

A large, abstract graphic on the left side of the page. It consists of a teal-colored shape that resembles a stylized letter 'Z' or a series of overlapping geometric forms. The shape is composed of a teal-filled area and a white area with a black outline. The overall design is modern and clean.

# Outsourcing Myths Debunked

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Outsourcing has been around far longer than people can remember. It has been in practice even before the industrial revolution and evolved to present-day IT outsourcing models—essentially mirroring the demands of the people and the economy throughout history.

**The term ‘outsourcing’ was coined by economist and Nobel laureate, Ronald Coase, in his 1937 paper on outsourcing as a form of organising business**

As outsourcing evolved, it became more established until it was recognised as a bona fide business model in the 20th century and rose to become a booming global industry, so does the myths surrounding it.

**In the ‘60s, outsourcing became the model we know today with the proliferation of assembly programs in Mexico, called *twin plant programs*.**

Myths are distortions typically rooted in misconceptions and lack of understanding. The preconceived notions surrounding outsourcing are no different. And like all myths, there are truths that debunk the falsehoods with facts.

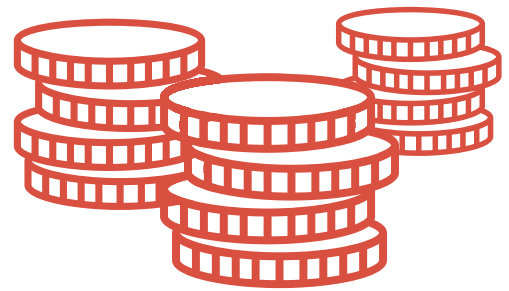
So without further ado, here are widely known outsourcing myths debunked once and for all.

# 1

## “Cheap Price = Poor Quality”

### Myth

People have a universal preconceived notion that cheap prices often equate to poor quality. This concept is more prevalent in business. Hiring offshore developers is not a wise business decision nor does it pose as a strategic advantage. People assume a remote team will only yield low-quality outputs due to the economical prices offered by an offshore outsourcing firm.



### Why it's not true

“Price is often a proxy for quality, and when you put yourself at the low end, it signals that you’re unsure of your values—or the value just isn’t there. Either can be alarming for prospective clients.”

#### Dorie Clark

Marketing Strategy Consultant, and Professor at Duke University's Fuqua School of Business.

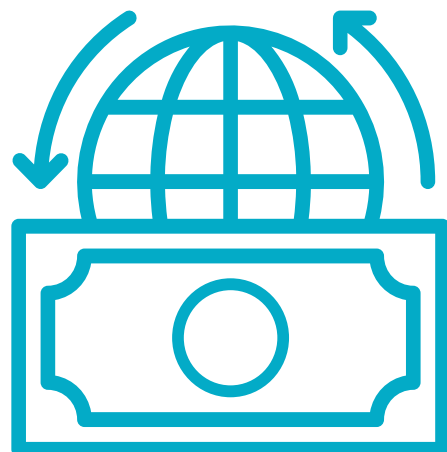
Price has the power to influence people when discerning quality—especially for low prices. According to Marketing Professor, Steve Posavac, from Vanderbilt University's Owen Graduate School of Management, people have a simultaneous perception that low prices mean good value and low quality.

But these two beliefs are not equally present in consumers' minds. Simply put, our frame of mind can greatly affect which of the two beliefs are more present. In addition to this is the fact that we are also susceptible to priming—a form of manipulation. As Prof. Posavac explains:

“If a consumer has spent the morning struggling with finances, ‘value’ is likely to dominate that consumer’s thoughts for the rest of the day; thus, low priced products will be attractive. In contrast, suppose a consumer has just had an experience with a product failing because of poor workmanship of a product. ‘Quality’ is going to be top of mind, [so] the consumer will spend more on the purchase.”

Economic differences between countries have a substantial part in influencing prices in products and services. Per capita income and wage compression are two of the deciding factors that differentiate per country pricing on similar products and services.

Essentially, prices fluctuate according to a country's Gross Domestic Product (GDP) rate—the monetary value of finished goods and services made within a country during a specific time period—and Purchasing Power Parity (PPP)—an approach that measures prices at different locations using a common product to contract the purchasing power between different currencies.

