



What are the pros and cons of outsourcing?

Outsourcing is a common practice of contracting out business functions and processes to third-party providers. There is an increased trend globally to outsource the back office services and the key one a number of companies look into are the accounting and payroll services. So, what are the advantages of outsourcing the accounting function? The benefits of outsourcing can be substantial – from cost savings and efficiency gains to greater competitive advantage.

Advantages of outsourcing

- Outsourcing can help the entity leverage knowledge and skills along with the entity's complete supply chain. Outsourcing can make an entity agile and flexible and therefore can adapt to changes in market conditions quickly.
- Outsourcing leaves the entity to focus on its core business activities. It can free up the employees to focus on the business, its future strategy and growth.
- Having an outsourcing company that specializes in the services it renders can result in greater quality and production of timely reports.
- Outsourcing often gives access to resources with capabilities that are difficult to procure easily in some jurisdictions and these resources can be replaced thereby having minimal service disruption.
- Correlating the services on compliance such as accounting and taxation can easily be sourced with quality staff through a professional services firm.

- Cost savings can be achieved to release capital for investment in other areas of the entity's business.
- Access to resources at all times and reduction in costs relating to employment and rental.

Like all activities, outsourcing has certain disadvantages which an entity needs to assess as well.

Disadvantages of outsourcing

- Change at the outsourcing company could lead to loss of continuity as well as friction particularly when there are changes at management level.
- Risk of the outsourcing company going out of business.
- High turnover of the team providing day to day services.
- Delays in service delivery resulting in delays in getting information timely.
- Risk of confidentiality and security.

RSM Eastern Africa has a dedicated outsourcing team in each of its office in Kenya, Tanzania and Uganda. Should you require any accounting services, kindly reach out to us on the address below.

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