

# A Beginner's Guide to Outsourcing

## Table of Contents

Introduction

Chapter 1 – What is Outsourcing

Chapter 2 – Advantages of Outsourcing

Chapter 3 – How to Hire

Chapter 4 – Questions to Ask

Chapter 5 – Pricing and how to Negotiate

Chapter 6 – How to Find a Provider

Chapter 7 – Software Outsourcing

Chapter 8 – Outsourcing and Ghostwriters

Chapter 9 – Other Projects

Conclusion

## **Introduction to Outsourcing**

Outsourcing is a term that has become very popular in hundreds of different industries over the past five to ten years. Before outsourcing became a popular means of doing business, companies were forced to hire on new employees every time they had a new need; regardless of how large or small the job.

Outsourcing is not simply for companies that are looking for somebody to suit their needs; it can also be very valuable to anybody that is looking to start his or her own business. By becoming a contractor, you can work independently while only taking on jobs that fit your schedule and expertise.

Regardless of how many employees you have, there is always a place for outsourcing within your company. If you are just starting a company, this guide will give you the details necessary to make outsourcing a very important part of your business. At the same time, if you are looking to become an independent contractor, you will gain valuable information on what industries to look into and how to get started.

For the more experienced people, this guide will be able to open your eyes to outsourcing. Many people think that they know what outsourcing is all about, but in all actuality they have not even scratched the surface.

At the very least, this guide will give you a better understanding of outsourcing and what it can do for you and your company.

## **Chapter 1: What is Outsourcing?**

The term “outsourcing” often times tossed around aimlessly. You will hear this word time and time again regardless of what business or industry you are in. But do you really know the exact definition of outsourcing as it is used in the business world? If you don’t, you are definitely not alone.

In short, the word outsourcing is defined as the management or completion of a function by a third party vendor or service provider. Outsourcing is also referred to as “contracting out” by many people.

Outsourcing began to catch steam in the business world during the 1990’s. It was at this time that business was really starting to boom, and people all over the world were searching for ways to lower their costs, while still being able to get all of their work done.

The term “outsourcing” began to become very popular in the 90’s due to the boom of the internet, and the high tech industry. These companies were just getting started so they were not large enough to handle all of the needs that were required of them. At this point, these tech companies began to outsource projects to experts in the field so that they did not have to hire on new employees to complete them. The first jobs that were widely outsourced in the 90’s were customer service representatives. High tech companies would hire these reps to answer incoming calls by people that were in need of tech support.

On the other side of the spectrum, the companies that actually do the outsourcing are not the only ones to take advantage of this trend. Many people that are experts in their field have found out that they can offer their service to companies all over the world. This has allowed thousands of people to start their own business by becoming a contractor that companies hire when they are looking to outsource internal projects.

Outsourcing has changed the way of doing business forever. It offers many advantages to companies that are looking for expertise in a certain field, as well as to people who are looking to use their knowledge to make a living as a contractor.

## **Chapter 2: Advantages of Outsourcing**

The pure fact that so many companies use outsourcing as a way to complete projects suggests that it must have advantages. At the same time, independent contractors have also found out that there are many benefits associated with outsourcing.

Companies that outsource projects to independent contractors or firms have found out that there are many benefits associated with it. The advantages that outsourcing provides companies includes:

1. The ability to gain the knowledge and expertise from an industry professional. If you have a project or assignment that you cannot handle on your own, you will be able to hire a contractor to assist you. Instead of having to take on an assignment that you are not familiar with, you can hire an outside vendor to complete the job. This is advantageous to a company because they can search for the best provider for their particular project. Being able to pick and choose the provider that you want to work with will ensure that you end up with a quality result in the end.
2. To go along with the advantage that is listed above, when you hire a contractor you never have to worry about putting them on your payroll. Instead of having to hire an employee and add them to your monthly payroll, you can simply set your terms up front with your service provider.
3. In addition to not having to add a new employee to your payroll, outsourcing also allows you to save money on benefits. If you hire on a new employee you will more than likely have to offer them a wide range of benefits, which can cut into your profits over time. But when you outsource a project you will never have to worry about benefits because the person you are hiring will be an independent contractor.
4. By outsourcing you will be able to free up your human resources department so that they can concentrate on more important aspects of the company. When a new employee is hired, human resources has to spend a lot of time and effort preparing their files, as well as getting them set up with benefits, payroll, etc. But when you outsource, human resources does not even have to get involved; and if they do, it will not be an extensive process. Many people overlook this advantage of outsourcing, but it can definitely be worth while.
5. Outsourcing will also offer your company a great range of flexibility. Since you never have to hire the employee directly, you will be able to work with your service provider on an intermittent basis. This is very helpful when you have a project that pops up out of nowhere and you need immediate assistance. It allows you the flexibility to always have a provider on call, but without ever having to directly hire them.
6. You can save your company a lot of money by outsourcing projects that cannot be done in house. If you were to hire on a new employee for every need that your company

