

WHITE PAPER

Onshore and outsourced Key trends for 2022



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The definition of outsourcing

The 'outsourcing' of services in business typically involves one organisation contracting an external business to provide specified job functions or services, such as accounting services.

Outsourcing has become a popular option with companies of all different sizes. In the USA, for example, more than a third of small businesses currently outsource different functions.^[ii]

Globally, the most commonly outsourced operations include accounting, marketing and sales services.

Outsourcing trends in Australia

Outsourcing business processes has maintained its popularity in Australia, despite the disruptions to commerce during the pandemic.

Recent findings on the Business Process Outsourcing (BPO) industry highlight modest expansion. The industry report Business Process Outsourcing in Australia found that **"There are 31,116 Business Process Outsourcing businesses in Australia as of 2022."** Over the past five years, growth has been "largely in line with the continued growth of Australian businesses." The BPO report also notes, "This growth has boosted industry demand, as more businesses have outsourced non-core processes to cut overhead costs and streamline operations."^[iii]

According to the report's industry statistics, an estimated 244,000 Australian workers are employed in outsourced positions. This indicates that outsourced services represent a substantial business segment in Australia.

What does onshore outsourcing offer?

While services are often outsourced to an overseas country, this is not always the case. Outsourcing means using an external company for services, but those services could be 'onshore' – based in the same country, region or city.

Onshore outsourced services offer both external help and local knowledge, a way forward that covers the best of both worlds.

Accounting services are an example of a local outsourcing strategy that offers cost-efficiencies and convenience to businesses and NFPs in Australia.

There have always been many advantages in staying local when selecting accounting services. The repercussions of the global pandemic have increased the potential benefits.

Longstanding benefits of choosing local accounting services include:

- Some institutions/companies are required to keep records within the country
- In accounts, thorough knowledge of relevant state and national regulations, including taxation and compliance, is vital.

Familiarity with the local business community is valuable – local accountants can contribute knowledge of the community dynamics, business contacts and local insights to their clients

The option of face-to-face contact can be a game-changer, enabling discretion and confidentiality and strengthening communications.

More recently, Australia's lockdowns, border closures, and supply chain problems have clarified that keeping operations local often makes great business sense.

Why has onshore outsourcing become more critical since the pandemic?

The global pandemic has magnified weaknesses in the accounts function of many businesses.

For example, widespread staff shortages triggered by the pandemic have become a significant issue globally. Microsoft has estimated that more than 40 per cent of the global workforce are considering leaving their employer this year.^[iii]

A range of problems affecting accounting personnel could have significant ripple effects if left unaddressed. The following are pandemic-related issues that have an impact on staffing:

- The permanent loss of staff members due to long-term illness, care responsibilities, and in some cases, death has been a shocking consequence of the pandemic in many countries.
- Sudden spates of non-negotiable sick days as employees recover from Covid-19, or must isolate due to close contacts, have taken their toll, even where vaccinations and tests reduce the worst outcomes.
- An ongoing shortage of accounts professionals due to 'the great resignation' effect of the pandemic has created staff shortfalls and instability.

Whether permanent or temporary, such issues could result in critical service disruptions if accounts personnel aren't on the ground to collect money, pay regular bills or ensure contract deadlines are met. However, a way to address the potential service gap is to engage outsourced accountants.

The risk of key person dependency

Dependency on an individual is a particular problem with smaller NFPs and businesses. Putting the accounting responsibility in the hands of one individual skews the overall business towards dependency on them. During these times of greater staffing uncertainty, this 'key person dependency' situation becomes even more problematic.

Key person dependency is classified as a risk for many organisations. A Forbes article noted, "Overall, key person dependency is bad for productivity and profits". ^[iv]

Organisations that are dependent on one person to carry out accounting functions are especially vulnerable – for example, smaller organisations with a long-term accountant/bookkeeper who does the accounts manually.

In work situations, dependency on that individual may mean:

- No one with accounts expertise regularly reviews the individual's work
- You don't have the budget to pay the individual to learn new tech
- You never have time to discuss process improvements with the individual
- Reports are often late because of the individual's limited hours
- Holidays create extra difficulty, leading to disfunction and unhappy customers.

