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# HR Outsourcing and the HR Leader

## EXECUTIVE BRIEF



Are You Ready to Lift  
Employee Engagement?

IN PARTNERSHIP WITH



# HR Outsourcing and the HR Leader

**Payroll** is at heart of the relationship between companies and employees:



**61%** of companies have **employee engagement** as the number one HR priority



## Engagement leads to:



HR outsourcing has a big role to play in lifting employee engagement. It improves the quality of HR services and takes pressure away from in-house staffers – allowing them to focus on what they do best. For HR executives that means spending more time on strategic, value-added work that support business strategy and promote growth.

Payroll goes to the heart of the relationship between companies and their employees. Get it right, and employees will be happy. But pay them late or the wrong amount and you risk ending up with a dissatisfied, disengaged workforce.

“Employees expect their company to pay them a salary, and when that’s not delivered properly, it has an impact on their engagement. They stop trusting the company or start questioning its strategy.” says Charles-Henry Duroyon, Group Vice-President, HR Information Systems and Shared Services at the international IT services company Atos, which has outsourced its worldwide payroll operations to ADP.

The symptoms of disengagement often look trivial: employees turning up late or not turning up at all, clock watching or making too many mistakes. But these minor problems can add up to something more serious. They show that employees are not committed to their employer. And that can have a devastating impact on business performance.

Countless studies have proved that companies with engaged employees do better than their competitors. One of the most convincing pieces of research comes from Gallup, which has been collecting data on employee engagement for many years. Analysis of that data shows that teams in the top 25% for employee engagement outperform those in the bottom 25% by 10% on customer ratings, 22% on profitability and 21% on productivity. They also have much lower staff turnover, shrinkage and absenteeism.

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## ENGAGING EMPLOYEES THROUGH PROCESS IMPROVEMENTS

The role of efficient payroll processing in preventing disengagement is one reason why more and more companies are outsourcing this activity. "As part of the outsourcing you tend to improve your processes," says Gill McGinn, Vice-President, Human Resources, for ADP's Employer Services International (ESI) division.

"So you get more clarity, more definition and more consistency around those processes. As an HR function, you also lose a lot of the pressure because if you have an efficient service provider, you don't even have to think about payroll. You can focus instead on work that promotes growth and supports business strategy."

## HR OUTSOURCING INCREASES EMPLOYEE ENGAGEMENT AT THE SAFRAN GROUP

Payroll and HR administration are often outsourced as part of a wider HR transformation programme. The Safran Group, for example, a French-owned aerospace and security multinational, historically had a decentralized, fragmented HR function. This reflected the group's overall structure, and meant that subsidiaries and business units scattered across the world had their own HR teams handling payroll processing, recruitment and other HR activities. "As

far as I can remember we had nine different payroll systems," says Jean-Luc Berard, Safran's Vice-President, Global HR. "It was obvious in terms of cost and of the quality of service delivery that we needed one system, not nine."

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Outsourcing has not only improved the quality of service delivery. It has also revealed the true costs of payroll.

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In a drive to increase consistency and bring the different parts of the group more closely together, Safran created shared service centres. These now handle payroll, recruitment, management development, employer branding and other HR activities for the whole group. HR policy is also determined centrally.

Payroll processing was the first activity to be centralized. It was also outsourced to ADP. Why? "Because payroll is not our core business," says Berard. "Our core business is making high-tech products for the aerospace and defence industries."

