

# **Business Process Outsourcing ...Now More than Ever *The Financial Facts of Life***

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## **Fact #1**

**“We are living in the worst economy since the Great Depression”.**

You heard it on this morning's news. And you will read it on your favorite business blog after you get home tonight.

- Detroit's auto industry is bankrupt.
- The banks can't get the Federal Government out of their businesses.
- The very existence of the Health Care Insurance Industry is threatened.
- New unemployment exceeds the population of a small city – AND
- Many companies feel that even greater cuts are necessary.

How Draconian can a company be before it has cut into its ability to perform necessary functions?

## **Fact #2**

**Significant savings are available to businesses by outsourcing back office activities.**

### **The savings from Outsourcing are real.**

According to CFO Magazine in March 2008, over 35% of all financial executives surveyed were using offshore outsourcing in some part of their company's business financial life (“Offshoring”). Of those:

- 1 31% were offshoring Accounting/Finance functions,
- 2 87% of those offshoring reported savings, and
- 3 27% reported savings of over 25%

ERG's experience is consistent with these survey results. Clients typically save 20% and most save more. A 55% savings was recently measured by one client utilizing an outsourced accounting solutions



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### **Fact #3**

**Senior executives do not need to perform the mundane tasks previously done by former staff members. You can still have time to lead.**

#### **Overcoming the “Tyranny of the Urgent”**

The biggest benefit of outsourcing is that C-level executives regain control of their time. Executives can once again reliably delegate the urgent, but mundane, details of their businesses.

Executives of companies that have cut staff often find that urgent routines dominate their time. Bill paying, financial reporting, or managing payroll and benefits create a tyranny of urgency. Time is no longer available for the strategic and very important things – like growing the business.

High quality outsourcing staff and the reliability and timeliness of their work is the weapon that defeats the Tyranny of the Urgent.

### **Fact #4**

**The benefits of outsourcing are more than monetary. The quality of work can be enhanced by outsourcing.**

According to a 2007 IDC study, there are six unexpected benefits which often come with outsourcing.

1. **Processes become more efficient** – particular within a familiar environment. As shown in Figures 1 and 2, silos of functionality can be restructured into one integrated processing unit. New virtual staff members are unconcerned about preserving departmental turf and focus instead on efficient and accurate transaction processing.



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2. **A continuous improvement attitude** comes to the organization. Consistent with adding efficiencies, outsource staff are consistently willing to adopt new improved practices. Outsource staff are very accomplished with the software tools in place and are a new source of strength to an organization. They are quick to point out improvements that are available with the tools all ready in place.
3. **Access to information improves.** Shared access and new business reporting regiments are accomplished as processes move outside of the silos of information.
4. **The timeliness of information improves.** For those moving their outsourcing to an offshore location, the clock and calendar become business allies. It is a very pleasant experience to arrive in the morning to an inbox of completed assignments and work that was originated as late as 5PM the day before.
5. **Transparency improves.** Even when something goes wrong, offshore staff are not defensive or fault-finders. Their function is to contribute to the success of the business.
6. **Control mechanisms are strengthened.** Particularly when in house staffing is downsized, internal controls can be maintained or enhanced with the addition of experienced outsource staff.

### **Fact #5**

**There are experienced providers who can help your company quickly reap these savings and benefits.**

ERG has provided accounting and finance offshore services for more than two years. Our clients have typically had the same misgivings that have held many companies back from taking the outsourcing step forward. Our experience is that once clients make the move, they quickly appreciate the benefits of outsourcing. They wonder why they had not made the move before.

Unique to ERG's offshoring is that client data resides on servers within the United States. All offshore staff is electronically prohibited from accessing client data except within an environment that permits accounting processing **ONLY**.



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Our clients have access to their General Ledger 24/7 directly via the Internet. Clients make requests of the offshore team via a messaging/document-control system. All of these systems are completely contained within the USA and support common brands of accounting software.

**Fact #6**

**The best of all worlds is available through outsourcing.**

Better, cheaper, and faster.

Rarely can all three goals be achieved through one solution. Rarely has there been a time when all three are so important to the viability of American businesses and the executives who lead them.

