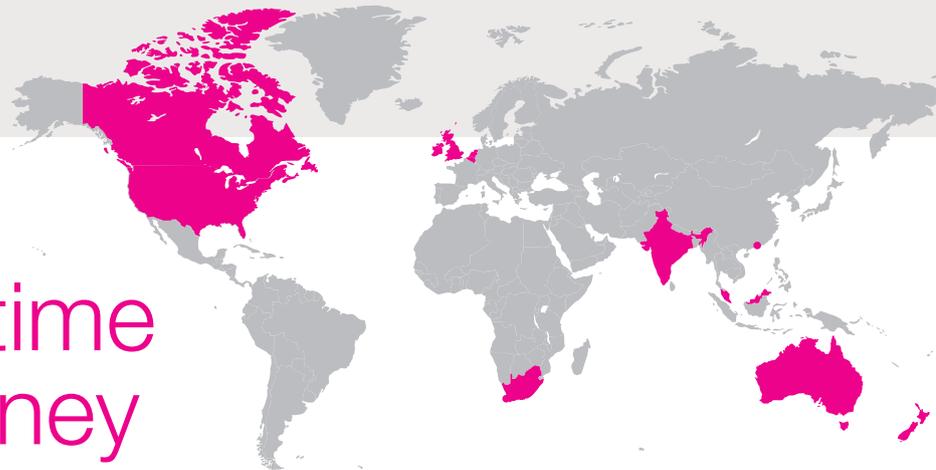




EFFECTIVE OUTSOURCING

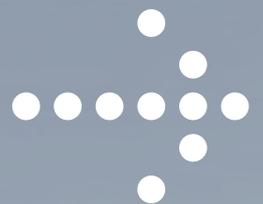
Outsource to
free up your time
and save money





“A key component of Scaling Up our own business has been to reduce costs by outsourcing well defined business processes, and alternatively to outsource high quality key skills that we could never afford on a full time basis internally”

Colin Mills. Founder. The FD Centre.



Executive summary

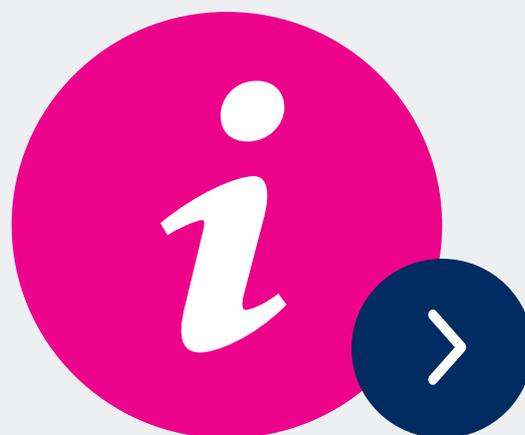
Outsourcing is nearly always cheaper, more efficient, and more flexible than hiring in-house staff. You can use outsourcing to tap into expertise and experience not available in-house (technical or managerial) or to identify and then reduce the costs of support services.

But concerns about the potential pitfalls of outsourcing stop SMEs from seeing the many benefits of outsourcing (which would allow their full-time employees to work on the company's core competencies).

A part-time CFO can help you to leverage outsourcing, allowing you to operate a leaner, more efficient business and use the savings to drive growth.

Highlights

- The benefits of outsourcing
- What can be outsourced
- How to use outsourcing in your organisation
- The main reasons companies don't outsource
- How a part-time CFO can help you to leverage outsourcing





Introduction

A desire to focus on core activities is one of the main reasons companies of any size choose to outsource one or more of their support functions.



Such was the case with Whitbread, the UK's largest hotel and restaurant company, which outsourced its IT to Styria and its HR and payroll to Ceridian.¹

After signing an HR and payroll outsourcing contract with Ceridian, Whitbread's Change and Information Director Ben Wishart said: "This move further supports our strategy of concentrating on core activities while raising efficiency levels across our organisation."²

The contract meant Ceridian handled HR services covering more than 33,000 employees across Whitbread's operations. Those operations include well-known UK brands such as Premier Inn, Beefeater, Table Table, Brewers Fayre, Taybarns and Costa Coffee.

You can use outsourcing to tap into expertise and experience not available in-house (technical or managerial) or to identify and then reduce the costs of support services. But outsourcing is something that worries many SME owners. They fear that outsourcing non-core aspects of the business like finance, HR, IT or managing customer relationships will lessen their overall control of the company. Or that it will be restrictive or expensive.

