

# The Outsourcing of HR Technology

**Industry experts share the state of the industry and offer insights on successful implementation and outsourcing.**

**Daryl Ashley**  
*VP of Strategy and Solutions,*  
*Workscope*



While the term outsourcing may be relatively new to HR, the practice of hiring outside service providers to handle HR tasks has occurred for decades. Increasingly, corporations across the globe outsource more HR functions.

While Workscope has seen significant interest in outsourced HR services, we have noticed that most corporations do not outsource all of their HR functions. While some very large corporations, those with over 25,000 employees, are able to realize the cost savings needed to drive total outsourcing of HR and enjoy a single point of accountability, most corporations find that their best approach is to outsource selective HR functions.

The decision to outsource a particular HR service depends on the importance of that service. For example, there are a number of questions that should be considered:

- Is the HR function in question truly a strategic activity?
- How well has this HR service been provided in the past?

The most likely candidates for outsourcing are the HR services that are not strategic and those services that need improvement. As many HR staffs have been reduced over the past few years, there is a significant trend towards leveraging outsourcing service providers' expertise rather than building that expertise in-house. HR processes that are highly repeatable, are similar for most businesses or industries, or have highly fluctuating volumes because of seasonality or other business events, such as annual benefits enrollment, are generally much more successful in an outsourced environment.

The advantages to outsourcing all HR functions with one outsourcing service

provider are the ability to negotiate lower fees and the convenience of managing just one service provider over the life of the contract. The advantages of selectively outsourcing HR functions is the ability to choose HR services based on their quality and fit with the corporation, rather than accepting what the single outsourcing service provider has to offer.

**Arlene Hammel**  
*VP of Marketing, Genesys*



The main theme that Genesys is observing from the many companies pursuing HRMS outsourcing strategies today is balance. Companies want to leverage the benefits of outsourcing but in a way that makes sense for their organization. Taking a blended approach to outsourcing their HRMS functions allows them to retain levels of responsibility in managing their business and also to off load administrative functions that enable them to focus on core business strategies.

The important thing to remember is that there is no one right way to implement an outsourcing strategy, which companies are increasingly recognizing. An end-to-end solution may be advantageous for some organizations, but not all companies can benefit from an all or nothing approach. More often, Genesys works with organizations to identify what is unique about their organization; what kinds of goals they are trying to achieve; what processes are working well that they want to maintain; what is not working any longer and then develop an appropriate solution to help them meet their goals and objectives.

No matter what level of outsourcing solution companies seek, they are not asking for "cookie-cutter" solutions. They are asking for flexibility and creativity from outsourcing providers to determine a shared solution with designated responsi-

bilities.

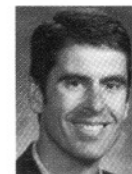
Some of the advantages outsourcing HRMS functions include:

- Access to the latest technology.
- Staff resources can focus on core business initiatives.
- Reduced costs and preservation of capital, which in many cases translates to no maintenance fees; free upgrades; no hardware infrastructure; no license fees; no implementation fees; externally supported software.

The disadvantages include:

- Some providers do not offer solutions and services that are highly configurable to the way organizations want to do business.
- Concern that service delivery will not offer the level of responsiveness that matches a company's requirements.
- Potential hidden costs in provider's pricing model.

**David Ludlow,**  
*VP, HCM Solution Management, SAP*



HR processes are a key component in the portfolio of services such as email and network management that companies are increasingly beginning to outsource. The primary services that often qualify for business process outsourcing (BPO) are those that are common across multiple companies and industries and generally do not add to their competitive advantage. While payroll has long been a mainstay of a company's outsourced portfolio, there is a rising interest in outsourcing HR administrative processes as well, with the assumption being that they are also part of a generic company process that does not contribute to overall company strategy. Often, companies are wary to outsource a central business process for fear that they are surrendering their "house keys" to a third party, which may jeopardize their business. With HR, we find less of this hesitance.

Other key drivers we are seeing for outsourcing versus in house management are cost reduction and increased business value. Transferring HR business functions to out-

side vendors frees a company's resources in the number of employees that can be dedicated to a particular task. Eliminating these non-core business processes enables a company to concentrate more on strategic business drivers while reducing costs from unbalanced human expenditures. In addition, outsourcing can bring an enhanced skill level to a particular task. If a company is inexperienced in running an HR process, it can defer to experts in the field who can run it at its most optimal level.

Currently, we find most of our customers keeping the HR function in house, but distributing basic tasks on their own or consolidating traditional HR administrative tasks into shared service centers. This functionality, coupled with pre-configuration and delivered by vendors provides the basis for self-management.

But while the number of companies that have actually made the move to HR outsourcing is still relatively small, SAP expects increased movement to these models in the coming years. For HR outsourcing to work, trust is still key. As vendors start to build reputations through early successes, it will prove to customers the viability of both the business model and of service level agreements. ■