

Janmar Consultants Inc.



Don't Lose Focus on Things That are Not your Core Competencies. Tax Planning and Legal Should Always be Outsourced to Get the Best Advice – Seldom is This Expertise In-house

**Outsourcing
Tax Planning &
Legal Issues**





One of the challenges businesses face as they grow is adding the business expertise, and processes they require to continue to grow and succeed.

As businesses grow, owners struggle to move from a situation where they are intimately involved in all aspects of the business, to delegating responsibilities.

Executive Summary

Don't lose focus on things that are not your core competencies. Tax planning and legal should always be outsourced to get the best advice – seldom is this expertise in-house.

One of the challenges businesses face as they grow is adding the business expertise, and processes they require to continue to grow and succeed. Additionally, as businesses grow, owners struggle to move from a situation where they are intimately involved in all aspects of the business, to delegating responsibilities to other trusted team members to manage. At the same time the owner needs to continue to be involved in the core activities of the business that are critical to its continued success. The key is to offload responsibility for activities and processes that are either:

- Activities or processes the owner does not enjoy focussing on
- Are not critical to the success of the business

Outsourcing is almost always cheaper, more efficient, more flexible and quicker than hiring in-house staff. Outsourcing is a cost-effective means of dealing with these activities and freeing up valuable owner time. Additionally, by adding a part-time CFO as an outsourced resource, you can increase your business' ability to drive growth and success exponentially.

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In This Issue

The benefits of outsourcing

Resources to consider outsourcing

Why companies don't outsource

How a Janmar Consultants part-time CFO can help you outsource



Introduction

As a business owner you went into business to build a profitable venture, and this in turn entailed building a business that would continue to grow in sales, profits and cash flow. The reality is you can't do this all by yourself. As you grow you will need to add trusted resources that will allow for continued growth.

As these resources are needed, these are the decisions that need to be made:

- Hire someone as an employee that has the expertise needed
- Rely on someone internally, already on staff, to deal with the situation, even though they do not necessarily have the expertise
- Consult with an external resource that has the expertise

All of these options are valid, viable alternatives and each comes with its own advantages and disadvantages. There is no right or wrong answer. Which route you choose will be dependent upon the situation, timing and other factors.

Consider outsourcing to get the expertise you do not have in-house

Some of the benefits of hiring someone are:

- It is a permanent addition to your team that is 100% dedicated to you and your business
- You acquire the specific expertise you need
- Frees up your time as the owner to focus on other more important tasks/activities

Relying on someone internally also has benefits, some are:

- No additional cost as they are already on board
- Quick timing as they can focus on the matter immediately, if needed
- Frees up your time as the owner to focus on other more important tasks/activities

An external resource also has benefits, such as:

- Ability to access expertise you may not have internally
- Only pay for the resource when needed
- Frees up your time as the owner to focus on other more important tasks/activities

Inevitably businesses never have all of the expertise they need in-house to deal with all situations that arise. When this occurs, it makes sense for the business owner to consider outsourcing to get the expertise needed.

The Benefits of Outsourcing

Outsourcing is normally cheaper, more efficient and more flexible than having full-time staff hired in a business.

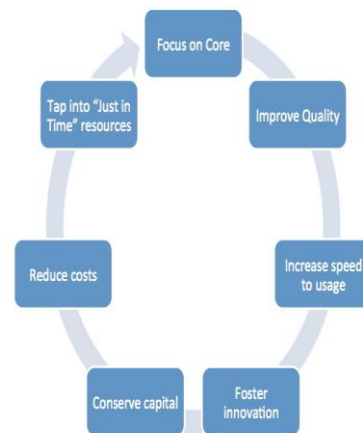
Benefits that come with outsourcing are as follows:

- Access to expertise - the ability to access expertise the business either doesn't have internally or it could not afford
- Saves time - either by internal personnel not having to learn the expertise required or by having to perform a search to hire a person with the expertise required
- Lower costs - you only pay for the expertise when required
- Increased efficiency - since the expert is the expert on the subject matter – no training is necessary
- Ability to focus on core competencies of the business – by outsourcing areas that are not your expertise you can focus on areas that are your expertise
- Increased business productivity – due to the fact you are not focussed on an area that is not your core competency
- Ability to look like a larger company - if you are a smaller company, outsourcing will give your company the look of a larger organization, due to the breadth and depth of services you can access by outsourcing
- Transfer of risk – by outsourcing you will gain expertise from the outsourced company and accordingly, will benefit

from their ability to plan and mitigate potential risk

- More time spent focused on your work – an outsourced company will normally have access to more experts in their company that can spend more time working on your project
- Simplified project management – by outsourcing, generally there is only one contact at your company internally dealing with the outside business, so there are not multiple people in multiple departments in your company working on the outsourced activity or process
- Simplified work relationships - by using an outsourced resource, relationships are simplified as the relationship is a customer-supplier relationship, not an employee-employee and supervisor-subordinate relationship

