HR Outsourcing Redefined:
Options for Workforce Management

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introduction

Realizing that HR organizations' needs are as varied as the organizations they serve, ADP recently commissioned a study to explore administrative services needs specific to HR and benefits in midsized U.S. companies.

The intent of the study was to understand HR organizations' current ways of doing business, as well as their feelings on the subject of outsourcing. They were invited to share their preferences along a full spectrum of business process outsourcing options—from handling tasks completely in-house as many do today, to handling tasks in-house with better tools and/or additional outside support, to partial or complete outsourcing.

Not surprisingly, the very word "outsourcing" has an almost immediate positive or negative connotation, based on individual experience. People who have had a positive experience with outsourcing, and/or who have been through some degree of organizational change, are the most inclined to outsource.

In an increasingly challenging business climate, forward-looking midsized companies are redefining traditional outsourcing and exploring the options available to engage their employees and optimize workforce management.

For the purposes of this study, "midsized" means companies that have between 100 and 999 total U.S. employees. The study responses also were broken out by size categories: 100–249, 250–499 and 500–999 employees.

A total of 865 respondents participated. Each respondent is the person within their organization who has the best overall view of how their company handles different HR functions and is familiar with their future HR needs. In addition, the respondents are the people who evaluate and/or make recommendations to senior management regarding any major new HR system or service; 41% would approve any related expenditures. Nearly all (98%) of the respondents are the heads of their company's HR department/group.

Figure 1

Study Universe, Total U.S. Employees

	Number of Respondents
■ 100–249	471
■ 250–499	250
■ 500–999	144
	=865

Percentage of Market

Figure 2

Study Universe, Characteristics

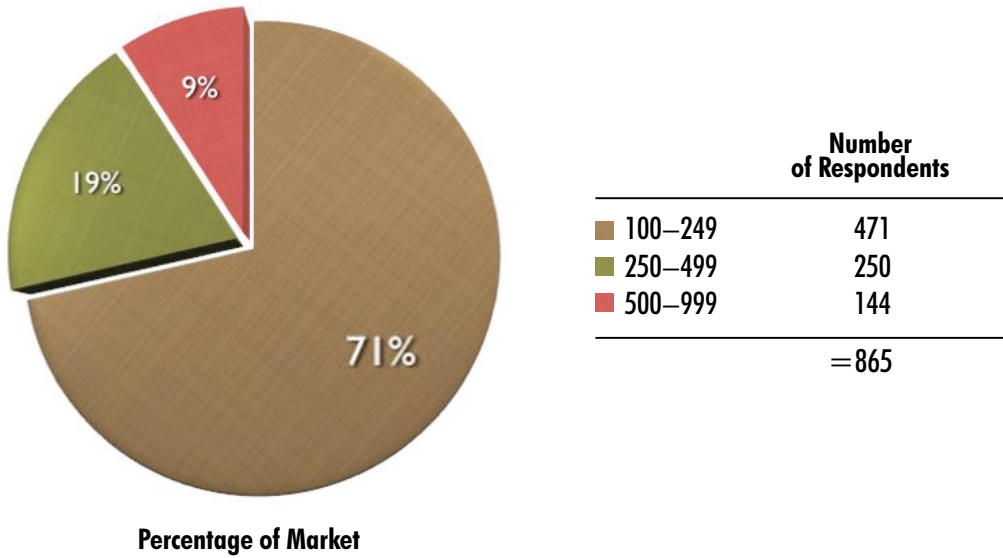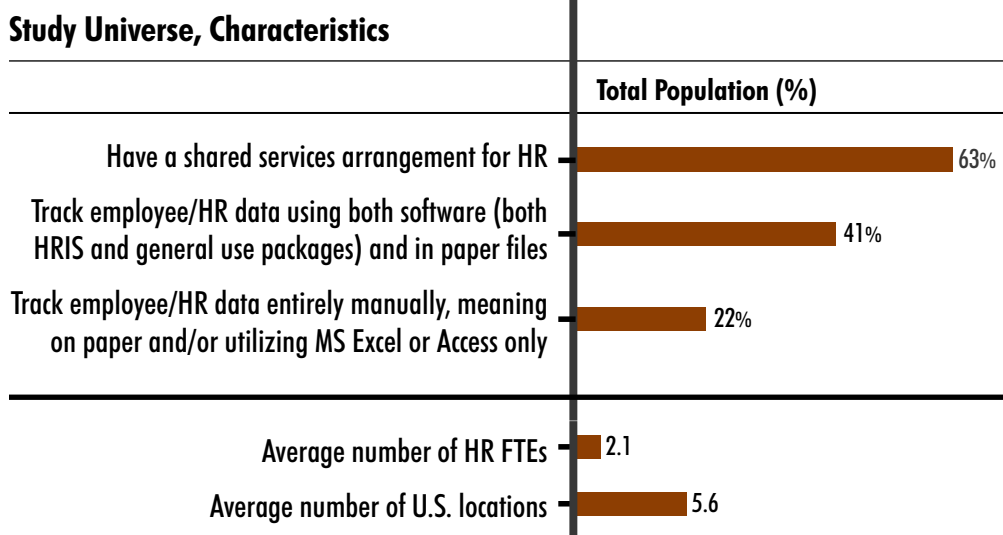|	Total Population (%)
Have a shared services arrangement for HR	63%
Track employee/HR data using both software (both HRIS and general use packages) and in paper files	41%
Track employee/HR data entirely manually, meaning on paper and/or utilizing MS Excel or Access only	22%
Average number of HR FTEs	2.1
Average number of U.S. locations	5.6

introduction

the state of the art

Outsourcing: love it or hate it?

In business today, "outsourcing" is rarely a neutral term. Almost immediately, there's an association that tends to be sharply positive or negative, based largely on the individual's personal experience with the subject.

The traditional positive definition includes increased operating efficiencies, reduced costs and optimized distribution of labor. The stereotypical negative definition focuses on the issues of jobs "lost" to workers in other countries, rising expenses and loss of control over service delivery.

In order to understand respondents' specific perceptions relating to the viability of outsourcing one or more HR functions, the study asked the respondents what issues or reservations they would have—if any—with outsourcing specific HR and benefits functions, as discussed during the interview. Most of the respondents (71%) mentioned at least one concern, including:

- service delivery (36%), including service to employees (16%),
- cost concerns/would be too expensive/wouldn't be cost-effective (17%) and
- loss of control (12%).

The top service delivery concern, that "employees would prefer to talk to someone here/would be impersonal for our employees/loss of face-to-face service for employees/someone should be available for employees to talk to here," was reported by 13% of the respondents. Other areas of concern that respondents mentioned included: the outsourcing vendor's knowledge of the business/industry, confidentiality/security of employee information, and not wanting to lose touch with employees.

By contrast, more than one-quarter (27%) of the respondents did *not* name any specific concerns about outsourcing the discussed HR/benefits functions. Respondents who have had a positive experience with outsourcing, and/or who have been through some degree of organizational change, are the most inclined to outsource.

