

What You Need to Know About Outsourcing: Is Outsourcing Really For You?

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Outourcing is nothing new. Brick and mortar businesses have been doing it for years. But what may surprise some people is that online entrepreneurs can also use this common business strategy with a great deal of effect. Of course, outsourcing is not ideal for everyone. But by understanding the basics of what outsourcing is, how it works, and how it can benefit a business, it is possible to make an educated decision about whether the approach is right for your business.

Just What Is Outsourcing?

In the broadest sense, outsourcing is an approach to task management that involves utilizing resources that are outside the direct control of the company to handle tasks that are relevant to the operation and success of the business. Generally, this involves contracting with a service provider to handle the specific function for a specific period of time and with guidelines that are agreeable to both parties. In some cases, the service may be granted limited powers to act in the stead of the client, if that is necessary to perform the contracted tasks.

The main function of outsourcing is often to allow employees to focus on company operations that may be more detailed and directly related to the growth of the business. Daily housekeeping issues are handled by outside firms, who do the job at a fraction of what it would cost for a full time staff to accomplish the same tasks. This helps to minimize the amount of clerical support that is needed in house, and thus keep employee related expenses relatively low.

How Is Outsourcing Used?

Outsourcing is not an unusual process at all. In fact, many small businesses make use of this strategy to help keep operational costs to a minimum. For example, a company may choose to outsource payroll management to a service that will calculate applicable taxes, withhold the taxes for forwarding to state and federal agencies, and also handle quarterly filings on behalf of the business as well. Many businesses choose to outsource collection procedures on outstanding and past due invoices rather than have their employees devote time to this task. There are very few administrative and clerical functions that cannot be outsourced with a great deal of efficiency.

Along with clerical tasks, outsourcing can also extend to such important projects as the launch of a new marketing campaign that is designed to entice new customers into the fold. The task at hand may be public relations efforts to help enhance the overall public perception of a business and its products. Outsourcing may be utilized as a means of launching a short-term sales campaign to pitch a new product to an existing customer base.

Essentially, there are very few tasks within a company that cannot be outsourced. Even executive functions may be handled on a temporary basis by outsourcing the assigned duties and responsibilities, if circumstances call for this type of action.

What Are The Benefits To Outsourcing?

One of the main attractions of outsourcing is that the strategy can save a lot of money. For businesses that are just getting on their feet, every dollar counts. Depending on the function in question, there is a good chance that choosing to outsource the task will be cheaper than buying necessary equipment, hiring and training personnel, and actually doing the work necessary to successfully complete the task.

For example, managing the company Payables and Receivables can take up a lot of time and require hiring at least one paid professional. This professional will need a decent salary and most likely some benefits in order to consider the position worth his or her time. By outsourcing these functions to an accounting firm, the client will pay a monthly rate much lower than a salary, and not have to be concerned about providing a benefits package. The savings in this one instance can be substantial.

IT functions are another way to save money with outsourcing. Instead of maintaining a full-time staff to oversee a small and relatively uncomplicated network, contracting with an outside firm to do regular maintenance and troubleshoot when necessary will usually involve no more than one relatively small monthly payment. There are no salaries to pay and no benefits to provide.

Another advantage of outsourcing is that it frees up company resources to focus on other important issues. For the online entrepreneur who is flying solo but wants to look like a "real" company, outsourcing such functions as phone receptions, client care, and systems management leaves him or her free to work on building the business and winning new clients. Unfettered with day to day tasks, growth can be the focus and the main concern at all times. The end result is a more aggressive sales and marketing effort while still maintaining a professional image.

What Are The Liabilities of Outsourcing?

While the benefits of outsourcing can be obvious and immediate, there are still a few potential disadvantages to keep in mind. Often, these are minor, and may not even be issues at all in some situations. However, every entrepreneur can and should consider them before choosing to outsource any company function.

First, there is the loss of real-time control. When any given business function is conducted in-house, it is a simple task to step in and order some type of a change if necessary. For example, when billing is done in-house, it is very easy to apply a credit to a customer invoice when the product or service did not live up to the promises made to the client. If the billing process is outsourced, there may be several steps to go through in order to submit a credit. Even then, if the invoice is already generated, there may be no way to apply the credit in real time, or there may be an extra charge for the service.

