



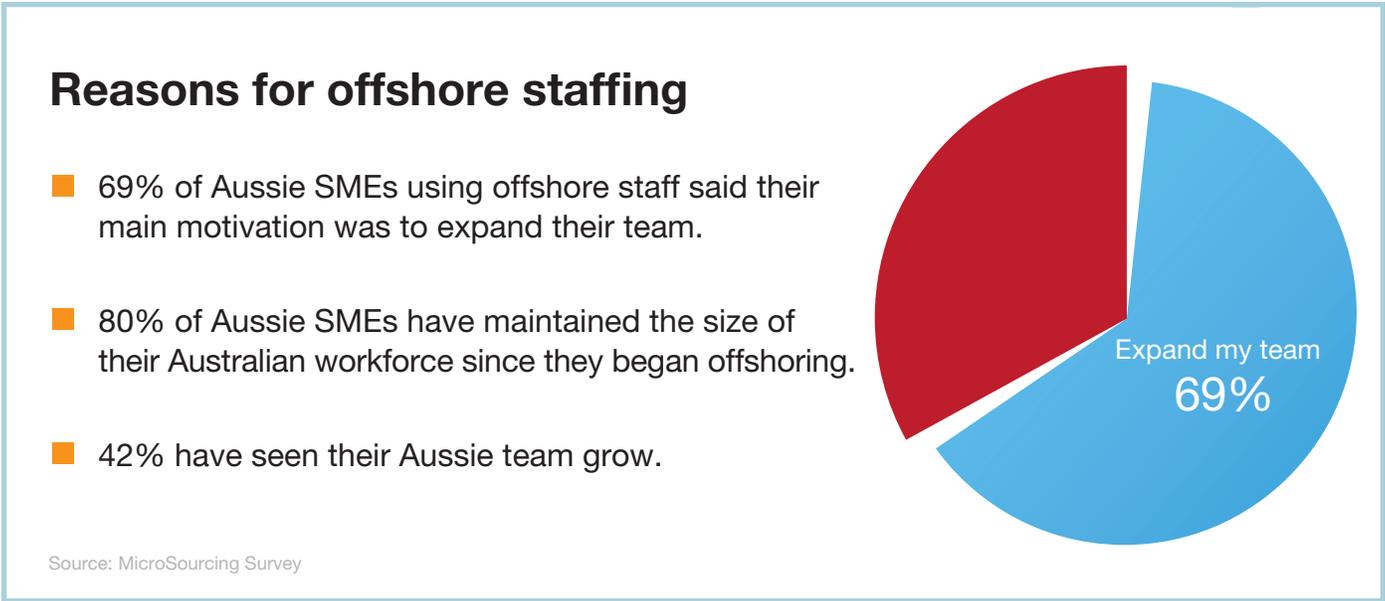
Productivity Enhancing Tools Drive Aussie Small Business Growth

LATEST SURVEY RESULTS
December 2012

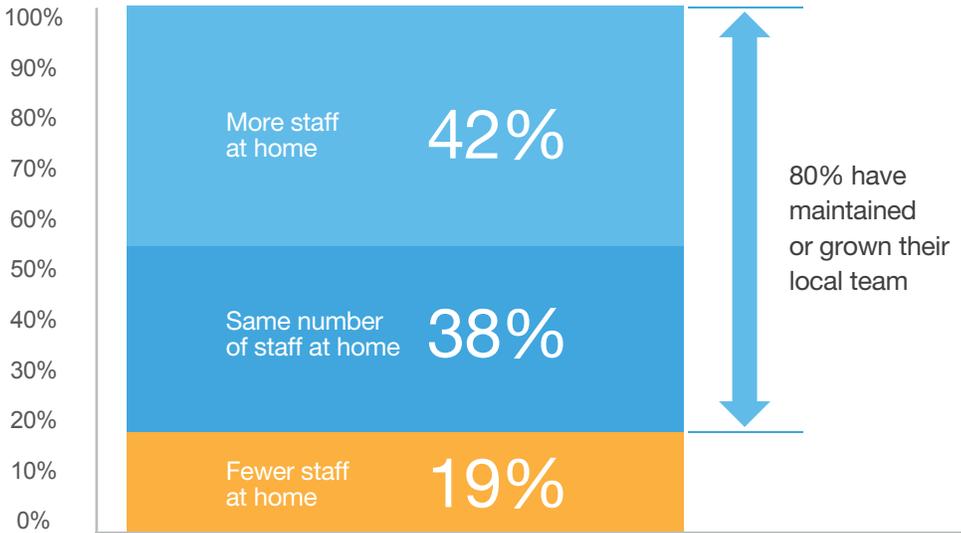
Aussie SMEs use offshore staffing to go for growth