The outsource-inclined respondents believe:

- outsourcing is the most efficient way to handle a number of key HR tasks,
- outsourcing gives them access to expertise not otherwise available and
- staff and employees can get a high level of service from an outside vendor.

These respondents also think outsourcing allows their internal staff to focus on more strategic HR initiatives, and that the more functions the company outsources to a single vendor, the more value they get from the relationship.

When the work load increases

The total population of respondents was asked about their preferences for handling the HR staff work load if that work load were to increase significantly: 64% of the study's respondents would prefer to hire more staff; 34% would prefer to look to outside resources for help.

At the time of this study—July to September 2007—most respondents (79%) did not expect to change the level of outside services they would use within the next 12–24 months; 17% expected to use more, and only 3% expected to use fewer. Companies that did expect to use more outside services planned to do so mainly within the area of benefits administration. It is certainly possible that if this study were to take place today, with the recent volatility in the financial markets and increasing levels of unemployment, those results could differ. Changing times may alter a company's approach to managing the HR function.
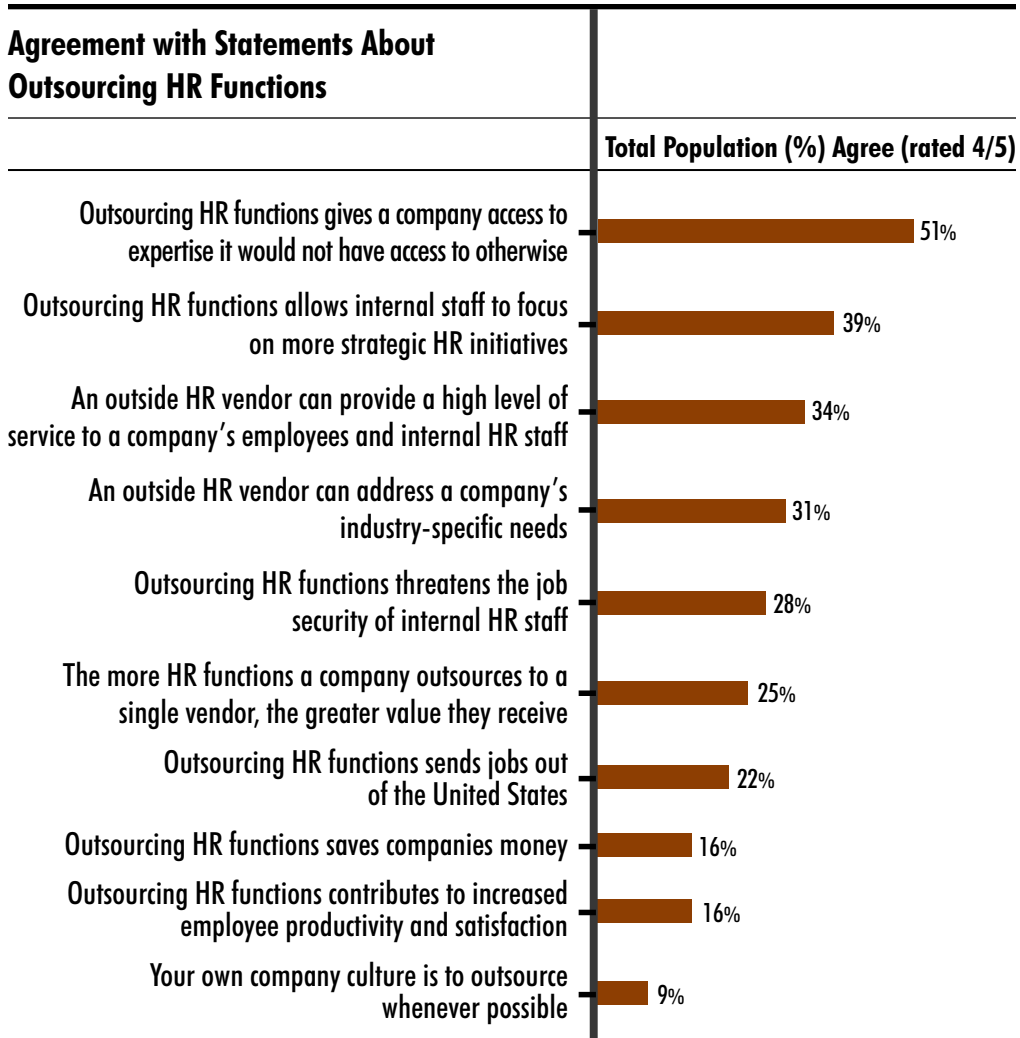
When it comes to buying outside HR services, a majority (65%) said they would prefer to buy as many services as possible from one vendor in an integrated solution; 27% would prefer to buy individual services from different specialized vendors.

the state of the art

Ten statements about outsourcing

The study asked respondents to react to ten statements regarding the outsourcing of HR functions, using a five-point scale (where 1 = Strongly disagree and 5 = Strongly agree). By far, the statement that received the highest level of agreement was "Outsourcing HR functions gives a company access to expertise it would not have access to otherwise": Just over half (51%) gave a rating of 4 or 5; 18% strongly agreed (rating of 5).

The statements that received the lowest agreement were: "Outsourcing HR functions saves companies money" (16% rated 4/5; 6% rated 5), "Outsourcing HR functions contributes to increased employee productivity and satisfaction" (16% rated 4/5; 4% rated 5) and "Your own company culture is to outsource whenever possible" (9% rated 4/5; 5% rated 5).

Figure 3

Agreement with Statements About Outsourcing HR Functions

Total Population (%) Agree (rated 4/5)

| Statement	%
Outsourcing HR functions gives a company access to expertise it would not have access to otherwise	51%
Outsourcing HR functions allows internal staff to focus on more strategic HR initiatives	39%
An outside HR vendor can provide a high level of service to a company's employees and internal HR staff	34%
An outside HR vendor can address a company's industry-specific needs	31%
Outsourcing HR functions threatens the job security of internal HR staff	28%
The more HR functions a company outsources to a single vendor, the greater value they receive	25%
Outsourcing HR functions sends jobs out of the United States	22%
Outsourcing HR functions saves companies money	16%
Outsourcing HR functions contributes to increased employee productivity and satisfaction	16%
Your own company culture is to outsource whenever possible	9%

How HR spends its time

Study respondents were asked to allocate how their HR staffs currently spend their time across ten major categories: HR administration, benefits administration, employee relations, recruitment and selection, regulatory and compliance, risk management, compensation management, leave of absence management, payroll-related activities, and training and development (8% of respondents added other categories). This task required that they allocate 100% of their time to the specified categories and thus provides a true relative effort for each.

