How to Get the Most Out of Outsourcing: A Guide for Small Business Owners

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In your small business, can you be a jack of all trades, day in day out… or should you hire an outsourcing company for various services like payroll etc…?

Thinking to outsource or hire an independent contractor or freelancer to get these services for your small business?
Great idea! But not so fast!

Before you outsource that job, have you done your research, are your expectations realistic, is your job description clear? Consider the following tips & info to make your temporary hire a success.

According to the most recent statistics provided by the U.S. Bureau of Labor Statistics in 2009, approximately 1 in 9 workers in the U.S. was self employed. More recently, statistics in Fortune Magazine estimate the freelance population at over 42 million individuals.

With so many people currently out of work, and countless businesses trying to save on overhead to preserve their cash flow, the rise of the contingent workforce is a no-brainer. Recent surveys by the American Staffing Association (ASA) support this assumption. According to an ASA press release,"Staffing jobs have maintained the strong upward trend that began earlier this year, showing substantial year-to-year employment growth in the third quarter [of 2010]"

But the prevalence of hiring temporary or contractual workers is not necessarily an indication of its success for those businesses that receive them. It is common for these arrangements to fail to deliver what was expected, (whether in terms of the quality or consistency of the work produced or cost-savings) leaving employers to wonder what went wrong.

The truth is that outsourcing can be a vital and lucrative arrangement for small businesses in particular. But, just like most things in life, it all depends on how it is done. The following is a brief guide for small business owners considering outsourcing jobs to contingent workers.

Why Outsource Your Work to Independent Contractors, Freelancers, or Temporary Workers?

There are numerous reasons why small business owners would want to consider outsourcing some of their duties including:

- When there is a temporary increase in work volume
- When a temporary project must be completed
- A key employee has taken a leave of absence
- Additional skills and expertise are required to complete a specific task
- To help existing employees focus on core competencies
- To save money on things like furniture, equipment, utilities, and employee benefits

What Kinds Outsourcing Options Exist for Small Businesses?

According to the Bureau of Labor Statistics, there are four classifications of contingent workers: Independent contractors (includes consultants and freelance workers), temporary staffing agency workers, on-call workers,

and workers that are part of contract firms. Within these four arrangements, businesses can outsource a variety of tasks to contingent employees. Some of the most common include:

- Manufacturing (only trust reliable companies)
- Software development and IT
- Web site development and design
- Professional consulting in the areas of law, finance, and business management
- Construction and extraction
- The production of artistic projects or written content
- Sales
- Administrative and operational duties

Additionally, small business owners may want to consider outsourcing tasks to an entire company. Common arrangements in this case include: HR/payroll processing, debt collection, and marketing. Or, instead they could invest in a HR Software service, making employee management an easier task.

Why Does Outsourcing Sometimes Fail for Small Business Owners?

There are several reasons why an outsourced job fails to deliver sufficient results:

- **Miscommunication, lack of direction, and unrealistic expectations.** Much time and money is wasted because contractual and temporary workers were unclear about what was expected of them, or the employer's expectations were unrealistic. Moreover, some positions are better suited to a full-time employee rather than an independent contractor (see this article for more info)
- **It costs too much.** Often, the wage paid for contractual help will be higher than the regular benchmark amount for the full-time position. This premium on the services rendered is especially relevant when using a temporary employment agency which must cover its administrative and human resource costs.
- **There's a high learning curve.** Unless the task at hand is specific and well-defined, much time may be required to answer questions and clarify confusions regarding the job. This means that initial productivity may be low. This arrangement will also affect the productivity of those designated to help the worker out. Moreover, where an independent contractor will interact with customers or customer information, a mistake could cost the business future contracts or customers.

How Can Small Businesses Get the Most Out of Outsourcing?

There are several strategies and best practices that small business owners can implement to help avoid a costly outsourcing mistake:

- **Be clear and realistic regarding job requirements**. To fully capitalize on outsourcing arrangement, business owners need to create a thought-out, detailed job description and plan of action for their contingent hires. Goals and overall expectations should be realistic and in line with the amount of compensation being offered as well as the experience and skill of those being hired. Finally, where applicable, a formal, written consulting contract should be used that specifically defines what duties the person will perform, their wages and deadlines.
- **Do research.** Business owners should seek to find out about a potential hire or agency before doing business. When business owners do outsource its important that they do some research to ensure that the compensation being offered is competitive, but also not too high.

- **Offer feedback and support**. Just because a contingent worker won't be around for the long haul doesn't mean that he or she should be disrespected, ignored, or taken advantage of. Not only will acting respectfully and offering support generate good will, but the worker may then be more motivated to do the job right and efficiently.

What are the Best Sites for Hiring Independent Contractors, Freelancers, or Temporary Workers?

Here is my short list of sites for outsourcing:

In short, when it comes to outsourcing, the more small business owners invest in the process, the more they'll get out of it.