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The Many Virtues of Virtual Services

You can outsource almost any function over the Web

The young founders of Manhattan's StockObjects don't need a pep talk on the power of the Internet. That's where they make their living, marketing a Web-based library of animated pictures, 3-D models, and other multimedia elements for companies' Web sites. And when they need to custom-produce projects for their library, they hire programmers from around the world -- again, over the Internet. So when StockObjects wanted some Net-savvy financial help, Chairman and President Mark Tribe turned to a Net-focused accounting firm for help: Virtual Growth Inc.

The firm, also in Manhattan, offers clients such as StockObjects the services of a chief financial officer, controller, and accountant over the Net. For example, as part of the "Virtual CFO" service, StockObjects Chief Operating Officer Jeff Phillips plugs quarterly financial data into an Excel software template set up by Virtual Growth, and the program generates a balance sheet and cash-flow projections. Phillips E-mails those spreadsheets to the firm, where an assigned CPA interprets the data and advises the company on strategy. Besides acting as CFO, Virtual Growth does traditional accounting work, files tax forms, takes care of payroll, and pays the bills. The total cost: \$1,700 a month. Granted, it's not quite the same as having a full-time financial staff. Business communications are handled mostly by E-mail and telephone, along with periodic face-to-face meetings. But hiring a full-time CFO could cost \$100,000 or more. StockObjects President Tribe says the arrangement works well for now. "They're not a substitute for a CFO -- they're allowing us to go longer without one."

"GOT TO BE CHEAPER." It's the latest twist on outsourcing: Small businesses are starting to get help from virtual services camped out on the cyber-frontier. Do a little surfing and you'll find "virtual assistants" who word-process, plan events, and handle other office chores over the Net; online consultants who dispense advice by E-mail; a computerized transcription service; and human-resource management companies that let you tap into expensive software for managing employee benefits. These virtual service providers will probably never shake your hand. The bulk of their work will be done by E-mail, electronic file transfers, password-protected Web sites, and Web-based software.

Although the move to "virtual services" is in its infancy, small-business consultants say these services are worth considering. Outsourcing, in general, can cost 50% less than hiring a full-time employee, according to Hackett Group, a Hudson (Ohio) consultancy. And Bill Ebeling, a partner at Boston's Braxton Strategy practice of Deloitte & Touche Consulting Group, predicts that more services will be migrating to the Web soon -- particularly those that rely on databases -- because of its greater speed, convenience, and lower cost. "If you can program something, and it fits 75% of business situations, it's got to be cheaper than a human being," says Ebeling.

Such thinking propelled Stephen King to start Virtual Growth in December, 1995, figuring he could focus on financial strategies for his clients while letting software handle the donkey work. "Clients don't want to pay for bank reconciliations and sales-tax calculations, they want to pay for consulting advice," says King, whose 17-person firm serves about 50 small businesses, most of them new media startups in New York, Boston, and Phoenix.

Another new service that hopes to capitalize on savings from technology is Falls Church (Va.)-based V.com LLC, which was launched in mid-August. The firm has created a database of federal Occupational Safety & Health Administration regulations that will let clients design their own compliance program rather than pay a consultant. At V.com's Web site, you fill out a questionnaire, and the database spits back both a compliance checklist, tailored to your business profile, and a schedule to follow to stay within the law. Fees are expected to range from \$550 to \$1,000 a year, depending on the number of users at a company.

Although the system won't alert you automatically when regulatory changes take place, V.com's attorneys will update the database frequently, and clients can check in to get updates on changes. "We could do this thing by hand, but we'd have to charge about 10 to 20 times what we're charging," says Managing Partner David C. Frankil.

"TO DO" LISTS. Need some secretarial or administrative help? Thanks to the Internet, virtual assistants, who often work from their homes for customers they never meet, might make your business run more smoothly. For fees ranging from \$15 an hour and up for word processing to \$50 an hour for more sophisticated services, such as event planning or publicity, virtual assistants handle business by E-mail, file transfers, and Web sites. For example, at the Web site of virtual assistant Chris Durst, owner of My Staff in Woodstock, Conn., clients can check virtual calendars, where Durst has scheduled their appointments, or get reminders on their "to do" list, which she keeps current.

