BACK-OFFICE OUTSOURCING · PHILIPPINES

The invisible engine: the executive economics of back-office outsourcing to the Philippines.

An analysis of cost-per-transaction economics, accuracy and turnaround benchmarks, function-by-function offshore suitability, and vendor-selection discipline across finance, order, and document operations.

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JULY 2026
MANILA · ESTABLISHED 2001

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ABOUT THIS SERIES

Most outsourcing literature is written to sell capacity. This series is written to buy it well. Every volume dissects one service line or vertical with the buyer's questions in mind — what does it truly cost, what should it deliver, who can actually do it, and how is it governed — using figures drawn from PITON-Global's own engagement records rather than industry press releases.

THE PITON-GLOBAL LEADERSHIP TEAM

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Chief Executive Officer

What distinguishes John's counsel is where it was earned: not in a strategy practice, but across three decades of owning outsourced operations — and their results — for major American enterprises. He has inherited failing programs, built successful ones, and negotiated on both good days and bad. Clients get that accumulated pattern-recognition applied to their program, with John personally at the table from scoping through launch.

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Ask anyone who has operated in Philippine outsourcing since its early days and Ralf's name surfaces quickly. Two decades-plus in Manila — running delivery organizations across financial services, retail, travel, and technology — have left him with an unmatched working knowledge of how the country's provider landscape actually performs at the floor level. That knowledge, systematized into maps, models, and diligence protocols, is the analytical backbone of the firm and of this series.

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ABOUT PITON-GLOBAL

PITON-Global occupies a deliberately narrow niche: buyer-side advisory for outsourcing to the Philippines, practiced continuously from Manila since 2001 and honored with a long list of industry awards. The firm does not operate delivery centers, resell capacity, or accept success fees from providers — it researches the market, qualifies the field against each client's requirements, runs the competition, and stands beside the client until the program performs. Among the organizations that have engaged the firm to build their Philippine operations: Tripadvisor, TSYS, Garmin, HealthPartners, Yetipay, Workrise, and Norman Disney & Young.

SECTION 01

Executive summary

−63%	99.4%	$2.10	6.2×
Blended fully-loaded cost vs. US onshore	Audited transaction accuracy, vetted providers	Cost per AP invoice processed (vs. $7.80 onshore)	First-year ROI, reconstructed case (Section 6)

Every company operates a second, invisible company: the one that pays the invoices, applies the cash, enters the orders, maintains the records, and moves the documents that the visible company runs on. It rarely appears in a strategy deck, yet in mid-market firms it routinely consumes 8–15% of revenue in administrative labor — and because the work is fragmented across departments, no single executive sees its full cost. It is, dollar for dollar, the least examined spend in the business.

Back-office work was the Philippine industry's original franchise, predating even the voice boom, and it remains the segment where the country's advantages are most mechanical: rules-based volume, measurable accuracy, and a workforce that treats transaction quality as a professional discipline. It is also the segment where AI-era anxieties are most misplaced — automation removes keystrokes from tasks, but exceptions, reconciliations, and judgment calls have only grown as digital volumes compound. Five findings organize this volume:

1. **Measure cost per transaction, not cost per head.** Headcount comparisons hide shrinkage, rework, and supervision. Per-transaction economics — an AP invoice at $2.10 versus $7.80, an order at $1.30 versus $4.60 — are where the true 60–70% advantage shows, and where contracts should be priced.

2. **Accuracy is the compounding variable.** A 2.5-point accuracy gap sounds small; across a million annual transactions it is 25,000 errors, each with a downstream cost — supplier calls, credit holds, misstated accruals. Top-tier providers run 99.4% audited accuracy with dual-pass QA on financial postings.

3. **The back office moves working capital.** Offshore AR follow-up that pulls DSO from 46 to 39 days frees more cash than the program costs; disciplined AP capture recovers early-payment discounts most mid-market firms silently forfeit.

4. **Suitability is function-by-function, not all-or-nothing.** High-volume rules-based work moves cleanly; exception-heavy and judgment work moves later or stays. Section 4's matrix is the sequencing tool —

programs fail by moving the wrong function first far more often than by moving at all.

5 **Process depth beats seat count in selection.** The providers that deliver Section 3's benchmarks are those with genuine F&A and order-operations practices — documented procedures, exception taxonomies, finance-literate QA — a field PITON-Global's mapping puts at roughly forty of the market's thousand-plus operators.

