



Managing the risks of offshoring

Fiona Kesby and her brother Matt began outsourcing office tasks for their software business to offshore workers almost a decade ago. Now they run a business that helps SMEs enjoy the benefits of offshoring without the frustrations of managing a virtual team.

In 2008, Matt and Fiona started offshoring computer-based office tasks via Upwork. They used the savings on wages to help grow their small business, but there were frustrations managing a virtual team working from their own homes in third world countries. There were missed deadlines, interruptions due to power

outages and time lost training new team members for each new project.

So they decided to start their own offshore outsourcing business. They would bring a virtual team together and play a hands-on, supervisory role to ensure quality control.

In 2015, Fiona relocated to Cebu in the Philippines to become CEO and manage the operations centre for Go Virtual Assistants (Go-VA), the company she co-founded with Matt (similar businesses that service Australian SMEs include AS White, Outsource-Workers, Fiverr and The Virtual Assistant).

The global spread of the Internet over the past decade has allowed SMEs to tap into the global talent market, something big companies have been doing forever (while obtaining granular information of what type of businesses are doing what type of outsourcing is difficult for obvious reasons, the global market for outsourced services is estimated to have grown from US\$45.6

billion in 2000 to US\$104.6 billion by 2014.[i] One Australian start-up – Freelancer.com – has achieved unicorn status, largely through allowing sole traders and SMEs to quickly and cheaply outsource tasks such as website design and book-keeping.[ii]).

Outsourcing business processes such as administration, IT support, book-keeping, web design and customer service isn't just about saving money. It also enables small business owners to plug skills gaps or free up time spent on low-value tasks to focus on growing the business.

Outsourcing these tasks offshore to places such as India, Malaysia, the Philippines or Vietnam has been made more accessible and cost effective thanks to digital technology. But technology hasn't changed many of the core challenges of sending tasks to foreign workers.



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The unholy trinity of offshoring headaches

The risks you will face depend on the tasks you outsource, but these are some of the most common:

1. **Data security.** If workers have access to sensitive information about you or your customers, such as bank details, you need to have protections in place. For starters, you (or your outsourcing partner) need to do due diligence and background checks on overseas staff, just as you would on local employees.

This risk is easier to control if your foreign staff work for a large offshoring provider. When you deal with an individual working from home, it's easier for them to on-sell confidential data. For one Australian financial planning client, Kesby arranged for staff to work in a dedicated office. One with biometric security, no USB ports

on computers, certain websites blocked and no mobiles allowed.

Closely related is privacy. Your privacy policy needs to allow you to send personal information overseas and your customers should consent through your privacy collection statement.

You should take reasonable steps to ensure your offshore provider complies with Australian Privacy Principles. Please see the guidelines from the Office of the Australian Information Commissioner on APP 8 dealing with cross – border disclosure of personal information.

