

# Benefits of outsourcing

Save money, gain expertise and shift risk. **Interviewed by Lisa Murton Beets**

**W**hen you think about outsourcing, some of the typical functions that probably come to mind include payroll, benefits administration and information technology. But have you considered outsourcing your accounting, tax or CFO functions?

“Outsourcing these areas is not as publicized, but doing so can save you time and money, give you access to highly trained experts and transfer risk,” says Maureen A. Nulty, CPA/ABV, CVA, Cendrowski Selecky PC, Bloomfield Hills. “All companies can outsource. Small companies outsource because they don’t have the internal resources. Large companies outsource to better allocate their internal resources and they typically find it more cost effective than hiring additional staff.”

Nulty defines outsourcing as the transferring of complete responsibility for a function, division or task within a company to an independent third party that has expertise in that particular function, division or task.

*Smart Business* spoke with Nulty about the numerous ways companies can benefit by outsourcing.

## How can outsourcing save money?

The cost to recruit, hire, train and retain people is enormous, not to mention the additional high costs of turnover. If you outsource, you’ll probably pay more when compared to an annual salary, but add in all the other costs and most companies typically save a great deal by outsourcing. With an outsourcing arrangement, you’re generally on a fixed fee, so you know what the costs are going to be. You turn a variable (personnel) cost to a fixed cost, so it’s easier to plan. You also eliminate the time and costs involved with dealing with absences and illnesses.

## How does outsourcing enable a company to better allocate its resources?

Consider the tax function — a typically seasonal or noncontinuous type of activity. When you outsource this function, you don’t have to divert internal resources and disrupt other operations.



**Maureen A. Nulty**  
Officer  
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## How does outsourcing provide a higher quality product/service?

Outsourcing gives you access to highly skilled experts at less cost than you would typically incur to employ these types of professionals, or to develop the resources internally. By outsourcing, you can even eliminate the need to develop and maintain entire departments of people, provide for their ongoing training, maintain reference libraries, research capabilities or support resources. The outsourcing firm provides for the continuing education of its employees, provides access to the latest technologies, ensures that licenses are kept up to date, provides benefits and support personnel, etc. Outsourced personnel have strong support behind them and can draw upon the expertise of other colleagues at their firm whenever the need arises.

## How does outsourcing reduce the risk to an organization?

When you outsource, you transfer the risk to the independent third party. Again, let’s use the example of tax. The outsourcing firm ensures that all taxes will be filed correctly on a timely basis. You eliminate the risk of taxes not filed, filed late or filed

incorrectly, which can be extremely costly.

## Is CFO outsourcing a new trend and why would a company want to outsource this function?

This is a newer type of outsourcing activity. It’s not as common yet, but is growing in popularity. Some common scenarios might include:

- A small company that is experiencing growing pains and doesn’t know how to structure the accounting and financial reporting areas. An outsourcing firm can assess the situation and the direction the company is headed in and design a CFO position.

- A larger company that has to replace a resigning CFO with a new CFO. A resigning CFO might give one month’s notice. Typically, it would take two to six months to identify the right candidate and train them to fill the position. An outsourcing firm can manage the responsibilities during the interim period and help the company identify and hire the right person to fill the position.

- A company in transition and experiencing a tremendous period of growth might consider hiring a CFO, but after analyzing the costs and requirements in terms of resource allocation, decide to outsource the function permanently.

## What are some of the perceived downsides of outsourcing?

Some companies perceive that by outsourcing they will lose control, or that control is diminished. In reality, control and certainty is increased because you have moved a variable cost to a fixed cost. From a day-to-day standpoint, the obligations are clearly spelled out in the engagement letter. Performance is evaluated frequently and communication is often highly effective.

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