has you would be spending an excess amount of funds. Outsourcing affords you the opportunity to only hire a provider when you need one, and then cut the cost out of your budget when you do not.

On the other side of outsourcing, there are many advantages that the providers or contractors have by accepting these jobs.

1. By becoming a contractor that is hired by companies who are outsourcing projects you will be able to take on jobs that suit your needs. You can market yourself as being an expert in a particular field, and will allow you to only take on jobs that you feel comfortable with. Many people love this aspect of being an independent contractor because they can take on projects that they enjoy doing, and avoid being stuck with the excess work that they could do without.
2. When you are taking on projects that are being outsourced you allow yourself to have a great amount of independence and flexibility. If you are an independent contractor you can set your own schedule, and take on projects that fit your time line. You can fill up your work schedule as much as you want, or cut back if you feel like you need a break; this is something that you cannot do if you work a regular 9-5 job.
3. Many people think that independent contractors do not make a lot of money; but this has been proven to be a myth time and time again. Just like any other job, your income will be dependent on the quality of your work, and the amount of effort you put into finding new jobs. In today's day and age, more companies than ever before are turning to outsourcing. This allows independent contractors to make more money working solo than they would be able to make by actually working directly for a company.
4. You can start your own company by taking on outsourced jobs. There are hundreds of firms that specialize in taking on projects that are being outsourced. The main advantage of doing this is that you will appear more professional to prospective clients, and you will also be able to make more money by hiring on a team of contractors to work with you.

The advantages of outsourcing are endless. Both companies and contractors alike are offered many benefits when they decide to take advantage of the outsourcing craze.

Since outsourcing has been proven effective over the past 15 years or so, it appears that this trend is here to stay. This means that more and more companies will begin to outsource, which will in turn open up more jobs for contractors.

## **Chapter 3: How to Hire**

It is obvious that outsourcing has plenty of benefits, but you will need to know how to hire providers if you are going to take full advantage of these opportunities.

The first step that you will need to take in order to properly hire a provider is to plan out every detail of the project. If you start to search for a provider before you really know what you want, you are just going to be wasting time. Having a complete plan as to what you need done is the first step that anybody must take before they hire a provider.

This includes four key areas:

1. Level of expertise that you are going to need from your provider.
2. A complete scope of the work or project.
3. A time frame so that you can set deadlines and reviews.
4. A performance scale that will allow you to track progress, and assess if everything is moving along as scheduled.

By following these four key steps, you will be able to set up the appropriate guidelines for finding a provider. When you are looking for a provider, if you have these four areas clearly detailed you will be able to answer the majority of the questions that they may have for you.

### **Different Projects Require Different Procedures**

One of the areas that most companies overlook is the type of provider that they are going to be hiring. Of course, you know what you are hiring for, but it is imperative that you do not try to use the same procedure for every provider that you hire. You will be able to use the same basic outline that is given above, but each project scope will need to be tweaked in order to match the needs of each provider.

This is particularly true if you are going to be hiring a provider to work on a software development project, or anything else that has to do with the high tech software industry. When you are dealing with a software development provider it is essential that you set forth project deadlines so that you can stay on schedule. The deadlines that you set on software development projects should ensure that you receive the project as it is being developed. This way you will be able to see if your provider is staying on course, and will also give you a chance to have revisions done before the project gets too deep.

