

Outsourcing – 5 Barriers to it Working

Overview

Introduction

Outsourcing is not new to New Zealand and is well established in the United Kingdom, United States and Australia. As of today, around 150 New Zealand practices are using outsourcing to some extent.

However, many accountants have dismissed outsourcing as unworkable. Their primary concerns centre around confidentiality and work quality.

Outsourcing can work very effectively, but there are significant barriers to its success. This document describes the 5 barriers we have found that can prevent outsourcing from working in practices.

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1. The Business Owners

Are you a barrier to outsourcing?

Accountants tend to be analytical, conservative and perfectionist by nature.

As such, they need to put aside their 'glass is half full' attitude to focus on making outsourcing a viable option.

Outsourcing may be either:

§ A permanent solution to the inability to recruit quality accountants

§ A temporary solution to cover short term resource needs.

Mistakes

Outsourcing is not perfect. Mistakes can and will happen. However, there will not necessarily be more mistakes (and there may be less mistakes) than currently occur when work is completed by staff in your practice.

2. Inadequate Workflow Systems

Introduction

We often say that, when a client walks through the front door of a practice, that it's not so much a client walking in, but a job.

Practices that understand the importance of reducing the pick up and put down of files, have implemented rigorous systems for scheduling client jobs. These systems encompass detailed client interviewing techniques, combined with checklists designed to eliminate missing client records.

Outsourcing

Outsourcing organisations, more than most, understand the importance of complete client records and crystal-clear job instructions. They tend to have precise systems for gathering both client data and the practice's client knowledge.

Outsourcing effectively introduces a third party to the accountant-client relationship (which the client is often unaware of).

The message for outsourcing is simple: If you're going to outsource, get your workflow systems sorted and locked down first.

Problems with outsourcing

If client records aren't complete, and the practice's job knowledge is not effectively transferred to the outsourcing company, the results will be disastrous.

For example:

We work closely with an accounting practice that was recently trialling outsourcing. The practice's senior manager was taking a long time to review jobs when they were completed by the outsourcing company. Our client investigated why and found that jobs were coming back with up to 39 queries. A closer inspection revealed that the cause of these queries was that jobs were being sent to the outsourcing organisation with little attention being paid to the completeness of client records. The results were predictable.

(As an aside: This practice is currently working through all-encompassing changes to its current workflow processes. The reality is that lack of job scheduling, and attention to detail regarding client records, was causing an enormous leakage of time – time that is never recovered. We're anticipating a major and positive shift in staff efficiency and throughput this year in this practice.)

3. Inefficient Client Accounting Methodologies

Introduction

We've heard the following argument from practices:

"I've considered which jobs we can outsource and I've decided that lots of them are best completed in-house. For example, we have jobs that clients do using MYOB or Quick Books, or even their own excel spreadsheet. They're not necessarily straightforward, and we think they're best done here."

The real issue

The real issue is not whether these jobs should be outsourced or not. The real issue is should the practice be accepting, without question, the client's current accounting methodology?

In some instances, either:

- § The client needs to be retrained so that the job meets the practice's expected standard
 - § The client should be directed to a different accounting methodology, perhaps one with greater input and or support from the practice
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4. Coping with the Review of Jobs

Introduction

One of the barriers to outsourcing working can be coping with the review of jobs when they arrive back in a practice.

We've often heard the following from Partners and Senior Accountants:

"We've stopped outsourcing for a while, because too many jobs were banking up to be reviewed."

You probably already see this argument for what it really is – completely circular.

You need to manage review

The reality is, whether you're outsourcing or not, jobs need to be reviewed.

The key here is to review jobs efficiently and not let them build up to an unmanageable number.

When jobs become unmanageable, they don't just compete for space in your office, they compete for space in your head. The result is an overwhelming sense of failure, and the natural reaction is to stop outsourcing for a period of time. The effect of this flawed logic is to compound workflow pressure.

Schedule jobs and therefore review

The best approach with outsourcing, unless you're using it to fill a very short term resourcing problem (such as maternity leave), is to treat outsourcing just like you would any other employee when scheduling jobs.

If you schedule jobs over a ten month period, such as April through to December, you'll receive the usual steady stream of jobs for review.

5. Your Team May Sabotage Outsourcing

Introduction

Your team (in particular senior managers) may subconsciously (or consciously) sabotage outsourcing.

Some of your team may feel threatened by outsourcing, which is understandable. But, if they're doing a great job, they shouldn't feel threatened. A highly productive and accurate accountant will always contribute more profit to the practice than an outsourcing company will for those same jobs. On the other hand, an inefficient accountant may contribute less profit.

In particular, senior managers can be highly critical of outsourcing. They may spend considerable amounts of time reviewing jobs in an effort to find fault with contractors, as if to prove that outsourcing cannot work.

The reality is that it doesn't matter where an accounting job is done these days, particularly given the technology now available.

What you can do

If your accountants give you negative feedback about outsourcing, don't just rely on their word. Inspect some jobs that have been outsourced and you may be pleasantly surprised that job quality is just as high as if jobs had been prepared internally in your practice.

Be aware that over zealous managers, who may fear the loss of their power base, would really rather outsourcing didn't exist.

What will the Practice of the Future Look Like?

Introduction

As the recession lingers, we're starting to see signs of chartered accountants returning from overseas, or being made redundant from industry and commerce. For these reasons, there is likely to be a renewed interest in public practice.

The general accounting practice is starting to be seen in its true light – stable, interesting, capable of providing its owner with an enviable lifestyle, and recession-proof.

Business advisory

Entrants to our industry, who come directly from commerce, may not necessarily be interested in learning the rigours of compliance-based processing. The lure of true business advisory services may be more appealing.

Structural change and improved service

Consider the following structure:

- § 1 chartered accountant (owner)
- § 1 accountant to review files and perform a limited amount of in-house processing (e.g. management reports and GST)
- § 1 executive assistant (EA) to answer phones and complete reports
- § An outsourcing provider to complete all annual accounts

Consider the high level of level of service that clients would receive under this structure.

Outsourcing companies

For enquiries on outsourcing, we suggest you contact:

Company	Web Site
24/7 Beancounter Ltd	www.247beancounter.com
Acclipse Outsourcing	www.acclipse.co.nz