



IN THE BUSINESS OF YOUR SUCCESSSM

HR Outsourcing and the Business Leader

EXECUTIVE BRIEF



Do You Have the Foundation
to Build Employee Trust?

IN PARTNERSHIP WITH



HR Outsourcing and the Business Leader



HR outsourcing builds **engagement** and **trust** with employees.

Companies with engaged employees outperform those without by **202%**



Outsourcing payroll and HR administration not only cuts costs. With the right external partner, it also helps companies win employees' trust and engagement – two of the most powerful weapons for Business Leaders to succeed.

Engagement leads to:



What is the key challenge you face as a CEO? Is it staying ahead of the competition? Attracting and retaining talent? Doing more with less? Or is it a world full of risk that's keeping you awake at night? Maybe it's all the above. If so, you are not alone.

The CEO Challenge 2013 from the Conference Board research organization puts human capital and operational excellence right at the top of the challenges facing business leaders. Political and economic risk and trust in business are also among the top 10 concerns of respondents to this survey.

PwC's 16th global CEO survey paints a similar picture. It reveals that business leaders across the world are worried about a range of external threats to their business. These include social unrest, cyber attacks and natural disasters. Most of the CEOs interviewed by PwC (58%) are also concerned about shortages of key skills.

As part of their response to these threats, many business leaders are focusing on improving operational effectiveness. 70% are planning to cut costs and 31% to outsource business processes or functions.

CEOs responds to business threats by:



Cutting Costs



Outsourcing

CUTTING COSTS

Outsourcing processes such as payroll and HR administration can certainly deliver big cost savings. Earlier research by PwC showed that the total cost of ownership of in-house HR administration is 18 percent higher than the cost of outsourcing this work.

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Outsourcing suppliers take advantage of economies of scale and share the resulting savings with clients. They deliver further savings for clients by offering continuous system upgrades as part of their basic service price.

ENGAGING EMPLOYEES

But outsourcing can do much more than cut costs, especially when it comes to payroll. Paying people the right salaries at the right time is more complex than it sounds. From data collection to calculating pay and deductions, it is made up of many different sub-processes, each requiring dedicated knowledge and skills. Get any of these sub-processes wrong and pay people the wrong amount and you lose their trust. And without trust you cannot win employees' engagement.

So handing payroll processing to the experts can help you build employee engagement and trust. Both are critical if you want to attract and retain the best talent.

Jill McGinn, Vice-President, Human Resources in ADP's Employer Services International (ESI) business, argues that outsourcing transactional processes frees people inside the organization to do more value-adding work. In her own case, that means focusing on talent management. "As our business is globalizing our main priorities are around building leadership capability, making sure we've got the global bench strength and ensuring that we have consistent, aligned policies," she explains. "So I have outsourced transactional work in order to focus on talent management and developing the employees who are helping to drive the growth strategy of the business."

"Should CEOs care about any of this? Yes, because employee engagement drives business results."

ESI has outsourced its own payroll processing to another part of ADP. It has also off-shored some back-office work to India and the Philippines. It took employees time to adjust to these changes and see their value, McGinn admits. "But there is now a sense that people are more satisfied. They are clearer about where the business is going and they feel that their own personal skills are being used in the right way," she says.



HR Outsourcing allows Business Leaders and employees more time to grow the business

"So outsourcing business processes has led to a huge lift in engagement because staff members get to do far more interesting work and they get more development opportunities. It also reduces stress because people often come under pressure from the amount of transactional work they are expected to do."

Results from ADP's latest employee engagement survey support McGinn's view. In 2013, they produced an engagement score of 77% for ADP overall, and 75% for HR internationally, compared to 69% overall and 68% for HR in 2010 - before transactional work was outsourced and off-shored. The percentage agreeing with the statement "My job makes good use of my skills and abilities" also rose from 69% in 2010, to 76% in 2013. These results put them in the top 75% percentile of companies for employee engagement.

