

Outsource This!

Your Complete Resource to the
World of Global Outsourcing

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Outsource This!

Third Pressing

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Outsource This!

Dedicated to Karl

Chapter 1

Wider Neighborhood, Smaller World

A shift is afoot. I'm not referring to the global geological climate. Rather, I'm referring to the global business climate and its interconnectedness with our local American business climate. The days of an independent and dominant US economy are gone. We are now unavoidably enmeshed within and a critical part of the global economy. How does this fact boil down to affect you? As a business owner, you have two choices: compete or get eaten.

Okay, let's get it out of the way. Is hiring workers from overseas for your business un-American? Well, let's start with the fact that you are more than just an American. I think it's time we stop thinking as if we are "just" Americans. Ultimately, we are human beings just like all the other people in the world. If you think giving a job to a person in another country is un-American, it's time to reconsider. The very bedrock of American ideals include—for every man, woman, and child—the intention of helping others, acknowledging equality, and sharing or providing opportunity.

When you hire a worker from another country, perhaps someone from the Philippines, you're hiring someone who has so much less than you could possibly imagine. This person most likely has less means, fewer possessions, and diminished opportunities. The wages they earn are most likely

used to support themselves, their brothers and sisters, children, and various extended family members. By hiring them, you are not only building your business, but you are also extending an opportunity and enabling them to support their loved ones.

These people are our brothers and sisters in this human family, as we all are brothers and sisters on this planet. We are not just Americans; we are proud citizens of this Earth. And as humanitarians, we must hold this broader worldview. As business owners, it's imperative to have this big-picture, global perspective. Without an eye to the bigger picture, we might as well close up shop and face the failure of our business right off the bat. The broader worldview is a basic underpinning to being a viable business in today's competitive markets.

After reading this book, you'll have all the information you need to make an informed decision about outsourcing. You'll know whether employing an overseas workforce is right for your business, and you'll know how to take the right actions to move the growth of your business to the next stage. At the very least, by the end of this book I hope you'll agree with me that outsourcing is not wrong for our world. It's a matter of natural evolution and global progress. Just as we choose between handwriting or e-mailing a note and between following the local news or world headlines, it is not an either/or, good or bad decision. Rather, we can choose both depending on the needs determined by the circumstances; we can understand that both are equally patriotic and humanitarian choices. As business owners, we need to be efficient and fair,

profitable and compassionate. Outsourcing simply affords us the capacity to be all of these.

In the pages that follow, we'll examine the history of the world at a high level as it influences how business is done and how the world became the small, global market place that it is today. We'll take a look at today's economic climate and understand why it's imperative to carry a global perspective. Together, we'll consider if outsourcing is right for you and your business. If you do choose to pursue outsourcing, I'll take you through how to get started hiring staffers overseas, how to evaluate outsourcing companies, and how to make outsourcing work for you.

Chapter 2

Opportunity for All

In the *World Is Flat*, Thomas L. Friedman outlines the globalization of markets and economies as a progression in three parts:

- Part I: Beginning in the late 1400s and continuing into the 1800s, world explorers were cutting new paths across vast geography, connecting faraway places by boat and land caravan. As new people, food, and materials were experienced, trade routes were estab-

lished and the economies of the New World and the Old World began to intermingle.

- Part II: Between the 1800s and 2000, companies or corporations were formed. Following the tradition of the early trade routes, these companies extended their reach by organizing and managing the exchange of goods, and eventually services, on a grand scale. This was made possible by technology enabling more efficient and economical transportation and communication. These multinational companies leveraged global markets and labor resources.
- Part III: Cut to now. Following the nonevent of Y2K, there was in place a broad network of highly functioning communication and delivery technologies—e-mail, text messag-

ing, web interfaces, telecommunications, and the like.

All of these technologies empower individuals to offer their own skills and talents to the large pool of workforce-needy businesses, regardless of geographical location. Acknowledging this fact brings with it the realization that it is the individual who has the power and is doing the work—not a specific group, nation, nor continent. At the same time, individuals can decide to come together over common work goals, again, regardless of geographical location. Today's technologies occasion more collaboration as well as more competition. Competition in the workforce-provider market now takes place between individuals, between groups, and between businesses.

The development of technology has brought with it changes in consumer demand. For example, someone in Roxby Down, Australia can easily buy something from someone in Fort Benton, Montana. Although on opposite sides of the Earth, the Australian buyer and the American seller can come to the market—albeit virtual—meet, and exchange goods or services for payment. This is the global economy at work. Both the buyer and the seller gain benefit, and their exchange contributes to a positive economy. And so it is with outsourcing.

It is undeniably laser clear that we are all humans needing to feed and support ourselves and our loved ones. We are all here providing our skills, looking for someone to pay us for our product or service. Location has become irrelevant to this exchange, and, as a result, we are truly able to fulfill

the ideal of equal opportunity for all. Let's take a closer look at the circumstances of today's economy and what it all means to us as small business owners.

Chapter 3

What the United States Doesn't Want You to Know

As I am writing this chapter I am sitting on an exotic beach on the island of Bohol which is one of the 7,107 islands that comprises the Philippines. One thing that has become abundantly clear to me is that while I am basking in the sunshine on this pristine white sandy beach, the United States is facing some extremely serious challenges.

Specifically, the challenges are that jobs are being outsourced to other countries. Now, for decades manufacturing jobs have been taken overseas, but there is more and more of this happening every day. And, the other alarming thing that's happening is that now all kinds of other jobs are being outsourced overseas as well.

