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A primer for outsourcing

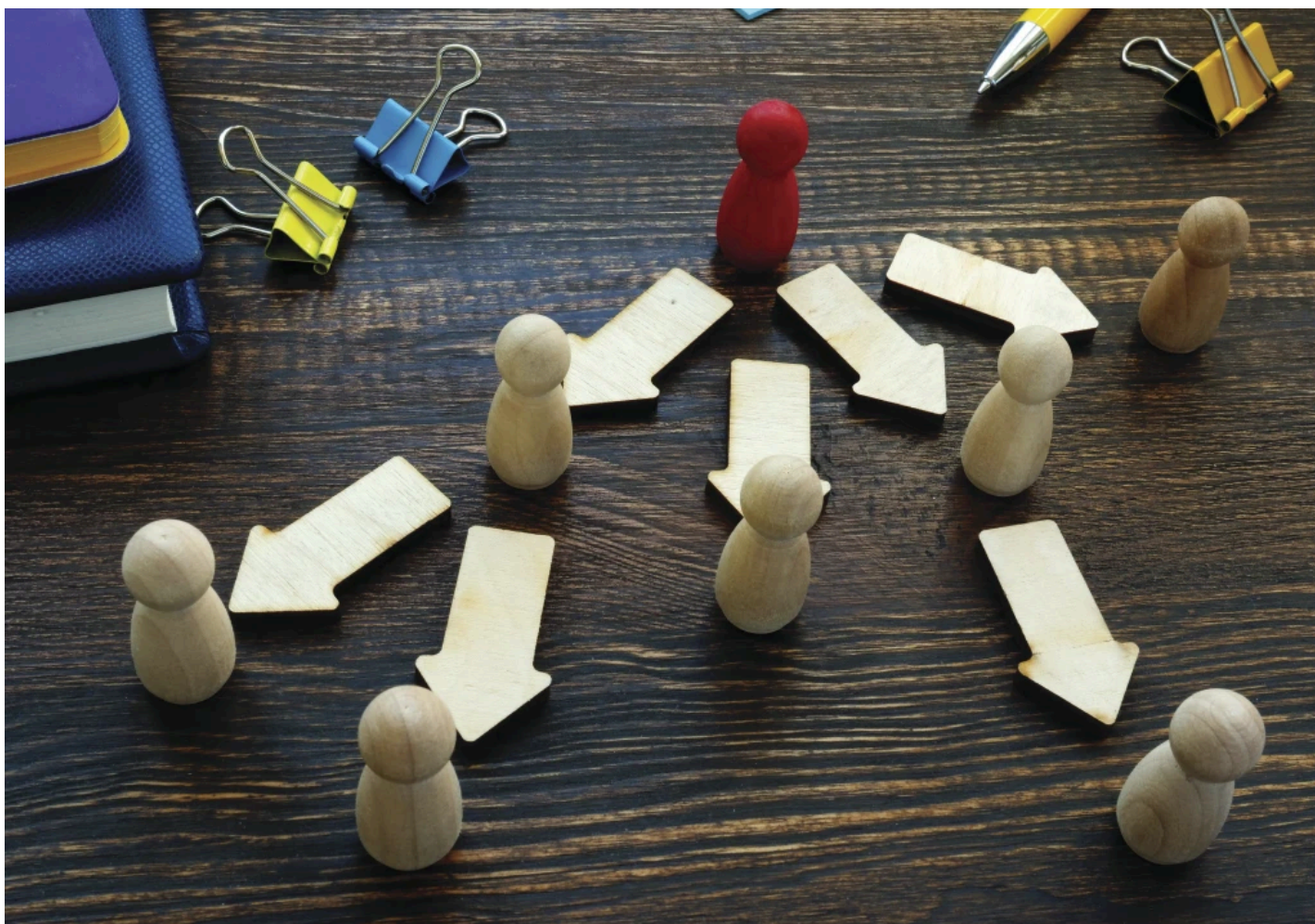
By [Antoinette Alexander](#) February 03, 2025, 10:00 a.m. EST 9 Min Read

Sherwood Tax and Accounting owner Kristen Keats was no stranger to outsourcing when she co-founded a Guadalajara, Mexico-based accounting staffing agency about four years ago to help supplement and support her home team in Oregon.