You might feel that not being able to see and talk to your team will mean that you are less in control and that you lack the visibility to spot potential problems and take decisive action.

You might worry too about the track record of your chosen outsourced provider. Will they maintain the high standards you insist on and deliver quality within the deadlines you prescribe?

Or maybe you worry about costs: will the prices quoted by your provider be set in stone or as the relationship develops, will a number of hidden costs emerge (licence fees, annual renewal fees, maintenance fees, etc.)?

Perhaps the reliability of your outsourced provider concerns you. Will your provider respect your company's confidentiality? Will your data and other assets be safe in someone else's hands? Will your ideas be stolen or will your customers' sensitive data be hijacked by the people you hire?

What will happen if things go wrong with your provider? Are they happy to share a detailed contingency plan with you so that you can feel assured that you will not be hung out to dry if a serious problem arises?

What level of importance does your provider attach to compliance?

¹ 'Whitbread renews outsourcing contract with 14% cost cut', Flinders, Karl, Computer Weekly www.computerweekly.com, Feb 13, 2013

² 'Whitbread signs five-year HR and payroll outsourcing deal with Ceridian', Berry, Mike, Personnel Today, <http://www.personneltoday.com>, Dec 11, 2008

How can you be sure that laws and regulations will be adhered to and that you will not be held liable for infringements?

It's these kinds of concerns that stop business owners from seeing the many benefits of outsourcing (which would allow their full-time employees to work on the company's core competencies).

One such owner was Simon Wakefield, Managing Director of green bean coffee importers DRWakefield. His bank was asking some pretty tough questions at the time and he knew he needed help.

"not having enough background information, data and statistics in the format required by our bank for them to understand what we were doing, we soon realised we needed someone who could manage those and help us make those decisions," he says.

But at first, he was reluctant to hire an CFO on a part-time basis.

"Part-time was something I'd never have considered before because I like to have people in-house that work with us and understand our business. It sounds simple, but when you start drilling into the way we work with multiple currencies, multiple countries, it becomes quite detailed.

"In my previous experiences of part-time employees, they would come, they would be freelance, they would go and it didn't work with us."

He eventually overcame his reluctance to outsource and hired a part-time CFO from the CFO Centre.

"The CFO Centre offered us something: if our first CFO didn't work out, they would quickly put in another one. If the CFO they installed didn't have the answer to some information that we needed, he was part of a bigger pool that he could get information from and bring to us."

Not only did his part-time CFO Nick Thompson help improve his relationship with the bank by bringing in a permanent Management Accountant to take care of the finances but he also helped update the company's accounting software packages and credit control procedures, so that it had a far better cash flow than it did beforehand.

"In the five years Nick's been here, we've grown about 30% in numbers. He's helped bring in new software and changed our auditors so that we have a more professional auditor looking after us now. So there have been very clear targets and goals that have been achieved. From the other side, it's meant that I can sleep better."

Any functionality that is not core to your business should be outsourced at the best cost and quality, says Kevin D. Johnson, author of *The Entrepreneur Mind: 100 Essential Beliefs, Characteristics and Habits of Elite Entrepreneurs*.³

"In the majority of cases, trying on your own to produce everything that your business needs is unrealistic and highly inefficient," he says. "If you have believed the negative hype about outsourcing, quickly disabuse yourself of it and implement the process into your business strategy.

"If you're subscribing to the propaganda and refusing to even consider outsourcing, your competitors are meanwhile outsourcing and working hard to put you out of business."

³ *The Entrepreneur Mind: 100 Essential Beliefs, Characteristics and Habits of Elite Entrepreneurs*, Johnson, Kevin D., Johnson Media Inc., Mar 2013

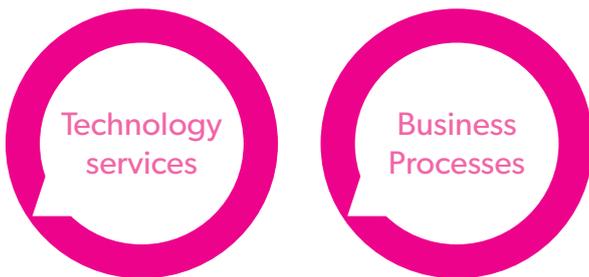
The benefits of outsourcing

Outsourcing is nearly always cheaper, more efficient, and more flexible than hiring in-house staff. The benefits include:

- > Access to expertise that you would otherwise not be able to afford
- > Time savings for you and your in-house staff
- > Opportunity to focus on revenue-boosting areas of your business
- > Lower costs
- > More predictability in costs
- > Maximising efficiencies
- > Enabling a sharper focus on core competencies
- > Increasing business productivity.