Next, it may be necessary to hand off some authority to the contractee. This often is the case when the outsourcing places the burden of client interaction on the contractual assignee. Depending on the type of task and the powers granted, this may not be a big deal. After all, you do not need to constantly be consulted on each and every little move. But be careful about how much authority is granted. Regardless of who makes the decision, in the long run you will be accountable for the actions taken.

Last, outsourcing is a lot like hiring employees. Sometimes it works out and sometimes it doesn't. When you become aware things are not being done according to the terms of the outsourcing agreement, you will need to take time and resources to accomplish two things. First, you will need to cover the incomplete tasks before they become customer and thus business affecting. Second, you will need to make to sever the agreement and find a new service to handle the tasks. Failure to do take corrective actions quickly can often lead to the loss of business and a great deal of negative word of mouth for your company.

So What Do I Look For In An Outsourcing Service Provider?

For your own good, it is important to develop a basic criteria of what you need, how you need it done, and in what time frame the tasks should be accomplished. Once you have this information in hand, it is possible to assemble your list of qualities that any outsourcing agent must possess before you do business. Here are a few suggestions that may be relevant for your situation.

The ideal outsourcing candidate will be able to accommodate your needs. This means that rather than you finding a way to fit your needs, goals, and time table into a structured model offered by the service provider, he or she finds a way to comply with your needs. There is no need to be dogmatic about this. Chances are there may need to be some give or take on both sides to come to agreeable terms. But if the service provider essentially offers you the choice of a couple of generic plans and there is no room for customization, then keep looking.

A second important characteristic is the ability to consistently meet deadlines. You don't need to receive the amount of invoiced sales for April at some point in July. If the word on the street is that a given service provider is often late completing assignments, then don't waste your time. The idea behind outsourcing tasks is to make life easier, not create extra complications.

Next, you want an outsourcing service provider who can think outside the box. This is especially true if you are outsourcing customer care functions or a PR campaign. There are simply too many occasions when something comes up that is a little out of the ordinary. When the provider is unable to creatively deal with the situation, or at least placate an important client until you can be reached, you could end up losing business and part of that stellar reputation that took so long to build. Try running prospective service providers through scenarios based on some unusual events that have already come up and listen carefully to the response. If the response makes you feel uneasy, keep looking.

Last, you want an outsourcing service provider that knows when to handle a task and when to call you for consultation or to step in on a given matter. This may be the hardest qualification to gauge. A lot will depend on just how hands on you

want to be with the given task. For example, you may not want to deal with a vendor who is already calling about a past due notice when the check is due to be cut tomorrow, but you may want to talk with a vendor that never received payment for services rendered sixty days ago. If the outsourcing service seems able to get a handle on what you consider to be worthy of notification, then look no further and sign up with them. This is one talent that is hard to come by.

Other skills and qualifications will be necessary, based on the nature of your business, the way you operate the business, and the tasks that are being assigned to the outsourcing service provider. Take the task seriously, and don't just dump the task in their laps and run out the door. Remember, they may be doing the work, but it still reflects on you.

To Outsource Or Not To Outsource - That Is The Question

When it gets right down to it, you are the one who has to weigh the benefits against the potential liabilities and decide what is in the best interests of your business. When it comes to outsourcing, it means asking yourself some very important questions.

First, what do you expect to get out of the outsourcing? Is it more time for other projects, or a way to get necessary tasks done that you do not wish to spend time doing? Is the motivation to avoid hiring additional personnel right now? Knowing what you want to receive from the outsourcing process will go a long way toward helping you decide if the move is worth it.

Next, what can you afford to pay for outsourcing services? This is essentially finding the balance between what you have and what you need. While you may want to outsource both your accounting and your sales effort right now, you can't currently afford to do both. If that is the case, decide which one will provide the most benefit currently, and plug along with keeping the other function in-house until there is more money available to outsource both tasks.

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Third, how long will the outsourcing project last? Is it short term, such as six months to a year? Or will the outsourcing be for an indefinite period of time. Many outsourcing service providers offer discounts if you will commit to using their services for two years or more. This helps them to have some idea of how much revenue they will generate. The discounts will help stretch your buying power, but always make sure there are terms and conditions in the contract that give you an "out" if they fail to deliver services as outlined in the agreement.

In Conclusion

Outsourcing can be one of the best moves you will ever make for your new online business. Just be sure to know what you need, take the time to find the right service provider, and be sure that you can establish a strong working rapport between the two of you. When you accomplish this, it is possible to focus your energy on making your company stronger and more profitable than would have been possible otherwise.

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