



## Offshoring – it's about growth

According to research from ACG Global, offshoring transactional and sales support activities can **free up to 40% of onshore sales time** and enable significant revenue and market share gains.



Many of our clients, including leading MNCs, complain that in addition to enduring pressure to reduce costs they also have to deliver the growth needed to make up for Europe and the US.

Offshoring is seen as a strong candidate when it comes to cutting costs, but could it also help lift market share? Recent studies from ACG Global indicate that, when properly executed, offshoring programs can not only reduce costs but also directly contribute to revenue and share.

## Cost driven offshoring

Relocating business processes to a lower cost (offshore) destination such as India, Vietnam, or the Philippines delivers lower operating costs and scalability.

Yes, there are risks, including attrition, dilution of core competencies, spiraling overheads, and sometimes erosion of organizational culture and morale. Yet potential savings, and the constant availability of new destinations (Kenya, Egypt, the Baltic states) ensure a compelling case.

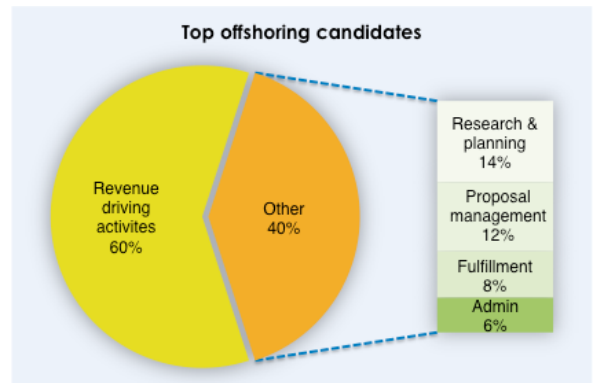


Fig. 1 – Sales activities offshored. ACG Global selected assignments 2006-11.

Increasingly non-transactional processes such as BD, R&D, Procurement and HR have also been thrown into the offshoring mix. But given the need to find additional growth is it time to look at offshoring as an enabler of sales productivity and growth?



**Vlad Isaac, ACG Global, says:** “Companies which understand the role of offshoring in growth have been able to free onshore sales resource by exporting transactional and selected customer-facing tasks and have used the freed up time to drive incremental revenue – often without additional headcount!”

## Growth driven offshoring

ACG have been tracking the cost and revenue impacts of offshoring projects since 2006 and argue that offshoring the right activities can generate sustainable revenue uplift.

Offshore consolidation of selected BD and transactional activities (see Fig. 1) can free up to 40% of sales time. Redirecting freed-up time to revenue generating activities can enable an average revenue uplift of up to 16% (Fig. 2)

But a word to the wise - freeing up sales time does not automatically deliver revenue. Without building additional skills and new habits, organizations obey Parkinson’s law and “work done will expand to fill the time available” (see box).

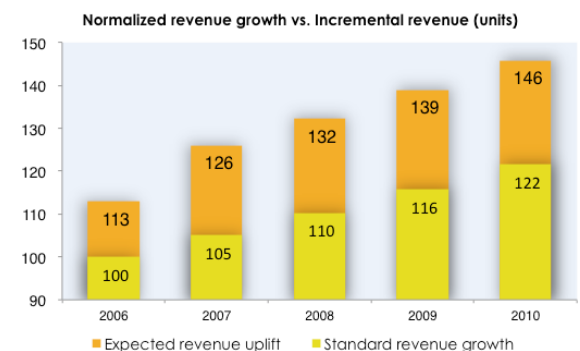


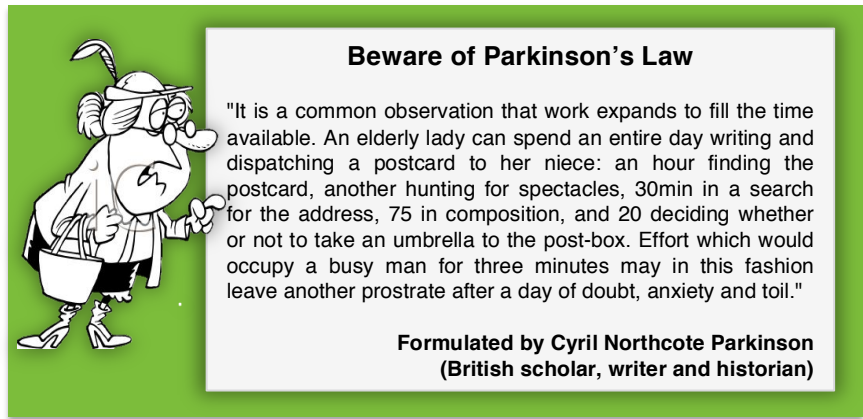
Fig. 2 – Normalized revenue growth vs. Incremental revenue ACG Global selected assignments 2006-11.

How to ensure that time freed up by offshoring tasks is actually invested in growth generating activities?

There needs to be a disciplined focus on instilling desired behaviors and ensuring that the team does not fall back on the “old” way of doing things. Sales training which incorporates non

classroom elements (“outcome-based” training) and alignment of incentive schemes to favor growth behaviors and outcomes are likely to be two key elements of a successful transition.

Failing to build new behaviors reduces potential for revenue generation and erodes the organization’s appetite for further transformation. Given the challenge to the prevailing sales culture, careful execution which adequately addresses feedback and coaching is also important.



**“Offshoring is not a cost but a growth game”, says Littlewood. “Offshoring the right activities – with effective execution – can unlock significant incremental revenue, whilst also reducing costs, and can position your organization to scale up smartly when markets are favorable and retrench when storms loom.”**

### ACG Global product offerings

#### Market entry & strategy

Understanding and comparing markets and channels in order to prioritize and plan new growth.

#### Working capital

Streamlining support processes to improve service and release working capital from receivables and inventories.

#### Shared services and offshoring

Offshoring support processes to free time for growth, improve service, and reduce transaction costs.

#### Sales effectiveness

Improving sales effectiveness by freeing up sales time from non-growth activities and using management tools and incentives to ensure delivery of new growth.

#### Transition management

Ensuring timely delivery of complex change programs using culturally appropriate change and communication tools to build consensus and momentum.

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