While the Internet has allowed people to work together over long distances within the United States in ways that couldn't have been imagined even ten years ago, this same technology allows the same thing to happen on an international basis.

It's almost a common joke for stand up comedians to talk about how they call an American company for some kind of service question on a product they purchased here domestically and the customer service representative has a strong accent from a nation like India. This is happening because of the

tremendous amount of money that can be saved by outsourcing. And, this isn't limited to just customer service jobs. Almost any job that doesn't require face-to-face contact with a customer or other domestic employee can theoretically be outsourced. When you think about it, there are very few jobs that couldn't be outsourced.

During the G.W Bush administration, the United States government was in a desperate scramble to try and make things appear a little rosier than they were. One tool that the government had at its disposal was to use its various options to influence the currency so that the dollar went down in value. By doing this, the prices from other nations then didn't seem quite as cheap as it would take more dollars to procure products and services from them.

Part of the idea behind this lowering of the dollar was that it would allow American companies to compete more directly with other third world countries such as China. However, there were substantial risks that were incurred when implementing this strategy.

One of the things that America prides itself upon is its strong middle class. These other third world countries don't have much of a middle class. There are basically two sectors: the wealthy and the poor. If America attempts to compete with these nations by lowering prices, there is a chance that the numbers of wealthy compared to the poor could widen.

The goal of this policy is to increase manufacturing jobs in the United States, but what really happens is only a cosmetic improvement. When the U.S. dollar weakens, exports do increase. However,

the reality is that many of the goods that we're selling have still actually been manufactured overseas, imported to the United States and then shipped to the purchasing nation. So, while there may be an increase in the income for domestic American companies and perhaps a limited number of jobs created to manage this process, the real goal of increasing high paying manufacturing jobs has not been accomplished.

To the contrary, what actually happens is that the middle class people in the United States start to have less and less buying power. As people have less buying power, inflationary pressures will become worse. The only companies that will prosper from this turn of events are the largest conglomerates.

How Does the Little Guy Survive and Prosper?

By being able to recognize the state of the current economic realities, the only way the smaller business person can compete is to find ways to be able to go “head-to-head” with the big boys. And, the only way you’ll be able to do that is through capitalizing on opportunities to lower your costs.

There is probably no better way for almost any company to lower costs and become more competitive than by outsourcing. If you have any kind of customer service needs, there is no reason why you can’t outsource. The costs are so much lower that you will simply be shocked at how much money can be saved without sacrificing quality customer service.

I’m sure that if you are an employer here in the United States you know how insanely expensive it is to keep and maintain employees. There is high

payroll taxes, workers compensation, health benefits, unemployment taxes, etc. The costs to have a regular employee are simply staggering.

On top of all of the excessive costs, it seems like there has been a shift in the mentality of workers. Instead of taking pride in their work and being loyal to employers, today's employees waltz into work with an air of entitlement. They almost have a "what have you done for me lately?" mentality.

What all of this leads to is that if you have employees in the \$10 per hour or less range, it's almost a certainty that you're experiencing all of the following:

- High Turnover
- Low Productivity
- Low Reliability

There is a Whole Other World Out There

The fact is that there are places you can go where you can have a staff of employees who get to the office on time, are college educated, literate, articulate and ecstatic to have a job.

These employees take pride in their work and are only eager to please. The result of this is that you get highly efficient employees that don't need much supervision to get done a top notch job as opposed to the United States where the moment you turn your back your employees are surfing the Internet, text messaging friends, or any other of the myriad of unproductive activities that poorly motivated employees engage in.

But the news gets even better because in these other domiciles you can pay these employees five to six dollars an hour instead of ten and you don't

need to worry about paying payroll taxes, worker's compensation, etc.

So, there is a ray of hope for the smaller business person. You can capitalize on the opportunity to outsource just like the big national corporations. But, you shouldn't wait around to see if things are going to turn around here in the United States because they aren't going to. The writing is on the wall and astute business people know when it's time to take action. In the following sections I'll be sharing with you all of the insider information that I've learned so that you'll be able to navigate your business efforts to outsource in the most efficient and effective manner.

The Politics of Outsourcing

Let me start this chapter by saying that about once a week or so, I get an e-mail accusing me of

stealing American jobs, causing the decline of the U.S. economy and being unpatriotic. I want to say right here and now, that this is absurd! This is actually a very simplistic view which is not correct. If you look more closely below the surface of all the issues, you will find that there are many valid counter arguments to these allegations.

First of all, by outsourcing some functions of a U.S. based business it allows the business to function more efficiently. This leads to improved profitability which allows for more jobs to be created domestically and it also allows the company to do a better job of responding to its customer's needs. In addition, the added profits that are created are then invested into the domestic economy for things like advertising, administrative services, etc.. When this money is pumped into the

economy it has a ripple effect as it moves across the entire domestic economy.

Additionally, most of the outsourcing companies themselves are owned by United States citizens. So, the profits that these companies make are also injected into the U.S. economy by the management and investors.

Again, this money that is pumped into the economy causes a chain reaction of economic activity as all the businesses that reap revenues from the profits being spent as a result of U.S. owned outsourcing take that money and spend it on their business needs.

For example, our outsourcing company purchases American made computers, software and related products and services all from American owned companies. In addition to that, since our company is a United States based corporation it

also pays 34% of its profits in taxes. This money is of course collected by the federal government and benefits all of its citizens.

