Satelliteteams

Why Traditional Business Process Outsourcing Simply Doesn't Work

How to Benefit from using Satellite Teams
for Long Lasting Success

Every business owner, CEO, CFO, and anyone else looking at a P&L knows that labor is the biggest expense in any business. Yes, people are always a company's greatest asset, but they're just so darn expensive!

As a leader, you may spend every day making sure everyone is rowing in the same direction toward a common goal. But the market has never been more competitive in terms of talent, pricing, transparency, and the ability to shop for a product or service. Every company is forced to find a better, cheaper approach to make their business succeed among very capable competitors.

In 1989, Kodak made an extremely controversial move at the time – outsourcing the majority of its Information Technology systems. It turned out to be a success, and many others began to follow suit. Throughout the 90s with the information age at full speed, outsourcing different processes became more and more commonplace and accepted. Today, the vast majority, if not all, Fortune 500 companies utilize an international workforce.

Why Doesn't BPO Work Well Today At Large Scale

Outsourcing, has definitely had its drawbacks, and utilizing large-scale BPOs (Business Process Outsourcing companies) has its unique set of challenges. BPOs are in the business of selling cheap labor for a nice margin at scale. Many of these companies unfortunately see labor as a commodity. This leads to a bad combination where BPOs are incentivized to pay as little as they can to the employee, to use all kinds of scripts and tight management controls to make sure the person performs in a "rinse-and-repeat" fashion, and does this to scale. Larger U.S.-based companies can even consider setting up their own shop internationally. They can hire and deploy a global pool of talent at a fraction of U.S. labor costs and put their own tight controls on business processes. But this option is simply not available to small-and medium-sized businesses.

The BPO approach may be enticing. You may think "Isn't cheap labor that just repeats my preferred business process what I'm looking for". Sounds pretty good, right?

Well, then comes the dirty word in the BPO world…
attrition.

Employees at large BPO shops are no different than anyone in the U.S., U.K., Canada, etc. They want to be paid fairly to support their families and to perform meaningful and fulfilling work. You can find people who are desperate to make a living and will do unfulfilling work day-in and day-out, but they will always be looking for the next opportunity for career advancement. People everywhere in the world want to grow. Unfortunately, the large-scale BPOs provide few opportunities, and when the nominal increase in pay is so important to someone in say Chennai, it doesn't take much of a boost from a competitor to make that person want to leave.

Let's say someone is making $1,000/month as an application developer (really high to actually go to the employee) in Chennai. Just an extra $100/month is a 10% pay increase. How could you blame them for wanting to make a jump? So, again, the large scale BPO model is flawed, and employees will always be looking to find a better opportunity. While the client company may be absolutely fine paying the extra $100/month to keep a great resource, the employee is usually out the door before they can have the discussion. The idea of simply replacing them with another resource with a somewhat similar skillset becomes the norm.

Another key issue is employees rarely, if ever, feel committed to the client.

They aren't in the same boat rowing for the common vision of the company so they can solve the world's problems. They are focused on hitting whatever KPIs their supervisor has given them to keep their jobs. These folks are simply "on an account" and wake up every day to rinse-and-repeat in a call center (or other location) reading different client scripts. Study after study in America shows the engagement level of U.S. employees is extremely low. Now, think about how committed someone is on the other side of the world – someone who has never met anyone else from the company. Needless to say, most don't care too much, but can you blame them? Again, this is a key driver of attrition. It's what kills the productivity and longevity of a team, which is ultimately is the core of the business.

Do they ever get to participate in the client company's townhalls? What about company holiday parties? Does the workforce get a "great job" or any kind of direct interaction with the company at all? Do they know what the company's goals are for the month, quarter, or year? We all know the answer to these questions, and unfortunately, this is what kills culture. Look at the success of Rocket Mortgage, Zappos, and others that have understood the power of culture. They've created a unifying front and clearly appreciate the company's most valuable resource – its people. Is it surprising that BPO employees don't feel a part of the client company? As study after study has shown, while compensation is important, it is generally far from the top of reasons why employees are engaged or with a company. BPOs unfortunately really miss this dynamic.

Somewhat related is the sense of ownership – or the lack thereof. Many business owners share a common complaint about consultants: They get hired to fix a certain "thing", bill all kinds of money having you teach them about why the "thing" is a problem, and they provide you with a list of suggestions, sometimes help you implement them (at your cost), but then are off to the next gig. Do they "own" the problem? No. Do you get to pay them only if their solution works? Never. BPOs, much like consultants, don't really "own" your business process or goals. How much "ownership" does the line-level employee have toward your project? How many projects are they actually on at any given time?

How many times have you called the customer service department somewhere and the person answers as John or Mary and you clearly know that isn't their real name? Sometimes you can understand the person, sometimes you can't...it can be really frustrating. There are all kinds of scripts the person is supposed to read through before escalating you to someone who speaks better English, which makes the exchange even more frustrating. There are sizable differences in culture to consider as well. The movie "The Best Exotic Marigold Hotel" paints a great picture around this problem when Judi Dench's character is hired by an Indian BPO organization to teach western culture to the Indian team. No one wants to be read a script, people want to feel heard and speak to a real person who has empathy and a solutions mindset.

Through the BPO model, you can address relatively rudimentary tasks. BPOs tend to cater to large corporations with repeatable processes, and it works fine for well defined business processes at large scale. It can generally be much cheaper than other options, but asking workers to rinse-and-repeat your processes does not lead to high engagement and satisfaction. While they are technically on your account, they don't work for you. They work for the BPO, and many BPOs have problems sourcing and retaining talent. We would see the same thing in the western world.

Therein lies the challenge: BPOs may work fine for large businesses with lots of controls, defined processes, tenured management teams, and matured lines of communication. But what about smaller companies? Small- and medium-sized businesses need a more flexible workforce that can multi-task and grow with the company.

Let's explore what happens when you try to utilize BPO resources as a small- or medium-sized business.

To illustrate these challenges, I'll use a bit of my own story.