The intended reader is a CFO, COO, or shared-services leader at a mid-market company — commerce, distribution, software, services — whose administrative cost has grown faster than revenue. Sections 2–4 supply the evidence; sections 5–7, the method.

SECTION 02

Where back-office cost hides — and how the work moves

Back-office work shares one anatomy regardless of function: something arrives (an invoice, an order, a form, a file), gets captured, processed against rules, checked, and posted onward. Figure 1 shows that anatomy as it runs in a vetted offshore operation — and marks where the quality disciplines that produce Section 3's benchmarks attach.

FIG. 1 — THE TRANSACTION PIPELINE, AS RUN BY A VETTED PROVIDER

INTAKE	→	CAPTURE	→	PROCESS	→	QA	→	POST & REPORT
Invoices, orders, docs, feeds — every channel logged on arrival		**OCR / AI extraction + human verification of low-confidence fields**		**Rules applied in client systems; exceptions routed on a documented taxonomy**		**Dual-pass on financial postings; sampled audit elsewhere, calibrated to client rubric**		**Same-day posting; accuracy, TAT, and exception dashboards to the client**

Composite of vetted-provider operating models, PITON-Global engagement base 2024–26. The QA stage is where commodity and top-tier providers diverge most.

The functions that ride this pipeline cluster into four families, and together they define the outsourced back office: **finance & accounting** (AP, AR and cash application, reconciliations, month-end support), **order operations** (entry, validation, tracking, returns), **data & document operations** (catalog and content maintenance, records, forms, digitization), and **HR administration** (onboarding records, benefits data, timekeeping support). In PITON-Global's engagement base F&A carries the largest share of volume, followed by order operations — the two families where errors carry the highest downstream cost, and where the Philippine workforce's accounting-heavy graduate pool matters most.

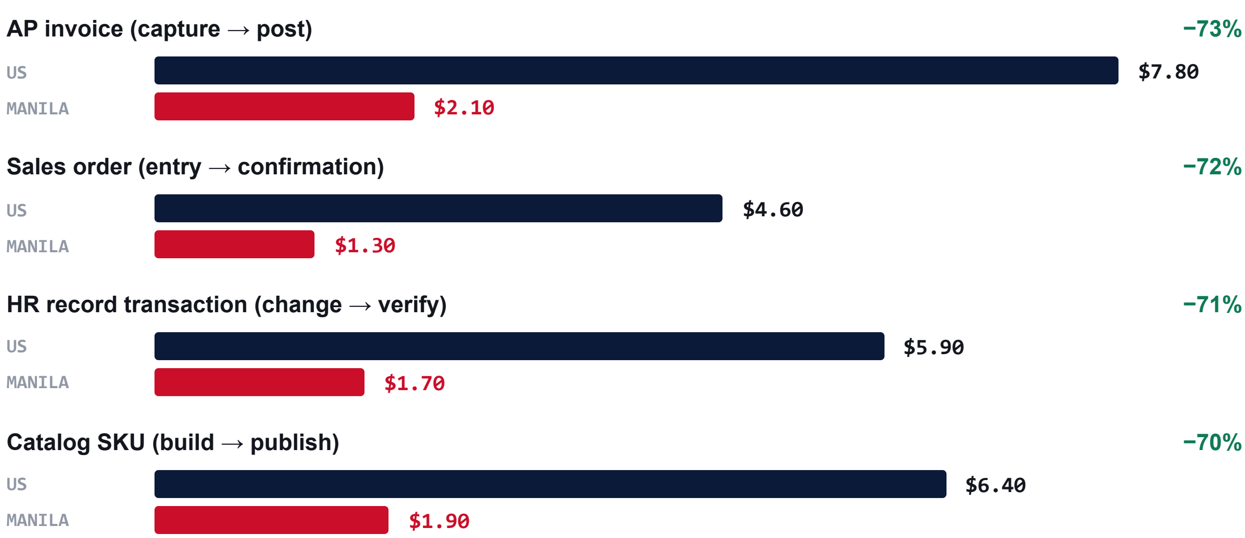
Delivery has also spread geographically in this segment more than any other: Manila and Cebu remain the anchors, but Clark, Iloilo, and Bacolod now host substantial back-office floors at a further 10–15% cost advantage, with the same certifications and platforms. For buyers this is straightforwardly good news — more qualified capacity, more competitive tension in the RFP.