New survey results show that Australian SMEs are far more likely to use offshore staffing as a tool to **grow their business**, improve productivity and **expand into Asia** than as a way to cut jobs.

MicroSourcing’s recent survey of its Australian small business clients found that — contrary to popular opinion — offshore staffing supports employment growth in SMEs.



Offshore staffing supports local employment in Aussie SMEs



Total does not add up to 100% due to rounding
Source: MicroSourcing Survey

New research shows offshore staffing supports employment growth in SMEs

Aussie SMEs had an average of 19 **local** staff when they began offshoring, and now have an average of 23 **local** staff – a 17% increase



Source: MicroSourcing Survey

In the tourism industry, we need to provide our customers with 24/7 cover. As a small business, to do this from Australia would be prohibitive. Having offshore staff in the Philippines enables us to offer a much better product and means we have been able to grow our business - and our team at home - much faster than we would have otherwise.

Derek Gallimore,
Managing Director, Boutique London Lets



Aussie SMEs go global to drive growth

Chika Sakane, founder of Bike Roar, a website targeting the growing cyclist market, is part of a new breed of young Aussie entrepreneurs who are **online, on-the-go, and globally focused**. 'I have staff in Australia, the USA, Brazil and the Philippines, and each plays a different role in my business.'

'I took on my first offshore staff member in the Philippines after a business associate recommended MicroSourcing. My intention has never been to replace my Australian staff. Instead, the **local and offshore teams are complementary**. There are some jobs that require a person to be on the ground in Australia, but having support staff in the Philippines means my local staff can easily delegate administrative work — giving them **more time to focus on what they do best**.'



Productivity enhancing tools now available to SMEs are also helping them expand their businesses into Asia. In a 2011 survey by the Australian Industry Group and Asialink, 64% of Aussie businesses report having some involvement with Asia, including 68% of medium businesses and 53% of small businesses.

Aussie businesses also recognise the importance of having professional local partners on the ground. Both small and large businesses report that 'understanding of local management culture', 'local staff' and 'cultural understanding' are all important factors in doing business in Asia.¹

Offshore staffing to drive productivity and growth across the region



Image source: <http://www.abc.net.au/worldtoday/content/2010/s3072889.htm>

“I anticipate the key source of productivity growth in the Asian Century is going to be what we today call offshoring or outsourcing -- (it's a) whole business model change,”

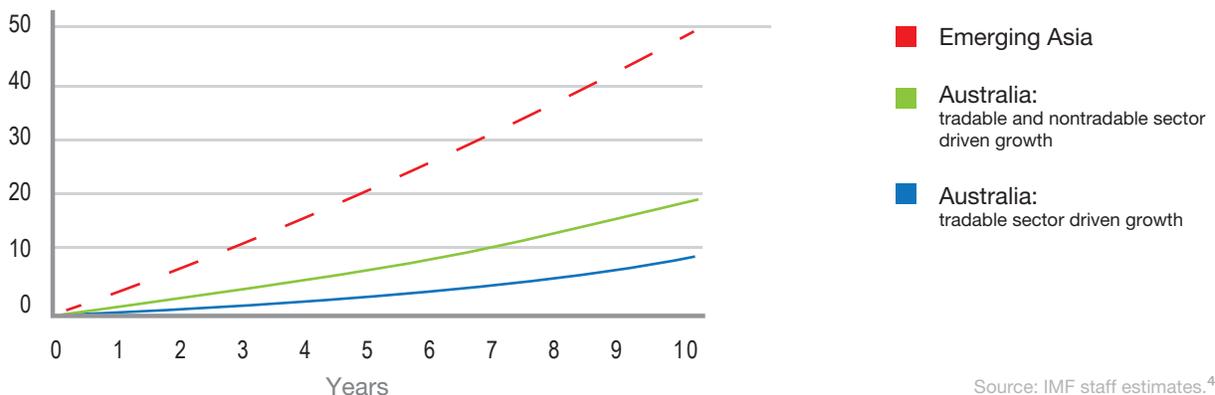
Former Treasury Secretary Ken Henry,
September 2012 ²