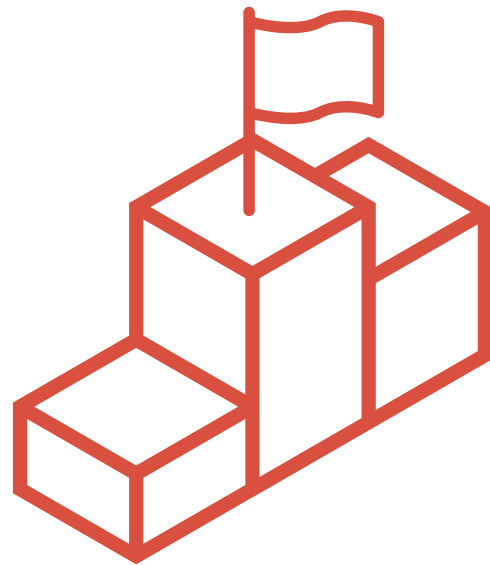


# 2

## “A remote team takes longer than in-house development”

### Myth

Businesses prefer to rely on an in-house development team to produce and accomplish tech projects. For them, an in-house team is more convenient and have a faster yield in outputs, rendering it as a wise decision in comparison to its remote counterpart.



### Why it's not true

Contrary to this belief, collaborating with a remote team is faster than solely relying on an in-house team. Effective use of manpower can only get you so far in comparison to an expanded number of specialised workers.

Specialised labour, also known as division of labour, can lead to increased output. Economic theory dictates that specialisation is conducive to a holistic growth—for the workers, the business, the industry and ultimately the economy involved.

In outsourcing, the division of labour in your remote team is similar to an assembly line. Each member you pick for your outsourced team is a specialised worker that focuses on a specific task. An outsourced team is scalable according to the project scope.

# The advantages of a specialised remote team

## Accurate time management

As the old adage goes, “Time is money.” Outsourcing an offshore team is easier than hiring additional help to expand your in-house team. When compared closely, in-house recruitment takes longer than assembling a team from an outsourcing provider. Hiring a team offshore specialists is time-efficient than training new hires to do a specific task with okay results.

In addition, your remote team is comprised of seasoned experts and has a more accurate and realistic gauge when estimating the time of a project’s completion.



## Improved output

Outsourced developers have an increased specialisation in comparison to an in-house developer due to the fact that they have been doing the same tasks with more frequency. People who specialise in a specific task or work are quicker to adapt and develop new techniques and technologies to expedite their tasks and increase productivity.

## Risk reduction

The knowledge of an in-house non-specialist are limited simply because they are still learning, whereas offshore specialists have intimate knowledge of the pitfalls and issues that could possibly arise and the solutions to avoid bottlenecks.



# 3

## “Outsourced developers aren’t proficient in English”

### Myth

Language barrier is a real and ever-present concern when businesses consider outsourcing some of their processes to IT offshoring agencies. Moreover, there is still the stigma that outsourced offshore developers can’t speak English well due to the fact that several top outsourcing destinations come from Asia. Because of this, it’s considered as one of the main disadvantages when hiring a remote team.



### Why it’s not true

“I don’t think there’s such a misconception as the Philippines is among the world’s largest non-Western English speaking countries. English is commonly used in the country that even local media use it, and foreigner tourists would do just fine travelling around the country as they can easily get help from the locals.”

#### Nick Hargreaves

CEO and Co-founder of Cloud Employee

Opposing to the misconception of outsourced developers are not proficient in English, reports from the 2018 English Proficiency Index (EPI) by Education First—an international education company that specialises in language training and cultural exchange—show top outsourcing destinations like the Philippines and India ranked highest in the Asian region and are part of the top 30 in global rankings.

# ASIA

## EF EPI RANKINGS

<b>03</b> Singapore	68.63	<b>63</b> Bangladesh	48.72
<b>14</b> Philippines	61.84	<b>64</b> Thailand	48.54
<b>22</b> Malaysia	59.32	<b>80</b> Kazakhstan	45.19
<b>28</b> India	57.13	<b>82</b> Myanmar	44.23
<b>30</b> Hong Kong SAR	56.38	<b>84</b> Afghanistan	43.64
<b>31</b> South Korea	56.27	<b>85</b> Cambodia	42.86
<b>41</b> Vietnam	53.12	<b>86</b> Uzbekistan	42.53
<b>44</b> Macau SAR	52.57		
<b>47</b> China	51.94		
<b>48</b> Taiwan	51.88		
<b>49</b> Japan	51.80		
<b>50</b> Pakistan	51.66		
<b>51</b> Indonesia	51.58		
<b>58</b> Sri Lanka	49.39		