Figure 4

Where HR Staff Members Spend Their Time

Ten categories of HR activities

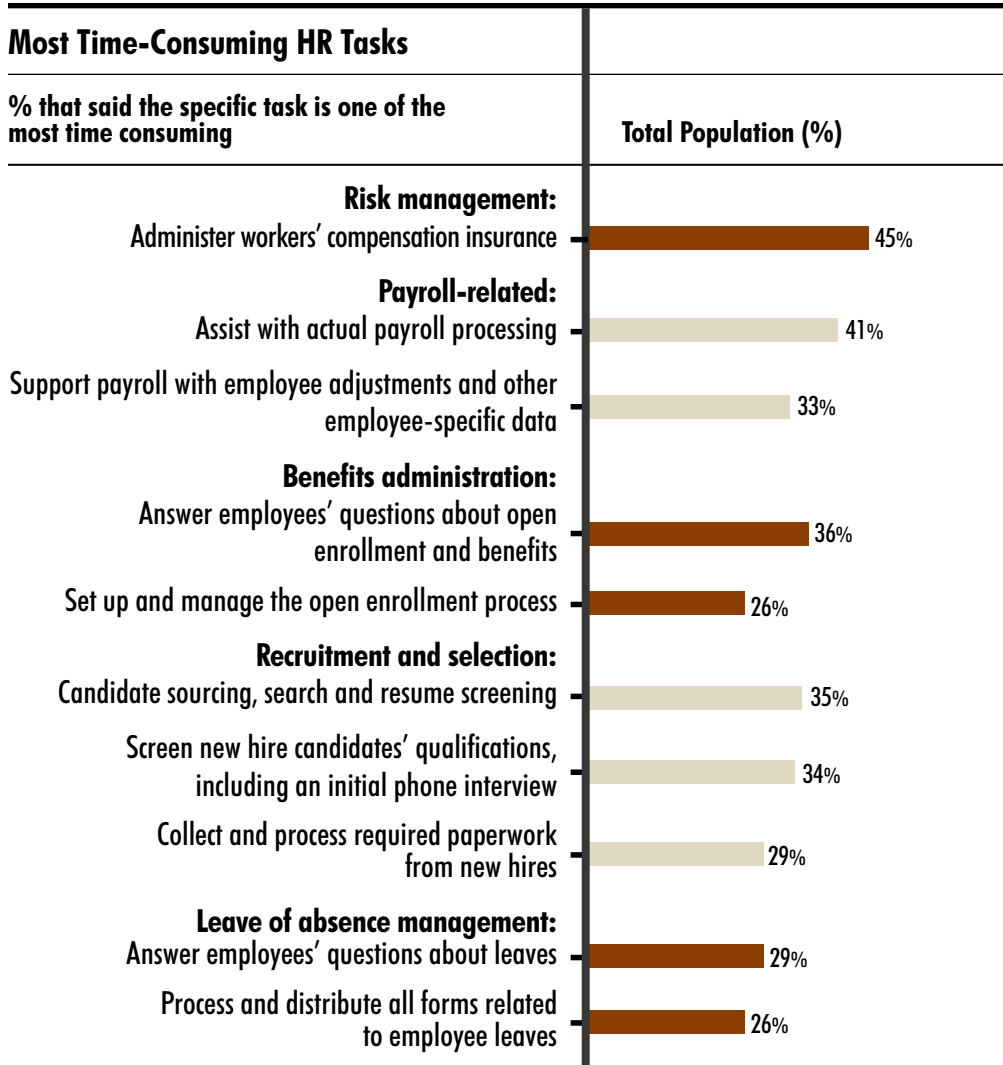|	
Payroll-related activities	18%
HR administration	14%
Benefits administration	13%
Employee relations	12%
Recruitment and selection	12%
Training and development	7%
Regulatory and compliance	7%
Risk management	6%
Compensation management	6%
Leave of absence management	5%
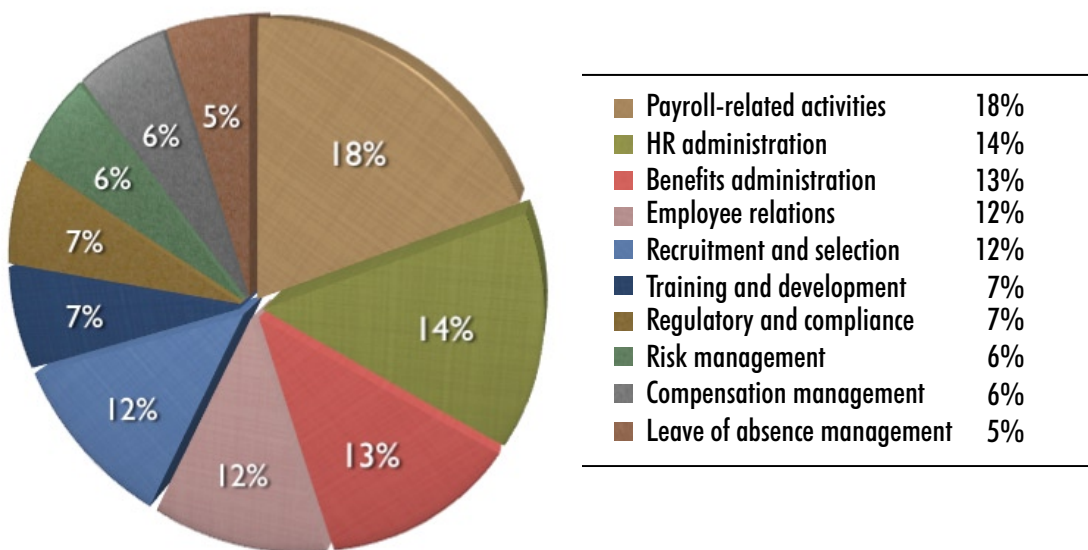
Nearly half of the HR team's time (45%) is spent on a combination of payroll-related activities (18%), HR administration (14%) and benefits administration (13%). Respondents also volunteered activities that they perceived as being outside the ten provided categories, including: accounting, union issues/unions, strategic planning, operations/office operations, contract administration, communication strategies, succession planning, and miscellaneous/other activities.