Offshore staffing could help spur regional growth

The Asian Development Bank believes that service industries such as offshore staff leasing can **spur economic growth in the Asia-Pacific**, even as manufacturing output slows.³ In the Philippines, offshore staffing accounts for 5% of GDP – which doesn't sound like much until you consider that mining accounts for 7.2% of GDP in Australia. Offshore staffing is such big business that the ADB has revised its growth forecast for the Philippines up, even as other regional neighbors like China are being downgraded. Offshore staffing might just give Asia— the region that Australia's economy relies so heavily on— the **economic kick start it** needs, as well as providing a productivity boost to Aussie SMEs.

What's good for Asia's economy is good for Australia

Impact of Emerging Asia's Growth on Australia's Growth
(Percent deviation from baseline)

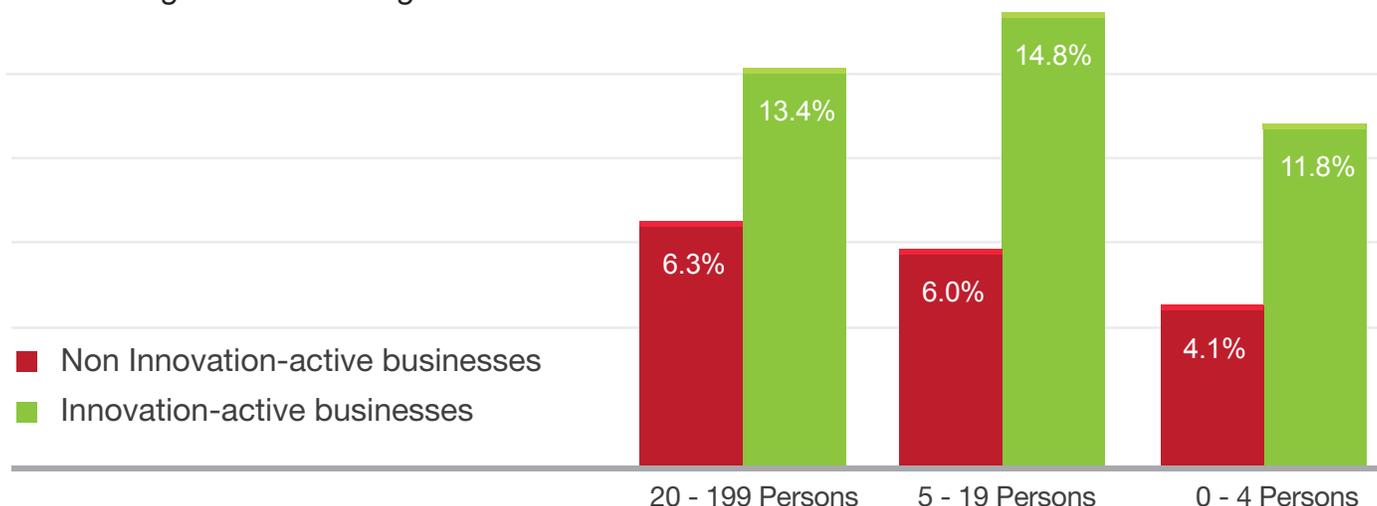


Innovative SMEs embrace productivity enhancing tools

We usually think of offshore staffing in terms of large call centres run by banks or phone companies. But **82%** of businesses who use offshore staff start by leasing just **1, 2 or 3 staff**, suggesting it is an innovative solution that forward-thinking SMEs are keen to embrace.

