

Outsource

or

Perish

*How
Champions
GROWS Their
Business By Being
Smart!*



Coaching Champion Entrepreneurs



Brad Tonini

Australia's Champion Entrepreneur Coach

Introduction

Welcome to '*Outsource or Perish*'.

Today's market place is *fast*. The entrepreneurial business that is nimble and places a high level of importance on time (more so than money) is the one that will win the global village.

Business is leaner and more nimble now. No longer do we have to employ staff to do everything, hence the growth of micro businesses and the "virtual" office.

Keeping the business low on fixed cost and high on variable cost is smart business. Using sub-contractors and part-timers, nothing new.

The new business goes further than that. The entrepreneur now knows there are people more qualified, more experienced with a high degree of expertise in their own businesses, who can help grow your business by being a valuable resource.

Outsourcing allows the entrepreneur to focus on what's really important - the strategic vision and direction for the business. What needs to be done, but not concerning themselves with "now" - That's the job for the outsource partner.

Outsourcing is here to stay. It will continue to be crucial to growing a business today and in the future.



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1. Outsourcing Is Here To Stay

Outsourcing is here to stay. It's an area I believe will become huge in the next 5-10 years.

Time of Money?

For so many entrepreneurial businesses they have now recognised the fact that time is a much more precious commodity than money.

I've been absolutely amazed at what can be outsourced. I went to a fulfillment company recently looking at outsourcing our fulfillment and dispatching of product. They go right back to the core of order taking, the phone call, processing and fulfilling. This company can almost come back to a core of the business, enabling you to reduce about a third of your current business overheads - if you want to outsource to that degree!

You're not paid to be the best widget maker in the country. You want to be the person who runs the best widget making business in the country!

The business concept itself is the business - not the widgets you produce. The widgets suggest the mechanism, the by-product, the vehicle by which we make our money. It could be coathangers, it could be pencils. You can become very good at what you do but the real money is made in the business concept itself.

So where are you currently? Are you new to business, looking at outsource partners to help establish your business or perhaps you are already established and to know ways of using outsourcing to take your business to the next level? Either way this e-book will help you to look at current and future activities.

The New Business

You have an idea and want to get it to market. Use outsourcing to establish yourself by allowing you to do the initial deals. Work out what are your core strengths and partner up for everything else.

The Established Business

You already have the client base and an established product or service. Use outsourcing to now move your fixed cost for variable and keep overheads done. The more you sell the more you make with limited downside.

\$20 tasks and \$80 tasks

Evaluate the \$20 - \$80 per hour tasks in the context of outsourcing. Of course, it's the \$20 per hour tasks that should be outsourced. What are the really important things you need to focus on?

You shouldn't really be answering many of our own **phone calls**. There are plenty of good services around to do that for you, whether it be a paging service, voicemail or a serviced office. Set up a system and let them do it for you. If you can't give that phone call the attention it deserves at that time then let someone else take the call.

Communication

Typing your own faxes and business emails - be careful with your time on this. (Some people who would argue that point with me, saying that they're quite happy typing). There are better people in my office and faster people in my office who can do that for me. So I choose not to do it. There are some emails you need to write yourself - choose what you need to do.

Banking, Book-keeping & Accounting

This is another area which ideally lends themselves to outsourcing. I've seen bookkeeping services doing a first class job, and I'm sure most small business entrepreneurs couldn't do those mundane tasks nearly as well. So let the people who know it do it! Entrepreneurs are not usually good at doing their accounting. We're out there making the deals happen, it is in fact our job. So let others do what they are good at, while we do what we're good at doing, with the added advantage of having the time to do the entrepreneurial tasks, now that we have covered our bases.

I like to bank my own money, I like to keep my eye on reports and I like to be in charge of my own customer base but I also know that when I do it I break the \$20/\$80 per hour principle. There are many \$20 tasks that just aren't worth doing.

