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<https://www.hartfordbusiness.com/article/amid-pandemic-accounting-firms-see-higher-demand-for-outsourcing-services>

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Amid pandemic, accounting firms see higher demand for outsourcing services



HBJ PHOTO | SEAN TEEHAN Ethan Brysgel, national financial advisory services leader at Marcum LLP, a national accounting and advisory firm with an office in Hartford.

By Sean Teehan

West Hartford accounting firm blumshapiro has always advised companies on things like taxes and risk management, but a few years ago it started

offering clients outsourcing services for certain business functions like payroll.

The full-scale outsourcing operation uses cloud technology to enable blumshapiro staff to do anything from inputting and paying a company's bills to sending invoices and writing cash flow projections — services all provided off-site, said Jim Clarkson, a partner at the firm who oversees the outsourcing program.

Clarkson said there was always demand for outsourcing services, but this year the firm has seen an approximate 40% spike in inquiries from clients interested in offloading some or all of their back-office finance work.

“Businesses [are] looking at how they were doing things, looking at how they have to do things in the COVID world, and looking at what the new world is going to look like for them,” Clarkson said. “COVID has been a catalyst to conversation as it relates to outsourcing certain functions.”

As cloud-based technology has matured over the past decade, professional services firms like blumshapiro have increasingly offered outsourcing services to business clients that have traditionally handled payroll and other back-office operations in-house, Greater Hartford accounting firms say. Now that COVID-19 has trampled many companies' revenues and profits, forcing them to cut — or consider cutting — costs, accounting firms are seeing or expecting a spike in demand for outsourcing, which allows businesses to reduce staff in favor of paying a fee to have certain finance functions handled remotely by a third party.

Top reasons for outsourcing

Cut costs

Focus on core functions

Solve capacity issues

Enhance the quality of service

Answer a critical business need

Gain access to talent capital

Manage the business environment

Source: Superstaff

Business functions most commonly outsourced by small biz

Accounting

IT services

Digital marketing

Development

Human resources

Customer support

Source: Superstaff

About 30% of U.S. companies outsource part of their business, according to online lending site Fundera, and 59% do it for cost-saving reasons. Clarkson

describes blumshapiro's outsourcing services like a faucet: Business clients can twist the knob and increase or decrease the amount of back-office work the firm handles, depending on economic and other considerations. Some clients just want blumshapiro to take over book-keeping or payroll, while others offload every finance function. Pricing is based on the scope of services a company wants, and is paid in a monthly fixed fee.

COVID notwithstanding, Clarkson said the service makes sense because blumshapiro has the resources and expertise to deal with a range of issues a single employee might find difficult, and it eliminates any lag time that could occur if a finance employee leaves.

"We're able to give them a level of service that they can trust, and they can focus on the products that they make," Clarkson said. "We have the ability to eliminate that turnover or natural attrition that employers face in their back office."

Staying power

Marcum LLP, a national accounting and advisory firm with an office in Hartford, also offers a full spectrum of outsourcing services, and has seen business in this area grow about 20% this year, said Ethan Brysgel, the firm's national financial advisory services leader.

The advent of cloud computing in the early 2010s made it possible for Marcum to expand financial services it offers businesses. Demand has ticked up over the years, and was growing before the pandemic, Brysgel said, but COVID-19 appears to have accelerated that.

He thinks a major reason for this is executives have grown more comfortable with the concept of people doing important work for them from outside the office. Baby-Boomer bosses once queasy about letting sweatpants-donning employees work out of their living rooms have been forced by the pandemic to mandate at-home work, and are now seeing value in it.

“If they’re going to have a fully remote workforce, they might as well outsource finance work,” Brysgel said.

An unfortunate, but obvious reason companies could trend toward outsourcing services amid COVID-19 is because they are losing money and laying off employees and departments, said Brian Kerrigan, a business growth advisor at Hartford accounting firm Whittlesey.

Whittlesey is currently providing financial outsourcing services like CFO and controller work and bookkeeping to about 30 client companies, Kerrigan said. He’s not sure if he’s seen an increase in demand since COVID-19 hit, but he thinks that will happen. That’s because many companies’ finances are getting more complicated in tandem with their need to reduce labor costs.

“Inevitably, companies are going to get leaner,” Kerrigan said. “I think what’s changing is the need for having an advisor who can help you interpret your financial statements, help you figure out where you want to get to and help you figure out how to get there.”

And since many businesses will be in need of cost-saving measures while still remaining on top of sometimes arduous accounting work, blumshapiro’s

Clarkson said the trend toward outsourcing will likely continue past COVID-19.

“I think this does have staying power,” Clarkson said. “The technology helps it, and I think the economics of it help business owners.”