



INTEGRATED HR: ARE YOU READY FOR IT?

While some big organisations in the west may be outsourcing multiple HR functions, Asian companies are still contemplating if it's the right thing to do right now

A debate on outsourcing in today's fast-paced, talent-short, competitive market is passé. No one talks about whether to outsource or not. The current economic environment is forcing organisations – irrespective of size, location or budget – to explore tactics to remain competitive, and outsourcing of certain HR functions is evolving as an increasingly popular practice amongst many, if not most organisations. Consequently, the burning issue that haunts almost all HR leaders is – what and how much to outsource?

At the recent Convergy's and HRM roundtable on the subject, most industry experts agreed that while outsourcing HR functions such as payroll and recruitment eased them of the mundane and time-consuming administrative load – thereby allowing HR professionals more time for the much demanding 'strategic' in their organisations, not everyone was prepared to experiment with large-scale outsourcing of their HR functions to an external party.

Clearly, outsourcing HR is not as simple as outsourcing other functions of business such as IT. Especially since Indian

gurus feel that with HR, problems could begin right at the initial stages – starting with reviewing and ensuring that your own processes, technology and systems are in place, and then finding the right outsourcing vendor you could partner with.

Pitfalls of inadequate preparation

"You have to be very careful. You have to make sure that everything works, before you go and talk to a vendor," cautioned Lynda Lian, VP-HR, Seagate Singapore. And essentially, the spade work should be done right at the beginning, within the organisation, she said. Undoubtedly, before you outsource your HR functions to an external vendor, you need to ensure that your company's own processes are in place. Lian felt that for outsourcing to be effective, internal processes had to be clearly mapped.

"Your company's processes are standardised and repetitive in such a way that there are not too many variations, you can go ahead and outsource. But if you have variations, you are going to have 10 questions coming back to you every single minute." For instance, variable pay is seen as the most common payroll outsourcing challenge. Cost could be a decisive factor if the processes had variations, she observed.

Needless to point out, unless your scope and objective is clearly defined, you may not be able to avoid unnecessary costs. "Every time you outsource and you think that this is the system I want – for every single change, the cost can go up in 1000s, and not only that, it takes time. In terms of payroll, your staff is not going to wait... they are not going to listen to your story about vendors

taking months to change the system," she pointed out.

Tan Soo Kee, deputy director-HR, DSO National Laboratories, concurred that outsourcing payroll function could be a financial nightmare, as "basically, the issues with outsourcing payroll are response time and accuracy of data. Each time there is a change, the vendor comes back and asks for money."

Therefore, Steven Tan Yew Teck, VP-HR, CapitaLand, stressed, "Processes must be in place and service levels have to be good. The external partner does not know the internal processes of your people."

In order to make outsourcing work it is important that HR sorts out its own internal processes beforehand and is clear

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Lynette Lim, director-HR, Sentosa Leisure Group



on the scope and requirements before pointing a finger to the external outsourcee.

Finding the right vendor

Often in HR outsourcing projects, it's all too easy for the HR practitioner to point the finger at the vendor, and then dismiss HR outsourcing as something that won't work for them. In actual fact, problems or failures with the project could be due to many things. While most of the HR experts blamed their "previous bad experiences" for their skepticism, they agreed that



partnering with the "right vendor" was key for HR outsourcing to be successful. A poor vendor selection process, resulting in selection of an inappropriate vendor, lack of direction and guidance provided to the vendor, lack of commitment, effort and resources in effort and resources in working with the outsourcing provider etc, can all lead to an unsuccessful result. Further, in any outsourcing arrangement, both parties bear responsibilities for

making it work. Lynette Lim, director-HR, Sentosa Leisure Group corroborated. "We actually treat the outsourcer as an employee. We see them as part of the organisation and that really helps them in understanding the business."