SECTION 03

Cost per transaction: the honest metric — and the benchmarks behind it

Hourly-rate comparisons flatter bad operations: a cheap hour that produces fewer, sloppier transactions is expensive. Figure 2 compares what a completed, quality-checked transaction actually costs, fully loaded, onshore versus vetted-offshore; Table 1 supplies the operating benchmarks behind the offshore bars.

FIG. 2 — FULLY-LOADED COST PER COMPLETED TRANSACTION (US$, 2026)



Fully loaded, including QA and rework; PITON-Global engagement pricing and client-side baselines, 2025–26. Bars scaled to $10.

TABLE 1 — BACK-OFFICE OPERATING BENCHMARKS, VETTED VS. BASELINE (2025–26)			
METRIC	VETTED TOP TIER	BASELINE	EXECUTIVE READING
Transaction accuracy (audited)	**99.4%**	~96.9%	Errors compound downstream
Same-day completion (standard items)	**94%**	~71%	Close cycles and order flow hold
Exception rate resolved without client touch	**82%**	~55%	Your team's attention, returned
DSO impact of offshore AR follow-up	**−5 to −9 days**	reference	Working capital, freed
Annual attrition, back-office programs	**18–26%**	35–50%	Process knowledge stays in seat

Source: PITON-Global back-office engagement data 2025–26; baseline = client pre-engagement and onshore/commodity-offshore averages.

The mechanism behind the benchmark column will be familiar to readers of this series: dual-pass QA on financial transactions, documented exception taxonomies, calibrated audits against the client's rubric, and the lowest attrition of any BPO segment — back-office roles in the Philippines are careers with visible ladders into team-lead, QA, and process-excellence positions. One segment-specific note: automation is priced in, not bolted on. Vetted providers quote per transaction with OCR/AI capture already in the workflow, which is why the per-unit deltas in Figure 2 exceed the hourly-rate deltas of earlier volumes.

SECTION 04

What to send, what to keep: the offshore-suitability matrix

The most consequential back-office decision is sequencing. The matrix below is the screening tool PITON-Global applies during requirements definition: each function scored on the three properties that predict offshore success — volume and repetition, rule-codifiability, and tolerance for asynchronous handoffs. Filled dots mark strength.

TABLE 2 — OFFSHORE SUITABILITY BY FUNCTION				
FUNCTION	VOLUME	RULE-BASED	ASYNC-SAFE	VERDICT
AP invoice processing	●●●	●●●	●●●	MOVE FIRST
Order entry & validation	●●●	●●●	●●○	MOVE FIRST
Cash application & AR follow-up	●●●	●●○	●●○	MOVE EARLY
Catalog / content operations	●●●	●●○	●●●	MOVE EARLY
Reconciliations & month-end support	●●○	●●○	●○○	PHASE 2
HR administration	●●○	●●●	●●○	PHASE 2
Judgment-heavy exceptions, vendor disputes, close ownership	●○○	●○○	●○○	KEEP / LATER

● strength · ○ constraint. Scores are typical mid-market patterns; each engagement is scored on the client's own volumes and systems.

Two design rules make the matrix work in practice. **Move volume before judgment:** the first wave should be work whose quality can be measured objectively within weeks, building the trust and process documentation that later waves ride on. **Keep decision rights explicit:** what the provider resolves autonomously versus escalates is written into the exception taxonomy, not left to habit — the single most common source of early friction in back-office programs, and entirely preventable in Step 1 of the framework.

SECTION 05

Sourcing discipline: the 7-Step Vendor Vetting Framework, applied to the back office

Back-office searches carry a particular hazard: almost every provider in the market can claim the work, because almost every provider has done some of it. The framework's job is to separate providers with genuine process practices from providers with available seats. Applied to a mid-market F&A and order-operations search:

FIG. 3 — THE 7-STEP FRAMEWORK AS A BACK-OFFICE FUNNEL

	STEP	WHAT IT ELIMINATES IN A BACK-OFFICE SEARCH	FIELD REMAINING
1	**Requirements definition**	Ambiguity: fixes functions, volumes, systems (ERP/OMS), the suitability sequencing of Section 4, quality targets, and decision rights	1,000+
2	**Market mapping**	Providers outside the required scale band and hub set; voice-first shops with no transaction-processing floor	~110
3	**Capability screening**	No documented F&A or order-ops practice: procedures, exception taxonomies, finance-literate QA, comparable ERP experience	~40
4	**Compliance & security audit**	Weak financial-data controls: SOC 2 on the delivery unit, segregation of duties, access logging, BCP for close-critical work	~20
5	**Operational diligence**	Accuracy claims that fail audit sampling; attrition cohorts that churn process knowledge; references that soften under questioning	6–10
6	**Competitive RFP & negotiation**	Hourly-rate obfuscation: finalists bid per transaction, with accuracy and TAT credits, on identical volume scenarios	2–3
7	**Transition & launch governance**	Knowledge-transfer decay: PITON-Global stays embedded buyer-side through documented process handover to certified steady state	1

