

## **A Small Business Guide to Outsourcing**

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There's no arguing that the last six to twelve months have been quite hellish for both business and personal finances. It's been going on long enough now that, like any situation when it's bleakest, it can be hard to see any light at the end of the tunnel. It is only when a crisis has abated that you can look back objectively and perceive when the black started to fade to light and things started to improve. Just as most everyone felt the recession long before it was officially termed such, conversely we will all also start to feel some relief before the recession is officially declared history.

In the meantime, many businesses still have to figure out their best options for surviving this recession and coming out on the other end in good condition, and I would argue, ready to take advantage of the upswing. The answer for many small businesses has been to lay off employees in order to cut expenses, remain viable and hang on until things that upswing happens.

But that answer brings about its own problem. What happens to the work that was done by those employees? While it's true that with business down the need for some employees' services declines, not all of it goes away. And even if the need goes away completely it will be required again when the recovery starts to take off. The speed and agility with which you can ramp back up will be a key factor in the financial gain you'll get from the eventual recovery.

Most small business owners see three options to this problem: 1) Forego the work the laid-off employee performed even though that may hurt business or impact remaining customers; 2) Assign the work to remaining employees which, if it means they are overloaded, it can reduce morale and performance quickly follows; and 3) Take on the work themselves in addition to all of the other tasks it takes to run a business.

There is a fourth option – outsourcing. Many functions of a business today can be outsourced. Everything from administrative tasks, accounting services, payroll, IT and computer services, graphic design and marketing functions can be handled by an outside contractor or freelancer.

### **Benefits of Outsourcing**

While I'm not advocating that small business owners lay off their employees; I am facing the reality that it has become a necessary fact for many of them. They are in the impossible situation of not being able to retain employees but still in need of the work they performed in order to maintain business operations, especially those that impact customer service. Outsourcing to a respected and trusted source has many benefits for small business owners, not the least of which is that it gives them an ideal interim solution by allowing them to maintain necessary business functions until the economy improves. Other benefits include:

- Outside contractors can be hired on a short-term service basis or for one-time projects that small business owners deem necessary but not adequate enough to keep a full-time employee on board.
- Expenses for benefits and certain employment taxes are eliminated with an outside contractor because they are not an employee of your company. (Speak to your accountant or financial advisor for more information about the tax benefits of working with outside contractors.)
- Projects for outside contractors can be paced to coincide with times of positive cash flow for your business.
- Freelancers on contract with you can handle an immediate increase in demand, when prospects convert into new customers, until you restaff your business to pre-recession levels.
- You have the flexibility to start a freelancer with a small piece of the project to assess their ability before you have to commit to the full project. That way if you aren't fully satisfied with their work, your financial cost is limited.

### **Finding Outsourcing Options**

If you've never used outside contractors before you may be unsure where to look for a reliable and trustworthy freelancer. Here are some good resources:

- ***The Laid-Off Employee:*** That is hiring them as a freelance contractor to handle the work. Yes, this could be a potentially sticky situation but if the ex-employee is open to the idea it can be a mutually beneficial solution. For the employee, it enables them to keep their skills sharp and generate some income while they look for full-time work or until your company can rehire them. For your part, the employee is already fully trained on your business and the specific task or function required. You already know their work ethic and productivity history.
- ***Business Colleagues in Your Local Community or Industry-Related Organization:*** Check with fellow business owners to see if they have a reliable source that they use for a specific function. If they have had a good experience with a particular source, that is one of the best references you can get.
- ***Your Local Chamber of Commerce:*** Many freelancers advertise their services through their local chambers and this can be a great source for referrals.
- ***Freelance Websites:*** You can find both local and long-distance providers through sites such as Guru.com and Elance.com. With the use of the internet and conference calling, many tasks can be handled by long distance providers if you are comfortable with that option. Just make sure you've performed adequate due diligence on them (see "Six Steps" below).
- ***Social Media Sites and Blogs:*** Check industry-related blogs for suggestions or even join a social media site and start up a conversation about positive experiences that like business owners have had with outside contractors for your specific task or function.

## **Six Steps to Take When Hiring a Freelancer**

Once you've made the decision to use an outside source and you've found some options, how do you choose the best one for your business? Here are six simple steps to take to find the right resource for your situation.

1. ***Check out their website:*** A resource that has a website offers a great way to preview the quality and output of the work they do. If the website offers samples and/or testimonials from previous clients, review them to decide if you like what you see. Bottom line, does the message they convey in their website jive with your company's values and standards? If so they are worth talking to further.
2. ***Meet with them by phone or in person:*** Set up a time to meet with them to discuss the work or project you want to outsource. Similar to an interview with a prospective employee, you should ask about their professional background and related work experience but in addition find out about how they operate as an independent contractor (how do they communicate with their clients, what are their payment terms, how do they deal with feedback from clients, etc). During this meeting you should give them an overview of the work you need completed. Be as thorough as possible so that they have all the information they need to provide you a quote when requested (see #4).
3. ***Ask for references:*** Make sure you ask for at least three references from either past employers or businesses with whom they have independently contracted. Then follow through and call those references. Have a list of questions prepared ahead of time so you are sure to get a complete sense of the quality of their work and their ability to produce it within targeted timelines.

### **Suggested Questions to ask References**

- How long did the person work for you?
  - Were they a freelancer at the time or an employee of your company?
  - What type of work did they perform for you?
  - How would you rate the overall quality of their work?
  - Was the person self motivated or did they require a lot of management?
  - Were they able to complete projects/tasks within deadline limits?
  - Would you hire them again?
4. ***Request a service quote:*** After steps 1-3, your list should be narrowed down to a few finalists. Ask them to provide you with a service quote for the specific project or work that you have scoped out for them. Make sure you provide any details that were not covered in your meeting with them so that their quote is comprehensive.
  5. ***Compare the quotes:*** Think of their quote as their first assignment and judge their results accordingly by comparing the quality of the quotes. Those

who provide a professional and thorough quote will most likely have a higher probability of producing quality work. If the quote doesn't look professional, has errors or is not comprehensive, it could be an indicator of either poor workmanship or ineffective communication skills.

The other variable is obviously price? With today's tight budget environment, price will be a big factor but I urge you to weigh price wisely. Is their price reasonable? If the price is so low that you don't know how it is worth their time, then it probably isn't going to be worth them spending much time on your project and your end result will reflect that. Is their price commensurate with their experience level? More experienced freelancers typically can ask more than less experienced ones and there may be some projects where that experience is a necessity rather than a nice-to-have. However if you have a project or task with some flexibility to it and you've got good references and good feedback on a less experienced freelancer who is offering a lower price, that may well be worth the trade off. Think of them like a stock with a lot of potential whose current price is undervalued. You're getting in on the low side.

Finally, can the freelancer meet your targeted deadline? Did they provide details on how they would get the work done in the designated timeframe and how they would update you on their progress?

6. ***Go with your gut:*** Based on the first 5 steps, follow your instincts. Pick the one that gave you the best overall impression and confidence they could handle the work.

You may not have thought you would ever need to outsource for your small business but if done correctly, picking a freelancer can be the beginning of a mutually beneficial relationship. They can help you bide your time until the recovery, as well as help you prepare for that recovery and the increased customer demand it will bring. You may also find that a freelancer is the most financially sound solution for some of your business operations even in the best of times.