

Outsourcing: Is it for you?

- Businesses are under pressure to cut overheads.
- Outsourcing can offer access to outside knowledge and resources, but it has to be managed carefully.
- There are risks associated with outsourcing, so it's important to get references before selecting a provider.
- Accountants bidding for outsourcing work should keep things simple and technical jargon to a minimum.

With more companies under pressure to cut costs during the recession, many are opting to outsource business processes in a bid to minimise their overheads and concentrate on their core business. "Increasing numbers of small business owners are recognising the benefits of operating virtually," says PeoplePerHour.com founder Xenios Thrasyvoulou. "In the current economic climate it makes sense to remain agile and lean. We're seeing thousands of small businesses flourish in this way."

If managed successfully, outsourcing can offer savings and provide access to external experience, knowledge and technical resources. However, firms should assess whether the benefits outweigh the costs. While some view it as a way of passing their problems on to someone else to deal with, it actually requires careful management.

Case study

Emily Cagle runs a communications agency specialising in copywriting and public relations. Last year she took the decision to outsource her personal tax returns and this year she has also decided to outsource her limited company's accounting needs to the same provider.

"For me, the obvious benefit of outsourcing is that there is no need to set up an individual as an employee, which saves time and money. In addition, for small firms it is often the case that there simply isn't enough work to justify an ongoing position, so outsourcing is a far more realistic option", says Cagle.

A potential pitfall, however, is that there is a certain risk associated with passing vital work outside of the office. "The first time you outsource a project to a new provider can be daunting as you wait to discover if they are able to live up to their word. One way to guard against disappointment is to select providers who can offer references and reviews which attest to the quality and reliability of their service. This isn't a foolproof method but then, even employees can let you down", advises Cagle.

For those considering outsourcing as an option, Cagle advises caution. “Far from receiving too few replies when advertising an outsourced project, it is quite common to receive a deluge of replies, many of which may be unsuitable for your needs. To combat this, try to be as clear as possible about what you are looking for within your advert. For example, if you require particular qualifications or experience, state this and ask each applicant to detail in their covering letter how they feel they meet your selection criteria”.

Accountants looking for outsourced projects to take on should keep things simple, according to Cagle. “When approaching a small business looking to outsource their accountancy needs, I think a key point to keep in mind is that they may be quite new to the world of business and may not have a good handle on the ins and outs of issues such as tax, PAYE and bookkeeping. Assume little prior knowledge and outline the services you offer clearly, for example, explaining what each package does and does not include. If your application has the effect of putting the business owner’s mind at rest, you are in with a good chance of winning the role”.

Top tips for outsourcing success

1. **Specify your needs and expectations clearly at the start of the process.** Ensure that your service provider knows exactly what is required of them and by when and signs a contract agreeing to this. This sounds like an obvious step but you’d be amazed how many firms neglect to get an agreement in writing and are subsequently left vulnerable if the provider doesn’t hold up their end of the bargain.
2. **Ask for testimonials.** A good provider should be able to point you in the direction of some of their satisfied clients – talk to them and find out more about the service they received.
3. **Set a trial period.** If you’re unsure about a service provider, build a trial period into your contract with them so that you can test out the service before signing on for a longer term. This way, you can assess whether the service meets your expectations and iron out any potential problems before you have committed to the service full time.
4. **Look at the bigger picture.** Those who purchase on cost alone are frequently disappointed. A service provider may be the cheapest, but do they meet your expectations and are they able to offer a comprehensive, flexible service? Weigh up the pros and cons and make sure the provider ticks all your boxes before you sign on the dotted line.
5. **Discuss security issues.** Before entering into any agreement, it is essential to check what security measures the provider has in place to protect your company’s data. This is particularly crucial when it comes to company accounts. As well as ensuring that the data is secure once it reaches the service provider, it’s also important to discuss how you will make the transfer and what measures are in place to protect the data during transit, as well as who will have access to your information.

6. **Set targets.** Ensure that there are regular milestones at which you can assess your service provider's progress to ensure that you're getting what you pay for.
7. **Stay in touch.** It is essential that you communicate effectively with your outsourcing provider. Can you get hold of them easily? Do they listen to your concerns and requests? Make sure you keep in regular contact with your provider and don't shy away from asking questions.