Source: MicroSourcing Survey

According to the ABS innovative SMEs are adopting outsourcing and contracting faster than non-innovators



Innovating businesses are increasing their contracting and outsourcing at twice the rate of non-innovating businesses

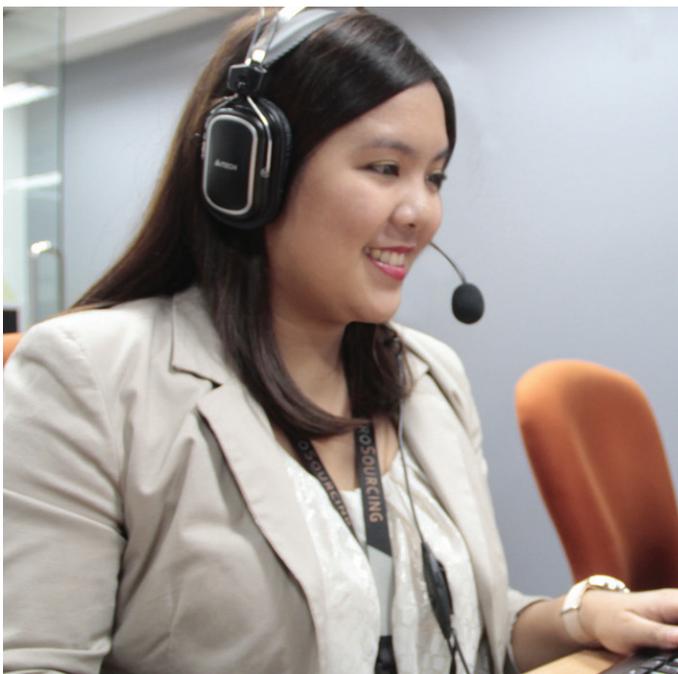
Source: Australian Bureau of Statistics

Innovation and productivity-enhancing tools like cloud computing and offshore staffing tend to go together. SMEs that use the cloud are more likely to record revenue increases and have optimistic forecasts for the year ahead.⁵ **And Innovative businesses are twice as likely to have increased their use of contractors or outsourced staff than non-innovative businesses in recent years.**⁶

Digital revolution brings offshore staffing within reach of resource-constrained SMEs

New digital technologies mean small businesses can now afford to access productivity enhancing supports that were once the preserve of big business CEOs, such as personal assistants.

Celina is one such example of how these new roles work in practice. Celina is a 27 year old Philippines-based virtual assistant for a small Queensland company. “I’m your regular administrative assistant. It’s just that everything is done online. My tasks vary on a day to day basis: transcribing documents, purchasing and ordering, scheduling meetings, supporting the directors so they can focus on more important things, and providing information to help them make decisions.”



“

I communicate with my boss in Australia constantly. We use Skype messaging and conference calls, as well as emails. I am based in the Philippines, but I am happy that I get to work so closely with my Australian colleagues.