### PROFICIENCY BANDS

■ Very High
 ■ High
 ■ Moderate
 ■ Low
 ■ Very Low

*Rankings from English Proficiency Index 2018 by EF*

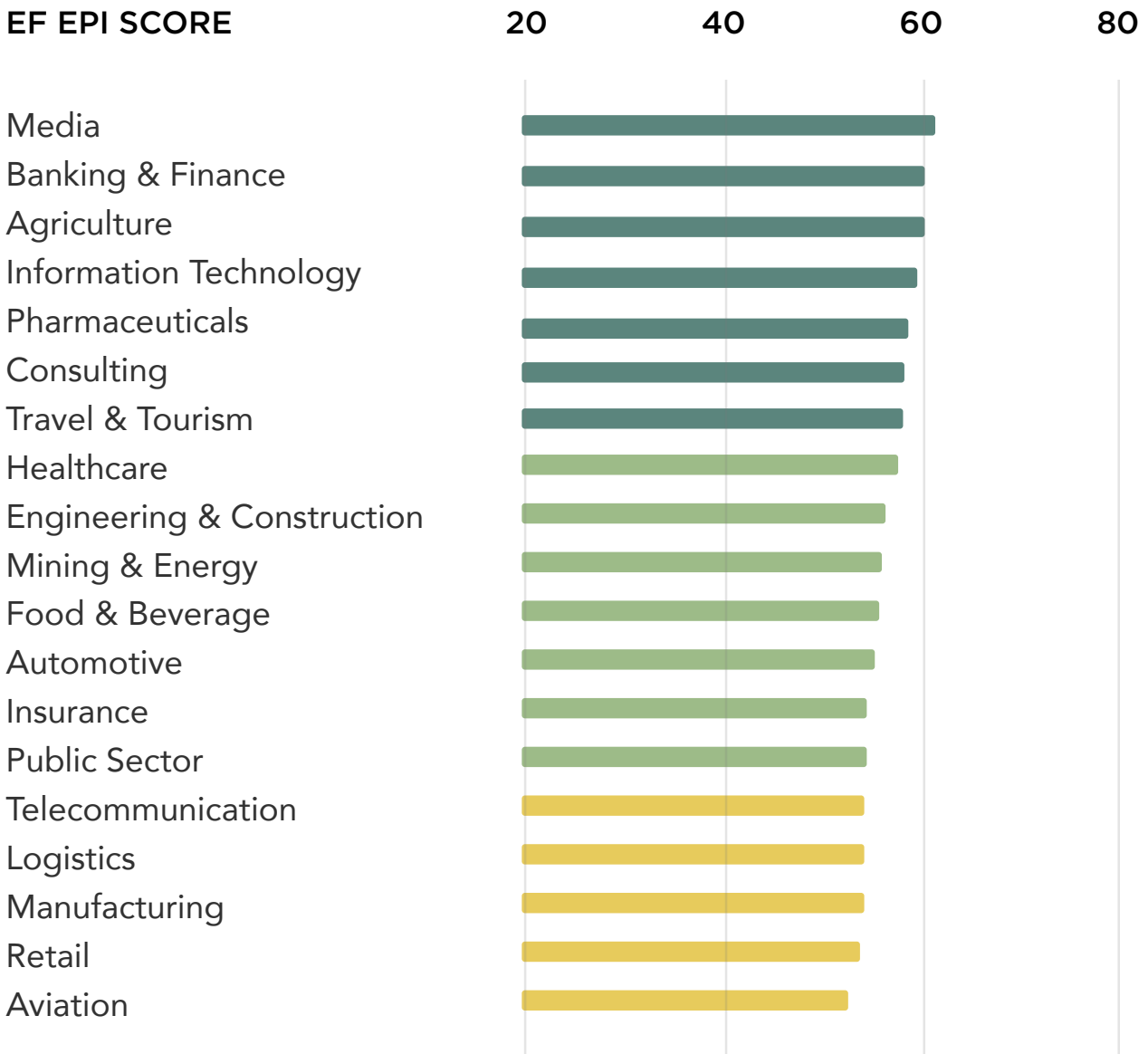
Due to the effects of globalisation, English has become the de facto language of communication for all forms of international exchange. It's the key component for staying competitive and innovative in today's international marketplace.

The report also finds that English proficiency has reached a new record high with a number of 12 countries adept in the language and is expected to continually rise in the following years as the government and the private sectors invest in strengthening their educational infrastructure.

Findings from the report show that between 2006 to 2016, there has been a 25% increase of multinational enterprises entering the global market scene. More than 70% of companies from 28 non-native English-speaking countries reported English as an important language tool for their business, and only 11% used their mother tongue.

