



RIGHT-SHORING VS. OFFSHORING
A GUIDE TO THE BENEFITS OF EACH APPROACH



KEEPING THE OFFICE “FUN” IN LOCKDOWN?

In April 2021, Conectys VP of HR and Communications Christina Mihai appeared on the Talkpush Recruitment Hackers podcast with an episode entitled “[How Conectys kept the office fun during lockdown.](#)” We did, and we’re proud of that -- see also our post on cultivating joy in the global workplace -- but Christina made a bigger point about where Business Process Outsourcing (BPO) is headed during this podcast appearance. In talking about “right-shoring,” she noted:

“In the last few years, clients have been shopping for right-shoring. This is not offshoring like it was like 20 years ago, but right-shoring to strike the balance between the lowest cost. In a BPO, typically 80% of the cost is human cost — or has been human cost, until lately. Now, technology is kicking in and that’s changing a bit, but yeah. So you have to strike the balance between the lowest cost you can find, language talent, and the right quality.

We know that we need to service the needs of the end users. And that means that some people want really, really high quality -- not just, you know, low cost.

So if you are the BPO partner of high-end luxury brands it doesn’t matter so much if you cut the cost by 10-20%, you have to maintain the quality so that the end user of our client company feels that they’re getting the value of customer service.”

We love Christina at Conectys, and this is an amazing point she made on this podcast. For years -- for generations, really -- BPO was a cost play for many companies. One of the core terms around BPO was “cost arbitrage,” in fact, which allowed BPO to grow as a concept globally.

Over the last five-10 years, though, things have changed dramatically. Buyers want more from their vendors. Technology is everywhere, and sometimes it’s hard to vet. Is this new shiny thing good or fast or will it work properly for my end users? While a buyer needs to be aware of cost, cost-only evaluations can be a race to the bottom. Where’s the quality in the end product and consultation, services, proprietary elements, reach, scale, involvement of tech, etc.?

It’s a much bigger picture in BPO these days. And what do these terms mean?

QUICKLY: DEFINING OFF-SHORING AND RIGHT-SHORING

In general, [right-shoring](#) is the placement of a business’s components and processes in localities and countries that provide the best combination of cost and efficiency. It is a strategy in which a business analyzes the complexity and importance of required tasks and entrusts their completion with the most suitable workforce, regardless of location.

Off-shoring, or simply offshoring, which people tend to be more familiar with, is generally defined as the practice of outsourcing operations overseas, usually by companies from industrialized countries to less-developed countries, with the intention of reducing the cost of doing business.

Into this mix there’s also nearshoring, where a business moves its operations to a nearby country from one of greater distance. Nearshoring is a term that came out of the

practice of offshoring, which is when companies move their product manufactured to a lower landed cost region than that of their native country. Nearshoring also sometimes gets used in the lead generation ecosystem, such as a company wanting to enter the German market testing it with the Austrian market, which is smaller and generally easier to enter, but has many characteristics of the German market.

For now, though, back to off-shoring for a moment.

The advantages of offshoring are largely eroding, due to rising wages in overseas locations, volatile fuel costs, global security concerns, and the worldwide economic crisis in some industries. As a result, many industrialized nation manufacturers and parts suppliers are starting the process of bringing operations back to the United States or their home base.

In a sense, then, right-shoring has become the new off-shoring.

THE ROLE OF LANGUAGE TALENT IN THIS DISCUSSION

If someone needs a French speaker, they need a French speaker to talk to. But does that person necessarily need to be based in France? Or could they be based in Tunisia, Egypt, Romania, China, or other parts of the world? To the customer, they are looking for the best, most seamless experience. They don't want to talk to a bot (big point) and they don't want to scramble to find a human (big point) and they don't want to connect with a human who does not understand them (final big point).

Arnold, Conectys' founder/CEO, actually established Conectys in Romania in 2004 because Romania is globally notable as a language talent hub. Over the last 17 years, though, costs have gone higher in Romania on language talent, which is part of why we've expanded our global footprint to 12 locations -- because we need to fight for the edges of talent where we can combine cost and efficiency.

COST AND EFFICIENCY, DID YOU SAY?

Magic words to those in business, and typically what someone looking around these terms and concepts -- BPO, off-shoring, near-shoring, right-shoring -- is looking for.

The way we think about cost + efficiency is to combine tech + human. All tech-driven BPOs are what we call "The Borg." These organizations look more like technology companies than service organizations. They maintain technology is the complete answer for personal, human interaction. "Borgs" tend to have fewer service product lines, but claim those products are deployable in near-limitless use cases.

The problem, and why doubling down on tech is not "right-shoring:" Your customers don't want to speak to a software platform. Technology alone can't solve all your problems. And in fact, a lot of technology for call center needs lacks cultural nuance -- and you end up paying more to fix problems that tech exacerbated.

