



## A sixth sense for HRO

*Oliver McKenna - Managing Director,  
Technology & Product Management*

*Managing the costs of the HR function is a priority for many companies in today's economic climate, but they cannot afford to overlook their long-term strategy for talent management. As Oliver McKenna of HR Access explains to Jim Banks, many may look to outsourcing to control costs*

*In recent years HR has made its way into the strategic thought processes of many companies, but the reversal in fortunes of the global economy has diverted attention to more pressing, short term issues.*

*Cost reduction has become paramount, and is a powerful force behind many companies' interest in outsourcing.*

Nevertheless, when it comes to HR outsourcing (HRO), a strategic approach is the key to true value. There are those who warn, for instance, that neglecting talent management strategy could simply store up greater cost later down the line. Organisations of all kinds are increasingly recognising that their power lies first and foremost in their people. They have learnt from harsh experience how to fight tough battles in the recruitment market, and they are all too aware of how expensive the recruitment process can become. No wonder their focus is increasingly on retention.

'The war for talent is changing, but it is still hard to retain the best people even in harsh economic times. The best are the first to go when times improve, so it is important to motivate your key talent now,' says Oliver McKenna, Managing Director of Global Product Management for leading HR and payroll solution provider HR Access.

The priority in HR now is not only to get the right people, but also to keep hold of them for the good of the organisation and to limit expensive and avoidable forays into the recruitment market. 'HR strategy is focusing on attracting and retaining talent, but at the right price. Cost is the most important consideration now. To reduce the administrative load on the HR department, more companies are looking at outsourcing, which has become more relevant than ever,' he says.

Outsourcing promises an attractive way to reduce costs, and many companies have taken note, but others find that outsourcing decisions have often been delayed by the need to manage the more immediate pressures brought on by the economic crisis. For many organisations the most pressing HR issue may well be how and where to reduce the size of their workforce. McKenna recognises that such decisions will take precedence, and understands that they must be handled carefully, not only for the benefit of those who leave, but also for those who remain. He believes that they must not be seen as tactical decisions, but as part of a long-term talent strategy.

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'There are many companies that have progressed in their approach to talent management, but many others have not. The economic crisis may postpone a lot of effort in this area. Companies must start to discriminate by asking themselves what kind of talent programmes are best to keep, or they run a big risk of high recruitment costs when the good times return,' he says.

'If the first measure you take is to show employees that you are not loyal to them in the bad times, then it is very difficult to recover that loyalty from staff in the good times. How you treat the employees you let go will be seen by those who remain, Big lay-offs are always disruptive, but they can be done in a smart way.'

## Outsourcing with ESP

For McKenna, the key component of HR strategy at the moment is speed. Whether it is how fast they respond to employees' concerns, or how quickly they recruit new people to key positions, organisations must be nimble. At the same time, this agility must not come at too high a cost.

'A company can save between 20% and 50% of its HR costs just by having the right technology in place. Labour can be up to 70% of a company's total costs, so efficiency here is good for business. Outsourcing, with the right governance in place, can help achieve this, though not necessarily through offshoring, which is not as heavily used as people think,' he says.

Finding the smart way to manage crucial HR decisions and define a sourcing strategy that meets requirements of cost and quality may well involve outsourcing, and HR Access sees the market continuing to grow.

The company's own growth is testament to that trend, with turnover rising 19% year-on-year in 2008, fuelled not only by its payroll and HR management software applications, but also its outsourcing services. The foundation of its success is its efficient and functionally-rich

software application, HRa Suite 7 solution. Launched at the end of 2007, it has been rolled out worldwide, and will soon handle the management of over one

million employees.

HR Access outsourcing services have been built on this technology, resulting in the outsourcing platform HR Access ESP (Employer Services Platform), which is a combination of technical infrastructure, technologies and dedicated services centres around the HRa Suite 7 solution.

'As an outsourcing provider we have our own HR ERP product, which makes us unique in the market. In our new offering – HR Access ESP – we have optimised aspects like reporting and payroll cycle efficiency for outsourcing. We provide a technology for the mid-market that is usually for larger companies, and at a lower price,' adds McKenna.

So far, 30 companies have signed up for HR Access outsourcing services, including Gallina Blanca, Feu Vert and Bankinter in Spain, and La Banque Postale in France. Furthermore, a number of the company's existing clients, such as GDF Suez, Air Liquide and Porcher Industries, have requested the same value-added services. HR Access has continued to innovate in the HRO space, as its pioneer project with BBVA, Spain's second largest bank, has proven since its launch in 2007.

The Activo a Recursos Humanos (ActivoA) project, which is primarily aimed at small and medium-sized organisations, provides businesses and their employees with a single multiservice portal to handle the requirements for outsourcing the management of human resource services.

The economic climate may be delaying some HR strategy decisions, but McKenna believes that when the dust settles there will be a swell of interest in outsourcing, and he is keen to see HR Access as a vendor aligned to its clients needs and with a robust platform already in place.

## The role of the CEO

McKenna believes that HR strategy and tactics, which will inevitably include important decisions on outsourcing, should rest firmly at the top of the agenda for senior management. The systems designed by HR Access can support key HR decisions, but he believes that they must often be taken by the CEO.

'HR is a major responsibility of the CEO. I would go so far as to say that over half the work of a CEO is in HR, as the job involves making sure that the right people are in the right place, and that they stay there,' McKenna says. 'I'm not just talking about senior executive roles either, but in general throughout the company, and that is

where technology can help a lot.' This responsibility reaches the top level of senior management. For McKenna, the CEO must not only play a key role in setting HR strategy, but also take part in an ongoing process of personal develop-

ment. Hard times and hard decisions, he reminds us, may require different styles of leadership.

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'Time is scarce and very valuable, so C-level executives spend less time on their own development than they should. Their skills affect the quality of their decisions, and in tough times those skills are even more relevant,' says McKenna. 'They need to make hard decisions, manage lean organisations, be cost-conscious and focus on high-margin products and services. That can come at the expense of strategic thinking.' The delicate balance of cost control with the need to access the right talent will most likely only be achieved if strategy remains the defining factor in any approach to talent management. Outsourcing may well feature more prominently in HR decisions in organisations of all kinds, but the winners will be those whose strategic vision is matched by the scale and capability of their service provider.

*Extract from CEO Magazine*