She shared, "When I came to Sentosa, payroll was under finance, and there's a lot of pressure about confidentiality and all other things in insisting that payroll must be a part of HR. The reason it stayed with finance is that we found a vendor - after a lot of reassessing - we found that we were compatible. What was important with them was that we shared the same technology platform." But that's not the case with every organisation. Sometimes the sheer complexity of the payroll can drive vendors away. "Many companies don't want to do our payroll, as it is very complicated," Jaclyn Lee, VP-

HR, Cisco Security, shared. Here, having the same technology platform and the same culture are an absolute must. Lim said. "We are not a point solution provider, but specialise in some of the function. HR still had to retain the responsibility of answering employees. As a result, often insourcing and shared services are considered better options. Amy Tan, director, People Matters Department, Ministry of Manpower, observed. But that

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may not be a feasible solution for all organisations. If you are truly partner with your outsourcing vendors, by engaging the vendor to take on more of your HR functions, and not just disintegrate standalone HR transaction work piecemeal to a number of different vendors, it may work to your advantage.

One vendor vs. many

The answer to all the challenges could be summed up in the words of Nalin Singh, managing director and vice president, Convergys

"Don't just give us payroll and recruitment. It doesn't work in bits and pieces, and definitely not if it is a case of "take my mess for me" he said. "We are not a point solution provider, but specialise in some of the function. HR still had to retain the responsibility of answering employees. As a result, often insourcing and shared services are considered better options. Amy Tan, director, People Matters Department, Ministry of Manpower, observed. But that

"The issues I hear are classic outsourcing woes in an immature market. Companies are keen to handover "as is" processes rather than transforming and then transferring which is critical to the success of outsourcing partnerships. If companies also outsource for pure cost reasons, then outsourcing is not going to work. Companies also tend to under invest in the governance of the contract post signing of the deal which too is a fatal mistake in our experience. Global companies have been through this cycle and have realised that a pragmatic and holistic approach with end to end HR outsourcing provides better value. At the end of the day, it is also about providing employees a common global experience which is virtually impossible with piece meal tower by tower or country by country solutions. Convergys has been a pioneer in integrated HRO, and the market is seeing the benefits."

But HR leaders continued to be unsure of what and how much

to outsource. Charles Chee, director-HR, Agilent Technologies, questioned, "If there's just one vendor, what are the problems we face?" If anything went wrong, the whole range of HR function would be affected by the vendor, he noted.

Remarkably on HR leaders not yet prepared to outsource everything, Samantha Mark, senior VP-Recruiting, DBS, said it was just a matter of time. It was not that HR leaders weren't agreeable to the idea of outsourcing HR functions, she felt; it was more to do with a market in Asia that was comparatively less mature and not-so-ready. She compared it to a 16-year-old's apprehensions about marriage. It would take a certain degree of maturity for Singapore to accept and understand the advantages of the process.

The long and short of it

HRO, in concept or practice, isn't new; but it has until recently to a certain extent been focused chiefly on transaction-intensive tasks in the HR value chain - payroll and health benefits or recruitment. Some of the past experiences of HR leaders in Singapore with regards to HRO might not have been ideal, but experts feel those had more to do with an inexperienced market than the ineffectiveness of the process itself. Industry pundits corroborate that as Singapore moves upwards on the economic ladder and the market matures to the desired level, integrated HRO will become more commonplace in Asia and more HR functions will then be entrusted to service providers. **HRM**

PANELISTS



Charles Chee, director-HR,
Agilent Technologies



Helen Sim, Director HR, Abacus



Chua Chong Huat, Director, People
Management & Development,
National Library Board



Amy Tan, Director, People Matters
Department, Ministry of Manpower



Ivy Lew, Resourcing Manager, Cisco



Jaclyn Lee, HR Vice President, Cisco



Koh Pal Tian, VP Human Resources,
PSB Corporation



Steven Tan Yew Teck,
VP-HR, CapitaLand



Samantha Mark,
senior VP-Recruiting, DBS



Tan Soo Kee, Deputy Director-HR,
DSO National Laboratories



Serene Tan, Senior Manager,
DSO National Laboratories



Lynda Lian, VP-HR,
Seagate Singapore



Lynette Lim, director-HR,
Sentosa Leisure Group



Debbie Tan, Global Mobility
Consultant, SAP Asia