The 3 dimensions of HCM: Is your HR designed to operate efficiently?
Introduction

There are many different forms of outsourcing and system delivery models – some offer a clear but blinkered view; while others offer a holistic, eye-opening insight into your business.

In essence, there are one dimensional (1D), two dimensional (2D) and three dimensional (3D) solutions on the HCM (Human Capital Management) market. Some cater for People, some for Process and others for Technology. Off-the-shelf, one dimensional offerings will do the bare minimum, looking merely at your payroll or benefits or recruitment as if they are purely software which exist independently from any other company function: that’s the 1D view. The slightly better providers may combine two together: that offers 2D vision.

But ask yourself: can a true HR strategy be designed and implemented without a clear overview of the whole people, process and technology landscape combined? If your answer is “yes”, then you could face tough times ahead in the globalized war for talent. If your answer is “no”, then you should consider BPO (Business Process Outsourcing): the only truly 3D offering on the market that caters for People, Process and Technology, and as such a unique way to drive efficiency and strategy in equal measure. To find out how and why, read on.

Introducing the 3 dimensions of Human Capital Management
We can all admire a cartoon drawing on paper. But the full iMax, 3D movie experience is something altogether different. Show a drawing to the Executive Board and they might be impressed for a minute; present a 3D movie, and it will stay with them forever.

The Conference Board CEO Challenge report puts human capital and operational excellence at the top of the challenges facing business leaders. Technology and outsourced solutions are more important than ever to the directors who hold the purse strings. They just need to be shown how.

Of the various types of HR outsourcing solutions, many can even end up costing your business more money than in-house models. Some save you money in the short term for isolated processes, but fail to integrate with the other systems and functions throughout your organization. In which case, you lose both money and capabilities, as no-one has a true understanding or oversight of your people operations.

For CEOs under pressure to continuously transform, remain competitive, improve profit and deliver long-term growth to shareholders, any business investment needs to achieve ROI in 6 months, not 6 years. When presented with a quick win for costs and efficiency, it’s an easy choice. A 1D model such as SaaS is an attractive option to reduce pressure and costs, impacting on obvious visible processes such as system installation and direct labor. That’s quick and easy to understand – like the 3D cartoon drawing.

HR too is often tied-up with inefficient processes, dedicating on average 50% of their time on administrative tasks.

However, those “visible” costs only represent 37% of the total cost of owning and operating HCM systems. The remaining 63% are hidden from view, such as system maintenance, integrating with existing systems, upgrades, and all the indirect labor associated. Only by going further and switching to a 3D solution through BPO, impacting on the full people process, can 100% of those costs be accounted for. All systems will be integrated because they are run by the same specialist third party provider, that also maintains them.

Why the C-Suite needs 3D glasses

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How 3D BPO integrates across all business functions

Integration across the business

All CIOs know that any new IT solutions must be able to integrate, help automate key processes, streamline what the business does and reduce reliance on hardware - whilst not putting security at risk. Each and every IT investment made must also support modern, mobile, flexible working patterns.

Success means low levels of effort from the IT team to support any investment and no impact to uptime of other systems. Multiple in-house solutions can be replaced by a single-vendor solution, enabling self-service for employees and easy to access analytics for managers, while easing the burden on IT staff.

IT leaders need to understand how the systems used to operate HR processes relate to each other. They also need to know exactly how much the business is spending on these processes, how much its peers are spending and the likely return on any investment in new solutions. Unless you have answers to all those questions, there is a risk that you will just shift the costs of running HR processes from one area of the business to another – from HR to IT.

SaaS technology and software solutions are vital components to any BPO offering. However, they are just one of the tools in the box. Cloud-based technology plays a central role in optimizing outsourced processes, and increasingly Employee Self Service (ESS) and Manager Self Service (MSS) mean that HR activities can reach every employee or manager via their mobile device or tablet. Employees are not expected to manage their HR affairs in its entirety, but have HR experts on call at the BPO provider to approach for advice. With BPO, you should get the transformational HR software AND the advisers and experts on hand 24/7 to provide the support.

