Potentiam

Is Offshoring Right for My Business?

The Ultimate Decision-Maker's Guide

Selecting the right offshore strategy and partnering with experts can provide valuable insights into your business needs. This guide can help you learn more about the best locations, optimise team structures, ensure seamless integration, and understand the pros and cons of different models

Potentiam Ltd

Introduction and Overview

What if there was a way to multiply the revenues of your business by three times, unlock new capabilities and innovations to sell to clients, bring in motivated and highly qualified new talent, and to be able to comfortably make the investments needed to take your business to greater heights?

What if there was a way to grow your business faster without diluting equity or taking on debt, injecting new capital at no cost?

The CEOs in this guide scaled their businesses and achieved all the above by building offshore teams.

The following guide informs and educates ambitious CEOs of small to medium-sized businesses about offshoring staffing, how it works, where it happens, the financial successes it can bring, and more.

This guide also covers key considerations and pitfalls for businesses looking to multiply their revenues and expand their offering.

Contents

Offshore scaling strategies defined

Before we explore offshoring in more detail, it is essential to distinguish between the pros and cons of different offshore strategies. None are necessarily right or wrong but are highly dependent on a company's specific requirements. Many businesses practise multiple resourcing strategies to serve their growth needs.

One strategy left off the comparison chart is "freelancing", where you contract an individual, usually for a proportion of their time or on a project basis. This can be invaluable but is not a sustainable long-term business scaling strategy. Staff tend to follow the work, not your company and will bid themselves out to the highest bidder.

Offshoring strategy options

Offerings	Outsourcing	Direct Offshoring	Nearshoring	Employer of Record (EOR)	Offshore Partnership (incl HR)
Definition	A 3rd party delivers a service using its own shared offshore resource base offshore.	Build your own offshore hub to take advantage of lower cost but takes time and up front set up costs.	Nearshoring versus offshoring is usually in a similar time zone such as Romania or South Africa.	EORs operate in hundreds of countries allowing employment of staff without setting up a local entity.	Using a 3rd party HR operation to legally employ your staff and provide a full HR support service locally including office and IT support.
Cost	✗	✓	✓	✓	✓
Speed	✓				✓
Flexibility	✓				✓
Control	✗	✓	✓	✓	✓
Cultural fit		✗	✓		✓
Proximity		✗	✓	✓	✓
Business disruption	✓	✗	✗	✗	✓

Creating the Case for Offshoring

Creating the business case for the "why" needs to exceed the most visible 30%-70% salary savings. It should establish the value that offshore capabilities enable, such as increased revenue, higher capabilities, competitiveness, faster product development, increased capacity and business transformation.

This can represent many multiples of any labour cost arbitrage.

Many growth challenges can be solved through offshore capabilities, against which a business case should be developed for the board and shareholders to buy into.

Reasons to consider offshoring

1. Lack of budget and funds available

Growing businesses typically require up-front funding to build innovative technology, develop and bring new service offerings to life, scale staffing, and much more. Without self-generated new income, CEOs are forced to take on debt or sell off equity, diluting their ownership.

2. Access to talent

The adage that 'any business is only as good as its people' rings true. While the UK market is far from empty of specific talent, finding, enticing, and recruiting from a limited pool restricted by geography was the second most significant issue faced by CEOs in 2022.

3. Senior staff ability is consumed in performing low-level tasks

Many CEOs reported that their growth was seriously hampered by their most valuable staff, focusing too much capacity on transactional matters as the business couldn't find or afford the right calibre support staff.

4. Lack of scale means being stuck in a low/ zero growth cycle.

A scale issue is an inability to break out of a low growth cycle due to a lack of capacity and capability to break into new markets or develop new services. Companies in this cycle tend to flatline or even experience negative growth.

Another variant of this challenge is an over-dependency on project revenue, which tends to result in more volatile income and a risk aversion to investing in the suitable capacity to grow or even worse, an over-dependence on expensive short-term contractor resources which impacts the business's ability to make a profit and its competitiveness in winning new contracts.

5. To offshore, to not offshore, that is the question!

CEOs surveyed also referred to the 'should we, shouldn't we' debate about whether investing in offshore capabilities to expand capacity is worth the spend and overall investment as an issue. This indecision can become a cause of frustration and can polarise management teams.

Case Study:

Charles Hope International

Real estate & hospitality

"We struggled with recruitment in the UK – we could not bring good people on fast enough."

