

# Outsourcing your HR

Overseas organisations are increasingly turning to external HR experts to help them meet their people management needs. Clare Parkes explains how outsourcing your human resources can take your business to the next level.

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Your business likely outsources a wide variety of functions without batting an eyelid, from marketing, accounting to legal matters, even the refilling the coffee machine in your lunch room. Most New Zealand businesses, though, have never considered outsourcing their Human Resources needs.

Overseas, more and more organisations are embracing the concept of HR outsourcing. Businesses that need to deal with leave management, learning and development of staff, performance of staff, payroll, recruiting, health and welfare, defined benefit plans and global mobility are increasingly turning to external HR experts to help them meet these needs.

The way you do it depends on what type of business you have. In the UK, we have seen examples of large organisations that outsource the operational elements of their HR activities, but at the same time maintain control over their overall HR strategy and decisionmaking.

British Telecom, Boots the Chemist, Procter & Gamble and Unilever are all global organisations that have outsourced large parts of their HR operational activities, often in contracts for between five and ten years. Interestingly, smaller organisations often do the reverse. They outsource their strategy to HR consultants and other professional advisers, and keep the delivery of HR administration processes internal.

New Zealand businesses, on the other hand, have been relatively slow to adopt HR outsourcing. It's difficult to say why, but we're often too protective of our businesses and don't want to let go. Because HR outsourcing is a relatively new concept here, many businesses don't realise that it's available or what the benefits are. Most importantly, our businesses have not yet realised how cost-effective outsourcing their HR functionality can be. Businesses that don't have HR often wait until the very last minute to deal with a sticky situation, and can end up paying through the teeth for protracted legal battles and often through an employment lawyer, as they don't realise an HR expert has the capability to manage and prevent such situations.

This article aims to help you appreciate the many benefits of having effective HR procedures in place and inform you on how an outsource agent can help.

## How outsourcing works

HR outsourcing can provide your organisation with access to HR expertise that you may not necessarily have in-house. An HR outsourcing firm can also provide your already established HR team with any overflow capacity that they may have or projects that need running that are outside your business as usual capabilities. An HR outsourcing firm works with you to plan, develop and then implement relevant and appropriate human resource capabilities within your organisation.

## Why outsourcing works

It makes sense for small-to-medium businesses, as outsource providers have fully trained experienced HR consultants to manage your HR requirements and can cost considerably less than employing a full time employee, who may have lower-level HR skills . They provide end-to-end HR services; difficult for one person to manage all by themselves. Outsourcing also makes sense for larger organisations with existing functionality for two reasons; by outsourcing your time-consuming HR administration, you can free up your staff to contribute more to core business activities and by engaging with an outsourced HR firm to help with over-flow capacity.

Many businesses have likely experienced that HR isn't something that can be handled in an hour or two a week. It's a full time job. Small-to-medium businesses often try to manage the HR process with a small and sometimes unqualified team of staff, or even with a single person. This really isn't an effective solution.

Managing HR has considerable legal implications. Finding a partner, an organisation with the HR expertise and resources to help you, can make stepping through HR minefields a lot easier. Paying more attention to your HR in this way is likely to help your employees become happier, healthier and more productive, which will make your business more profitable over the long run.

Outsourced HR is tailored to suit your company's precise requirements. Engaging with an HR outsource firm may mean they run your end-to-end HR solution for you or it could be that they run a certain aspect of your HR requirements. For example you could be a franchise company with a certain level of responsibility for ensuring the franchised businesses are supported with staffing requirements. An HR outsource firm can manage that for you as a help line. Your franchise businesses will call the experts direct.

HR outsource firms can manage your staffing requirements, especially if you are an organisation with a natural high turn-over of staff. On the other end of the spectrum, HR outsource firms are equipped with senior HR consultants with expertise in areas that your organisation may not possess. They can become your business partner and step in when a project requires it or if there is an overflow of work they requires extra resource.