Most time-consuming HR tasks

Respondents were asked to choose the task on which they spend the most time from a list of tasks within each of the 10 categories on the previous page. While an item chosen may have been the one where the most time was spent within that category, it may not be where the greatest time is spent overall. Each respondent was asked to choose a task in each category even if that category were not where they spent the greatest proportion of their time.
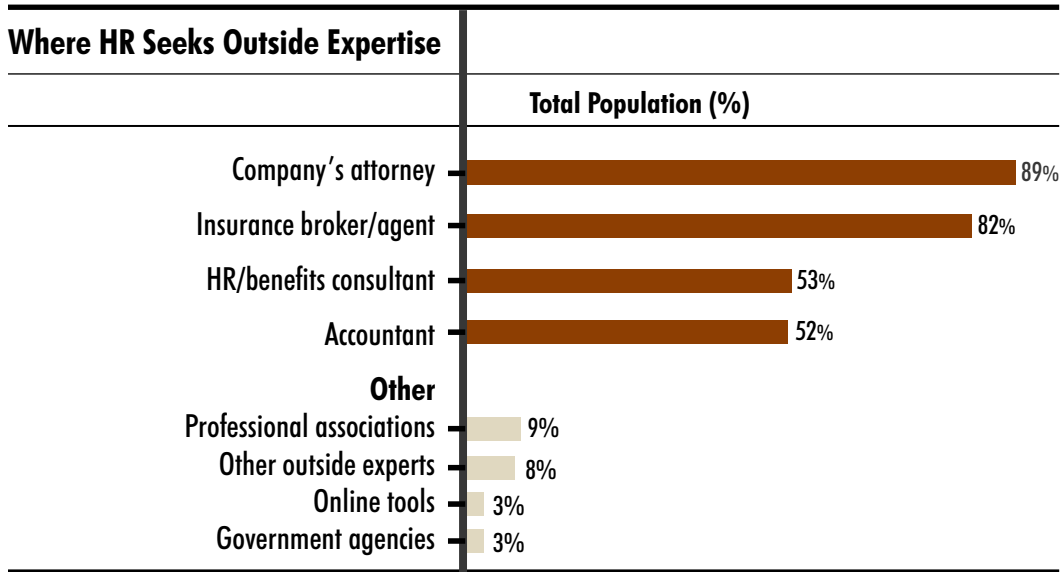
Figure 5

Most Time-Consuming HR Tasks

% that said the specific task is one of the most time consuming	Total Population (%)
Risk management: Administer workers' compensation insurance	45%
Payroll-related: Assist with actual payroll processing	41%
Support payroll with employee adjustments and other employee-specific data	33%
Benefits administration: Answer employees' questions about open enrollment and benefits	36%
Set up and manage the open enrollment process	26%
Recruitment and selection: Candidate sourcing, search and resume screening	35%
Screen new hire candidates' qualifications, including an initial phone interview	34%
Collect and process required paperwork from new hires	29%
Leave of absence management: Answer employees' questions about leaves	29%
Process and distribute all forms related to employee leaves	26%

Where HR turns for help

The respondents were asked to identify where they turn for help on five key HR-related issues:

(1) help dealing with employee issues, such as employee grievances, harassment, or disciplinary matters,

(2) answers to specific HR regulatory compliance questions,

(3) information on best practices to deal with organizational challenges,

(4) help in developing company plans and policies for complicated HR functions, such as compensation, employee development, employee retention, etc., and

(5) help in developing and facilitating training programs for employees and managers.

Nearly all (between 95 and 99%) of the respondents currently seek assistance with these five issues, either from internal staff or external experts. They are most likely to look outside for "answers to specific HR regulatory compliance issues" (82%). Half or more turn to outside help (completely or partially) for advice on each of the other four areas (54%–74%). One-third (32%) turn to outside advice on *all five*.

Figure 6

Where HR Seeks Outside Expertise

Total Population (%)

Company's attorney	89%
Insurance broker/agent	82%
HR/benefits consultant	53%
Accountant	52%
Other	
Professional associations	9%
Other outside experts	8%
Online tools	3%
Government agencies	3%

While your company attorney and insurance broker/agent may be expert in certain areas of workforce management, very few midsized organizations have access to the breadth and depth of skills that today's competitive HR environment requires.

Three-quarters (76%) of respondents who use outside experts receive the help they need by speaking with someone directly; 23% access tools via a website; 1% do both. On average, they seek this outside help 26 times per year.

Summary: The state of the art

To manage their increasing HR responsibilities with little or no expansion of staff, midsized companies are utilizing all available resources—both internal and external.

While the term "outsourcing" in the past has had some negative overtones—including possible job elimination and/or loss of control—more and more companies are realizing the gains to be made by the effective application of outsourcing. The key word here is "effective." An effective outsourcing solution is not "one size fits all." Effective outsourcing is about aligning with the organization's goals and improving employee engagement.

To realize the increased operating efficiencies, reduced costs and optimized distribution of labor that an HR function can achieve with the judicious application of outsourcing requires both discipline and awareness.

Before you can outsource anything—or even identify the right external resources to help your internal staff do better—you must have an understanding of the day-to-day duties and challenges facing your HR team. Nearly half of the HR team's time is filled with a combination of payroll-related activities and HR administration and benefits administration tasks.

Respondents also identified which activities were most time-consuming within the various areas for which they are responsible. These activities are good places to start when looking to apply appropriate external resources, although time is not the sole determinant. As more and more HR teams look to decrease their exposure to risk and improve compliance, a large majority are most likely to look outside for "answers to specific HR regulatory compliance issues."

The outsource-inclined respondents believe that outsourcing increases both their efficiency and their expertise, which in turn allows their internal staff to focus on more strategic HR initiatives. In this study, these respondents tended to be people who have had a positive experience with outsourcing, and/or who have been through some degree of organizational change.

In challenging and uncertain economic times, reducing risk becomes a higher priority: both the risk of noncompliance and the risk of choosing the wrong partner or software solution(s). When it comes to purchasing outside HR services, a majority of respondents would prefer to buy as many services as possible from one vendor in an integrated solution.

exploring the options

What's in a name?

As noted earlier, for most organizations, the term "outsourcing" has an immediate and strong connotation, depending on their individual experience with the subject.

For starters, outsourcing does not have to be an "all or nothing" proposition. While a fully outsourced solution such as a PEO (Professional Employer Organization) or a traditional BPO (Business Process Outsourcing) arrangement can be an effective form of outsourcing, when it comes to HR and benefits administration today we need to redefine the word outsourcing.

Why? Because there are so many options available now that can provide the flexibility your organization requires and deserves—many of which have outgrown the traditional outsourcing label to become true partnerships and relationship-building opportunities.

Perhaps a better word for *outsourcing* would be **optimizing**. With the full spectrum of tools and support now available, midsized organizations have access to significant options that were previously unavailable to them with which to optimize their workforce management and achieve real progress.

Interest in HR services from an outside vendor

Respondents were asked to review ten HR functions [see Figure 4] and to state their interest in having each function handled by an outside vendor, that is, "outsourced" (using a five-point scale, where 1 = Not at all interested and 5 = Extremely interested).

Because outsourcing is a term that easily can mean different things to different people, for the purpose of this response, outsourcing was defined as follows:

> These services would be delivered via easy-to-use tools, would include a live call center to answer employee questions, and would include access to experienced HR Business Partners to advise you on complicated issues and questions. You and your staff would supervise the service vendor and coordinate very closely with them, but much of the time your staff now spends on this function could be re-deployed to other HR functions.

While the percentage of respondents who are extremely interested (rated 5) in outsourcing any of the ten functions is only 21%, a majority of respondents (56%) are interested or extremely interested (rating of 4 or 5) in outsourcing any of these ten functions. The top four functions respondents would or could outsource were:

- regulatory and compliance (29%),

- risk management (27%),

- benefits administration (26%) and

- training (23%).

This is consistent with other ADP research that shows that FSA, COBRA, 401(k) record keeping and defined benefit record keeping are the HR/benefits tasks that companies are most likely to outsource. Many aspects of these administrative tasks could be automated with the use of available HR and self-service tools, creating more opportunities for the organization's HR professionals to focus on more strategic HR activities.