Richard Maurin
CEO

Situation:

Charles Hope International is a global real estate business specialising in serviced apartments. The company has grown exponentially in the last few years, meaning a significant expansion in every function, mainly customer services, finance, sales and marketing. In the UK, being able to recruit and retain talented, motivated individuals quickly and consistently became a real issue for Charles Hope's CEO, Richard Maurin.

Solution:

Richard approached Potentiam to discuss how offshoring might be able to solve his problem and grow his company. He was also encouraged to consider the business as an essential first step rather than just specific recruitment concerns.

Result:

With breadth and depth of talent in Cape Town readily available, Charles Hope could scale a local team from zero to 21 people in just over a year. While the team's work ethic and attitude have helped the business perform exceptionally.

Other benefits included a significant, positive change in company culture globally.

"The beneficial change to company culture that offshoring has brought has been phenomenal. The whole team feels that they are a part of something much larger. With a much broader selection of international viewpoints across the teams, the new offshoring model has been hugely motivational to everyone. At every level of the business, staff are qualified, well-trained, and motivated, which is realised in the business's overall performance."

0-21

team members in 12 months.

Benefits of Offshoring

Labour Cost Savings, Resulting in 'Free' Investment Capital

By far, the most visible benefit of nearshoring is its ability to save between 40%-50% on labour costs versus the UK and up to 70% for some offshore locations. Savings are further magnified by the lower overhead of recruitment, employment and local support services such as IT, office and HR for staff.

CEOs searching for growth capital may need to search no further than their existing budget. Offshoring can afford twice as many resources without debt obligations or the need to dilute their equity.

"

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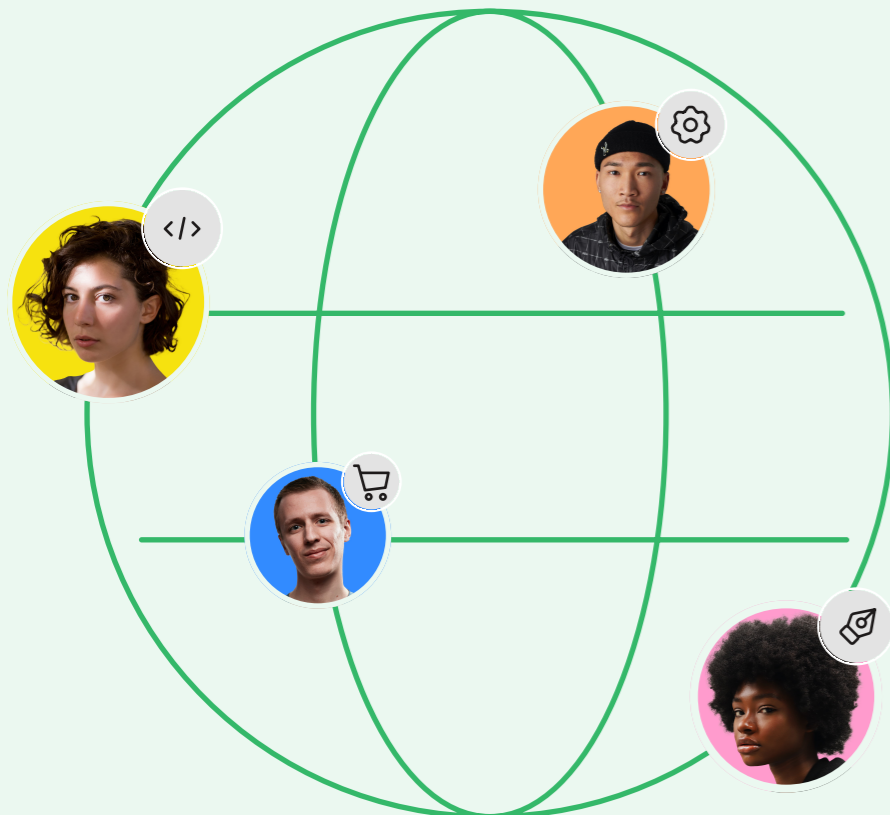
Access to a Global Talent Pool

Unrestricted by geography, an offshoring strategy opens a world of talent that was previously unavailable. Not only does such talent come at a lower cost than UK-based staff, but offshore personnel are also typically highly qualified and have specialised skills that are harder to find in the UK.

Christopher, EnergyQuote JHA's founder, stated, "They tend to have a much stronger work ethic than the UK, which led to immediate productivity boost to our business".

