

## **HR Outsourcing: Not Just for Small Companies**

By Cindy Waxer on October 30, 2008

Small businesses have long been singing the praises of [HR outsourcing](#) — and for good reason. By allowing companies to rely on external experts to manage HR functions such as [payroll](#) and [benefits](#), HR outsourcing can cut in-house staffing costs, improve services and grant growing companies access to enterprise-class benefits packages.

But small startups aren't the only ones benefiting from HR outsourcing arrangements. Large enterprises also have something to gain from turning to providers such as [ExcellerateHRO Corp.](#), [Accenture](#), [Hewitt Associates LLC](#) and [Ceridian Corp.](#) "HR outsourcing makes complete sense for a large organization," said Jennifer Perrier-Knox, a senior research analyst at Info-Tech Research Group. Here are some reasons why:

### **Shift Focus**

Keeping tabs on a large enterprise's HR functions, from recruiting fresh talent to overseeing payroll, is a burdensome and time-consuming activity. However, by handing over these activities to a third-party provider, a company's in-house HR team can shift its focus from mundane administrative tasks to "competitive differentiators," according to Perrier-Knox. Policy enforcement, strategic planning, human capital management, [increased productivity](#) and organizational restructuring are business-critical undertakings far more likely to improve a company's bottom line and increase [employee satisfaction](#).

### **Cut Costs**

While small companies often lack the in-house expertise needed to manage HR functions effectively, that's simply not the case for large enterprises. Rather, HR outsourcing's main attraction for large corporations is its ability to cut costs. Said Perrier-Knox, "Where large companies can really benefit from HR outsourcing is in the area of cost reduction."

According to a recent Watson Wyatt Worldwide report, the average operating expense for HR functions for each full-time HR employee is \$284,982. Granted, an HR outsourcing arrangement can cost anywhere from \$200,000 to millions of dollars. But when you factor in costs associated with the ongoing training and [recruitment](#) of in-house HR personnel, many corporations are better off financially going with an HR outsourcing provider.

### **Achieve Compliance**

These days, one of the most heavily outsourced areas of HR is regulatory compliance. In fact, a study released by Everest Research Institute reveals that more than half of all HR outsourcing transactions involve regulatory and compliance services. That's no surprise given the enormous pressure on HR professionals to stay abreast of the latest legislative changes pertaining to benefits regulations, corporate governance and claims management. What's worse, failure to meet these regulatory requirements can result in devalued stock prices, angry shareholders, disgruntled employees and a tarnished reputation. As a result, Perrier-Knox said, large corporations would be wise to turn to an HRO (HR outsourcer) for "deeper knowledge and expertise [of the most recent regulatory compliance issues]."

### **Simplify Your IT Environment**

As a company grows and changes, so too must its in-house HR systems. However, making modifications and adding new modules to an enterprise-wide HR management system can be a costly and complex endeavor. Fortunately, “from a cost-reduction perspective,” said Perrier-Knox, “HR outsourcing can reduce operating costs and eliminate the need to buy new in-house IT systems.”

### **Seamlessly Relocate Employees**

So much for sitting tight. “Given the [economy](#) the way it is, there is going to be a lot of organizational restructuring that may require the movement of employees from location to location,” warned Perrier-Knox. An HR outsourcing provider can help transferred employees find the right home, day and senior care; recreational opportunities; and spousal employment. What’s more, vendors such as ExcellerateHRO offer services that address any cross-cultural and cost-of-living issues that may arise in each transferred employee’s new location.

### **Negotiate Discounts**

For small businesses, an HR outsourcing arrangement grants immediate access to enterprise-class benefits packages. That’s not to suggest, however, that HR outsourcing fails to provide large corporations with any benefits-related perks. Rather, sizable companies have the luxury of being able to negotiate factors such as volume-type discounts on group benefits packages.

While it’s obvious you don’t have to be a mom-and-pop shop to benefit from an HR outsourcing arrangement, there are limitations to consider. Warned Perrier-Knox, “One thing you cannot outsource at all is your basic HR leadership. Big companies should always retain somebody in-house, from a strategic perspective, in order to oversee corporate policy, decision-making and to manage the relationship with an HRoutsourcer .” In a small company, that point person may be the CEO. However, Perrier-Knox said that large corporations need to appoint a dedicated HR professional to ensure that benefits such as reduced costs and regulatory compliance are managed.