

THE POSITIVE IMPACT OF OUTSOURCING WITHIN AUSTRALIA



WHITE PAPER

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Much has been written about the growth of outsourcing and its impact on Australian jobs and the economy. The dialogue tends to focus on Australians outsourcing work to international jurisdictions, usually with the intent of achieving greater efficiencies through reduced labour costs.

The concept of outsourcing has been somewhat tainted by individual experiences and frustrations, but Australian-based outsourced services are offering a fresh, practical way to achieve greater internal efficiencies.

Utilising technology and cloud-based platforms, new outsourced services are better suited to meet Australian compliance requirements, support real-time decision making, and provide upskilled insight into business operation and planning.

Outsourcing v offshoring in the Infotronics Age

One of the most frequently mistaken concepts of the global supply chain is the difference between offshoring and outsourcing. If reviewed in their true sense, offshoring means getting work done in a different country. Outsourcing refers to contracting work out to an external organisation.

Rather than being a new idea, the outsourcing phenomenon is ancient and a key driver in the development and progress of civilisation. Futurist Phil Ruthven in 'Where the Jobs are' ¹ in the CEDA

report *Australia's Future Workforce?*, explains the significant role of outsourcing, "No nation would have had an agricultural industry if tribespeople or householders had remained self-sufficient in food-producing, timber-getting and fishing." Outsourcing those tasks led to the Agrarian Age. Furthermore, Ruthven writes, "No nation would have had a manufacturing industry if households had remained self-sufficient in making furniture, clothes, preserving food, etcetera." Outsourcing those tasks led to the Industrial Age.



The current 'Infotronics Age' once again involves outsourcing. "This time, the outsourcing is primarily to do with services."

ICT, advanced software and emerging fast broadband are the new utilities that support the creation and distribution of products in the Infotronics Age.

This, coupled with cloud-based applications and industry disruption, are changing work practices and the growth of the outsourcing of professional services.

Disruptive Outsourcing

The Deloitte Global Outsourcing Survey 2018 identified that while organisations typically used outsourcing to improve back office operations, cost reduction and performance improvement, a new form of "disruptive outsourcing solutions" was enabling competitive advantage, "accelerating changes within those organisations that have the audacity and skill to leap over the technology chasm" to promote top line growth, agility and a more effective back office. ⁱⁱ

Importantly, the report highlighted that the "focus has shifted from traditional work transfer to upfront transformation and automation... empowering organisations to work smarter, scale faster, reach new markets, increase productivity and, ultimately, to gain competitive advantage".

Measuring outsourcing choices

Outcomes achieved through local outsourcing can be measured in a number of ways.

Cost savings

For an organisation, the cost of employees is not just limited to wages. Ongoing costs associated with compliance, training and management of staff can be alleviated through outsourcing. For example, our clients have achieved an average of \$20,000 annual cost savings by outsourcing internal accounts functions.

Efficiency

Streamlining internal processes ultimately supports efficiencies within an organisation, freeing up staff to focus on organisation building activities. Our services have allowed clients to save two to six days per month of time and this has resulted in positive organisation building outcomes.

Continuity of activities

A heavy reliance on individual staff members falls short when illness, annual leave or resignations impacts how and when activities are completed. Outsourcing supports continuation of activities as clients can rely on the fact that a number of outsourced team members are able to action requests in a timely manner.

Advanced analysis

Equipping an organisation with a new professional skillset allows for greater analytical opportunities and modelling that supports planning and growth.

Access to real time information

One of our clients was struggling to meet deadlines due to internal shortfalls in the provision of relevant information for the board. Outsourced cloud accounting has simplified the process, in turn enabling the board to move meetings forward, promoting timely analysis of relevant financial information.

Impact of technology on changing work practices

Technology is not only transforming work practices, but it is also increasingly facilitating the ability to share information between organisations in real time.

Sue Beitz writes in 'Developing the capacity to adapt to industry transformation' ⁱⁱⁱ in the CEDA report that "some technologies will allow businesses to change the way they engage the skills and capabilities they require."

Engagement of skills outside of the traditional organisation is boosted by technological development, but also by new products and services that are increasingly being launched to fit within a framework that utilises cloud-based solutions.