Respondents who were interested (rated 4/5) in outsourcing at least one of the ten HR functions also were asked (using the same five-point scale) how interested they would be in getting all the outsourced services from one single outside vendor. More than half (53%) are interested or extremely interested (rated 4/5) in getting all their services from one vendor, 14% of whom are extremely interested (rated 5).
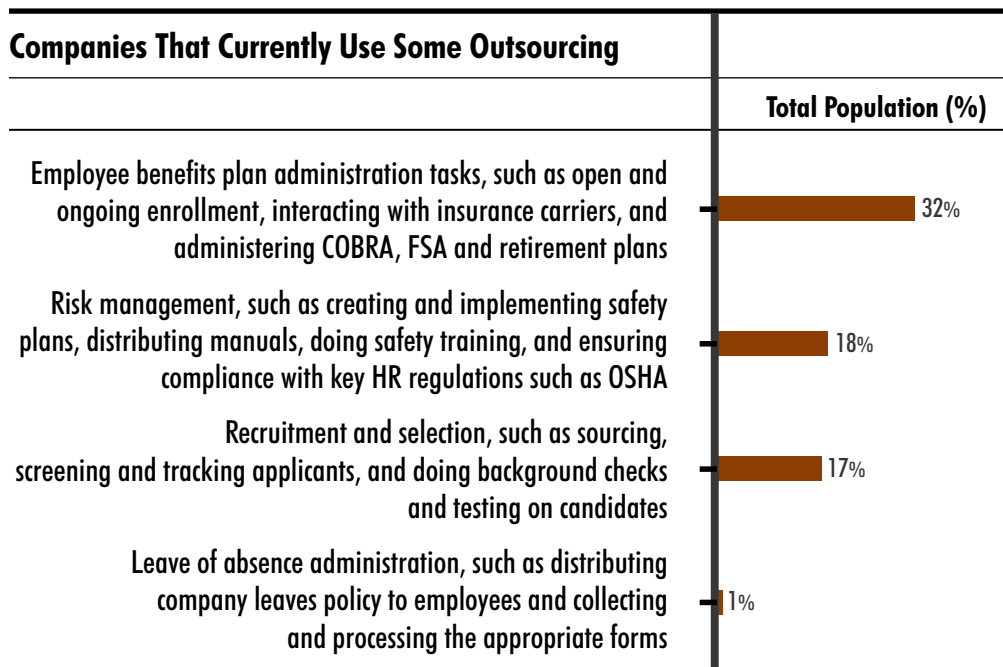
Current use of outsourcing and the need for integration

To rate how they currently handle four specific areas of HR and benefits administration tasks, respondents were given a choice of one of the three following responses, to indicate whether they:

- handle the function entirely in-house with internal staff,

- outsource some of the tasks to an outside service provider (but the provider doesn't handle the entire function) or

- use a BPO-type provider who handles all aspects of the function.

Nearly all of the respondents' HR teams (96–99%) perform tasks within each of the four named areas: employee benefits plan administration, risk management, recruiting and selection, and leave of absence administration. Only 1–3% of respondents' companies currently use a fully-outsourced (BPO) arrangement for each area, so the study focuses on any combination of outsourcing of tasks. Larger companies (250–999 employees) have a greater propensity to outsource any of the areas, and also the risk management area specifically.

Figure 7

Companies That Currently Use Some Outsourcing

Total Population (%)

Task	Total Population (%)
Employee benefits plan administration tasks, such as open and ongoing enrollment, interacting with insurance carriers, and administering COBRA, FSA and retirement plans	32%
Risk management, such as creating and implementing safety plans, distributing manuals, doing safety training, and ensuring compliance with key HR regulations such as OSHA	18%
Recruitment and selection, such as sourcing, screening and tracking applicants, and doing background checks and testing on candidates	17%
Leave of absence administration, such as distributing company leaves policy to employees and collecting and processing the appropriate forms	1%

Respondents' HR teams who use software in these areas use an average of one software application for each task and they do not give them high marks for integration with the other internal/external systems with which they need to share data—especially in the smallest companies:

- Regarding the systems used, while a majority of companies use software for employee benefits plan administration tasks (71%), only half (53%–44%) use software for risk management, recruitment/selection, and leave of absence management activities. Respondents' HR teams use an average of one software application for each area, and the average number of systems used ranges from 0.5 to 1.2 for each of the four areas.

- When respondents who use at least one system for HR-related tasks (80% of companies) were asked how integrated their HR systems are with other systems inside and outside their company with which they need to share data (using a five-point scale, where 1 = Not integrated at all and 5 = Highly integrated), a majority (57%) rated their systems a 1 or 2 (not integrated), and only a quarter (25%) rated them 4 or 5 (integrated). Respondents in smaller companies (100–249 employees) were more likely than those in larger companies to give a "1/Not integrated at all" rating (45%, as compared to 30%).

exploring the options

A new external resource: HRBP

One new option for supporting and improving upon traditional outsourcing is the "HR Business Partner" (HRBP) concept. HRBP provides an outside HR and benefits expert to whom a company can turn at any time for advice on complex HR issues and for answers to specific HR questions.

Without attaching a specific price to this service offering, the interviewers asked respondents to rate their interest in such a concept on a five-point scale (where 1 = Not at all interested and 5 = Extremely interested). Nearly one-half (45%) of the total respondents were either interested in, neutral, or already have had experience with HRBP.

For the 45% who were interested in, neutral, or who already have had experience with HRBP, the interviewers walked respondents through a list of five areas to determine how they would most likely use an HRBP:

> (1) to get answers to specific HR regulatory compliance questions,
>
> (2) to develop employee and manager training programs,
>
> (3) to get help with employee issues,
>
> (4) to develop company plans and policies for complicated HR functions or
>
> (5) to get information on HR best practices.