So, don't go all-in on tech. Then you're a Borg. It's too costly.

But all-in on people is inefficient. People are costly, and they do make mistakes, get sick, etc. Those are realities.

You need a mix of people and tech processes, including automated processes.

We even do this internally with talent acquisition. Because we operate very high volumes -- we typically hire hundreds of people per month -- we needed to automate the sourcing part, the first part of the funnel elements, the ones that are not value-added for customer experience.

We are always trying to build in highly-automated processes at the beginning of the TA funnel, including robots that funnel in from different talent sourcing pools into our proprietary systems. [Here's how it looks so far.](#)

Now, at the same time, we need to be mindful that these candidates are people with emotions and career journeys and they are more than a name that a bot pulls for us. So, there's a mix of tech and human in how we operate ourselves and how we operate for clients.

The whole BPO game now is less about cutting cost and more about finding the right intersection of cost, quality, and efficiency.

Robotic Process Automation (RPA) plays into this a bit too.

DEFINING OUT RPA, QUICKLY

RPA is the technology that allows anyone today to configure computer software, or a "robot" to emulate and integrate the actions of a human interacting within digital systems to execute a business process, such as elements of customer experience. RPA robots utilize the user interface to capture data and manipulate applications just like humans do. They interpret, trigger responses and communicate with other systems in order to perform a vast variety of repetitive tasks. Only substantially better: an RPA software robot never sleeps and makes zero mistakes.

As a result of said definition, these are the processes that RPA typically hands best:

- *Highly-manual and repetitive processes:* Think about high-transaction volume or processes that occur daily. Accounts receivable and invoicing fall here, often.
- *Prone to human error:* What are some of your processes most prone to human error, that then causes additional work for others? Some HR functionality typically applies here.
- *Rule-based processes:* Think of processes that follow a specific set of "if-then" type rules, and can easily be turned into a template. When decision-making is based on a series of standardized rules, that process makes sense as an automation contender.
- *Low exception rate:* These would be processes with a low number of various scenarios. Exceptions create complexity, and a project can often be completed by partially excluding exceptions with low volumes.
- *Standard readable electronic input type:* Excel, Word, XML, ERP, CRM, readable PDFs. There is now RPA work being done with unreadable types, including OCR -- but that

does require an assessment of what's necessary to make it readable.

- *High volumes:* high-transaction volume and high frequency.
- *Mature and stable processes:* Think of well-documented processes with known operational costs. Again, billing often falls into this bucket. Vendor selection RFP could as well.

RIGHT-SHORING: THINKING ABOUT RPA AND COST

This is a little bit tricky, and it will vary based on your industry and organizational culture.

In some industries, there are [reports of 25-60% cost savings](#), often around labor.

A bigger savings might be in time, which translates to money in its own right. A customer return might be reduced from 15 minutes to 3-5 minutes, or a product swap from 10 minutes to 2 minutes. In financial services, we've seen loan applications go from 35 minutes to 5-10 minutes, and calls about loan questions reduce by 200% or more.

In 2019, Gartner came out and said that RPA would probably [save the financial industry](#) 25,000 hours of avoidable work annually.

One healthcare tech company [saved 423,500](#) man hours with RPA.

So, the savings and efficiencies are absolutely there. It's not the entire picture you need to consider around vendors, no. But the money and time will be saved.

Overall, our internal work with RPA and clients has shown:

- 92% improved compliance
- 86% improved productivity
- 90% improved quality
- 59% cost reduction

All good things.

RIGHT-SHORING AND CONECTYS

For years, we've talked about being strategic, flexible, and consultative for clients. Those mean something to us, but if you're scrolling through RFPs and business documents, they can seem like words everyone uses. That's not the reality. Some BPOs live those things, and they work with clients on headcount, on scheduling, on language talent, on product strategy, on launches, and on more. Some BPOs are low-cost order-takers, which can seem enticing but becomes high-cost over time, usually due to human capital turnover. Some BPOs can be apex predator companies where everyone knows the name, but then you get one-size-fits-all solutions with no tailoring to your business or markets.

What you're ultimately looking for is kind of akin to Goldilocks: you want something in the middle that has scale, but is still small enough whereby the executives of the BPO can be reached. You want language talent and rapid-scale hiring. You don't want to compete simply on cost -- that's a race to the bottom -- but you want to find the right

mix of cost, efficiency, quality, value, and productivity. You also would like the BPO partner to be metric-driven, with customized options based on what matters to your business. Most BPOs can track call times and hold times fairly easily; it's when you get down into customized data that real insights are produced.

Conectys can do all of the above, and we pride ourselves on it. So if you are considering "right-shoring" vs. simply "off-shoring" or "outsourcing," reach out and let's have a conversation.



Contact us at sales@conectys.com

Or learn more from our [Blog](#).

