

Leadership Interaction 2024 – EUROPE SERIES

TRANSFORMING BUSINESS FUNCTIONS THROUGH RIGHT-SHORING: *Maximizing Operational Efficiency & Talent Potential*

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Speakers:

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Summary:

- **Insights from the SSF Global Survey on Right-shoring strategies and the factors influencing their adoption and implementation:** The survey findings suggest that while there is a strong inclination towards outsourcing support functions through nearshoring, offshoring, or onshoring, *significant challenges* remain. Resistance due to *change* and job security concerns, along with *skill shortages*, are major barriers that organizations need to address. The *focus on key functions like F&A, IT services, and customer support*, along with the preference for *balanced outsourcing levels and flexible resource allocation*, indicates a strategic approach to right-shoring aimed at enhancing efficiency, scalability, and talent management.

Below are the highlights:

- **Widespread Adoption:** A significant majority (86%) of organizations are already engaging in some form of outsourcing (nearshoring, offshoring, or onshoring) for their support functions, indicating widespread acceptance and utilization of right-shoring strategies.
- **Resistance to Change:** Despite the high adoption rate, 40% of respondents cited change and fear of job loss as major reasons for not adopting any outsourcing strategy. This highlights a notable resistance to change within a substantial portion of organizations.
- **Focus on Key Functions:** Finance and Accounting (F&A) is the most commonly outsourced function (31%), followed by IT services (22%) and customer support processes (12%). This suggests that organizations prioritize outsourcing for these critical support functions to leverage cost efficiencies and specialized expertise.
- **Optimal Outsourcing Levels:** According to 37% of respondents, the ideal range for outsourcing support functions is between 25% and 50% of full-time equivalents (FTEs). This indicates a preference for a balanced approach that combines internal capabilities with outsourced resources.
- **Scalability through Flexibility:** A significant portion (34%) of respondents prioritize 'flexible resource allocation' to ensure scalability in their support functions. This reflects the importance of adaptability and responsiveness in managing support functions to meet changing business demands.
- **Challenge of Skill Shortage:** The shortage of right skills is identified as the biggest challenge (35%), when it comes to managing talent in support functions. This highlights the critical issue of finding and retaining skilled professionals to manage outsourced operations effectively.

Factors responsible for shoring strategies for business functions:

- Right-shoring to balance between onshoring, offshoring, and nearshoring for the purpose of aligning with strategic goals and improving customer experience
- Streamlining processes through specialized outsourcing partners, allowing for business leaders to focus on core business activities
- Leveraging economies of scale – Enhancing efficiency and cost-effectiveness by leveraging labour markets that can reduce operational expenses while maintaining high service levels
- Reinvest savings into innovation, technology upgrades, and business expansion.
- Focus on Core Competencies by offshoring non-core functions to concentrate internal resources on strategic initiatives and core business growth
- Enhancing productivity by reducing the burden of routine tasks through efficient right-shoring arrangements

- Tap into a diverse talent pool across different geographies to address skill shortages (language, professional, technical skills) and enhance innovation
- Implement right-shoring to attract top talent with specialized skills that may not be available locally
- Distribute operations across multiple locations to mitigate risks related to geopolitical issues, natural disasters, or economic instability
- Use right-shoring as part of a comprehensive risk management strategy to ensure uninterrupted service delivery
- Employ flexible resource allocation to scale operations up or down based on demand fluctuations.
- Enhance customer satisfaction by providing 24/7 support and faster response times through geographically dispersed teams
- Improved service delivery with time zone advantages of nearshoring and offshoring to ensure continuous business operations.
- Integrate advanced technologies such as AI, automation, and cloud computing with right-shoring strategies to further boost efficiency.
- Foster innovation by collaborating with tech-savvy outsourcing partners.
- Support sustainable business growth by adopting right-shoring strategies that are adaptable to changing market dynamics
- Ensure long-term success by building a robust and flexible operational framework through effective right-shoring practices
- **Checklist for process transformation and right-shoring: Path to successful shoring:**
Standardization → Automation → Shoring
 - Assessment and Planning:
 - Conducting a thorough need assessment.
 - Developing a right-shoring strategy.
 - Partner Selection:
 - Criteria for selecting the right partners (captive, BPO, hybrid).
 - Building strong relationships with partners.
 - Technology Integration:
 - Leveraging technology to support right-shoring (e.g., cloud computing, AI).
 - Change Management:
 - Managing the transition to a right-shoring model.
 - Communication strategies.
 - Training and support for employees.

Key Takeaways for 'Transforming Business Functions through Right-Shoring for Maximizing Operational Efficiency & Talent Potential' –

- **Strategic Alignment and Customer Experience:** Right-shoring balances onshoring, offshoring, and nearshoring to align with strategic goals and improve customer experience.
- **Process Streamlining and Core Focus:** Streamline processes through specialized business partners who are process experts, allowing business leaders to focus on core activities and strategic initiatives.
- **Efficiency and Cost-Effectiveness:** Enhance efficiency and reduce operational expenses by leveraging economies of scale and labour markets, and reinvest savings into innovation and expansion.
- **Talent and Innovation:** Tap into diverse talent pools across geographies to address skill shortages and attract specialized skills, fostering innovation.
- **Risk Management and Scalability:** Distribute operations to mitigate risks and ensure uninterrupted service delivery, employing flexible resource allocation to scale operations based on demand.
- **Advanced Technologies and Sustainable Growth:** Integrate AI, automation, and cloud computing with right-shoring strategies to boost efficiency, support sustainable growth, and ensure long-term success.

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