### **External HR professionals can undertake a wide variety of tasks, including:**

- Advising on employment law changes and amendments
- Managing employment disputes, disciplinary actions and/or personal grievance cases
- Providing advice
- Helping manage change
- Training and developing management, leaders and staff
- Providing advice on restructures
- Managing recruitment processes

### **They can also deal with:**

- Salary & remuneration reviews
- Job evaluations
- HR policies
- Induction plans
- Job descriptions
- Exit interviews
- Staff performance plans

Companies often worry that outsourcing HR distances them from the day-to-day running of the business. Outsourcing doesn't however mean that your business matters are managed from afar. For example our consultants at Clarian HR have regular weekly meetings with clients, our clients are immersed in what the HR consultants are doing, and the clients are the driving force behind the HR, because they know what is happening in their businesses.

## Benefits of outsourcing

Outsourcing your HR comes with a number of key benefits. In 2009, the Chartered Institute of Professional Development (CIPD) in the UK conducted a survey on HR outsourcing. They found that 71 percent of companies outsourced HR for access to skills and knowledge, 64 percent to increase the quality of their HR, and 61 percent to reduce costs. Apart from these reasons, benefits also include:

- Access to improved HR IT systems without capital outlay
- Improved people management information (including human capital metrics)
- Access to HR expertise not available internally
- Increased flexibility and speed of response to HR problems
- Part of an overall strategy (for example the organisation is outsourcing a number of its support functions, of which HR is just one part)
- Reduced risk as it is possible to scale up and down (with resource) more efficiently and cost effectively
- HR resources can operate more strategically

Properly managed, HR programmes can greatly increase employee productivity and everyone's sense of wellbeing. Human Resources outsourcing allows management to focus more of their time and energy on strategic planning initiatives without the distraction of back office administration, which is often difficult to manage and consumes a lot of time. Because you are able to focus more on your company's core business, you can improve service quality, both internal and external, and maintain a competitive edge in your industry by meeting the ever-changing demands of your customers.

HR outsourcing as a concept is perfect for a growing business. As your business grows, so will your HR requirements. It's difficult to upskill your HR functions every time you grow, but by outsourcing HR to professionals who have proven expertise and experience you won't have to.

## Practical Tips

Finding the right external HR team is not simply a case of selecting a provider and then letting go. If you equip yourself with all the right information on HR outsourcing, you will be able to make sure the provider you select lives up to the standards of service you require.

In order to get the most from outsourcing, you need to build a relationship with your provider to ensure you work to the same objectives and a common purpose. Ensure the provider completes an audit on your people business, meaning they should go through and see what is already in place for managing your people and HR activity. Expect an evaluation of what is in place and what needs to be in place. Think of your outsourcing provider as an additional member of your team. They are going to get to know the intricate details of your business. And that is exactly what they're there for.

A successful working relationship starts with a good foundation. Be clear about which

processes you are outsourcing, who is responsible for what and, crucially, outline what success looks like so that you are sharing common goals.

After a number of years serving as the outsourced HR team to a wide variety of companies, our team has come up with the following practical tips:

- Look at the company you are outsourcing to as a partner, understand how they operate
- Ask a lot of questions about how they can make a difference to your business, when selecting an outsourcing partner
- Ask for references
- Be clear with what you want in terms of expertise and service and ensure it is written within a service level agreement
- Ask for an RFP (request for proposal) having them outline what they are going to do and how they will go about doing it and most importantly how much it will cost
- Engage with your outsource partner on a retained basis, to spread the cost
- Don't just outsource: work closely with the team you have outsourced to. Have regular meetings on progress and direction
- Have them complete an audit
- Create a people strategy for your business; where are you now and where do you want to go?

Businesses should be looking to put more and more demands on HR to deliver greater and greater levels of efficiency. As an HR outsource consultancy we want to take it to the next level, having businesses focus less on mundane administrative matters and more on strategy that adds real value to the company as a whole. Whatever way you look at it, HR outsourcing can help you meet both of these needs and make HR a central contributor to the health and growth of your business.