

More small firms use outsourcing

It lets them focus on what really counts.

By Joyce M. Rosenberg
ASSOCIATED PRESS

NEW YORK — Lori Booker says her public-relations firm's profit rose 25 percent after she hired a company to handle the business' human-resources needs. The reason: She had been devoting so much of her time to employee issues before she turned elsewhere for help.

When small companies outsource parts of their operations, owners and top executives find they can focus more on what really matters — building the business and serving clients and customers better. And with a growing number of companies available to do virtually any kind of work for another business, an owner can outsource as much as he or she can afford.

Booker handled her human-resources issues herself for the first decade that her Maitland, Fla., company, Carlman Booker Reis PR, was in existence. But about 10 years ago, after spending an entire day interviewing workers' compensation insurance providers, Booker said she'd had enough. She signed

up with a professional employer organization that is now her human-resources operation.

Besides saving her time and energy, Booker said of the PEO: "They keep me from making mistakes that could hurt the agency" by keeping track of changes in employment-related laws and regulations.

PEOs and other human-resources providers are a popular resource for small businesses. Marketing and sales, and accounting and billing are other company operations that business owners cheerfully off-load onto someone who's an expert.

Outsourcing has been around for decades. Manufacturers, for example, may have turned out their own products, but most bought components and packaging from other companies. But outsourcing is a necessity for a growing number of small businesses.

Not everyone automatically embraces outsourcing. Many new entrepreneurs tend to be a little resistant to the idea. First, many believe they should do everything themselves. Second, it costs money to have someone else do your work for you, and in the early years of a business, cash flow is a concern.

But small businesses that do outsource say the expense is well worth it. Garvey's Office Products in Niles, Ill., outsources its prospecting for customers because it's more cost-effective than having its own salespeople make cold calls.

"It's a time-consuming job to do. You need to be able to make 50 calls an hour to sometimes get one or two appointments," marketing director Sheila Gartland said. "We'd much rather have our sales reps focusing on the accounts they have and making sure they get taken care of."

The company doesn't outsource any other operations, Gartland said. "We do like having someone in-house for anything to do with human resources or our employees and anything to do with our custom-

ers," she said.

While support functions such as human resources and accounting are the areas that tend to be outsourced the most, some companies find it makes sense to outsource even some of their core operations. Writing is a major part of the job description for executives at Booker's firm, but sometimes writing projects will be outsourced to people who have a particular skill or talent. Many advertising firms outsource some of their graphic-arts projects, although they have their own artists on staff.

What to outsource is an individual decision for many firms. It depends not just on where a firm's strengths lie, but also the philosophy of its owners.

PrescribedSolutions, a New York company that makes customized skin-care products sold at doctor's offices, outsources testing and manufacturing, but it won't ask another company to handle its marketing.

"Where we can add more value and make us most unique, that's what we keep in-house," chief operating officer Aurelian Lis said.

It also won't outsource sales, because that cuts down on contact with the doctors who are the company's customers. "We found that customer relationships are too valuable," Lis said.

The increasing sophistication of accounting software, which now includes inventory controls, has also made it easier and more sensible for the company to keep its own books rather than outsource, Lis said.

A word of caution: If you decide to outsource part of your operation to an individual, be sure the person you hire is clearly an independent contractor and not an employee. If you are able to exercise too much control over him or her, you could run afoul of tax authorities who decide this is really your employee, not your contractor.

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