I remember starting my first small business. We were four 20-somethings in my basement, building out a real estate brokerage business. Looking back, it was a great time, but it was pure luck that we didn't completely implode. Four "A" type personalities, all trying to work together to set up the next big thing. Defined processes? Ha. Mature communication? Not at all. Controls? "Who has the credit card again?" Bottom line, everyone was wearing 15 hats and by sheer brute force, we were able to get things off the ground. Even as we grew to 70 employees, we still operated in a bootstrapped and scrappy mentality, trying to build the plane in the air.

At the time, I would never have thought we would hire resources I couldn't look right in the face every day. Opening our second office was the strangest and one of the scariest things I've ever done.

I'm going to trust people I can't see with key parts of the business? I know in today's world it sounds silly, but as a new entrepreneur, the risk was real. The fear was real. What reduced some of the fear and got the lightbulb to go off was when we looked at wages in Dallas compared to Washington D.C. Wow, that's great, we thought. So, the same bookkeeper we were paying $65k in D.C. would be paid $45k in Dallas? Score. But something obviously couldn't be the same. We couldn't expect someone making 70% of what we paid in D.C. to be as good. Our young and very naive minds told us "no way, they must be different there or something.".

Our first trip to Dallas changed all that. These were super engaged folks, just as smart, just as focused and collaborative, and just as energized. The only difference? Home prices were $150k instead of $600k. Everyone wasn't house broke. In fact, when you went to a restaurant on a Monday night, it was packed, and there was a wait. My brother and his wife, who grew up in D.C., liked it so much in Dallas they decided to move shortly thereafter. The second "bonus" was the fact that suddenly his take home pay jumped given no state income tax.

This ah-ha moment eventually caused me to move the entire company to Dallas and close our D.C. offices. Why keep the company in a higher cost area that negatively affects the P&L when you can move to a lower cost area with the same level of talent? Now, this isn't true everywhere of course. If you want to hire the top tech talent on the planet, most end up in Palo Alto. Pharma has its pockets of chemists, finance in New York, etc. But none of these applied to us, and they don't for many small- and medium-sized businesses.

Fast forward to today. While I own several companies in various industries, I've always adopted the practice of leveraging resources in lower cost markets with a desired talent pool. Why not? I can always price my product or service below my competition and maintain margins. Or, if it's a very niche product, I can expand my margins. Of course, relying completely on offshore resources only works for businesses that don't have a clearly defined service location. It would be impossible to operate an HVAC business that serves the West Valley of Los Angeles from India or a home builder in New Orleans from Manila. Does that mean they can't get any offshore leverage? Not at all, and they should!

Where do the issues stem from that make it harder for small businesses to engage offshore resources? It falls into several buckets which we will explore.

One of my favorite books is **The E Myth Revisited** by Michael Gerber, which I recommend to all entrepreneurs and executives. The premise of the book is there is a direct, inverse success rate of franchised businesses to those that are not franchised, and it shows up in the first two years. 90% of franchises survive this fragile first 24 months, yet 90% of non-franchise businesses end up failing. The book does a great job delving into all the reasons why this happens, but to sum it up, most entrepreneurs don't understand the importance of creating operating leverage through repeatable processes. You can make the best pie in the world – really something special – but if you don't know how to maintain quality, market it, sell it, get suppliers to give you the right prices and terms, manage accounting, inventory, etc., your business will fail. So, you must work "on" your business not just "in" it. Understanding the importance of this concept is where so many business owners and executives go wrong. No business will scale successfully without a team, and keeping a team rowing in the same direction through communication, motivation, and a common vision makes or breaks a company.

Take a leader who doesn't understand this concept and wants their team sitting right next to them. Trying to do this with lower cost labor overseas will have the same impact. In other words, we never would have been able to open our second office in Dallas if we hadn't fully bought into the need to build repeatable processes that were communicated regularly and effectively. It really doesn't matter if your team sits next to you or in Poland, if you don't work "on" your business, you will never get operating leverage and will only grow to the level that you can personally put in your daily brute force effort.

All businesses need to have repeatable and standardized processes. This is not to say every business needs to or should be run like some group of robots or an assembly line. Not at all. However, certain things like how to request Personal Time Off, what time someone is expected to arrive, and the core outcomes the person is contributing to each day/week/month/year need to be defined and standardized. Spending a lot of time in California, we have many clients who are in the creative field and startup tech world. Talk about the opposite of an assembly line! The most successful of these creative and "the next big thing" folks understand that while they need to give lots of leeway to team members to collaborate and generate ideas, many things are still accomplished through simple, repeatable processes.

Whether businesses are considering leveraging offshore resources or not, small- and medium- sized business (SMB) owners and executives should all read the **The E Myth Revisited**. It applies to businesses and departments of all sizes, and its recommendation to "franchise" as much as you can is critical. How this all ties to Western companies utilizing offshore resources as a "satellite team" really gets to a deeper issue. We generally see SMB owners and executives perceive, for whatever reason, the person sitting next to them is going to follow an undefined process better than someone sitting in Manila. That's not the truth at all, but it's a nagging perception.
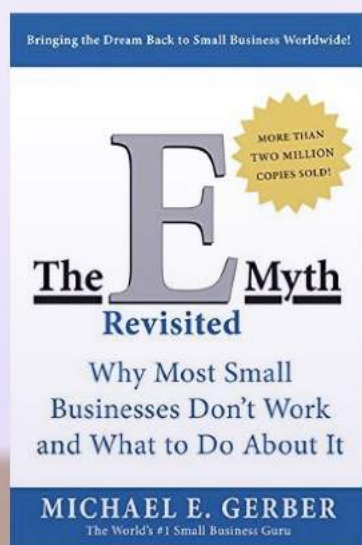
One of my first mentors came with me to a meeting with a high-value customer of one of my first businesses. My mentor is very smart and experienced so I wanted him to come along to hear my pitch and offer any advice he could. The topic wasn't his specialty and while he had some cursory knowledge of the topic, it was my show. I did what most new sales or entrepreneurs do. I got up and started pitching features. This is how great this is and how we can do that.

