

Human resource outsourcing and payroll



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Before HRO became as widespread as it is today, payroll was one of the original and most frequently outsourced processes due to its labour intensive and time consuming nature.

In today's business environment, most companies outsource payroll, as managing it in-house requires a large investment, expensive software solutions and specialist staff. Outsourcing payroll is cost effective, and allows companies to concentrate fully on their core business activities

In 2011, UK payroll outsourcing opportunities continued to draw the attention of large, mid-size, and small clients alike as outsourced payroll companies can spread these costs across multiple clients, leading to cheaper provision of services.

Siobhan Riley, Head of Outsource at Sage HR & Payroll comments: "Throughout 2011 we've seen a significant rise in demand for payroll outsourcing across a range of vertical markets, as businesses look to make investments for their future and drive down costs. This has been reflected both in positive feedback from the market and a healthy pipeline of leads for the year ahead.

"With organisations contending with challenging economic conditions and continued pressures to cut costs, it's no surprise that many firms are opting to outsource their payroll function as a means of improving profitability. Firms today want and need the peace of mind that their payroll function is in a safe pair of hands and that they are fully compliant with HMRC legislation. Outsourcing offers a viable option for organisations, particularly SMEs, seeking to navigate these legislative changes and focus on core competencies and has shown itself to be a real benefit for businesses this year. We expect that it will continue to rise up the agenda in 2012."

Along with payroll, the most common outsourced HR activities are benefits, recruiting, training, labour relations, and human resources in general. Due to the impact of new technologies, such as cloud computing, many more HR processes are being viewed as prime candidates for

business process outsourcing, especially due to the shift towards delivery of HR applications via Software as a Service (SaaS) in the Cloud.

Recently SAP AG announced its planned \$3.4bn acquisition of SuccessFactors, a talent management software provider. This trend to deliver Cloud, mobile, social and analytics applications to provide innovative HR solutions will become ubiquitous throughout 2012.

As market leader in enterprise application software, SAP helps companies of all sizes and industries try to run better. SAP applications and services enable more than 183,000 customers (includes customers from the acquisition of Sybase) to operate profitably, adapt continuously, and grow sustainably.

"The cloud is a core of SAP's future growth, and the combination of SuccessFactors' leadership team and technology with SAP will create a cloud powerhouse. The acquisition will help us address the top priority for CEOs globally – managing people and talent," said Bill McDermott, Co-CEO, SAP. "Together, SAP and SuccessFactors will create tremendous business value for customers, with potent synergies to accelerate our growth in the cloud."

The variety of HRO services throughout 2011 has also served as a catalyst for a push for higher quality across the provision of applications. Quality of service is crucial in HRO as the best companies need to seamlessly retain, look after and attract the best staff. This is a point which Yvonne Williams, NOA Board Member, expands upon for professional development.

Yvonne said: "HRO, as a people focused practice, has changed a lot over the last few years as the market has matured. Getting the tech right is extremely important as bad news travels a lot quicker than good news. There is definitely a push towards quality and service in HRO rather than cost, which is often the primary driver in other outsourcing agreements. More attention is being placed on softer skills, relationships and communication within outsourcing agreements. Getting HRO right and establishing quality is absolutely crucial and shows that the industry is evolving and maturing. People conduct business, not contracts."