

Outsourcing Technology



The need for accurate employee data is crucial, whether in a U.S.-centered or multinational enterprise. As the cost and performance

criteria for HR systems grow, outsourcing may be a way to avoid the expenditure large businesses need to undertake to maintain or build data delivery.

In the U.S. regulatory environment, HR executives are increasingly responsible for accurate and timely information about employees, contractors, part-time employment, and other elements of labor

costs and production. In addition, the need for accurate statistics on utilization of programs and benefits is growing in importance. Finally, employees are becoming used to availability of resources on a 24/7 basis and are increasingly demanding self-service tools that enable them to make benefit changes and to enroll in courses from anywhere.

As demand for higher levels of HR information technology grows, so does the cost of HRIT systems and applications. In the United States, some integrated HR platforms show stable costs over the last three to four years, but prices for applications suites to flesh out those platforms have continued to grow, thus making inevitable requests by HR executives for extensive new capital funds.

The appetite of HR leaders for new systems and applications is all the greater when it comes to companies with global operations. Many corporations have a number—often many—of legacy systems abroad, and consolidate all available data into a base system in the United States. It is not unusual to find a U.S. parent operating PeopleSoft domestically, but running a collection of SAP, GEAC and other smaller systems outside the country.

Some recent cost estimates for the purchase, implementation and transition of a global HR system have been three or four times the annual operating budget of the entire HR department. Thus, few HR executives will go to the board or the capital committee of their firms prior to exploring all the available alternatives. Outsourcing offers several different approaches to solving this dilemma.

One overall approach is to reduce costs for administrative HR services by outsourcing those services to a provider. Since savings of 30 percent or more can sometimes be realized by a comprehensive, global outsourcing initiative, those saved dollars can be used to fund the implementation of a comprehensive HRIT system, and the transition can be handled as part of the outsourcing-project budget.

We find clients with slimmed-down HRIT costs can also develop better systems and applications by relying on the packages of services available from the outsourcing providers, instead of buying and installing distinct applications themselves.

Some clients are finding a half step in HRIT improvement by turning over their existing systems to their provider, and having the provider host those systems and applications. While this is a less-comprehensive solution, it is a technique that can help busy HR executives get out of the data-ownership business.

All these solutions offer HR officers a way to find improved employee data at no additional cost—or substantially lesser costs—than they would encounter by owning the HRIT systems themselves.

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