



The Point of Difference in Human Resources

Five Best Practices for Reducing Burdens and Optimizing Quality



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So what steps can you take to reduce your HR-related costs while optimizing the quality of your core HR processes?

Based on the real-world experiences of HR innovators and studies conducted by research organizations such as PricewaterhouseCoopers and Towers Watson, five specific best practices have emerged for both controlling HR spend and getting more value from it.

Best practice #1: Understand your total current internal and external HR spending

Before making any changes in your HR environment, it's a good idea to fully inventory all the spending you're doing now. This will help you make a more accurate comparison between what you're currently spending and what various outsourced alternatives will cost you. As noted earlier, it's important to factor in "hidden" costs—such as answering employee's questions about various benefit plans—into your calculations.

Of course, you don't want to subject yourself to "paralysis by analysis" either. So your cost inventory doesn't have to be overly granular. The key issue in this best practice is to get out of denial about how much time and effort your company is really allocating to all phases of the employee lifecycle—as well as the real value you're getting out of that entire investment.

Best practice #2: Offload HR operations where appropriate

According to PricewaterhouseCoopers, companies that outsource HR functions spend 18% less than those that perform the same functions in-house. This is obviously in large part because of the advantages outsourcers have in terms of specialization and economies of scale. The Towers Watson study also indicated that companies using HR service providers were twice as likely to report that they found it easy to deal with changes related to healthcare reform legislation. (1)

It is important to differentiate functional outsourcing from wholesale staff sourcing (where your employees become employees of your HR vendor) and software-as-a-service (which only moves your HR systems to the cloud). The former typically results in a surrender of control that can undermine your ability to utilize HR processes and policies for strategic advantage. The latter just reduces IT costs—but does not produce additional cost savings or value gains. So the best route is to retain control while offloading both IT and lifecycle management burdens.

Best practice #3: De-fragment management of the end-to-end employee lifecycle

While companies that outsource save an average of 18% on HR costs, companies that outsource their multiple HR functions to a single vendor achieve even greater savings—an average of 32% according to PricewaterhouseCoopers. These savings accrue because a single, seamless HR environment eliminates the costs associated with manual and/or software-based links between disparate HR systems.

(1) Towers Watson: Annual Benefit Enrollment 2011



A unified approach to the HR lifecycle also improves process quality through the use of a consistent data model, inter-process workflow rules, and end-to-end visibility into lifecycle operations. These characteristics make it much easier to define and implement policies, troubleshoot problems, and adapt to changing business requirements.

Best practice #4: Identify opportunities for getting more business value from HR processes

If all you do is automate your HR processes as they exist now, you may save some money—but you won't gain any additional value from those processes. That's why it's important to find places where HR can do more for your employees and your business.

One good example of this is the implementation of self-service decision support tools for open enrollment. These tools reduce costs by enabling employees to answer their own questions about which plan is right for them. But they also increase employee satisfaction, since they provide those answers in real time and give employees a greater sense of control over their coverage. And these tools can also aid in recruitment and retention, since they make your company look much more employee-friendly than competitors who lack comparable self-service empowerment.

Best practice #5: Continually modify HR processes to adapt to changing conditions

In today's fast-changing world, no company can afford to remain complacent when it comes to HR. You have to be ready to respond to new recruitment opportunities, new regulatory mandates, changes in the labor market, and fluctuations in the economy. You also have to keep abreast of emerging HR best practices—because you don't want to fall behind the competition.

This requires highly adaptable access to technology capabilities—as well as the ability to quickly and cost-efficiently re-configure existing systems to support new policies and business rules. It also means that you'll need reliable sources of information about changes that might affect the way you're doing HR. Thinking of either a technology implementation or a partner engagement as a one-time event probably isn't wise at time when HR is so obviously in a state of flux. So it's essential to build flexibility into your HR strategy and HR systems environment.

You can achieve both cost reductions and quality improvements by adopting any one of the above best practices. But if you can embrace all five—even if you do so sequentially—you can substantially increase your returns on your HR spend and transform HR from a cost center into a truly sustainable competitive advantage.

About CheckPoint HR

CheckPoint HR is a trusted partner for companies with 50 to 2000 employees that want to drive down HR and benefits costs while improving processes. We provide a total solution that combines all of payroll, benefits administration and other HR management functions into a single, web-based system for automating the employee lifecycle. Through our unique combination of superior technology, deep HR expertise, and commitment to client satisfaction, we consistently achieve excellent results in both the short term and the long term.