Fast forward to today: we know that's not how you should position your pitch. Whether it was just because the client really needed the help or I was somehow able to charm the team, they agreed to allow us to proceed to the next round. The absolute critical item that my mentor, Brian, asked the customer was "What does success look like?" It's such a crucial step that so many of us miss. But how can you make sure your client communicates specifically what will thrill them with your product or service?

Today so many businesses focus on the wrong things. The tech world has really been focusing on the customer experience, which has overflowed into other industries too. At the end of the day though, how many times has a supplier asked what specific outcomes would you like to see and put in them in writing in order to make the engagement a success? How many times do they report specifically on those items and take proactive actions if/when they don't occur? It's a rare breed who does this, but it's something we all should be striving toward.

As many are fully aware, Key Performance Indicators, or KPIs, are an attempt to do just that.

Let's figure out exactly what it is we want to accomplish and measure each day/week/month/quarter back to them. The issue is that so many small- and medium-sized businesses don't do a good job of sitting down and mapping these out. Further, not all positions are quite as black and white in terms of KPIs. If you are thinking of hiring people, whether they sit next to you or across the other side of the world, you need to define "what success looks like" and communicate it…regularly. Sure, I know this may be basic Management 101 stuff, but most don't do it. There are so many management tactics such as having the employee fill out their monthly/quarterly/annual review and compare it with their supervisor's view of their performance. How many times are the two disconnected? Too often.

By defining what success looks like through some kind of measurable outcomes, it removes the ambiguity and allows both the supervisor and the employee to hold themselves accountable.

Can these KPIs change? Sure, but where many managers drop the ball is on actually communicating and getting buy-in from the employee.

When exploring labor cost arbitrage, understand that culturally setting these forward becomes 500% more important. I've been in situations where two New Yorkers are in the same conference room and will yell and scream obscenities at each other, not letting either side speak but then somehow shake hands with a done deal, have a bro hug, and go to happy hour. Definitely not how it works in India or the Philippines. Confrontation and saving face are extremely important and taking a management style used by one of these New Yorkers with a team member from either of those countries would last about a nanosecond. They would leave and never look back. How do you solve this then? For a start, someone should never need to yell or scream at a member of their team, but if there are super clear, objective measures, the person doesn't need to be told they are doing a bad job. They already know it! I'm sure most have heard of SMART goals meaning they are Specific, Measurable, Attainable, Relevant, and Time-based. Again, another Management 101 course, but when working with offshore resources or even domestic resources, the SMARTer the goals and KPIs, the better.

We have found many SMB owners and executives are also not as clear on the different models to engage in labor arbitrage to benefit their P&L. Here are the three most common approaches, along with the good, bad and ugly.

Project Based Freelancing

Someone has a specific "thing" they want to get done. They generally don't know of any good resources to get part-time help. Maybe you can ask some colleagues or friends if they know anyone that's good at doing that "thing". Oh, but then there is the procurement process. How do I know this person actually knows what they are doing? Maybe there are some ratings on Upwork or whatever freelance resource you use. Is the price reasonable?

It's cheaper than the hourly rate of the guy down the street, so sure the price is reasonable. Then the more daunting questions start popping up…can I trust this person with my IP? Do I really know them? How can I be protected to make sure they won't run away with my money or my idea? I've tried this many times, and unfortunately, I haven't had much success. I've hired people in Nigeria to help with ClickFunnels, hired several people in Pakistan for web design, hired people in the U.S. If the BPO model is broken, this one is shattered. Take any of the issues with the BPO model and make them tenfold.

BPO

While I'm sure many large, multinational companies have had incredible success with BPOs, I can't say I ever have. Again, my businesses are much smaller, but I have never been able to get this to work. We've described some of the reasons that, in my opinion, drive this issue. Extremely low pay from the billed rate actually goes to the worker. I get to pay to train the workforce. Then there's high attrition. I've found little if any loyalty to me as the client, or real engagement from the workforce. Again, there are probably some great BPOs out there, but I've either never been able to find them or my companies weren't big enough to get their attention.

• Contractor

This was actually the third stop on my journey of labor arbitrage. I got tired of the freelancers going MIA on me and missing deadlines due to other clients' priorities, or other issues. The BPOs made huge promises, then call-after-call with the CEOs or senior management highlighting their repeated failures at hitting their KPIs (of course with lots of promises to be fixed), I was exhausted of this process. So, I decided I would go into the marketplace and hire directly. The type of work I was looking for worked extremely well in the Philippines (we'll get more into why the Philippines is a great choice a lot of the time later). The only problem was I couldn't hire employees directly. I didn't have a Philippine company. A good friend that has an extremely successful Amazon-based business named Fernando walked me through his structure at lunch one day. He hired all the team members he had in the Philippines as independent contractors. The whole independent contractor debate is a hot topic right now in the U.S., especially in California, where the state was so against independent contractors that services we've come to rely on like Uber, Lyft, and Doordash would essentially evaporate overnight given some of the proposed regulatory changes. Now, when it comes to many countries, the regulatory burden isn't so high, and yes, most small companies can fly beneath the radar, but what do you give up going this route? Only 95% of the talent pool!

Company/Job Prestige - In the Philippines, India, and other countries, the social and familial view of someone is largely tied to where they went to school and the company they work for. It's a REALLY BIG DEAL. Working as an independent contractor doesn't provide this similar type of status, and the vast majority are looking for a more permanent employment arrangement they can be proud of.

Benefits - No formal employer means no access to PhilHealth, which is the health Insurance in the Philippines. In the U.S., universal healthcare is a hotly debated topic, but in France? Canada? Philippines? Not at all as it is as much a truism as the fact the sun will come up tomorrow morning and will set tomorrow night.

Taxes - While many countries don't have the amount of money devoted to tax collection as the U.S., being an independent contractor does mean the person has to pay their own taxes. They have to report their own income and hope they don't trip the audit wire. Similar to the U.S., many countries' self-employment taxes are higher than what they would pay as an employee. Typically, they need to pay the employer side as well.

