



- **HR outsourcing has a sound record of successes.**
- **The scope is broadening to include strategic processes.**
- **Suppliers can collate the data for assessing employee performance.**
- **Even sensitive case management issues can be outsourced.**

A fresh look at people management costs

Getting the most from your workforce in a downturn needn't be an expensive exercise.

By Jessica Twentyman

One of the biggest headaches faced by business leaders in an uncertain economy is managing the people they employ. A committed, talented workforce can be an organisation's best defence against wider market turbulence - but not when the costs of recruiting people, measuring their performance and providing them with opportunities for professional development outweigh the benefits they deliver.

For this reason, many organisations are taking a fresh look at outsourcing key HR processes. In the past, it's been common practice to transfer burdensome administrative tasks, such as payroll management, from internal back-office functions to third-party providers with the resources and economies of scale to perform them at a fraction of the cost. According to Alan Bailey, UK Managing Director at Capita HR and Payroll, these days, the focus has broadened to include more strategic processes such as performance management, learning and development (L&D) and case management.

"There's only so much that outsourcing back-office HR functions can achieve in terms of cost savings before you hit a brick wall," he explains. "In these difficult times, companies are looking to broaden the scope of the cost base that they can effect, by tapping into the wider skills base and technology expertise of specialist providers," he says.

Increasing the skills and knowledge of the workforce is something that no forward-thinking business can afford to shelve for the duration of the downturn, says Bailey, "but it's certainly an area that they'd like to continue to invest in under a new, more efficient cost model."

Capita's consultants regularly work with clients to identify the L&D programmes that deliver the best results and make them more effective, offering the opportunity to eliminate those that don't deliver. This, he says, can reduce L&D budgets by as much as 40 per cent without any deterioration in capability development.

Performance management, too, offers great opportunities for new efficiencies. "In the past, too many organisations have shied away from the consequences of poor performance - but in a downturn, they realise that this is no longer an option," he says. A good outsourcing partner understands how to approach this issue. They will take on the burden of collecting data on how well employer and manager performance and deliver that information back to a business with appropriate diagnostics, comparisons and recommendations.

Even sensitive case management issues, where employees face disciplinary action or have grievances against their employer, can be handled more cost-efficiently and more objectively with support of a third-party provider with the compliant and practical legal and policy expertise at hand to coach managers on how to bring to a swift and satisfactory outcome, he says. Better still, prevent the need for a disciplinary or grievance process to be started in the first place.

The good news, Bailey adds, is that by outsourcing more complex, value add HR processes, companies are by no means venturing into unmapped territory. "Plenty of organisations have notched up proven successes over the past 3 to 4 years and there's a wealth of robust, best-practice thinking in this area," he says. Southampton City Council is one organisation that has taken that step, outsourcing the majority of its HR activities including case management and management developments in addition to the traditional HR administration, payroll and technology activities. In parallel to a major transformation of the HR function that has been outsourced, it has worked with Capita to establish a 'Management Academy', where Council line managers are supported in the development of new skills and in people and performance management in addition to how they will work with HR in a different way in the future.

"Where market conditions force your organisation to take a long, hard look at its cost base, you need to think about letting go of some of the processes that you previously thought should be kept in-house," Bailey advises. "Human resources is an area rich in opportunities - but choose your partner wisely. An experienced provider with a solid track record that goes beyond technology and payroll is worth their weight...."

For further information on Capita HR & Payroll Services please contact Rebecca Stanswood on 01256 383903

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