There's Also the Consumer Benefits

As a consumer if you look back ten or fifteen years ago, it was commonplace to make a customer service call to a toll free phone number for a company and wait as long as thirty minutes to an hour. In fact, today you can still experience these excessive hold times when you're dealing with American companies that don't outsource. However, increasingly today there are many companies that have a live person answering your call in under a minute. And, the majority of these customer service improvements can be directly attributed to effective outsourcing.

It's easy to see that when companies can provide this kind of improved service or even small companies can offer things like live, 24 hour customer service that it's going to improve both top line revenues and bottom line profits. These increased revenues and profits help improve and drive the economy.

Foreign Workers Also Buy American

Another extremely relevant point that is often overlooked is that these foreign workers who are now getting paid what is to them a generous wage also spend money on U.S. goods and services. For example, there is a McDonald's that is adjacent to one of our company's facilities that has opened up 24 hours, 7 days a week to accommodate the employees that work at our company. A certain

percentage of the profits that this McDonald's makes is returned to the United States economy.

Another major benefit of outsourcing is that the American companies that use outsourcing reap many rewards. Naturally, there is the obvious reward of lowering expenses. But, in addition to that, they are also frequently greatly benefited from being able to procure a large supply of dedicated workers.

I know from my own experience running my company in the United States that it's just really hard to get good employees when you're paying ten dollars an hour. I know that it's not just me as I know and talk with many other small business operators and they complain about the same thing.

They talk about how they spend two months training a new employee only to have him quit just when he's finally learned how to do the job well

enough to be useful. Let's face it. Many of the people that are working for these wages in many areas of the country aren't supporting families. They're frequently just people trying to put extra cash in their pockets. They could be college students or anyone else that isn't depending upon that money to feed and house their families. Ultimately when you have people that aren't supporting their family from the wages you pay them, they're just more likely to suddenly quit when something better comes along.

However, when you take the average employee who works for an outsourcing company the exact opposite is true. Not only are these people usually supporting their own family, but quite often they have extended family that they're supporting too. These are people that are dead serious about their jobs and they're thrilled to have them.

When you have American companies that can hire these kind of employees who work for half the money and are twice as dedicated, it's pretty easy to see how that makes the companies healthier and more profitable. And again, when these companies are healthier and more profitable, they contribute to the American economy because they have more money available for other expenditures that aren't outsourced and to invest in growing their businesses here in this country.

But What About the \$10 Employees Here?

Just to be the devil's advocate, let's address what other critics might ask. Okay, so for those employees that aren't dedicated and just up and quit, who cares if their job moves overseas. But, what about the low wage employee here who is a good worker? When companies such as retailers,

for example, are able to save money by outsourcing, they are able to increase their profits. And, when these companies increase their profits they reinvest the money into growing their businesses. So, if they open new stores here because they've saved money by outsourcing some jobs overseas, there are new lower wage jobs being created here in the United States that wouldn't have been created if it wasn't for outsourcing. So while there may be a loss of some types of low wage jobs from outsourcing there is also an increase of other types of low wage jobs here. So in fact, the notion that moving those jobs overseas causes a decline in the number of available jobs in the United States is not really true.

While we've talked about some of the benefits to the American economy from larger companies outsourcing, I really want to also point out how

much opportunity outsourcing can offer small businesses. There are about 20 million businesses in the United States that don't have any employees other than the owner. In many cases these businesses might be making enough profit to support the owner, but it's very tough for the owner to try and expand because of capital constraints.

One of the key ingredients for a company to be able to expand is to have an adequate work force so the company can handle an increase in business. Quite often, the cost of recruiting, training and maintaining new employees is just too much for these small businesses to cover. But, with outsourcing they can reduce these costs a great deal. Then, as these companies are able to grow because they were able to outsource some of their labor needs, they also contribute to the domestic economy of the United States and other countries by adding new

jobs and by generating more profits that are invested into the economy. This is really critical when you remember that in today's U.S. economy, small businesses and not large companies are driving the economy. After all, only 40% of the jobs available in the United States come from corporations who employ over 500 people.

My Own Personal Business Experience with Outsourcing

To be frank, I was feeling very cautious when I decided to do an experiment and outsource my first employee. So, I gave it a try first with just one of my companies and then I had two more of my companies give it a try. To my pleasant surprise, these outsourced employees “hands down” put their U.S. counterparts to shame.

This program was so successful for my companies that I eventually outsourced every job in these

customer service areas of my company. What I found was that by freeing up my time by not having to deal with so many of the cumbersome tasks that go along with managing low wage employee forces, I was able to spend more time on what I should be doing, the important things, like creating new business opportunities, marketing and planning strategies for growth.

By doing this, I suddenly created many new jobs for overseas employees with my new growth. I even ended up creating new management jobs here in the United States to oversee all of our outsourced operations. So, the end result was that some low wage jobs here in the United States vanished, but at the same time new higher wage management jobs were created in the process.

Also, let's not forget that besides the new domestic high wage jobs that I created, I indirectly

helped new jobs to be created in the United States because I suddenly had more revenue which created available capital to invest. This money was spent on vendors here in America and abroad on things like increased advertising.

Chapter 4

Is Outsourcing Right For You?

I don't think there is a more perfect person to help you answer this question than myself. You see, as you might already know, I operate several different companies. What I've been finding is that over the last few years my personnel problems have really worsened. I have trouble finding qualified help and even when I do this help has attitudes that are just worsening all the time. Can you relate?