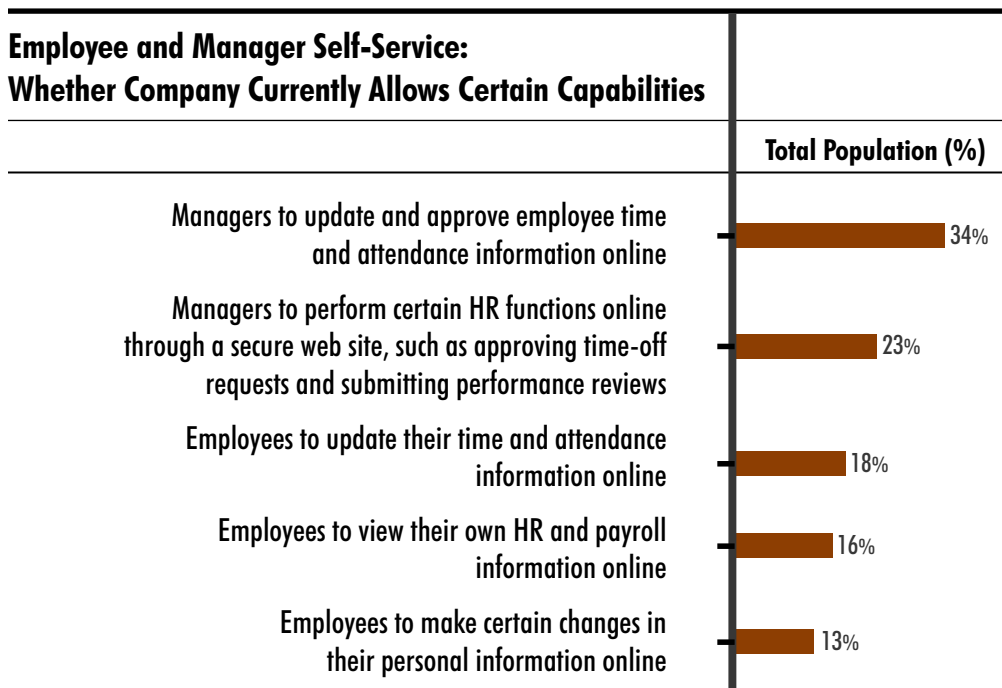Respondents also were asked how they would prefer to interact with an HRBP.

Those respondents who are interested in or neutral about an HRBP would be most likely to use the HRBP to "get answers to specific HR regulatory compliance questions" (43%), with fewer saying they would be most likely to use the HRBP to "develop employee and manager training programs" (20%) or for the other activities about which they were asked (14%–11%).

Most of the respondents who are interested in or neutral about an HRBP would be willing to interact with the HRBP entirely by phone or e-mail, with no in-person visits (91%). However, two-thirds (63%) would prefer to interact mainly by phone and e-mail, with the option of having in-person visits as needed.

Internal resources: employee and manager self-service

Self-service functionality for specific HR and benefits tasks and transactions—via the Internet, either online from the desk or at a kiosk, or from home—is increasingly important to midsized companies as they seek to strengthen employee engagement and optimize their workforce management. Currently, about half (48%) of the respondents' companies allow their employees or managers some sort of self-service access to HR-related tasks.
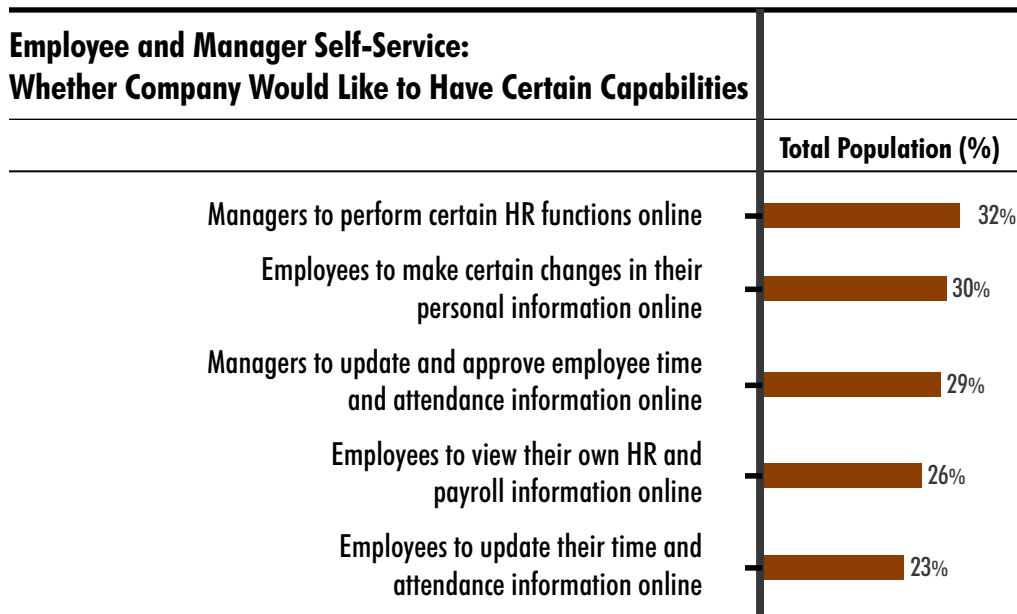
Figure 8

**Employee and Manager Self-Service:
Whether Company Currently Allows Certain Capabilities**

	Total Population (%)
Managers to update and approve employee time and attendance information online	34%
Managers to perform certain HR functions online through a secure web site, such as approving time-off requests and submitting performance reviews	23%
Employees to update their time and attendance information online	18%
Employees to view their own HR and payroll information online	16%
Employees to make certain changes in their personal information online	13%

Larger companies (250–999 employees) are more likely than smaller companies (100–249 employees) to allow each of the two named manager self-service capabilities and the employee self-service time and attendance capability. The largest companies (500–999 employees) are more likely than smaller companies to allow employees to make changes to personal information (21%, compared to 12%).

When asked to look at the future of self-service—what functionality they *would like to have*—a majority (56%) of respondents show interest in any of the five employee or manager self-service capabilities included in this study. For each capability, this future interest is equal to or greater than the current use. Across the size groups, future interest follows a similar pattern to current use: Larger companies (250–999) are more likely than smaller to show future interest for several of the manager and employee self-service functions. (See next page.)

exploring the options

Figure 9

**Employee and Manager Self-Service:
Whether Company Would Like to Have Certain Capabilities**

	Total Population (%)
Managers to perform certain HR functions online	32%
Employees to make certain changes in their personal information online	30%
Managers to update and approve employee time and attendance information online	29%
Employees to view their own HR and payroll information online	26%
Employees to update their time and attendance information online	23%

Currently, most respondents' companies (76%) either allow their employees or managers access to any of the self-service capabilities about which they were asked in this study or they want to do so in the future. While the future interest is greater in the manager self-service functions than the employee self-service functions, 21% show interest in implementing all five.

Most efficient way to handle HR tasks

To better understand the needs of midsized companies related to optimizing their outsourcing, the study asked respondents to consider—leaving aside how they *currently* handle them—the most efficient way to handle 17 specific HR tasks. The 17 tasks provided were in the areas of leave of absence management (4 tasks), benefits administration (4 tasks), payroll (3 tasks), sourcing and screening (2 tasks), risk and safety management (3 tasks) and compensation (1 task).

To specify the most efficient way to handle each HR task, the respondents were given four options—that span the full spectrum of optimized outsourcing—from which to choose:

1. Handle **entirely in-house** using the internal resources you have now

2. Entirely in-house but with **better technology tools from outside vendors**

3. With better technology tools from outside vendors **and** with the help of outside HR experts who can answer questions and provide advice

4. Give this **entirely to an outside vendor** to manage

The study responses suggest that certain tasks are better handled in-house, while others are good candidates for some degree of outsourcing. As the below responses indicate, a substantial number of tasks could benefit from a more modern, blended approach. Figure 10 assigns each of the 17 specific HR tasks to one of the four options named by respondents.