Feeling of Security - The U.S. and some other countries have gone through an incredible shift toward entrepreneurship over the past 10 years. Gary V, Grant Cardone, and others have huge followings and are constantly promoting the side hustle. "Formal education isn't worth it", "Have two sources of income", "Why work 40 hours building someone else's dream" are all common mantras that can be seen on LinkedIn, Facebook, and many other social media platforms. In different countries, this is far from the case for the majority of people. You do get a lot of entrepreneurial freelancers, but they come with the challenges outlined above. Having a stable and secure job with an established company is worth so much to so many, much more so than in the U.S. This becomes more important as someone gets older. The young 20-something may be willing to take some additional risk, but are you going to get a really good CIO or Director-level person? Probably not.

Another challenge we see with SMBs engaging offshore resources is the overall fear and lack of understanding of how to make the initial hire and take the plunge.

Having large teams of people internationally—it's almost like when my daughter was scared to ride her bike the first time. I knew she could do it, I knew she could be successful at it, but it required her to believe and put both feet on the pedals at the same time and let momentum do the rest. It's extremely gratifying to see a new client after they onboard their first hire. "Wow that was easy and the person is great! How can I do more of this?" Many SMBs initially think there are going to be all kinds of issues with languages, accents, technologies, work hours, and the list goes on and on. When they realize how easy this can be and that a country like the Philippines, with 1/3 the population of the United States, has tons of qualified and extremely hard working people, they get super excited for what else they can do. Yes, some take all the savings and put it to their bottom line, but what's really great to see is when SMBs take the savings and put it into the project they had always wanted to do but couldn't afford, or the R&D that will help create some new and interesting solution to a problem.

We'll get into more of the "how-tos" down the line, but

the important part to remember is hiring offshore resources needs to be treated absolutely the same way you would if you hired someone to sit next to you or someone who would command a wage similar to that in your home country.

There are little nuances you learn about different countries and how to manage them, but it all ends up working well once you know about them. As an example, the internet in the Philippines isn't nearly what we are used to in the U.S. and during wet season and when typhoons start coming in, it will go out. How do you then make sure your team there can continue to work and not have downtime? Pay the nominal amount and have a second internet line installed. It's generally $50/month at most and you can have the top speed internet brought to the person's house. Now you have redundant connections. Again, we'll get more into this down the line but it just takes a little bit of time and research to understand how to engage with folks in their countries.

Similar to starting to learn how to ski, you don't want to start off with the double black diamond. Same goes to building an international workforce: Start small and with positions that have the most clear-cut KPIs. This allows you to really work through the kinks blending your internal processes with that of the international workforce without a ton of risk. With clearly defined KPIs, everyone is on the same page knowing "what success looks like" and you can really gauge the execution and success of the person.

If you are SpaceX, you aren't going to start an international workforce by putting your engineering or design team offshore. That's about as core to your business as it can be. But what about some data entry clerks? If you are a car dealership, can you put your salespeople offshore? Probably not, but the people that do car titling and registrations? Sure. A Papa John's franchise owner obviously can't bake pizzas in another country and make the delivery time, but they sure can use a virtual assistant to help keep their calendar, follow up with vendors, help with scheduling the team, etc. Start small and with low-risk positions. Over time, you will get increasingly comfortable, and we've yet had a client who hasn't expanded their team once they get comfortable with it. Start on the bunny slope and work your way up to the double black diamond.

Focusing on what makes your business unique and provides your unique value proposition

Did Google become a global powerhouse because it's amazing at its accounts receivable and accounts payable functions? Did Facebook win the social media award for its graphic design? Uber for its project management office? Starbucks because of its administrative support functions? Marriott because of its database administrative functions? Short answer is no. Are these roles and capabilities important to make the whole machine run well? Absolutely! But these aren't the critical aspects of the business that make them great. Especially with SMBs, sticking to what really makes you unique and provides value to your customers is where 110% of the focus needs to go. I remember a CFO consultant I hired at one of my first companies. He was a very introverted, quirky guy who tried hard to provide great service. He and I would constantly bump heads when he wanted to spend an enormous amount of our budget on building out a giant finance and accounting team, buy the best of the best software, give the accounts payable clerks their own personal printers, and spend a fortune on treasury services at one of the top 4 banks. We were doing less than $1M in revenue at the time. While I can appreciate him wanting to

do a great job and believe he was well-intentioned, being amazing at accounts receivable and accounts payable didn't add core value to our business. We wouldn't grow because of it. Now, being terrible at it could cause all kinds of issues, so again, I'm not trying to downplay the importance of doing it and doing it well, but you aren't going to build the next big thing spending all your time thinking about how to be great at everything.

Recently, I was pulled in with one of my companies to take a look at some very big billing discrepancies with Microsoft. We use their Azure platform and various other products. One of the most valuable companies in the world, and their way of invoicing and getting paid is not user friendly. At the end of the day, we were able to get things worked out after a very long and painful process. They finally fixed their billing and got things moving in the right direction, but it was a terrible experience. When was the last time Bill Gates or Satya Nadella gave a second thought to their billing process though? Never? Is their billing process what makes Microsoft so valuable? Of course not, so why would any SMB act any differently?

So, my suggestion is to find out what makes your business really special and strategic and find ways to get the rest of the stuff done effectively as cheaply as possible. Spend time and the savings on the things that are going to create value and let others who have perfected these other processes handle them.

So, hire international resources to handle your bookkeeping, scheduling, graphic design, SEO, technology and hire another outside salesperson, spend more on marketing, product development, account management. These are the places where looking for international resources can be so impactful. No, they aren't the super strategic parts of your business. They do need to be done well, but by no means should an SMB spend a bunch of money on them. They aren't going to create as much value as other opportunities.

COVID Has Changed It All

Before February 2020, working from home was something few people did regularly. Certain professions are more accustomed to it, like being an author, Realtor, or day trader. For the most part, working from home was a perk provided to some employees some of the time. There were all kinds of debates back and forth on its effect on collaboration and team work. Remember when Merissa Mayer called all Yahoo employees back in the office in 2013? That made some serious waves.