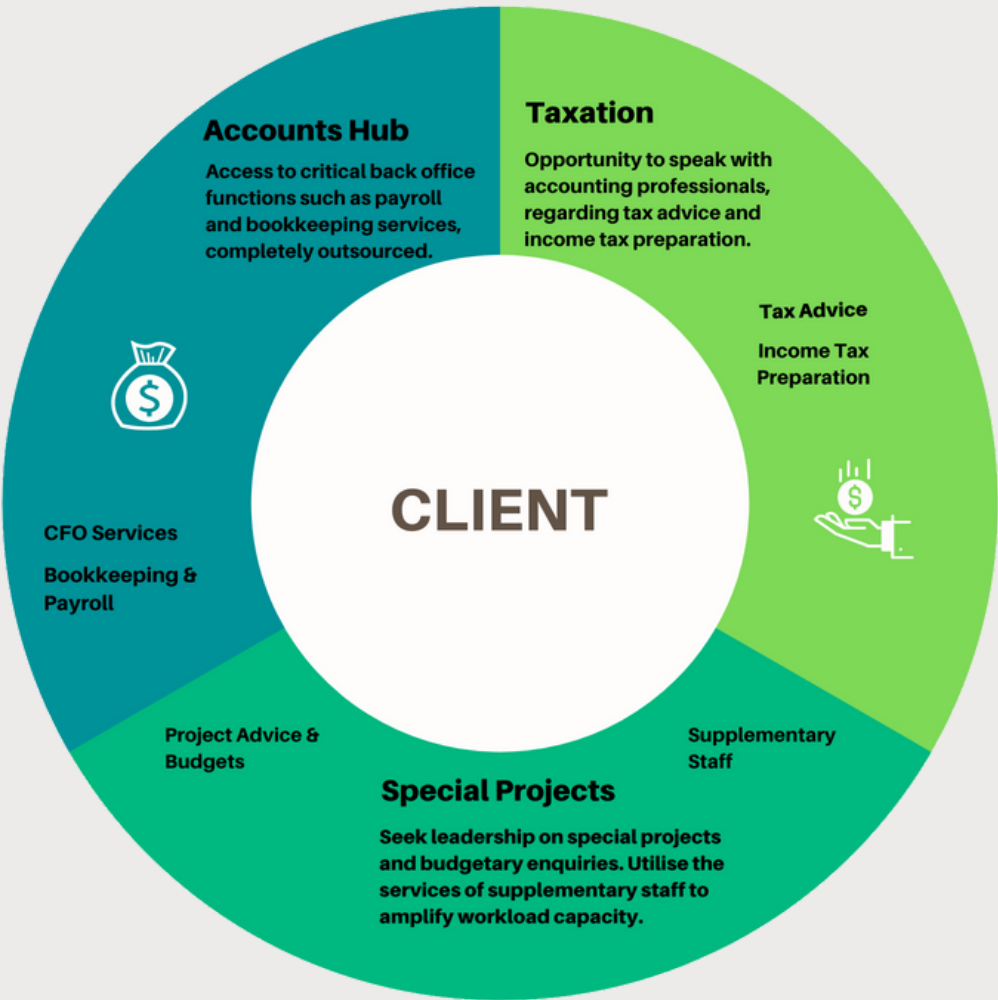
The situation becomes even worse if, for example, that individual:

- Leaves for a better-paid job with little notice
- Allows standards to drop because there is no oversight
- Doesn't keep up with new technology that could save costs
- Is sidelined by long-Covid.

Solutions provided by outsourcing accounts, onshore

Outsourced accounts services can quickly step into the breach left by a departing accountant/bookkeeper, plus provide an alternative that is cheaper, more present, and more effective across the board.

Technology has enabled outsourced services to become a practical and efficient accounting solution. With cloud-based accounting, you can have real-time access to figures while routine tasks are performed remotely. This means an outsourced accounts person can be based on the other side of the city but still carry out accounts functions – rain, hail, or lockdown.



The team – not just one individual – has your back with outsourced accounts. Should your regular contact not be around, there is someone to fill that role from the team of accounts people. If you want to consult a CA about a long-term strategy, the team has professionals who can give expert advice.

By keeping accounts onshore you have increased your options. If you need an informed representative to present figures at a board meeting, a locally outsourced accountant will be fully briefed and can show up in person. If you need numerate hands-on-deck personnel for tax time or a special project, the local outsourced team can supplement your staff in the office.

Many Australian outsourced accounts firms have developed a 'primarily onshore' working model, comprised of key personnel based locally with a smaller number of admin personnel based overseas. This way their clients can still access key staff in person.

Who benefits most from using an onshore outsourced accounts team?