Top Reasons to Outsource



Resources to Consider Outsourcing

Resources to consider outsourcing can be divided into two groups:

1. Technology services
2. Business processes



1. Technology Services

Some of the technology services you can outsource are as follows:

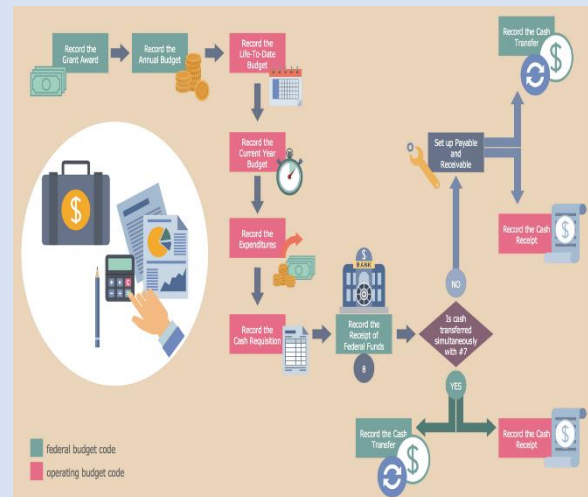
- Software and software applications, including ERP (“Enterprise Resource Planning”) system
- E-commerce
- Telecommunications
- Web security
- Web hosting
- Website design, development and maintenance
- Logistics
- Tech support
- E-mail management
- Security management
- Virus protection

- Data back-up and recovery
- Wireless support
- Network architecture
- Disaster recovery
- Intellectual property research and documentation, including patents, trademarks and copyrights

2. Business Processes

Some of the business processes you can outsource:

- Legal services
- Taxes
- SR&ED
- Preparation of audited or reviewed financial statements
- Customer help desk functions
- Payroll services
- Bookkeeping
- Recruitment
- Benefits administration
- Training
- Marketing
- Advertising
- Insurance management
- Part-time CFO services



Why Companies Don't Outsource

There are a variety of reasons companies do not outsource.

Some of them follow.

- **Loss of control** – naturally when you outsource business activities you lose control of how those tasks are being monitored and performed. If you know and trust who you've hired it shouldn't be an issue, but you need to be aware
 - **Hidden costs** – outsourcing is generally considered cheaper than performing the function in-house, however generally outsourced tasks have contractual agreements attached to them that can lead to unexpected costs if the terms of the agreement are not lived up to
 - **Security risks** – if you need to provide sensitive information such as customer, supplier or employee lists and information to the outsourced business there is an increased risk of the information being compromised
 - **The activity is a core competency** – if the activity is considered a core competency of the business and hence too important to risk outsourcing, it shouldn't be outsourced (we strongly agree with not outsourcing these activities)
 - **Employee resistance** – existing employees may have a negative reaction to outsourcing an activity, especially if it has previously been performed in-house
 - **Reduced quality control** – when outsourcing tasks, you run the risk that the outsourced business may be more profit focussed than quality focussed
- and accordingly, the product you get back may have lower quality than if you performed the task yourself
- **Shared financial burden** – obviously an outsource company is a separate legal entity and as such your project completion is tied to the viability of the company you outsource it to – if they go out of business your project and money you have paid may be lost
 - **Public backlash** – if the outsourced company has work performed in other countries, you will open your company up to public backlash if the public perceives any unethical practices in that country or area
 - **Unsynchronized schedules** – you need to ensure your timeline and the outsourced entity's timeline for completion of your project line up, after all they have more than just you as a client to satisfy and deliver to
 - **Loss of focus** – again, because the outsourced business has multiple clients, other customers may get more focus than you, due to their importance, and hence delay your project or task
 - **Lost in translation** – you know what you want your project or task to be, but you may have a challenge explaining this to the outsourced entity and as a result it may cost more or take longer than expected, or worse never get completed
 - **Community moral dilemma(s)** – by outsourcing projects/tasks, it may result in the work being done in a different geographic area which will result in you and your business not growing employment in your local community

How a Janmar Consultants Part-time CFO Can Help You Outsource

One of the struggles of a growing company is being overwhelmed with the changes that inevitably come with a growing company. These struggles include who performs what duties as the company grows, when do you add additional people for the additional duties/activities, what do you as the owner need to be involved in and what can you/should you delegate, and what do you do in-house, and what do you outsource?