There are several benefits from the hiring company's perspective when it comes to setting performance reviews and deadlines before the project starts. They include:

1. The ability to cancel a project early on if you feel that the provider is not living up to his or her end of the agreement. Make sure that this possibility is discussed with the provider up front so that there is no confusion if this unfortunate incident happens to arise.
2. The ability to ask for revisions at an early stage. By checking in on the project during different stages, you will be able to request revisions before the project progresses any further. It is always easier for a provider to complete revisions during the project, as opposed to upon completion.
3. The ability to revise any issues that may have caused a problem during the early stages of a product. This includes aspects such as the final completion date, as well as the overall project budget.

When projects fail it is usually because the lack of communication between the hiring company and the provider. This problem can be avoided in most cases by simply setting up check points throughout the project. By setting up these check points before the project gets underway, it will allow both sides the peace of mind of knowing that issues will be able to find a resolution during the process, instead of upon completion.

Finally, when you are considering your hiring process you also need to get in the right state of mind. Before you even decide to search for providers you will need to come to grips with the fact that mistakes are going to be made, and disagreements may pop up throughout the process. If you are in the right state of mind, and expect these things to happen, you will have no problems coping with them as they come up. Many people expect perfection the first time, and are disappointed when it does not happen. Stay professional at all times, and you will never fall into this common trap.



## Chapter 4: Questions to Ask

Whether you are hiring a provider, or you are a provider who is going to be working for a company, there are a few standard questions and points that you must touch on.

By covering these areas before you get started, you will ensure yourself of not having any major problems down the road. One of the biggest reasons that companies and providers have a hard time getting along is because they do not ask the appropriate questions up front.

Listed below are five questions to ask, and points to discuss before you get started on your project.

1. Both companies and providers should ask the other for background information before any agreement is put into place. By doing this, you will ensure yourself of knowing who you are dealing with. It is common place for companies to ask providers for a resume, work samples, and a past list of clients. This will allow you to learn as much about the person and their experience as possible. But on the other side, many providers often times forget to ask questions of the party that is going to be hiring them. This can turn out to be a huge mistake. There are a lot of companies that are not financially stable, and may have a hard time paying you according to terms. By gathering information about the company that is hiring you, you will be able to find out if there are any special circumstances that you should be aware of.

2. In any business transaction there is money that is going to be exchanging hands. For both parties, this is often times one of the most important points of the project. The first thing that both parties will need to do is agree upon a price that is fair to both parties. On many occasions it will take a couple of offers and counter offers to find a good price; this is touched on in more depth in Chapter Five.

After both parties have agreed to a price for the project, a written agreement should be written up by one or both of the parties. Every year hundreds of outsourced projects get completed without a written agreement in place. Even though it is possible to do business without an agreement or contract, both sides will be putting themselves at risk. In the agreement, the financial terms should be clearly stated so that both sides understand. Your agreement should include the total cost of the project, as well as any overtime costs that you have agreed upon. Also, make sure that the agreement states when payment is supposed to take place, as well as the method of payment. This is important because there are many different payment options available such as check, money order, bank transfer, or online systems such as PayPal.

3. To go along with point number three, you will also want to detail costs for any overtime or revisions that will need to be done. This can be agreed upon in two ways. First off, you can decide that the overall cost of the project includes all revisions and any overtime hours that may incur. If one of the parties is not comfortable with this method, you can set up another way of payment. You can either decide on a per hour rate, or a

per revision rate. Each one has its advantages and disadvantages to both sides, and should be outlined up front.

4. When you outsource a project, chances are that you are going to have a timeframe in which it needs to be completed. This is something that needs to be worked out with the provider in order to avoid mistakes and set backs. Not only will setting a time line be beneficial to the company, it is also needed so that the provider can set aside the appropriate amount of time that they need in order to complete the project.

In addition to a final due date, you may also want to set up reviews and check points during the project. This way you will be able to assess the work, and make sure that everything is moving along as scheduled.

5. The method of delivering good or services is an important topic that needs to be discussed up front. For copywriting and ghostwriting jobs this is very important because there are several different ways to transfer the work back and forth. The company that is outsourcing the project should have an idea of what form they want the work delivered in, and then work with the provider to make sure that this is doable. When you are dealing with writing projects there are a number of different programs that your project can be completed in. They include: Microsoft Word, plain text programs, PDF files, and a couple of other less popular options. At the same time, you may also want your provider to send you a hard copy of the project via fax or mail, or a copy of a disc so that you can download everything onto your computer.