"Access and engagement of global talent delivered enhanced capacity for innovation and added further strings to our bow as well the opportunity to create new revenue streams."

"

Unrestricted by geography, an offshoring strategy opens a world of talent that was previously unavailable."

Increased Operational Efficiency

Any business with teams based offshore can stretch its working hours simply by having staff in different time zones.

For example a team based in Bangalore, India, could be briefed on urgent work from the UK, for it to be processed overnight and completed by 8am the following morning.

Offshoring also provides scalability and flexibility, enabling businesses to ramp up their offering across crucial service offerings, such as data processing and analysis, sales and marketing, and software development and innovation. An expanded talent pool allows new staff to be hired quickly and efficiently.

"

There is the possibility of briefing in urgent work from the UK, for it to be processed overnight and to be back on UK desks the following morning."

Case Study:

EnergyQuote JHA

Energy consulting services

"To address these issues and take the business to new heights, we required four times the capital available. We didn't want to borrow or sell off a percentage of the business to raise funds."

Christopher Lydiard-Wilson
Co-Founder

Situation:

EnergyQuote JHA, a global technology platform, had ambitious growth plans and a vision of how to take the company to the next level, but three key challenges were holding them back:

- A rapidly saturating UK market

- An ageing tech platform with a limited scope

- An increasingly expensive workforce versus newer lower-cost competitors.

Solution

EnergyQuote JHA began to explore the concept of offshoring. Starting with a pilot of four staff members in Romania, specialising in data analysis. The data team in London had been challenging to retain and was expensive – the new offshore team in Romania made an immediate positive impact.

"We saw a 30% increase in productivity within the first four weeks. The Romanian team's work ethic, education and experience were superb."

Once EnergyQuote JHA had set the mould with the first Romanian team members, who were adding significant benefits to the business while at the same time helping to reduce costs, consistent additions to the team further accelerated output, growth and cost-savings.

"Our offshoring model became like a perfect jet engine. Once it got going, the more fuel we put in, the faster it went."

Result:

Offshoring helped EnergyQuote JHA to grow at three times the rate. Access to high-calibre employees at a fraction of the cost of UK-based employees freed up vital capital invested to grow the business further, ultimately leading to £20 million in extra capital to invest.

Further to cost saving and reinvestment, offshoring brought a raft of other benefits across other areas:

- Unlocking senior manager's capacity by providing more capable resources earlier in the company's scaling journey

- Higher calibre staff with a greater work ethic

- Being able to pivot into new business areas faster and at lower risk

- 3x revenue through greater sales and account support

- Tapping into superior technical skills globally, unlimited by geography.

As a result of adopting a comprehensive offshoring strategy, staff numbers swelled to over 300, enabling EnergyQuote JHA to grow and serve more than 650 client customers globally.

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£21m

**Total labour cost saving.
Multiplying the exit valuation.**

Navigating the Potential Pitfalls of Offshoring

While an offshoring strategy can bring resounding benefits across the entire business, it would be wrong to think that offshoring is devoid of challenges that, if executed poorly, can cause significant issues.

How Clear Is Your Vision?

Offshoring is a strategy, not a tactic, requiring a strategic vision at the very outset. Businesses without a clear vision for using offshoring to fuel success tend to trip up badly.

Offshoring requires a broader outlook across a company and its functions and shouldn't be seen as a quick fix for only one area or specific part of a business.

Are You Designing an Offshore Team the Right Way?

Offshore staff can bring highly effective talent into a company's workforce, but this can be counterproductive unless the team design has been thought through. Key considerations should be given to local leadership, mentoring, team collaboration and future team development.

In the first stages, a smaller junior team needs a lot of on the ground-hand-holding. Senior managers may only be available to do this remotely, so collaboration with your local HR will be critical in responding quickly to any staff issues which are best dealt with face to face. Over the medium term, your HR should supply feedback on the team dynamic and career development, ultimately leading to a far more productive, cohesive unit.

Is Your New Offshore Team Aligned and Fully Integrated with Your UK Team?

Out of sight can mean out of mind, too, and when it comes to offshoring, out of sync can swiftly follow. There must be a robust, strategic plan for integrating UK and offshore teams and tactics to build effective working relationships quickly. Hoping teams will meld automatically and 'just get on with the job' simply by being thrust together as new colleagues will not work. A softer, more human and empathetic approach is required.

