Eight Reasons to Turn to an Outsourced Professional

Howard Goldman, Partner, CFO Edge, LLC

As they constantly strive to increase efficiency and "do more with less," more and more Los Angeles and Southern California executives are coming to realize the benefits of turning to outsourced professionals to handle business functions that aren't part of their core competency.

Payroll is a good example. It is an essential, but non-core, business function, so many companies started turning to payroll service providers like ADP back in the 1980s and 1990s to perform this task for them. This freed up the business' financial and human resources groups to spend more time focusing on the things that add value to the business and help set it apart from the competition.

While there is a cost to outsourcing, it can often save money for companies in the right circumstances by freeing up capital that can be invested in other more productive areas of your business. Outsourcing can be especially beneficial for new and start-up companies by allowing them to conserve valuable capital instead of using it to build a costly internal staff.

When Does Outsourcing Make Sense?

But this begs the question: What are the specific circumstances where it makes sense to turn to an outsourced professional? Here are eight common scenarios where bringing in an outsourced professional can add value to your business:

1. The CEO or owner is working longer and longer hours, but this isn't translating into incremental benefits for the business. There's a difference between working hard and working smart. Many business owners fool themselves into thinking that just because they are working 70- or 80-hour weeks, they are helping their companies. But this isn't always the case.

Often, these owners are spending half or more of their time doing things that could easily be handled by someone else, whether this person is a staffer or an outsourced professional. Handing these tasks off will free up the owner to spend time on more strategic work that will have a bigger impact on the company's future direction and success.

2. The CEO or owner is becoming distracted from the things he or she should be focusing on that will help grow the business. This dovetails with the first scenario. There are certain tasks that only the CEO or owner should be responsible for, and chief among these is setting the strategic course and direction for the company. If the owner instead is spending much of his or her time on tasks that others could be handling — whether they involve warehouse operations, human resources, IT or even just putting out day-to-day fires — this will eventually have negative repercussions on the long-term health and viability of the business.

3. Deadlines are being missed consistently. Missed deadlines are one indication that existing staff may be stretched too thin. For example, the books are not being closed in a timely manner, financial statements are not being kept up to date, financial reporting is being done too late to be of any use, goods and services are being delivered to customers late, and projects are not being completed on time.

4. The staff is becoming disgruntled. As staff is stretched thin and overworked, missed deadlines aren't the only problem. Morale can start to suffer, which can bring down the overall level of productivity and quality of work. High rates of absenteeism and employee turnover usually aren't far behind.

5. Operating and compliance standards aren't being met. These can be either internal or external standards and certifications (like ISO) related to the quantity or quality of goods produced or services delivered. In the case of government standards like environmental regulations, for example, the failure to meet them in a timely manner could result in the business actually being shut down.

6. Customers are complaining. When customers start complaining frequently about missed delivery deadlines, poor product quality or poor customer service, this is another clear sign that your existing staff may be stretched too thin and outsourced support could be beneficial.

7. The company's performance is lacking compared to its peers. Benchmark your company's performance relative to your peers in such areas as your product quality, profit margins, delivery times, customer satisfaction levels, growth rate and market share to see how you measure up and whether bringing in an outsourced professional could help improve your performance.

8. Cash flow problems are starting to arise. Poor cash flow can sneak up on businesses that aren't paying close attention to it. This is true even for companies with strong sales if cash is getting tied up in inventory or receivables.

Concluding Thoughts

Many Los Angeles and Southern California business owners today are coming to realize the benefits of turning to outsourced professionals to handle business functions that aren't part of their core competency. Outsourcing can save money for companies in the right circumstances by freeing up capital that can be invested in other more productive areas of your business. There are a number of different scenarios where bringing in an outsourced professional can add value to a business, and executives will benefit from learning to recognize the signs that it is time to supplement their internal resources with outsourced solutions to specific challenges.