One of the problems is that I'm competing with very large companies that are able to pay more than I can, so I'm getting stuck with the bottom of the barrel. I knew that I had to find some kind of edge. Before I started outsourcing overseas, I came up with the idea of placing some ads on Craigslist seeking some virtual employees.

I was looking for people that could work from their homes but could handle many of the tasks my company needed getting done such as customer service, accounting, payables and technical support. I received quite a few resumes and some of the candidates were promising. I was actually able to hire a few of these applicants and I was able to save some money on my labor costs. But, at the end of the day, I wasn't able to resolve all of my problems.

Coincidentally, right around this time I was forwarded an e-mail from an old friend that he'd stumbled across and thought I might find interesting. The subject matter for this e-mail was "finding employees overseas."

My First Overseas Inquiry

This e-mail that was from a company in Asia stated that I could hire top notch employees for about five to six dollars an hour. Naturally, as I was going through so many struggles to find good labor, I was quite intrigued. So, I picked up the phone and made a call. To my pleasant surprise I ended up on the phone with the owner.

This gentleman was an American and he was quite forthright and helpful. We spoke for a long time as I had a myriad of different questions for him.

Some of My Blunt Questions

I didn't know if it was politically inappropriate, but since we were talking about my livelihood I felt I needed to ask the tough questions. I asked him if the accents of the foreign workers would present a problem. He told me that in the part of the world he was in this wasn't a problem.

Everyone that he employed spoke English quite articulately and could be easily understood. Besides, he pointed out, these days so many people from all over the United States are from different countries and there are so many accents that an average American encounters in his daily life anyway that they're quite accustomed to speaking to people with accents.

He also explained that his company and all reputable outsourcing companies administer some substantial and rigorous tests to make sure that

prospective outsourced employees can speak, read and write English well. In fact, they will also allow the client (the American company) to administer any additional tests that it feels are needed to determine the competency level of the outsourced employee.

Outsourced Employees are Your Employees!

What was also explained to me was that I shouldn't just think of these employees as call center workers, but that I should think of these employees as my back office employees and I should train them accordingly. What I thought was really interesting is that I was directed to the company website where I was able to log in and watch the actual employees at work through a real time webcam. So, if you wanted, you could have a

webcam showing your employees working all day long.

Another great thing I found out was that included in the hourly rate that I paid for an employee, were a lot of extras that really saved me a lot of money. For example, the computer that the employee is using, his phone line, any Internet usage or bandwidth, etc.. All of these things add up to hundreds of dollars a month that you have to pay for in addition to the hourly rate here in the United States, Using outsourced employees it's all included in that one low hourly rate. So, you can literally save hundreds of extra dollars besides just the lower wage costs.

And, let's not forget that if you have employees at your business you need to have office space for them, parking, desks, chairs etc. When you add up all of these savings, it's almost like you're getting

the employee for free when you outsource. With payroll being one of the largest expenses of many companies in our new service based economy, the savings that can be had from outsourcing can change the entire outlook of a company.

Enjoy Getting Liberated!

Another huge benefit that you might be able to appreciate as a small business owner which I've really enjoyed is that by taking these employees out of my office, I just don't get sucked into trivial matters that I was ending up involved with when I had a clerical staff in my office. By having quality management at the outsourcing facility (which I do) I simply don't end up being involved in little problems. This leaves me free to spend my time on what I should be doing which is making decisions

and implementing strategies that increase my bottom line.

I Decided to Take the Plunge

Everything this guy was saying made so much sense to me and since I'm open to exploring new ideas I decided to move forward and give it a try. The first thing we did which was very interesting was that I had a chance to actually interview candidates who might work for me. The outsourcing company lined up a few candidates and I conducted interviews.

So, I was interviewing the prescreened applicants who the outsourcing company felt would be the most likely to meet the needs of my company on the phone. I had conducted my first couple of interviews and they had gone okay. None of the candidates were awful, but nobody was really

impressing me when suddenly the next candidate got on the phone. I was completely shocked because he not only had no accent, but he had a voice like a television announcer.

He sounded so good I thought he might have been an American, so I asked him, “are you an American?” He explained that he was not an American, but he’d been working on the radio for the last three and a half years as an on-air personality and had been developing his voice. I proceeded to interview him to learn about his skills and he was more than qualified, so I made the decision to hire him right then and there.

He started working for me the next day, but unfortunately, I wasn’t really ready for him. We had a lot of things going on at my office that needed my attention. So, I had him doing a lot of really menial tasks for the first few days. Then, he developed

some transportation problems and although the outsourcing company was very quick on the draw to resolve any problems, it just didn't seem to be working out.

So, I decided maybe I should try Craigslist again. I did a posting and found a couple of seemingly qualified people and put them to work. But, what had happened was I'd gotten the taste of having people work for me for half of the cost, so while these latest American workers were doing an okay job, I couldn't help but think about how much I could be saving if I switched to overseas workers.

So, it wasn't long before I decided to take another whack at the outsourcing option. But before I did, I decided to do some research. I wanted to find out what it would take to ensure that I almost always found exceptional employees, that were intelligent, hard working, trustworthy and reliable.

I also wanted to make sure that I had a very low attrition rate. What good would it be if I was able to train someone just to have them go elsewhere when the opportunity presented itself? Within hours the outsourcing company had lined up new candidates for me to interview. This time I selected a candidate named Karl. He didn't have that smooth DJ voice, but he sounded fine. He was smart and educated.

