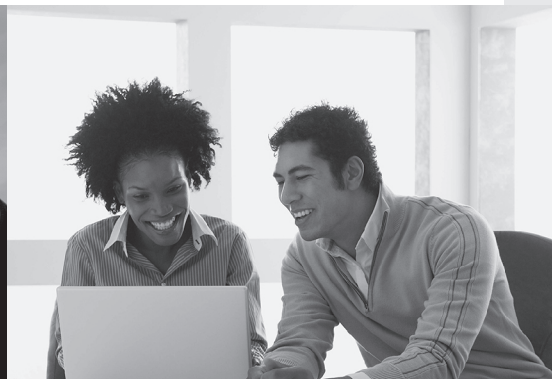
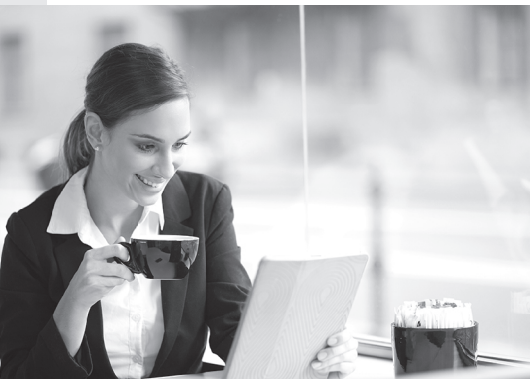


# When to Outsource the Back Office

Back-office functions such as payroll, data entry and hiring new employees are often challenges for small business owners. Professionals who can deliver excellent services do not necessarily have the ability to manage back-office administration, but businesses can secure affordable help for back-office functions if they keep in mind several considerations.



# Every Small Business has to Handle Payroll, HR and Other Administrative Areas.

Every small business has to handle payroll, HR and other administrative areas, but small business owners can feel overwhelmed managing these tasks themselves or delegating them to staffers who are already busy. As a business grows, the burden of back-office functions only increase, which can mean having to hire new staff or burning out current employees.

Smart small business owners can respond by looking outside their own organizations for expertise and quality assistance. Partnering with the right outsourcing providers for back-office functions can free owners' time to focus on their core business. Expertise can be affordable, and when outsourced back-office tasks are managed well, small business owners can acquire the talent they need.

This white paper will discuss turning points in the small business lifecycle that could help indicate when to outsource back-office job functions; the advantages of outsourcing functions either totally or partially; the functions that can best be outsourced; and finding the right outsource partner and making the relationship profitable for the small business. This paper will also explore the misconceptions that keep small businesses from outsourcing.

When owners tackle these issues, they can make outsourcing decisions that make sense for business growth.

*Finding the right outsourcing partners takes time and energy, but small businesses can turn to several sources.*

## Advantages to Outsourcing

“Outsourcing” can encompass many business processes from becoming a reseller of online payroll technology that allows clients to handle a majority of the administrative work, to hiring a designer to create a new logo or contracting data entry work with an outside service provider. No matter the form it takes, it can pay off in terms of big benefits when it is managed right. Outsourcing providers are focused on back-office functions and can afford to invest in best-in-class technology and staff, which can lead to unprecedented economies of scale to small business.



## Signs That Outsourcing May Be Right

Knowing when the time is right to outsource boils down to recognizing the signs that help is needed to maintain or grow business. It may be time to explore back-office outsourcing when owners find themselves facing any of these situations:

- 1 Revenues begin to decline because owners lack time for sales and marketing or bill collections;
- 2 A business is penalized with fines and unexpected expenses that could have been avoided by filing paperwork properly and on time;
- 3 Purchases of hardware and equipment are inadequate or turn out to be a poor investment;
- 4 Employees report exhaustion or a lack of motivation because of the unending back-office functions they support;
- 5 Employees repeatedly quit, or a business spends too much time hiring new staffers;
- 6 A business needs to make capital investments but lacks time or internal expertise to make research the best choices; or
- 7 A company faces sudden legal problems.

Outsourcing seasonally provides flexibility for cyclical demands so small business owners do not have to pay for expertise they do not use on a regular basis. It can also help streamline many back-office processes that overlap. For example, small business owners might work with a provider who manages insurance with payroll, or 401(k) with insurance and hiring. When staff works closely with outsourced experts, they may find their own skill set improving as they build knowledge in an area the expert excels in.

Small business owners do not need to go “all-in” when outsourcing, they can selectively outsource only some functions to a third-party provider. No matter the approach, small business owners can tap into highly specialized expertise at a fraction of the cost of bringing it in-house.



## What Can Be Outsourced

Knowing when the time is right to outsource boils down to recognizing the signs that help is needed to maintain or grow business. It may be time to explore back-office outsourcing when owners find themselves facing any of these situations:

### Payroll

Outsourcing payroll with a service that offers online technology can save time and help small businesses avoid the mistakes that can damage staff moral and even result in penalties to the company. Small businesses should look for an established, trusted service with a highly automated online system which will insulate the small business from what could be costly payroll tax or calculation errors, and to ensure employees are paid on time and properly.

### HR, Hiring, Benefits and Administration

Businesses can outsource the entire HR area or just part of the HR function. For example, some may choose to work only with a benefits administrator to handle employee retirement planning and health care benefits. Small business owners may want to develop a relationship with a recruiter to hire employees and conduct background checks. Providers should have the unique skills needed for hiring, training and retaining employees, and be up to date on fast-changing federal and state employment laws.