Figure 10

Most Efficient Way To Handle HR Tasks **17 specific tasks identified by category**	**Total Population (%)**
Entirely in-house using the internal resources you have now [responses ranged from 26% to 67%]	
Leave of absence (LOA) – Answer employees' questions about leaves of absence	67%
Benefits administration – Administer employee life event changes	53%
Sourcing and screening – Screen new hire candidates' qualifications, including an initial phone interview	52%
Entirely in-house but with **better technology tools from outside vendors** [responses ranged from 22% to 47%]	
Leave of absence (LOA) – Provide online tools for employees to submit requests for leaves of absence and access all necessary forms	47%
Leave of absence (LOA) – Distribute & process all forms related to employee leaves of absence	38%
Sourcing and screening – Candidate sourcing, search, and resume screening	38%
Payroll – Conduct research necessary to make payroll corrections, for example: retro pay and deduction corrections	38%
Payroll – Support payroll with employee adjustments and other employee-specific data	37%
Leave of absence (LOA) – Full leaves administration, including conducting all follow-up conversations with employees, physicians, agencies, etc.	34%
Benefits administration – Set up and manage the open enrollment process	34%

exploring the options

Figure 10

Most Efficient Way to Handle HR Tasks 17 specific tasks identified by category	Total Population (%)
With better technology tools from outside vendors **and** with the help of outside HR experts who can answer questions and provide advice [responses ranged from 8% to 32%]	
Risk and safety management — Review workplace safety standards & implement safety programs	32%
Compensation — Compensation analysis, including review of internal pay grades and benchmark analysis	27%
Benefits administration — Conduct open enrollment meetings with employees	24%
Benefits administration — Set up benefit plan cost & coverage options for employee enrollment	23%
Give this **entirely to an outside vendor** to manage [responses ranged from 3% to 18%]	
Risk and safety management — Conduct employee safety training	18%
Risk and safety management — Create, review, and distribute employee safety manuals	16%
Payroll — Assist with actual payroll processing (calculate gross earnings, taxes, deductions and net pay for employees)	16%

Next steps: Exploring the options

As shown in Figure 10, certain types of administrative activities are quite readily outsourced, while others, such as more complex relationship-building activities, are less so. Also, the HR tasks most readily outsourced are not necessarily those that are the most time-consuming, but rather those that are most closely associated with risk management. Time may be of the essence, but the successful avoidance of risk is a real driver of HR practices.

As is the case with any strategic HR management initiative, what qualifies as optimizing in a given situation will vary, depending on the individual organization's needs, but the responses in Figure 10 do suggest that certain types of activities are naturally best handled at various points along the outsourcing/optimizing spectrum.

Despite, or perhaps because of, the recent volatile market conditions and ongoing economic uncertainty, now is an excellent time to explore the many flexible options available for optimizing your workforce management by utilizing one or more customized outsourcing solutions. A trusted expert resource can be valuable as HR functions of many midsized companies face situations they have never seen, including RIFs (reductions in force) and the effects of mergers and acquisitions.

In an October 2008 nationwide survey conducted by the Society for Human Resource Management (SHRM), 70% of HR professionals believe budget cuts are likely across their entire organizations if current challenges in the U.S. economy continue. In a separate October 2008 survey, SHRM reports that in economically challenging times, financial investments in HR "stay about the same" in 65% of respondent organizations, requiring HR functions to become increasingly efficient in managing that investment.

As stated in the October 2007 ADP "HR Needs" study,

> No matter what industry, and no matter what size the organization, the companies that compete successfully—both against their competition and in the marketplace for qualified employees—will be those that create an environment in which their HR professionals can concentrate their efforts on driving long-term value.

The intelligent and selective use of outsourcing/optimizing can be the key to achieving this goal.

exploring the options

observations and recommendations

As this study shows, outsourcing/optimizing means, and will continue to mean, different things to different people. The important message is that you and your midsized organization have numerous options when it comes to optimizing the management of your HR and benefits tasks—an entire spectrum of them, in fact.

If outsourcing still retains some negative connotations for you, it's time to redefine the word. As stated earlier, thinking of it as *optimizing* is one choice. Here is an expansion of that basic thought:

> Outsourcing is a positive way of selectively applying available external resources—whether tools, infrastructure and systems, or human expertise—to optimize your workforce management.

A three-step process

It may be helpful to think of optimizing your workforce management as a three-step process:

1 Measure and assess.

The first step to optimizing your workforce management—using the right combination of available in-house and external resources—is to assess and measure your specific needs. As stated earlier, outsourcing is not "one size fits all."

It's time to consider taking a more comprehensive approach, one that can help integrate your needs across HR and benefits functions. Perhaps your organization already knows the answers to these questions, which were posed in a September 2008 ADP white paper:

- How robust are your business analytics and workforce metrics?

- What processes and systems do you have in place to attract, grow and retain the talent your organization needs?

- Are you letting technology help you, or are you still struggling under the burden of repetitive, manual tasks?

When you have at least some of these answers in hand, you will be better prepared to establish the business case for investing in optimizing your workforce management. In a time of virtually unprecedented economic uncertainty and volatility, it's not enough to "get by"; you need to explore new ways to maximize your considerable HR investment.

Seek best practices. 2

The second step is to identify best practices in the marketplace and explore the full spectrum of vendor options. Whether you seek to outsource multiple activities and processes to a single vendor, or to utilize several specialists for individual tasks, it's important to evaluate your potential vendor—or the more accurate term is *partner*—on a number of levels:

- How experienced is your potential partner?
- Is that experience both broad and deep?
- Do they understand the needs of midsized companies?
- Are the solutions they offer: flexible, transparent, integrated?
- How stable is the potential partner? (Your partner should decrease your risk exposure, not increase it.)
- Will you have ongoing access to best practices and "live" experts?

You don't want to rush or skip over this second step. The selection of the right partner is too important to your success.

Try at least one new thing. 3

As the experience of the respondents to this study has shown, effective outsourcing comes in all shapes and sizes.

It's perfectly okay to start small: Identify one critical HR or benefits administration need, preferably one whose improvement would have a measurable impact, for which you could imagine engaging outside support—whether in the form of improved tools or technology to be utilized by in-house staff, a partially outsourced task or capability, or a fully-outsourced option.

It may make sense to begin your exploration with any vendor(s) with whom you currently work, such as for payroll or HRIS support. They may have a range of additional workforce management capabilities of which you are unaware.

Perhaps you can improve upon your current solution(s) by adding automated tools or establishing a more effective call center. Adding functionality can be a gradual process, but it is important to at least make a start. As shown by the respondents to this study, effective outsourcing—that leads to the optimization of your workforce management—requires a concerted and coordinated effort across all areas of the outsourcing spectrum.

A few final thoughts

Challenging and changing times demand new strategies. Right now would be a great time to learn how to redefine outsourcing and explore the full spectrum of flexible options for optimizing your workforce management.