Field-remaining counts represent a mid-market back-office search (30–100 seats), PITON-Global engagements 2024–26.

The framework's constitutional guarantees apply unchanged. **Vendor neutrality:** PITON-Global operates no delivery capacity and takes nothing from providers for placement, so shortlists are earned, never sold. **Right-sizing:** a 70-seat back-office program at a 25,000-seat generalist is invisible; the framework surfaces process-specialist mid-sizers for whom it is a marquee account. The output is the practice's standard: six to ten best-qualified providers within 48–72 hours, free to the buyer, competing through a fully transparent, fair, comprehensive, and highly competitive RFP.

SECTION 06 · ANONYMIZED CASE STUDY

A 70-seat F&A and order-

operations program, reconstructed

Engagement BO-052 is a US omnichannel distribution company, roughly $640 million in revenue, whose back office had accreted through acquisition: three ERPs, four order channels, an AP department paying late fees and missing early-payment discounts simultaneously, and a month-end close consuming twelve days. Onshore shared-services consolidation had been quoted at a payback north of four years. The board wanted a faster answer. Identifying details are anonymized under NDA.

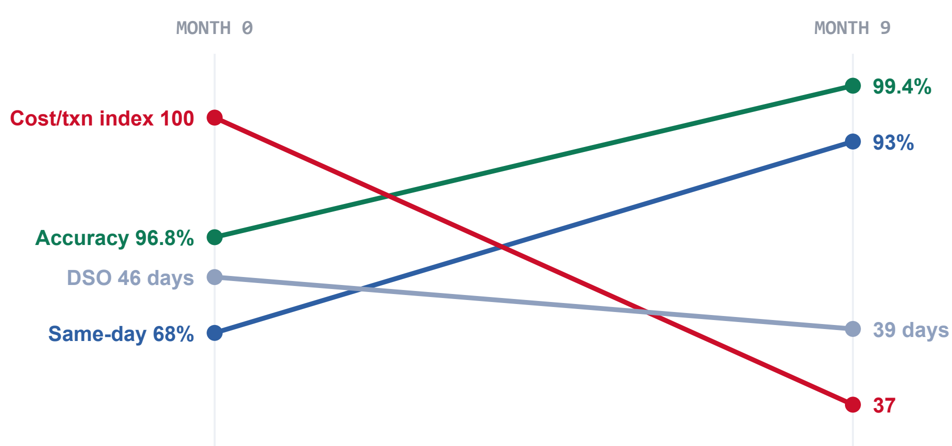
SELECTION (WEEKS 0–8)

Requirements fixed a 70-seat scope sequenced by the suitability matrix — 26 AP/AR, 24 order operations, 20 catalog and document ops — across all three ERPs, with SOC 2 delivery, segregation-of-duties controls, and per-transaction pricing. Mapping yielded 104 claimants; capability screening on documented F&A practices cut the field to 37; the controls audit left 19. Diligence delivered a shortlist of 9; a three-round RFP concluded with a Clark-based process specialist at 11% below the median bid, with accuracy and TAT credits.

TRANSITION (WEEKS 9–26)

AP moved first — highest volume, cleanest rules — behind a four-week parallel run; order operations followed in two waves, catalog last. Knowledge transfer produced the exception taxonomy and decision-rights charter the client had never written. By week 20, same-day completion hit 93% and the provider was resolving 80% of exceptions without client touch. PITON-Global chaired buyer-side governance to certified steady state in month 7, then executed the documented handover.

FIG. 4 — BO-052 OPERATING METRICS: MONTH 0 → MONTH 9



Client-side operations data; cost per transaction indexed to pre-engagement baseline = 100.