The same standards hold true when you are dealing with software projects. If you do not make it perfectly clear up front how you expect to transfer the work, you may end up finding out in the end that one party cannot accept a certain type of program.

## Chapter 5: Pricing and How to Negotiate

Chapter four detailed the way to set prices up front in order to avoid any confusion as far as payment is concerned. This chapter focuses more strongly on how to set a price, both the hiring company and the provider, as well as how to negotiate for a better deal.

The main thing to remember when you are dealing with the issue of cost is that you want to make sure that both sides are getting a fair deal. A deal in which one side is getting a far better value is going to be doomed from the beginning. If the provider thinks that he or she is not getting paid enough, they will not give their best effort. And if a hiring company feels that they are paying a provider too much, they will not stop at anything in order to ensure that every last detail is in place. Finding a happy medium that both sides can agree on is the best way to ensure a successful project for everybody that is involved.

The tricky thing about cost is that each side will have their own guidelines and rates that they are trying to follow. The tips below are meant to help you deal with prices discrepancies.

1. The first thing that both sides need to do is communicate on the budget for the project. In most cases the provider will issue a proposal to the hiring company that outlines the total cost of the project. This will allow the provider to start off within his or her price range, and determine whether or not this will work for the company that is making the hiring decision.
2. After the provider sends a proposal to the other party, the proposal will either be accepted or rejected. If the hiring company agrees to the terms that the provider outlines in the proposal everything is good to go. On the other hand, if the provider's price is higher than the budget will allow, the hiring company will many times send back a counter offer.
3. If it comes to the point where the provider receives a counter offer, it will be up to him or her to decide if they can complete the project for that amount of money. It is not uncommon for the provider to send over another counter offer as a way to tie the final knot in the deal.
4. It is important for both sides to understand the position of the other party. If you are a company looking to outsource a project you must realize that the contractors you are contacting are professionals, and take on these projects to make a living. Generally speaking, providers have a rate sheet that they follow in order to give accurate quotes to all of their prospective clients.

But on the other end of the spectrum, providers must realize that hiring companies do not have endless pockets. They too have a budget that they must stay within, and they are going to be looking for the best quality work, for the lowest amount of money.

Outside of the basic pricing structure and techniques that differ from person to person, anybody that is involved in outsourcing must be a good negotiator. By knowing what you are worth, what you want, and how to get it, you will be able to be much more successful in the business world.

When you are negotiating, keep these tips in mind:

1. Keep an open mind. Even though you are going to be trying to get the most money possible from the other party, you need to keep an open mind and make reasonable requests. Nobody is going to take you serious if you make pricing requests that are extremely high and non competitive.
2. If you are very close to striking a deal, the best thing to do during the negotiating process is to exercise a little bit of give and take. This goes for both parties involved. For example, if a provider is quoting a price of \$3,000 for a ghostwritten business brochure, but the company's budget only allows for \$2,500, both sides will need to compromise a bit. A fair price in a situation like this would be \$2,750. This means that each party is stretching themselves in an extra \$250. Even though it is not the ideal situation for either party, it is probably the fair thing to do.
3. Always stay professional during the negotiation process. If you feel that you are being insulted by the other party because their prices or budget do not fit your needs, there is no reason to get hostile. You will simply want to explain your situation, and see if there is a compromise that will make both parties happy. And if nothing works out, there is no shame in walking away from the deal. Remember, this is a business for both parties involved. Each side needs to do what is best for them.

## **Chapter 6: How to Find a Provider**

When you have finally made the decision to outsource projects that you need help with you are ready to move onto the next step. After making this decision, you will have to learn where you can find providers who will be able to complete your project with the level of expertise you are expecting.

There are four primary places that you can search to find providers for your next project. Each one of these options has their own advantages and disadvantages, and neither one is better than the others. The decision on which method to use comes down to personal preference, as well as experience.

