

The Art of Outsourcing

“As a small business owner, you always think you have to do everything yourself.”

Entrepreneurs and small businesspeople are always looking for creative ways to accomplish more of their business goals for less money. One strategy that can help you save time, money, and frustration while building your business is to outsource as much work as possible to skilled, but cost-effective, external service providers. This paper outlines some best practices for working with external vendors and contractors. These tips are based on multiple interviews from successful Online buyers.

1. Clearly define the scope and schedule for your project

This might seem obvious, but any successful outsourced project always starts with a clear statement of what you are hoping to accomplish. Define your project requirements up front. Service providers need accurate, complete information to present you with realistic proposals and to quote you a reasonable price. Be specific about the deliverables you expect the vendor to provide. Give vendors as much information as you can about what you need and the way in which you need the work done.

2. Evaluate a service provider just like you would a potential employee

When you are evaluating proposals from service providers, do not be afraid to ask questions. Just like hiring a full-time employee, selecting a vendor is a subjective experience. Engage in a dialog – if you have any concerns about a vendor’s specific capabilities, get your questions answered before you agree to get started.

3. Look for specific skills and experience fit

Ideally, the service provider you select will have specific experience with the type of project that you’re undertaking. You do not want to be somebody’s “guinea pig.” This is especially crucial when outsourcing complex technical projects such as software development. For example, if you are looking for someone to develop an application for the Palm PDA, make sure they have actually completed commercial projects on that platform for other satisfied customers.

4. Avoid choosing a vendor based solely on price

Though it might be tempting, never select a vendor based solely on price. Experienced buyers who have outsourced many projects and evaluated hundreds of proposals almost always recommend discarding the highest-priced and lowest-priced

bid. Buyers report that their most successful projects are the ones where they felt the vendor offered a balance of good value and quality results.

5. Review portfolios and samples

Examine the vendor's previous work (their "profile & portfolio") and make sure that it meets your expectations for quality and style. If you have evaluated a vendor's profile, references, and previous work and are still unsure of his/her capabilities, ask the vendor to provide a basic outline of a work plan or to provide additional examples of past work most relevant to your project. A service provider who really wants to win your business should be able to help you understand his/her approach to solving your problem.

6. Tie payment to clearly defined milestones

Just as you should be clear about project scope, make sure that you define a plan for your outsourced project with clearly communicated milestones. Having scheduled checkpoints—where you review the status of the project as it works toward completion—is an easy way to ensure that you meet your final deadline and that the final product meets your standards. Tie the vendor's payment to these milestones. A good guideline for IT and software development projects is to pay 20% to 30% of the total project price up front, with the rest of the payments awarded based on the completion of 3 or 4 milestones.

7. Do not forget about support after the project is complete

For technology projects, it is a good idea to specify a warranty or guarantee. This assures you some amount of continuing support from the vendor after the project is complete. Suppose you need some changes to a business plan based on feedback that you get from potential investors. Or maybe you find that you need that snazzy new logo delivered in a new file format. Specifying some amount of free support or negotiating discounted prices for future modifications can save you time, money, and headaches later on.

8. Get it in writing

During the course of a service engagement, the scope of the project, deliverables or even the agreed-upon price may change. Make sure that you clearly communicate any schedule, scope, or payment changes to your service provider and get confirmation from them - in writing - which they understand and agree to these

7. If in doubt, start small

When engaging with a service provider for the first time, consider starting with a project that is relatively small and simple in scope. This will give you a better idea of the provider's style and capabilities before you entrust a "mission critical" project to them. For example, many graphic designers specialize in a range of design services. Commission a logo or a banner ad before you have them complete your website redesign