



Newsletter Article

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CATCH OFFSHORING'S NEXT WAVE AND WATCH REVENUE RISE

By Rajiv Goyal and Bob Olson

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Who says offshoring can address only one side of the balance sheet? Boosting the productivity of your rainmakers at slight cost can produce a 30-40 % increase in revenue.

Offshoring and the Wave

Where will the next wave of offshoring value come from? History is helpful, and history says that offshoring waves respond predictably to market forces that cause production costs to spike or revenue to falter.



Wave One was, of course, ITO (information technology outsourcing). Driven by the Y2K bug and the dot.com boom, financial services firms, desperate for workers to perform the low-level repetitive work of writing or rewriting miles of code, found such resources overseas, mainly in India. The vast wage differential saved them money and accelerated their embrace of the internet.

ITO's success also familiarized the financial services firms with the whole offshoring concept – the cultural, legal, and operational risks as well as the sizeable rewards. Inevitably, they scrutinized their domestic operations for other offshoring candidates – processes where they were paying relatively high wages for mundane, repeatable work requiring low-level, trainable skills.



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The result was Wave Two, Business Process Outsourcing (BPO). First to go offshore were back office functions (finance, accounting, human resources), followed quickly by front office functions (customer support, contact centers). While success was not unmitigated and some reshoring occurred, the financial firms and their vendors learned together, and the result has been a mature and professionalized BPO industry and streamlined, more efficient financial services firms.

Wave Two's success only whetted the appetite for savings and turned attention to higher-skilled business processes within the financial services firms, seeking out educated resources overseas. It led directly Wave Three, Knowledge Process Outsourcing (KPO), involving core, sensitive, high-information functions. Recalling the firms' anxiety accompanying the shift of the most mundane of activities just a decade or so ago, it is remarkable to observe the ease with which essential processes like compliance, underwriting, and business intelligence are offshored today.

Which brings us to today, and today's rainmakers – the high-value, highly-skilled, hard-to-find producers of big-ticket revenue. Whether they are in financial services, real estate, manufacturing, healthcare, or technology, today's rainmakers are saddled with many obligations that consume time and energy that diverts them from their primary goal and value: bringing in revenue.

A recent study found that sales people spend 20% of their time on administrative tasks and only 30% of their time selling. One of the biggest and fastest growing distractors is compliance. Regulators often respond to industry inventions, scandals, or shortcomings with new rules and more reporting demands, and no one is immune, including sales people. Financial services firms in particular have seen their compliance burden grow and expect it to continue to do so.

What else is taking their time? There's no doubt that automating administrative functions has been a boon to overall efficiency, but it has also pushed back to professionals' tasks that used to be performed by support staff. Just one example: The average rainmaker used to spend almost no time on his or her expense report – just handing a wad of receipts to an admin once a month. Today, the task has been largely automated, but responsibility for it rests with the professional.

Do your rainmakers – your brokers, lenders, advisors, and other sales people – file their own expense reports? Do they, for the same reasons, file their own time sheets these days? Do their own printing? Maintain their own files? Answer their own phones? Make their own travel arrangements? True, these tasks are easier thanks to mobile phones, apps, and other work-saving inventions. But by enabling firms to eliminate administrative support, they have shifted small increments of constant distraction back on to their most valuable employees.

Even those administrative functions that are clearly sales-focused can be a poor use of a rainmaker's time and energy. How much time do your revenue producers spend on order processing and tracking? How much on generating sales reports for various purposes, or updating CRM and other databases?

A few financial services firms have experimented with bringing back corporate support staff, but costs are high and retention is low. Administrative assistants in the U.S. for example average \$40,000 a year, and they typically seek promotions once they've learned the ways of the firm.

Besides, in today's far-flung, virtual environment, delegating to admins is difficult and only minimally useful. Today's rainmakers prefer a "caddy" – someone who not only helps them with their routine tasks but can also help them strategize their game, understand their function in detail, and work hand-in-hand to multiply their productivity.

As a result, firms are increasingly adopting offshore options, replicating the rainmaker with in an offshore resource of near-equal caliber as a shadow resource. At less than 20% of the rainmaker, the cost barely registers but delivers productivity gains of over 50% in the topline.

Not every new investment in sales produces a rainmaker. However, multiplying results from a proven rainmaker makes this offshore investment relatively certain. Early results of this strategy are compelling. One leading alternative investment company found that for an additional cost of 20% in offshore shadow resources, its revenue producers averaged an additional 30-40% revenue gain each month.

If your revenue producers are spending more than 20% of their time in non-selling functions, it may be time for you to look at RPO – revenue process offshoring.



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