1. One of the best ways to find a provider for your next project is to contact business associates that may be able to help you out. For example, if you are part of a web design firm and need a ghostwriter, you should search your records for any writers that you have worked with in the past. Maybe you designed a webpage for a professional writer in the past, and you can call on them to help you out. By simply searching through your past job experience you may find that the perfect provider is right in front of your face.
2. To go along with tip number one, you may want to ask other people in your industry if they know of any providers that you can call on. There is a good chance that you are not the only company in your industry that outsources projects. By asking clients of yours, as well as business partners, you may find out that they have worked with a provider on a very similar project. The biggest advantage of finding a provider this way is that you can get feedback from your source. This way, you can see examples of the work that they have done in the past, and get a good idea of the quality that you can expect to receive.
3. Placing an ad in the classifieds, on a job board, or on your website is also a great way to find a provider. This will allow you to get your name in front of a large number of people without having to put in too much work. You can request that all interested parties send particular information to you via e-mail so that you can weed out all of the sub par applicants, and only call the providers that you think can give you what you want.
4. In today's day and age of internet technology, it is to be expected that there are going to be several companies that specialize in connecting businesses with providers. These sites have taken off over the past five years, and the majority of companies searching for providers use this route.

The main advantage of using these sites is that if you are looking for a provider you never have to pay a dime to list your project. You simply have to place your project on their site, and wait for providers to come to you. After your project has been posted, providers will bid on your services. Bids include price points, turnaround time, and a short proposal that outlines their experience. Most online sites will also allow providers to send samples of their work to prove their competence in the field.

If you are going to be using one of these sites you will want to carefully post your project. Remember, providers are going to bid on your project based on what your ad says. If you leave out several key details, they are not going to be able to give you an accurate proposal.

There are many of these sites available, but the industry leader is [elance.com](http://elance.com). They are joined at the top by [guru.com](http://guru.com), and [getafreelancer.com](http://getafreelancer.com). All three of these sites have thousands of members that will bid on your project.

## Chapter 7: Software Outsourcing

One of the most common projects that companies outsource are ones that have to do with software and internet technology. The reason that these projects are so common is because a lot of people do not have the necessary skills to complete these tasks on their own.

A lot of smaller companies hire a provider for software projects because they do not want to hire on a full-time employee for that sole reason. But they do need to have somebody who can provide them with the solutions that they need, when they need them.

When you are talking about software and computer related outsourcing projects, you are dealing with a wide range of possibilities. There are literally hundreds of projects that fall under this heading.

The most common software and computer/internet technology projects that are outsourced are as follows:

1. Having a top notch, high quality website is one of the most important aspects of doing business in today's market. If you do not have a website that customers can easily navigate, you will be losing a lot of business. This is the reason that so many companies are searching for providers that can design professional websites.

If you are in the market for a new website, you will want to make sure that the provider you choose can show you samples of their past work. This will ensure that they are capable of doing the job, and it will also give you some ideas on the direction that you may want to go.

When outsourcing a web design project it is also important that your provider can guide you in the right direction. If you are working on your first site, you will not be aware of all the details. But by having a provider that is experienced in the industry, you will be able to sit back and let them work off of your suggestions.

2. Ecommerce solutions are also among the most popular projects that companies are searching for. If you plan on selling items on your site, you are going to need an ecommerce option set up that makes this all possible.

Make sure that your provider is aware of exactly what you need. If you have a lot of products to sell, it is essential that your provider has experience in setting up an ecommerce site that can handle a lot of volume.

3. If you have a new innovative product that you want to introduce to the world, you may need to seek out the help of a software designer. They will be able to take your suggestions, wants, and needs, and turn them into a complete product.

These are only three of the many software related projects that you can find providers for. Within these three broad categories there are hundreds of sub-categories. Some of the more popular ones include:

- NET
- C/C++
- Flash
- Java
- ASP
- Linux

Anytime that you are outsourcing a software or internet technology project you will want to make sure that the confidentiality agreement is understood by your provider. If you are having a new type of software project being designed, you should never assume that your provider will not try to take credit for the design and beat you to the punch. You can ensure your safety by having your provider sign a confidentiality agreement, as well as a disclosure that states that you own the copyright to the product.



## **Chapter 8: Outsourcing and Ghostwriters**

You may have the best product or service in the world, but if you do not know how to communicate it to the public, you are never going to make any sales.