41% of businesses cite that improving processes will enable them to outperform competitors.

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The 1D world view

Software as a Service (SaaS) is an example of a technology solution that is more attractive than relying on ageing in-house systems. The SaaS service supplier hosts the IT infrastructure: SaaS customers do not pay for owning the software itself but just for using it, typically as a cloud-based solution. SaaS on its own however is a classic one dimensional (1D) solution that can only deliver one part of an HCM system.

Outsourcing single elements of IT infrastructure or application management is certainly a step in the right direction, but it only takes you a third of the way on your journey to a harmonious, holistic HR solution. If looking for a truly comprehensive service that could transform the HR function, then such a functional, transactional approach in isolation will not deliver it.

An HR BPO provider partners with its customer to go beyond the traditional back office payroll outsourcing to support the entire people-facing offering of an employer. This covers everything from front office functions such as direct employee contact and support provided through an Employee Solution Center, constantly refreshed and market-benchmarked technology solutions for the input of payroll and HR transactions; a hosted, cloud-based solution for core HR, talent management and self-service capabilities (for both manager and employee); teams of HR experts on call both locally and globally with the latest knowledge in regulation, compensation, recruitment, and performance management.

Other 1D HCM models include:

- **IT outsourcing (ITO)** - the service supplier hosts the IT infrastructure. Here the customer is buying the service of installing, running and maintaining its applications.
- **Application Management Outsourcing (AMO)** - the supplier hosts the infrastructure and the applications and commits to their availability and maintenance. The customer makes use of these applications but remains responsible for all operating activities.
- **Single Process Outsourcing (SPO)** - the customer outsources the management and execution of any single business process, such as payroll, and the provider simply delivers that system alone, typically with no oversight or access to other related processes.

Upgrades for an off-the-shelf 1D solutions can be extremely complex and costly, not only for the HR function but for IT too. For example, there will be a one-time charge from the provider, consultants to install and manage the process will be needed and then there’s the risk that the provider may not support the product anymore triggering the need to invest in another solution. BPO on the other hand allow companies to avoid these problems and leverage expertise of its partner.

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<th>Risk</th>
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The full 3D, Imax experience

A BPO model, by contrast to SaaS, is the only holistic 3D HCM service available, including People, Process and Technology. Rather than taking a single step on your journey, it takes you all the way to your crisp, clear, 3D movie (playing in real time) of your people.

A comprehensive HCM BPO suite, built on the five pillars (Benefits, HR Administration, Payroll, Talent Management, Time and Leave Management), is necessary to help understand and influence your workforce and HR strategy, and to build and maintain a healthy employer brand. BPO drives people processes to become a more human resource, which begins with flexible, robust, easy-to-use technology that provides integrated control and visibility across all core HR functions and payroll.

BPO is the only truly 3D offering on the market that caters for People, Process and Technology

As explained in Deloitte’s 2014 Global Outsourcing and Insourcing Survey: “Customers are no longer focusing on bringing services back in-house, but are focusing on optimizing vendor relationships and improving operational flexibility... to react to potential changes in the regulatory and technology environment”.

It becomes a seamless process under a BPO arrangement, requiring little involvement from HR other than training on the changes and understanding the impact on the business and its employees.

HR Organizations that outsource all functions with a BPO arrangement – everything from payroll, time & attendance, HR data administration, and health & benefits – spend on average 25%-31% less than those that use an in-house approach. The cost of not doing so is therefore considerable. By outsourcing these “routine” transactional processes from daily work, companies not only achieve cost savings, they also free up the HR function to be a true business partner.

5. Deloitte, Global Outsourcing and Insourcing Survey, 2014
6. PwC, ‘How much is your organization really spending on Payroll and HR Administration?’ March, 2012
3D BPO for all types of businesses

McGraw Hill – how ADP enabled the company to focus on building high value executive search and mobility initiatives for its employees.