There is absolutely no other way to put it: COVID-19 was an absolutely horrible pandemic and remains so in large parts of the world. So many people lost their lives, gotten terribly sick, lost jobs, businesses and other terrible things. In all bad things, though, there are also the effects that come from it, and show the resilience of humanity. This pandemic was no different. In large part, did the whole world shut down because of COVID? No. In fact, certain markets had their best years ever in the middle of the pandemic, like the U.S. Mortgage industry. The U.S. Auto industry can't keep up with demand at all, and real estate prices continued to show gains. Not the same for the airlines, hotels, hospitality, or cruise industries of course. But how much did the workplace dynamic shift all of a sudden? Wow…

As we all know, Zoom quickly became the go-to spot for working and socializing. Kids yelling, babies crying, dogs barking and lots of robes and PJs became part of the daily working experience. Bottom line – we, as a country (speaking of the U.S.) figured it out. We figured it out so well that I don't believe we will ever return to where we were pre-pandemic. I'd argue that COVID will do to the office real estate space market what Amazon has done to retail. I speak with a lot of companies, and only one company in the past year said they are not looking into reducing their office footprint going forward. Isn't it fascinating that Facebook will now allow people to work from home and move anywhere they want? I hear more and more stories like this all the time. Under incredible and intense pressure, we figured out how to remain productive so well that giant companies are saying, why go backward?

We all know of the technologies that made this happen as many of us use them every day now. Slack, Microsoft Teams, Monday, Zoom, Google Meet, Freeconferencecall.com, bill.com, etc. Suddenly, we were forced to find a way to still move the ball forward while being stuck in our homes. And for the most part, we did. This then begs the question of why would we step backward? Some people really like being in an environment together or getting the social connectivity of being around the water cooler. For them, fantastic. I'm sure most companies will still have some kind of office space to go to if one chooses.

Being the capitalist, though, I wonder why I wouldn't want to hire resources that would cost me 20% of what it would cost in the U.S. and then pay for office space too? With office space comes parking, utilities, office build out, office furniture, fixing the office furniture, paying brokerage commissions, lawyers for leases, and the list goes on and on.

As we all know, COVID had a global impact on work-from-home requirements. Our companies have a big team internationally and didn't skip a beat any differently than a company in Atlanta with all of its employees working from home within a 50-mile radius. If productivity isn't lost because of someone working from home, why does it matter if they are in Antarctica, Calcutta, or Bora Bora? Sure, you have to work out time zone differences, but as we'll to in a bit, this is very easy to address. I suspect most businesses don't need to align every single resource by any specific time zone.

COVID-forced efficiencies will, for the most part, improve many parts of office type work. When given the opportunity to work autonomously, people don't disappear. Most generally want to do a good job. Technologies exist today that never did before, allowing for collaboration and communication. Office space is expensive, and the majority of companies don't need to see every person every single day.

What is the typical model today?

We briefly touched on some of the issues that come with BPOs. They seek large engagements with clearly repeatable processes that provide them with economies of scale. They hire the cheapest possible labor and invest a huge amount to structure around the lower-level type jobs. Call centers are generally the first thing people think about when considering business process outsourcing in general. BPOs can send a small team of solutions architects out to the client's site for a couple days, map out a process, draft some scripts, escalation policies and KPIs, hire 5,000 people to do it, and make a healthy mark up. It's much easier to do this than to have 500 clients who only need 10 resources each. That's a lot of needed solutions architects, flights, and hotel stays.

In order to manage these large engagements and because of how tightly these folks need to manage the workforce, the vast majority of time, they require employees to come into a giant call center with the smallest cubicles ever created. While labor may be cheap in certain markets, many come with expensive real estate, so they really seek to maximize this. Certain types of engagements of course require this. If you are a bank and have non-public information, you want to make sure no one can use a thumb drive and pull social security numbers, for example. You want to make sure no one is able to download your source code if you are hiring application development

folks. We have a client who makes trailers and posters for Hollywood movies, so they are extremely sensitive that team members on their projects don't leak any of them. So, of course there are times when this is needed.

But do all positions need to be in an office? Again, we've know that the majority of people found, due to COVID, they don't have to be. If you look at a city like Manila, it has some of the worst traffic imaginable. It can take hours each way for people to go to and from work. Want to go on the scariest drive of your life? Drive around India for a day and count the number of times you count your luck that a potential accident didn't kill you. Imagine the talent pool you could open up allowing a resource an extra 2-4 hours of time with their family or to be more productive each day? It can become pretty impactful, and we've seen it over and over again.

These are just a few of the reasons that the common BPO model simply doesn't work for small- and medium-sized businesses. It never was meant to, and the employee base isn't really into it either. Little culture, low pay, repetitive work, no engagement with the 'client', being moved from client to client, needing to drive into an office, and no real advancement opportunity in the actual client organization. It's a broken model.

What is the solution?

I'm a serial entrepreneur. While I loved the concept of international resources, we had all kinds of problems making them work for our companies. We had all the challenges with BPOs, and my companies were just too small to get their attention. Even if I got it, their performance was terrible. I went through the freelancing tango where you are constantly chasing down folks working for 50 clients, with little to no loyalty to your project or effort. We also tried the contractor route which, while it has its challenges, was the best of the three. But there had to be a better way.

My business partner and I did tons and tons of research on how to make this work, and it became surprisingly simple.

We found we needed to replicate any and all staffing processes and human capital management protocols we developed in the U.S. and place them on our team in the Philippines. We needed to hire them as employees. We needed to engage with them no differently than the person in the next office. Just because their salaries were less, we made sure our U.S. counterparts viewed and respected them just like someone sitting next to them.

You pay them a fair wage and make sure they have benefits to protect them and their families. You hold them accountable to hitting KPIs or your success metrics. You give them a single or at most, a dual line reporting structure. You interview and screen them at the same standard you would in your home country. You provide them with meaningful, fulfilling, and challenging work. You provide them with clear pathways to career advancement.

All pretty standard stuff, right?

It's amazing though how many people miss out on these keys, and what you would think of as best practices for U.S. companies, when they are looking for international resources. Yes, you can hire a CPA for less than what you would pay a college student and get them to do your bookkeeping. But are they going to feel fulfilled, challenged? Is it meaningful work for their education and skill set? People are only going to work somewhere they feel engaged. Does remedial work keep a CPA happy? Maybe, but I doubt it and you will most likely end up with attrition, just like the BPO does.

