

Outsourcing: The Strategic Approach to Growth

Outsourcing has evolved beyond a mere cost-cutting measure: it's the way modern business scales effectively.

When he was just 21 years old, Michael Epstein and his childhood best friend, Nathan Newman, started eDimensional, a developer and manufacturer of 3-D video game accessories. They founded the company in their college apartment with no employees and just \$500 in startup costs. Within a year they had over \$1 million in sales, and by 2013—when they sold the business to private investors—they had grown their annual revenues to approximately five times that.

If you ask Epstein how he did it, he won't credit a bank loan or angel investors; he and Newman had neither. Nor will he credit their knowledge and experience; they didn't have those, either. Instead, he'll tell you that eDimensional owed much of its growth to its staffing strategy: outsourcing.

"A huge contributing factor to our success was effective utilization of outsourced labor for tasks ranging from web development to graphic

design, data entry, customer service and even marketing," says Epstein, now an ecommerce business consultant, who estimates that eDimensional outsourced more than 70,000 hours of labor in its 13-year history.

Epstein isn't alone. An oft-cited survey by Aon Hewitt, for instance, found that 82 percent of companies who use outsourced labor realized the benefits they hoped to gain by doing so. Among the cited benefits:

reducing costs, gaining access to outside expertise, improving service quality and realigning/focusing on strategic priorities. Driven by these and other merits, more than 60 percent of companies expected to hire more outsourced labor in 2013 than they did in 2012, according to a report by Tower Lane Consulting.

If Epstein's experience is any indicator, those businesses will benefit not only from fewer costs, but also more growth. "Cost was one of the reasons we considered outsourcing initially, but as we got more savvy and became more accustomed to doing it, we found

that there are tons of ways to grow a business more rapidly by utilizing it," he says.

Indeed, outsourcing can fundamentally alter the way a business – and its employees work –altering the

trajectory of a company's growth by refocusing vital resources to help a company grow strategically.

Freeing Up Time For Strategy

One of the most powerful ways that outsourcing can help a company scale is by liberating

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employees and management to take on strategic tasks. If teams are disproportionately dedicated to tactical tasks then strategic activities designed to help businesses grow fall by the way side.

The net result: companies remain reactive versus getting proactive. With that in mind, Epstein viewed any repetitive task that regularly consumed more than 20 minutes of his day as a good candidate for outsourcing. "Taking repetitive tasks off my plate freed me to focus almost all of my time on the strategic objectives of the business and revenue generation," he says.

Making Talent Accessible

Small businesses typically can't afford to pay the full-time salaries earned by technical experts and specialists. Outsourcing allows them to diversify their available skill sets by 'borrowing' expertise from a wider, deeper pool of talent rather than having to invest in it outright. "You can't be great at everything," says serial entrepreneur Adam Hartung, who currently leads three businesses that utilize outsourced labor: Spark Partners, a consultancy specializing in business growth and transformation; Soparfilm Energy Corp., an early adopter of fracking for oil and gas production in west Texas; and Content Laboratory, a PR

firm that handles communications for clients in regulated industries.

"I'm really good at communications, but most modern communication is done digitally. I have a choice: I can either try to understand technology myself, or I can do what I'm good at—communications—and outsource the digital piece to a technology expert. I think it makes sense to partner with someone who's excellent at doing what I can't do."

Enhancing Scalability

Rapid growth requires rapid expansion. Outsourcing allows companies to scale quickly and efficiently, growing their capacity without growing their risk. "We started by hiring people for an hour a day; as we grew, that became two hours, four hours and eventually maybe even eight full hours," Epstein says. "It gave us the flexibility to grow at our own pace, without being committed to full-time positions."

Stimulate Innovation

Because outsourcing partners are often experts in things a small business can't do itself, outsourcing companies can not only help you with tasks, but also with ideas, and more importantly, optimization. If you're outsourcing your customer care, for instance, don't tell your outsourcing partner what to do; instead, ask them what you should

do. A good outsourcing partner should be an expert in the process or function you want to outsource, which means they are doing it every day, all day and can help you find ways to get better, save costs or uncover new areas of opportunity. For example, a good customer care outsourcing company may have great insights into how you can manage customer retention – and more importantly help you identify the causes behind customer dissatisfaction with your service or product. "Push them to offer you leading-edge thinking," Hartung says. "It's not your job to figure everything out yourself; it's your job to get the right people in the room to give you insights and point you in the right direction."

To be sure, outsourcing can post just as many challenges as it can opportunities. In the end, however, Epstein insists that the latter outweigh the former. "For someone who's new to outsourcing, it will require a lot of trial and error," he says. "Once you find the right people, however, you're going to wonder why you didn't do it sooner, because it's going to make a huge positive impact on your business."