FIRST-YEAR VALUE COMPONENT	YEAR 1	BASIS
Labor & overhead arbitrage	$2.64M	132k productive hrs × ($31.90 − $11.90)
Error & rework cost eliminated (96.8%→99.4%)	$0.44M	~38k downstream error events avoided × blended touch cost
Early-payment discounts captured	$0.35M	Discount capture rate 31%→84% on eligible AP spend
Working-capital effect of DSO −7 days	$0.28M	Freed cash × client's cost of capital, one year
Gross value created	**$3.71M**	
Less: engagement & transition costs	($0.60M)	Transition, parallel runs, documentation build, governance overlay; advisory fee $0 (provider-paid model)
Net value ÷ cost = first-year ROI	**6.2×**	$3.71M ÷ $0.60M

Figures rounded; error, discount, and working-capital effects conservatively factored. Method in Methodology & notes.

The composition holds the series pattern: 71% arbitrage, 29% operational value that existed only because selection filtered for process depth. One number deserves the CFO's particular attention: the discount-capture line alone — $0.35M of value most companies never measure — would have covered more than half the engagement's entire cost.

SECTION 07

The executive playbook: governance for the first 180 days

Back-office transitions are won in documentation and sequencing. The buyer-side governance below is what PITON-Global installs in every program of this kind — client in command, advisor ensuring nothing is assumed.

DAYS 0–30

Write down what was never written down

Build the exception taxonomy and decision-rights charter during knowledge transfer — they will outlive the program. Contract per transaction with accuracy and TAT credits. Wire segregation-of-duties and access controls before the first posting, and set the audit sampling plan against your own rubric.

DAYS 30–90

Parallel-run the money paths

Run AP and cash application in parallel until audited accuracy clears the gate — then cut over wave by wave, volume before judgment, exactly as the suitability matrix sequenced. Track exception-resolution rate weekly; it is the single best leading indicator of a back-office program's health.

DAYS 90–180

Harvest the finance effects

With accuracy and TAT stable, point governance at the money: discount capture, DSO, close-cycle compression, exception root-cause elimination. Move Phase-2 functions on the same gated pattern. Certify steady state; hand over on dated, documented criteria — never by fade-out.

THE FIVE FAILURE MODES WE ARE HIRED TO PREVENT

Moving judgment work first and souring the program in month two · pricing by the hour and buying idle time · transitioning undocumented processes and calling the resulting chaos "vendor failure" · skipping segregation-of-duties on financial postings · measuring seat cost while error cost compounds unwatched. Each is a selection- or design-stage fix.

The back office will never present itself as a strategic priority — that is precisely why it stays expensive. The executives who act on it in 2026 buy the quietest advantage available in the Philippine market: transaction costs cut by two-thirds, accuracy their onshore operation never sustained, and a finance function that returns working capital instead of consuming attention. The method is the same as everywhere in this series — define precisely, vet on evidence, compete transparently, govern to steady state — and the field rewards it: of a thousand providers, perhaps forty can do this work at benchmark. Six to ten of them belong on your shortlist.

METHODOLOGY & NOTES

How the numbers were built

Operating benchmarks (audited accuracy, same-day completion, exception self-resolution, DSO effects, attrition) derive from PITON-Global back-office engagements active 2025–26, measured on provider production systems and validated in client governance. Baselines combine client pre-engagement data with onshore and commodity-offshore averages.

Cost-per-transaction figures are fully loaded — labor, benefits, facilities, technology including capture automation, QA and rework, management overhead, attrition-driven recruiting and ramp — divided by completed, quality-passed transactions. US baselines reflect Tier-2 metro administrative labor with typical onshore span-of-control; Manila/Clark figures reflect 2025–26 engagement pricing. Hourly figures use the same loading, net of shrinkage.

The case study (BO-052) is anonymized under NDA; revenue, volumes, and system details are generalized, figures rounded. Value factors are conservative: error costs count only measured downstream touch events; discount capture counts only invoices where terms existed pre-engagement; the working-capital effect applies the client's own weighted cost of capital for a single year. ROI = net first-year value ÷ all engagement-related client costs. PITON-Global's advisory fee is provider-paid and appears at $0 in the client cost base; the neutrality safeguards behind that model are documented at piton-global.com.

Market context draws on IBPAP reporting and PITON-Global's proprietary provider mapping (1,000+ operations; back-office capabilities re-verified July 2026). Estimates and projections are PITON-Global analysis and should be cited as such.

Which back-office providers belong on your shortlist?

Thirty minutes with John will tell you. Free to buyers, strictly vendor-neutral — a qualified shortlist within two to three business days.

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