What can be outsourced?

Outsourced services can be categorised into the following two groups:



Technology services

Companies require advanced IT and communication technologies for their regular operations. Rapid changes in the technology sector bring new capabilities to use for companies that need to select the right kind of vendor to get the best technology at the cheapest cost. The following technology services are generally outsourced:

- > Software and applications
- > Infrastructure
- > Telecommunications
- > E-commerce
- > Web security and solutions
- > Web hosting, website designing, development and maintenance
- > Logistics, procurement and supply chain management
- > Research and analysis
- > Product development
- > Legal services
- > Intellectual property research and documentation
- > Tech support
- > Customer help desk functions
- > On-site maintenance
- > Email management
- > Data centre operations
- > Disaster recovery
- > Security management
- > Virus protection
- > Data backup and recovery
- > Wireless support
- > Purchase consulting
- > Network architecture

Business Processes

Human Resources

- > Payroll services (including payroll statements, bonuses, commissions, tax payments, etc.)
- > Benefits administration
- > Recruitment
- > Training
- > Expense management
- > Management of travel and employee records (personnel forms, policies, procedures, performance management, etc.)

Finance

- > Managing accounts payable/receivable
- > Bank reconciliation
- > Fixed asset management
- > Cash management
- > Financial reporting
- > Risk management

Customer service

- > Marketing support
- > Technical help
- > Advice or disbursing information
- > Processing sales order entry, claims, loans, applications, credit cards and reconciliation.

How to use outsourcing in your organisation

You can avoid many of the issues related to hiring and training in-house staff and build a much more agile, flexible and cost efficient business as long as you adopt the right approach.

In fact, enlisting the services of an experienced part time CFO from The CFO Centre is one example of how outsourcing can add value, increase efficiency and maximise opportunities.

You want your outsource suppliers to possess all the benefits of a high-quality, reliable in-house team but without any of the drawbacks. There are never any firm guarantees of success, but the right approach can prevent major headaches and save you a lot of money.

The key to successful outsourcing is preparation. By understanding what your requirements are and by spending sufficient time during the selection process to ensure that you find suppliers who share your values and will truly add value to your business (rather than becoming an expensive risk) it will usually follow that you will build a highly efficient outsourced team.



The main reasons companies don't outsource

- > Reluctance to lose control and flexibility
- > A given function is too critical to outsource
- > Anticipated adverse reaction by customers
- > Employee resistance

How a part-time CFO can help you to leverage outsourcing

Business owners are often 'time poor'. This lack of time is usually because they are tied up with numbers and administration, trying to understand the profit and loss account, balance sheet and cash flow, equipment leasing, financing options, finding business funding and managing internal accounting staff.

They often find an external accountant does not offer that much needed pro-active support. Business owners are rarely well versed in critical financial requirements, so more time is sucked into an energy draining process, leaving less time to do what they are really good at – developing and growing the business. Most businesses recruit an in-house accountant or a bookkeeper to take some of the financial burden away from the owner and access 'professional' skills to deliver usable financial information. The problem is that many business owners find only frustration, disappointment and exasperation.

That frustration is caused by the length of time it takes to finalise monthly figures. This regularly leaves owners to make business-critical decisions without up-to-date business information.

The disappointment is generated by in-house accountants or bookkeepers that produce the numbers but do little to pro-actively help the business owner plan, manage and control the business. Yes, they produce year-end accounts and sign off the audit, but although many say they offer pro-active business advice, they never seem to understand the business issues – the advice is usually generic rarely specific.

Finally, business owners suffer from that most draining of emotions, exasperation. They see tremendous opportunities to develop the business that cannot be turned into reality because they remain bogged down in the administration demands of finance and accounting.

The answer to business owners' problems, even in a small business, is to recruit a Chief Financial Officer. An experienced individual who knows how to finance a business, deal with growth, present meaningful monthly numbers and get the best deals from banks. Unfortunately, individuals with the necessary experience do not come cheap.