'It's vital to remember that offshore teams are people, not just numbers on a spreadsheet. A hugely important success factor in any offshoring process is always to be human,' CEO Jim Simpson, Ziptech Services.

'My UK leadership team and team leads would regularly visit the offshore team in Iași, significantly enhancing working relationships and making a huge difference in how our onshore and offshore team worked together successfully,' CEO Christopher Lydiard-Wilson, EnergyQuote JHA

Avoiding High Staff Turnover in Offshore Locations

It's natural for team members to consider moving on after a certain period within any company, onshore or offshore. New opportunities, life choices and fresh challenges in different sectors are all reasonable enticements away from a current position.

However, if your offshoring team regularly requires replacements in only six to 12 months,

or you're finding high-value staff with two years of valuable technical knowledge are leaving, there will likely be issues with staff lifecycle management. In this respect, you must have a specialist and robust local HR operation that ensures staff have regular feedback and review channels outside their managers. Every staff member should have a bespoke and clear career trajectory.

Even if the career path is limited, a local HR can prolong team retention by providing motivation and an enjoyable work environment.

Internal Naysayers and Saboteurs

While a new internal offshoring strategy announcement for a business should be met with positivity, if it's communicated properly, individuals within the company might not be so eager despite paying lip service initially. Sometimes, a lack of trust or belief in offshore teams' capabilities can lead to internal pushbacks, which hinders the offshore rollout.

CEOs must identify who in their business might be acting as a 'handbrake' and address the issue with clear and robust communication or even the right incentives if necessary!

Key Factors for Offshore Strategy Implementation

Vision

For any offshoring strategy to succeed, there must be a clear vision for the future of the business, with clarity as to exactly how using staff overseas will support and drive that vision.

As a CEO driving the company vision, they must fully invest in it and keep their hands firmly on the steering wheel. CEOs should never delegate the overarching offshoring strategy, no matter how busy their lives may become. Focus and commitment are always required to reap the numerous rewards offshoring can bring to any business.

Cultural and Communication Differences

As one might expect, there will always be a 'getting to know each other' period as teams forge new working relationships with teams offshore. It may sound obvious, but it is highly unlikely that an offshore team will instantly 'get' a UK-based team's rhythms and how it functions immediately.

From the very outset, an attitude of acceptance, openness and willingness to collaborate, both on and offshore, will catalyse the process of working together effectively. This attitude must come from the top and be communicated clearly by senior leadership to ensure the new venture gets on the right foot.

There will be differences in working culture, communication and even small things like a sense of humour. Acceptance and embrace of such differences will set a solid foundation.

Choosing the Right Offshore Destination

The last 10-15 years have seen a massive expansion in the calibre and breadth of skills globally and English communication skills.

Selecting the right location is best done strategically rather than being dictated by a single business requirement and considering a balanced scorecard of practical options.

Don't be afraid of considering more than one location, as sales and marketing enablement may suit a nearshore location in the same time zone. At the same time, your technology requirements might be better suited to an Asian site with more robust technical capabilities and lower costs.

The other score-card criteria worth considering beyond pure cost savings are the availability of specific unique capability, culture fit, technical skills, time zone, independence, capability maturity, communication skills, scalability, languages and accessibility to your onshore team.

