street Journal.

Educated workforce

Malaysia currently has 20 public universities, 21 private universities and more than 400 colleges that are known to produce over 350,000 graduates annually. This had led to a 93% literacy rate in the country and a sector in which a wide range of well-educated staff are readily available for hire.

Which Roles?

Choosing the right roles to outsource greatly depends on the current needs of your business. You might be in a position in which outsourcing a few key roles will greatly improve your day to day operations, or you might find it more financially or technologically feasible to take an entire sector of your organization offshore.

Let's cover the most popular fields for outsourcing and the roles that are in the highest demand.

Financial Services

The demand for outsourcing financial and banking services has been quickly increasing as more and more organizations turn to third parties to handle significant portions of their businesses. In fact, the reduction of overall back-office operational costs has allowed a large number of major retail banking institutions to expand their own offering and expertise.

However, outsourcing financial services does not only pertain to large organizations as it gives small business an opportunity to have access to better technologies and to a diverse talent pool of highly-qualified employees at a fraction of the cost of their home countries

Let's take a look at the at the top financial services roles in the outsourcing industry:

Bookkeeper

Bookkeepers are responsible for maintaining financial records, tracking accounts, and verifying the accuracy of procedures used for recording financial transactions. These transactions include purchases, sales, receipts, and payments by an individual person or an organization/corporation.

Accounts Payable

Accounts payable employees ensure that the company's bills are paid on time. They are the individuals who is responsible for receiving, opening and logging invoices, securing department approval to pay invoices, paying the invoices, and contacting the creditors with questions or concerns about bills.

Accounts Receivable

These are the people who ensure that your company receives the payment for either the services or the products offered or sold to your clients. Typically, they are the people who send the bill reminders and statements to your clients, and post financial transactions to an accounting system.

IT & Computer Services

The field of Information Technology, or IT, is one of the largest outsourcing sectors in the world. In fact, the annual revenue brought about by IT outsourcing is estimated to be between 60 to 70 billion US dollars annually when excluding cloud-enabled outsourcing and Software as a Service.

According to Computer Economics, about 95% of IT organizations have turned to outsourcing their disaster recovery plans due to its cost effectiveness.

The study also revealed that the most common IT functions outsourced by companies are: application development, application testing, application hosting, application maintenance, data center operations, database administration, desktop support, disaster recovery services, help desk services, IT security, network operations, and web/e-commerce systems.

Let's look at the top IT roles in the outsourcing industry:

Software Engineer

A software engineer is a person who applies the principles of software engineering to the design, development, maintenance, testing, and

evaluation of the software and systems that make computers or anything containing software work. They oversee each stage of the development process and create customized systems for every client.

Systems Engineer

A computer systems engineer is an IT professional who uses the knowledge of computer science, engineering, and mathematical analysis to develop, test, and evaluate software and personal computers. They often provide advice with regards to the appropriate hardware or software to clients to ensure that specific needs will be met.

Web Developer

Web developers, also called web designers or webmasters, design and maintain websites. They are responsible for creating the code for everything from the site layout to features and functions on the webpage. Unlike designer who are responsible for creating the overall design of a website, developers are responsible for the actual creation of a webpage.

Business Administration

Administrative personnel are the easiest roles to offshore and some companies start with one of these roles to "test the water". Hiring an offshore adminstrator can take considerable load off your expensive, senior staff in your home location, enabling higher productivity from them.

HR Administrator

An Office Administrator is responsible for supervising and coordinating activities of staff, interviewing job applicants, and conducting orientation programs for new employees. They administer salaries, determine leave entitlements, prepare annual estimates of expenditure, maintain budgetary and inventory controls, and make recommendations to management. They are involved in staff training and development, preparation of job descriptions, staff assessments and promotions.

Researcher

A Researcher is responsible for conducting research to determine people's opinions on products and services. They perform both social and market research to evaluate consumer buying behaviors and create surveys and questionnaires and distribute them. They also perform qualitative research to attempt to understand why people do, buy, or think a certain way by researching their attitudes, opinions, and actions, and formulate plans or proposals before researching a topic.

Transcriber

A Transcriber is responsible for data entry. They listen to recordings and type the spoken content verbatim into a written transcript. They also do proofreading, formatting and editing rather than on transcription. They primarily transcribe recordings from earnings conference calls that publicly traded companies conduct when they release their quarterly earnings.

Data Analyst

A Data Analyst is responsible for interpreting data, analyzing results using statistical techniques and providing ongoing reports. They develop and implement data collection systems and other strategies that optimize statistical efficiency and data quality. They acquire data from primary or secondary data sources and maintain databases/data systems. They also identify, analyze, and interpret trends or patterns in complex data sets. They filter and "clean" data, and review computer reports, printouts, and performance indicators to locate and correct code problems.