Current business conditions and the refitting of the world economies provide good reasons to look past the status quo and become motivated to move into one of the greater opportunities of the 21<sup>st</sup> Century.

Please review the following schematics and flow charts:

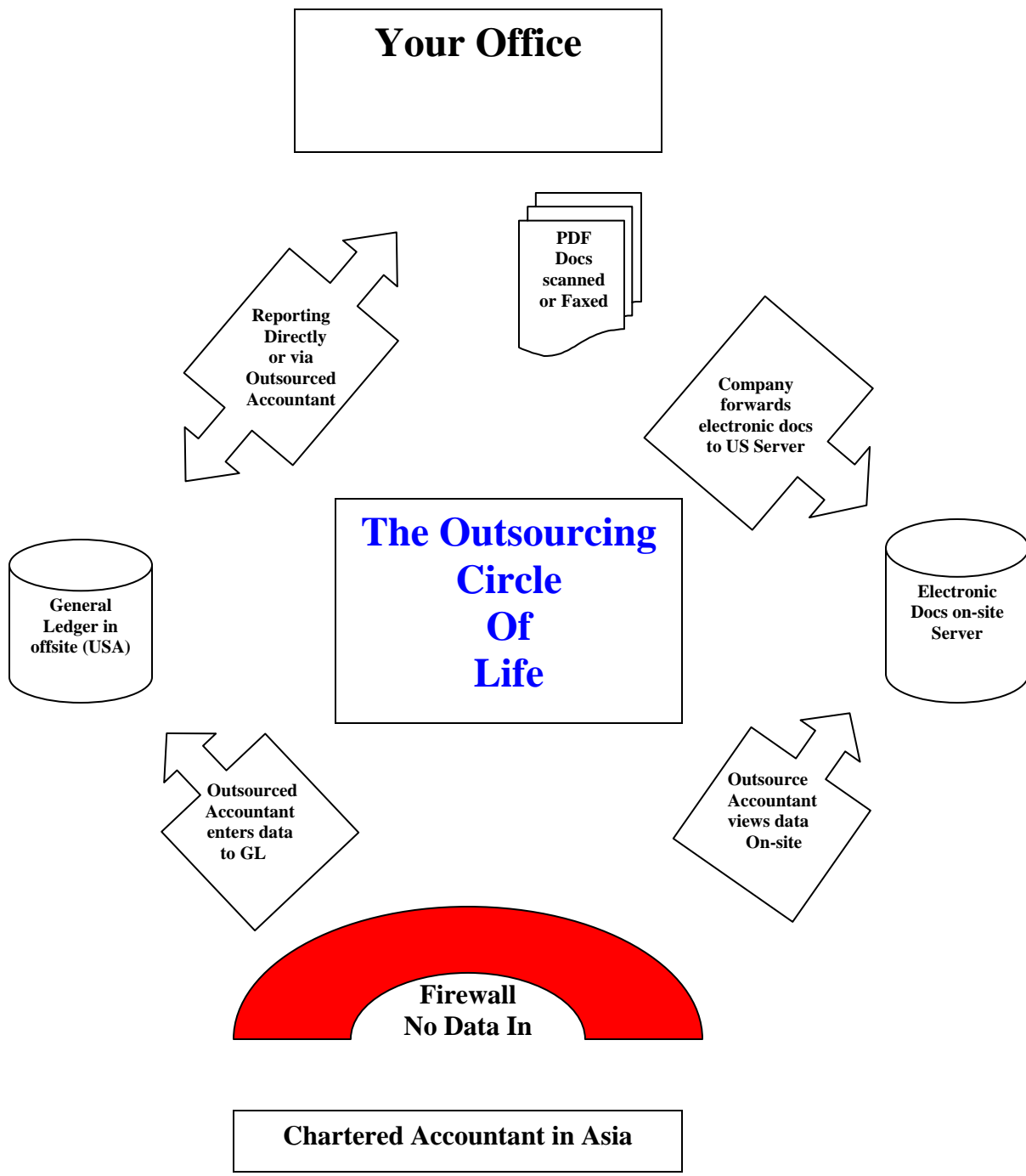
The Circle of Life  
The Silo Structure  
The Seamless Integration



