

**Grayson Walker reports on the benefits and trouble spots related to outsourcing your HR function.**

# Strategic HR

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**B**uzz words are as common in the business world as flies during a summer backyard cookout, and "core competency" has taken its place in the buzz word spotlight as companies respond to increasingly complex, competitive global markets.

The human resource function of nearly any business is outside the scope of that company's core competencies, and 58% of companies report outsourcing some HR functions, according to the latest outsourcing survey from the Society of Human Resource Management. The top three functions most often completely outsourced include background checks, employee assistance programs, and administration of flexible spending accounts, the survey indicates.

But outsourcing your company's HR function isn't as easy as hiring a janitorial service. The HR department serves as the hub of activity between employees and their pay, benefits, records, and training. HR staffers often are the first points of contact for potential employees and new hires. And if an employee is let go, the HR department likely will be that person's last point of contact, too.

HR outsourcing is one area where the largest companies have taken the leading role, but that doesn't mean those companies lose oversight and control of the HR function. Although cost reductions often are cited as a benefit to outsourcing, a majority of HR professionals say that outsourcing is beneficial because it gives them an opportunity to focus on such big-picture issues as organizational strategy development and execution.

## No brainer

When certain HR functions, particularly transactional ones, are outsourced, nearly three-quarters of professionals indicate that their roles become more strategic. But Charles Schugart of Houston-based U.S. Legal Support wasn't thinking of the strategic advantages when he outsourced the HR function of his company to Administaff.

"When I got here two years ago, the company had a poor HR function and was poor at managing HR risk, managing workers' compensation, and the whole function," said Schugart, president of the legal services company that provides court reporting, document retrieval, and temporary staffing. The company has 400 full-time employees and 500 temporary staffers in New York.

"I was faced with either buying or building a function or outsourcing," Schugart said. "I'm a person who believes in outsourcing. I had experience with Administaff, so I went with them."

Cost savings was not a primary driver for his choice, said Schugart, noting that Houston-based Administaff does its HR work inhouse for companies up to about 2,000 employees. Although he's spending more on HR than he was before, Schugart figures he's saving money in the long run by providing quality HR services to his employees and not creating a separate department.

"You have to find a provider that can do it all," Schugart advised. "HR is very complex and not a core competency for anyone. It's a no-brainer for a small company like ours to outsource."

## Plenty of opportunity

It's a no-brainer for large companies, too, and for many of the same reasons. Twice as many HR professionals from large companies (500-plus employees) indicated that outsourcing was likely to increase in their organizations in the next five years as did professionals from companies with 100 to 499 employees, according to SHRM research.

Dallas-based ACS offers HR outsourcing to companies with more than 10,000 employees, said Jay Salem, managing director of global HR services. The two motivating factors for outsourcing among large companies are to increase the quality of services and to reduce expenses, in that order, Salem said. "The market now is growing at exponential rates," he said. "There is a lot of opportunity in the HR outsourcing space these days."

ACS has presence in more than four dozen countries and can offer a range of outsourcing services to the largest international companies. The relationship between ACS and its customers is more than client/vendor, said Salem, noting that ACS aims to become a strategic partner to assist its clients in bringing best practices to the workplace.

The company has centers of excellence in such functional areas as payroll, benefits, staffing, and learning and can help clients identify strategic goals in these areas and then take steps to implement them.

Like many other providers, ACS offers a complete solution or à la cart offerings where companies can choose certain administrative or transactional tasks to outsource. The company can use its client's IT infrastructure or its own, but Salem said ACS believes bundling of services and using ACS's own systems bring greater efficiencies.

"The technology and processes employed in outsourcing are key," Salem said. "It's important that execs keep an open mind and see what the marketplace has in terms of best practices."

**For more information about Administaff, call 800-465-3800  
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## HR specialization

Companies don't have to be in the *Fortune* 1000 to derive benefits from outsourcing, said Paul Sarvadi, chairman and CEO at Administaff, which caters HR outsourcing services to smaller companies. "Firms of between 200 and 3,000 employees definitely are underserved," said Sarvadi, who co-founded the company in 1986.

Administaff pioneered the co-employment concept, assuming or sharing many of the HR responsibilities of being an employer with its clients. The company has more than 4,600 client companies and about 80,000 worksite employees.

"Outsourcing makes sense because of HR specialization," Sarvadi said. "For smaller companies, we are their HR department." Most often, Administaff is called on to handle administration of COBRA, payroll, and benefits, said Sarvadi, but the company can handle all HR duties, including recruiting and training.

But Sarvadi noted that outsourcing isn't as simple as signing a contract and walking away. "Internally, someone needs to know enough about HR and outsourcing to know it's done right," he said.

According to the SHRM survey, nearly one-third of clients achieved cost savings through outsourcing, while slightly more than one-third reported not knowing the cost implications of their outsourcing efforts.

Of companies currently outsourcing, nearly 90% reported a vendor's track record was the most important selection criteria, followed by cost of services (82%), guaranteed service levels (64%), and flexible contracting options (53%).

Schugart from U.S. Legal Support is a firm believer in outsourcing. "HR is complex and getting more so by the year," he said. "Payroll is the easiest. It's the other things we value about outsourcing."

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