I hired Karl and began to train him. Additionally, I had another remote computer screen set up so I could see what he was actually doing on his computer.

What would happen is that when I needed to get off of a training call with him and do some other work, I could still see what he was doing on his computer. I have to tell you I was blown away. Karl would get off the phone with me and would be typing away for an hour, making detailed notes of

everything I'd taught him. And, it was all verbatim. I'd never seen anyone ever do anything like it before!

I was really optimistic that he would be great and he was. The great thing is that when you have a good employee overseas and you want to reward him for a job well done, it's so easy to give them a meaningful bonus. This same employee, Karl, frequently received high production bonuses from me which nearly doubled his salary. Now, that may sound like a lot, but his whole monthly salary was only a few hundred dollars, so when I gave him those bonuses it still was a fraction of what a U.S. employee would cost and he was so much more productive.

Paying this kind of money to these workers like Karl allows them to live an upper middle class lifestyle and/or help their family in all sorts of

ways. When I saw Karl's face on bonus day, it was really gratifying to me yet it really didn't cost me much.

Chapter 5

How to Get Started

At this point I think a pretty strong argument has been made for the myriad of reasons why you should be outsourcing your internet marketing, social media, article and video marketing, back office tasks, customer support, tech support and sales to overseas domiciles. The great thing about outsourcing is that you don't need to make a commitment to immediately transfer all of your employees overseas. In fact, you can do just what I did which is to start with just one.

Now on the other hand if you are already familiar with outsourcing your employees to other areas of the United States and Canada, you might be ready and more comfortable to make a large foray into the overseas option immediately.

Choosing Your Outsource Location

Once you've decided to take the plunge, you've got to decide which country would be the most suitable for your outsourcing company to be located.

As I mentioned earlier, it's widely known and has even become a stereotype or source of jokes for stand up comics, that there are many outsourcing companies in India doing business with U.S. companies. India has one of the largest selections of outsourcing companies in the world. However, you should keep in mind that just because it's one of the

largest, doesn't necessarily mean that it's the best...in particular for the specific needs and wants of you and your company.

The reasons for India having such a large outsourcing industry are varied. For one thing, there is simply the size of the Nation. India has well over 1 billion people there which allows them to have a tremendous pool of human resources.

Additionally, in the 1990's and early 2000's there was a vast amount of venture capitalists and corporations who were heavily involved in computer programming and other related activities, which was in part spurred by the big 'Y2K' scare that never materialized. At any rate, what happened was that all of these executives in these firms developed a knowledge and comfort level with India.

Then, in the early 2000's, VOIP (VOICE OVER INTERNET PROTOCOL) became a viable means of

having communication. Thus, these people that were already accustomed to India decided to locate new outsourcing ventures there.

In order to make these operations palatable to American consumers there were huge efforts to educate Indian outsourced employees on American ways, customs and history. They even tried giving them American names like John and Steve. Despite these best efforts, these Indian employees had a very strong accent. Thus the reality of it almost becoming a joke that when you call an American company someone from India answers was born.

While India is an amazing country and for certain kinds of companies might offer excellent outsourcing opportunities, it's interesting to note that all of the large Indian outsourcing firms now have Philippine strategies. This is a pretty strong signal that if your needs are in the area of customer

service and other voice based support operations, the Philippines is very likely your best option.

Why India has Disadvantages in Terms of Voice Services

India has a very rich and defined culture. They have their own movie industry (Bollywood), music, etc. While this offers some intriguing opportunities from a personal perspective, it's actually a disadvantage when it comes to voice customer services.

The problem is that because of these cultural differences it's harder for Indian customer service reps to really connect with their American customers. Because their culture is so different they don't understand the American perspective. It's this relating that plays a large part in the overall perceived experience for the customer. For example, a Philippine based customer service representative is much more likely to understand a joke that an

American customer might make during a customer interaction with the customer service representative. And, if the Indian representative doesn't 'get the joke,' it leads to a perception of disconnection.

While certainly most companies are not looking to set up 'joke hotlines,' the connection between the customer and the service rep are crucial. Inevitably what happens is that the Indian customer service rep tends to come off as robotic or mechanical as if they are just reading off of a screen with no interest or emotion.

The reason why the Philippines is so different is that this nation was a former American colony. Many of their institutions...even their constitution was greatly influenced by Americans. In fact, most of the major newspapers in the Philippines are only available in English. This also goes for the majority

of major television stations. They broadcast only in English.

The reality is that although English is not the native language it is highly prevalent. Interestingly enough, the Philippines is the third largest English speaking country in the world in terms of population. So, what this means is that while the Philippines is the 2nd largest outsourcing destination behind India, in the eyes of the American consumer and small business owners, it's virtually unknown in comparison to the reputation that India has built.

Is the Philippines Safe?

The subject of safety is one of reasonable concern to all American citizens and companies. I personally feel that cities in the Philippines are safer than in the United States.

Unfortunately, the Philippines gets very little press coverage other than an occasional mention of some very minimal Islamic movements. But, the truth is that the risk of any kind of terrorist attack in the Philippines is far less than in the United States which is a coveted target of terrorists. It seems like every day in the American press there is news of a new terrorist plot or weakness in the civil defense systems that are uncovered.

The fact is that it is only a very minute portion of the Philippines that is in a close proximity to places like Indonesia that have any such activities at all. People tend to forget that the Philippines is comprised of over 7000 individual islands, so that if an isolated incident happens in a remote island location, it has no bearing on the daily lives of the majority of residents in the major population areas.