Some sales

Have commission sales people (or project sales people) come and sell for you for a period of time. Although selling and marketing are the very key to the intellectual capital of the business - you don't necessarily have to do all your own selling. You should however be mindful of the fact you don't want to lose control of the core of your business, and if that core is centred around sales and marketing, you should keep a watchful eye on the proceedings and the results. Putting out the orders, sending out the orders, retail selling, people opening and closing the doors at the beginning and at the end of the day are all functions that can be bought. Why do it yourself?

Telemarketing

This is a function that can be purchased by the hour, the other advantage is that most entrepreneurs don't like to do it anyway.

Work on the "Lowest Common Denominator" principle. The easier the task the more you should outsource. Whatever needs higher level thinking and has the highest payoff - keep for yourself. I call this the "Lowest Common Denominator" principle - to work out the tasks with the highest level of sustainability and then do just that - substitute!

Bottom Line

You should be working on \$80 per hour tasks, the strategic stuff, the vision-painting, the head coach stuff, the deal-making, solving the real issues of a business. That's what you should spend our time on.

Think now of what life could be like if you don't have to do everything - what could you focus on?

2. *What really is your business anyway?*

Understanding "what really is your business anyway?" is pretty fundamental. What is it that you're in business to do? Is it to develop a relationship? I would argue it is — with your clients. So things that directly relate to client relationships is what I wouldn't necessarily outsource. It's the stuff I like keep to myself.

Is your business in the business of producing widgets or is it to create an income? Entrepreneurs are in business to create passive income streams as well as personal freedom. So why would we want to load ourselves up with a whole heap of stuff that doesn't produce any more income - and which certainly doesn't give us any more freedom?

Ask yourself "what is your business anyway?"

- Is it the business of relationships?
- Is it the business of selling?
- Is it the business of innovation?

I can promise you this: it's got nothing to do with warehousing, distribution, order processing, answering the phone, mailing and banking. It's got nothing to do with any of that stuff, so why get involved in the mundane?

Your Own Niche

A friend of mine, Natalie - runs a coaching practice and she prides herself as being 'your own human resource department' and that's so true. She can come in and do half day or one-day coaching with all your staff which saves having to have a human resource manager on staff, she does it all for you at a fraction of the cost - plus she's on-call whenever she's needed. People buy outcomes - find out what the market needs - package it and sell it.

I'm surprised at the number of entrepreneurs who talk about it being a hard thing to outsource. It really comes down to some very basic fundamentals - one being that we don't really want to outsource, we want to always control the process.

The Comfort Zone

I really believe some business owners work in a comfort zone - such complacency, that by them not processing, not picking up the phone, by not doing the mundane tasks it puts them at a loose end. They actually don't know what to do with themselves. What would my day look like if I don't do the banking in the afternoon?

So how do we move out of the comfort zone? Start with asking yourself:

"What could I achieve financially if I didn't do everything?"

"How many more deals could I do?"

"How many more people could I see?"

Make a decision now:

"What things do I really dislike that are low pay-off?"

"What am I NOT going to accept?"

Bottom Line

The business concept, the systems, processes, intellectual capital is where the real value exists in your business - Work on these things. Not the mundane which anyone can do.

3. *Moving the fixed to the variable cost*

Moving the fixed to the variable cost is the real reason why we're really doing it — and outsourcing is one way of doing it. You do it to ensure that all costs are directly related to sales made in the business.

Overheads, rent and staff members are fixed costs. And the problem with fixed costs is — you're paying the same fixed costs whether you sell one or 100 widgets. It's a sure-fire way of going broke if it's not managed because you don't actually know how many widgets you're actually going to sell. If you're starting out in business — where intelligent guesswork is your best estimate - go into variable costs as much as you can.

As you expand you might reason the other way and say, "I want more fixed costs because I can get more out of my people on a weekly basis - paying someone on a part-time basis, is going to cost me a lot more money". That is sometimes true.

Evaluate this decision by coming back to the strategic question: should you be doing it or should you outsource it?

- Is it a key function or a peripheral function?
- And can it grow?
- Does it have enough capacity to grow as I grow?

