



Extra hands on the deck

Outsourcing transactional and repetitive HR functions can help HR shift its attention to more strategic organisational goals. *HRM* looks at the latest trends in HRO solutions and how you could get the best out of this arrangement

By Priya de Langen

The global business process outsourcing (BPO) industry is expected to generate US\$450 billion in revenues by 2012, reveals the latest study by NelsonHall. It is a sizeable figure for sure but one that also indicates that the outsourcing industry has grown phenomenally.

HR is no stranger to HR outsourcing (HRO) as many of its functions such as payroll processing, policy writing, expense claims, and recruitment are being outsourced to third-party providers. Experts and employees agree that it leaves HR to work more efficiently on critical areas in their organisations.

“HRO will help HR departments save resources and free them from tedious administrative tasks so they could focus on more important HR functions and attain their corporate goals,” explains Charles Liaw, Director from Times Software, a HR software solutions company.

Looking to the clouds

HRO technology solutions are one of the most important functions requested by organisations, and experts state many of the e-solutions offer flexibility and cost savings.

“There can be little or lot of savings (the hard dollar) without counting the intangible benefits. If human costs avoidance is taken into account, the savings over a five-year period can be from 10% to 30% though some organisations claim to save more,” states Lim Say Ping,

Director for IQ Dynamics, a payroll processing and software-as-a-service company.

Liaw says that HRO technology solutions can save a company anywhere between 15%-40%, depending on the industry. He adds that depending on an organisation’s corporate strategies, companies “go for short-term and later engage a long-term service of HRO once cost savings and benefits are realised.”

Experts are also stating that there is a new trend for HRO technology solutions – more

organisations are considering or starting to utilise cloud computing, under which technology services are hosted over the internet. A KPMG research paper *From Hype to Future* revealed that 60% of respondents from a range of industries in Netherlands stated that they are currently

using or will be using cloud-computing in the short-term.

The main drivers for cloud computing are cost savings, better flexibility and scalability, according to experts. Liaw states that resorting to this service has several benefits such as helping companies streamline their HRO process by adopting e-portal services and help save costs in investing in manpower, IT infrastructure and software ownership.

He adds that Times Software provides outsourcing payroll and e-portal services to companies that have a headcount of up to 1,000 employees. He highlights that the company will be able “help HR and payroll department save costs and IT resources to a projected 50% per annum.”

Find the right partner

- + Service provider should have a proven track record on services and solutions
- + HRO solutions must be secure, especially for technology services such as cloud computing and should offer good quality software
- + HRO partners should have a good understanding of broader HR initiatives to provide specific solutions needed by their clients

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Simon Bell,
General Manager, RPO
and Talent Management,
Asia for Hudson

IQ Dynamics also offers various e-technology solutions such as HRi, claims and benefits, as well as talent management modules that include learning management. All of them are available “on cloud or otherwise known as pay-per-use”, states Lim.

As organisations adopt cloud computing, security and confidentiality of data are emerging as big concerns that might impede the progress of this trend. Over recent months, several MNCs as well as federal agencies around the globe have been plagued by hacking, and confidential data has been lost.

“The local market is slowly ‘jumping on the bandwagon’,” states Liaw. However, he says that to build it up as a future trend, “critical issues such as security and confidentiality of staff information should be holistically addressed and assured to conservative business owners.”

Some solutions providers say that whether HRO technology solutions are run in-house or with the third-party providers, security risks are about the same. “The company has to mitigate the risks by ensuring the contractor can deliver

a service that meets the company service level,” notes Lim. As an example, he cites the case of DBS outsourcing their banking applications and operations to IBM, but protecting the data on DBS premises even while it is managed by IBM.

Top global RPO providers

- + Alexander Mann Solutions
- + SourceRight Solutions
- + PeopleScout
- + Adecco RPO
- + Kenexa
- + Allegis Talent2
- + The RightThing
- + KellyOCG
- + Pinstripe
- + Futurestep
- + Aon Hewitt
- + Hudson RPO
- + Ochre House

Source: 2011 Baker's Dozen

Recruitment needs

Recruitment outsourcing takes a big chunk in the HRO industry – the *Global RPO Report 2011* found that 32% of businesses in the Asia-Pacific outsource their recruitment. Also, recruitment is the number one function that companies outsource (58%) compared to other key areas such as payroll processing (44%) and benefits (31%).

Simon Bell, General Manager, RPO and Talent Management, Asia, Hudson, states that it makes business sense to outsource recruitment as the organisation might lack resources or the facilities to conduct interviews or assessments or they might find it expensive to maintain a recruitment infrastructure.

Also, outsourcing recruitment provides scalability as the recruitment firm can “access extra staff at very short notice to cope with increased or unexpected recruitment demand” as well as reduce staff at a short notice during downturns or headcount freezes states Bell.

He says that Hudson has helped organisations save 30%-50% of recruitment related costs over the past six years in Asia. “Also, Hudson RPO Asia helped a leading industrial engineering services company to save 36% of recruitment costs in the first year of the contract alone.” Hudson helped introduce a rigorous selection system and linked it to performance review and sales data to help the company, adds Bell.

Outsourcing recruitment comes with its set of risks. In the *Global RPO Report*, some of the major criteria for choosing a recruitment partner are recruiter quality, costs, and industry knowledge.

Bell advises organisations to be thorough when choosing a recruitment partner. He states: “Look for strong values alignment and a dedicated team as you need to have trust and work very closely with your chosen RPO partner for it to be successful.” He adds that the chosen RPO partner should have a track record of success and should have an understanding of broader HR initiatives. [hrm](#)