Outsourced accounts teams are especially valuable to smaller businesses and NFPs, as limited budget and resources for oversight makes them vulnerable to incompetent or tardy accounting or to fraudulent practices.

For the remote worker office, local outsourced accountants who utilise the cloud are a good fit. Pandemic-inspired remote working arrangements look set to continue on either a full or hybrid basis. Fully functional remote accounts arrangements will enable all kinds of organisations – business, government or NFP – to enjoy the added incentives of cost savings and employee retention.

Following are specific types of businesses that use onshore outsourced accounts and the reasons they benefit.



NFPs can:	Small to medium businesses can:	Remote working offices can:	Project-based companies and NFPs can:
<ul style="list-style-type: none"> • Benefit from the external oversight as they may have limited experience and capacity • Use the cloud to avoid the disfunction of the fortnightly accountant/bookkeeper dependency • Obtain help with meeting increasing NFP tax/accounting obligations to keep their charity status in Australia • Gain access to technology and software-skilled personnel where they would have no capacity to upskill employees themselves • Meet expectations of donors and stakeholders who presume they will employ and outsource onshore. 	<ul style="list-style-type: none"> • Be assured of regular payments to suppliers, which strengthens vulnerable supply chains • Enjoy consistent staffing to ensure freight is approved, and deliveries are signed for, so goods keep moving • Depend on robust payroll procedures – such as service industries • Receive relevant tax expertise and knowledge tailored to their individual business to minimise tax payments • Take advantage of customised accounts software to scale up • Adjust capacity as the company needs to change seasonally • Be assured of transparency of processes for the board and other stakeholders • Strengthen their risk mitigation strategy • Meet expectations of shareholders who presume they will employ and outsource onshore. 	<ul style="list-style-type: none"> • Enjoy the practicality of a cloud technology system that is based on remote working • Receive access to figures no matter what time zone personnel are in • Be assured of inbuilt safeguards so approved personnel access the figures and financial data – as determined by the client. 	<ul style="list-style-type: none"> • Cover fluctuating accounting needs over time – as key projects ramp up, wane or expand – because outsourced accounting is flexible • Cover different sized projects, contracts or tenders as outsourced accounting has the capacity to adapt rapidly • Cover seasonal needs as NFPs focus on the different stages of their main program because outsourced accounting can scale up or down.

What to look for in an outsourced team

For an onshore outsourced accounts team to be effective, it must demonstrate strengths across the areas of experience, standards, skills and scalability. Look for the following attributes when choosing an outsourced accounts team.

Experience:

- The organisation has been established for some time and/or its management has years of experience
- The team members are qualified accounts professionals with experience
- There is a strong track record – such as consistent results or an award-winning company
- The organisation is ready to provide a client list and testimonials
- Team members have local business knowledge.

Minimum standards:

- Their data security agreement includes written policy and uses two-step authentication
- Their website and communications convey professionalism
- They guarantee team availability to clients regularly through multiple touchpoints.
- They provide clients with real-time access to figures through cloud accounting
- They are familiar with your specific operating environment – including Australian tax law and relevant state regulations, industry compliance and ethical standards.

Technology and skills:

- They keep up to date with the latest in cloud accounting technology
- Team members are skilled at training up your staff in technology
- Team members can meet you in person to address skills shortages or technical issues or make a presentation to the board.

Scalability:

- The company is flexible enough to help your staff on an as-needs basis
- The team can provide supplementary support for peak periods within a season, project or program
- The team has local people on the ground who can work from your office.

With reports that pandemic conditions will continue to impact business operations and society for some time to come, the move to outsourced accounting services will become increasingly relevant to business operations and their long-term success.

References:

[i] <https://www.sba.gov/blog/10-small-business-functions-can-be-easily-outsourced>

[ii] Business Process Outsourcing in Australia, IBIS World, 2021, <https://www.ibisworld.com/au/number-of-businesses/business-process-outsourcing/5515/>

[iii] <https://www.microsoft.com/en-us/worklab/work-trend-index/hybrid-work>

[iv] <https://www.forbes.com/sites/forbestechcouncil/2021/12/28/the-risk-of-key-person-dependency-for-information/?sh=569250e81241>

About Brendan Lucas

Brendan established Next Dimension Accounting in 2021, backed by his accounting business and PwC experience.

His genuine long-term interest in SMEs and NFPs is embodied in Next Dimension's service motto: Offer advice to make a difference to people's lives. Introduce technology that is cost-efficient and effective. Utilise business experience that adds value.



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