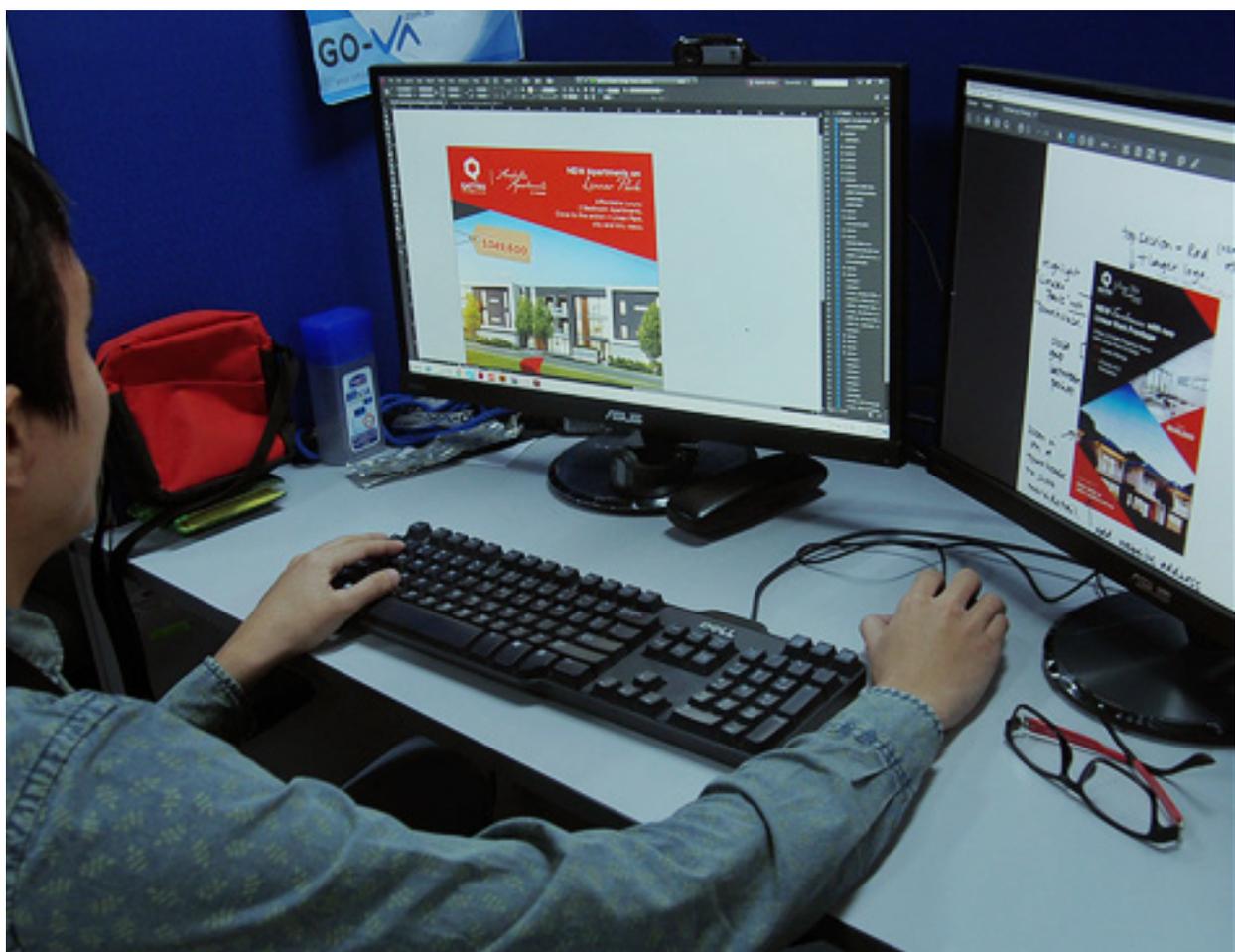
2. **Communication breakdowns.** One Australian insurance company recently decided to bring jobs back onshore due to communication and quality control issues. In one instance, a worker processing motor vehicle claims reportedly asked a customer who

claimed "A roo hit my car" to provide an address for Mr Roo.

Hiring people with the right skills and then providing them with clear instructions, training and KPIs is crucial. If you don't have the resources to do this yourself, consider engaging a third-party provider. Offshoring specialists, such as the ones referenced above, can source and interview staff, check references and police clearances, and generally keep an eye on things and intervene when issues arise (it's in

these businesses' interest to make sure you have a positive experience with outsourcing and, ideally, recommend it to your fellow business owners).

3. **Failure to deliver.** The financial benefits of offshoring can evaporate if the service provider falls short on quality or disappears before the job is done. Once again, having offshore staff work under the supervision of a business such as Kesby's can reduce this risk, even if it is a little costlier.



Remember, you can't outsource ultimate responsibility

It doesn't matter if your staff are sitting in the next room or half a world away, it's your company's profits and reputation on the line and you need protection. Professional indemnity insurance can help protect your assets and your reputation if your advice or services cause a client to suffer loss and they take legal action against you. Likewise, cyber protection insurance can provide cover

in the event of a security breach caused by an outsourced worker.

In addition to your own insurances, don't forget to make sure your offshoring partner has appropriate insurances of their own, such as professional indemnity and public liability, from an insurer licensed by APRA. This should mean you have assets to claim against if an incident arises.

To discuss what insurance you might need if you're considering offshoring, talk to a Steadfast insurance broker today.



[i] <https://www.statista.com/statistics/189788/global-outsourcing-market-size/>

[ii] <http://www.smh.com.au/small-business/trends/small-businesses-face-outsourcing-dilemma-20120426-1xn8k.html>