

Start-ups Need to Focus on Their Business, Not the Back Office

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Systems create success. We have seen this time and again with small businesses, larger businesses, and especially start-ups. If you can find a way to systematize your back office processes, then you can stop worrying about day-to-day operations and focus on building your business. Properly designed systems take care of themselves.

This especially applies to start-ups. Start-ups usually operate on a shoestring, which means everyone doubles in brass. That means the routine tasks of payroll, accounting, etc., are taking away from the core business. The smart business owners know they don't have to do everything themselves, but can rely on outside experts to take a lot of the routine tasks off their shoulders.

That is why it is so surprising that so many entrepreneurs get bogged down by back office processes. When an entrepreneur gets funding for his idea and gets the company off the ground, his first mistakes are usually in dealing with the minutiae of running the business itself. Either they spend too much time and energy trying to create back office processes that aren't effective or, worse, they ignore them altogether. That's why they need outsourced accounting.

It's amazing how many start-ups we work with that have not taken the time to set up proper payroll or bookkeeping procedures, and struggle with routine hiring and personnel issues. We have come in to clients who don't have the proper paperwork in place to deal with their payroll, or who fail to report properly to the Employment Development Department. We even have some clients who think they don't have to file tax returns because they aren't making a profit.

Failing to set up your proper bookkeeping or human resources protocols at the outset only creates a mess you have to dig out from later. Consider what happens if you rely on venture funding or even private backers. At some point they will want to examine the books to see how you are doing. Or you will need a second round of funding which means you will have to reveal your financials as part of your business plan. If you haven't implemented proper accounting procedures, you can't share your financials in any way that will promote growth. More importantly, you can't extract intelligence from your books to see if you are on track.

Here are just a few reasons to consider finding outside help with your back office systems:

Cost

Handling your own accounting/payroll or HR may mean building and maintaining your own staff. That means added overhead, which a start-up clearly doesn't need. By renting your back office experts rather than hiring staff, you pay for only the time required to complete the services needed, and you save money in the long run.

Removing Non-Core Activity

This is probably the most compelling reason. You don't want to be distracted by the bookkeeping because it takes attention away from building your business.

Reduce People Management Issues

Outsourcing removes the personnel problems. You don't have to advertise or recruit, interview, hire, train, etc. Instead, you get people with ready-made expertise, on demand. You don't have to worry about training or building new systems from scratch.

Working With Experts

Working With Experts: If you outsource your HR, accounting, and back office functions, then you are getting the most highly trained talent available. Accountants and HR consultants need to stay current on the latest tax codes, rules, and regulations. They need to stay abreast of new laws as part of their certifications, which means they have the latest information at their fingertips to help you comply with the law and save money.

Hiring an interim bookkeeper or even an interim CFO can go a long way toward getting you off to the right start. A smart financial executive or even a talented bookkeeper can make sure you have your records in order, are filing the proper paperwork with the proper agencies on time, and help you set up business-critical processes so you don't get off on the wrong foot. They also can design customized systems that not only help you stay on track, but make it easier to extract the information you need to make sure you are headed down the right path.

So if you are starting a new company or have just launched a company, don't neglect the back office details. But that doesn't mean you have to sweat the small stuff; you can get someone else to deal with it for you. Just make sure they know what they are doing and document everything so you can transfer responsibilities as your company grows.



Gail Merz is Pacific Crest Group's Director of Employee Development and HR departments, and our resident human resources expert. She currently manages and operates many medical practices in the Bay Area. Before joining Pacific Crest Group, Gail spent eight years in medical office management handling recruiting, staff training, managing patient relations, and overseeing finances. Gail holds a B.A. from San Francisco State University.

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