Beyond Outsourcing: Five Shared-Service Ideas

If you aren't sharing services, you're neglecting a key way to cut costs and boost productivity.

By Ron Matan

In the 1980s and '90s, nonprofits focused on outsourcing—vending out entire operations or departments, such as accounting, fundraising, records administration, program evaluation, and the like—to conserve resources. Outsourcing saved considerable amounts of money, particularly in the areas of labor and related employee benefits.

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Today nonprofits are turning to the concept of shared services as an even more effective form of outsourcing. The idea of shared services is similar to outsourcing except that instead of vending services to outside groups, several nonprofit organizations join together to share resources and streamline functions.

Sharing services isn't just consolidating similar activities in one location. When services are shared, professionals serve a group of similar organizations at a cost and quality that wouldn't be possible if each organization was left to its own devices.

Five Ways of Sharing

Let's discuss five areas where you might consider sharing services to improve efficiencies and effectiveness while controlling costs:

1. Shared Spaces. Nonprofit organizations can obtain better physical facilities at less cost by jointly leasing or purchasing space. If they buy space, the participating organizations share the equity appreciation afforded by ownership. If they buy a building larger than they need, they can lease space to other nonprofits at affordable prices.

2. Human Resources. Several organizations can share the services of a human resource department, which can protect against lawsuits and discrimination complaints and keep them abreast of increasingly complex state and federal laws. The shared human resource function may also offer less costly employee benefits, such as health insurance, life insurance, disability, dental, and retirement plans.

3. Internal Audit. As the Sarbanes Oxley Act continues to trickle down to nonprofits, another opportunity for shared services is internal audit operations. Audits are useful not only to meet public and government accountability expectations but also to point to areas where you can be more efficient, thus saving money, and more diligent, thus avoiding fraud and financial misuse.

> Outsourcing has been replaced by the concept of shared services.

4. Information Technology. IT departments are extremely costly to maintain. Through sharing, several nonprofits can obtain quality IT services at reasonable prices. Sharing also makes it possible to standardize hardware and software while reducing training, maintenance, upgrades, programming, and other IT expenditures.

5. Accounting. Small nonprofits are usually constrained when it comes to accounting talent, especially at the CFO and controller level. By sharing a CFO's services, nonprofits can receive high-level accounting services at prices they can afford.

Take the Long View

Many nonprofits function day by day without positioning themselves for emerging trends and challenges. It's important to think strategically, preparing for the opportunities and obstacles you'll face. Embracing the concept of shared services will help your organization be more efficient in any economic climate. ■

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RESOURCES

Muehrcke, Jill, "How to Partner for Success," *Nonprofit World,* Vol. 24, No. 6.

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