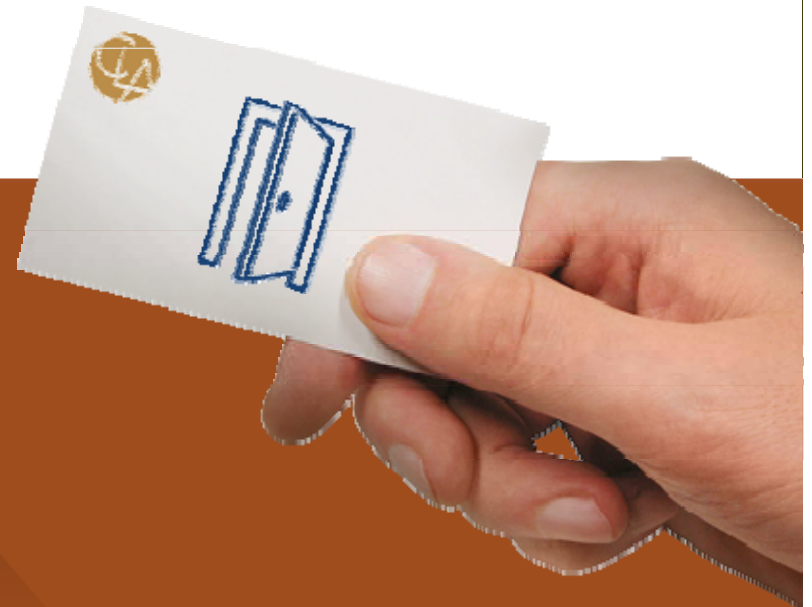


# Own It or Outsource It – How Do You Know?

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## Learning Objectives

At the end of this session, you will:

- Be able to define outsourcing and its advantages and disadvantages
- Utilize decision making tools to identify outsourcing opportunities
- Understand the key elements and benefits of finance department outsourcing

# What is Outsourcing?

## Outsourcing Defined:

- To procure (contract) with a third party to do a particular function.

Outsourcing functions can be performed on-site or off-site and are usually for extended periods of time.

Is your business all over the place?

Food Service

Laundry

ACCOUNTS  
PAYABLE

Accounts receivable

Payroll

Maintenance

Missed  
Deadlines

General  
Ledger

Housekeeping

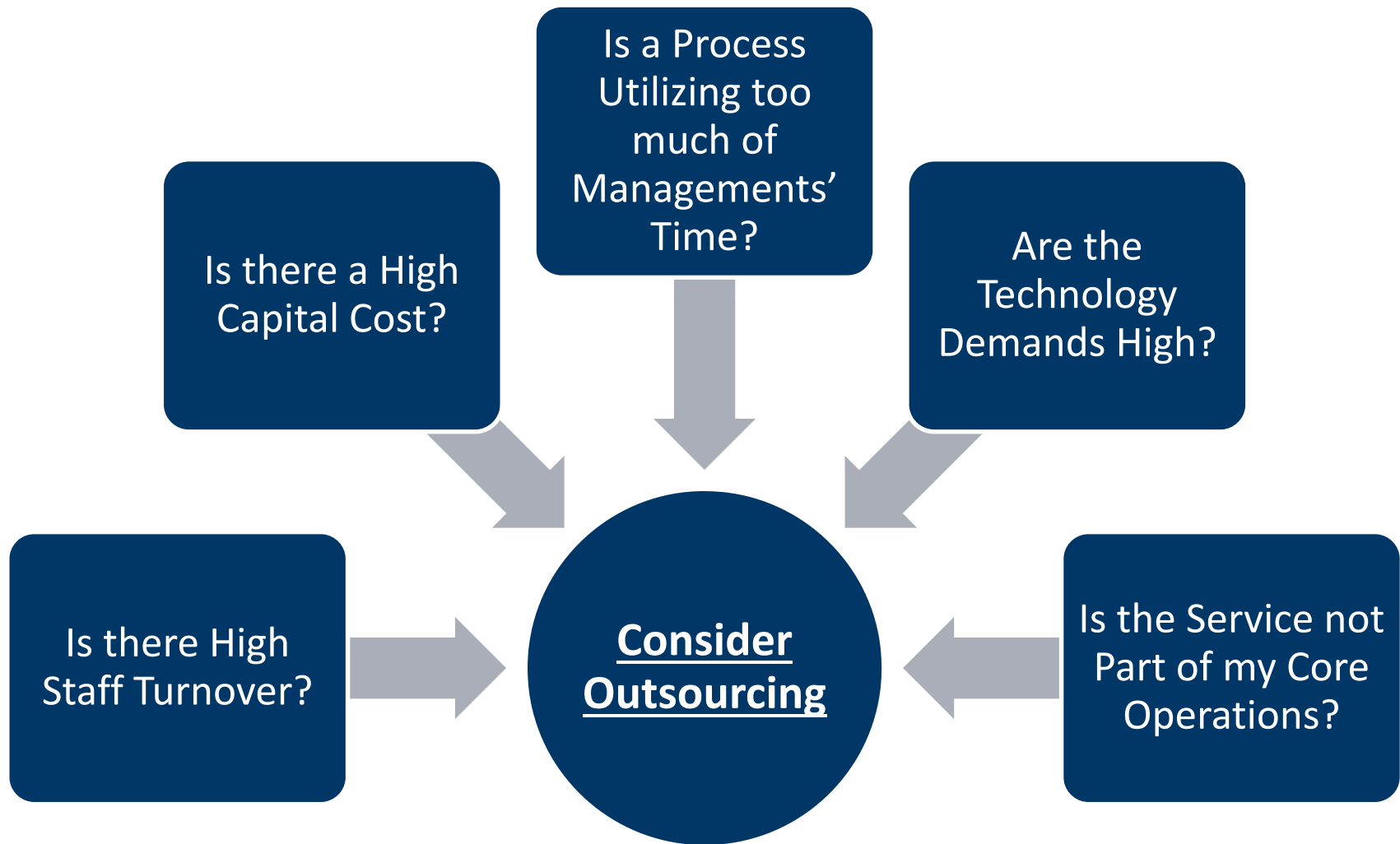
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## Why Outsource?