Though English is very much in demand in most industries, such as outsourcing, the EPI report finds that the best English-speakers cluster in specific industries and roles; thus, creating a broad disparity between sectors. However, the English proficiency gap between industries continues to narrow as demands increase in proportion to globalisation.

## EF EPI Rankings



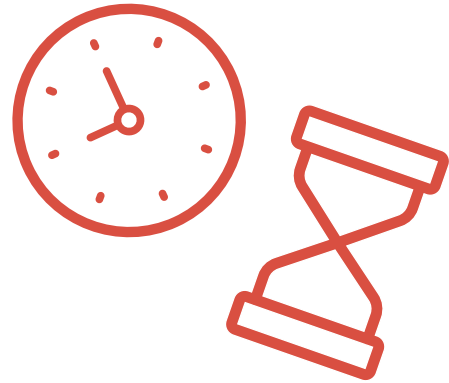
Rankings from English Proficiency Index 2018 by EF

# 4

## “The time difference decreases productivity”

### Myth

Another big disadvantage when hiring offshore developers is the time difference. Businesses prefer to avoid any inconveniences that will pose as a bottleneck to the completion of a tech project—the difficulty of collaborating with an offshore team is one of them.

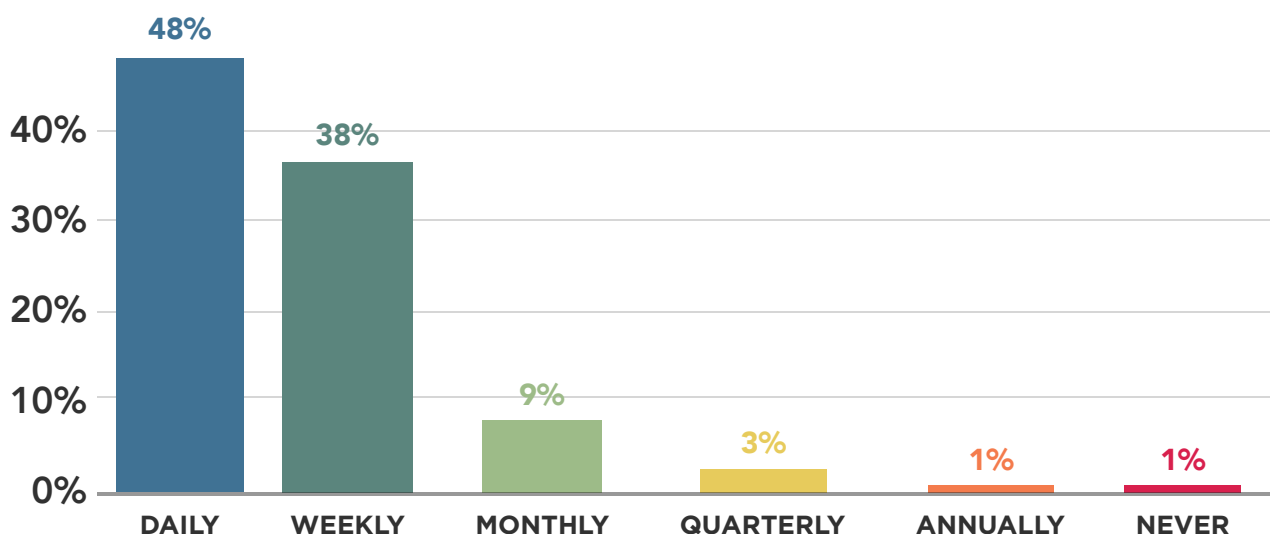


### Why it's not true

Even with the challenge of managing teams from different time zones, worldwide employment by U.S. multinational enterprises (MNEs) has increased from 42.1 million in 2015 to 42.3 million employees in 2016, according to the U.S. Bureau of Economic Analysis.

Contrary to the myth that a team working in different time zones is kryptonite, according to Globalization Partners' 2019 Global Employee Survey, 84% of in-house employees interact with their global team members on a regular basis.