Meanwhile, Branch Office, owned by Amy Sarai in Bridgewater, N.J., and her sister JuLie Hewett in Huntington, W.Va., works with about 30 clients, some as far away as Japan. Client Robert Horowitz, a Stamford (Conn.) investment adviser, uses Sarai to supplement his part-time office help. "Amy is doing things for me that someone who's not in the virtual world can't do, like searching the Web and managing E-mail," he says.

Another new service hardly depends on human contact at all, thanks to voice-

recognition technology. CyberTranscriber lets clients such as Tom Thees, owner of the Pinnacle, a 120-employee company that owns three meeting and banquet facilities in Toledo, dictate letters and memos from his cellular telephone anywhere, anytime. Operated by Speech Machines of Menlo Park, Calif., the service's computers translate speech into text at 120 words per minute. After proofreaders check for misspellings, the text is E-mailed back to the client. In addition to a monthly subscription fee (table), Thees pays about \$3.50 a page -- the same as a local transcription service -- but gets it back much faster.

Smaller companies are just starting to go online for access to the type of sophisticated human-resources software big companies use. Employease Inc. in Atlanta is marketing a new service for small and medium-size companies that manages benefits information on its computers. Company employees can log on to a password-protected Web site to change or update benefits information, and a company can analyze data to see how it is utilizing benefits. At \$1 to \$4 per employee per month, plus setup fees, it's cheaper than buying your own software system, which can run upwards of \$100,000. And you don't have to install, maintain, or upgrade it.

HOMEWORK. In some cases, traditional outsourcers are starting to offer a new Internet option as a convenience. Roseland (N.J.)-based Automatic Data Processing Inc., a big-payroll processor, plans to bring its service online in the coming months. Clients will be able to log on to ADP's Web site and enter all the relevant information on employees' hours right into ADP's payroll database. Now, the majority of ADP's 40,000 customers call in their payroll information.

If you're interested in finding virtual services, be prepared for a little homework. Try using an Internet search engine to browse under specific topics, such as accounting, or inquire about virtual services with the relevant trade groups. Checking references becomes particularly important when you can't meet your virtual providers in the flesh and have only their Web site to go by. And, as with any outsourcing, there's no free ride. "Remember," warns Heather Ashton, an analyst with Hurwitz Group, a Framingham (Mass.) consulting firm, "the function still requires management." Or, should we say, virtual management?

By Anne Zieger in Reston, Va.

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[Back to top of story](#)
To: [TECHNOLOGY](#)

[Back to top of story](#)
To: [TECHNOLOGY](#)

Virtual Outsourcing


Cyberspace services are just coming online. Here's a sampling of Net-based resources that might help manage your business.

Name	Phone/URL (www.)	Service	Fees
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Cyber Transcriber by Speech Machines	(650) 568-1500 cybertranscriber.com	Phone-in dictation / transcription	\$29.95 registration fee, plus \$9.75 per month; \$3.50 per page
Employease	(888) EASE-NET employease.com	Internet-based system for human-resources management	Setup fees of \$250, plus \$5 per employee; \$1-\$4 per employee monthly
Global Association of Virtual Assistants (GAVA)	(908) 231-0994 gava.org	Trade group maintains directory of Net-based administrative assistants	None for referral. Assistants charge \$20 an hour and up
Virtual Growth Inc.	(212) 532-8060 virtualgrowth.com	Functions as accountant, controller, and CFO	Depends on volume. Current clients pay \$1,000 to \$4,000 a month
V.com	(703) 533-5550 v-osha.com	Creates customized compliance plans to meet federal OSHA regulations	\$1,000 or less per year, depending on number of users in a company

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[Back to top of story](#)
[To: TECHNOLOGY](#)

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