Popular offshore regions
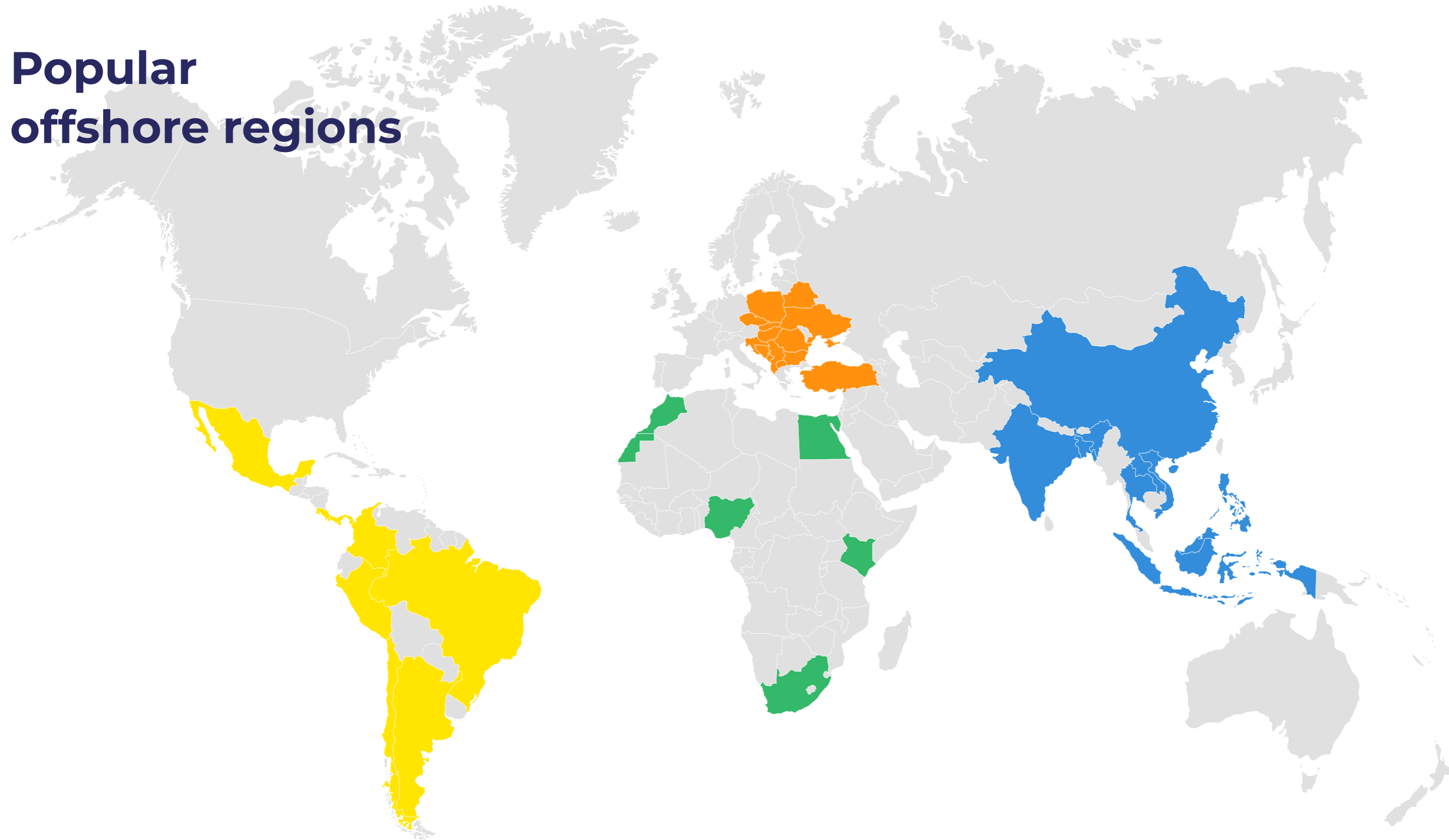
THE AMERICAS

AFRICA

CENTRAL & EASTERN EUROPE

ASIA

Offshoring Locations

Potentiam's offshoring locations globally have been selected based on a need to cater for a broad set of requirements from SMEs in the UK, Europe and the US.

They are also a good proxy for neighbouring locations, which companies may see as alternatives.

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Unrestricted by geography, an offshoring strategy opens a world of talent that was previously unavailable."

Central & Eastern Europe

Potentiam - Iași, Romania

🕐 GMT + 2 hours

✈ 3 hours direct flight from the UK

Eastern Europe is a mature and well-developed nearshore location for the UK and European countries.

Split between EU countries such as Poland, Romania, Bulgaria and the Czech Republic and non-EU such as Serbia, Ukraine and Macedonia, data analysis, accounting, IT, technical customer service, project coordination, purchasing and engineering.

Businesses may prefer the proximity of Eastern Europe for integrating their team and the security of being inside the EU, especially if GDPR is a crucial consideration.

Potentiam preferred Iași, Romania's 2nd largest city, as its primary client staff hub in Europe due to its abundant talent and 12 technical universities, rather than being based in the capital, where costs tended to be higher and there was greater competition for skilled resources. Iași is exceptional for languages, especially Italian, French, Spanish and German, a significant factor in many companies building their central European service hub.

Potentiam's clients represent many industries in energy, professional services, SaaS platforms, IT, marketing, healthcare, and education technology. Iași can cater for every company function, with many companies building mirror image teams on their onshore bases. Nonetheless, there has been a stronger preference for groups in data analysis, accounting, IT, technical customer service, project coordination, purchasing and engineering.

