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# HR Outsourcing and the IT Leader

## EXECUTIVE BRIEF



Is your HR Technology Providing  
you with IT Flexibility?

IN PARTNERSHIP WITH



# HR Outsourcing and the IT Leader



HR outsourcing reduces HR and HRIS costs. It gives companies access to the latest technologies and helps them comply with labour and privacy laws wherever they operate. Handing HR and payroll operations to the experts provides access to the latest technology and innovations such as mobile solutions and self-service tools which are increasingly important in delivering HR services.

## In-house multi-platform payroll and administration systems cost



Chief Information Officers (CIOs) of companies across the globe are caught in a perfect storm. On top of mounting budgetary pressures, CIOs are also facing an acute shortage of IT talent. Globally, the top ten hardest to fill jobs include those requiring IT skills, according to the 2013 Talent Shortage Survey by international workplace solutions provider Manpower. But filling these jobs isn't the end of the matter. Nine out of ten respondents to the 2013 CIO survey by Harvey Nash, a global professional recruitment consultancy and IT service provider, said they were worried about keeping their best talent.

This "21st century war for talent", as Harvey Nash calls it, has broken out just when the explosive growth of big data, mobile technologies and the fight against cyber crime are fuelling demand for IT skills. And shortages of these skills can only get worse as technology becomes more complex, warns Mike Toma, Senior Vice-President and CIO of ADP International Employer Services. "Big technology companies are taking all the best IT talent," he says. "So the question for companies in other sectors – especially SMEs - is: how are they possibly going to compete for that talent to run their internal systems?"

# HR Outsourcing and the IT Leader

## Providers cloud infrastructure provides:



Flexibility to scale up or down to business needs



Access to latest mobile and self service tools



Future proof IT systems through continuous upgrades

Some businesses throw money at the problem, offering higher and higher salaries to attract and retain people with sought-after IT skills. But this is clearly not a long-term solution, says Toma, who is responsible for ADP's IT infrastructure, IT services and data centre operations in EMEA, Latin America and Asia Pacific, as well as the company's product development. He argues that companies are better off outsourcing tasks to those same companies that are hiring so much of the available IT talent.

## ENGAGING IT TEAMS

Savvy CIOs recognize that outsourcing HR administration frees up their own IT teams to take on more challenging and engaging work. That makes them more productive and more likely to stay with their current employer. As Toma says: "Having them doing routine work upgrading software systems is not very challenging.

"So outsourcing this work means you can focus on giving your own IT people more strategic, value adding work, enabling them to focus on supporting the business and more purposeful elements of their job."

## INCREASING FLEXIBILITY

In addition to raising the engagement of IT team members, outsourcing HR and leveraging providers' cloud-based infrastructures delivers other important benefits. In particular, it gives companies the flexibility that is critical in today's uncertain business climate.

Companies often find it difficult to adjust the size of their in-house HR and IT teams. But large outsourcing providers can quickly scale operations up - or

down - and so save their clients the recruiting and infrastructure costs involved in responding to changing business needs.

## DELIVERING CONSISTENCY

For large, multinational companies, an added advantage of outsourcing payroll is the consistency it delivers. That's been the experience of the international IT services company Atos, which has outsourced its worldwide payroll operations to ADP.

"With this arrangement, the delivery of services remains local but the governance and financials are coordinated globally," says Charles-Henry Duroyon, Group VP HR Information Systems and Shared Services. "Because of ADP's global presence, they are able to deliver that very efficiently."

## REDUCING TOTAL COST OF OWNERSHIP

Outsourcing also helps firms reduce the total cost of ownership (TCO) of HR operations - often by a massive amount. A 2011 study by the consulting firm PwC found that the TCO of in-house, multiple platform payroll, workforce administration and time and attendance systems is 32% higher than a single-source, outsourcing solution.

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**An ADP survey carried out in France found that respondents believed the cost per payslip was \$20 per month. But the actual cost was \$45 per month - a hefty \$540 per year.**

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Payroll TCO consists not just of the capital costs of installing new systems. It also includes the less visible costs of maintaining and upgrading systems and paying payroll staff. Then there are the costs of risk, with any disruption to payroll processing leading to fines, use of temporary staff and other expenses. These "hidden" costs are often overlooked, resulting in a mismatch between what people think they spend on payroll and its real costs. An ADP survey carried out in France found that respondents believed the cost per payslip was \$20 per month. But the actual cost was \$45 per month - a hefty \$540 per year.

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## FUTURE-PROOFING YOUR SYSTEMS

Companies that keep payroll operations in-house often try to reduce these costs by delaying investment. "There usually isn't enough money to continue to upgrade the software, so people say it's not that important, and then five years on they find they are several versions behind and that they are in trouble," says Toma.

Outsourcing providers, on the other hand, can future proof IT systems by offering continuous upgrades. And once you take costly system upgrades out of the equation, the total cost of ownership for the client company comes right down.