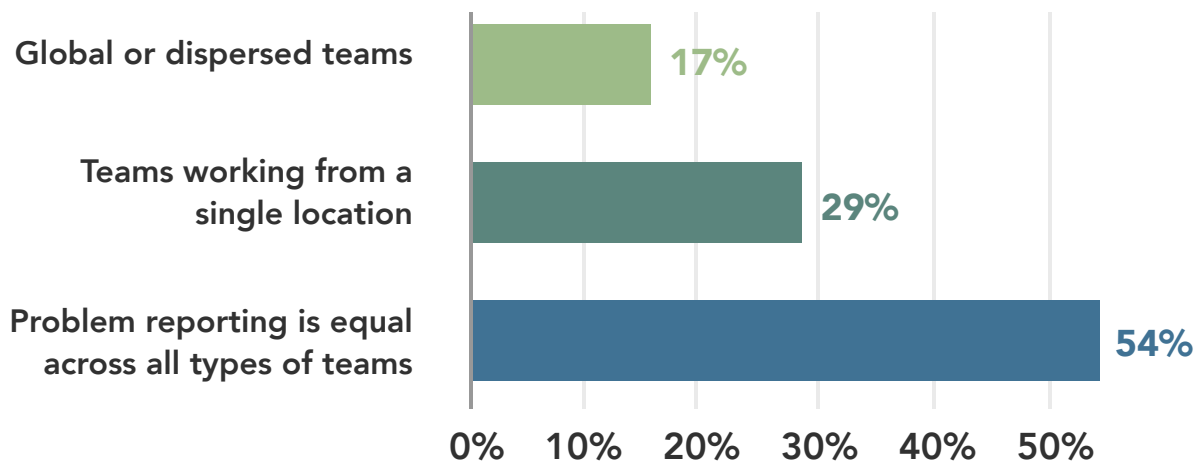
### Collaborative Frequency



Graph from 2019 Challenges and Benefits of Global Teams—an HR Perspective by SHRM

In fact, remote teams are highly collaborative and are low maintenance. The survey shows that 86 per cent of remote teams work together at least weekly with a 12% likelihood of reporting any problems.

## Global teams report fewer problems



*Graph from 2019 Challenges and Benefits of Global Teams—an HR Perspective by SHRM*

## The advantages of collaborating from different time zones

There are more advantages to be gained when working from different time zones; here are a few of them:

### Longer work hours

As previously mentioned, “Time is money.” For businesses, who wouldn’t want to complete a cycle of 24 hours just to have more profit and compete with the bigger market? With outsourced offshoring, this is possible.

With the time difference, both in-house and remote teams can operate at normal work hours according to their time zones, resulting in around-the-clock production.



An example scenario where time differences come in handy is the completion of tech projects. With both in-house and remote teams working on the project at their normal work hours, development to launch would be comparably shorter.



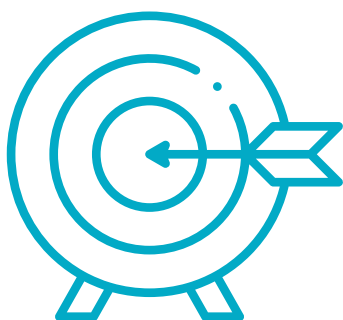
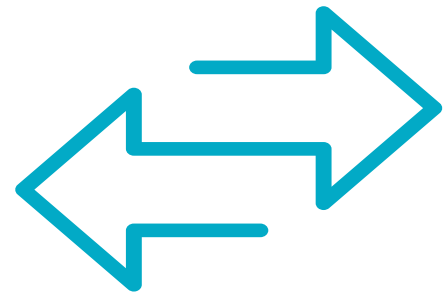
### **Increase productivity**

When both in-house and remote teams collaborate accordingly and effectively, production is better and faster. In comparison to solely relying on an in-house team for output, you can maximise your teams' time difference and double the output produced.

### **Diverse thought pool**

With offshoring, there is bound to be a cultural difference between the in-house and remote teams. Though it can be challenging, reaching a compromise and developing camaraderie between the two can be beneficial.

This is not only to maintain peace and establish easier collaboration but it also brings new ideas through diversity. Ideas can be shared and can lead to innovate processes that will eventually improve the team's productivity and efficiency.



### **Stay ahead**

In business, anything akin to clairvoyance is an amazing advantage. Working with people in multiple time zones, for instance, may have the same effect as the gift of looking into the future. Your team can learn first-hand information about the latest trends, which will help you stay a step ahead before the rest.

# Tips on effectively managing time zone difference

Here are a few, easy-to-follow methods on [how to better manage an offshore team.](#)

## ✔ **Communication**

In any team setting, communication plays a big role in a lot of things, particularly in productivity. With an offshore team, communication is further highlighted.

When working with an offshore team, it is important to over-communicate rather than under-communicate. It is encouraged to do more than just hold a 15-minute meeting. Communicating as often as possible will ultimately help maintain good rapport and make sure that everything is well-monitored.