The solution is to consider the part-time CFO option. Taking the part-time option means that business owners can access an CFO with experience of the problems and opportunities, who can organise both the in-house and external accounts functions, and provide some of the answers. A part-time solution does not impact payroll or headcount and the business is only charged for the days worked – which may only be a few days per month.

It means you get an CFO with the experience and knowledge to help you plan, manage and control business growth. Often these are individuals with track records of financial success in larger multinational organisations.

The CFO Centre will provide you with a highly experienced senior CFO with 'big business experience' for a fraction of the cost of a full-time CFO. This means you will have:

- One of India's leading CFOs, working with you on a part-time basis
- A local support team of the highest calibre CFOs
- A national and international collaborative team of the top CFOs sharing best practice (the power of hundreds)
- Access to our national and international network of clients and partners

With all that support and expertise at your fingertips, you will achieve better results, faster. It means you'll have more confidence and clarity when it comes to decision-making. After all, you'll have access to expert help and advice whenever you need it.

In particular, your part-time CFO will help you to develop an outsourcing strategy. That process includes:

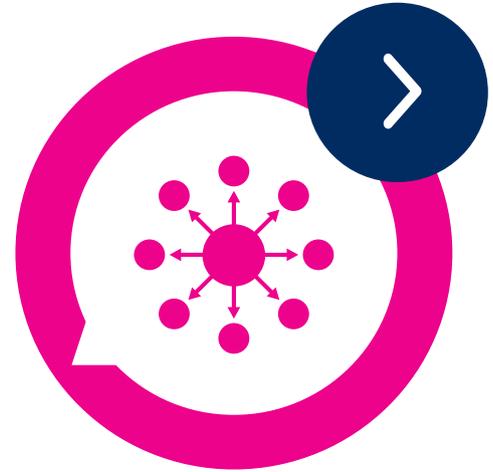
- Evaluating your company's current and future requirements. To make outsourcing a success, you need to define what is being outsourced and the scope and timing requirements, recommends financial advisor John Toppin, MA FCA in his book, *'Profitability: Advice For Business Owners And Finance Managers'*.⁴
- Discussing a company-wide strategy/protocol for taking on outsourced providers

⁴ Profitability: Advice For Business Owners And Finance Managers', Toppin MA FCA, John, Nomizon Business Publishing, Oct 2014



The CFO Centre will provide you with a highly experienced senior FD with 'big business experience' for a fraction of the cost of a full-time CFO.





- > Investigating specific outsourced suppliers (starting with our national network of trusted providers) with proven track records
- > Evaluating providers' core competencies to ensure we find the right match
- > Discussing cost implications in detail and uncovering any hidden costs before contracting the supplier
- > Interviewing suppliers to ensure they will be a good cultural fit
- > Ensuring that the supplier will be able to deliver the service on time and to the right standard
- > Challenging providers about their data security and integrity
- > Requesting from providers that they share their contingency plans in the event of serious problems
- > Evaluating providers' training programmes and ability to support your business in case of staff sickness or absence
- > Discussing providers' compliance policies to ensure that they will take on the responsibility (where appropriate) to adhere to laws and regulatory requirements
- > Managing the relationship with the sourced provider to ensure value is delivered.

Conclusion

Cost saving is a core driver for entrepreneurs and often the number one factor that leads to outsourcing.

There are no requirements to provide outsourced suppliers with employee benefits and you don't need to spend money on office space to accommodate them.

In most cases, you have greater flexibility over costs: instead of having to pay a regular monthly salary you often have the ability to increase or decrease hours according to business demands. This means you can operate a leaner, more efficient business and use the savings to drive growth. Your training costs will also be dramatically reduced as these are usually borne by your provider.

One of the other big advantages of using certain outsourcers is the perception it creates with your customers. Smaller companies can often be made to look much larger by taking on outsourced providers that deliver a range of services that would not be possible using an in-house team.

This means that smaller companies can compete with larger companies as well as react quickly to new trends in the market by finding quality providers who can deliver a high-quality service.

Free up your time and save money now by getting a part-time CFO to help you develop an outsourcing strategy.

To book a free one-to-one call with one of our part-time CFOs:

tel: 91 9967531075
email: info.in@cfocentre.co.in
www.cfocentre.co.in

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