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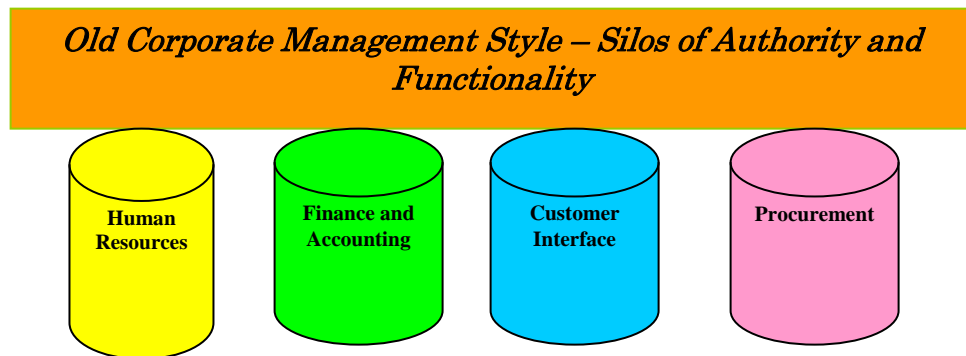
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Figure 1

# SILOS

The Backoffice Style of the Past



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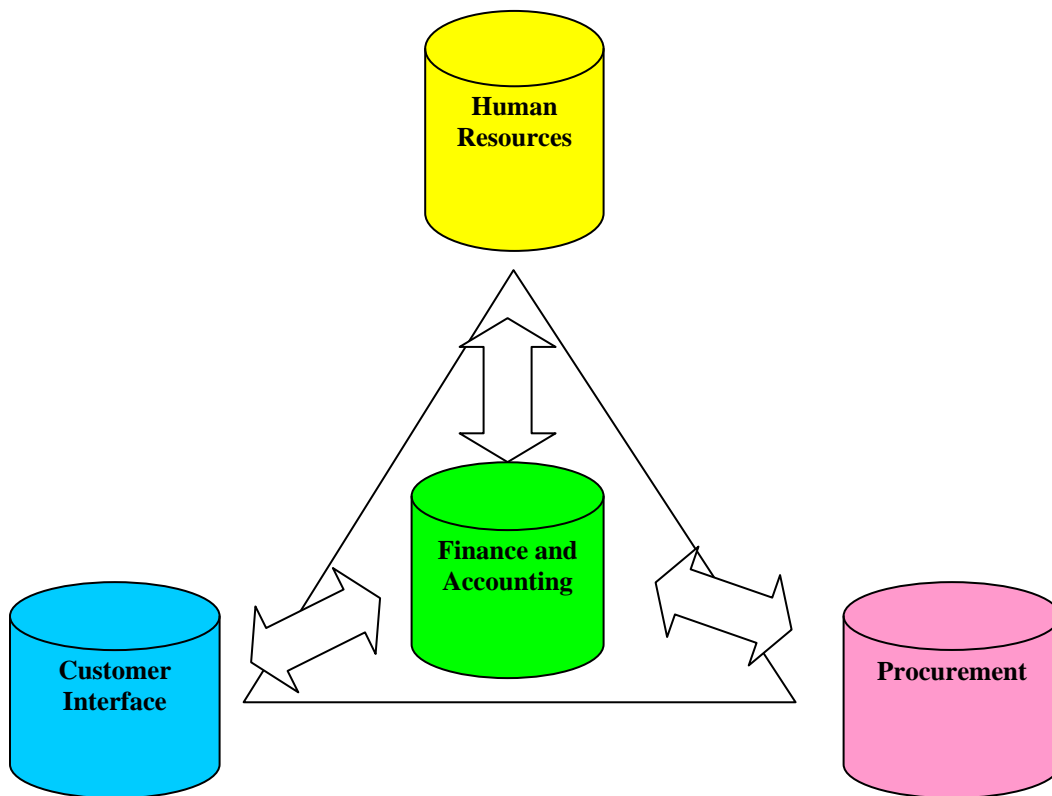
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Figure 2

## Seamlessly Integrated

The Outsourced Model



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