

Learn When and Why You Should Outsource Your Accounting

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Business Beginnings

Let's face it; accounting gets a bad rap as not being the most exciting topic in the business world. As a small business owner, you'd probably rather chatter about your products and services, than your accounting debits and credits (unless accounting happens to be what you do for a living like us!)

As a small business owner, you've kept a close eye on expenses, knowing it's your job to keep costs as low as possible. You may even have done the bookkeeping yourself in [QuickBooks](#) or looked over the shoulder of your bookkeeper to keep an eye on the finances.

Why? Because smart business owners realize that accurate and timely accounting is not just a necessary evil, but vital to keeping their business afloat.

Outgrowing Bookkeeping

However, as the business grows, most owners find that their time becomes more valuable doing other things. The finite hours in the day are better served by focusing on building the core business, not overseeing day-to-day bookkeeping.

When a business owner is no longer able to be involved in every aspect of a business, that is when the business begins to need more than bookkeeping. Most bookkeepers only know how to handle billing, collections, payroll, deposits, sales taxes, bank account reconciliation and basic financial statements.

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A bookkeeper cannot supply what a business owner really needs in the growth stage of the business: management accounting.

Businesses need both [financial and management reports](#) for their company. Your business needs basic financial reporting for compliance and making sure your books are up-to-date. Management reporting is used to make business decisions backed by real-time data and key performance indicators.

When you reach a point when a bookkeeper is no longer sufficient and you need management accounting, you have reached the point in the lifecycle of a small business or nonprofit organization, where accounting suddenly becomes a more interesting topic of discussion.

Outsourced Accounting Triggers Small Businesses

Typically, one or more of these triggers usually need to occur for a small business owner to start thinking about finding a new accounting solution:

- Reaching \$1 million in revenues
- Employing eight to ten people
- Accepting outside investor capital
- CEO can no longer be involved in every aspect of the business
- Entering the accelerated growth stage of the business lifecycle
- Needing to get more out of QuickBooks than billing and collections
- Wanting technology systems to interface and talk to each other
- Requiring more sophisticated financial reports for data-based decision-making

We find business owners with a “getting better” agenda, who are not happy with the status quo, often value outsourcing accounting as a way to quickly move up to management accounting. They see outsourcing as a competitive advantage that allows them to be best in class without any upfront investment of time or money.

Small business owners born in the Millennial Generation are also likely to have the psychographics to embrace outsourcing. Growing up surrounded by technology, they believe outsourcing has a strategic advantage and a positive effect on employees, their number one business asset.

Nonprofit Organizations

Similar management psychographics and life-cycle milestones occur in nonprofit organizations, triggering a need for a new and improved accounting solution.

A nonprofit executive director typically has a passion for a charitable cause, not managing accounting. The director might find a qualified volunteer to tackle the bookkeeping task, but that person usually bales when the accounting tasks accelerate.

Nevertheless, just like with small businesses, accurate financial reporting is a key factor influencing growth and survival in the nonprofit world. If you're a [nonprofit](#) you may start to think about a new accounting solution, when one or more of the following triggers occur:

- Revenues reach \$500,000, mandating audits in many states
- The Board of Directors requires more confidence in the financial reports
- Programs are competing for limited funds and need ROI justification

- Acquiring grants necessitates foundation reporting
- Transitioning to true Fund Accounting requires, the accrual basis of accounting

We believe a nonprofit organization should be to run like a for-profit business with the same management reporting; however, the difference is that profits are invested back into the programs .

Fund Accounting, which is more advanced, is usually beyond the means of a bookkeeper trained in cash basis accounting and can cause stress in the nonprofit's financial operations.

Acting on the Warning Signs

When your small business or nonprofit has shown these signs, you are most likely ready to expand beyond a bookkeeper as your accounting department. It is at these critical stress points that you, the CEO or executive director, must make a decision on how to proceed with the accounting function. There several options to choose from, each with its own cost-value relationship.

Accounting Upgrade Choices

- Hiring a controller (paying \$75,000 -\$100,000+ salary and 20 percent benefits)
- Turning to a traditional CPA (billing \$175-\$250 per hour)
- A la carte outsourcing to different firms (e.g. contracting with a billing and collections services firm and separately with a Value Added Reseller (VAR) to design and install accounting software)
- Outsourcing the bookkeeping and accounting to a Client Accounting Services (CAS) firm to handle all accounting needs

While you may have the energy to investigate all these options, the rapid growth of Client Accounting Services is taking place because it is often the best cost-value relationship for growing businesses and nonprofits.

In terms of savings, outsourcing your business's accounting costs at least 30 percent less than building and maintaining an in-house accounting department. However, the true value of outsourcing is not just saving money.

According to The Outsourcing Institute, businesses choose to outsource to improve their core business focus, to avoid the risk and costs of hiring more employees and to gain access to outside expertise that they could not afford otherwise.