The only isolated incidents of violence with foreigners in the Philippines have been a few random kidnappings, etc. But, you must keep in mind that the victims were generally Mormon or Evangelical Christians who travel by boat for as long as seven days to get to isolated Philippine islands where they intrude by trying to push their religious beliefs on Muslims.

These people have chosen to put themselves in these situations and to ignore warnings from the United States and Philippine governments that going into these remote areas is not safe. It's really just common sense. If Muslim extremists publicly declare that you will be kidnapped if you invade their territory and preach other religious beliefs, then it's clearly not safe to go. However, this doesn't mean that the Philippines are any more dangerous than the United States. After all, if you

go to south central Los Angeles and decide to hold a rally to recruit new members for the Ku Klux Klan, there's a pretty fair shot that you'd end up in someone's trunk too.

When you compare the statistics of violent attacks and terrorism between India and the Philippines, violence in India is much more prevalent. There are many tragic train bombs that kill scores of civilians and there is severe civil unrest and military activity in the Kashmir region with the tension between India and Pakistan.

My experience with the Philippine population has been nothing but exceptionally pleasant. In fact, the Philippine people are known as a very friendly culture that goes out of its way to please people and make them feel welcome. It's this reputation that has led to the outsourcing industry growing so much in the Philippines. Because the

population is known to be a hard working, dedicated people, foreign companies have been

flocking to capitalize on this opportunity. The outsourcing boom has been so tremendous that a little over 20% of the population is employed at the time of this writing by foreign companies.

Additionally, there are misperceptions regarding infrastructure. The popular incorrect notion is that a country like India has a much stronger infrastructure than the Philippines, but nothing could be further from the truth.

When you speak to people in India, you hear that there are vast shortages of basic necessities like power and water. That leaves two options for outsourcing companies located in India:

- 1) *They can just hope that it all works out and if the client ends up getting screwed that's too bad.*
- 2) *They can spend hundreds of thousands of dollars investing in expensive generators and other safeguards. Naturally, this money will be reflected in higher prices that you as an outsourcing client will need to pay.*

Now, in some industries that outsource the loss of power might not be so critical...for example if you had an outsourcing company that was creating websites...well, losing power for the day wouldn't be good, but it could likely be made up the next day with no great loss. But, if you're outsourcing voice based needs, like a customer call center, then losing the power for a day could be catastrophic!

Can you imagine if a small business was to invest tens of thousands of dollars into a large direct response campaign on television and when the advertising ran the call center went down? The television station isn't going to rerun all of those ads for free to make up for the loss. Why should they? It wasn't their fault that the call center was down. A catastrophe like this could simply put a small business under for good.

In addition to the Philippines there are other sound destinations for outsourcing centers such as Costa Rica and the Dominican Republic. However, the only real benefit for destinations like this is if there is a large number of Spanish speaking customers. And, in some businesses there would be since the latest estimates put the number of Spanish speaking people in the United States at about 18 percent. So for some businesses that cater to this

clientele it could make sense to consider a two destination solution using the Philippines for the English speaking customers and a destination like Costa Rica or the Dominican Republic for the Spanish language customers. Nevertheless, the cost savings in outsourcing to a place like Costa Rica are minimal since the average prices there might be like 20% lower than America whereas in the Philippines, costs are frequently as little as 10% of the costs in the United States. For example if you call a company like UPS and are given a menu that states push one for English and two Spanish, there's a pretty fair shot that if you push for the Spanish language option your call could very well be getting forwarded to a place like Costa Rica or Panama. So, you can't help but think that if these destinations could also do the best job with the English custom-

er call centers that all of the work would be outsourced to these countries.

There is also some outsourcing opportunities in Eastern European destinations in fields like high tech computer programming, animation, website optimization and SEO.

Outside Researchers Confirm the Facts

There have been some recent studies released by outside research firms that confirm what I've just shared with you. The fact is that Indian companies are outsourcing their voice services to the Philippines. After all, if the Philippines weren't so superior in this area why would they do it? And there are companies like Dell that transferred their customer service from India back to Ohio in the United States only to then relocate it again to the

Philippines. When you call PayPal or Hotels.com, you are calling the Philippines.

Some of the reasons that the Philippines offers some advantages are that in India there tends to be a long and grueling training regimen needed, recruiting and placement are slower and there has been recent inflation that has put pressure on prices to rise in general and this has led to higher outsourcing pricing. So for voice services India may not be the best choice. Nevertheless, as noted above there are certain kinds of companies that could benefit from using Indian based outsourcing companies.

The reason for that is that India has a large percentage of its population that is highly educated. Thus, for certain platforms such as ERP, SAP, ER, programming, coding, animation and other really

complicated business processes India could be a better choice.

What Kind of Costs are You Looking At?

For tier 1 companies in India you're looking at ranges from \$16 - \$30 an hour per person. At the high of these price points you would be able to procure highly skilled individuals with graduate business, science and other relevant degrees. Of course the Philippines is half the cost.

Chapter 6

Ways to Evaluate Your Outsource Company

A very efficient way of finding an outsourcing company would be by using the web. If you go on a major search site and use a search term like ‘outsourcing,’ you may find that it will be too broad. You will likely get many results from domestic and Canadian companies. To narrow the search you can include the name of the country that you would like to have your outsource company located in. At this point you can probably recognize that my personal

choice is the Philippines, but don't feel pressured to choose the same. There are many excellent outsource options in many other countries as well. Since it's your business, you should choose the place that you feel the most comfortable with.