### Advantages of Outsourcing:

- You can focus on your core business
- You have the benefit of experts (improved productivity)
- Higher quality product/service
- You don't have to be concerned with turnover of staff (less human resource management)
- Cost savings
- Enhanced data capabilities

## What are the Right Questions?

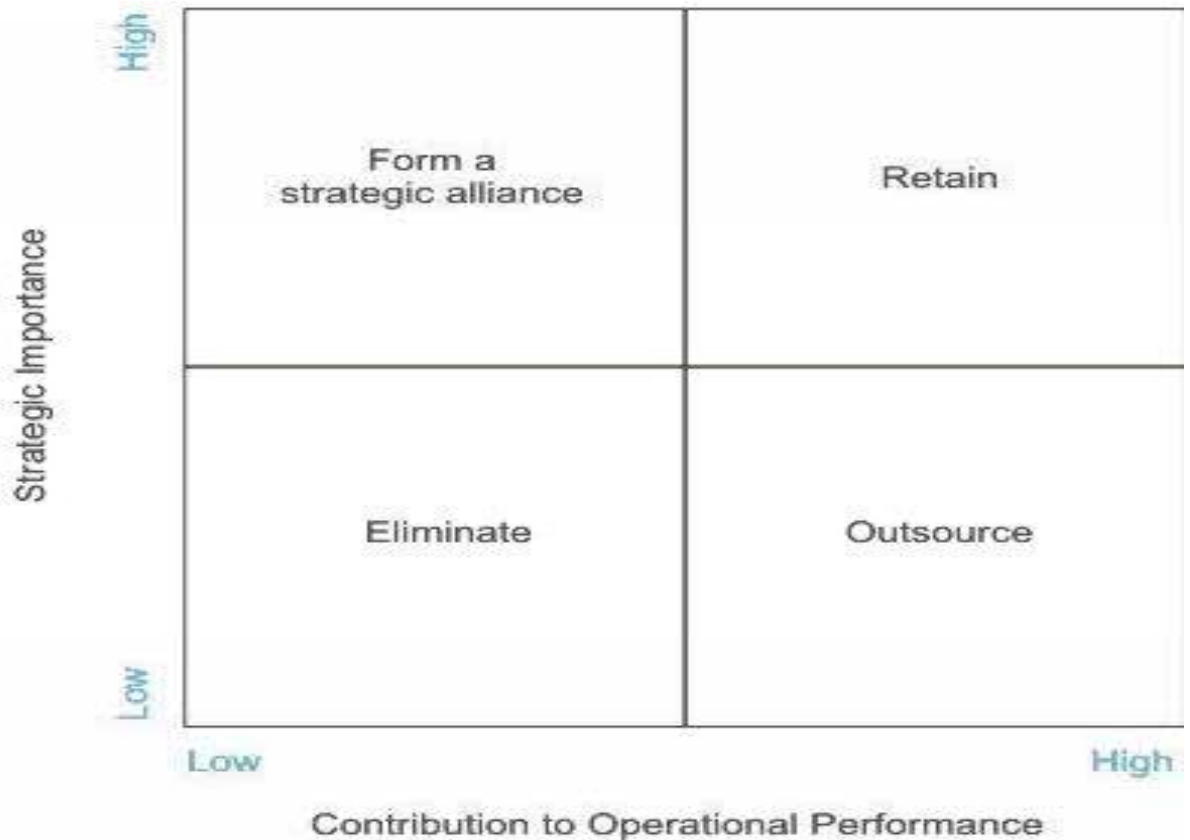


# The Outsourcing Decision Matrix

Decision Matrix Considerations:

1. How strategically important is the task to your business?
2. How does the task impact your business's operational performance?