## ✔ **Schedule overlaps**

One of the problems that often arise with teams from different time zones is the schedule. In addition to over-communicating, overlapping schedules is also a good strategy that ensures your remote team recognises your presence regardless of the time difference.

## ✔ **Video conferencing**

Nowadays, communication is made easier thanks to tech innovations. Distance and time zone difference is no longer a hindrance thanks to messaging apps and video conferencing.

# 5

## “Only big companies can outsource”

### Myth

There is an assumption that outsourcing agencies only cater to big corporations such as Microsoft, Google, IBM, and JP Morgan Chase & Co. to name a few.



### Why it's not true

At its core, outsourcing is an augment for your business processes with help from specialists. According to the 2019 Small Business Outsourcing Statistics report done by Clutch, more than one-third of small businesses (37%) actually outsource some of their business processes, and 52% plan to also avail outsourcing services this 2019.

## Why do small businesses outsource?

Increase efficiency

24%

Increase available expertise

18%

Increase flexibility

16%

Free up employees' time for other tasks

15%

Increase available resources

12%

Reduce operating costs

12%

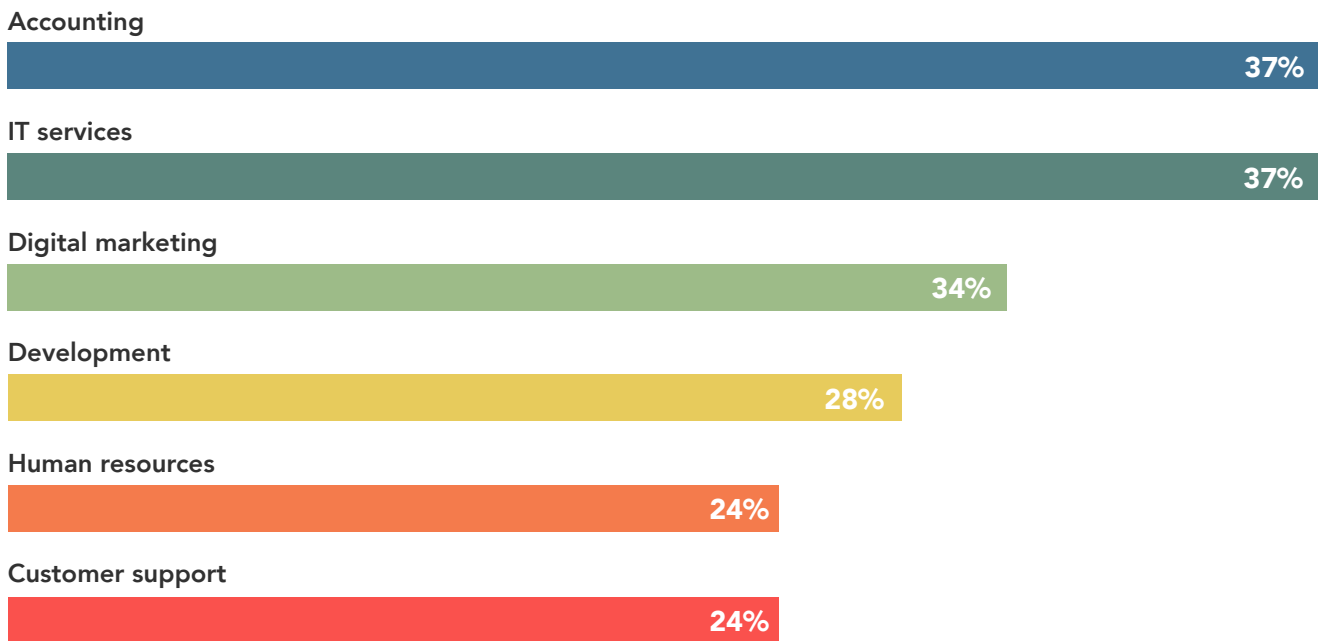
None of the above = 2%  
N = 277 small businesses that plan to outsource in 2019  
Source: Clutch 2019 Small Business BPO Survey

Clutch  
FIRMS THAT DELIVER

Graph from Small Business Outsourcing Statistics in 2019 by Clutch

Similar to big companies, small and medium-sized businesses (SMBs) also outsource to improve their operations. In fact, 24% of SMBs actually use outsourcing to increase their efficiency and 18% per cent need assistance from experts. And some of the most common SMBs commonly seek support for accounting, IT services, and digital marketing.