I've got 8000 square feet in our premises in the Melbourne. It's never big enough for our diary season - we need 20,000 square feet! But come February, March, April, May, June, we could have a cricket match in our warehouse because there's not a lot to do in terms of dispatch. So why would I want to get a bigger and bigger warehouse? Outsource to people who've got 100,000, 200,000, 500,000 square feet — that's not a problem for them. They can just grow as we grow. It also allows us to concentrate on what we do well so that we can do it even better.

Bottom Line

Move fixed to variable and lower the risk.

4. *Run A Lean Business*

The lean business is flexible, it's nimble. It's able to take on the Goliaths because it's able to act immediately.

One of my competitors is a much bigger company, this is an advantage to us in some ways because we are more able to deal with smaller customers and give personalised service. We can also run very lean during the tough times, whereas the other company finds it very hard to turn its business around because they're already on a track and can't switch horses when the economy — or popular demand — affects supply and demand.

We've seen this with the big banks. They're suddenly retrenching and having to go through a whole re-structural process, this then gives the smaller bank to move in a nimble fashion - eg. Bendigo Bank found an opportunity and pinched market share, as well as popular opinion.

Running a lean business is what entrepreneurs are all about, that's the reason you got into the business in the first place - because of the freedom being in business for yourself. So run a very lean business, and take advantage of your maneuverability.

The number one reason why people quit "the job they hate" is to gain freedom in their decisions. However, a number of small business owners remain just that - small business owners. Burdened with the issues of running a business and in effect, "buying themselves a job" - this is not being a champion entrepreneur.

Take the risk out of your business by having less staff to worry about and less financial pressure from week to week.

Bottom Line

Your business is a passive income stream building net worth for the future - not a job you have bought. Enjoy the freedom that comes with this.

Run A Lean Business

ACTION PLAN

1. *What would be a great goal to have for "your business of the future" - In terms of new market, new clients?*

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2. *If you had the freedom you really want, what would you do with it? How would you spend your time?*

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5. *Get The House In Order*

Systemising internally means making sure that you've got the operations manual set up, for starters. It also means setting up the key performance indicators and key result areas for each segment of the business so that you know what you're trying to measure each week.

As you're not going to be physically doing it any more you've got to ask your people what they believe are reasonable level of efficiencies - and then it's up to you to keep figuring out ways to build up those efficiencies to make them better and better.

The Operations System

All of my business coaching clients have found enormous benefit in processing an operations system manual. This is your companies bible - "how we do things around here."

Things that can be documented in this system are as follows:

- Marketing Letters
- Customer Service Letters
- Vision / Mission
- History of the Business
- Accounting Practices
- Sales Proposals
- Administration Procedures
- Team Induction Processes
- Brochures / Flyers
- Reporting Systems

• **Systemising externally** means giving your service providers a measure of the time/effort that it should take. It is also worthwhile knowing this yourself to keep them accountable and so that you don't get overcharged. When we outsource our fulfillment we did some tests in our warehouse to find how many products we could dispatch in a given hour.

That was really good information to have when hiring outsourced service providers because only then could we set key performance indicators for external suppliers to ensure that they would be actually meeting or bettering our performance levels.

The other thing the external suppliers want to know is the best way of doing the job, because external outsourcers make their money purely on efficiencies.

So if they can find a way of doing it better - you're helping them by providing information along the way. In this way you'll both find your costs coming down. You can certainly negotiate better costs, because the efficiencies will be in place and more, product or services will be going out the door immediately.

Setting Performance Standards and Budgets

Understand clearly how much something should cost or how long something should take - use this then as a benchmark to performance.

Bottom Line

It is to everybody's advantage if you can reduce costs-per order. It's better for you, and better for your external service provider. So that's pretty important. You need to set up key guidelines and benchmarks for your strategic partners.

You can't blame outsourcing companies if you haven't kept them accountable by setting targets.

Get The House In Order

ACTION PLAN

1. *Set up an operations system right now.
Who needs to be involved? What should go into this system?*

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2. *What are the performance standards for each in the system?*

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6. *The Buck Still Stops With You*

The misconception is when people outsource so much and forget that the actual buck stops with them.

