

One in Five SMEs Considering Offshoring in 2010

Submitted by: Buffalo Communications

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~SMEs seeking lower-cost labour for growth~

Almost one quarter (22 percent) of UK small and medium enterprises (SMEs) are considering offshoring, while one in ten are very likely to offshore elements of their businesses in 2010, according to research conducted by ICM Research in November on behalf of SLASSCOM, the development body for Sri Lankan outsourcing.

The report, entitled 'The SME Offshoring Readiness Index' also found that 20 percent of businesses had increased their interest in offshoring as a direct result of the recession. Recession aside, the biggest driver behind UK SMEs' interest in offshoring was the current cost of UK labour with 28 percent indicating this was an issue. 13 percent also said they would use offshoring due to a lack of available UK skills.

The survey also found that some SMEs would use offshoring to focus on core competences (16 percent) and to extend service hours (14 percent). These positive signs were backed up in that 22 percent would also look at offshoring to expand and strengthen their UK businesses.

When asked what they would be most likely to offshore, SMEs indicated the following processes:

IT development/ maintenance 24%

Data processing 20%

Customer services 18%

Other back office processes 16%

Finance and accounting 15%

Though the research found increased interest in SME offshoring, respondents also had various worries that may well have prevented more companies engaging in contracts. Some of the key concerns were a loss of control (33 percent) and data security issues (22 percent). Another important concern was that of possible reputation damage associated with offshoring, with 21 percent stating this as a worry.

Madu Ratnayake, General Secretary of SLASSCOM, commented, "Interest in offshoring in the SME sector is both a symptom of the need to cut costs and a recognition that one country doesn't always have all the skills needed for success. SMEs are coming around to the globalised way of thinking, that is now necessary for success. Those SMEs that think globally about skills and staffing are set to be increasingly successful in 2010 and beyond."

Martyn Hart, Chairman of the National Outsourcing Association, commented, "It's great to see so many UK SMEs interested in offshoring work. It indicates an acceptance of offshoring and globalisation that's been a long time coming. Many larger businesses have already reaped the benefits of offshoring business models and now it's the turn of the SME. Going forward, we expect a significant increase in cost-based and strategic sourcing across the SME sector."

Editor's notes

About the report:

The survey was conducted by ICM on behalf of SLASSCOM, the Sri Lankan industry chamber for outsourcing in response to increasing interest from SMEs in offshoring. The fieldwork was conducted online amongst 200 UK SME businesses in November 2009. For a copy of the report please contact slasscom@buffalo.co.uk or call 020 7292 8680

About SLASSCOM:

SLASSCOM is the development body for IT and outsourcing in Sri Lanka. The organisation is supported by member companies from Sri Lanka's largest and most successful companies in software development, contact centre services, e-commerce & web services and finance & accounting outsourcing. The organisation promotes the development of Sri Lankan service provision across the globe.

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