## Most commonly outsourced business processes



Not all answer choices shown  
N = 195 small businesses that outsource business processes  
Source: Clutch 2019 Small Business BPO Survey



Graph from *Small Business Outsourcing Statistics in 2019* by Clutch

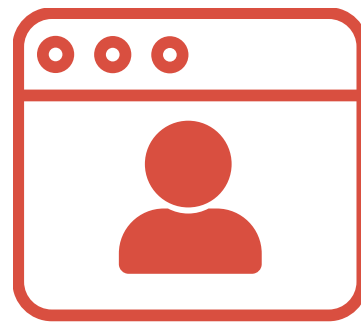
The report states that while small businesses might only have a handful of employees, they are actually less likely to outsource their operations. Outsourcing is actually suitable for any business regardless of its size and field. It is only a matter of finding outsourcing options that are suitable for their budget.

# 6

## “It’s hard to control offshore IT projects”

### Myth

An outdated yet still a major concern for companies today is the belief that they won’t be able to supervise their remote team properly. The possibility of losing control over the project is enough to see outsourcing as a risky and foolhardy move.



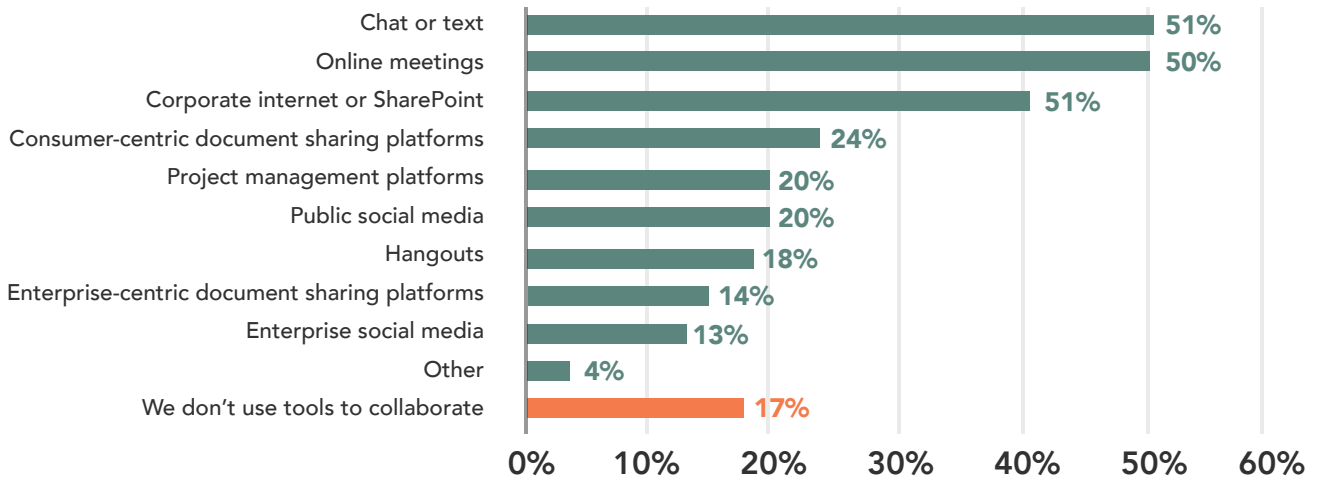
### Why it’s not true

With the help of modern technology, there are a plethora of methods on how to better manage your offshore IT projects—thus **avoiding the fear of losing control** altogether.

In the 2015 Collaboration Trends and Technology survey by Dimensional Research (the latest one available), technology is used for effective professional collaboration.

Companies use collaboration tools to have a better connection with employees and external business partners. In fact, 83% of the survey respondents say they are dependent on collaboration tools while only 17% don’t use any at all.

