Rethinking Outsourcing

The Real Cost of Doing Everything In-House: Is It Time to Rethink Outsourcing?

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There's a point in almost every growing business when the team starts doing too much.

The founder is reviewing invoices. The marketing manager is chasing leads. Someone from operations is answering customer emails. A senior employee is spending half a day on administrative work. And everyone keeps saying the same thing:

"We'll hire someone when things get a little busier."

The problem?

Things are already busy.

And sometimes, the real cost of keeping everything in-house isn't the salary you're paying. It's the time, attention, expertise, and growth opportunities you're quietly giving up.

That's where outsourcing enters the picture.

But outsourcing isn't simply about finding someone outside your company to do a task for less money. Done strategically, it can help businesses access specialized expertise, increase flexibility, reduce operational pressure, and allow internal teams to focus on work that matters most.

The challenge is knowing what to outsource, when to outsource it, and how to do it without creating new problems.

Let's break it down.

What Is Outsourcing?

Outsourcing is the practice of hiring an external individual, freelancer, agency, or specialized company to perform specific business functions or services.

Depending on the business, this could include:

- Bookkeeping and accounting
- Customer support
- IT services
- Software development
- Graphic design
- Content creation
- Digital marketing
- Payroll
- Data entry
- Administrative support
- Human resources
- Recruitment
- Manufacturing and logistics

The important distinction is that outsourcing doesn't necessarily mean handing over an entire department.

A company might outsource one repetitive task, one specialist function, or an entire business process while keeping strategic decision-making in-house.

And that's where outsourcing becomes a strategic decision rather than simply a cost-cutting exercise.

The Hidden Cost of Doing Everything Yourself

Imagine your company spends 20 hours every month on a repetitive administrative process.

On paper, it might not look like a major problem. Twenty hours isn't much compared with a full-time employee's workload. But ask a different question:

What could your team accomplish with those 20 hours?

Those hours could be spent:

- Speaking with prospective customers
- Improving an existing product
- Building partnerships
- Creating new revenue opportunities
- Developing employees
- Solving customer problems
- Improving internal processes

This is the concept of opportunity cost.

The cost of keeping a task in-house isn't only what you pay someone to perform it.

It can also include what your business could have accomplished if that time had been spent elsewhere.

A simple way to think about it

Your true in-house cost may include:

Salary + benefits + software + equipment + management time + recruitment + training + opportunity cost

Outsourcing may introduce a different set of costs:

Provider fee + management time + transition costs + quality control

Neither option is automatically cheaper.

The important question is:

Which model creates more value for this particular activity?

That's a much better outsourcing question than simply asking, “Can someone else do this for less?”

When Should a Business Consider Outsourcing?

There isn't one universal point at which every business should outsource.

Instead, look at the work itself.

A function may be a candidate for outsourcing when it is:

1. Repetitive

If your employees perform the same process over and over again, an external specialist may be able to handle it efficiently.

Examples include data processing, bookkeeping, appointment scheduling, administrative support, or routine customer service.

2. Specialized

Some activities require expertise that your business doesn't need every day. You may not need a full-time cybersecurity specialist, tax expert, translator, designer, or developer on your payroll. Outsourcing can provide access to specialized skills without necessarily building a permanent internal team around them.

3. Time-consuming but not strategic

This is one of the biggest opportunities. Ask yourself:

“Is this work necessary — but not something our core team needs to own?”

If the answer is yes, outsourcing may be worth investigating.

4. Variable in volume

Some businesses experience seasonal or unpredictable demand. Hiring permanent employees for work that fluctuates significantly can create capacity problems. An external provider may offer more flexibility when the workload changes.

5. Difficult to hire for internally

A company may know exactly what expertise it needs but struggle to recruit someone locally or afford a full-time specialist. Outsourcing can expand access to talent beyond the company's immediate hiring market.

What Should You Keep In-House?

This is where outsourcing discussions often become too simplistic. Not everything should be outsourced. Some activities are closely connected to your competitive advantage, company culture, customer relationships, intellectual property, or strategic direction.

For example, a company may want to keep activities such as these closely controlled:

- Core strategic decisions
- Product vision
- Brand positioning
- Sensitive intellectual property
- Key customer relationships
- Leadership
- Critical business knowledge

The right question isn't:

“What can we outsource?”

It's: “What should we own, and what should we delegate?”

That distinction can completely change an outsourcing strategy.

The 4-Question Outsourcing Test

Before outsourcing a business function, ask these four questions.

Question 1: Is this activity central to our competitive advantage?

If the activity is fundamental to why customers choose you, keeping it internal may make more sense.

Question 2: Do we have the expertise internally?

If your team lacks specialized expertise, outsourcing may provide access to skills you don't currently have.

Question 3: Is the work repeatable and measurable?

The easier a process is to document, measure, and communicate, the easier it tends to be to outsource.

Question 4: What could our team do instead?

This is the question businesses often overlook. If outsourcing a task gives your team time to work on activities with significantly greater business impact, the decision becomes more interesting.

Outsourcing vs. Hiring: What's the Difference?

Outsourcing and hiring solve different problems. Hiring generally means bringing a person into your organization as part of your internal workforce. Outsourcing means engaging an external provider to deliver a defined service or function.

