

# Winning combination



Outsourcing offers a tempting combination of increased efficiencies and expertise, combined with reduced costs and risks. And it makes even more sense during a recession. **Gareth Chadwick** writes

**F**inding the time to actually manage a business in among the plethora of day-to-day tasks often makes it seem like a secondary objective. To meet this challenge, a growing number of firms have begun outsourcing non-core functions. This option, according to the theory, frees up a manager's time to concentrate on running the business.

## Stick to what you do best

The range of services that can be outsourced has increased enormously over the past decade. There are outsource providers for many aspects of business, including business development, payroll services or finance and accounting. Indeed, for many SMEs, outsourcing is now an essential pillar of their business model.

"We're salesmen, not accountants or marketers. It doesn't make sense for us to try and do everything in-house," says Paul Flavell, Area Sales Manager at medical and pharmaceutical equipment company Raumedic UK. "If we can get someone else to do that for us, we can focus on what we do best."

The potential benefits of outsourcing are undoubtedly attractive, particularly in a recession. It is a tempting combination of

increased efficiencies and increased expertise, combined with reduced costs and reduced risks.

Security systems company WOT Security previously employed an accountant to run its in-house finance function. However, a strategic review of the 47-employee business in 2003 revealed that it was costing more to keep it in-house – in terms of both money and management time – than it would to outsource it.

"Outsourcing the finance function is not only cheaper than employing someone ourselves (particularly when you factor in costs such as holiday pay and sickness cover)," says Paul Morris, Managing Director of Walton-on-Thames based WOT Security, "but it also gives us more flexibility as the company develops."



Outsourced finance provides expertise and flexibility – from full financial infrastructure to a simple payroll service.

David Parfitt, Menzies

The specialist knowledge of the outsourcer is another factor. "They are doing this every day with clients all over the country," points out Morris, "so they are in a much better position to advise us on best practice and new strategies than an in-house accountant is likely to be."

## The benefits of outside help

By definition, an outsourcer will have a depth of knowledge and technical know-how that is very expensive for a business to employ in-house, whether for payroll and bookkeeping or more sophisticated services such as debtor control, treasury management and tax planning. The outsource provider is also better placed to keep up to date with regulatory and legislative responsibilities, as well as to advise on efficient processes and procedures.

"It all depends on what the client needs," explains David Parfitt, Head of Outsourcing at Menzies. "We may provide the full financial infrastructure, or we can simply provide a payroll service, where we'll ensure all the staff receive the correct wages on the correct day."

It is this full financial service that Raumedic UK makes use of to manage its four employees. Flavell

# Outsourcing

Outsourcing non-core functions frees up management



## ACTION PLAN

### Top tips for successful outsourcing

- **Keep talking.** Don't expect the outsourcer to read your mind. Maintain good communication and actively manage the relationship.
- **Get it in writing.** Make sure your service level agreement is clear and comprehensive so that both parties know precisely who is responsible for what.
- **Make room for change.** Don't get tied into a rigid agreement. If your circumstances change, the outsourcing arrangement needs to be flexible enough to change, too.

explains that, because of the company's size, it is not feasible for it to maintain its own finance function. Instead, it decided to bring in outside help. "Clearly, we needed to make sure we all got paid, that we were meeting our PAYE and national insurance liabilities, and that we were complying with all the necessary regulations. But we didn't have the resources to do it ourselves," he says.

In the past, some of the main concerns about outsourcing were to do with software and IT. It was sometimes necessary for businesses to buy new software and sophisticated technology in order to ensure their systems were compatible with the outsource provider. Flavell

admits that while this was an initial concern, it proved to be unfounded.

"We provided the outsourcer with the salary and employee details they needed, and they set everything up for us. On an ongoing accounts basis, it can be as simple as sending over our latest Excel spreadsheet or Word document. It gives us one less thing to worry about, which in these uncertain times is vital," he contends.

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### More information

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