

Six Reasons Why to Outsource Accounting, Four Ways to Evaluate Providers

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For companies considering outsourcing financial functions, now is the perfect time to begin realizing the benefits that delegating accounting and related tasks can provide. Technology has advanced to where sharing documents and data is quick, reliable, and secure. Also, the third-party financial services industry has greatly matured and become proficient in providing customized solutions to clients.



Healthcare, transportation, finance and banking institutions, retail and manufacturing firms, and more are all turning to outsourced bookkeeping and related services. In fact, financial functions are now among the most commonly outsourced business operations, alongside outsourced call centers, computer programming, and web design.

Most Major Multinationals Outsourcing

Big companies are increasingly outsourcing financial functions. According to Global Business News, 75 percent of [U.S. and European multinational firms use outsourcing or shared services for financial functions](#) and plan to continue doing so over the next one to two years. About 29 percent planned to increase their outsourcing of financial functions. The survey reported by Global Business News was conducted by PricewaterhouseCoopers and included executives from 127 European companies and 127 U.S. companies.



Outsourcing appears to be getting results for big companies using it for financial functions. The survey reported that 47 percent of executives surveyed said outsourcing financial functions has saved their companies a moderate or greater amount of money. By and large, executives are pleased with their outcomes. Eighty-four percent of European executives report that outsourcing financial functions has met or exceeded their expectations. Eighty-one percent of American executives are pleased with how outsourcing has worked for them.



The most common financial functions outsourced by U.S. firms are payroll, billing, accounts payable, and benefits and claims administration. European firms' top two outsourced financial functions included tax services and payable services trailing. European firms were also more likely to outsource IT and systems support than their American counterparts. Outsourced call centers for customer service work also remain a commonly outsourced function.

It's not just big multinationals that are outsourcing financial functions. Small businesses are also using third-party

vendors to provide accounting and bookkeeping services. Advances in technology and innovation by third party providers has made outsourced bookkeeping and accounting affordable and practical for small business customers. According to CPA Practice Advisor, about 71 percent of small businesses [outsource at least one financial function](#).



Why Outsource?

Businesses large and small are outsourcing financial functions to reduce costs and better focus their available labor and technological resources. Delegating bookkeeping, accounting, and related tasks to a skilled third-party benefits companies by:

- **Improving focus** – By outsourcing financial functions, businesses can devote more of their people and resources to their core mission. This is especially important to small businesses, who may have more limited resources than larger competitors. By freeing the business from handling bookkeeping and accounting in-house, companies will be less distracted by backend office functions. For independent entrepreneurs, outsourcing bookkeeping can help renew their enthusiasm in their work. Few people start businesses because they're looking forward to crunching numbers in QuickBooks, but it's a task many entrepreneurs find eating up their time. By outsourcing, entrepreneurs get time to spend on the aspects of their business that they're most passionate about, allowing them to develop new ideas and find better ways to do business.
- **Expertise** – Outsourcing financial functions puts your bookkeeping and accounting in the hands of [trained professionals whose sole focus is accounting](#). In many small companies, bookkeepers and accountants may have other duties. Bookkeeping and accounting may not even be their primary duty, and they may have only minimal training for the work. Third-party accounting and bookkeeping providers employ highly trained professionals whose sole job is financial services.

- **More Eyes on the Work** – Third-party providers of financial services use teams of bookkeeping and accounting professionals. This means more eyes will be on your company's finances, double-checking one another's work. This increases the quality and accuracy of the work. As many small businesses get along with just one overworked bookkeeper, the potential for improved service by outsourcing the work to a third party is tremendous.
- **Better Technology** – Many businesses limp along with outdated accounting and bookkeeping software applications. By outsourcing to a third-party provider, your business will gain access to professionals using the latest financial services software. This results in more accurate and accessible work, and more organized records and documentation. The improvement in service can help companies get a tighter grip on managing finances and better preparation for potential audits.
- **Reduced Costs** – Farming out accounting and bookkeeping to a third-party provider may help businesses save money. Hiring employees to handle bookkeeping can be expensive. Not only do you have to pay employees a salary, you must also provide them with benefits and cover payroll taxes. Bookkeeping and accounting employees also require space in your facilities to work, and appropriate hardware and software. By outsourcing the work, you avoid having to pay these additional costs.



- **Scalability** – As your business needs change, you may need to ramp up or throttle down your accounting and bookkeeping operations. Using a third-party bookkeeping and accounting provider will allow you to much more rapidly scale up or scale down services than you'd be able to in-house. Increasing or reducing service is merely a matter of getting in touch with the service provider and outlining your needs.

Choosing a Provider

There are many third-party accounting and bookkeeping providers in the market, and finding the firm that's the right fit for your company can pose a challenge. When shopping around for accounting and bookkeeping services, consider the following:

- **Experience** – Working with a well-established provider of accounting and bookkeeping services will serve you well. Experienced firms have the depth and breadth to provide the services you need. They also have a proven track record of success. When evaluating firms, inquire as to whether the company you are considering has done bookkeeping and accounting work for companies similar to yours. The closer a third-party provider's experience is to your specific business, the better it will be able to understand your needs.
- **Technology** – When hiring a third-party provider, it's important to evaluate their technological capabilities. What accounting and bookkeeping software do they use? How fast is their Internet connection and how much data can they handle? What are their protocols for secure handling of client information? What kind of disaster recovery plan do they have for their technical infrastructure? Is their technology compatible with yours? These are all important questions to ask when outsourcing your bookkeeping and accounting, as technological glitches can delay important work, resulting in big costs.
- **Costs** – Get a firm idea of how much the service will cost. Ask about any additional fees that your company may incur and also ask about service termination terms. Remember, the goal is to provide a cost-effective solution to accounting that improves service. If costs are exorbitant or if a provider tries to lock you into a restrictive contract, it may be worthwhile to consider other providers.
- **Customer service** – Your provider needs to have a strong customer service ethic. The provider needs to be responsive to calls and queries, and its staff needs to be friendly and helpful. This is more of a gut check than an objective decision, but it's important for business owners and executives to find a provider they are comfortable with using.



By being smart and deliberate in your hiring process, you can reap the productivity and cost benefits of outsourcing bookkeeping, accounting, and related services. Datamark [provides a variety of business services](#) to clients, including outsourced call centers, data entry, mailroom management, document management, and more.

The company's business engineering team can help clients improve efficiency by applying Lean Six Sigma concepts to operations. Datamark offers onsite, onshore, and offshore third-party services to clients, allowing it to tailor services to clients' individual preferences and needs.

Sources

1. <http://www.globalbusinessnews.net/story.asp?sid=617>

2. <http://www.cpapracticeadvisor.com/news/12055950/what-are-the-biggest-accounting-challenges-small-businesses-face>

On-site and Off-site [Outsourcing](#)