

Outsourcing can let firm focus on revenue-generating activity

Goals, deadlines, expectations must be clearly spelled out

One thing all companies have in common, regardless of size or structure, is a core component that generates revenue and subsequent margin. Yet what percentage of the day do the owner and senior team members spend managing payroll, performing routine maintenance or other administrative chores? Thirty percent? Fifty? More?

The more time you devote to activities that generate revenue and enhance margin, the greater the impact will be on your bottom line. Leverage your knowledge,

intellectual capital and senior leaders on the areas with the largest return on investment (ROI). Simply ask yourself this question: If I approached my time like capital budgeting, where would I invest those limited resources?

Outsourcing is one strategy that improves ROI not only in terms of margin enhancement through direct cost savings but also by focusing owners and senior leadership on areas that enhance revenue, margin and client satisfaction.

You probably already use outside legal



LOOKING AT ROI

Tim Viox

counsel or an independent accountant. However, there are other areas that would likely benefit.

Take a closer look at the real expenses involved in indirect or administrative services such as payroll, human resources or facility maintenance. By focusing on core competencies, you can grow your business.

One of the major reservations most companies have about outsourcing is that they believe they'll be giving up too much control. The concern

WHAT TO EXPECT

Many companies already outsource functions such as legal and accounting help but not facilities maintenance or payroll.

Some fear losing control or hiring providers that don't meet their standards.

To prevent such an occurrence, all expectations, deadlines, goals and so on must be agreed upon before work begins.

is that someone from outside might not perform to expected standards.

There are ways to address the control issue, but they require setting expectations up front. Establishing contractual requirements is very important. Be specific in legal agreements in terms of expectations: deadlines, goals, etc. Make sure the objectives are specific and measurable, so when it's time for evaluation, you have a clear idea of where you stand.

Key performance indicators are another effective evaluation tool. Determine which outputs can be improved and monitor them closely on a monthly, weekly or even daily basis. Indemnification agreements can protect you against loss or damages and provide an additional amount of protection and control for you.

The issue of outsourcing can be complex, with far-reaching implications, so a careful evaluation of your current situation is imperative. However, in many cases, important benefits can be achieved through strategic implementation:

- Controlling costs – outsourcing has the potential to significantly reduce overhead costs, such as staff and materials costs.
- Bottom line growth – more of your time (and your employees') will be spent on revenue-generating activities.
- Increased resources – increased buying power provides greater flexibility and more options from suppliers; you can access new sources for materials and services that you might not have known about.
- Scalability – you will have the ability to adapt to seasonal or market demands, increasing personnel when you need it and decreasing when you don't.
- Expertise – you'll work with people who are trained in a particular field, instead of a staff person doing it part time or in addition to other duties; outside expertise contributes "best practices."

Some companies don't consider outsourcing because they don't believe the savings will be significant. You won't know until you calculate the numbers. Outsourcing is not for every business. Evaluate where you're spending your time. What percentage is on activities that directly create revenue or margin?

Examine administrative costs. Try to determine your "true" costs as closely as possible – including salaries and benefits.

Do some research. Find out what similar businesses are doing in terms of outsourcing. Find industry averages. Finally, meet with potential service providers and have an open discussion. Clearly communicate your goals and expectations, and look for the same characteristics on the other side of the table.

If you decide outsourcing makes sense, communicate this to employees to help ensure their understanding and buy-in.

To take your business to the next level, outsourcing can help push you over the threshold to significant growth and success – no matter what size your business.

Viox is vice president, sales and marketing for Viox Services, a family-owned facility maintenance firm headquartered in Cincinnati.

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