Southern Africa

Potentiam - Cape Town, South Africa

🕐 GMT + 1 hour (2 hours in winter)

✈ 11 hours direct flight from the UK

South Africa is a unique location as the only native English location in the same timezone as the UK, with similar cultural influences.

Although a few African countries have developed offshore industries, they still need to gain the maturity and sophistication of Africa's leading economy. Cape Town is a leading offshore provider to many international companies, providing a multi-talented staff base to build a team.

On the balanced scorecard, Cape Town scores well against Eastern European locations, tending to be more cost-effective while providing many of the same technical skills. Proximity is a challenge for those companies who want commonplace face-to-face. Still, most South Africans' cultural fit and level of independence

make for a seamless transition with less risk of misunderstanding due to cultural nuance.

This makes Cape Town a strong fit for sales and marketing that require a high degree of cultural appreciation and language dexterity. Roles in CRM management, lead generation, content management and digital marketing, inside sales, direct sales, customer service, or parts with client management skills work well.

Cape Town is also a global destination for IT support services, providing follow-the-sun support, especially for UK and US businesses.

Asia

Potentiam - Bengaluru & Hyderabad, India

🕐 GMT + 5.5 Hours

✈ 10 hours direct flight from the UK

Asian locations are the largest region for offshore staff globally, with locations such as Pakistan, Sri Lanka, Vietnam, Thailand, Philippines, and Malaysia all providing competent workforces.

However, by far, the largest workforce and most mature technical workforce exists in India. India adds over 1.5 million software engineers annually, with many of the brightest and best moving to Bangalore (Bengaluru), where Potentiam operate its largest Indian client hub.

On the balanced scorecard, Bengaluru (Bangalore) scores highly for IT and engineering capabilities on both cost and technical skills. It also outperforms its peer locations on maturity levels, often difficult to find in places like the Philippines.

The more senior developers often have over a decade of working for a global company, so culturally, they are well-tuned into how Western companies operate. Junior roles in India may be less mature than their European counterparts, so you should start with a team with a senior mentor or local lead.

Outside IT, Bengaluru (Bangalore) and Hyderabad are excellent sources for data analytics, accounting, CAD design, electrical/ mechanical engineering and marketing operations. India also scores better on flexible working time, with at least half the working day overlapping with the UK.

Intellectual Property Protection and Data Security

In a world where cyber threats, intellectual property theft and data breaches are becoming ever more commonplace, companies must have the processes and technologies to protect themselves and their data. Myths surrounding offshore technology include that it's complex, expensive and not as secure as it purports to be.

However, there are many ways of bullet-proofing technology, company and personal data, and intellectual property, including:

- Virtual desktops run everything on the cloud, meaning users can't upload or download, applying a level of 'control.'

- Access control

- Password security

- Multi-factor authentication

- Encryption

Alongside the technology and security, the legal aspects and nuances must be firmly explored and instigated.

Selecting the Right Offshore Partner

As this guide clarifies, adopting an offshoring strategy is complex. While there is no doubt it can create a substantial positive impact for businesses, on the flip side, if mishandled, misdirected or miscommunicated, it can lead to unexpected issues and challenges.

Case Study:

Evora Global

Global ESG reporting platform and consultancy

"The offshore team has directly impacted the bottom line as it has allowed us to manage data more efficiently, at a lower unit cost for acquiring and analysing data"

Chris Bennett
Founder

Situation:

Evora provides sustainability consultancy to the global real estate industry, advising customers on reducing carbon emissions across their global property portfolios. With vast amounts of data management required, data analysis and client project coordination were challenging at Evora, causing massive resource inefficiency and a waste of senior consultants' capacity.

"We have enormous amounts of data and software coming into our business from disparate sources. The challenge to our high-value consultants was that they were doing too much non-client facing work by manually collecting, cleansing data and creating reports, taking them away from their focus of delivering the growth strategy for the company."

Solution:

A pilot was developed whereby Potentiam's HR team rapidly built out a pilot team of Romanian-based Evora data analysts. The impact on Evora's London team was immediate, with a significant improvement in consultant productivity and demonstrable service improvement.

As a next step, Potentiam carried out a detailed audit across the entire Evora business, mapping out a strategy for building data analyst teams in Iași in Romania and development in Bangalore. that could help ease the burden and take Evora to new heights.

