

HR Outsourcing

Making the Decision and Making it Work

Thought Leadership Council for Better Practices

HR Outsourcing

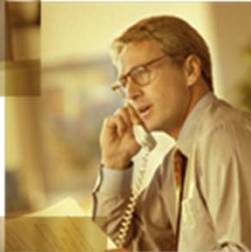
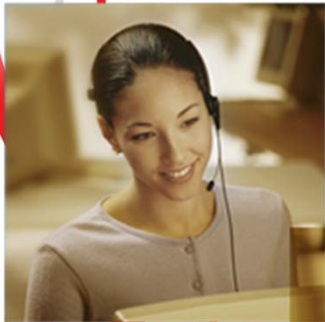


- I. Making the Decision
 - Evaluating HR outsourcing
- II. Making the Selection
 - Request For Proposal to contract negotiations
- III. Making it Work
 - Managing transition and governance
 - Handoff to Ongoing Operations

Determine the business drivers – why consider HR outsourcing

Issues - examples

- Business Transformation to respond to a dynamic economic environment
- Benefit from systems, processes and capabilities that an outsourcer brings to overcome limited investment
- Internal competition for capital and resources impacts opportunities for scale and an acceptable return on investment
- Cost effectiveness without compromising innovation and capabilities



Assess current capabilities

- Start with a rigorous self examination
 - Strategy, values and risk tolerance
 - Organization structure and issues
 - Cost – direct, non direct and hidden
- Gather efficiency and effectiveness data
 - Client and customer feedback
 - Benchmarking (*as available*)
 - Workforce and activity volumes, cycle times, and metrics
- Determine what it would take...
 - Compare rate of improvement with needed rate of improvement
 - Access to capital

Define common high level goals and objectives



- Strategy
 - Outsource non-core functions
 - HR transformation
 - Business transformation
- Service Quality
- Speed -- Catch Up, Keep Up, or Stay Ahead
 - Capabilities
 - Capacity
 - Innovation
- Spend
 - Cost reduction/control/avoidance
- Scope
 - Services, processes, technologies
 - Business units/geographies

Goals and objectives - *examples*

- Transform HR to support changing business needs and become more agile
- Increase standardization of HR policies, processes, and data across the enterprise
- Drive cost effectiveness while maintaining or improving the quality of services
- Increase timely access to and use of HR metrics and analytics
- Leverage leading-edge systems and processes to expand manager and employee self-services
- Concentrate in-house HR resources on strategic issues

Are you ready now?

- Have you ~
 - Picked the low hanging fruit
 - Addressed issues you could handle on your own
 - Gained executive buy-in
 - Considered the state of the business
 - Weighed risk tolerance and appetite for change
 - Considered the trade-offs in control, time and cost
 - Consider political and compliance climate in geographies

You keep 100% of the gains you make yourself

From preparation to implementation

Phase I Preparation

Create
Business
Case for
Change

Assess
Industry
Landscape

Create
the RFP

Launch
the RFP

Phase II Selection/ Negotiation

Review
the Bids

Conduct
Due
Diligence

Review and
Select the
Vendor

Checkpoint
with Senior
Leadership

Negotiation

Contract
Signing

Phase III Implementation

Communication

Transition

Organization
Management
and
Transformation

Phase I -- Preparation

Create Business Case for Change

- Identify project owner and form team
- Identify final decision maker(s) role and resp.
- Consider use of a HRO advisor
- Notify procurement
- Create a business case with a financial and service focus
- Define goals – develop list of key principles
- Secure executive support and sponsorship early

Assess Industry Landscape

- Conduct industry analysis
- Talk with customers of HRO vendors
- Identify shortlist of HRO vendors to include

Write the RFP

- Identify services, process and systems by bus. unit/ geography
- Include subject matter experts (SMEs) to help write and later review responses
- Collect volumes and data required for the RFP
- Determine the SLAs and involve Legal
- Define the vendor selection criteria
- Peer Reviews
- Appropriate approvals

Launch the RFP

- Determine how to coordinate communication with vendors
- Determine RFP timing and review process
- Set RFP response time
- Identify SMEs for review of RFP responses
- Add project/ procurement and legal support as needed
- Distribute the RFP to Suppliers

Phase I – Selection/Negotiations

Review the Bids

- Distribute RFP to internal SME's
- Hold bidders conference
- Collate RFP review team comments
- Down select to key bidder (s)

Conduct Due Diligence

- Set time limits for review
- Include appropriate subject matter experts
- Participate in Workshops
- Complete end to end process review
- Set site visits
- Finalize Scope, SOW, SLA's
- Share final requirements with vendor for final pricing

Review and Select the Vendor

- Receipt of final bid (s)
- Rate finalists using goals, objectives and decision criteria
- Make final recommendations
- Confirm go/no go decision – w/senior leadership
- Notify vendor (s)
- Prepare communication and transition plans

Negotiation & Contract Signing

- Set time frame and check points to close
- Sign Contract
- Launch Communication plan to organization
- Hand off to Transition team

Phase III – Implementation/Governance

Communication

- Implement communications plan elements
- Hold meetings for impacted employees
- Use multiple methods to announce deal and follow with updates
- Provide communication packages for local use
- Prepare with vendor for external news release (if used)

Transition

- Form implementation team
- Finalize transition details and timeline
- Develop transition governance structure
- Implement project mgt. tools, quality gates, and reporting
- Create list of risks and issues with scheduled joint reviews
- Determine change mgt. roles and responsibilities

Governance

- Collaborate with vendor on governance structure, reporting, roles and responsibilities
- Establish program mgt. office (for large deals or multiple HRO contracts)
- Hold regularly scheduled governance meetings
- Document change control process
- Manage the Change Request process

Critical success factors....

- Involve and brief the appropriate stakeholders throughout the process.
- Use standard terms and SLAs as much as possible to save time and cost.
- Focus on key business outcomes and limit number of SLAs to only those associated with the outcomes.
- Outline the governance process in the beginning – it will make it easier to work to together.
- Coordinate communications with the vendors, especially when issues arise.
- Communicate continuously and work collaboratively to drive better outcomes based on business objectives.
- Determine how and when to measure achievement of the outsourcing goals and objectives.