

Turbocharge your incremental growth through offshoring





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Thriving in Israel's competitive landscape

At times where business confidence is low and caution prevails, it can be harder to capture market share and grow a business. This is especially the case when an organization needs to first undergo some form of digital transformation to become more competitive.



<u>Gartner</u> has found that 89% of boards say that digital is a key part of their growth strategy, but 81% say they haven't made the necessary progress

toward their transformation goals.

THRIVING IN ISRAEL'S COMPETITIVE LANDSCAPE

There are many different reasons for this, in particular:



Talent acquisition and retention

The best-skilled employees are in demand and come with a high price tag. Therefore, they tend to get snapped up by bigger tech firms, rather than small start-ups. This is an especially big problem in Israel where **92.3%** of businesses have fewer than ten employees.



Increasing headcount to drive growth impacts the operational expenditure that

appears in the P&L, and is a particular disincentive to micro-enterprises in Israel, which make up <u>92.3% of all businesses</u> in the country.

Funding difficulties

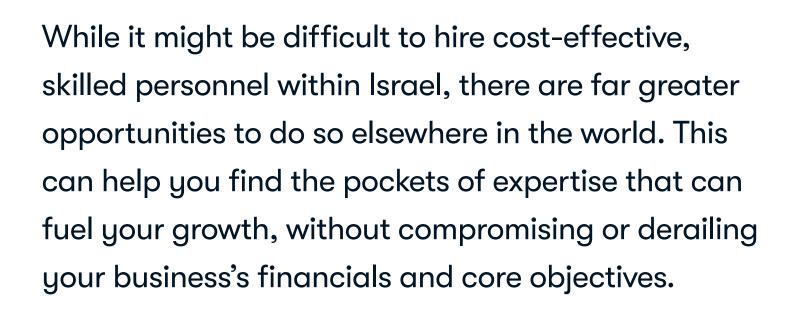
It is getting more difficult to find the funding to fuel growth, or know where the next funding source is coming from, which hinders the ability to plan ahead or to grow with confidence. And yet despite this difficulty in finding funding, businesses are still expected to deliver results and reach high targets.

This is perhaps a bigger issue in Israel than almost anywhere else, because of the fiercely competitive nature of the marketplace. Israel is known as the <u>'start-up nation'</u> for good reason. The country has developed <u>97 unicorns</u>, more than double that of the United Kingdom, which has a population more than seven times the size. But while worldwide IT spending is set to reach \$4.6 trillion in 2023, investment in private Israeli tech companies is slowing, <u>dropping to \$1.7billion</u> in the first quarter of 2023.

Ultimately, Israeli tech start-ups find themselves in a very difficult situation. They have limited cash to spend and invest, and may find that cash has to last longer than they had planned. The opportunities to attract outside investment are also limited, as is the ability to attract R&D talent.

Nevertheless, your business has to look as attractive as possible to customers, partners and potential investors alike - and that means maximizing revenue, while minimizing costs.

The good news is there is a solution to this complex challenge.

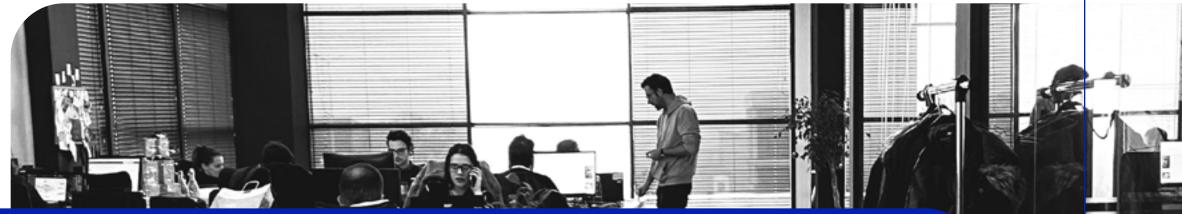


This guide explains why now is the time to consider your outsourcing strategy. Doing so will enable you to cover all bases, while your core internal team can focus on adding value to your organization, giving



Offshoring your non-core growth initiatives

Non-core growth initiatives (i.e. new and different ideas outside your main core competency which have potential to deliver business growth) are prime candidates for offshoring. This is because they give you the opportunity to explore the potential of new ideas with little (if any) risk to your core business. At a time when startups in Israel and around the world are trying to do more with less, this represents an ideal way to innovate without breaking the bank or distracting your team from their core initiatives.