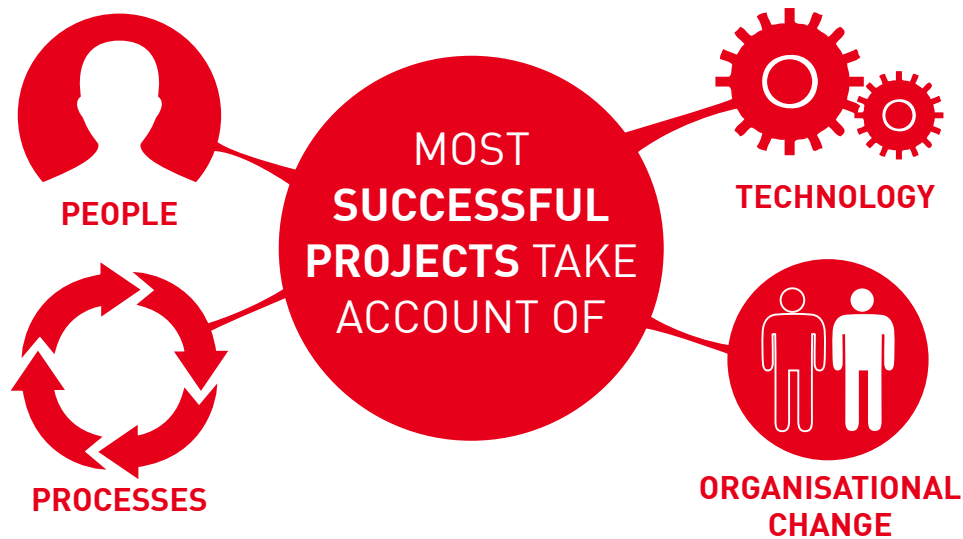
He admits that some people were at first unhappy with the change. But they soon saw the advantages of working with an external partner. Outsourcing has not only improved the quality of service delivery. It has also revealed the true costs of payroll and other HR processes, especially recruitment. Safran's subsidiaries and business units now pay a fee for each payslip produced or job that is filled. Managers sometimes grumble about the expense. But Berard points out that they have nothing to compare it to because nobody had previously calculated all the direct and indirect, IT and human costs of delivering these processes in-house.

The transformation has had a profound effect on employees transferred to ADP or to Safran's own shared service centres. They feel more empowered and valued than they did when working in small, isolated teams. Berard recalls one employee who had worked on payroll for 20 years telling him that for the first time in her life she was working with people who understood her job, knew what they were doing and had a varied professional experience.

Outsourcing **removes pressure** from HR



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Such positive feelings have an impact on employees' engagement with the business – and on its bottom line. "It is clear that the involvement, commitment and loyalty of employees to the company have an extremely positive impact on its operations and therefore on its results," says Berard. "We would not have the same results if people spent all their time complaining about the company."

## CHOOSING THE RIGHT OUTSOURCING PARTNER

HR professionals typically spend 75% of their time on routine, transactional work, according to research by the consulting firm PwC. So transferring this work to an external partner allows in-house HR teams to focus on more strategic, value-adding work, including talent management, leadership development and succession planning.

But it has to be a partner who delivers effective solutions. That is why choosing the right outsourcing partner is becoming a strategic priority for many businesses. "Whether payroll is outsourced or insourced, it needs to be efficient and accurate and the processes need to be automated," says Jill McGinn. "So if you outsource it, you need to choose an expert, a professional who will ensure that those things are in place."

Charles-Henry Duroyon also stresses the need to get the basics right. He points out that when things go wrong with payroll or HR administration, HR teams will get the blame, "If an HR function cannot deliver basic services, it cannot deliver any other HR project," he says. "It loses all credibility."

## OUTSOURCING AND SMES

Large companies like Atos or Safran tend to outsource payroll and HR administration, while keeping more strategic HR activities in-house. Small and mid-sized enterprises (SMEs) increasingly outsource a wider range of tasks – even their entire HR function. This gives them access to specialist skills and the latest technologies, allowing them to cut staffing and IT costs and improve HR services. Their management teams can then focus on growing the business and engaging employees.

Employee engagement is certainly as much of an issue for SMEs as it is for their larger rivals. According to an ADP survey of French firms with 50 to 3,000 staffers, employee engagement is now the number one priority for a majority (61%) of senior HR executives.

### Raising engagement

Meaningful work, development opportunities and good management all play a part in raising employee engagement. But by delivering service improvements and relieving in-house teams of a heavy administrative burden, HR and payroll outsourcing has become an important part of the mix.

# 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.

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## 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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