

**Why. When.  
Where. How.**



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**BUSINESS CASE FOR  
OUTSOURCING**

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## WHAT IS OUTSOURCING?

Outsourcing—the practice of using outside firms to handle work normally performed within a company—is a familiar concept to many companies. In today’s highly-competitive business world, companies are using more contractors and consultants to perform specialized roles, manage a portion of their business, or supplement their workforce for varying workloads. Many turn to outsourcing to cut costs. And while it’s true that outsourcing can save money, it’s not the only (or even the most important) reason to do it. Wise outsourcing can provide a number of long-term benefits.

## WHY OUTSOURCE?

Here are some reasons to outsource.

- **Specialized Skills.** The task is highly specialized and requires expert skills or systems.
- **Specialized Technologies.** The operation or task requires specialized technologies for operational efficiencies or you need to respond, adapt and cater to the new and challenging demands of your customers.
- **Flexibility & Scalability.** The task is seasonal, temporary, short-term, or there is a need to scale up or down quickly to meet workload demands.
- **Headcount.** Headcount restrictions and cost constraints create organizational stress points that can impact project deadlines and quality of work.
- **Cost effectiveness.** The cost of hiring in-house can be prohibitive for undertaking multiple and diverse projects with demanding compressed deadlines. This is usually because each project may not reflect a full-time workload and hiring highly skilled full-time resources for short-term work is not the most cost effective.

## Outsource or hire?

Not every project requires to be in office with full-time or part-time staffing. In some cases, outsourcing your projects may give your business exactly what it needs.



## BENEFITS OF OUTSOURCING

Many companies use outsourcing to fill roles in their organization that would be too expensive or inefficient to create themselves. The biggest benefit of outsourcing is that you are able to bring in an expert for a defined period of time to perform a task. Even if the hourly or project rate is higher than hiring an employee, you may save thousands of dollars by not committing to an annual salary and benefits.

For longer-term needs—such as web portal design, business app development, or marketing activities—the benefit is that you gain operational efficiencies and skills that may be difficult replicating in-house.

Here's how Aesbus' outsourcing solutions can benefit your organization.

**Reduce labor costs.** Hiring and training staff for short-term or peripheral projects can be very expensive, and newly hired employees don't always live up to your expectations. Outsourcing to Aesbus lets you focus your human resources where you need them most.

**Start new projects quickly.** As an outsource provider, Aesbus can assemble the professional resources with the needed skill sets to start a project right away. Handling the same project in-house might involve taking weeks or months to hire the right people, train them, and provide the support they need.

## Give your budget a break.

Outsourcing can give your budget a break. With outsourcing, you can set and control the budget for the tasks you need completed. By contrast, with in-house employees, you have to account for overhead costs that go beyond their basic salaries.

[CLIENT SUCCESS STORIES: Aesbus is your behind-the-scenes partner. >>](#)

**Accommodate peak loads.** Outsourcing can be used to minimize fluctuations in headcount that could result from peaks and valleys in demand. To protect staff from fluctuations in demand, businesses should staff to the valleys and outsource the peaks. Aesbus can be used to off-load less interesting but time-consuming “commodity” or end-of-life work, or to handle peak loads. This leaves your staff free to pursue new, developmental opportunities.

**Focus on your core business.** Every business has limited resources, and every manager has limited time and attention. Outsourcing to Aesbus can help your business to shift its focus from peripheral activities toward work that serves your customers, and it can help your managers set their priorities more clearly.

**Level the playing field.** Most small firms simply can't afford to match the in-house support services that larger companies maintain. Similarly, organizations with budget constraints within a company may not have the leverage to hire additional resources as needed. Aesbus offers outsourcing solutions that can help small firms act "big" and budget-restricted organizations have the flexibility to meet increased workload demands. Outsourcing your projects to Aesbus can provide access to economies of scale, efficiency, and expertise that large companies or well-financed organizations enjoy.

**Accountability.** Outsourcing is predicated on the understanding—shared by business and vendor alike—that such arrangements require quality service in exchange for payment. Paying for a business service creates the expectation of performance. As an outsource provider, Aesbus is well aware that this accountability has ethical, legal, and fiscal implications.

**Reduce risk.** Every business investment carries a certain amount of risk. Markets, competition, government regulations, financial conditions, and technologies all change very quickly. As an outsourcing provider, Aesbus continuously assesses and manages potential risk for you.

## Gain leading-edge specialization.

Outsourced resources work with many different clients, some of which are industry leaders. They usually build a wider portfolio of up-to-date expertise and experience to make themselves more marketable. In return, your organization can greatly benefit from these varied experiences.

## HIRING VS OUTSOURCING

According to Businessweek Magazine, employers can save up to 30 percent by contracting talent placement through an outsource provider because they avoid paying payroll taxes, unemployment insurance, workers' compensation and disability, as well as benefits that include pensions, sick days, health insurance, and vacation time. Using outsourced talent also gives businesses the freedom to better manage minimum wage requirements and overtime mandates as well.

- Outsourcing is usually much cheaper. You pay a contracted rate, negotiated between you and the outsource provider.
- You don't have to worry about trying to keep someone fully occupied in productive, revenue-generating activity every day. You usually pay just for specific tasks or projects.
- You don't have to calculate and pay sick pay, vacation pay, maternity leave, healthcare insurance, family leave, etc.
- You don't have to wade through the red tape that hiring and retaining employees involves.
- You don't have to provide desks and office space. You avoid office overhead costs, such as office rent and phone charges, and all the other little things than having an office involves.