A ghostwriter is a provider that you will hire to write copy for your company. The reason that they are slapped with the title of “ghostwriter” is because they will not get credit for writing the copy; in other words they will not receive a byline next to their work. Every project that a ghostwriter completes for you will be owned by you upon completion and payment.

By hiring a ghostwriter you will be able to ensure yourself of having high quality copy to go along with your business needs. Ghostwriters are among the most diverse group of providers that are available to any company.

A lot of people do not hire ghostwriters because they are not sure of what they can do for their company. The fact of the matter is that ghostwriters can complete any project that has to do with writing. The most common projects that are outsourced to ghostwriters are as follows:

1. With every successful company needing a web page, it only makes sense to hire a ghostwriter to provide you with the web copy that you will use. This can often times be a very lengthy project depending on the size of your company, and the amount of information that you want to include on your site.

Many websites have hundreds of pages of product descriptions in addition to the more traditional pages that outline contact information, an overview, and a history.

If you are looking to hire a ghostwriter that can provide web copy, you will want to make sure that you ask for samples. Most top notch providers will be able to send you to a couple of websites where their words appear. This is the quickest and most efficient way to evaluate the work of a provider that you are considering.

2. A lot of companies nowadays use newsletters to get in touch with their customers and clients. The majority of companies that send out newsletters use a ghostwriter to provide them with the copy that they need.

The main advantage of using a ghostwriter on these projects is that you can use the same provider every time you need to send out a newsletter. Writers love regular work, and if you can find one you like, you can guarantee them the job of writing your newsletter every week, month, or however often you send it out.

3. Brochures and pamphlets are a very important part of any company. These are the things that sell products and draw interest from potential customers. By having a professionally written brochure that you can send out to interested parties, you will increase your chance of getting the sale.

There is nothing that will hurt your chances for a sale more than sending out a brochure that looks like it was written by a grade school student. A professional ghostwriter will be able to provide you with professional copy that is error free.

4. Press releases can help any company garner more attention from the public. By sending out a professional press release you will increase your chances of the media picking it up and running a story.

A lot of companies try to save a few bucks by writing their own press releases. Even though this is possible, you will not have as high a success rate as you would if you hired a ghostwriter. Ghostwriters are aware of the proper press release format, as well as the buzz words that will make your release stand out over the hundreds of others that pour in everyday of the week!

5. Technical writing is an area where ghostwriters receive a lot of work. Chances are that you might be a great businessman, but when it comes to writing technical descriptions you are at a lost for words.

By hiring a ghostwriter, you will be able to clearly explain your products to your audience, which may include potential buyers. One of the best ways to lose business is by providing inaccurate technical descriptions that cannot be understood by your readers.

These are just five of the ghostwriting jobs that a lot of companies outsource for. There are hundreds more. The main thing to remember is that anything that needs to be written can be professionally completed by a ghostwriter.

## **Chapter 9: Other Projects**

You can outsource almost any project imaginable. As long as there are people that are experts in the field, you will be able to find a provider that can meet your needs.

On top of the more common projects such as software related and ghostwriting, there are many others that have become popular over the past couple of years.

1. Finance projects have gained a lot of steam recently. These are projects in which providers are in charge of managing a certain financial aspect of a business. The most common types of projects that are outsourced are ones that have to do with billing and collection; better known as accounts payable and accounts receivable.
2. A lot of companies have also decided to outsource sales and marketing projects to experts in the field. This is a great way for any company to sell and market products without having to hire a full-time employee. These projects can include any job that has sales and marketing aspects built into it. Telemarketing is also included in this category, and is becoming increasingly popular.
3. Administrative support projects are widely available. The companies that are looking for administrative support are searching for people that can help them out with their day to day tasks. This includes customer service, data entry, researching, and word processing.

Listing out every project that could be outsourced is impossible. In all actuality any project that will garner interest from providers, regardless of what it is, can be outsourced.

## **Conclusion**

Outsourcing can benefit both companies and providers. Thousands of people all over the world have found that outsourcing is a great way of doing business.

The key to outsourcing is to know what you want, and to ask enough questions so that both parties know exactly what is expected. By communicating effectively from the beginning until the end, you will be able to come up with a successful project.

Anybody can take advantage of the benefits that outsourcing provides. It is a viable way of doing business that is here to stay.