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PROFESSIONAL SERVICES

Outsourcing certain HR functions allows firms to focus on strategy

Also provides expertise that firms may not have in-house

By TRACY CARBASHO

Outsourcing certain functions typically handled in-house by a company's human resources department used to be considered trendy, but now it's just another part of doing business.

Functions commonly outsourced to a third-party supplier include recruiting/staffing, forms processing, consulting/training, compliance issues, payroll, health insurance and pension benefits, employee testing, 401(k) programs, compensation packages and stock option administration.

The Yankee Group, a Boston-based research firm, estimates that companies throughout the world are currently spending nearly \$42 billion per year on human resources outsourcing. The number is expected to reach \$80 billion by 2008 with approximately 85 percent of the companies in the United States outsourcing at least one human resources component this year.

"Many organizations now trust a services company to handle some of their most intimate business," said Phil Fersht, business services and outsourcing analyst at Yankee. "This shift will dramatically reduce any remaining reluctance by organizations about outsourcing more of their core business in the future."

Lori Bello, executive director of the Pittsburgh Human Resources Association, Downtown, said some companies may still be hesitant to outsource these responsibilities for fear of losing the personal touch and the ability to fully understand the needs of their customers.

"The benefit of outsourcing is that the human resources profession is no longer seen as the administrative function within a company," said Ms. Bello. "Without the

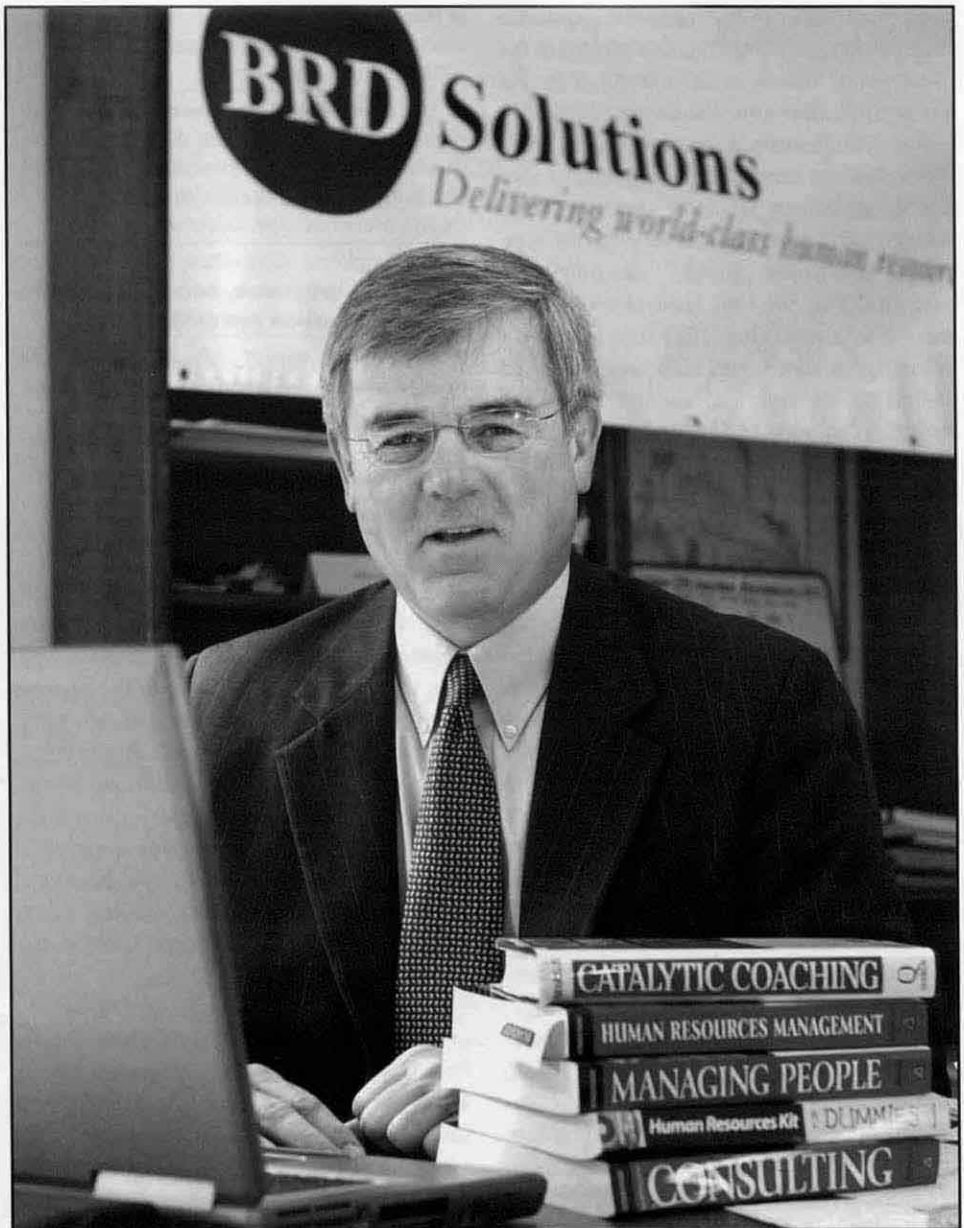


Photo by Joe Wojcik

ART OF OUTSOURCING: Bob Courson of BRD Solutions says many companies that use his services are growing their businesses and looking for ways to energize their employees.

administrative component, it can be viewed as more strategic."

