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7 Key Questions to Ask Before Outsourcing any Business Functions

In a 2013 survey by Statista Inc., 45 percent of mid-market business leaders said ensuring business continuity was a key driver in their [decision to outsource](#). Perhaps you're considering outsourcing one of your back office functions, like payroll or benefits. Or maybe you're considering outsourcing all of your HR or accounting functions. Whatever the number of activities, with the right partner(s), outsourcing is a strategic tool that can offer substantial efficiencies, savings and convenience.

One important overarching benefit to outsourcing is time, the time that you and your team will have to focus on the tasks that truly add value, and ROI, to your organization and clients.

Not all providers can give you what you need, at the level of service you require. You wouldn't hire a new employee without asking them a few questions first, would you? The same should be true of an outsourced provider, regardless of what you're considering outsourcing, whether that's product manufacturing, data security, employee benefits or billing and tax preparation. To ensure you build a relationship with the provider that's best for your situation both in the short and long-term, there are a few critical questions you should ask around the key pain points of outsourcing.

What's your experience in my industry?

Of course you want a partner with the right technical skills, but just as important, or perhaps even more so, is their knowledge of your industry. Are there intricacies -- i.e. regulations, tax implications, manufacturing cycles-- they must be aware of to properly service your organization? And, if they don't have that expertise in house, are you comfortable with how they'll go about getting it?

What's your financial health?

They could be really good at the task you need them to take on, but don't overlook a potential vendor's financial history. To avoid losing a strategic business partner when they shut their doors one random Tuesday with no prior indication of financial difficulties, it's critical for you to get a clear understanding of their financial position.



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It's always best, of course, to outsource to an established, profitable provider. Explore the following as you look at a potential provider's finances:

- Profitability
- Cash Flow
- Liquidity
- Leverage

How will you manage my account?

Learning how and by whom, your account will be managed is critical to a successful outsourced vendor relationship. Do they have a clearly defined account management process?

Ask who will be responsible for your account. Will it be one person, or a team? Can you meet the account manager and the staff you'd be working with? Will you be working with the same people, or contacting a call center if you have questions? In some situations, a call center contact may be fine, but knowing that up front can help you make an effective decision.

What security measures do you have in place?

Outsourcing can include complex privacy and data security issues, which must be taken into consideration when choosing a vendor. And by security, we mean physical security as well as data security. You'll most likely be sharing and/or giving them access to confidential information, so ask:

- How they protect their facility from intrusion,
- How they protect their data and
- How they protect their customers' data.

Do they have a data recovery plan? What about a business continuity plan? Ask to see both. Do they store data in the Cloud? What happens when an employee is terminated? How do they ensure that person doesn't take data or materials with them?

The list of questions goes on. One of the best ways to feel secure is for the company you choose to show you their written security policy detailing their security processes for protecting their outsourcing relationships.

What's your migration process?

An outside vendor may have broader or deeper knowledge of the work you're outsourcing than those in your organization, but even so, you have experts and knowledge, as well as preferences, trade secrets, specialized suppliers, etc. Your new vendor will need to absorb this information quickly. How will they collect it? Transfer of knowledge and specifics is critical to a successful



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relationship. Be sure you have a level of comfort that the transfer will be smooth, accurate and timely, and that they'll be able to take in additional specifics as they come up.

Can you be flexible enough to accommodate my unique needs?

Perhaps you run a 24-hour operation and occasionally need support in the middle of the night. Can they accommodate you? Or maybe you have a specialized report that you run at the end of every quarter. Think about the standard and non-standard tasks that you complete, and be sure they can handle them when needed.

Can we speak with some of your former/current clients?

Ask to contact current and former clients, and ask about the provider's strengths. Be sure to touch on those areas that are critically important to the success of your organization. Keep your ears open for any areas of concern and ask follow up questions. If possible, ask for samples of work they've completed for others.

It's not all about reducing cost

The decision to outsource is a complicated one. Cost savings is part of the equation, but if that's your only reason to do it, it could be a bad idea, and undermine your company's potential for long term success.

Do your due diligence. Unlike watching employees and processes in house, when you outsource, you're putting much of the responsibility under someone else's control. Explore each contender's history, reputation, policies and procedures, and be sure you have a complete understanding of what they can and can't do, before you choose. Armed with this information, you'll make a more-informed decision that better meets your cost, process and compliance needs.