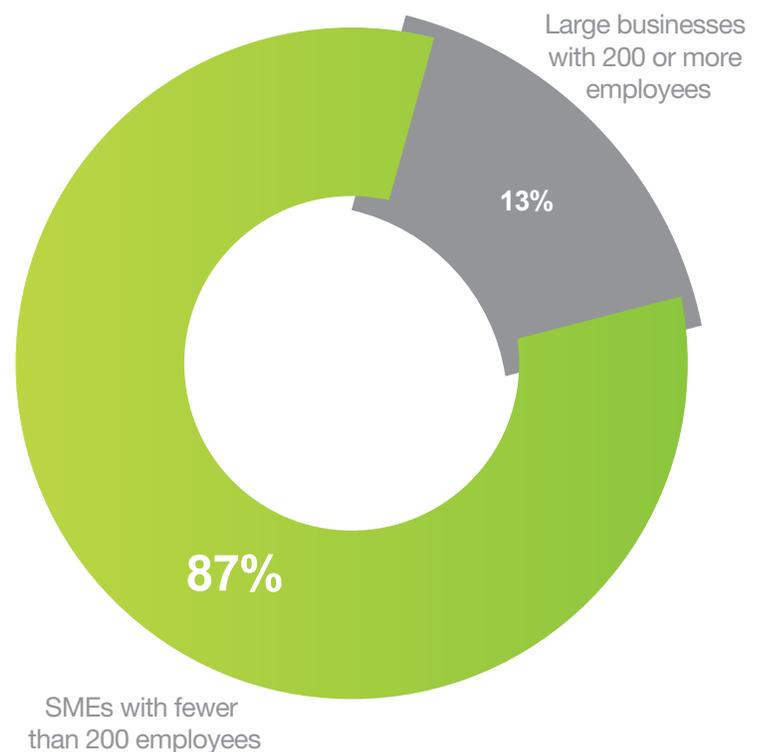
”

SMEs now have access to technology-led innovations that were once the exclusive domain of big business

New technologies mean that Aussie SMEs now have access to some of the same tools big businesses have been using for years.

91% of small business and 99% of medium business now use the internet to conduct their business.⁷ One in seven use cloud computing,⁸ enabling them to effectively manage their business even if their key staff are in different locations.

Now small businesses can access productivity enhancing tools like affordable hardware, affordable software and affordable talent, which were until recently only available to big business. According to a recent survey conducted by offshore staffing provider MicroSourcing, **87%** of companies who use offshore staff are **small and medium businesses** with fewer than 200 staff.



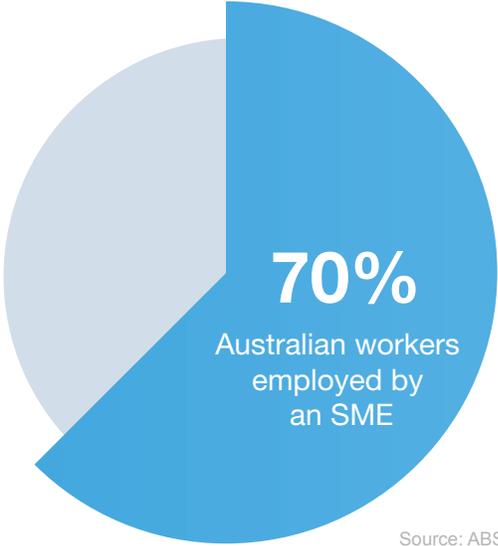
87% of businesses who use offshore staff at MicroSourcing are small or medium size

Source: MicroSourcing Survey



Small and medium businesses – those with fewer than 200 employees – are the backbone of the Australian economy.

- SMEs make up 99% of Australian businesses
- 94% of Australian businesses have an annual turnover of less than \$2 million⁹
- 70% of Australian workers are employed by SMEs¹⁰



Source: ABS

Yet according to the Australian Bureau of Statistics, only 1/3 of Australian SMEs are ‘innovating businesses,’ compared to more than half of all larger enterprises.¹¹ Because of their small size and resource constraints, SMEs find it more difficult than larger businesses difficult to improve their productivity and drive innovation.¹²

Aussie SMEs report that a **lack of skilled staff** is their **number one barrier to innovation**, followed by lack of access to additional funds.¹³

What is offshoring?

Offshoring involves locating one or more business functions in another country. Traditionally seen as the domain of big business, more Australian SMEs are embracing offshoring as a way to expand their business in today's resource-constrained economic environment.

Offshore staffing might include outsourcing a specific short term project, setting up a dedicated offshore facility, or leasing a few staff.

Offshore staffing is no longer just the domain of call centres and IT help desks. Today's roles are as varied as accounting and book-keeping, HR, graphic design, web development, online marketing and personal assistants. Taken together, these functions are often referred to as BPO, or business process outsourcing.