The worst thing we've seen companies do is lower their standard just because the amount the person is paid is substantially less. If you need a Ruby on Rails developer that has a set number hours experience or can demonstrate the ability to do specific tasks, then maintain your standards, even if you can hire 6 of them in the Philippines for the same price as one in the U.S. Need a junior contracts lawyer? Make sure they went to a good law school in the Philippines, no different than you would in the U.S. Make sure they can review an NDA or contract and call out the salient legal points or business pieces to review. Hold your standards, every time.

You also have the option to look for very specialized talent. Satellite Teams understands the Philippine labor market, and can locate the specialists, like associate producers with experience in TV, film and advertising, or a graphic designer with experience in creating movie posters and collaterals.

Another factor to consider is security. Clients have the ability to throttle certain security measures to the client's comfort level. The best approach is to mirror most U.S. best practices such as requiring someone different than the person ordering the service to sign off on payment of the invoice. Make another person approve cash leaving the bank account. Regularly upload source file data to a secondary server for development, using encrypted emails, etc. There are all kinds of checks and balances that can be put in place, no differently than if you had another office domestically.

Satellite Teams

My business partner (another serial entrepreneur) and I decided that bringing international resources to U.S. companies was something we had to do. There is simply too much value to be created for U.S. companies to not utilize international resources, but they need to be guided. Our focus is really on a few key points that we've found make all the difference:

Educate the U.S. Company

Define the Role

Recruit for the Role

Practice Co-Employment

Education

As previously discussed, understanding how to engage with international resources is something most SMBs don't understand. When they finally make the plunge to figure it out, they generally go down one of the paths that doesn't lead to success, and they get frustrated. Satellite Teams spends the upfront time making sure U.S. Companies really understand how this works.

Define the Role

Defining the role is so much more than just looking at a form job description and saying "yes, I need 3 of these". As with any role, the more detail the better in terms of not only what the person will do each day but "what success looks like". What are your hot buttons to make sure this person really knows how to do their job? Does it matter if they work the same hours as their U.S. colleagues? Do they need to know how to speak English, and if so, at what level? Does it matter if they have an accent? How critical is this person? For example, if the internet goes down for a day, are you shut down?
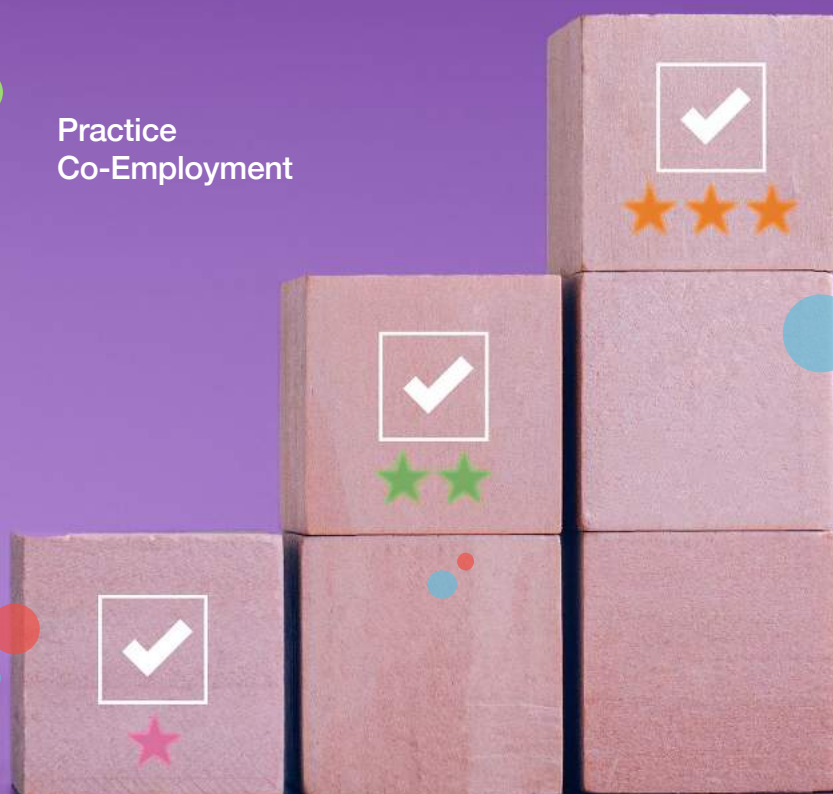
We always tend to hear, "Yes, we need these roles to all speak and write in perfect English with no accent. They all need to work the same hours as the rest of the team. Further, everyone is critical at all times". While we'll happily find you people to fit this mold, we've found that when really exploring this deeper with a customer, they realize that it isn't the case with all roles. Let's say for example, you want to hire a team of 18 data entry clerks and 2 supervisors. You have 60 days to process the data from the time you get it. Do you need perfect English speakers with no accents? Probably not, especially if the supervisors can speak English well. The data entry clerks most likely won't be interacting with anyone else who doesn't speak their native language anyway. Do they need to work your same hours? If there is some kind of system limitation then OK, but outside of that, probably not. Are they super critical that if a typhoon disrupts internet access the business comes to a halt? If you have 60 days to process the data, a day or two probably doesn't shut things down.

So, while we can fill this role with all the original requirements, is it the most efficient? To some companies, checking the boxes makes all the sense in the world, especially at their price compared to U.S. workers. That said, getting a data entry clerk who may not fit the original mold but still performs at the same levels may cost you 50% of what you would pay otherwise.

Additionally, you may find the best person for a given role, but if they don't know your technology stack, it can lead to a long start time and process. Depending on the role, we spend a lot of time upfront understanding how the business uses technology. Does your company use Teams or Zoom? Bill.com or some other solution? Slack? Asana? Quickbooks (which version)? The list goes on and on and we really want to make sure the person knows the tech stack, not only for their core responsibilities but also what other things are in your ecosystem. Defining these interaction points and the best way to approach them upfront leads to long term success. Does your company do monthly town halls? Daily stand up meetings? What kind of reporting is this role responsible for? Who do they report it to? The more upfront the blueprint is put together, the better and most cost effective the house will be built!

