

MANAGED OUTSOURCING: GIVING SMALL BUSINESS OWNERS MORE HEADS FOR ALL THOSE HATS

It's often said that small business owners have too many hats and not enough heads. In a recent survey carried out in the US¹, it was found that the number one challenge facing small business owners was juggling multiple roles, more difficult even than making a consistent profit. More than half of small business owners surveyed have a minimum of five different roles that they fulfil in their small business each week.

What would you say are the chances of these flustered entrepreneurs doing even an adequate job of any of those five different things, much less of them excelling at any of them? Seth Godin isn't famous for graphic design, Shepard Fairey isn't known for his exquisite dancing skills and Michael Jackson surely didn't write game changing marketing books. These individuals rose to the top of their respective fields because they choose their own thing, that one thing that they could dominate like no one else, and focused on it.



I CAN WEAR ALL THESE HATS AS LONG AS I MOVE VERY SLOWLY!

Across the business world, it is clear that the lion's share of the financial rewards in any given industry is skewed towards those at the top of their fields. In the UK, for example, we see the following²:

- The top 5% of income earners in the UK make over 40% of the income.
- 6% of companies are creating 50% of the jobs.
- A person in the top 25% earns one fifth as much as the few people who reach the top 1%.

The implications for these statistics for your small business and for your personal financial future should be clear. Those who reach the top of their professions reap disproportionate rewards. Without question, one of the biggest obstacles to you rising to the top of your profession is your inability to focus due to the constant competing demands of conflicting roles and responsibilities.

Of course, you could always hire somebody to wear some of the more cumbersome hats for you. However, hiring full time staff is not without its challenges. Good help is hard to come by and when it can be found, employing new people sometimes cause as many headaches as it cures.

¹ <http://blog.evoice.com/blog/evoice-2/evoice-small-business-survey-reveals-too-many-hats-too-little-time>

² These insights were taken from the aggregated information available from Wikipedia under "executive pay" and "income in the UK". The original source for this data is www.statistics.gov.uk.

CHALLENGES OF FULL-TIME STAFF OR EMPLOYEES FOR SMALL BUSINESS OWNERS

- You have to pay them full salaries every month regardless of how many results they produce or how many productive hours they work.
- You have to pay them for holiday or sickness time off.
- They can often turn in late due to traffic or car problems.
- They get paid while they take lunch hours.
- They can become lazy and unproductive due to the guaranteed salary every month.
- You need office space for them to work from thus increasing any rent or payments on office buildings.
- Bonuses or incentives can be costly to keep staff motivated.
- They need to be monitored or managed.

There is an emerging trend in the modern business environment that provides some hope for small business owners that there might just be a cost effective way to find some more heads for all those hats. UK businesses increased their spending on freelancers by 134% in the last year, according to new research figures¹¹¹, making UK businesses the second largest employers of freelancers in the world. Outsourcing is now an integral part of modern business and plays an essential role in gaining competitive advantage.

The potential benefits of outsourcing are many and well documented.

POTENTIAL BENEFITS OF OUTSOURCING

- No costly monthly salaries. Instead you only pay for results produced.
- No Holiday or sickness pay. If your freelancer or contractor does not work, they cannot charge you..
- No worries about your provider being late due to traffic or car problems.
- You have the chance to quality check all work before accepting it as complete.
- Freelancers and contractors work harder because they rely on your satisfaction and payment to make a living.
- Freelancers and contractors understand small businesses as they are effectively small businesses themselves and generally treat you as a client as they would hope to be treated if the roles where reversed.
- It helps you reduce your carbon footprint by cutting down on the amount of staff you need to commute into your place of business every day.
- It also helps you cut down on paperwork and stationary costs as well
Providers are well disciplined and work very well off their own initiative, so no need to pay for extra employees to monitor or manage them.

¹¹¹ http://www.smeweb.com/index.php?option=com_content&view=article&id=3448:rise-in-smes-outsourcing-work&catid=59:news&Itemid=105

Many modern organisations now choose outsourcing as the most efficient way of transforming the delivery of key business processes, allowing them to concentrate on core business activities and become more agile in increasingly challenging markets.

