



outsourcing

How to develop outside partnerships that can help your company thrive

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At Cynthia Kay's video production office in Grand Rapids, six employees work under demanding deadlines to produce corporate videos for clients as far away as Switzerland and Germany. To create the videos, they rely heavily on high-performance computers, servers and other technologies.

"We had an IT employee, but our technology needs became more complicated as our business grew," recalls Kay, who launched her company 20 years ago. "We realized it was difficult to expect one person to keep up with all of those technology changes and requirements. We needed another strategy."

To meet the demands of her business, Kay retained the services of a local IT outsourcing provider more than a year ago. Now, instead of one IT employee, her office has a team of IT professionals who keep the equipment up to date and in working order. "I see our systems running so much smoother than before," Kay says. "Our IT system enables us to provide great service for our clients, giving them confidence in our capabilities. That's a huge selling feature that will help our growth continue."

PHOTOGRAPH BY JACK HOLLINGSWORTH/PHOTODISC/GETTY IMAGES

OUTSOURCING

Outsourcing may seem like a complicated proposition, but investigating its potential is worthwhile. Experts suggest that you first identify the function you need outsourced, making the distinction between core functions and delegable tasks. Next, determine specific goals you hope to achieve by outsourcing, and finally, establish a method for selecting and working with one or more outsourcing partners.

Find Your Focus

Understandably, small business owners often focus on selling products and keeping the business afloat. But Andy Birol, a Cleveland-based author and small business consultant, finds that attention to less critical chores can sap energy best used to develop a business. “Many business owners spend too much time on too many operations because they believe they’re saving money,” he says. But that only robs them of time that should be spent expanding relationships with current clients and winning new ones.

The remedy, Birol suggests, is for small business owners to find what he calls their “best and highest use.” In his book, *The 5 Catalysts of 7 Figure Growth*, Birol explains that best and highest use “is the point of convergence between what you do well and what customers want or need and will pay to get.” To gain insight into their best and highest use, entrepreneurs should identify the duties they enjoy most and accomplish well. Birol says that an owner should also determine why clients like the company. Then, after these strengths are established, other business responsibilities should be outsourced or eliminated.

Determine Your Objectives

Once business owners decide which tasks to outsource, they must consider their objectives. Many simply want to save money. “The cost savings are real,” says Maurice F. Greaver II, author of *Strategic Outsourcing*. “But I would argue that outsourcing is worthwhile even if it costs 10% more, because you can get a wonderful return on your investment by paying a little bit more for a higher quality product or service.”

Hillary Feder, president of Hillary’s Gifts, outsources various functions so she can provide a wider array of products in a cost-effective manner. Her company designs and delivers customized gifts and gift baskets with the help of 20 outsourcing partners. “Our outsourcing model allows us to buy services for what we need,

when we need them, which is far more efficient and flexible,” Feder says. Although she pays more because of the outsourcing assistance, she believes her strategy has fueled her company’s double-digit annual revenue growth.

Other business owners outsource so they can spend on other business duties. By hiring a company to handle human resources functions, for example, an owner will be able to devote much-needed time to expanding a product line.

Select the Right Partners

Finding the right outsourcing partners requires time and due diligence. To gather a list of possible partners, ask trade associations or other businesses. Interview at least three companies and focus your questions on which metrics are most important to your expectations. “At some point, it becomes difficult to find out which partners are the best until you try them out,” Feder says.

Once you do find a partner, draft a written contract that includes specifics, such as review processes and dispute resolutions. To be safe, hire an experienced business lawyer who can help you through the process and protect your interests.

When the working relationship begins, communicate and clarify all expectations from outsourcing partners. The best way to prevent misunderstandings is never to assume anything, advises Feder. When something goes wrong, finger-pointing is a waste of time. It’s better to investigate the source of the problem and simply fix it. After all, your business might just move on to bigger and better growth with a little help from outsourcing partners. ■

When Outsourcing Doesn’t Make Sense

1 Avoid outsourcing if you must give away proprietary information that may be leaked, says Charlie D’Agostino, director of Louisiana State University’s business and technology center.

2 D’Agostino also recommends that business owners review outsourcing operations regularly and quit the partnership if the company can complete the task more efficiently in-house.

3 According to small business consultant Andy Birol, never outsource your “best and highest use”—the unique aspect of your business that customers value most.