Recruiting for the Role

Understanding the unique dynamics in various different countries is critical to know where and how to find the best talent. You need to know what to highlight in your job posting, how and who to network with, and where the talent lies that is open to a new opportunity. LinkedIn, Indeed, Ziprecruiter and others have made this process so much more streamlined in the U.S. While they are starting to take hold in other countries, they are nowhere close to what they are in the U.S., U.K., and Australia. Our company, "Satellite Teams", understands the nuances in many countries and has the connectivity to identify the right talent pools. Our teams of recruiters are constantly on the search for various roles and due to our unique value proposition to potential employees, we are an employer of choice.

Satellite Teams (ST) is able to quickly weed out the freelancer who really wants to work part time but get paid for full time. Satellite Teams knows which universities are best and when it makes sense to "pay up" for someone with a degree from there. We also know how to gauge the level of engagement for someone in that role. You don't want to hire a CPA for a bookkeeping job, or you will be looking for a replacement soon after they are hired. As with any kind of recruiter, it is critical to maintain a robust network of potential candidates. This takes real skill and account management to some extent. Staying in front of the best talent so that you can jump as soon as an opening comes is as much of an art as a science.

After defining the role upfront, sharing these expectations with candidates is critical to get buy-in even before an interview. They need to be fully aware they may be working the night shift, what the KPIs are, communicating in English and other expectations. We aren't training them before they are hired, but pretty close to it. We need to make sure there is alignment across the board. It's a key gating technique.

We further utilize several scripts that are read by candidates in order to get their level of reading comprehension in English. Then, they read back several scripts to us which are recorded so we can gauge any level of accent. This is available in our portal for each candidate a client may want to interview. This allows you to understand first-hand the level of English and/or accent the candidate may have.

ST then puts candidates through a rigorous interview process. Our goal is to find as quickly as needed, the top four candidates for the client to interview. Each one of the roles we support has clearly defined hurdles they need to pass in terms of proficiency, aptitude, and understanding. Each of these can be modified as roles require.

Co-Employment

Most U.S.-based companies don't even get to see resumes of the vast majority of the talent in different countries. Candidates value the safety and security of working for a company that comes with benefits and their taxes are handled for them. While in western culture, being a contractor has lost some of its stigma, it is extremely prevalent in other countries.

ST provides co-employment with our clients. ST's subsidiaries in various countries "co-employ" candidates with our clients. This gives access to health benefits and keeps clients and the candidates in compliance with various local laws and regulations. In the U.S., we call these kinds of services PEO providers. ADP, Paychex, Insperity and others take the HR burden off small- and medium-sized businesses. They focus on benefits administration, payroll, HR compliance and all the legalities that go along the lines of employment.

A critical component of successful co-employment is embracing the international team as part of the broader company. When doing company lunches, include the international team. If there is a town hall, include the team. Company-wide zoom? Include them. Get to know them and visit them no differently than you would if in the U.S. Engaged employees are the most productive and it takes so little to get so much. To be perfectly clear, co-employment is far from a BPO. These are your team members, so treat them no differently than you would anyone in your home office.

Even with an highly paid consultant, it can take two years to form a legal entity in the Philippines. You could spend months opening a bank account and even longer to register for the various occupancy requirements, insurance requirements, etc. When co-employed with ST, this burden is completely lifted from the client's shoulders. The client still manages them like they would any of their own employees sitting next to them in country, they just don't have to try to learn Pakistani or Costa Rican labor laws and provisions.

There is also a substantial savings when it comes to actually paying the team. There are services like Xoom and Transferwise that will allow bank-to-bank transfers, but they cost a fortune. Not only do their fees get charged for each transfer, but the foreign exchange rates are always terrible as they make a spread there too.

Pricing is completely standardized, so there is no need to worry about negotiating compensation with the candidate. There are two components: one is a month and a half in compensation paid as a recruiting fee, and the other is a flat fee that's charged per month. Then they are on your team full time. Taxes, benefits, and compliance are all done by ST.

In the Philippines, compliance can become a very big "gotcha". Most Americans would not be familiar with the "13th month" concept. By law, Philippine workers, including freelancers, are entitled to an end-of-year bonus equal to a full month's pay. Some freelancers may take advantage of a company by demanding a settlement if these benefits have not been paid. They may bond together with the help of an outside counsel that is part of the scheme. All this and other compliance concerns go away because ST hires fully documented, full time employees (FTE) and maintains detailed knowledge of business practices in the Philippines.

Using FTEs provides many other benefits to the employee. For example, employees receive an HMO health insurance package on top of government health insurance, as well as retirement benefits, access home loans, vacation leave and sick leave.

In addition, the population in the Philippines has developed into a highly competent workforce: the rate of English proficiency has come up to 92.5%, according the Australian-based HR company Flatplanet. Filipinos are loyal employees and highly competitive. They want to overdeliver, especially when they have a foreign boss.

How to Get Started?

So, you're ready to take the plunge and hire your first resource internationally. You've worked with the ST solutions architecture team to define the role, interaction points, technology stack, and what you really need in terms of a candidate. Fantastic!

The ST recruiters will be working around the clock to find the absolute best talent to fit your needs. Our process includes a tailor-fitted candidate assessment based on the specific job requirement, unlike other recruiters who may just submit generic resumes. We will actively search for two weeks (ideally -- can be shorter if needed), presenting you with the top four candidates for interviews. Our recruiters will partner with you or your delegate to schedule and accommodate interviews via Zoom, Skype or Whatsapp.

After speaking with the candidates, you choose the one best fit for the role. Next step is to click "Hire" and a start date and you are off to the races! Congrats, your new international team has been started.

So What Does the End Result Look Like?

