Consider the Benefits: Outsourcing the Accounting Function

In today’s competitive business climate, companies are balancing costs versus benefits in every key decision. Management leaders have realized that keeping all operational functions in house may not be the most efficient practice. That has given rise to business functions being outsourced at a much higher rate than in the past. Outsourcing the accounting and payroll function is no exception. But how effective is it to outsource accounting? Do companies lose control in the process? These are a couple of the questions addressed as we look at the benefits companies are reaping by making the decision to outsource their accounting function.

What does Outsourcing the Accounting Function mean? Companies without the resources or infrastructure to manage the accounting and payroll functions internally often look to other companies for that expertise. Small companies find this beneficial because they are often unprepared to absorb these functions into the operation. This is also attractive to larger companies that want to save the costs of retaining personnel. If the right organization is chosen for outsourcing, the functions can sometimes be customized and some portion retained with the company.

Major Benefits of Outsourcing

Cost Savings This is the big one. Recruiting and maintaining personnel to perform accounting functions can be costly. Because of the specialized nature of accounting and payroll, it takes several employees to do certain functions. Accounting guidelines dictate that some functions have to be separated for internal control purposes which require additional personnel. When you outsource, you do not have the cost of a full time employee. You only pay for the hours that are required to perform the job. Companies often overlook the cost effectiveness of outsourcing because they do not consider the costs of providing benefits to full time employees. When you consider the elimination of benefits, training, office equipment, down time, taxes, etc. the effectiveness of outsourcing becomes very evident.

Expertise Companies that provide outsourcing services make a strong investment in personnel. They have employees that have expertise in each area of accounting and payroll. This expertise becomes available to their customers. You also get access to individuals that have business knowledge of different types of businesses and experience with the processes that are required to be compliant with outside regulators. Often times, these companies will provide guidance and advice on making improvements to the accounting processes.
**Flexibility**  Companies that perform outsourced accounting functions tend to be flexible in the setup and schedule for their customers. This gives an opportunity for a company to exercise control over the processes that are defined up front. A company can help decide payroll dates, monthly closing dates, approval processes, work flow, etc. as they work with the outsourcing company. They can craft this process in order to maintain as much control as they have with an internal accounting group.

**Focus**  Managers will be able to focus more on business opportunities rather than manage the internal accounting processes. Unfortunately, the financial reporting and analysis side of the business takes a great deal of valuable time away from the management. As the outsourcing team focuses on maintaining an accurate and compliant set of books, management can concentrate on running the business.

**Teamwork**  When a company makes the decision to outsource their accounting function, they are actually extending their team to include additional professionals. The right outsourcing firm can be viewed as an extension of the company’s resources. As comfort and confidence levels increase, the insight garnered from this extended team can prove to be invaluable.

**Guidance**  As mentioned earlier, outsourcing teams are experts in their fields. Companies can take advantage of that resource and often ask for guidance in several aspects of accounting and finance. Outsourcing teams with the right expertise are also well versed with audits, outside agencies such as DCAA, government accounting and compliance regulations such as FAR, GAAP, etc. They can prove extremely beneficial in these areas.

In summary, the practice of outsourcing comes with many benefits. When companies make the decision to outsource, not only do they reap the benefit of a cost savings but they add another level of expertise, guidance and focus to their management. In order to reap all the benefits mentioned, it is an important step to determine the right company to choose for your outsourcing. That’s a topic we will explore in our next paper.
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