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FINDING THE RIGHT PARTNER

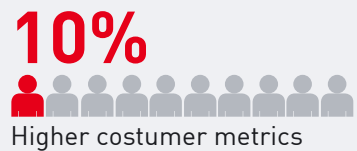
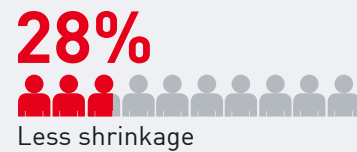
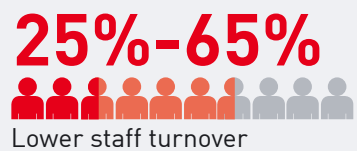
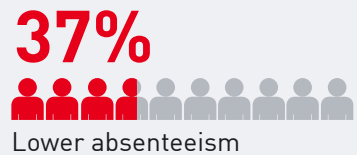
There is, of course, no guarantee that outsourcing any transactional process will automatically lift employee engagement. "You have to have a good service provider," says Andre Rampat co-founder of CorporateLeaders a Business Transformation community of 8,200 executives, "If the service you get is not good, then it almost double the amount of pain because you no longer have people in-house to fix problems." It is therefore critical that the chosen provider has a track record and can work in partnership with the business. "It also depends on how business leaders manage the change and communicate the need for it."

HR outsourcing, in other words, is too important to be left just to HR.

IMPACT ON BUSINESS RESULTS

But should CEOs care about any of this? Yes, because employee engagement drives business results. That's been demonstrated by many studies over the last few years. Recent research by Dale Carnegie Training shows that companies with engaged employees outperform those without by up to 202%.

The Gallup group research found that engagement lead to:



[Source: Engagement at work: its effect on performance continues in tough economic times.]

HR Outsourcing and the Business Leader



In-house HR
administrations
cost **18%**
more than
outsourcing

OUTSOURCING AND SMALL BUSINESSES

Outsourcing offers benefits to companies of all sizes. But small and mid-sized enterprises (SMEs) have most to gain from using the know-how and resources of established outsourcing suppliers.

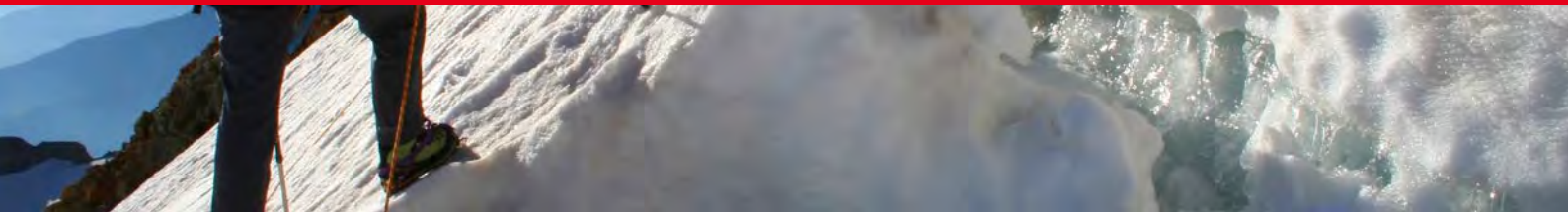
HR outsourcing frees small business owners and managers of employee-related paperwork, allowing them to spend more time on growing the business. Outsourcing also gives SMEs access to specialist skills and the latest technologies, which means that they don't need to invest, maintain and upgrade their own expensive HR information systems.

Despite these advantages, recent research by the Chartered Institute of Personnel and Development in the UK found that businesses with 1-9 employees are far less likely to outsource HR processes than those with over 100 employees. That clearly needs to change.

Meeting today's challenges

HR outsourcing alone will not, turn today's SME into tomorrow's global player. But if worries about talent shortages, external threats or costs are keeping you awake at night, outsourcing could go a long way to helping you meet the challenges you face as a CEO.

About



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Automatic Data Processing, Inc. (NASDAQ: ADP), with more than \$10 billion in revenues and approximately 600,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of human resource, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world.

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