Once you do your search, narrowed by the country, you will still likely get an abundance of outsourcing firms. So, the next step will be to interview the different companies to narrow it down. I recommend creating a checklist beforehand that lists all of the items that are important to you.

Being Specific Is Key!

When you're talking with these outsourcing companies you should be very specific about what qualities you want in your employees. The more

specific you are about it, the more likely it is that they'll be able to deliver.

The interesting thing is that here in the United States there are some fairly heavy handed restrictions on what you can ask or on what parameters you'll set for the criteria for your employees.

For example, here in the United States it's not permitted in most cases to discriminate by sex, age, etc. Now, I'm not saying that you should unethically discriminate, but sometimes there might be real business reasons why you would want employees that are of a certain age or gender, but in the United States you aren't allowed to not hire someone because they are the wrong sex.

But, overseas the whole playing field is different. You are in charge and you can ask for whatever kind of employees you want. Do you want all females to answer your phone? No problem! Do

you want all of your employees to be under twenty five? Again, no problem! You should also specify what times you will want these people to work. I want people with sales experience or call center experience. The list is almost endless. Maybe you need people that are experienced with Microsoft Word or Excel? Maybe you need people with payroll or accounting experience?

The bottom line is that you can choose the exact type of employee that you want. Here in the United States, we're so used to having to accept what's available or are simply afraid to ask for what we want because we don't want to be sued. But, overseas it's a whole different ballgame, so make sure you are very clear as to what it is you want when you speak with your prospective outsourcing company. What you want – is what you get!

You Should Be Able to Do Your Own Interviews

It's my opinion that if you're going to be hiring someone to work for your company, then you should be able to interview them yourself. I should tell you that not every outsource company will be agreeable to doing this. So, make sure you work with a company that will let you do this. You should also make sure you understand what all of the costs are and how you will pay them. For me personally, I like working with a company that takes credit cards because I can earn miles. So, it's like an extra bonus, not only am I saving a ton of money on my labor costs, but I'm accumulating quite a few frequent flier miles as well.

Another very important factor to inquire about is if there is any American management at their site. When and if a problem does arise, it is really helpful to have an American there to deal with as

they help bridge communication problems that could be cultural in nature. An American entrepreneurial type of guy is going to be able to relate to you and help make sure that your needs are understood. In fact, if you recall in my first foray my initial outsourcing effort had a few bumps in it. I really feel that if I hadn't been talking with a guy who was an American who really understood what my needs were, that I might not have pressed on with outsourcing.

The most likely companies to have American management are the larger outsourcing companies although it's possible to find some smaller ones that do. One really important key is to make sure that the American management is actually onsite. Many times you can be talking to someone who's never even been to these other countries. They are simply middlemen who are brokering the services.

So, when you have issues that you need help with, these people won't be able to do the job with you because they won't have a clue as to what's really taking place. So, confirm that the management is really onsite.

How Big Should Your Outsourcing Company Be?

Really, more important than the numeric size of your outsource company is if they have a demonstrated track record of being able to successfully manage the business processes of companies with needs similar to your company. After all, these companies will be running actual business functions for your business. So, it's critical for your business that they can show that they're going to be able to do the job well.

Thus, the specific size of the outsource company isn't a critical factor in your decision making

process. However, you should keep in mind that the larger companies are in general going to have higher rates per hour and may not offer much of a savings as compared to what you can procure locally. The key is to keep the search going until you find the right outsourcing company that offers the best mix of service and price that matches your company's needs.

Having said that, you will want to make sure that any company you choose is large enough to have the resources to get the job done for you. After all, you are dealing with companies that are in a developing economy. For example, you need a company that will have the right Internet connections. The kind of powerful connections you'll need could run a company thousands of dollars a month. They should also have redundant connections and this can run additional thousands of dollars per

month. So, for a company to have this capability it's got to be large enough to be able to have those kind of resources.

I've seen situations where a 20 seat call center went out of business because for three weeks its internet was down and by the time they'd gotten it fixed all of the clients had left. The same would go for something as basic as electricity. If that company doesn't have a back up generator that could put that outsourcing company and your company in a very perilous position.

The outsourcing company you use should also be established enough to have an effective human resource system in place. You want to have a company that has a good flow of potential workers at all times because if you lose a worker you can't afford it to take three weeks to find a replacement. In addition, you want your outsourcing company to

be able to grow with you and add workers easily as you need them.

There is no magic number of employees that will tell you whether a company is right for you. If you want to have a number as a guideline, I suggest using companies that have between 100-500 seats if your company will need between 1-100 employees. My reasoning on this is that a company with at least 100 seats will likely have the resources to be able to provide the security I mentioned above.

On the other side of the equation, I suggest the maximum level of 500 seats simply because I think it's a good idea that your company generates a reasonable percentage of the outsourcing company's revenues. If you are a company that will require 20 employees and you're dealing with an outsourcing company that has 6000 seats, the reality is that your business is going to have a

limited value to the outsourcing company and thus you simply won't have much clout when you make requests or have special needs.

Chapter 7

Some of the Nuts and Bolts of Outsourcing

What companies are using outsourcing? Our current client list is not at all restricted to any particular industry. In fact, there is a broad spectrum of clients that include e-commerce firms, insurance companies, insurance agents, pharmaceutical companies, medical advice companies, authors, speakers, information marketers; these are among the many different kinds of businesses

that are now outsourcing their personnel needs through our company.

