
How HR Outsourcing Can Improve Business Efficiencies

As the complexities in HR have grown and the service delivery of HR department has shifted, companies have broadened the scope of HR services that are being outsourced. Once traditional payroll and benefits administration back office transactions have given way to large HRO and BPO (Business Process Outsourcing); deals in which entire HR departments are shifted to the third party outsource provider (TPO). Senior HR executives as well as CEOs and CIOs have embraced the concept of outsourcing of HR administration. All types and sizes of organizations have recognized the appeal of HRO. Once only considered by Fortune 100 global firms, it is now a very hot commodity for midsize organizations. Clearly HR Outsourcing has gained traction and is no longer reserved for early adopters. Today many companies are catering to mid-size companies with 5,000-10,000 employees as the benefits of outsourcing become more evident.

- Less administration
- More proactive problem solving
- More strategic workforce management
- More counsel to leadership on HR best practices and business – HR alignment

It is most beneficial for companies to outsource their non-core competencies and focus on the more strategic aspects of HR such as new program creation, competencies, performance management, workforce management and distance learning. By outsourcing their most non-value added activities and forming a business partnership with their outsource provider companies may allocate their efforts toward the more strategic initiatives in direct support of the company's goals, mission and objectives. An important result of this shift is the raised visibility of the function of Human Resources as a Strategic Business Partner within the corporation, providing value added information. HR should not be perceived as a bureaucratic bottleneck providing old non-strategic data (as opposed to information).

Before deciding to outsource there are several steps that a company should take,

Examine the corporate culture – is the organization comfortable with relinquishing some control to a trusted vendor for the overall good of the business?

- Evaluate current HR processes – determine the effectiveness of your processes and whether they can be handed over to a third-party to manage
- Performance measurements – ensure metrics are in place to measure the vendor’s performance and determine whether they are improving workflow and processes

Communication and change management is key to a successful organizational shift into outsourcing. Throughout all levels of the organization the change needs to be communicated honestly, openly and quickly. If employees are going to be moved under the umbrella of a third party provider organization they must be made aware of this change and the implications of it.

Your HR staff may be hesitant to embrace HRO because they fear it will eliminate their role within the company. While the elimination of certain duties is a possibility, it is more likely that there will be a shift in responsibilities brought on by this new relationship. Firstly, HR needs to add vendor management skills to their repertoire and provide governance for the relationship. This can require a full-time team that manages the relationships, oversight and performance of the vendor. Additionally, outsourcing will enable your current HR staff to focus on more strategic efforts and let the experts handle the transactional aspects of administration.

Experience now shows that the benefits of outsourcing outweigh some of the challenges. It is important to take the time and evaluate your company’s requirements and outsource the services that will allow you to focus on the core businesses competencies that give your company the competitive edge.