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Is HR Outsourcing A Good Choice For My Company?

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Human Resource Outsourcing (HRO) is a term used to define those HR – related processes which companies choose to outsource to a third party. Many firms offer full services and act as a virtual HR department or may offer al la carte services providing as much or as little assistance as needed. Others may be highly specialized in one area. Although HR Outsourcing is a relatively new, more and more companies are realizing the benefits of outsourcing at least part of their HR function. According to a study conducted by Fidelity Investments which surveyed 264 large companies, 190 of those companies reported that they outsource at least one HR function.¹

There are several benefits to outsourcing all or part of the HR function. Outsourcing eliminates the time-consuming paper chase allowing HR to take on a strategic, rather than administrative role. For example, if a company is going through a high volume of recruiting and also planning for a merger or acquisition, is the HR Director's time better spent reviewing thousands of resumes or sitting at the table helping to negotiate and manage the merger? In this scenario, the company can easily outsource the staffing and recruiting function to a third party, maximizing the core competencies of both parties.

Another benefit to outsourcing is enhanced technology. Many third party vendors either have their own technology or work with alliances that bring state of the art technology to a company, without the company having to make the time and dollar investment in building, purchasing or maintaining an internal system.

Finally, outsourcing allows access to subject matter experts when needed. A company may not always have a need for high volume recruiting so it may make better business sense to outsource this area when and where it is needed, rather than have internal recruiters on staff.

A company that is considering outsourcing should take the time to conduct an internal analysis. Doing so helps set expectations, determine a budget and builds buy-in and understanding of what outsourcing can bring to the organization. Conduct a cost/benefit analysis of what an outsource firm will cost versus the cost for internal employees. Consider factors other than annual salary such as office space and benefit costs. Once internal needs have been defined, shop different outsourcing firms. An outsource firm should feel like an extension of the organization and be a cultural fit.

Questions to ask include;

1. How long have you been in business?
2. Will you interact directly with my employees or work through me?

¹ Fidelity Investments, HR and Benefits: The Next Outsourcing Wave, February, 2003.

3. Do you handle multi-state locations?
4. Is staff available onsite or is support limited to phone and internet?
5. What type of technology offerings and support do you provide?
6. Who will I be working with? What is their background?
7. Have you worked with similar industries?
8. Is there an attorney on staff for legal support?
9. May I have a list of references?
10. What do you believe you can provide that internal staff can not?
11. How do you charge? Is it a project fee or by the hour?
12. Ask for a copy of the contract.

Outsourcing all or a portion of your HR function can bring great benefits to employees, the HR team and the bottom line. However, the decision to outsource should be made with the same due diligence any other business deal would require to ensure the best fit and benefits for the organization.

About the Author:

Mary Beth Hartleb has over fifteen years of diverse human resource experience and has worked for Fortune 500 organizations as well as smaller entrepreneurial ventures. Mary Beth is founder and President of PRISM Human Resource Consulting Services, LLC and Market Your Job Search.com; both of which are headquartered in Las Vegas, Nevada. PRISM offers clients the full spectrum in human resource services, products and technology. Clients include both national and international clients ranging from small to large organizations across all industries as well those in the non-profit sector. For more information, please visit the website at <http://www.hrc-prism.com> and <http://www.marketyourjobsearch.com>.