Some outsourced HR functions are perfect for a small office. Executive coaching can bring the perspective of a knowledgeable third party to help small business owners address some of their weaknesses.

In a small business, personal relationships can be close, and to some employees, an outsourced HR department may seem more impartial than one in-house. In times of high unemployment when every job posting brings a flood of resumes from unqualified candidates, outsourced HR can help a small business target the best venues in which to advertise and arm that business with the latest technology to filter candidates.

### Accounts Payable and Accounts Receivable

Many back-office functions involve tax and legal issues that third-party providers can generally handle better than small businesses. Businesses can feel sure that the latest regulations are followed, that all necessary forms and paperwork are filed on time and correctly, and will find their own financial information more useful and at hand. Small business owners will suddenly be equipped with someone dedicated to billing and making sure that invoices are paid – an advantage that can help this outsourced function pay for itself.

### IT

Outsourcing can access the knowledge to save time and improve operations with the right hardware and software, and can insure the proper and best use of the technology. An outsourced IT provider will have staff up-to-date on tools and trends, as well as provide support and remote assistance that can be difficult for a small business to manage in-house. Other advantages include access to inexpensive storage, cutting-edge security and disaster-

recovery services. IT outsourcing can also be highly customized, from using Software as a Service (SaaS) to contracting with an outside firm that can handle hardware and software maintenance.

## Data Entry

This sometimes tedious but critical back-end function can be done with marked effectiveness by outsourcing, and with today's technology the work can be easily done offsite. Small businesses should consider outsourcing in this area after quantifying the expense and amount of word processing and data entry they do and what formats they want to use, from a simple application such as Excel or a sophisticated database.

## Marketing and Public Relations

Many small business owners already realize that these functions go beyond having a brochure, Facebook page and a few press releases. These tasks deserve more attention than banishment to the to-do pile. Owners need to realize, however, that they have outsourcing choices beyond hiring an in-house marketing and PR person. When a trusted partner manages marketing and PR, owners can

be sure that plans are in place and executed. Businesses should evaluate strategic goals before engaging a marketing resource, bearing in mind the company's industry, location, competition and ideal clients.

With marketing and PR services, flexibility matters. Businesses should look to outsource marketing to a firm that is flexible with time and billing, and one that understands a small business's goals and strategies and encourages new directions for marketing and growth. Owners should consider the type of marketing support they need; whether it is minimal, such as an occasional press release, or article interview, or higher profile to help with industry events, develop brochures, or to interview clients and prepare case studies.

At the very least, small business owners should ensure their website is visually appealing and optimized for search engines. A social media plan weaved into a website that includes Facebook, Twitter and blogging is important, but maintaining a presence socially can present a time-management issue for the business owner. An online presence can be set up internally, or using a marketing resource, depending on time constraints and internal resources.

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## Finding the Right Outsource Partner

Finding the right outsource partner takes as much time and energy as finding the right partner for any aspect of a small business. Owners can turn to several sources: trusted advisors (such as their accountants or attorneys); peer; professional associations; local chambers of commerce; networking groups; alumni organizations; and even friends and family.

First, businesses should identify the strategic aspects that owners may want to consider keeping in-house. Other, less strategic areas, such as payroll, may be better suited for outsourcing. Some areas do not lend themselves well to outsourcing, such as those that require personal interaction. It can be helpful to create a list of back-office functions that the company must manage, then go through each one to see if that is an area that could be managed by a third party.

Small business owners should ask prospective providers what types and sizes of companies they have worked with, as well as request (and follow up on!) references. They should ask specifics about tech support, customer service and billing, and who will serve as the main point of contact. Consistency and dependability are critical to the success of an outsourcing relationship.



## Making Outsourced Functions Pay Off

The right research, approach, strategic thinking and partner can mitigate small businesses' concerns about managing an outsourced function while achieving a good return on investment. Metrics are important in evaluating outsourcing providers: Owners should first approximate how much time they spend completing back-office tasks and, if possible, determine any detrimental effect the back-office workload has on existing staff.

Before signing with providers, small businesses should discuss reasonable time frames and key metrics to be met.

They should also beware of hidden costs from outsourcing providers, such as additional expenses for hardware and software.

Businesses need to take a long-term view on outsourcing. If a business has been devoting the minimum time and expense to an administration function, outsourcing that area may initially cost more and direct benefits may not be immediately reflected in the bottom line. Nevertheless, the small business should expect to see payoff eventually, and also reap the rewards of offering clients better customer service while having happier employees.

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## The Right Time

In this economy, small businesses have to stay nimble, cut costs where they can, and provide the most reliable service possible. The current combination of need, technology and a mature industry of providers make this an excellent time to consider outsourcing the back office.

Recognizing that their business lacks the expertise for a function, coupled with the potential for not knowing how to fill a position or what qualifications will yield the best return on investment into a new hire.

### Other common pitfalls for small business owners:

Underestimating how payroll errors will upset employees or how much legal knowledge is required for tax, payroll and other tasks that, if done wrong, can result in hefty fines.

Finding themselves with obsolete software or hardware and discovering that an upgrade stresses the business's IT capacity.

### Areas to Outsource

- Payroll
- HR hiring, benefits and administration
- Accounts payable and accounts receivable
- IT
- Data Entry
- Social Media, marketing and PR