

## THE BAFFLING STATE OF OUTSOURCING

Only 5% of CPA firms in the U.S. planned to outsource a meaningful amount of their 1040s in the 2007 tax season. This is based on responses from 281 firms in the 2006 Rosenberg MAP Survey. This rejection of outsourcing occurs despite several compelling factors to do so:

1. Business is booming for CPA firms. Availability of staff accountants is at an all time low. Outsourcing would seem obvious as a partial solution.
2. Today's staff focus more on work-life balance and nothing threatens the achievement of that balance like the tax season does. Outsourcing presents firms with a perfect opportunity to take the edge off the tax season.
3. Thomas Friedman, in his book *The World Is Flat*, presents persuasive evidence that outsourcing is a trend that's here to stay. As the Borg in *Star Trek* say, "Resistance is futile."
4. Our national CPA firms have embraced outsourcing. If outsourcing is good enough for them, shouldn't it be acceptable to smaller firms?

### Why smaller firms don't outsource

This year, we polled firms on *why* they are *not* outsourcing. The most prevalent reasons:

- Clients' negative attitudes
- Poor quality
- Confidentiality and security concerns
- No meaningful cost advantage
- Patriotism; a feeling that the work should be done in the U.S.

### How pro-outsourcing firms overcome these obstacles

We polled the few firms in our survey who were *active* in outsourcing. Here is how they overcame the obstacles:

**It's all about staffing:** Firm after firm told us that the main reason for outsourcing is to take the edge off the tax season for the staff. Even though there may be other important reasons to outsource, this factor is #1.

**Poor quality:** "Outsourcing is no different than using a staff person down the hall. We don't expect perfection."

**Negative reaction of clients:** Almost no problems experienced by outsourcing firms.

**Confidentiality and security concerns:** All felt comfortable with this. Some pointed out that confidentiality and security were no more of a concern for work outsourced to India than in their own offices.

**Don't see a cost advantage:** It may not be significant enough to impact your decision to outsource, but it's pretty clear that there are cost savings.

#### How long will it take before firms embrace outsourcing?

With no end in sight of the boom market and the staff shortage, it's only a matter of time until outsourcing becomes standard in the CPA profession, just like going paperless, using PCs, the demise of the "up-or-out" philosophy, the legalization of marketing, daily time sheets, investment advisory services