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## **Outsourcing Saves the Day for Many Not-for-Profits**

Faced with shrinking revenues, ever-tightening resources, and mounting demands from their boards, more and more not-for-profit organizations are turning to outsourcing to stretch the dollars in their operating budgets. Properly implemented, outsourcing can prove to be a smart strategic choice.

### **Why Outsource?**

A third-party outsourcer with multiple clients can often achieve far better economies of scale than any single organization can, allowing it to provide a service more efficiently and offer access to a wide variety of otherwise-pricey technological tools. Savvy not-for-profits that take advantage of this can enjoy numerous benefits.

The foremost benefit of outsourcing is usually cost savings. Outsourcing projects and responsibilities can generate savings in overhead and rent, in addition to costs associated with salaries, payroll taxes, health insurance and workers' compensation costs, retirement benefit obligations, supervision, and training. The savings can be substantial.

Further, many organizations find it easier to keep a tight rein on costs paid to a third party than to control internal budgets.

Outsourcing offers important benefits beyond mere cost savings. Some organizations find that outsourcing lets them obtain expertise they lack internally; this can be particularly valuable for short-term needs. Outsourcing also lets an organization's staff and volunteers focus on their core activities, those that are central to its mission. It can help them to delegate, something many involved in not-for-profits are reluctant to do.

Finally, a not-for-profit organization may be able to use outsourcing to offer enhanced services, whether through the third party or through internal staff with fewer responsibilities hanging over their heads.

### **What to Outsource**

Not-for-profit organizations perform a wide variety of tasks well-suited to outsourcing. Noncore activities that could be shifted from staff include:

- Accounting
- Payroll administration
- Meeting planning
- Fundraising
- Editorial duties
- Graphic design
- Bulk mailing
- Prospect research
- Recruitment
- Human resources
- Information technology services, including networking and Web-site design and administration

Many of these go through predictable peak periods but may not require full-time, year-round staffing.

Meeting planners, for example, can be brought on as needed for major meetings without necessitating compensation during the lull between meetings. Accountants can visit the office as needed to complete necessary financial statements or other functions.

### **How to Outsource**

Successful outsourcing requires careful implementation. Staff members who will be involved in the process should be brought in at the beginning to ensure a smooth transition. And outsourcing should not be attempted on a wide swath initially — start with one function and ease into additional areas.

The selection of a provider is critical. A not-for-profit should look for a provider that performs the function better than it's currently being done. The provider should have a customer service focus, and should provide a transfer of knowledge to the not-for-profit as part of the transaction.

The provider must also fit within the organization's culture — a mismatch could have long-term repercussions. Finally, the selected provider should have a proven track record, with references (which should be verified) and guaranteed service levels.

Service levels should be specified in the contract. The contract gives a not-for-profit the opportunity to make its expectations clear and to establish performance measures.

The contract should define control and decision-making issues upfront, as well as

financial issues. It should specify who owns any material created and include privacy, non-compete, and confidentiality provisions. The contract should provide for revision and have an "out clause" for ending the relationship.

We would be happy to assist you in determining which of your noncore activities you should consider outsourcing.



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