Consider this simplified framework:

If the work is...	You might consider...
Temporary	Outsourcing
Highly specialized	Outsourcing
Repetitive	Outsourcing
Highly variable in volume	Outsourcing
Core to your competitive advantage	In-house
Strategic	In-house
Dependent on deep internal knowledge	Often in-house
Needed continuously with strong internal integration	Hiring

These aren't rigid rules.

A software company, for example, might outsource payroll while keeping product development internal. Another company might outsource development but maintain product strategy and architecture internally.

The right answer depends on the nature of the work and the company's capabilities.

The Biggest Outsourcing Mistake: Starting With the Provider

Many businesses approach outsourcing backwards. They start by asking:

"Who can we hire?"

A better starting point is:

"What exactly do we need to accomplish?"

Before looking for an outsourcing partner, define:

- The task or process
- Expected outcomes
- Required skills
- Work volume
- Quality standards
- Deadlines
- Communication expectations
- Security requirements
- Reporting requirements
- Key performance indicators
- Escalation procedures

This creates an outsourcing brief. Without one, you're essentially asking an external provider to guess what success looks like. And that's where many outsourcing relationships begin to go wrong.

Why Outsourcing Projects Fail

Outsourcing doesn't eliminate management. It changes the type of management required. Common problems can include:

1. **Poorly defined expectations**

If the provider doesn't understand what success looks like, disagreements are almost inevitable.

2. **Choosing based only on price**

The cheapest provider isn't necessarily the lowest-cost option once quality problems, rework, delays, and management time are considered.

3. **Weak communication**

Different time zones, communication styles, reporting structures, and unclear ownership can create friction.

4. **Lack of documentation**

If a process exists only inside one employee's head, transferring it to an external provider can be difficult.

5. **No measurable KPIs**

Without clear performance indicators, it's difficult to determine whether the relationship is delivering what the business needs.

6. **Outsourcing too much, too quickly**

A business doesn't necessarily need to outsource an entire function immediately. Starting with a defined process or pilot project can provide useful information before expanding the relationship.

How Much Does Outsourcing Cost?

This is one of the most common questions businesses ask. Unfortunately, there isn't one universal outsourcing price. The cost can vary based on:

- Type of service
- Required expertise
- Geographic location
- Work volume
- Contract structure
- Complexity
- Service-level requirements
- Working hours
- Technology requirements
- Security and compliance requirements

That's why comparing an employee's salary directly with an outsourcing quote can produce a misleading result. Instead, calculate the **total cost of ownership**.

For an internal employee, consider salary, benefits, equipment, software, recruitment, training, management, and other employment-related costs.

For an external provider, consider the service fee, onboarding, management, transition costs, quality assurance, and any additional charges.

Then compare the expected business value.

A 30-Minute Outsourcing Audit

Want to know where outsourcing might make sense in your business?

Take a list of recurring activities your team performs and create five columns:

Task	Hours per month	Current cost	Business importance	Possible model

Then classify each task as:

- **Keep:** We should own this internally.
- **Automate:** Technology can reduce the manual work.
- **Delegate:** Another internal team member can handle it.
- **Outsource:** An external specialist could potentially deliver it.

You may be surprised by what appears on the list.

The task taking up the most time isn't necessarily the best outsourcing opportunity.

Sometimes the most valuable opportunity is the task that consumes relatively little time but requires expensive expertise.

Outsourcing Isn't About Doing Less

This is perhaps the biggest misconception about outsourcing. The goal isn't necessarily to make your company smaller. It's to make your internal capacity more intentional.

Imagine your team gets back 10, 20, or 50 hours each month.

What happens to those hours?

If they simply disappear into more meetings and more administrative work, outsourcing hasn't solved much.

But if those hours go toward sales, product development, customer relationships, innovation, or strategic planning, outsourcing can become a way of creating additional capacity.

That's the real strategic question: **What would your business do with the time it gets back?**

The Outsourcing Decision Checklist

Before outsourcing a function, ask:

- Is the process clearly documented?
- Can the expected outcome be measured?
- Is the activity strategically important?
- Does our team have the necessary expertise?
- Would an external specialist potentially perform it more efficiently?
- What would the true internal cost be?
- What would the true outsourced cost be?
- What risks would outsourcing introduce?
- How would we protect sensitive information?
- Who would manage the relationship?
- What KPIs would determine success?
- What happens if the provider doesn't meet expectations?

If you can't answer these questions, you may not be ready to outsource the activity yet.

And that's okay.

Sometimes the first step isn't finding a provider. It's getting the process ready to be outsourced.

The Bottom Line

Outsourcing isn't inherently good or bad, cheap or expensive, simple or complicated. It's a business design decision. Some activities make sense to keep close to your team. Others may be better handled by external specialists. And some processes shouldn't be outsourced or hired for at all — they should be automated or eliminated.

The goal is to understand the difference. Because the biggest outsourcing mistake may not be choosing the wrong provider. It may be **outsourcing without first deciding what your business actually needs**.

Want the complete outsourcing framework?

If you're considering outsourcing but aren't sure where to start, we've created the **Outsourcing** ebook, a directory-based ebook listing all the companies across the globe working in this sector. This would help you to understand the new trends in outsourcing so that you can develop a better strategy of your own.

Here is a free tech chart for you, showing you a glimpse of our directory: https://www.computerreview.com/cgi-bin/EBOOKS/gen_book_new.pl

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