Having previously worked for a firm that outsourced to a team in India, Keats understood the benefits of outsourcing. She also understood the challenges that can arise.

"We had heard that Guadalajara was a great place as far as the number of universities that are there and just the number of people. It is called 'the Silicon Valley of Mexico,' so we were excited that it has more of a technology [focus]. So, we looked at expanding into Mexico," said Keats. "In 2021, I, with my partner, started Cadencia, the outsourcing firm that now has staffed for our firm but we also work with other accounting firms as well."

Today, Cadencia employs 45 associates, of whom four are dedicated to supplementing the staff at Sherwood Tax and Accounting in Sherwood, Oregon.



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Establishing an outsourced staffing agency like Cadencia may not be the preferred route for many U.S.-based accounting firms; however, there is no denying that more and more firms are exploring how outsourcing in some capacity, whether domestically or overseas, can help them broaden bandwidth and better serve clients.

"[Outsourcing] was almost like a dirty word, I would say, like five years ago," said Keats. "It was always thought of in a bad light, in my opinion. And now I definitely feel like that has shifted. I feel like it has become more accepted and there is more understanding, more openness to thinking about it, I think, in the industry. If nothing else, out of sheer necessity."

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Laurence Whittam, founder of South Amboy, N.J.-based Impact Global Solutions, which provides outsourcing-related consulting and implementation services, agreed and said, "[Outsourcing] is definitely a moving area. A lot more firms are really interested in it and



Further highlighting the growing interest in outsourcing, the American Institute of CPAs' 2023 National Management of an Accounting Practice survey found that roughly 40% of respondents said they planned to outsource work domestically, and 35% planned to use offshore talent in the future. Among the top-performing firms, 52% said they planned to use offshore talent and half were looking to outsource work domestically.

Finding an outsourcing model

The findings come as little surprise given the staffing constraints that are facing the profession due in part to seasoned professionals eyeing retirement and a dwindling pipeline of new accounting majors and graduates entering the profession.

That being said, it is important to keep in mind that outsourcing entails more than simply broadening the talent pool. To achieve success, firms must have a strategy in place and be aware of the outsourcing models that are gaining traction.

1. Onshoring model. Onshoring is essentially outsourcing work domestically. Onshore outsourcing can be achieved by collaborating with a local entity to handle specific tasks or using gig workers. Some firms may also turn to a contracting vendor to find U.S.-based contractors who can work closely with the firm.

Onshore outsourcing can ease compliance concerns as the talent is well-versed in U.S. regulations and has a clearer understanding of U.S. business practices. However, firms may find there are limitations to the availability of qualified candidates in today's competitive labor market.

2. Nearshoring model. Nearshoring is outsourcing work to a nearby country, such as Mexico or Canada. One of the biggest advantages is the close proximity of the outsourced talent. This makes in-person meetings easier, if needed, and the time difference minimal — maybe only an hour or two, if any at all. And compared with domestic outsourcing, it may be easier for firms to find available talent.

3. Offshoring model. Offshoring is similar to nearshoring; however, the talent is located much farther away, typically on a different continent. With that can come significant differences in time zones, cultural differences, and perhaps language barriers — all of which must be considered by a firm looking at offshoring.

India has emerged as one of the most popular countries for offshoring due in part to the lower labor costs, strong English proficiency, and expertise in tax, accounting and audit services. The Philippines is also a popular choice for outsourcing accounting services, and South America is rising up on the list.

However, the differences do not stop there. As Whittam explained, there are "a spectrum" of approaches when it comes to outsourcing.

For instance, some firms may opt to build their own captive, while other firms may choose to work with a business process outsourcing services provider to handle certain business functions or processes. There's also the employer-of-record model, which is when a firm contracts with a third party to hire talent on their behalf and the third party handles payroll, compliance, and perhaps infrastructure like office space and equipment; or a firm may want to leverage a traditional full-time employee outsourcing model, in which the candidate will work for only the contracting accounting firm.



