

How to Build a Better Business with Outsourcing

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When Laura Lee Sparks left her job as a law firm manager to launch her own business, she knew from the beginning that there were certain tasks she didn't want to handle. The owner of [Legal Marketing Maven](#)--a firm that helps law firms streamline their practices through outsourcing--Sparks practiced what she preached from the start, hiring an outside bookkeeper and slowly adding to her virtual team of contractors. Within months, her business revenues reached six figures.

"Most entrepreneurs have great talents but many times they think they can do it all," Sparks says. "That can really stall the growth of the business. By outsourcing the day to day back-office tasks, the business owner has more time to focus on generating income."

Entrepreneurs have long seen outsourcing as a strategy reserved for big business, but technology has made it a more accessible tool for small businesses--and for some small firms, outsourcing has made a powerful impact on their growth, productivity and bottom lines.

"More small businesses are outsourcing tasks these days because technology has advanced to the point of professionals being able to work from anywhere in the world, coupled with the availability and accessibility of extremely qualified professionals who have decided or been forced to leave the corporate world, [such as] virtual executive assistants, marketing directors, graphic designers, transcriptionists, paralegals, web designers, HR consultants, bookkeepers, PR directors, IT specialists, and the list goes on," Sparks says. "These freelancers come on board as subcontractors and save the small business owner the burden of paying overhead associated with payroll taxes and expenses such as health insurance and worker's compensation, as well as the space constrictions that growing a company in-house can present."

Taking the first steps toward outsourcing can be time-consuming, but figuring out how to build your business with help from outside professionals can offer increased efficiencies and economies of scale. "Progressive entrepreneurs realize the unstoppable power of outsourcing to handle aspects of their business that are essential but simply don't make sense for them to deal with personally," says David Walsh, entrepreneur and author of [Source Control](#), an e-book on effective small business outsourcing. "Small business, augmented by a global pool of human capital, can compete directly with the biggest players in their space, and win."

When to Outsource

For every company, the right time to outsource is different. Some businesses have in-house staff to handle daily activities, but may need outside help to undertake new projects that don't warrant another full-time employee. When you and your current employees are unable to manage the day-to-day business of your company and build the business satisfactorily, it may be time to consider outsourcing. For Tonya Thomas, president of [The Small Office Assistant](#), the right time was when she realized that although she wanted her business to grow, she had no time left in her day to pursue that growth.

"At first I felt like I was the only person who could do the work efficiently; I wanted control over everything," Thomas says. "But I wanted my business to grow and in order to do that I had to let go and start delegating." Letting go paid off: The first year she began using contractors to help carry her workload, Thomas doubled her company's revenue.

For very small businesses, Sparks recommends outsourcing from the very beginning. She suggests starting out with a bookkeeper and a virtual assistant, and growing the team from there. In her own business, Sparks now contracts with a virtual bookkeeper, a web designer, a ghost writer, a graphic designer, an executive assistant and a project manager.

What to Outsource

Chances are you're already outsourcing some business tasks, such as payroll administration or background and criminal checks for employment. And these days, almost any task can be outsourced, with so many qualified professionals leaving the corporate world to work as freelancers or contractors. However, just because you can outsource a task doesn't mean you should.

"Don't outsource something just because you don't want to do it," says Jim Lanzalotto, principal at [Scanlon Louis](#), a marketing and strategic outsourcing company. "Sometimes there are things you don't want to do but they are important to your core business."

Before choosing which tasks you can farm out, take a hard look at your business and determine your strengths and values. "Small businesses must identify their core competencies and capabilities and focus their own R&D, talent management and resources on being the best in their industry at these," says Marc Resnick, Ph.D., a small business consultant and director of the Institute for Technology Innovation at Florida International University. "Outsourcing any aspect of [these tasks] would be a big mistake because they would cease to offer anything that their own customers couldn't get elsewhere. So a small business that focuses on product design should not outsource anything related to developing its internal design talent or their design activities. But they should investigate all opportunities for outsourcing tangential processes like payroll services, IT and so on."

The types of tasks that are best outsourced fall into three general categories, according to Gregg Landers, director of growth management at [CBIZ MHM](#), the nation's eighth largest accounting and business services provider. They include:

- **Highly skilled, or executive, expertise.** For example, you may not need to pay a CFO's salary, but you could have a CFO-level person to come in a few times each month to provide financial analysis and ensure that the bookkeeper is handling the books well, Landers says.
- **Highly repetitive tasks.** Accounts payable, data entry and shipping inventory could fall into this category.
- **Specialized knowledge.** "An example might be the IT support for your accounting system or your network," Landers says. "You may not be able to afford or need a full-time IT person, and it is easier to change to an outsourced provider with the right skill set as your IT needs change."

Finding the Right Contractors

Before handing over the reins, be sure you're working with the right partner. While technology makes it much easier than it once was to find capable, reliable outsource providers, the selection process is still vitally important. A good starting place is your own network; ask other business owners or your accountant, lawyer, or banker if they can recommend a provider offering the services you need. Online networks like LinkedIn and Twitter make it easy to expand your personal networks and to ask for recommendations.

In the absence of a good recommendation from a friend or acquaintance, there are other options. Thomas located outsource providers by placing ads on a work-at-home website and by submitting requests for proposals to professional trade organizations. Lanzalotto says that while local Chambers of Commerce usually can't recommend one provider over another, a professional association or trade group will often recommend the right partner for your needs.