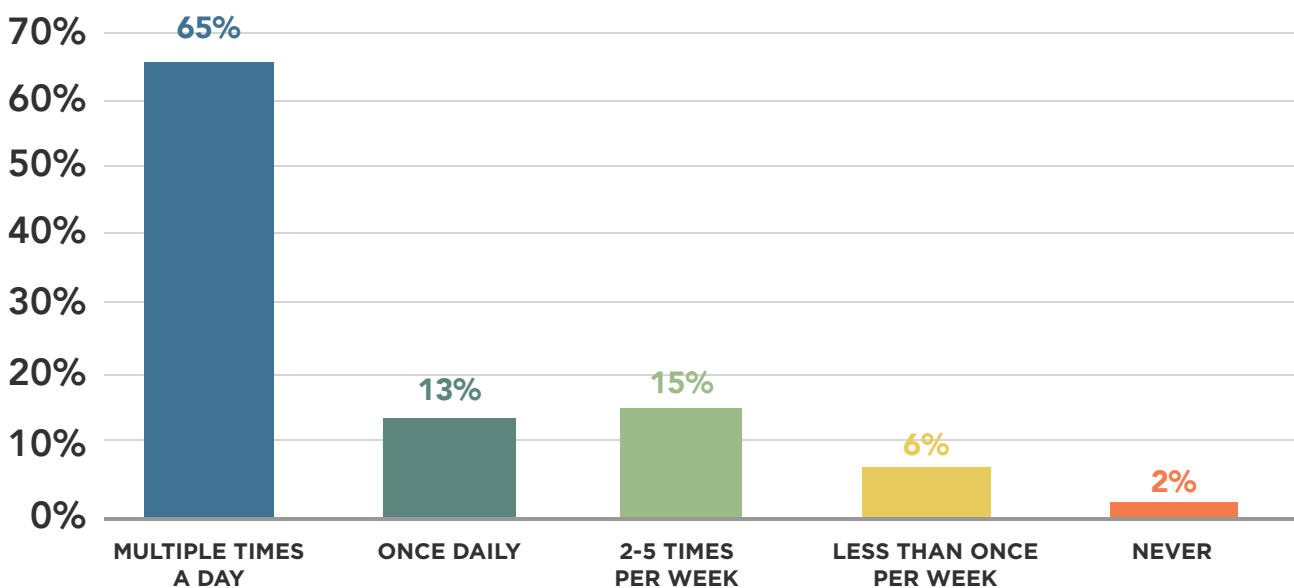
## What types of technology do you use to conduct professional collaboration of documents with co-workers, vendors or partners?



Graph from Collaboration Trends and Technology by Dimensional Research

In addition, the survey also shows that teams that use collaboration tools are more likely to communicate more frequently—multiple times a day, actually (65%). On the other hand, only two per cent don't bother to collaborate at all. Simply put, communication is key to managing your offshore team and maintaining control of your IT project.

## How frequently do you collaborate with colleagues, partners or vendors?



Graph from Collaboration Trends and Technology by Dimensional Research

# A few tips to better manage your offshore team

As mentioned before, communication is the key to maintaining control over your offshore IT project. Aside from utilising collaboration tools, here are a few more ways to better manage your remote team.

## Establish communication channels

When managing an offshore team, it's imperative to have transparent communication. You can start off by choosing your preferred mode of communication, and express your expectations with your remote team so they are guided when communicating with you.



There are various channels to choose from, the most effective is still having the chance to discuss matters face-to-face.



## Align frequently

Set up meetings to align with your offshore team regarding the progress of their tasks and goals. You can do this by arranging regular gatherings such as daily roundup meetings or even just weekly meetings. The point is to communicate as frequently needed by both you and your offshore team.

## Create a pyramid of management

By assigning leaders and project managers for your offshore IT project, you can still effectively manage your remote team on the ground. This also helps in immediate troubleshooting to avoid bottlenecks and any delays with your project.

In addition, introducing a chain of accountability makes it easier for your remote team to feel motivated because they have a direct relationship with a manager who can effectively represent their side during meetings.



## Myths are easily debunked... with facts and the right offshore provider.

Some of the myths presented here are the common stereotypes that surround outsourcing and its services. These typically stem from concerns about productivity and effectiveness of outsourcing their business operations in comparison to just opting for their in-house capabilities.

As such, here's why the myths surrounding outsourcing are false:

- ✓ Pricing differs in all parts of the world  
A country's GDP and PPP heavily influence the costs of products and services.
- ✓ A remote team comprises of members that specialise in the business process that a company choose to outsource
- ✓ English has become the de facto language for all forms of transactions in the world. Working with outsourced workers also means working with English-proficient workers.
- ✓ Working around-the-clock and effective communication between global teams actually increase a company's efficiency and productivity.
- ✓ Outsourcing is suitable for any business size due to a company's need to increase efficiency and additional support from experts.
- ✓ Frequent and effective communication enables you to manage your off-shore team and maintain control of your IT project

**Remember, it's important to do your due diligence before deciding what is best for your company.**

# Resources:

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## About Cloud Employee

Cloud Employee was set up to disrupt and go above and beyond any other provider in the IT outsourcing industry. We act as a long-term strategic partner for clients and help them grow their business working as an extension of their in-house teams.

**We're always ready to provide your IT outsourcing needs!**

Just email us at: [enquiries@cloudemployee.co.uk](mailto:enquiries@cloudemployee.co.uk)  
Or check our website: <https://cloudemployee.co.uk>



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