"But it's not just a cost issue," adds Toma. "It's also ensuring that you are keeping up with the latest technology and innovations." Those innovations include the mobile solutions and self-service tools that are playing an increasingly important role in delivering HR services. By reducing administrative workloads, these tools allow employees to focus on what they do best and contribute to the success of the organization. But instead of creating their own mobile apps, companies can use state-of-the-art apps provided by their outsourcing partner. These cut the cost of managing, or recording payroll data, for example, while also allowing managers and employees to access information whenever they like and wherever they are.

Enabling employees to be self-sufficient by providing the answers at their fingertips rather than depending on others to get the answers is key. This has the added benefit of increasing productivity as processes previously requiring several stages are completed in one or two stages.

Results from research by ADP and CorporateLeaders on the use of mobile technology record the growing use of a wider variety of devices for work and a reasonable amount of freedom for employees to use them. Around 44% of the 703 respondents said they already provided access to enterprise applications on employee smart phones or tablets and/or issued smart phones and tablets to some employees. A further 11% said they were evaluating the possibility and 2% had decided to but not implemented the decision yet. Meaning that more than half of organisations had either done this already or are considering it.

## IMPROVING SECURITY AND COMPLIANCE

Growing concerns about data privacy mean that companies are looking for innovative ways of tightening security. Again, outsourcing suppliers specializing in delivering HR services can offer better data security than companies that keep these activities in-house.

These suppliers also have the global reach and expertise to ensure compliance with HR and privacy laws that vary from country to country. Toma points out that mid-sized multinationals often struggle to keep up with rapidly changing legal requirements. "Their IT staff isn't going to be able to understand the complexities of privacy laws in different territories and deliver on security," he says.

More than



provide access to enterprise applications through mobile apps.

# HR Outsourcing and the IT Leader

## GETTING IT RIGHT

Toma believes that companies of all sizes can benefit from outsourcing payroll and other HR processes. Certainly, small companies don't have the knowledge and resources to deliver quality services themselves. Even large companies often lack the necessary know-how. But signing an outsourcing contract does not guarantee that a company will benefit from the arrangement. A lot depends on the level of outsourcing the company chooses. Is it just IT infrastructure? Will the outsourcing partner provide application management? Will the provider run processes such as payroll on the client's behalf? Will it manage processes end-to-end, or even take over the entire payroll or HR function? As the box below shows, the higher the level of outsourcing, the more value it is likely to deliver.

How the client handles the transition from in-house to outsourced service delivery also influences the end result. Recent research by The Hackett Group, a strategic business advisory firm, found that world-class companies use HR outsourcing more effectively than other businesses. For example, they retain much lower numbers of in-house staff to work on outsourced administrative activities.

Charles-Henry Duroyon of Atos agrees that careful design of the retained HR function is critical to the success of any outsourcing deal. "Change management needs to be implemented on the client side to secure the appropriate level of resource to manage the supplier," he says. "End to end processes need to be lean with no duplicate work and the numbers need to add up on both sides to turn the deal into a partnership."

## LOOKING BEYOND TECHNOLOGY

The transformation of HR information systems is a key element in most HR outsourcing projects. But the most successful projects take account of people, processes and organisational change - as well as of technology. When that happens, outsourcing can help CIOs address many of the challenges facing them now and in the future.

## LEVELS OF HR OUTSOURCING

- **Infrastructure** – The service provider hosts the IT infrastructure - installing, running and maintaining applications. Invoicing is based on consumption of computing resources – CPU, memory, storage or network usage.

**KEY ADVANTAGE** – **Clients pay only for what they use, while gaining access to latest infrastructure.**

- **Application** – The service provider hosts both infrastructure and applications. Invoicing is based on resources engaged or on application usage.

**KEY ADVANTAGE** – **Gives clients access to latest technologies and applications.**

- **Process** – The client outsources the management and execution of a single business process. In the case of payroll, invoicing is based on the number of payslips produced.

**KEY ADVANTAGE** – **Delivers a consistent service to clients, who benefit from the provider's specialist expertise.**

- **Function** – The provider takes responsibility for the entire function. Invoicing is based on either a due diligence assessment or the number of employees managed.

**KEY ADVANTAGE** – **Frees clients to focus on their core business activities.**

# About



## India

ADP India has enabled several companies across the country, irrespective of their nature, size and requirements, take advantage of its business processing solutions to meet their business goals, especially in the HCM Arena. By offering best-in-class software and services, which reflects the company's continual efforts in R&D that span several years, ADP empowers people and organizations to innovate, increase HR operational efficiency, meet regulatory and legislative requirements, find opportunities to reduce cost and increase profits, and stay ahead of competition.

The Company offers a wide range of human resource, payroll, tax and statutory compliance solutions both as Managed Services and On Cloud. It has been certified for ISO 9001:2008 quality standards, ISO 27001:2005 information security standards and SSAE 16 Type II standards.

[www.adp.in](http://www.adp.in)

## Global

Automatic Data Processing, Inc. (NASDAQ: ADP), a \$11+ billion enterprise and one of the world's largest providers of business outsourcing solutions, serves approximately 620,000 clients. Leveraging over 60 years of experience, ADP offers a wide range of human resource, payroll, tax and benefits administration solutions from a single source. The company's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions for automotive, marine, heavy equipment, and recreational vehicle dealers across the world.



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