Who is in the Outsourcing Chain of Command?

Another really important aspect of outsourcing is who is managing the outsourcing company? You need to know who'll be running things for your business. To get an idea of how an outsourcing firm is structured, let's take a look at our company again as an example:

At the top of the pyramid is my partner and I, who head up the firm. Then below us are six different Middle Managers. There is also a Human Resources Manager that oversees the recruitment and hiring of outsourced employees. Naturally there is an Accounting Manager that handles payroll, bookkeeping, etc.. To round out the corporate structure there is a Vice President of Marketing and

a Chief Operating Officer. With an extensive management team supervising all the daily activities, we make sure that our clients get the service they expect and the company you choose should do the same. Thus, when you're looking around for an outsourcing company, you should find out if they have an operation that has the same kind of extensive layers of infrastructure.

What Happens Once You Sign Up?

At our company, when an order is received from a client, either that day or first thing the next morning, a representative will reach out to the client to let them know that the agreement has been received. On that call, the client will be informed that a Human Resources Representative will be contacting them to discuss in detail what the

requirements will be for the worker(s) and when the client will be available for interviews.

The outsourcing company will likely have preferences for what is the ideal time to conduct the interview which they'll recommend to the client.

With our company in the Philippines, we prefer to conduct the interviews in the morning (U.S. time) because the applicants over here are coming in typically late at night (around midnight) to have the chance to be interviewed. So, the longer they wait around at our facility the more tired they become. While the prospective employees are most definitely eager to work, like anyone once they become highly fatigued they will lose some of their performance capability. This problem vanishes if they secure a position because they then adjust their schedule to whatever the requirements of the employer are.

Once a candidate is chosen by the Client, the outsourcing company, in collaboration with the client, begin whatever training the new employee will need whether that means learning software programs, company policies, products or whatever else might be needed to effectively get the job done.

The communication between the client, employee and the outsourcing company is done with whatever is the most effective method but typically includes e-mail, text instant messaging, webcam, and local U.S voice and fax telephone lines.

The most common method of clients training the new employees is by telephone; although a client is certainly welcome to travel to our facility and train employees in person. In my own personal experience I found that I was able to quite easily train my employees with the various remote options.

However, it was my experience that when I did decide I wanted to travel overseas for a few various reasons, I was quite pleased with the amenities. A luxury hotel with all of the characteristics of a good American hotel is available only a few steps away from our facility. Additionally, we have a relationship with the hotel, so our clients receive a preferred price and service. The food is also a pleasant surprise. It is all delicious and quite reasonably priced.

What if Changes Need to be Made?

While the majority of the time the chosen employee does work out for the client, there may be times when the client isn't satisfied with the job that this particular employee is doing. At our company our perspective is that

although a particular employee may have been chosen for the job at hand, it is our client that is the one paying for the service. Thus, if an employee isn't cutting it, we will quickly respond and do what's needed. The company you choose should do the same. If a new replacement is desired by the client, new candidates will be available to interview as quickly sometimes in a matter of hours or at most a couple of days. Our company can do this because we have a huge pool of applicants at all times and a well honed machine to process the human resource needs of the client. Finding a company with a well oiled human resource mechanism is a very important factor when choosing your outsourcing company.

Additionally, it's understood that the needs of a client may change. There may be a need to add or reduce employees and your outsourcing company

should be prepared to make adjustments and work with you to make sure your needs are always being met.

The company you choose should be open 24 hours a day, seven days a week, 365 days a year. So, whatever time you need the workers to be scheduled it's not a problem. This can be an important factor for certain kinds of businesses such as a 24 hour security guard company that needs to have reps available at all times for any incoming calls. Plus, there is a lot of flexibility, within reason, in regard to the actual hours worked by the employees. While the common work schedule there is like here: five 8 hour work days a week, there is some flexibility so that if a client needs a variation from that standard schedule, it's not a problem to provide.

What You Need to Know About Outsourcing and Taxes and Insurance

As we all know there are two things that are always certain: death and taxes. But, there are ways to minimize taxes and outsourcing offers some extraordinary opportunities to do just that. One of the huge benefits that is frequently overlooked by people considering outsourcing is the potential savings in many other areas besides lower wages.

By outsourcing your staff you can save a fortune with costs like withholding taxes, unemployment taxes, liability insurance, worker's compensation, etc. In these foreign domiciles you don't need to make contributions to 401K plans, health insurance, IRA's or any of the other expensive employee benefits that are generally expected by all employees in the United States.

Quite often all of these additional costs can actually equate to four or five dollars per man hour worked! By capitalizing on both the lower costs of foreign domiciles and benefiting from the efficiencies that the outsourcing company can provide, because it is managing hundreds of employees and taking full advantage of all the savings that can come from efficient, high volume operations, your savings can be so much that it's like you're getting an extra free employee.

Conclusion:

Just in case you're wondering what happened to Karl. He was with me for many years. He trained tons of agents at [123Employee](#). Eventually Karl saved enough money from the wages I paid him to put both he and his sister through school. Today Karl is a massage therapist living in Florida. We are still very close.

I shudder to think what my life would be like today, had I not taken one final shot and hired Karl. My only wish for you is that you find your Karl.

Outsourcing has changed my life. I am confident that it can do the same for you. Outsourcing will most assuredly save you big \$\$\$ and this will help you compete in today's global economy. Drop me a line and let me know about all your successes.

Yours Truly

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