

Employment: Nothing Extra. Just Business.

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Back office outsourcing benefits review.

Back office outsourcing is a subset of business process outsourcing that involves the contracting of the operations and responsibilities of specific internal business functions such as human resources or finance and accounting to a third-party service provider.

The global financial crisis of 2008 and the subsequent economic environment has promoted a dynamic development and diversification of back office outsourcing on the Russian market. This fact shows that when times are good, organizations have no need to delineate their back office costs. During periods of growth, these expenses are not a priority for many companies, because revenue is sufficient to carry the business forward. The post-crisis era opened the road to serious in-house cost reduction. That, in turn, brought back office outsourcing to companies' attention for several reasons: as potential for cost savings and creating competitive advantages.

As companies drive for increased efficiency, flexibility and service quality, back office outsourcing is considered an effective part of HR strategy. Flexibility in non-core activity is vital, allowing organizations to scale up and down as their requirements fluctuate and they adapt to remain competitive in an unstable economy. A business should never forget that whether or not it outsources, its competitor very likely will.

Companies, like people, should play their strengths and focus on core business activities. Nowadays a company can find an impressive variety of outsourcing solutions to get free of routine back office activities:

- payroll & accounting;

- HR-filling;
- recruitment process;
- secretarial & office support (reception/ office-management/ couriers);
- administrative functions;
- data entry;
- contract management;
- mailrooms and others.

By refocusing time and attention towards overall business and people strategy, a company will be in prime position to maintain competitive advantages across its marketplace.

Until recently, small companies have long seen back office outsourcing as a strategy reserved for big businesses. But the rapid development has made the outsourcing of today much more accessible as a tool for small businesses. As a result, back office outsourcing practice has made a powerful impact on the growth and productivity of small companies and startups. Actually, outsourcing for large and small companies has different targets. Large business concentrates on inner resources of its core activity and cost reduction, while small business needs access to extra resources or specialized expertise.

Let's review what the main advantages are and whether back office outsourcing really is helpful for business? Outsourcing with the right partner will provide a customer with a number of long-term benefits:

Access to in-depth knowledge & expertise – a reliable service provider has deep expertise and best practices in business processes and technologies. Using provider's experience a company can significantly improve efficiency of all back office activities and ensure legislative compliance. A genuine outsourcing partnership can facilitate a continuous stream of improvement that will outperform any internal back office function.

Organizations could appreciate the extent to which outsourcing can benefit their business. For example, payroll outsourcing not only shifts responsibility for payroll administration to provider, but also excludes the cost of maintaining and upgrading in-house technology, training and development of in-house specialists.

Focus on core activities – every business has limited resources, and every manager has limited time and attention. Well-done back office outsourcing can reward companies by giving them access to expertise they may not find in-house and freeing them for overall business and people strategy.

Ensure risk management and compliance – the main spirit of outsourcing is to shift the responsibility for a certain process or function to a third-party provider. A professional vendor has high performance level in highly regulated and changeable area of HR, payroll & accounting. And its mission is to organize the process of data administration timely, orderly, and to guarantee its full compliance with the current legislation.

Reduce operating costs – cost-cutting may not be the only reason to outsource, but it is definitely the major factor. This is achieved through improved operational efficiencies, integration with the customer organization and best-practice standardization of processes. Flexible and transparent pricing models for outsourcing services also enable reduction of expenses.

Control capital costs – outsourcing helps to convert fixed costs into variable and releases additional capital for investments into revenue-producing activities.

Improve service quality and flexibility – while rendering outsourcing services a competent vendor uses up-to-date technologies and provides its customer with well-prepared specialists. Quality standards are fixed in service level agreements (SLA) and key performance indicators (KPI) to ensure balanced expectations from the outsourcing services.

Start new projects quickly – an outsourcing provider has all necessary resources to start a new project right away. Handling the same project in-house might run over months because a company needs to search and hire the right staff, train it, prepare all necessary equipment and technology.

Relieve internal HR & Finance pressure – imminent legislative changes, such as introduction of new reporting requirements, tax reforms or data administration could fundamentally change and impact customers' existing process. Understanding, preparing and implementing changes could put huge amounts of extra pressure on internal teams to remain compliant. Teaming up with the right supplier relieve internal pressure, reduce risks, ensure compliance and gain vital access to best practices.

In sum, with back office outsourcing internal teams are empowered and able to add strategic value to their organizations, rather than getting bogged down in day-to-day administration.

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