Globally, the BPO industry is shifting. While in the past offshoring was seen as a way to cut costs, today businesses want to forge **strategic partnerships** with offshore staff providers—and tap into affordable **global talent pools**.¹⁴

About MICRO SOURCING

MicroSourcing specialises in setting up, hosting, and managing offshore operations in the Philippines on behalf of clients from all over the world. By outsourcing their workflow processes, our clients reduce their costs, increase their operational flexibility, and expand their global reach. Our service delivery models are tailor-made to service any type of organisation, from small and medium-sized businesses to larger companies.

About our survey results

In August 2012, Microsourcing conducted an email and phone survey of our clients globally. 61 clients, including 28 Australian clients, responded to the survey.

References

- ¹ Australian Industry Group & Asialink, 'Engaging Asia: Getting it right for Australian business,' March 2011. Available at: http://www.asialink.unimelb.edu.au/_data/assets/pdf_file/0007/428470/asialink_aigroup_joint_reportMarch2011.pdf
- ² Ken Henry quoted in Bernard Lane, 'Get over antagonism to offshoring: Henry,' The Australian, 7 September 2012. Available at <http://www.theaustralian.com.au/news/get-over-antagonism-to-offshoring-henry/story-e6frg8zx-1226466825773>
- ³ Asian Development Bank, Asian Development Outlook 2012 Update, October 2012. Available at: <http://www.adb.org/sites/default/files/pub/2012/adou2012.pdf>
- ⁴ International Monetary Fund, Regional Economic Outlook Asia and Pacific: Managing the next Phase of Growth, April 2011. Available at: <http://www.imf.org/external/pubs/ft/reo/2011/apd/eng/areo0411.pdf>
- ⁵ MYOB Business Monitor, Cloud Computing Special Report 2012. Available at: <http://myob.com.au/myob/backing-aussiebusiness/myob-business-monitor-1258090877325>
- ⁶ Australian Bureau of Statistics, 'Characteristics of Australian Businesses,' 13 September 2012. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/Products/8167.0~2010-11~Main+Features~Business+Performance?OpenDocument>
- ⁷ Sensis e-Business Report 2012. Available at: http://about.sensis.com.au/IgnitionSuite/uploads/docs/2012SensisE_Business_Report.pdf
- ⁸ MYOB Business Monitor, Cloud Computing Special Report 2012. Available at: <http://myob.com.au/myob/backing-aussiebusiness/myob-business-monitor-1258090877325>
- ⁹ Australian Bureau of Statistics, 'Counts of Australian Businesses, Including Entries and Exits,' 31 January 2012. Available at: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3501C8DDF770CC94CA2579950012015F/\\$File/81650_jun%202007%20to%20jun%202011.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3501C8DDF770CC94CA2579950012015F/$File/81650_jun%202007%20to%20jun%202011.pdf)
- ¹⁰ Australian Bureau of Statistics, 'Australian Industry,' 22 June 2012. Available at: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/FDDC3A890FA7E7C8CA257A24001D9707/\\$File/81550_2010-11.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/FDDC3A890FA7E7C8CA257A24001D9707/$File/81550_2010-11.pdf)
- ¹¹ Australian Bureau of Statistics, 'IT Use and Innovation in Australian Business,' 26 June 2012. Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8166.0Main+Features12010-11?OpenDocument>
- ¹² 'Australian Government Department of Innovation, Industry, Science and Research, Submission to the House of Representatives Standing Committee on Economics Inquiry into Raising the Level of Productivity Growth in the Australian Economy in September 2009.': www.innovation.gov.au/Innovation/ReportsandStudies/Documents/InnovationandRaisingAustraliasProductivityGrowth.pdf
- ¹³ Australian Government Department of Innovation, Industry, Science and Research, 'Key Statistics: Australian Small Business,' 2011. Available at: <http://www.innovation.gov.au/SmallBusiness/KeyFacts/Documents/SmallBusinessPublication.pdf>
- ¹⁴ Forbes Insights, 'Values Based BPO in a resurgent economy,' 2009. Available at: <http://www.infosysbpo.com/offerings/featuresopinions/Documents/value-based-bpo-resurgent-economy.pdf>