

Financial Intelligence

How Outsourcing / Insourcing
your financial management can
add value to your business

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If someone else can do something better than you and add more value to your business as a result then it's worth considering.

The outsourcing / insourcing of your finance function is certainly an area where such added value can arise.

It might seem like a leap of faith to give responsibility of such a vital area of your business to a third party, but if the benefits outweigh the costs, then why not?

How does it work?

Let's define outsourcing as having some or all of your day to day accounting work carried out by a third party at their premises and insourcing as the same work being done by the third party but at your premises.

Either way, your bookkeeping, invoicing, credit control, payroll and VAT needs are all catered for in a professional way for as long as you need.

The work can range from a full-service accounts department at one end of the spectrum to simply outsourcing payroll at the other extreme.

For example, you may decide to outsource all aspects of your accounting and financial management. Alternatively, you might employ a bookkeeper and outsource responsibility for payroll, VAT and management accounts.

There will be a balance between the skills you have to have within your business and those which it is better to buy in from a third party.

As your business evolves, the level of skill and experience you require may change, but the external resource to scale up is on hand when you need it.

The commercial logic is that the third party can do the work in a way that adds more value than having your internal staff doing it.

Where does the added value lie?

Perhaps the most valuable aspect is that you know your financial management is in very good, trusted hands and **that allows you to concentrate on marketing and operational activities.**

More specifically, the level of experience, back-up and training of the external resource should be greater than you can access within your own business.

Also, you need only pay for what you consume and peaks, troughs and holiday periods are covered without breaking step.

Case study

XYZ Limited have a very sound and keen bookkeeper, who knows the business and the accounting package very well. However, they have had a series of Financial Controllers who have not been at all effective. There was an inadequate budgetary and financial control environment and management reporting was late, inconsistent and often incorrect!

Our role has been to:

- *Build a simple budget model*
- *Create a suite of consistent and accurate management reports each month*
- *Review, simplify and improve financial processes – and train the bookkeeper to do more of the work*
- *Advise on areas of financial improvement, such as credit control and stock management*

The results have been very successful. Whilst saving tens of thousands of pounds in salary costs, XYZ has been performing well against a transparent budget, decisions have been made during the year where problems have been identified and credit risks have been reduced significantly.

Finally, the bookkeeper, who has grabbed the opportunity to show what she is capable of, is now much more effective and motivated in her role.

Where should the work be done?

So long as there are good communications between everyone involved, it doesn't really matter.

If the work is done at your premises there is the advantage that the visiting accountant can keep up to date with changes and developments in your business as they arise.

If the work is done externally then it helps to give the third party one of your email addresses to use, such as accounts@yourcompany.co.uk

Using the internet for remote access to your PC is also a useful tool because it allows work to be done in your office without the travelling time.

Benefits of remote access

We use "logmein" software to access clients' PCs from our office to solve a number of problems. For example:

- 1. The client's bookkeeper will call with an accounting problem they have not encountered before. We'll log on to their PC and the bookkeeper can see what we're doing. We solve the problem and the bookkeeper learns at first hand how to deal with it the next time it arises.*
- 2. One of our staff visits the client to do the monthly accounting work. When she's finished, a more senior colleague can log in, check the work and produce the management accounts which are then printed on the client's printer and distributed.*

Visit www.logmein.com

Raising standards

It's often the case that a finance department needs to improve processes and move to better technology in order to serve the business more effectively.

The transition period may require experienced input to be successful but once the changes have been made the new procedures become routine and don't require a high level of management.

This is a perfect example of where an insourcing solution works well.

You buy in the experience to successfully make the changes and go back to normal levels of cost and staffing afterwards.

Does this make sense in a recession?

If an outsourcing / insourcing solution adds value to your business then there's never a bad time to look at it.

In a recession, not only is the value for money argument compelling, but the scalable nature of a third party solution allows you to buy only the level of input you need. So, if your business is contracting, you simply buy less resource and when you rebound you buy more.

Also, as you rebound the required level of resource and knowledge of your business is already in place – you don't have to wait three months to recruit someone!

Finally, don't forget that outsourcing your financial management **will give you more time to concentrate on marketing, sales and operations.** In the current climate this could be worth its weight in gold.

We run a number of outsourced and insourced services for clients of all sizes so we know these solutions work.

If you would like to know how Blue Dot Consulting can work with your business on an outsourcing / insourcing solution, please call Michael Austin on 020 7384 6800.