Outsourcing can have a powerful impact on your organization's growth, productivity and bottom line. For every company, the right time to outsource is different. Some businesses have in-house staff to handle daily activities, but may need outside help to undertake new projects that don't warrant another full-time employee. When you outsource, you can focus your time, attention and resources on your company's core competencies—and spend your time setting new goals and finding ways to achieve them.

## Exceeding expectations drives Quality.

Outsourced resources working on client projects commonly go over and beyond what's required. They're used to working on high-profile projects under tight critical deadlines. Their commitment to Quality is driven by client satisfaction. Working weekends or odd hours to get things done on-time and on-budget is par for the course.

[Aesbus Recruiting & Staffing solutions are hassle-free. >>](#)

It's useful to consider whether a function is better done in-house or by an outside service provider. To assist with that, Aesbus has created the following comparative matrix.

### Outsourcing Decision Matrix

Area	Employee	Outsourced Resource
<b>Compensation</b>	Established by manager & company	Established by vendor
<b>Work Definition</b>	By job description	By contract
<b>Work Measurement</b>	By achievement of objectives for review period, and team contribution	By milestones or service levels established in agreement or contract
<b>Terms &amp; Conditions</b>	Set out in ongoing employment contract	Set out in agreement or contract for specific work
<b>Benefits &amp; Taxes</b>	Paid by company	Paid by vendor
<b>Timeframe</b>	Permanent work, not time bound	Engaged for period of time or phase
<b>Negotiation</b>	Around role, career, responsibilities, growth, salary	Around deliverables, standards, timing, cost
<b>Authority</b>	By delegation	Granted and authorized in writing
<b>Liability</b>	Company assumes	Vendor carries
<b>Direction</b>	Provided by manager as required	Provided by client, per contract
<b>Performance Review</b>	Performed periodically on role, includes behaviors & skills	Performed upon delivery, against milestones or services levels
<b>Learning/Training</b>	Is part of the job	Expected to be proficient; learn at own cost (or vendor cost)
<b>Responsibility for Performance</b>	Manager shares responsibility for poor performance or failure. Company assumes liability	Vendor responsible to deliver according to agreement. May be legally liable for failure
<b>Bonus</b>	Manager has discretion	Specified in contract with requisite conditions
<b>Termination</b>	In accordance with employment law and for acceptable reason(s)	Subject to requirements of contract, and prevailing commitments
<b>Litigation</b>	Wrongful termination cases can lead to costly litigation	Non-employees are in effect ineligible to pursue wrongful termination and other litigious routes

## Outsourcing can be a game-changer.

Break through the challenges of budget, time, and expertise with outsourcing.



## THE NEW ECONOMY

The misconception that contractors are more expensive than regular employees is common. Technical managers are not always aware of the true cost of hiring new employees. However, when considering the extra, sometimes hidden, resources expended in making a permanent hire outsourcing often makes sense. In these turbulent times even the most stable companies are tightening their belts.

In the new economy, companies will have to seriously look at which path makes sense for them: hiring or outsourcing. Outsourcing can provide you with a low-risk, commitment-free means of accomplishing technical goals without the hassle or overhead typically associated with a new hire.

Yes, the hourly rate for an outsourced resource is usually higher than that of a regular employee but as outlined here, cost effectiveness cannot be measured on hourly rates alone.

### Costs of Direct Hiring

In the case of hiring directly into your organization, there are associated costs with that hire.

- **Recruiting Costs:** Source, check references, interview and select candidates.
- **On-Boarding Costs:** Make offer, provide orientation on company enrollment process.
- **Employee Costs:** Offer benefits (medical, vacation, holiday, sick, etc.), salary, human resources, payroll expenses, wage garnishments, end-of-year tax forms. etc.
- **Termination Costs:** Offer severance. Employee termination can be costly to companies: thousands of dollars fulfilling severance terms or hedging against discrimination suits.
- **Litigation:** Wrongful termination cases can result in costly litigation. Worse, if damages are awarded, companies can be faced with losses large enough to put them out of business.

**Gain flexibility to scale up or down.**

In today's challenging global economy, an employee is a fixed cost that can be a big challenge for businesses with fluctuating revenues.

Businesses can manage their expenses better and closer to real time with outsourcing—allowing them to adjust to market demands and pressures in a way they can't with full-time employees.

## Hidden Costs of Direct Hiring

In addition to direct costs of hiring someone are the risks and hidden costs associated with hiring a new person.

- **Bad Hires:** If you or someone in your organization makes a hiring mistake, it can cost from 2x to 5x or more of that person's annual salary.
- **Timing Factors:** Once an offer is accepted, the new employee will usually require a minimum two-week lead-time before officially joining your company in order to provide sufficient termination notice to their existing company. Say you hire that next bright star but you lose a big contract and it will be another few months before that new person is producing? Can you afford to keep a person on board who is still learning?
- **Time & Effort:** Lost time and energy is a huge factor that is not always fully appreciated. If you hire what turns out to be a problem employee, HR professionals and hiring managers will spend considerable time and effort devising and delivering informal and written performance improvement plans. Obviously the intention in these instances would be to assist the employee in improving their weaknesses; this does not always work though and it can take months to properly transition the employee out of your company. In almost all cases, transition time is in essence, down time.
- **Incentives:** In today's workplace, employees expect more than just benefits and salary in exchange for hard work. Employees want to feel appreciated. As such, companies are rewarding them with company-performance-based and guaranteed bonuses. Often companies also spend additional time and dollars in an effort to maintain high morale and a sense of employee satisfaction with scheduled company events, outings, lunches, etc.

**A competitive edge for  
your business is a must.**

Contact us for a friendly conversation  
about the advantages of outsourcing  
for your organization.



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