“Not only do ADP have genuine technology solutions but most importantly they work as a partner. That true partnership arrangement started from day one and continues.” Bradley Arnold, Senior Director, Talent Acquisition, McGraw Hill Financial

Small companies quite often encounter budget constraints which traditionally meant cutting edge technological solutions are out of reach. However cloud-based services now bring BPO into the affordability bracket for small business owners. Partnering with a global expert that has all the systems, processes and expertise already in place is far easier than designing and implementing them from scratch. In some ways BPO is an easier choice for small business, to avoid the same costly mistakes and unnecessary processes that large firms are lumbered with.

Raw Talent Academy – when a 26 employee company expands quickly it needs to streamline HR, payroll and talent management processes.

“With ADP, you don’t feel like you are dealing with a huge organisation, you feel like you are dealing with a local partner. We work with a team that is specific for small businesses and I was quite surprised by how affordable the solutions are.” Lee McQueen, Owner, Raw Talent Academy

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Big businesses often find themselves with multiple global platforms that are not integrated. No one has true control over the entire system, and a clear picture of employee movement, management and engagement is lost as a result. Global BPO providers can relieve that burden and manage the entire dataset. Large companies form long-term relationships with their provider – as a result BPO is not just a software product, but a full service solution.

Compass Group – with 507,000 employees it consolidated multiple HCM systems into one solution which enabled them to grow rapidly at the pace of approximately a billion dollars a year.

Medium-size businesses can be caught in a trap of mature systems and processes that were once essential, but now prove costly and burdensome. Maintaining different systems and multiple vendor relationships increases both errors and labor costs. A single BPO relationship by contrast offers renewed freedom plus real time, easy to access employee data. The BPO relationship also offers insights that would otherwise be out of reach to mid-sized companies: large BPO providers have global datasets to help identify trends and upcoming issues.

3D BPO for all types of businesses
Are you ready?

BPO specifically targets business improvement through greater deployment, adoption, penetration and acceptance of self-service technologies, and adoption of better practices for enhanced service, risk mitigation, and cost containment. It is not a transactional, arms-length HR technology provision.

The following benefits of BPO are combined together in one holistic package, relieving the pressures of business functions:

- Standardization of all systems and processes
- Reduced total cost of ownership
- Flexibility and adaptability
- Instantly upgraded technology
- Foresight of any impending regulatory or compliance risk
- Partnership with local and global experts
- HR function’s time freed up to drive and design strategy
- Control and oversight of people processes not only maintained but greatly improved
- Employee and manager self-service leading to reduced bureaucracy and improved engagement

Outsourcing enables organizations to reduce the size of non-strategic functions and scale operations to meet changing business needs. This ultimately improves margins and increases cash flow, which allows businesses to make investments that will better position themselves to not only cope in varying economic conditions but emerge as leaders.

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An analysis by Sourcing Analysis demonstrates that “the longer a company outsources to a BPO provider, the lower the total transactional cost becomes”. ADP clients for example find that five years after moving to BPO the savings versus in-house environments can reach 62%. This suggests that as organizations mature into a BPO partnership, additional cost savings are captured and optimized. It underscores the importance of managing the relationship and of continuous improvement.

“The longer a company outsources to a BPO provider, the lower the total transactional cost becomes”


Ready to upgrade to the full 3D experience?

BPO provides business improvement through:

- Local and global HR expertise
- A blend of new capabilities
- Cost, standardization and flexibility
- People
- Process
- Technology

The new vanguard of outsourcing is 3D BPO: a blend of new technological capabilities, basic technology hosting, local and global HR expertise, and re-engineering of left-behind processes. Choose a partner that is truly global, with market-leading experience and expertise, and you can start to see your organization with the clarity and ease of a 3D movie.
About ADP (NASDAQ-ADP)

Powerful technology plus a human touch. Companies of all types and sizes around the world rely on ADP’s cloud software and expert insights to help unlock the potential of their people. HR. Talent. Benefits. Payroll. Compliance. Working together to build a better workforce. For more information, visit www.ADP.com.

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