You can experiment with activities outside of your normal business priorities, such as experimenting with new products, features or sectors for development. This allows you to see whether there is any potential to grow the ideas into new lines of revenue to support future growth. Offshoring also means you can find the skills you need to pursue your ideas at a lower cost, without causing any distractions in-house.

An excellent example of this - and one that is particularly timely at present - is innovating with artificial intelligence. In the FinTech space specifically, <u>McKinsey</u> has highlighted a wide range of potential use cases, including tailored products; personalized user experiences; automated transactions; facial recognition; smarter processes; natural



language processing for fraud detection; and much more.

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OFFSHORING YOUR NON-CORE GROWTH INITIATIVES

Offshoring can also be beneficial for several other reasons:

Faster, more efficient innovation

If you need to find the right skill set for a fixed-term non-core growth project, it's far easier and quicker to achieve this by offshoring and bringing in a ready-to-go, highly specialized team. This ensures that new ideas can be developed and brought to market quickly, in order to make the most of any opportunities that exist for first movers.

Flexibility to grow

If you decide to pursue one of your developed ideas long-term, then you have the choice of bringing it into the purview of your core team, or sticking with your offshored team to take it to the next level. Which is best for you depends on your financial situation, and whether or not the specialisms within the offshored team would be difficult to replicate or replace inhouse.

Enable 'growth hacking'

The concept of growth hacking revolves around conducting experiments and pursuing ideas that can improve customer experiences. Ideas that work can be replicated and scaled up, and those that don't can be modified or abandoned as required. Offshoring this work can speed up this process, allows more ideas to be explored and ensure that valuable time and money isn't wasted.

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Extend business runway

Offshoring enables R&D to be conducted at a much lower cost - some have been able to save <u>as much as 30%</u>, even after taking the expenditure of training and infrastructure into account. By lowering the amount you spend on R&D, the pressure to raise funds is reduced; furthermore, the extra growth you'll be able to demonstrate can help you achieve higher valuations in future funding rounds.

How you can benefit from offshoring

There are considerable cost savings that you can make by offshoring non-core growth initiatives. Hiring staff from overseas, and/or on a fixed-term basis, can be considerably more cost-effective than hiring in-house staff within Israel. However, as well as the ability to innovate within budget, the positives around offshoring can spread much further and wider within your organization:



Offshoring means you're able to spin up the skills and headcount you need for the times you need it - and no more than that. In many ways, offshoring can be thought of as an accordion, in that it can expand and contract easily, without being influenced by too many outside factors.

Stronger knowledge base

Moving towards offshoring breaks down all the geographical barriers of the skills and expertise within your organization. You can access talent and specialisms from all over the world, helping you improve the quality of your outputs, and drive innovation and growth with a broader range of skills and resources.

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Maximized valuation and funding ability

The extension to your runway that is made more viable through offshoring gives you more time and scope to generate growth, and to demonstrate that growth to prospective investors. This can put your business in a stronger position going into future funding rounds, as your organization will look like a much more attractive investment opportunity.

How to determine if offshoring is right for you

Just as every business is different, every business will be at a different stage of its growth journey. That's why it's impossible to say that offshoring will naturally be a transformative solution for every organization.