Figure 1: The Outsourcing Decision Matrix



Source: Mind Tools TM – [www.mindtools.com/pages/article/newsrt\\_45.htm](http://www.mindtools.com/pages/article/newsrt_45.htm)

## Quadrant 1 - Form a Strategic Alliance

- High strategic importance
- Do not contribute significantly to operational performance
- Want some level of control but don't have to be involved in the day to day activities
- Examples:
  - Advertising
  - Strategic planning
  - Training
  - Others?



## Quadrant 2 - Retain

- High strategic importance
- Contributes significantly to operational performance
- Would usually relate to direct services of core revenue
- Examples:
  - Nursing
  - Rehab (depending on volume and strategy)
  - Information Technology
  - Human resources
  - Others?

Source: Mind Tools TM – [www.mindtools.com/pages/article/newsrt\\_45.htm](http://www.mindtools.com/pages/article/newsrt_45.htm)

## Quadrant 3 - Eliminate

- Low strategic importance
- Does not contribute significantly to operational performance
- May not be possible to eliminate completely
- Examples:
  - Incidental activities
  - Child care for employees

## Quadrant 4 – Outsource

- Low to Moderate strategic importance
- Contribute significantly to operational performance
- Time spent internally outweighs benefit
- Examples:
  - Accounting
  - Food Service
  - Housekeeping/laundry
  - Maintenance
  - Information Technology

Source: Mind Tools TM – [www.mindtools.com/pages/article/newsrt\\_45.htm](http://www.mindtools.com/pages/article/newsrt_45.htm)

## Application of Tool

Step 1

- Know your task's strategic importance

Step 2

- Identify the importance of the task to your operational performance

Step 3

- Plot your task in the quadrant that most closely fits your analysis

Source: Mind Tools TM – [www.mindtools.com/pages/article/newsrt\\_45.htm](http://www.mindtools.com/pages/article/newsrt_45.htm)

## In addition.....

- Utilizing benchmarking to identify tasks/expenses that are significantly higher than the industry is a good way to recognize outsourcing opportunities
- When evaluating costs of outsourcing vs. retain do not forget to allocate indirect costs and managerial costs
- Could perform the analysis in reverse (move something in-house)
- Don't underestimate the importance of finding a company that can be your **PARTNER**

# What does Business Office Outsourcing Offer?

- Outsourcing service manages the financial functions or processes that would typically be done by your own employees
  - Budget flexibility, contract for as much or as little as you need
  - Specialized knowledge of financial processes
  - Scalable resources from a fractional FTE to a whole department
  - Service delivery remotely or at your location
- The services and scope can be customized depending on your needs

# Outsourcing Options

- CFO
- Controller
- Staff Accounting
- Payroll
- Business Office Billing
- Information Technology

# Advantages of Outsourcing Finance Department

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- Outsourcing can help you:
  - **Improve profitability**
  - **Reduce risk**
  - **Increase productivity**
  - **Allow management to focus on core strategies**
  - **Enhance financial statement reporting**
  - **Utilize depth and expertise of professionals dedicated to industry**



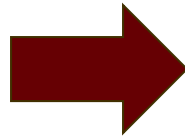
# Business Office Outsourcing Examples

- A CFO one day per week for a facility that needs occasional guidance and advice
- A staff accountant for two weeks a month based on additional workload
- Outsourcing personnel manages the monthly close and reporting while facility personnel handles the day-to-day activities
- Outsourcing service becomes a facility's virtual accounting department
- Managing a facility's bill payment and payroll with offsite resources
- Managing a facility billing and collections department

## Outsourcing Success Story: NonProfit

### Before Outsourcing

- Nonprofit entity with main long-time accountant leaving
- Month end close and financial reporting suffered
- Internal control issues
- Difficult to audit



### After Outsourcing

- Outsourcing services complements existing staff
- Month end close and Financial reporting improved
- Clean audit opinions
- Staffing turnover no longer a challenge

## Risks to Consider before Outsourcing

Loss of Control

Compliance with Laws  
and Regulations

Hidden Costs

Quality of Services

Reputation

Confidentiality of  
Information

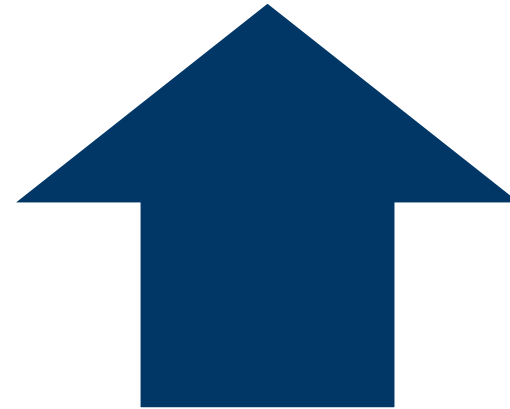
Where to go from here?



Outsource  
Task



Retain  
Task





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