When done correctly, you will end up with high caliber and functioning teams at a fraction of the cost of US resources. ST has developed detailed cost comparisons in several labor categories:

Position	US Monthly Cost (Does not Include Employer Liabilities)						Satellite Teams	
	LA	NYC	Dallas	Chicago	DC	US Average	Montly Cost	% Savings
Bookkeeper	$3,544	$3,599	$3,118	$3,287	$3,725	$2,993	$995	67%
Junior Accountant	$3,474	$4,250	$3,330	$3,462	$3,837	$3,410	$1,295	62%
Accountant	$5,139	$4,899	$4,882	$5,336	$4,534	$4,362	$1,495	66%
Controller	$8,995	$8,682	$8,148	$8,298	$10,983	$7,653	$2,995	61%
Data Entry Clerk	$3,098	$3,114	$2,772	$3,083	$3,330	$2,596	$995	62%
Customer Service Rep	$4,570	$4,504	$3,977	$4,462	$4,944	$3,776	$995	74%
Administrative Assistant	$3,937	$3,173	$3,672	$3,951	$4,146	$3,404	$995	71%
Executive Assistant	$4,557	$5,021	$4,441	$4,426	$5,546	$4,260	$1,495	65%
Front End Developer	$8,897	$9,298	$7,825	$8,824	$8,320	$8,456	$2,495	70%
Back End Developer	$10,465	$11,343	$8,493	$9,448	$9,996	$9,690	$2,495	74%
Full Stack Developer	$9,399	$9,956	$8,473	$8,550	$9,236	$8,571	$2,495	71%
Business Analyst	$6,859	$6,615	$5,971	$6,639	$6,968	$6,119	$1,495	76%
UX Designer	$7,031	$8,015	$7,358	$7,589	$7,832	$7,799	$2,495	68%
Graphic Designer	$3,575	$4,143	$3,714	$4,990	$5,178	$3,848	$1,495	61%

Over and above the huge cost savings, these will be engaged team members who will act and operate as though they are in the next office over. Most will start small then as they see the success of it, will quickly look for other pieces of the business that can be done with international resources. Utilizing a partnership with Satellite Teams, you are able to hit the "Easy Button" and get going right away.

Here are a few examples of successful engagements we've had with companies that were eager to reduce their costs and improve their bottom line:

Miami Based Data and Analytics Company
Sperlonga Data and Analytics Systems

The company had been exploring ways to scale its IT development team after several unsuccessful relationships with traditional BPOs. ST worked with the Company to identify the right leader to manage the team as a direct hire and placed the ideal candidate within 2 weeks. Partnering with the lead, ST placed a total of 12 additional IT positions over the next 60 days as the company scaled into it. From there, the company also engaged ST to migrate its customer service, finance and accounting, and onboarding team to the Philippines. Today, the company has over 50 positions with ST and continues to grow the team each month.

Dallas Based Credit Hedge Fund
Direct Access Capital (DAC)

DAC provides niche financing products to lenders in the residential fix/flip industry. With a unique set of products, the company quickly became the top capital provider in the industry and took on more and more borrowers. DAC engaged ST to assist with placing additional analysts and accounting team members at rates to manage borrowing bases, review draw requests, and calculate interest charges. This team was assembled over the course of 90 days and consisted of MBA and CPA level talent in the Philippines, while costing the company a fraction of what it would have paid in Dallas.
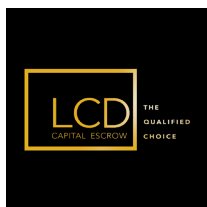
Los Angeles Based Real Estate Company
LCD Capital Escrow

LCD is a leader in the real estate closing industry based in Los Angeles. The company supports the top real estate brokerages and lenders in the country to consummate transactions. LCD initially engaged ST to assist with its overall marketing and ST placed a digital marketing leader. After the incredible success with defining correct messaging, audience, cadence across various mediums, LCD also hired a social media manager to focus on expanding presence across various platforms. This further expanded with LCD hiring a Controller to take leadership of the accounting and finance operations. Since engaging ST, LCD has expanded it's revenue by 300% while ensuring accurate and timely financial statements, all AP/AR has been moved online, and the company continues to have audits with no findings.

Salt Lake City Property Preservation and Management Company
Spectrum Solutions

Spectrum Solutions has been in the property preservation business for more than 30 years. The company operates on a proprietary platform that was built over the previous seven years. Spectrum approached ST after an unsuccessful engagement with an Indian BPO to assist with some additional business requirements given some changes in the marketplace. As with many, Spectrum did not have a dedicated team and they lacked knowledge transfer leading to significant delays and frustration all around. ST assessed the existing situation, placed a team lead as well as several developers to manage the application going forward. ST also brought on several project level resources to fully document the code and assist with knowledge transfer which has led to a highly successful engagement for all stakeholders.

Los Angeles Based Cosmetics Company
Cailyn

Cailyn is a leading cosmetics retailer and wholesaler of innovative and all-natural makeup and beauty products. They have a global presence and are continually innovating through new product lines and new brands. They engaged Satellite Teams to hire marketing and e-commerce professionals to accelerate speed to market and increase customer engagement for new launches. Digital marketing for their new brands, including social media management and content production, are now handled by a well-trained and talented team of marketers and multimedia artists in the Philippines with extensive experience creating successful campaigns for the beauty industry. Cailyn has also hired Shopify and Amazon experts through Satellite Teams so that their e-commerce channels are now updated and managed remotely. This has enabled them to operate and market more aggressively while keeping costs low.

Washington DC Based Subprime Auto Loan Fund
GFC Financial

GFC Financial is a specialty finance company which acquires and services retail installment contracts from automobile dealerships nationally. The company was seeking to expand its existing servicing capabilities and team to include members who were bilingual in English and Spanish. ST was engaged to initially hire a country lead in Colombia which would then expand the servicing team around them. ST was able to identify the right candidate, coming out of a large bulge bracket bank and quickly delivered a 12 person servicing team. This group manages early, mid, and late stage collections, repossessions and remarketing if/when needed.

Satelliteteams

satelliteteams.com

Where We Work
Countries where we have presence

USA
6800 Owensmouth Ave,
Canoga Park CA

Philippines
RCBC Plaza, Makati City,
Philippines

Mexico
Insurgentes Sur 1079,
Mexico City, Mexico

Poland
Krucza 50, Warsaw,
Poland