We had an example of this recently with a forwarding company that we use, and in this particular instance it was very easy for us because it was "out of sight, out of mind." And we fooled ourselves into thinking that having outsourced the job, we didn't need to think about it any more.

But mistakes started to happen inherently in their system and a few items that should have gone to one location went to another one and products were part-shipped. The problem with that is that although we had nothing to do with the mistakes, the customer dissatisfaction came to us and counted against the reputation of our company.

In our business the packing, dispatching and presentation of our diaries is very important because we like to make sure that products are beautifully packaged and presented in a first class way.

To merely say to outsourcing companies, "Send out all these diaries" does not reflect customer expectation so we need to make very clear that we want a first class mailing.

Your outsourcing company needs to understand your companies culture and beliefs to ensure they treat your customer the same as you would.

Reporting Systems

What are the reporting systems you need to put in place to ensure the outsourcing is done right first time? How often? In what form, ie. email, verbal, fax or on a spreadsheet?

Be Responsible - Delegation Still Goes With The Delegator

Just because you're not doing it physically, doesn't mean that it's not your responsibility. How have you explained the task to the person? Have you communicated clearly?

I always recommend:

- **Outline Goal**
- **Give Detail**
- **Repeat Goal**
- **Ask for understanding by having them repeat it back to you.**

Bottom Line

Even though the outsourcers physically do your work, your name - not theirs - is on the line and linked to the mistakes. Therefore you need to have key performance indicators in place to check on them.

Maybe you should occasionally send a staff member to their premises to go over the process and oversee how they're doing things, or order an item to see how it is shipped to you and in what timeframe. Mystery shopping is a great way to keep them "on their toes".

7. Let Go of Perfection

This is going to sound very contradictory to the last point, so let go of perfection. How can you possibly outsource unless you let go of perfection?

"I'm A Control Freak"

We had to go through this teething problem this year when we had to move into outsourcing. The people we hired did it differently from us - it's neither right nor wrong, it's just different.

For a while, I felt strange about that. I had to admit that there may actually be some better ways than than how we do it. We really thought that we were the only people who could do the jobs properly and the only way to do it right was our way - and that's just not true!

Welcome new suggestions

Face it - the way you have done it may not be the best way, it's just *one* way. So welcome ideas from others, and let them come up with the ideas rather than smothering their creativity.

So let's let go of perfection when perfection's not called for. When there's really no value-add, where there's no benefit in us doing it to the "Nth degree" let's stop, because the customer may not put a value on it - and more so the customer will not pay extra for it.

Bottom Line

Let go of perfection and understand there may be a better way around the corner if you keep your mind open to it. What tasks do not need to be done initially at the "nth" degree, where would 9/10 be ok?

8. The Stuff We Can Outsource

The Entrepreneur who understands the value of their time understands the reason behind the outsourcing of tasks. Entrepreneurs by their very nature are creative people with a dream, an idea, but they are not good at implementation.

Having recognised this in myself has allowed me to be free to outsource without guilt - thus allowing me to develop my businesses. (Entrepreneurs sometimes feel very guilty that they're not in the business. I still feel guilty about the fact that I don't necessarily go to the office every single day, which is kinda weird!)

We can't be good at everything. Successful entrepreneurs know this and thus align themselves with people who can make it happen for them without them having to do it all for themselves. There are people around who are better at certain tasks than we are - they are better at warehousing, better at dispatch, better at packing, better at whatever else - and recognising that is pretty fundamental to outsourcing.

Here are some of the business things than can be outsourced:

- **Business planning** - *(in tandem with a coach)*
- **Creative execution** - *(like artwork, brochures and websites)*
- **Distribution** - *(warehousing, packing, dispatching)*
- **Secretarial services** - *(answering the phones, typing letters, emails and faxes)*
- **Database** - *(set up and data entry)*
- **First prospect contact** - *(that could be telemarketing in terms of getting to the prospect and getting the appointment - after which the outsource company bows out and hands the client over to your sales person)*
- **Bookkeeping**
- **Accounting services**

Moving into personal activities, the entrepreneur understands the value of time not only in the office, but also at home and there's no point in doing low-income (or no-income) producing tasks around the house:

Personal Outsourcing To Get "Freedom"

- Domestic cleaning
- Ironing
- Food shopping
- Lawn mowing
- Car-washing and maintenance
- Health management
- Personal fitness trainers
- Dietitians
- Reflexologists
- Masseurs
- Facials

All these sorts of things that enable you to feel great so that you can act at your peak level.