Unfortunately for many small businesses, realising the expected benefits can be more complex than anticipated, with many organisations struggling to get it right. Badly managed outsourcing is typified by both clients and service providers feeling trapped in dysfunctional relationships that fail to deliver on either party's expectations.

What begins as disillusionment often gets worse. Sadly, in practice what might have been the answer your small business was looking for can create a litany of problems. These results are much more common than they ought to be:

- Poor service
- Spiralling costs
- Heightened risk
- Embarrassing litigation
- Loss of profits
- Damage to business and personal reputations



LIFE AT THE OFFICE IS GOOD
SINCE I'VE OUTSOURCED MY ROLE
AS MANAGING DIRECTOR

While the issues that result from badly managed outsourcing may seem insurmountable, the three root causes are often simple:

1. FAILURE TO CLARIFY VISION OR STRATEGY AND OBJECTIVES - Organisations often fail to define what they seek to achieve from outsourcing. Writing Requests For Proposals(RFP's) and documenting overly complex statements of work takes precedence over agreeing what success looks like and exploring the art of the possible. This lack of clarity leads to mismatched expectations and leaves both parties unclear about what they are trying to achieve.

2. FOCUSING ON DETAIL RATHER THAN BUSINESS OUTCOMES - Clients and service providers rush to define a solution and negotiate a contract, and the focus is all too often on writing detailed requirements which result in solutions that fail to meet expectations and poorly structured contracts that are only used as weapons in times of dispute.

3. ASSUMING BENEFITS REALISATION IS A PASSIVE ACTIVITY - Even in the unlikely event that shared business objectives are clearly defined at the outset, there are rarely the necessary tools and knowledge to manage the benefits realisation process. Occasional performance reviews, ineffectual governance and the veiled threat of punitive service credits are ineffective methods for ensuring benefits are fully realised.

Delivering savings by moving discrete functions to service providers is simply not enough.

Modern businesses, as an absolute minimum, must efficiently deploy an optimal mix of

internal and external skills to the best of their ability. This means establishing mutually beneficial relationships with the right service providers. Getting this right makes it possible for outsourcing to deliver its promise; enabling transformational business change and strategic business growth while delivering significant commercial benefits.

Forward-thinking firms differentiate themselves from the competition by adopting a modern and innovative approach to outsourcing. There are some simple yet fundamental steps that organisations must take in order to derive maximum business value from outsourcing:

TEST YOUR VISION BY ASKING DIFFICULT QUESTIONS.

To what extent are the vision, strategy and objectives clear, unambiguous and integral to the business? How well understood are they? To what extent do they have clear, visible support? How well communicated are they to all key stakeholders?

FOCUS ON BUSINESS OUTCOMES.

Define the objectives thoroughly and ensure they are communicated clearly, concisely, early and often. Understand the opportunities, their feasibility and potential risks by encouraging contributions from both service provider and legal communities.

ACKNOWLEDGE THAT REALISING BENEFITS REQUIRES EFFORT.

Be clear about the vision, strategy and objectives and ensure the right skills, knowledge and experience are available and funded. Support the programme with a robust management and governance framework and clear, consistent measures that reflect business requirements. Assess performance in complex areas such as innovation and flexibility. Don't forget to regularly communicate successes (and failings) against the original goals.

To gain real competitive advantage, outsourcing cannot be viewed as simply a way of making marginal business improvements by off shoring low value-adding tasks. Instead, it is an essential component of modern business that, when managed effectively, can create exceptional business value and will help propel your small business ahead of their rivals.

Properly managed outsourcing can deliver remarkable business benefits, and can provide you with the freedom as the small business owner to do that one thing that you know if you could just focus on consistently would propel you and your small business to the top of your industry, which would in turn make a quantum difference to the success of your small business. The disproportionate financial rewards at the top of every industry await those who can effectively resolve the problem of managing the outsourcing process for their business.

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