Focus on Core Business

For most businesses and nonprofits accounting is not a core competency. Core competencies are those unique selling points, competitive advantages and senior management skills that are responsible for a business's growth.

For organizations that believe in outsourcing, any function not related to your business's core competency, which distracts employees and resources from making money, should be outsourced. Therefore, outsourcing accounting frees up management's time to focus on the aspects of the business that drive sales and service and, ultimately, profitability.



Removal of In-House Burden

By employing other people's resources (OPR) through outsourcing, a business eliminates the time and expense associated with recruiting, training and managing additional accounting staff. By the time a business is looking at outsourcing its accounting, the company's employee ranks have already begun to swell.

As a manager, you already have enough human resource issues. CEOs that have a strategic focus choose not to increase that burden by having to manage an accounting department too. As the CEO or executive director, your jobs needs to focus on the people who are generating income, not the distraction of accounting.

In addition, when outsourcing bookkeeping and accounting to a Client Accounting Services firm, a business is typically assigned a professional accounting team. The dedicated team can act as a small business's entire accounting department, or they can complement the existing accounting staff to achieve greater productivity and separation of duties at a fraction of the cost of a full-time accounting department.

While outsourcing is typically the next step for growth companies, fully-funded start-up companies can benefit from outsourcing accounting as well. This is because these start-ups need a scalable accounting platform from day one and are often required to submit business operation plans to their stakeholders in advance.

Access to Experts

One of the biggest benefits of outsourcing accounting is access to accounting and business technology experts. These business professionals are trained to employ the best practices in accounting standards and implement systems and tools that integrate financial data across the organization.

Outsourced accounting experts make it their job to keep up to date with advancing technologies that can benefit your business. They devote time and energy to ongoing research, training and technology upgrades, keeping your business in mind.

Compliance vs. Reliance

One differentiator between a traditional CPA firm and an Outsourced Accounting Service is that CPAs typically focus on tax and audit compliance, whereas Outsourced Accounting Services enable reliance – providing financial intelligence you can rely on to make informed financial decisions. Compliance ensures the things that need to be done get done. Reliance provides actionable financial intelligence at your fingertips to make data-driven decisions.

For example, one of the most important decisions a CEO or owner will make is pricing. This decision gets made every time a proposal goes out the door, and it can make or break a company.

If your accounting is compliance focused, you won't get visibility into profitability by customer, job or marketing spending. If you don't know your most profitable clients, how do you know where to focus your sales team or target your marketing dollars? If your accounting is reliance focused, you can slice and dice the data in any of those iterations, including profit on every marketing campaign.

Peace of Mind

Whether your organization needs to expand accounting services beyond basic bookkeeping or hire a complete accounting department supplying management reporting, outsourced accounting offers scalable service options that provide efficiencies and peace of mind.

Turning accounting over to a team of accounting experts ensures confidence in the accuracy and the quality of a business's financial information. This peace of mind keeps management time focused on sales, customer relationships and building value in the business, not accounting.

Increased Operational Efficiencies

There are two ways in which outsourced accounting increases operational efficiencies for your business or nonprofit. First, the outsourced accounting team will design and optimize a QuickBooks-centric financial system with a combination of automation and integration to deliver greater financial reporting capabilities.

Second, automation speeds up processes, meaning less time *working in your business and more time working on it*. The automation of time and expense tracking and labor cost allocation makes life easier on your employees and allows you to better determine profitability.

In addition, the automation of the billing and collection process saves time and expenses invoicing and improves cash flow by faster collection.

Automating a business's back office functions has many benefits beyond improving cash flow:

- Lowers the labor cost of accounting
- Speeds up the time to produce reports
- Supplies more reports and data than a manual process
- Lowers mistakes from human error
- Decreases risk of fraud by providing more transparency and workflows



Decision-Ready Financial Intelligence

Better insight allows for better decisions. A business owner or nonprofit director who keeps a finger on the financial pulse of an organization is better prepared to drive it forward by answering questions such as:

- Am I pricing my jobs right?
- Who are my most profitable clients?
- Should I hire more employees? If so, how much can I afford to pay them?
- Where should I invest my marketing dollars?
- Do I have enough cash to make payroll?

Service businesses and nonprofit organizations which make money on other people's time can benefit by having the answers to these questions. The reality is that a traditional bookkeeper will never be able to provide this type of in-depth knowledge. A business owner needs management reporting to confidently answer these questions and make strategic decisions which impact profitability.

At [GrowthForce](#), we go beyond just bookkeeping and accounting. We provide critical oversight and account management to ensure the proper implementation of policies, procedures and systems, and the accurate production of financial and management reports.

GrowthForce provides outsourced bookkeeping, accounting and controller services for growing businesses and nonprofits. GrowthForce combines advanced QuickBooks accounting system design with a fractional share of a full-service accounting department including a U.S. based, dedicated team of bookkeepers, accountants and controllers. Our customized management reporting and KPIs help small businesses and organizations drive performance and profitability through data-driven decisions.