

How outsourcing could benefit your business



So, what business are you in?

What are you best at doing?

Baking cakes	Manufacturing	Plumbing	Graphic design	Retail	Restaurant
Vehicle repairs	Legal services	School	Bricklaying	Marketing	Vet
Charity	Building services	Wholesale	Architecture		

Outsourcing lets you focus on what you do best

Outsourcing trends

The annual survey of UK's small businesses by Freelancer.co.uk revealed that 2012 was the first year that a majority of small business owners stated that **outsourcing** was now a key part of their **growth and business strategy**.

Of the 2500 small business owners that responded to the survey, 52% said that outsourcing has been central to their capacity to grow over the past 12 months.

57% of small business preferred the flexibility of outsourcing to hiring full time workers as they are able to hire specific skills as and when they need them.

The survey found that 42% of small business owners were increasingly outsourcing to programmers and web developers to compete with technological innovations and the increase in online trading and e-commerce.

39% were outsourcing back office functions, such as PAs, legal, and accounts.

The survey found that it looks like outsourcing for small business will go mainstream in 2013, with 43% saying they will outsource more work and hire more freelancers than in 2012.

The survey had found that to remain competitive and grow, small businesses are hiring in experts to undertake the work that they can't do in house. From designing smart IT systems to help run their companies more efficiently and dynamic e-commerce sites, to marketing, financial and accounts experts.

The majority of small businesses realised that can gain access to expertise that would not have otherwise been available to them and they need only pay for services as they are required.



Focus on what you do best

From the outside, Alago looks like a business that employs a lot of staff.

The Bristol based firm designs, makes and sells heated gloves for sport and leisure and has distributors in five countries.

But, until recently the business had just one employee, founder Tony Curtis. That's because virtually every aspect of the business is outsourced.

Product design, manufacturing, warehousing, posting and packaging, barcoding, web development, research and development through to accounts and bookkeeping.

Even the office address is virtual. Telephone calls are answered by a specialist service provider.

Curtis, who came up with the idea for the gloves after seeing his son's hands turn blue playing rugby, said: "We outsource almost everything. It is much more cost-effective.

"We're a small company so we can't afford to have staff dedicated to lots of different areas, and it would be difficult to find one member of staff to do everything that is needed. It is much easier to use outsourcing to get the bits you need, whenever you need it."

With the exception of the manufacturing, which is done in Asia, most functions have been outsourced locally to businesses in Bristol and through freelance sites such as **Elance.com**.

In the past, just about the only things a small firm could outsource were its bookkeeping and office cleaning.

But now, thanks in part to the growing number of professionals offering their services on a freelance basis, virtually every element of a business can be outsourced.

This shift is opening up major opportunities for small businesses keen to grow without the financial burden and commitment of hiring lots of staff.

Emma Jones, founder of **Enterprise Nation**, the home business network, says “My advice to any small business is *‘focus on what you do best and outsource the rest’* and it’s becoming increasingly straightforward to do this. Outsourcing helps you stay nimble and keeps overheads low.”

The benefits of outsourcing are threefold:

- *you only pay for services as you need them*
- *you get access to expertise that may not otherwise be available to you*
- *it frees up your time to focus on the things you do well, while offloading the tasks you perform badly.*

Take designing a product label. You can either spend entire weekends surrounded by bits of paper and felt-tip pens, tearing your hair out, or you can hire a freelance designer to create one for you via an outsourcing website such as 99designs.co.uk.

At £139 for a design delivered within seven days, that’s a lot of headache removed for little cost.

Chris Pichon, chief executive of Wenta, the enterprise agency for Hertfordshire and Bedfordshire, said that too many small-business owners try to do everything themselves, often to ill-effect.

“How many small-business owners spend ages trying to upload a new piece of software to their computer, when actually they could pay somebody £150 to do it and be immediately up and running instead of spending three days trying to get it working? I think outsourcing is absolutely essential for a small business,” he said.

So, how do you go about getting outsourcing right?

The first step is to select your outsourcing provider by reputation or recommendation – you need them to be good.

Next, keep any arrangement as flexible as possible so you can make changes if you need to. Don’t sign long contracts and review the arrangement regularly to ensure that the provider is continuing to deliver.

Get everyone to sign non-disclosure agreements to protect your business.

Be ultra-cautious about any arrangement that puts your outsourcing provider in direct contact with your customer. They will effectively be representing your firm, and if they get things wrong it will reflect badly on you. It is far better to remain as the interface between the two, and in control.

Finally, keep an eye on costs.

Outsourcing in your business

The phone's ringing continually, employees are working overtime to handle the overload, and your website is buzzing with activity.

These are all "good" problems we wish for, but are you ready if they become a reality?

Today's business happens at warp speed, and efficiency is a key hallmark of success.

One way to gain efficiency is to focus your energy on the things that are of core value to your business. Keep those activities in-house.

But outsource your non-core functions. Even small business outsourcing is a reality in today's business environment.

To make outsourcing work for your business, try the following:

Analyse your expertise

Take a look at the value you offer your customers and where you focus your efforts.

Are you spending too much time on areas that are outside of your expertise?

Many times, it is more cost-effective to have someone outside of the company take care of these non-core activities.

Research various service providers and ask for referrals so you can start outsourcing functions such as logistics, accounting, IT services, payroll, public relations, and more.



"A small business owner should evaluate outsourcing just as any other business decision," states Walter Turek, of Paychex, a provider of payroll, human resource and benefits outsourcing solutions.

"Criteria should include: expertise in performing the function, confidence in the service provider, return on time invested, risk versus reward, and peace of mind consideration."

Outsourced but not out of mind

Once you find an outsourcing vendor, be sure to keep your eye on the ball!

Since you can't just walk down the corridor to oversee the quality and timeliness of outsourced work, you need to tightly manage the functions you outsource.

Arrange for regular reporting to ensure accountability and effectiveness.

Move "fixed costs" to "variable costs"

Some functions in your business require only part-time work. An example might be bookkeeping. If your needs add up to only four days a week in bookkeeping work, then consider outsourcing.

That will allow you to move the burden of "fixed" costs (in this case, a full-time salary) to the "variable" side (an outsourced vendor).

In essence, you pay for the outsourced functions only when you need them.

Jump on opportunities from downsizers

Our current economy is such that big businesses are shedding non-core functions. After all, corporations must find ways to maximize profitability, which they do in part by reducing their expenses.

Just as in small businesses, outsourcing allows big companies to move fixed costs to the variable column.

As with smaller businesses, they pay for the outsourced functions only when they need them.

From a business development perspective, this may represent a significant opportunity for you. You can develop an entire business model centred on providing services that used to be in-house at large companies.

The Bottom Line

The primary message here is that outsourcing is here to stay and it should be something you put into action for your business.

Concentrate on the key aspects of your small business, **where customers find value**, and outsource other business functions to outside experts.

If you monitor vendors carefully and focus on efficiency, you'll be positioned for rapid growth and success.