Your entire organization will see the benefits: Your C-level gets more of what it wants and needs, including more strategic HR management, with HR's taking a real seat at the table and providing more and better information for business decisions. Your HR team gains the specific tools and genuine expertise it needs to shine, whether you have one HR professional or several.
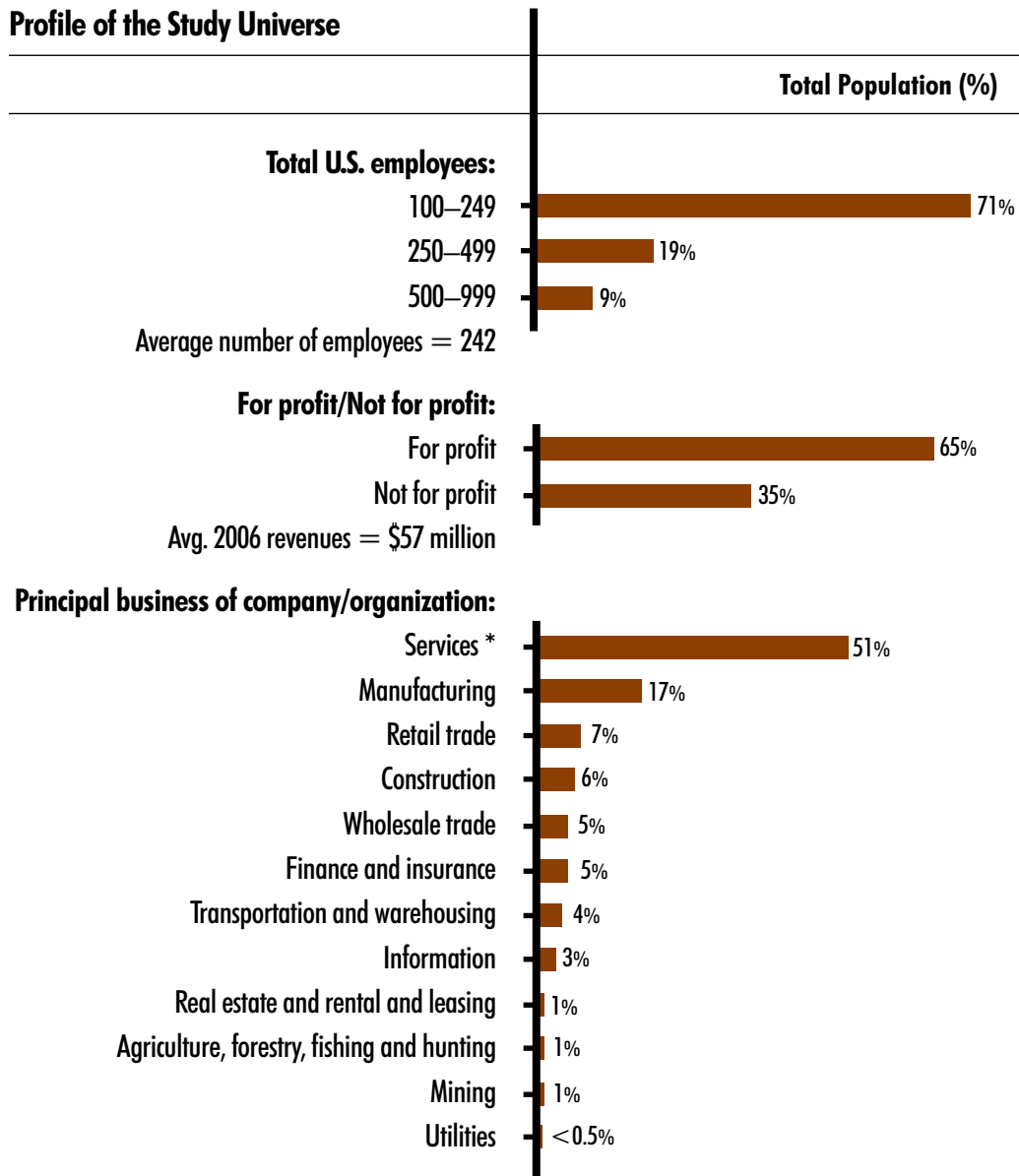
The study respondents who tended to have the most positive view of outsourcing are those who have had the most experience with it and who have experienced a certain amount of organizational turbulence. They tend to be forward-thinking when it comes to HR and the role it can play in the midsized organization. As these more experienced outsourcers also have found, the best integration can come from using a single vendor whose systems and programs are designed to work together.

The bottom line? To effectively outsource certain of your HR and benefits responsibilities, you don't have to outsource *everything*. Rather, you want to *leverage* everything—both internal and external—to achieve strategic alignment of HR with your organization's goals and business processes.

Real outsourcing, the kind that can help optimize your workforce management, grows with you while you retain control of your own priorities. The best solutions allow you to combine emerging technologies with your existing workforce applications and your existing processes and staff. So, what are you waiting for? Amazing resources are available to you today.

study methodology

Figure 11

Profile of the Study Universe

	Total Population (%)

Total U.S. employees:
- 100–249 — 71%
- 250–499 — 19%
- 500–999 — 9%

Average number of employees = 242

For profit/Not for profit:
- For profit — 65%
- Not for profit — 35%

Avg. 2006 revenues = $57 million

Principal business of company/organization:
- Services * — 51%
- Manufacturing — 17%
- Retail trade — 7%
- Construction — 6%
- Wholesale trade — 5%
- Finance and insurance — 5%
- Transportation and warehousing — 4%
- Information — 3%
- Real estate and rental and leasing — 1%
- Agriculture, forestry, fishing and hunting — 1%
- Mining — 1%
- Utilities — <0.5%

* "Services" = Health Care and Social Assistance: 15, Educational Services: 11, Accommodation and Food Services: 6, Professional, Scientific and Technical Services: 6, Public Administration: 6, Administrative and Support and Waste Management and Remediation Services: 3, Other Services (except Public Administration): 3, Arts, Entertainment and Recreation: 2.

About the Study

This study was conducted via telephone interview in addition to an e-mail in July–September 2007. Respondents were a screened sample of companies with 100–999 employees (federal agencies excluded) that track HR and employee benefits information in a systematic way and process payroll on software, with a payroll service company, or with a PEO. Although this research was sponsored by ADP, ADP was not identified to respondents as the study sponsor.

In reporting these study results, because numbers have been rounded to the nearest percentage, totals do not always equal 100 percent.

About ADP

Automatic Data Processing, Inc. (Nasdaq: ADP), with nearly $9 billion in revenues and over 585,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging nearly 60 years of experience, ADP offers a wide range of HR, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use, cost-effective solutions for employers provide superior value to companies of all types and sizes.

About the Author

Daphne Foreman is a New York City-based communications consultant who focuses on helping companies achieve their business objectives. She has researched, written, edited, and project-managed HR communications specific to employee benefits, compensation, training and development, and executive policy. Daphne earned two Masters degrees from Yale University, including an MBA. She has served as a consultant to ADP since 2002.

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