Chapter 16
HR Outsourcing in the Internet Era

Outsourcing
• What is outsourcing?
• Advantages/benefits
• Disadvantages/risks

What is Outsourcing?
• Outsourcing is:
  – Moving functions from in-house staff to outside organizations who specialize in these areas
• Types of Outsourcing
  – Application Service Providers – ASPs
  – Requires the Internet as a transport of information
  – Business Process Outsourcers – BPOs
A Cumulative Spectrum

- In-house administration
  - You do it all
- Application Service Provider
  - Rent software, hardware offsite
- Basic Business Process Outsourcers
  - ASP services plus basic transaction processing, data entry, job runs
- Enhanced Business Process Outsourcers
  - Basic plus direct employee contact thru call center, web services. HR planning, development, and management of HR programs
- Total HR Outsourcing

Advantages of outsourcing

- Cost control
- Centralized or consolidated operations
- Functional expansion and access
- Quality improvement
- Allows company to focus on core business
- Expertise

Advantages of outsourcing, cont’d

- Free up internal staff time for higher level work
- Access to the latest software and tools, with acquiring the software or expertise to implement
- Ability to access more powerful and more user friendly data transaction and analysis tools
- Economies of scale
Advantages of outsourcing, cont’d
• Fast, relatively painless implementation of new systems
• State of the art network and application services, including security, backup, and disaster recovery
• Lower risk of new system implementation failure

Disadvantages of outsourcing
• Risk of bankruptcy, loss of outsourcer
• Giving too much responsibility
• Giving away ownership
• Conversion of existing systems
• Cost

What it Was
Contracting with outside providers to handle menial, task oriented jobs
• Candidates of outsourcing were:
  – Payroll, 401k, cobra, fmla… programs that required high expertise and severe consequences for non-compliance
  – Also called tactical outsourcing; “which simply moves the activities and tasks associated with a specific, non-strategic HR function offsite, to be handled by functional experts, using systems specially designed for the administrative activities involved.”
What it is Becoming

- Contracting with outside providers to handle more of the process
- "The option now exists of putting not only the operation and maintenance of HR systems in the hands of an outsourcing firm, but all other HR activities as well"

Trends

- Movement of HR toward more strategic functions
- Movement of HR away from administrative tasks
- Internet and remote access
- Complexity of HR functions and laws

Questions