

Measured Success! Raising the Bar in HR

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KEY ELEMENTS WHEN CONSIDERING HR OUTSOURCING OPTIONS

Its time! The old dinosaur, you call an HR system not your boss has finally become only a page in the history books or maybe you arent that

lucky and still manage all your employee information and benefits on paper mounds and mounds of paper! You have been asked to head up the task of upgrading your system or outsourcing the HR process.

Where do you begin in making the right decision for your organization?

HR Managers now have to run their department like a business and demonstrate how they can cut costs and add value.

MOTIVATION

In addition to having an antiquated and outdated HR system, which may persuade you to begin the process of evaluating HR outsourcing for your organization, this process can have tremendous value no matter what the outcome of your analysis. Several of the most obvious reasons are:

- Internal Budget Cuts
- Increased Costs most notably in the area of Employee Benefits
- Lack of Staff and/or Core Staff Competencies
- Increased Government Regulations and Paperwork Filings

However, the age old response of weve always done it that way should not stop the process from moving forward. In todays environment, HR must lead the way as a change agent and make an effective and convincing business case to company executives and managers for HR outsourcing to improve HR services.

Outsourcing can take various forms:

1. The entire HR function can be contracted with an outside vendor with relevant core competencies and credentialing.

1. Outsourcing only transactional pieces and the day-to-day tactical issues can free **up to 60%** of an HR Departments time.

1. Upgrading software and hardware either through purchase, lease, or with web-based application service providers.

Prior to your decision to outsource or upgrade your HR system, it is critical to complete a Business Process Improvement Analysis.

EVALUATION

Whether you go as far as engaging an Industrial Engineer to perform a sophisticated time management study or have each employee complete an informal day in the life assessment over a week or a month, an honest assessment of current workflow processes needs to be compiled.

IDENTIFY HR CORE RESPONSIBILITIES

ADMINISTRATIVE

ORGANIZATIONAL

STRATEGIC

Managing Personnel Records

Performance Management

Succession Planning

Responding to Employee Questions on Benefits and Available Leave

Recruitment and Training

Budgeting/Forecasting

Open Enrollments

Labor Relations

Competency-based Management

Reporting Requirements

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Communications with Payroll, Benefit Carriers, Governmental Agencies, etc.

Communications with Department Heads and Supervisors

Communications with MidtoUpper Management, Board of Directors

The outcome will be a useful tool to evaluate what is working, what's not, redundancies and duplicity of functions, and efficiencies which could be improved by outsourcing. Evaluate all potential vendors and their backgrounds thoroughly. It is important that your vendor has HR expertise necessary to compliment your organizations culture.

IDENTIFICATION

It is critical to identify and involve key decision-makers as part of your project team and communicate with them throughout the process. Your team may include members from Management, Finance, and IT. Your team's core objective will be to determine if outsourcing will be able to integrate within your organizational structure including connecting and communicating with other software applications to ensure the accuracy and efficiency of critical data reporting.

Clearly identify functions that are inefficient and outdated within the current system that could be improved through outsourcing. For

example:

Overall lack of Flexibility and Functionality

Not user friendly, difficult to learn from an end-user perspective

Poor Reporting Capabilities

Labor Intensive, cumbersome getting data into and out of the system

Requires IT or Vendor customization to provide, e.g., EEO/AAP, Benefits Eligibility, Sick Pay, etc.

Limited Vendor Support

No online/real-time updating; all batch processing

Not integrated with other applications within the organization

Inconsistent or unavailable information on paper or in filing cabinet

It is important to separate costs into three specific areas: In-House, Outsourced and ongoing fees.

IN-HOUSE

OUTSOURCED

ON-GOING

Software

Hardware including PC and Server Upgrades

Employee Wages including Benefits

Data Conversion

Annualized Fees

One-Time Setup and Implementation Costs

Training

Customization

Annual Support and Maintenance Fees

REALIZATION

You don't always get what you want! So, prioritize your immediate needs, be flexible, be patient and keep pushing.

Your list of immediate needs may include:

An HR and Payroll System that shares information jointly

COBRA Administration

Applicant Tracking

Recruit Workforce

Training Administration

Compensation Administration

Regulatory Compliance Reporting

Time Entry & Attendance Tracking

Employee Self-Service

Again, your organization will have its own list of immediate needs. Once you have prioritized your needs, you can then begin to determine what the cost is today to provide these services to the organization.

Dont forget to factor in your organization's culture and risk tolerance when making a decision about phasing in outsourcing. A phased approach will not likely deliver the most value in the shortest time, but in some organizations, this is the only way to get outsourcing started.

IMPLEMENTATION

For most companies and organizations, a positive ROI is going to be the key in identifying a successful implementation process. However, just as important is gaining outside expertise, being able to focus on core business objectives, and organizational performance. Ongoing training, communication, and support will also ensure employee satisfaction and retention.

COMMUNICATION

Communication is the number one key component in any successful implementation process!

Finally, be flexible, you may only need to outsource certain functions while incorporating HR technology to increase internal efficiencies.

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## **MEASURING SUCCESS Recruiting Costs**

Recruiting metrics are the building blocks upon which recruiting decisions, strategies, and plans are built. Without these items, it is impossible to develop a recruiting strategy or determine the effectiveness of that strategy.

**TIME-TO-FILL:** Number of days between when a new job is opened and when a candidate accepts an offer.

**RECRUITING COST RATIO:** Requires figuring out the total recruiting costs and then dividing by the total compensation recruited. Total recruiting costs include four cost areas:

- Fixed-overhead recruiting expenses
- Sourcing-advertising, recruiting fees, Internet-posting expenses
- Signing bonuses
- Travel, relocation, visa expenses

Total compensation recruited is the sum of the annual base starting compensation of all external positions filled by recruiting. Once you've come up with these two figures, the recruiting cost ratio can be calculated by using the following equation:

$$\text{Recruiting Cost Ratio} = \frac{\text{Total Recruiting Costs}}{\text{Total Compensation Recruited}}$$

Recruiting cost ratio replaces the more traditional and commonly used cost-per-hire metric. It takes into account more factors that affect cost such as geographic differences, industry differences, functional differences, and differences in job level.

## **DID YOU KNOW?**

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