

Outsource or Insource?

- A SALT Business Growth Guide

We have all been encouraged to outsource our needs at some point or other.

Any time that you have a need for a service, but it is not practical or desirable to employ an individual or team full-time to deliver, the most viable option seems to be to outsource to an external provider.

The advice is sound. If you have a short-term or one-off requirement, why take on the cost and responsibility of employing someone on a temporary basis for this limited need?

We outsource every time that we need a plumber, electrician, builder or other tradesman to provide a service for our homes. After all, most people have neither the need nor the budget to keep tradesmen permanently employed as part of their household staff.

In business the most common outsourced relationship is with an accountant.

Once a business is big enough and complex enough, it is often desirable to keep a finance director on-staff, in the meantime an outsourced relationship is what smaller businesses use to fulfil this need.

Why do we outsource? Time, Quality, Expertise, Cost.

The advantages of outsourcing are obvious. Limiting cost and limiting commitment on behalf of the business. You also take on the flexibility of hiring a company or independent contractor with the specific skills that you need. Legally, you are only bound to the commercial contract that both parties agree to, rather than the slew of employment legislation and additional costs that accompany direct employment.

The benefits though, can often also be limited.

You get what you pay for, normally costed on a per-hour basis.

The main drawback is that once the contract stops, so do the benefits. Outsourcing is normally done at a distance where the client rarely sees the mechanics, just the results.

Useful observations may not be passed on if it is felt that they fall outside of the scope of the agreed work.

Take the example of outsourcing sales and telemarketing efforts. The results may be excellent, but when carried out in a call centre miles there can be little or no visibility of who is doing the work or what is being done or said in your company's name.

Traditional accountancy for small business is similar. You pay an accountant to help you to fulfil your statutory reporting obligations. There are rarely great or involved interactions that may help the business to reach new heights on a permanent basis.

In other words, these services generally do not contribute to the fabric of the business, but fulfil a short-term, and often temporary, requirement.

At the end of the contracted period, unless the contract is renewed, the efforts and results stop.

There is rarely an opportunity for the business to learn about how the processes or mechanics of the services that they are paying for actually work.

Common examples of for business outsourcing are:

Accountancy

Payroll

Legal services

IT services

- Training
- Debt collecting
- Finance (factoring, invoice discounting, etc)
- Manufacturing or production
- Website creation
- Graphic design

So is there another way?

Insourcing is rarer for many reasons.

Where outsourcing is a way of hiring professionals to execute a limited project or requirement on an external basis, insourcing is delivered **within** the business with professionals and specialists taking a more integrated role while they establish new processes and try to build a new capability or range of capabilities into the organisation.

This means that part of the benefit is being able to see the work that is being carried out and being able to shape it. There is a greater interaction between the business and the insourced specialists with an opportunity for the business to learn and permanently increase its own capabilities.

There are other advantages:

- Interact with the people delivering the work
- Greater accountability on behalf of the provider
- Greater flexibility
- Ability to shape the outcome of the project
- Ability to shape the content and method of delivery to suit the business
- Being able to react to changing needs
- More control over the outcome
- Opportunities to increase the capability of the business

There are of course services for business that are much more effective when insourced:

- Mentoring
- Coaching
- Problem Solving
- Project Management
- Interim Management
- Business Planning
- Strategic Planning
- Change Management
- Process Design
- Consulting

If these services were outsourced, you would probably only see the end-result when the project is delivered, which isn't appropriate or desirable for the nature of services that demand more interaction. Hands-on execution is one of the key features of insourcing and provides the basis for many of the advantages.



The availability of service organisations makes outsourcing your requirements much easier than ever, and the recent global financial crisis has seen many highly qualified and experienced specialists offer their services independently, making insourcing a very viable and effective option for firms of all sizes.

What services does your business need to outsource or insource?



SALT have many years of in-depth expertise in this area and can help to guide you through the process of whether outsourcing or insourcing will generate the best results for your business.

Our history of working alongside business owners, decision-makers, managers, teams and individuals as hands-on support from within the business, often for the entire enterprise has provided us with invaluable insight.

We know that it would be very difficult to achieve the results and the impact that we do from a distance or simply by working rigidly to a template.

Take on the right kind of insourcing and start working alongside professionals who are as focussed on achieving your ambitions as you are.

Call us today to get started.