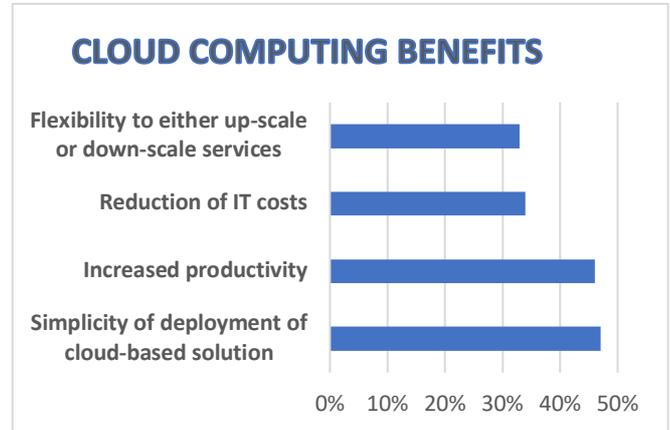
The uptake of cloud-based solutions in Australia

In cloud-based computing systems, data storage and computer power are housed by central servers that multiple users can access and share without direct active management.

Identified advantages to the users of cloud-based platforms include:

- benefits from new technologies, without the need for deep knowledge about or expertise with each one
- upfront IT infrastructure costs are minimised
- less IT maintenance for the user
- greater flexibility and the ability to adjust to fluctuating needs
- users access systems using a web browser regardless of the device or location
- parties can work concurrently on the same jobs, rather than waiting for data to be saved and emailed
- security is improved when data is not solely located and stored on individual computers.

An Australian Bureau of Statistics survey, *Business Use of Information Technology, 2013-4*^{iv} highlighted business opinion about the benefits of using cloud-based computing services in Australia.



While businesses identified cloud accounting benefits, 18% also said that the most common factor impacting their use of the platform was ‘insufficient knowledge’.

Addressing the risk factors

Outsourced services that utilise the cloud certainly provide many organisations with unique opportunities; however, due diligence is essential prior to engaging a provider.

Organisations should get clarity around the following issues:

- Experience and reputation of the provider
- The provider’s internal procedures and processes for managing privacy and data security
- Prior experience in providing outsourced services
- Contracted services – what is included and what is not
- Qualifications of provider’s staff.

Outsourced services that work well rely on the same procedural certainty as internal processes within organisations.



Outsourcing improves compliance outcomes

Professional outsourcing services in Australia often rely on cloud-based platforms, using real time communication to improve analysis and compliance capacity.

The 'compliance sector' is the fastest growing sector in Australia for a reason, the rules set by governments and businesses are increasing daily. Australian businesses and not for profit (NFP) organisation's spend a considerable sum – a collective \$250 billion according to a recent [Deloitte report](#) – on administering and complying with these rules.^v

Whatever your views on how compliance might hamper productivity, there is an inescapable onus on businesses and NFPs to comply with existing rules, and to be prepared for those new regulations already waiting in the wings. Outsourced services can help by enabling the outsource provider and management to draw on expertise, monitor and report in real time.

Digital Transformation is the here and now

It has recently been reported that Australian businesses are expected to spend \$65 billion on technology in 2019. According to Louis White in research conducted by the Australian Financial Review and Chartered Accountants Australia and New Zealand, cloud computing, automation and AI are the top three priorities for technology investment, as predicted by Market Research Company Forrester. 98% of Top 100 Accounting Firms believe that cloud accounting is one of the top priorities for their clients, along with data sharing at 83 percent.^{vi}

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ⁱ CEDA, *Australia's Future Workforce?*, June 2015, Chapter 3.4 Phil Ruthven, 'Where the jobs are'

ⁱⁱ Deloitte, *Global Outsourcing Survey* cited in <https://www2.deloitte.com/us/en/pages/operations/articles/global-outsourcing-survey.html>

ⁱⁱⁱ CEDA, *Australia's Future Workforce?*, June 2015, Chapter 3.1 Sue Beitz, 'Developing the capacity to adapt to industry transformation'

^{iv} ABS, *Business Use of Information Technology*, 2013-4, 16 July 2015 <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/8129.0Main%20Features32013-14?>

^v Deloitte, 'Get out of your own way: Unleashing productivity' in the *Building the Lucky Country: Business imperatives for a prosperous Australia* series file:///C:/Users/INFODEC3/Downloads/deloitte-au-btlic-get-out-your-own-way-230217.pdf

^{vi} Louis White, 'Digital revolution waiting for no one', *Financial Review*, 6 Nov 2018 <https://www.afr.com/news/special-reports/top-accounting-firms/digital-revolution-waiting-for-no-one-20181031-h17c54>