"Potentiam's expertise in data analytics was a real value add for us. We conducted extensive work with them, not only in mapping out the skills we needed in data analytics and data visualisation but increasingly how our wider data architecture could be developed."

"We discussed at length what we wanted and needed regarding data analysis with Potentiam. Their first action was to look at the resourcing of the data analysis process to understand where changes could bring real benefit."

12

Offshoring saved 12 senior consultants capacity in one function alone.

Result:

The inefficient resource drain on Evora's consultants dissipated quickly. By using the technology capability Potentiam had built in Iași, Evora began to take not just days but weeks off the amount of effort to get data to its clients and by hiring the Romanian team, saving 10-12 full-time employees work in a few of its essential programmes.

"The offshore team has directly impacted the bottom line as it has allowed us to manage data more efficiently, at a lower unit cost for acquiring and analysing data. In addition, the new Romanian team has meant our higher-value consultants have been able to focus once more on higher-value work. It can now command higher fees due to our capability in Romania."

WATCH THE FULL CASE STUDY →

Why Offshoring Works for Small to Medium-sized Businesses

Businesses should closely adhere to four critical steps to implementing a successful offshore strategy to reap the maximum benefit.

Find opportunities that can transform your organisation

Rather than think solely about one function or individual, look at the entire business holistically concerning the future vision. Working with an offshoring growth partner such as Potentiam brings tremendous insights into successfully growing a company without relying on debt or equity dilution.

Fail to prepare, prepare to fail.

Offshore staff can bring highly effective talent into a company's workforce, but this can be counterproductive unless the team design has been thought through. Key considerations should be given to local leadership, mentoring, team collaboration and future team development.

In the first stages, a smaller junior team needs a lot of on the ground-hand-holding. Senior managers may only be available to do this remotely, so collaboration with your local HR will be critical in responding quickly to any staff issues which are best dealt with face to face. Over the medium term, your HR should supply feedback on the team dynamic and career development, ultimately leading to a far more productive, cohesive unit.

Confirming what success looks like and everyone's role in achieving it

Clear goals mapped to a detailed timeline will ensure everyone is aligned and promptly moving in the right direction. Expectation management is an essential part of this process, too. Empowering individuals or teams with specific roles within the offshoring process will increase its chance of success.

One pair of hands on the wheel to drive a clear, agreed and communicated route.

With a robust vision supported by a solid strategy and planning process, priorities should turn to the implementation and subsequent management of the offshoring capability. The CEO's role is to drive the strategy to fruition while keeping all staff up to date with its progress.

Key Takeaways: How to successfully implement an offshore capability

If a business is going to offshore successfully, its vision for growth needs to align with the location's capability and a well-thought-through implementation plan. The glue that brings it all together is that all key stakeholders are fully supportive and 100% engaged in making offshoring a success.

What Offshoring Can Bring to Your Business

- Achieve 3x revenue through greater sales and account support

- Access a higher capability of people within the same or less budget – better people for less money

- Unlock senior manager's capacity by providing more capable resources earlier in the company's scaling journey.

- Tap into superior technical skills globally, unlimited by geography

- Offshoring can release significant free capital for reinvesting into your core business.

Must Haves and Must-Dos for Successful Offshoring

- **Strategy** – Build a plan based on company goals considerate of the right team structures and the best staging of the roll-out

- **Planning** – Allow for senior management capacity to set up the company and successfully onboard staff

- **Local leadership** – Appointing the right team lead will make or break an offshore venture.

- **Staff development** – Be clear on career tracks that allow for growth and integration of UK and offshore staff

- **Team structure** – Build team structures consisting of juniors, mid-levels and seniors, ensuring higher retention, greater resilience and the optimal cost

- **Internal communication** – Maintain a communicated vision and manage "silent resistors."

Learn more about Potentiam:

Established in 2016, Potentiam advises businesses on building and scaling offshore teams to maximise their growth potential.

With a dedicated local HR business partner, the Potentiam model supports businesses in expanding talent pools under their management in Romania, South Africa, and India. Our specialist advisors plan, structure, build, integrate, and operate international teams that deliver excellence, enabling businesses and in-house teams to grow.

Potentiam offers access to world-class international talent at significantly lower costs, supported by in-country services. Potentiam is a valuable partner in developing offshore strategies, with a proven track record of driving revenue growth across various sectors, including professional services, IT business services, data analysis, energy consultancy, IT security, research, and SaaS.

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