A number of online services such as [oDesk](#), [BidModo](#) and [eLance](#) serve as virtual marketplaces for contractors and business owners to connect and begin working relationships. Jack Groetzinger, co-founder of [SeatGeek.com](#), a Manhattan-based company that forecasts ticket prices for sports and music events, works regularly with contractors through oDesk to gather photographs and collect ticket price data. Along with a full-time staff of seven, SeatGeek now works with contractors scattered from the Philippines to Pine Bluff, Ark., and Aurora, Colo. When hiring freelancers, Groetzinger says he pays most attention to the feedback they've received from other employers.

"Finding the right vendor means having access to the right information about the prospective contractors," says Zack Fuentes, CEO of BidModo. Outsourcing sites usually allow you to see how previous clients rated prospective vendors' work, as well as detailed profiles of the vendors.

Whether you use a web-based marketplace, a personal referral, or a personalized matchmaking consultant, the key to identifying the right contractor is to know exactly what you're looking for.

"First identify exactly what performance metrics are important for each task [you] want to outsource," Resnick says. "Some outsourcing providers focus on speed at the expense of quality or vice versa. This is fine as long as there is a good match between what the small business wants and what the [provider] specializes in. But many small businesses don't realize that there are large differences among outsourcing providers and select the wrong ones. An open and clear conversation with potential contractors regarding these key performance metrics is essential."

Making it Work

After you've found a provider, your work isn't over yet. Even after you've checked references, "don't be afraid to put a little extra time creating a specific contract that outlines exactly what performance is expected," Resnick says. "Use incentives to motivate the outsourcer to focus on what is most important to you rather than their own preferences or their assumptions about what you want."

Communicate your expectations and the steps included in the job clearly; never assume that contractors are thinking what you're thinking. "When there is a problem [with the work], I am often the one to blame, as my instructions may not have been clear enough," says Jeremy Belcher, owner of FoxyMelody.com, who has hired numerous contractors through eLance. "It is very important that the requirements and expectations are laid out in the beginning, and that nothing is left to assumption."

Even when you clearly state your expectations, "there will be a learning curve on the provider's side," Belcher adds. "Hang in there. The provider will get better, and you will have the freedom to focus on more important tasks."

Your final responsibility as a successful outsourcer is to step back, relinquish control, and allow your new team members to do the job you've hired them to do. "You need some measure of trust," Resnick says. "If you are going to micromanage all of your outsourcing, the savings in management attention and time that is the whole point of outsourcing is lost."

If you're used to doing everything yourself, consider delegating the management of outsourcing relationships to another member of your management team, a move that may help you let go, according to Resnick.

"It's less about logistics and entirely about mindset," Walsh adds. "Many owners take pride in having the world on their shoulders and their entire organization buried in their mind. Knowing your business is critical, but keeping yourself indispensable is reckless and un-scalable. Realize that removing yourself from low-level operations is the smartest investment you can make in the long-term success of your business."

Weighing the Costs vs. the Benefits

Counting the Cost

So what can you expect to pay a contractor for allowing you to rise above day-to-day tasks and build a better business? It depends on the type of work you're buying, the skill level and location of your provider, and your own preferences.

For instance, SeatGeek's Groetzinger says that through online hiring sites, you can find contractors in developing countries who will work for less than \$1 per hour. While U.S.-based contractors will likely require higher fees, they may be lower in rural areas than in metropolitan cities where the cost of living is greater.

"You get what you pay for' is true, wherever you go in the world," Walsh says. "Always pay someone what they're worth, regardless of location but accounting for and leveraging currency differences that often work in your favor. [Place] value [on] outcomes over hours. If you don't get the outcome you need, it doesn't matter how much time your contractor spent along the way. Consider distinct task-based agreements while you're evaluating new providers, and transition to a fixed-cost retainer once you're confident in their ability to consistently deliver."

Facing the Challenges

While outsourcing can yield great advantages for a small company, it's not without challenges. If you choose to work with offshore providers, language barriers and time zones can be difficult to deal with. However, Walsh says that focusing on making your own communications clear can help overcome confusion for those who are not native English speakers. And "time zones create more opportunity than inconvenience, as you can extend your productive hours by handing tasks over to someone during their workday," Walsh says. "Assign a task at night, and awake to find it complete and waiting for you."

Just as when you hire a new employee, there are security risks involved when handing tasks over to an outsourced provider. "The challenge is to outsource functionality securely, in a manner that does not put employee personal information or customer data at risk," says Jonathan Gossels, president of [SystemExperts](#), a security and compliance consulting firm.

If contractors are handling credit card data, Gossels recommends reviewing their Payment Card Industry Data Security Standard compliance statement; if they are handling health or benefits information, review their HIPAA compliance statement. For a general sense of the contractor's security policy and practices, review their ISO 27002 compliance statement.

"The most important step a business owner can take to protect his data is to only provide the outsourced service provider with the absolute minimum data necessary for the provider to do its work," Gossels says.

The Small Office Assistant's Thomas discovered the importance of protecting client data when one of her contracted virtual assistants stole a client from Thomas for her own virtual assistant business. Now, rather than working directly with clients, Thomas' contractors communicate with them anonymously through the company's online system and Thomas herself serves as the sole client contact.

Reaping the Benefits

Although there are risks, outsourcing ultimately offers business owners great advantages. The process allows you to build a team of skilled professionals without adding the expense of full-time employees, and to avoid getting bogged down with tasks that can be completed without your attention, Sparks says. It's an affordable, proven strategy for growing your business without letting it take over your life.

"Handing off work forces you to objectively, ruthlessly and systematically consider your activities and the steps taken to perform them," Walsh says. "Defining a process flushes out inefficiency."

When you outsource, you can focus your time, attention and resources on your company's core competencies--and spend your time setting new goals and finding ways to achieve them.