Bottom Line

Outsourcing gets rid of the stuff that doesn't add up to a lot of money that you can divert our attention to developing the invisible capital that's in your business, the stuff that really is the saleable commodity, the intellectual property of your business.

The Stuff We Can Outsource

ACTION PLAN

Start making a list - The things you can outsource in your business and personal outsourcing to give you freedom.

1. Business Outsourcing:

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2. Personal Outsourcing:

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3. What would be the payoff initially and in time?

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Brad Tonini has had over 12 years experience running his own businesses - **NGT Executive Diaries** is one of Australia's leading Diary / Organiser companies whilst **Tonini Business Coaches** runs workshops on Time Management and Entrepreneurship. Brad also writes monthly newsletters and delivers many keynote presentations at conferences each year on business building strategies.

Brad is the publisher of the highly practical and successful newsletter "Time Management" and has written two books "Time for Life" and "Make it Happen NOW!".

Tonini Business Coaches has numerous businesses coaching clients who work with Brad to achieve their personal goals and the goals of their organisation.

There are three levels of coaching available to small and medium sized business:

- **Platinum Coaching Program**
- **Gold Coaching Program**
- **Silver Coaching Program**

Depending on your preferred investment level and outcomes you are striving for, we can tailor-make our coaching to your needs.

Coaching packages can consist of face to face visits as well as telephone consultations to fax, email and phone support month to month.

In each individual coaching session a number of outcomes will be achieved:

- A review of previous actions from the last coaching session.
- An overview of the current business situation.
- Strategic decisions that need to be under-taken.
- Brainstorming for a range of solutions
- New actions developed for next month's coaching.

A number of areas can be covered in the monthly coaching program:

- A Strategic Game Plan for the business.
- A Business Success Audit.
- Cash flows, budgeting and projections.
- Marketing the Business
- Developing a C.R.M. (Customer Relationship Management System).
- Personal and Team issues
- Entrepreneur Leadership issues
- Customer or Supplier issues

What Clients Say About Brad:

"On behalf of the Australian Institute of Management and the City of Manningham, I would like to take this opportunity to express our thanks. The feedback has been excellent, and the evaluation forms are indicative of how well you presented the evening"

Judy Brook - Corporate Membership
Australian Institute of Management

"Just a short note to thank you for the terrific job you did for Corporate Express this year. The feedback from the twelve branches you visited has been very positive."

"As a result of your animated and enjoyable training sessions I am sure we will get even more people volunteering for your sessions in the future."

Sentoria Blackwood - National Training Manager
Corporate Express

".....As the workshops were held in November and December, the staff were able to start the New Year in a more effective and productive manner."

"The Workshops were of great benefit and thoroughly enjoyed by all those who attended"

Jennifer Claudet - Bondor - Sales Support/Administration
James Hardie Building Systems

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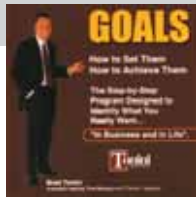
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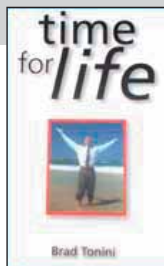
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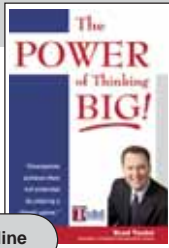
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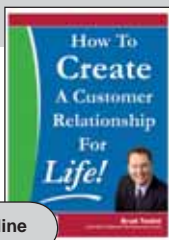
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“How To Create A Customer Relationship For Life” is an action oriented program aimed at building a wall around your customers as well as attracting new ones.

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Outsource or Perish

“Outsource or Perish” will show you how champions grow their business by being smart.

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www.toninicoaches.com.au

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