

Outsourcing the Back Office

Sometimes it's better to let the professionals handle your back office functions while you focus on growing your business



Overview

When you are actively involved in your business operations, your focus should be on growing your business. And although critical to your business, the last thing you may want to think about is paperwork. To eliminate burdensome requirements associated with human resources, payroll, and accounting, you might want to consider hiring other companies (“outsourcing”) to perform these important business functions.

Why is this important?

When a company grows, the “back office” operations (the paperwork functions) of the business tend to expand also. This expansion can start to consume human and financial resources at the expense of core business activities. Outsourcing some back office functions will allow you to focus on those business activities that are critical to your success.

Outsourcing can also have the following benefits:

- Cost savings – you can eliminate overhead costs associated with your accounting and human resources efforts such as office space and utilities, high staff salaries and fringe benefits.
- Minimize staff turnover and training – you can reduce costs associated with staff turnover and the time required to manage your in-house personnel.
- Improve financial operations – good financial information, including budgets and analyses, provide the insight management needs to control and reduce costs.
- Faster transaction processing times – outsourcing companies typically process all received documents in a timely manner.
- Easy access to documents and records – many outsourcing companies can provide categorized online access to their records, reports and documents and maintain backups of your data.
- Knowledge – professionals and specialists tend to have wider experience and knowledge that you can take advantage of. It also gives you access to operational best practices that would be too difficult or time consuming to develop on your own.
- Compliance – it is difficult for the small agribusiness owner to ensure that the agribusiness is complying with human resource, financial, and tax regulations. Outsourcing companies can help.

What functions can be outsourced?

You can outsource a single or a variety of functions including the following:

- Human Resource Services
 - Health Benefits Management
 - Health and Wellness Programs
 - Worksite Safety Programs
 - Employee Benefits Administration
 - Retirement Services
 - Employee Retention and Productivity
 - Employee Assistance Programs

- Workers' Compensation
- Regulatory Compliance
- Payroll Services
 - Payroll Processing
 - Tax Filing
- Accounting/Financial Services
 - Accounting policies and procedures
 - Transactions processing - AP/AR/Payroll
 - Fixed asset accounting
 - Order entry and invoicing
 - Cash receipts and disbursements
 - Bank statement reconciliations
 - Credit and collections
 - Cash flow management
 - Account reconciliations
 - Variance analyses
 - Financial statements and complete and integrated management reporting including analytical commentaries
 - Budgets and forecasts
 - Business planning and projections
 - Financial analysis
 - Create and maintain formal financial policies and procedures
 - Tax planning and preparation

Employee leasing

To lower costs associated with insurance and health benefits, you might consider a relationship with an employee leasing company. An employee leasing company will "hire" your employees and place them on its payroll. In turn, the leasing company "leases" these employees back to you.

For many employees, the switch is financially beneficial. Since a typical leasing company handles a large volume of employees from multiple companies, health insurance and other benefits can be negotiated in bulk. Your worker can have the same level of benefits as a worker in a much larger company.

Because workers are not considered employees of your company, personal injuries and workers' compensation claims become the responsibility of the leasing company. In many cases, however, wages and performance reviews might be controlled by the leasing company. You should understand that because workers are not completely under your control, conflicts may involve and termination procedures may be outlined by the leasing company.

Considerations when selecting an outsourcer and costs

When you hire an outsourcing company, you are choosing a partner for your business. Consider the following when determining whether or not to outsource and when evaluating an outsourcing company:

- Interview and evaluate the company just as you would a new employee.
- Determine whether outsourcing with the company will save you money. If not, decide whether the additional cost is worth the added benefits and time you will save.

- Determine whether the company has long-term relationships with businesses by asking how many clients the outsourcer serves and the average length of time each business has been its client.
- Obtain samples of the reports you would receive and be sure they meet your needs.
- Make sure to read the contract and understand the requirements before signing. Know the term of the contract and whether you can terminate the contract if you are not happy with the service.
- Make sure you understand the cost structure.
- Make sure that you agree with the performance deliverables of the company (for example, will reports be delivered in a time frame that is acceptable to you).
- Ensure that the company has adequate resources to handle your business.
- Ensure that the company will be responsible for keeping up with and implementing new regulatory requirements (human resources) and industry best practices (financial).
- Determine the type of technology and equipment you will need and consider the costs.
- Make sure that the service is providing adequate security and confidentiality.
- Have the company demonstrate the product before you make a commitment.
- Ask for referrals and talk to others who have used the service.

Outsourcing costs vary depending on the volume and complexity of work and can either be charged as a flat monthly fee or billed at an hourly rate. Leasing companies charge a fee in addition to the employees' wages. This fee is often less than the cost of hiring human resource and payroll staff.