Officials at the Society for Human Resource Management in Alexandria, Va., say

outsourcing gives executives more time to focus on other business objectives, reduces the risk of noncompliance with new laws and regulations, decreases administrative

OUTSOURCING: *Can help save time, money*

costs and improves operating efficiencies.

Kelly Weinheimer, human resources manager at Plextronics Inc. in Harmarville, has seen firsthand how beneficial outsourcing can be to a company.

"Outsourcing allows me to focus on more urgent matters while still strengthening the HR function and its impact on the organization," she said.

Ms. Weinheimer turned to BRD Solutions in McMurray last year for assistance in developing a compensation structure for Plextronics, which creates technology for the printed electronics industry.

"Our compensation structure is an incredibly valuable recruitment and retention tool that helps ensure we have the top talent. We needed a structure tailored to our size, budget and future growth," she noted. "It was vital that we had accurate, unbiased salary data quickly. BRD has access to information that I would be hard-pressed to find on my own and wouldn't have the budget to acquire."

BRD Solutions was founded by Robert Courson II in 2003 with the intention of becoming a strategic consulting partner with clients. Mr. Courson, who serves as company president, has worked with about 35 clients during the past two years.

Seventy percent of his clients are located in the tri-state area with the remainder scattered throughout the United States. His target market includes companies with 1,000 employees and up to \$300 million in annual sales. However, he has also worked with startup businesses and those with more than 1,000 workers, proving that outsourcing is now being used by companies of all sizes.

"Most outsourcing focuses on daily transactional activities like claims processing," said Mr. Courson. "I'm trying to do strategic outsourcing of issues associated with human capital development, such as compensation programs, training and development, executive coaching and change management. Human capital development is about engaging employees in the business."

■ AT A GLANCE

Facts about human resources outsourcing:

■ **Three-fourths** of the executives at large North American and European companies that have outsourced one or more major human resources function said they would do it again.

■ **Ninety-one percent** of the respondents have achieved or partially achieved their outsourcing objectives.

■ The **three most common metrics** that companies use to monitor the success of their outsourcing relationships are hard-dollar cost saving, service-level improvements and employee satisfaction.

■ The functions most often fully outsourced are **401(k) programs, pension/benefits and stock option administration.**

■ **None** of the survey participants **plans to bring outsourced services back** in-house.

Source: HR Outsourcing: Benefits, Challenges and Trends Survey Sponsored in 2004 by Accenture based in New York City. More than 120 companies with annual revenues exceeding \$1 billion were surveyed

Mr. Courson, who has 25 years of experience working in global human resources management positions, said many companies that use his services are in the process of growing their businesses and are looking for ways to energize their employees.

Gary Markle, president and founder of Energage Inc. in Atlanta has enlisted the help of Mr. Courson to develop compensation systems for his own clients. Energage offers coaching, compensation and salary systems and transformational team building services.

"Some of the companies we've helped in this regard have an HR coordinator, but few have the technical skills and even fewer have the credibility to justify their interpretation of market forces such that employees will accept the logic used to pay them fairly for what they do," said Mr. Markle.

"As compensation systems intertwine with performance management systems, we often have to fix one after adjusting the other."

Mr. Courson said outsourcing can benefit companies by providing expertise that may not be available from the in-house staff. It can also save time and money that would normally be allocated to hire adequate staff and to make the necessary technological improvements to perform these functions.

Global human resources outsourcing providers, such as Aon Consulting and Hewitt Associates — both headquartered in Illinois — are enhancing their technology services in order to be able to compete for contracts.

Bill McMinn, senior executive vice president at Aon Consulting, Downtown, said human resources outsourcing was virtually unheard of when he joined the company in 1983. The popularity of contracting with an outside source to perform these services has grown tremendously in the past few years and even more companies are expected to follow suit in the near future.

"Outsourcing can provide organizational wins for the company and benefits to employees and retirees," said Mr. McMinn. "It can offer employees better access to information and better access to address their questions. Midlevel corporations don't always have the necessary skills to handle all aspects of human resources. Aon has invested millions of dollars in the development of technology to support human resources outsourcing."

Mr. McMinn said more local companies are requesting assistance from Aon with some of them looking for help in a particular area and others requiring a full range of human resources services.

He said outsourcing prevents companies from having to buy expensive internal software that may be necessary to complete certain functions.

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