



Outsourcing

Outsourcing is a hot topic for many HR departments. From its small beginning as a way to avoid the “administrivia” of COBRA, Section 125 claims, and the like, it has evolved into a major industry that seems to manage almost anything.

The number and quality of the firms offering outsourcing services is remarkable. Many that claim expertise in particular areas, such as benefit administration, and others that maintain they can do it all. Whatever you might wish to outsource, there is a company out there that is willing to take on your unwanted work.

Your first question should be “What is it exactly that I want to outsource, and why do I want to get rid of it?” Perhaps you recognize that your department has a process that adds little if any value to your mission. Maybe you haven’t been able to take advantage of electronic administration of some of your activities, and outsourcing would be a handy way to get some of your processes on line. Whatever you choose to outsource, make sure you are not giving away any function or activity that adds real value to your organization. This means you must understand your culture and employee willingness to let go of your HR department as the source of service. You also need to understand and anticipate reluctance or resistance on the part of your HR staff to giving up an activity they find enjoyable.

Before you even contact a potential service provider, evaluate where your HR department is in terms of what is currently being done, what is important but left undone, and what activities or processes contribute to your success. Evaluate your recurring problems to see whether outsourcing is really a solution or just movement to another place. Remember, even when you outsource something you do not shed responsibility for seeing that the work is done correctly. Review your current policies and procedures for managing activities you’d like to lose. Test your assumption that others in your company would welcome an outsourced solution to an activity. Only then will you be ready to assess what outside service providers have to offer.

When you are ready to talk with vendors, make sure you have your due diligence list in hand. You will want to know how far each vendor’s responsibility for any compliance issues goes. In particular, pay attention to how a vendor will back up your information, and what kind of security and confidentiality measures they have in place. While price is always a consideration (after all, we assume one of the reasons you are considering outsourcing is to save payroll costs), don’t confuse a good deal with a good long-term investment in employee services. Make sure you have adequate ways of dealing with nonperformance, and avoid such things as automatic renewals and multi-year contracts.

Finally, consider using an outside company to assist you in assessing whether outsourcing is the right answer for you, and to help you work through both internal communication and vendor relation issues. Blue Prairie Group would be happy to assist you with your outsourcing questions.

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