Another challenge for a growing company is time. Normally, when the owner started the business, they dealt with almost everything. As the company grew, they added people, but they usually continued to be involved in everything. However, at a point they can no longer be involved in everything and need to add trusted people to help them continue to grow. This will allow them to focus on the critical parts of the business that need their attention, and to not focus on or worry about the non-critical parts. Additionally, owners need to focus on the parts of the business that are their core competencies, and not focus on the parts of the business that are not their forte or expertise. Normally, sales and/or operations are an owner's forte and expertise, and they are also normally the critical parts of the business. Finance and accounting, generally, are not part of an owner's forte or expertise and they are certainly are not a

critical part of the business, however they are an important part of the business.

Owners need to focus on the parts of the business that are their core competencies, and not focus on the parts of the business that are not their forte or expertise

Generally, businesses will add an in-house accountant or bookkeeper, and as they grow a controller, to take care of the regular day-to-day activities of the business and to take some of the burden of finance and accounting off the owner's shoulders. This internal person will record the day-to-day business activities; however, they are usually historically focused, and do little to pro-actively assist the owner with forecasting, budgeting, planning, managing and controlling the business.

The same can be said for hiring an external accountant. Because you are one of many clients they have, although they will produce the numbers accurately, normally they are not produced in a timely enough fashion to be of benefit to the owner with future oriented activities.

The solution is a part-time CFO from Janmar Consultants. All Janmar Consultants part-time CFO's are experienced, seasoned finance professionals that have years of experience being a CFO at

companies, and during that time have overseen and managed all aspects of accounting and finance. Additionally, most of our part-time CFO's have overseen human resources, information technology and purchasing at most of the companies they have worked at. All of this at a fraction of cost of a full-time CFO and considerably less than even a junior accountant, and they can do the same for your business. Depending on your requirements they can assist you for one to two days a week or a few days a month, it entirely depends on your requirements and needs.

Additionally, they have the experience of knowing how important the timely preparation of historical numbers is to help with the forecasting, budgeting, planning, managing and controlling of a business. On top of this, they can also help you as the business owner, as your business grows and changes, to determine what additional duties should be performed in-house and what should be outsourced.

Finance and accounting, generally, are not part of an owner's forte or expertise and they are certainly are not a critical part of the business, however they are an important part of the business

Specifically, your part-time CFO will focus and assist you and your business to effectively develop an outsourcing strategy.



This will include:

- Making sure you have the right outsourced legal team/person and if not assist with selecting one or selecting a replacement
- Making sure you have the right outsourced tax team/person and if not assist with selecting one or selecting a replacement
- Selecting the right external accountant/auditor for your business, especially when your business requires a review engagement or audit
- Ensuring you use the most cost-effective payroll service
- Selecting the right insurance broker for your business
- Review the various outsourced IT/computer services your business uses and where appropriate recommend new/replacement ones, including:
 - Software and software applications, including ERP system
 - E-commerce
 - Telecommunications
 - Web security
 - Web hosting
 - Website design, development and maintenance
 - Tech support
 - E-mail management
 - Security management
 - Virus protection
 - Data back-up and recovery
 - Wireless support
 - Network architecture
- Ensuring your business has the right lawyer looking after your intellectual property research and documentation, including patents, trademarks and copyrights
- Selecting the right recruitment specialist

- Selecting the right benefits broker/company
- Reviewing your company's qualification for SR&ED refunds/credits and selecting the correct firm to file this claim

Additionally, when it comes to selecting an outsourced supplier, your part-time CFO will assist you and your team to:

- Select and investigate specific suppliers being considered
- Evaluate the suppliers core expertise to ensure it meshes with what your business needs
- Analyze and discuss the costs and highlight any potential hidden costs
- Where appropriate interview potential outsourced suppliers
- Ensure the timing and standards of the supplier are acceptable
- Ensure they will be able to ensure the security of any data they receive from your business
- Ensure staffing by the supplier are adequate to meet the required deadlines
- Ensure there is a contingency plan in the event you are not satisfied with their service
- Ensure the suppliers will be able to confirm to any required laws and regulations related to your business
- Manage the relationship with the supplier

These are just some of the examples of what your part-time CFO from Janmar Consultants will focus on.

Conclusion

Outsourcing is a cost-effective, efficient way to allow businesses to grow, without adding permanent infrastructure. Additionally, it frees up the business owners' valuable time and attention to focus on critical business activities that need their attention, rather than getting bogged down in minutia that is neither value added nor important. It also provides owners a means of off-loading activities they do not enjoy dealing with, so they can put more focus on what they enjoy.

One invaluable outsourced resource is that of a part-time CFO from Janmar Consultants that can oversee all finance and accounting functions within your business. Additionally, as a valuable member of your team they can assist you to determine and manage all other processes and services that can or should be outsourced freeing up your valuable time and attention to push your business to levels you never dreamed were achievable.

Call now to get those valuable hours back to concentrate on the critical areas of the business that need you – we're here for you when and where you need us.

Janmar Consultants Inc.

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www.janmarconsultantsinc.com

