

What to drop when work gets too busy

Outsourcing solves time challenges

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SPECIAL TO THE STAR

It was your idea that launched your business. You were the one who landed the first client, and chances are you brought in the latest piece of business. But you don't even have time to think these days.

If that scenario rings true, you are a candidate for outsourcing. But just knowing you need to contract out some functions to outsiders is only half the battle. Just what functions can you / should you outsource and what parts of your business should you hold jealously close?

A simple rule is to determine whether time-consuming tasks are adding to the value of your business, or simply taking away from servicing existing clients or adding new ones.

"If you are spending 80 per cent of your time filing government papers, getting all the accounting entries in place and it is adding 10 per cent to the value of your organization, it is probably not a good tradeoff," says Mathew Gray, a senior associate at Mezzanine Business Consulting Toronto. "You could hire an accountant to come in twice a week to do the bookkeeping and focus your time elsewhere."

Gray says you should also consider looking for outside help if you lack the necessary expertise, or if it becomes clear that a service provider can do the work for less money.

"A warning sign is that you are spending more time educating yourself on either the function or what is happening in the industry," Gray says. "Also, if the cost equation of doing it internally becomes unjustifiable and you can do it elsewhere cheaper."

Experts say good candidates for outsourcing have common characteristics: they typically have clear inputs and well defined outputs or end goals. In other words, they can easily be standardized. Many finance functions fit the definition: human

resources, payroll, accounts receivable and payables, back office administration and information technology are all potential outsourcing possibilities.

"A number of years ago, the big IT (companies) were looking at very large companies. Today, a lot of them are actually scaling down and are providing solutions for smaller business, so that is probably the first place to start, says Greg Wiebe, managing partner of KPMG Canada's enterprise practice. Off-loading IT functions such as tech support, software development and website management allows a company to take advantage of an IT provider's established scale, technology investments and expertise.

On the operations side of a business, many smaller companies are looking at outsourcing functions such as supply chain (logistics) and even manufacturing, engineering and product development.

"You do in fact see that happening in smaller businesses where they do not have the financial wherewithal or the expertise in-house to allow them to achieve their objectives, particularly around growth," Wiebe says. "If someone has a very interesting idea for a product and they have developed it and designed it, they may outsource all of that manufacturing."

That, of course, is happening daily in North American companies large and small contract out their manufacturing to factories in low-wage countries such as China and India.

Companies have learned to their regret, however, that some key functions should not be farmed out to suppliers.

"For a small business, I would never outsource the client service aspect of it," Gray says. "That is your main differentiating factor from the big boys."

Wiebe says you should never outsource your business strength. "Do not get rid of your core competency, the thing that makes you what you are."

For other aspects of your work, look for suppliers that will "do it better than you will, faster, hopefully cheaper with less hiccups and you can focus on what makes you successful and a small business."

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