Administrative Assistant

An Administrative Assistant is responsible for answer and directing phone calls, organizing and scheduling meetings and appointments, and maintaining contact lists. They produce and distribute correspondence memos, letters, faxes, forms, and assist in the preparation of regularly scheduled reports. They also book travel arrangements, submit and reconcile expense reports, and provide general support to visitors.

Choosing a Partner

So far, we have discussed all the major factors associated with outsourcing. By now you should have a pretty clear idea if the business practice is suitable for you. However, the absolutely most crucial aspect of outsourcing is choosing the right outsourcing partner.

All the benefits that we listed above can be thrown right out the window if you chose the wrong partner.

How Would You Rank These Elements of Outsourcing:

- Lowest cost provider
- Values-based culture
- Focus on employee engagement to reduce attrition
- Flexibility in meeting my needs
- Experienced staff management, stakeholder management
- Upfront fees
- Exit fees
- Long term contracts
- Professional
- On site Western management
- Hands on owner/founders
- Open and transparent in pricing model
- Billing in my currency
- Fixed exchange rates
- Professional working environment
- Track record in attracting and retaining talent

Questions To Ask:

- Can I chat with your staff about their employee experience?

- Can I chat with your clients about how they work with you?

- You've been in business for less than 2 years, how do I know you will survive the start-up phase? or

- You've been in business for 2-5 years, what changes are you making to ensure you can scale? or

- Your been in business for more than 5 years, are you flexible in your service offering?

- How many clients do you have, and how have they grown with you?

- How many clients have you lost, and why did they leave you?

- How long is the contract with you?

- What upfront fees do I need to pay?

- How do I exit your services – what is the notice period?

- How do you handle performance issues in my staff

- Can you help me understand the culture differences I might notice?

Using your ranking of priorities, discuss with your potential partner how they can meet your needs.

Getting Started with Outsourcing

The easiest way to get started with offshoring is to analyse your current workforce and consider which role(s) might deliver quick wins. Armed with this information, you can engage with a partner to find suitable candidates.

Sound too hard? Yempo offers a service that does just this. Using a few reports from your office, under full NDA, we can:

- Analyse your opex to determine the actual cost per head in your office

- Recommend the first role or roles to outsource

- Develop a plan for outsourcing additional roles

- Deliver a brief analysis on cost savings you can achieve quickly

- Deliver a full analysis of extrapolated cost savings
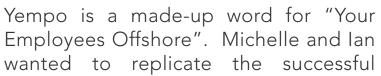
- Provide sample candidates for selected roles

This ebook has given you insights into the benefits of moving work offshore, the pros and cons of outsourcing, and hopefully de-mystified the whole process!

Are you ready to take the next step? Our Customized Outsourcing Analysis is a completely customized and confidential analysis of your business and will reveal the long term benefits of outsourcing.

CUSTOMIZED
OUTSOURCING
ANALYSIS

CUSTOMIZED OUTSOURCING ANALYSIS

GET STARTED

Interested to know how much you could save if you moved some of your roles offshore?

About Yempo

Yempo is a values driven, boutique outsourcing businesss operating in three locations in the Philippines. It was founded in 2014 by Michelle Fiegehen and Ian Parkin, based on their shared experiences building and managing diverse offshore teams for a global investment bank.

Yempo is a made-up word for "Your Employees Offshore". Michelle and Ian wanted to replicate the successful Shared Service offshoring functions running for large enterprises, and provide those benefits to smaller businesses. They focussed on building a company that is highly professional and ethical.

Ian has lived and worked in the UK, USA, Hong Kong and Australia. With a strong technical background, he worked as a Program Manager on the technical components of mergers and acquisitions. He has managed global teams, including critical 24/7 support functions in the Philippines and India. Ian resides in Sydney, Australia.

Michelle built and managed an IT Infrastructure team providing engineering and operations support services to the globe. She has lived and worked in Australia, the Philippines and India and is a resident of Cebu, Philippines.

Now in its third year of operation, Yempo is servicing a small but satisfied client base with staff numbers from just 1 up to teams of more than 15.

I About The Authors

Travis Page is a digital marketing expert who has lived and worked in the Philippines since 2009. As well as possessing a wealth of marketing experience, Travis has directly employed and overseen a team of Filipinos for his own business "Social Media Solutions". Travis also acts as the onsite manager for clients outsourcing sales and marketing staff to Yempo.

Michelle Fiegehen is the CEO of Yempo, a boutique offshoring company in three locations in the Philippines. She has lived and worked in the Philippines and India since 2009, building offshore capability for clients in Australia, United States, Canada, United Kingdom, Singapore and Hong Kong.

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