



Outsourcing: A Solution for Small Businesses?

When you first launched your business, you probably handled most of the tasks associated with daily operations yourself, or with the help of a small group of employees. But as your company has grown and your needs have become more complex, you may find the management of certain processes increasingly challenging. To successfully meet these challenges, you generally have three choices: expand the workload of your current employees, hire new employees with the expertise you need, or outsource the responsibilities to service providers or individual contractors that specialize in the work that needs to be done.

What Should Be Outsourced

Many companies routinely outsource several vital business processes that are not within their core capabilities, such as IT maintenance, Web development, human resource management, marketing, public relations, and call center services. To determine which areas of your business are suited to outsourcing, analyze how efficiently certain tasks are currently being performed within your company. If responsibilities involved for certain positions have expanded and you believe these roles could be better managed elsewhere, it may be time to delegate the work to a service provider or staffing agency. This is especially true, for example, when a specific job has become more complicated, and the employee in that role would require additional training to meet the new requirements for performing well.

Outsourcing vs. Hiring

Once you have identified the areas in which your firm needs help, determine whether it makes sense to outsource. If you and your current employees are already extremely busy, it may not be practical to add to existing workloads; this could be distracting from the core activities of your business.

Hiring additional employees is an option, but for small and midsize firms in particular, bringing in external providers may be preferable to adding workers to the payroll. If the workflow tends to fluctuate, bringing on contractors who are available as needed may be a better solution than hiring permanent staff members.

Service providers and staffing agencies that specialize in human resources or IT can often provide talent with greater expertise than an individual employee might have, who may find it difficult to keep up with changing legislation and industry developments. Employees may also be reluctant or unable to take on new responsibilities as your requirements change, and they may require training. When you contract with a staffing agency or service provider, you are gaining access to a talent pool with a wide range of skills, knowledge, and resources.

Outsourcing certain functions may also prove to be more cost-effective than maintaining them in-house. You are likely to pay external contractors more per hour than you would an employee, but their on-call flexibility and high level of skills may make it worth it over time. Outsourcing can also have a positive effect on cash flow.

Whereas taking on permanent employees becomes a fixed cost, outsourcing is a variable cost and can therefore free up capital for investment elsewhere in the company.

Choosing Outsourcing Partners

Selecting outside vendors can take time. Be sure to use your professional network and ask for referrals to vendors with good reputations. Also, check that the vendors you choose are financially stable. If possible, arrange to meet with the individuals who will be handling your account. Discuss in detail what services are to be delivered, how performance will be measured, and under what circumstances the contract can be terminated.

As with permanent employees, it is important to cultivate your relationships with vendors to obtain the results you want. Even if the contractors you hire excel at what they do, they will be unable to perform their assignments effectively without guidance and regular internal communication. If, for example, your firm hires an agency to handle marketing, provide detailed information about your firm, customer base, and company sales goals. Remember to maintain regular contact with all providers, to ensure they are meeting your expectations.

In some instances, outsourcing may be unpopular with existing employees. They may worry about their own jobs or resent having to interact with outside firms for work that was previously performed in-house. So it is important to explain why you are outsourcing work and how it may contribute to the growth of the business.

Outsourcing can be a viable solution for small businesses that are seeking professional help with vital business functions that exceed their core capabilities. Take time to consider all the factors involved to help determine if outsourcing is right for your company.