Hitendra Patil, CEO of Miami-based consulting firm Accountaneur, agreed, and said it is important that firms first determine what it is they are looking to achieve. "What is the purpose of outsourcing? Is it just an inability to hire locally and volume is growing and you need to make sure that you have enough people, hence, you are outsourcing? So there are multiple ways in which a firm decides on how to create that capacity. Ultimately, outsourcing or not is technically a decision of capacity planning," he said.

As outlined by Patil, firms that are trying to determine if it is time to outsource may want to ask themselves such questions as:

Is the firm consistently missing deadlines? If yes, this can be a sign that staff is stretched too thin.

Is it hard to hire new staff and is staff turnover on the rise? If so, staff may be overworked, overwhelmed, and becoming disillusioned with the profession.

Does the firm lack capital for growth? Outsourcing can save firms money and time, enabling them to fuel profitability.

Is the firm turning down new clients or not getting new clients? If yes, outsourcing can help expand capacity so the firm can provide more competitive, value-added services.

Employ best practices

As previously noted, outsourcing involves more than simply expanding the talent pool. To help firms achieve success, there are several important best practices to consider before diving into the outsourcing waters.

Kane Polakoff, a principal and CAS practice leader at New York-based Top 100 Firm CohnReznick, suggested talking with peers who are outsourcing to better understand the lessons learned. "Don't just jump in to jump in," he said. "Take the time before you go ahead and start that process. Start small. Of course, determining whether you want to do a captive, or you want to do a third party, or you want to do both. You need to have those discussions too, and then determine what that roadmap is. You definitely want to come up with a good plan and then execute on that."

According to sources, steps to consider when embarking on the outsourcing journey include, but are not limited to:

- Define the firm's objectives.
- Assess internal processes and take steps to improve efficiencies.
- Establish and maintain comprehensive process documentation to help ensure consistency and compliance.
- Establish strong lines of communication and foster relationship-building between the firm's home team and the outsourced talent. For instance, conduct regular video conferences and/or on-site visits.
- Invest in training to help the outsourcing team enhance their skills and gain a better understanding of the firm's processes.
- Ensure the necessary technology infrastructure and software is in place, such as a project management system to help track projects, tasks and schedules.

Successful outsourcing also involves making sure the right security protocols are in place. This means, for instance, ensuring the secure transmission of data and using two-factor authentication to authenticate users, and limiting access control so only authorized individuals



"I know that it feels scarier to have that [talent] located outside of the U.S., but in reality, I believe, it is really no different than having a remote employee in the U.S.," Keats said.

Embrace transparency

Some accounting firms that outsource work may have clients who are concerned about data security, compliance issues, lack of expertise, and language barriers (when offshoring), among other potential issues. The key, according to sources, is to be fully transparent.

"Today, we are very transparent. ... We have a global capacity, a global operation, and here's what we do and here's how we do it. So that is an expectation that we set with our clients from the beginning and it's understood. We really don't have much of any push back on that," Polakoff said.

Added Polakoff, "I think the worst thing that you can do is to go ahead and do it but you don't share that with the client, because that will come back and haunt you."

Keats agreed: "When we initially started working with the [outsourced] team, I did a video that got sent out to all of the clients. We were extremely transparent about it. ... In the beginning, we actually allowed clients to opt out of it. We said, 'You can opt out of it but you have to pay a higher fee,' and some folks chose to do that. There were some folks that left us. There were some people that just were not comfortable with it at all."

Today, the firm no longer allows clients to opt out of outsourcing the work, as it became too difficult to segment the client base. All existing clients have transitioned and new clients are informed during the first phone call to ensure full transparency.

"Just remember that these are human beings. I think sometimes firms tend to think of outsourcing as this monolithic strategy or solution for things. It is good to be reminded that the individuals that you will be interacting with — whoever you go with, wherever they are in the world — are people who are all learning, want to do a good job, and want to advance; they want all the same things that we all do," said Keats. "So I think that is a good thing to keep in mind — to keep the humanity at the forefront when you are thinking about outsourcing."

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