Before taking steps to establish offshored

teams, it's vital to assess whether it makes sense to do so from an operational, financial and strategic perspective. But in general terms, there are three main reasons that can drive you to start offshoring:



HOW TO DETERMINE IF OFFSHORING IS RIGHT FOR YOU

I want to explore more opportunities to drive incremental growth across my business

Tech-led businesses naturally want to keep their core operations in-house, partly so they can centralize their expertise, but also so that they can closely guard the intellectual property that is so often their unique differentiator. However, any work you have that is not directly related to this can be handed over to offshored teams, who can investigate new opportunities while your core team can maintain focus on their primary tasks.



features outside of our current competencies

If you are looking at developing something with technology you don't currently possess, or you don't have the R&D skills and resources in-house to do so, then offshoring represents the best way forward. That way, high growth and future potential can be unlocked even if an idea isn't currently in your short-term growth plan.

I want to assess new sectors and lines of business that can drive growth in the future

The previous point also applies if your business wants to diversify into completely new areas. In this case, it's likely that you will have little to no expertise or resources inhouse for that area, which means offshoring can help you start off on the front foot with the right specialist support.

Choosing the right partner for you

This guide has set out how offshoring non-core work - if done in the right circumstances - can reduce costs, improve efficiency, drive growth and accelerate outcomes. But when you've identified opportunities where offshoring can be beneficial, you need to make sure you partner with a team that has the right skills, technologies and expertise.

This is where the help of an offshoring and tech partner can make the difference. They can help you set and manage expectations, and ensure that your non-core projects run smoothly and within your budget constraints, end-to-end. There are many different partners that can deliver this service, but to ensure you choose one that will be right for your business, you should make sure they cover the following key capabilities:

Expertise and experience

A good partner will have deep knowledge of your industry (or the new areas you want to move into), and have experience in implementing the most innovative solutions. They will also be able to understand your business needs, put offshoring projects in the context of your wider business goals, and embed themselves into your organization to help you achieve them. This can be a considerable strategic advantage.



Advanced technical capability

The best partners will be able to demonstrate the presence of a strong technical team that is a step ahead of the latest innovations, such as Al and Robotic Process Automation (RPA). This enables you to expand your horizons faster and more creatively than ever before.

CHOOSING THE RIGHT PARTNER FOR YOU

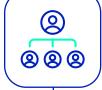


Flexibility and scalability

The solutions that a partner offers should have plenty of scope for customization to meet your business-specific needs, as well as the ability to scale easily as projects develop and your growth drives forward. This supports better agility for your organization in the long term.

Support and maintenance

Any updates and troubleshooting should be taken care of in full by your partner, and they should be able to give you all the support you need by shouldering the burden of the project throughout the implementation process, and beyond.



Collaborative framework

Partners should demonstrate the processes needed to work closely with your team as required. That way, they can ensure that any projects and solutions are rolled out successfully. They should demonstrate a commitment to your growth and be proactive about working with you.



Proven commercial results

They should be able to show evidence of successful implementations that exceed industry standards, ideally through references, case studies and inmarket results that help you work out whether they are the right fit for your business.





How Ciklum can power your success

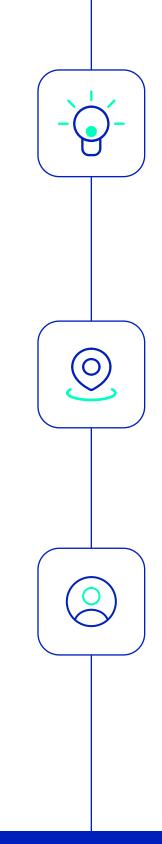
Ciklum has years of experience helping Israeli businesses like yours get all the expertise and technology they need to pursue their noncore growth projects.

We're a leading custom product engineering company that partners with both multinational organizations and scaling startups to solve complex business challenges like achieving incremental growth without blowing the budget.

We provide product engineering, automation, and data & analytics solutions for clients in the Fintech, Cybersecurity, financial services, payments, retail, consumer products, and iGaming industries - amongst many others.

Based in Israel, the UK, Western Europe and the US, our global account teams complement our technical talent and bring extensive sector expertise into focus for our clients.

With a global team of over 4,000 highly skilled developers, consultants, analysts and product owners, we engineer technology that redefines industries and shapes the way people live.



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Learn more about how Ciklum can support the ambition and growth of your business.

GET STARTED