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Lightening the load

Outsourcing finds popularity outside of big business

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While outsourcing has become synonymous with China, India and Russia, many companies are staying local when it comes to daily business functions, including human resources, marketing and support tasks.

Approximately 83 percent of the nation's fastest-growing private companies are outsourcing their HR functions, and plan to continue doing so throughout 2007, if not longer, according to a 2005 Pricewaterhouse Cooper's survey.

There are a variety of reasons why businesses are outsourcing their HR tasks, said David Lewis, president of OperationsInc., a Stamford, Conn.-based company that provides HR services for small businesses and HR professionals.

"(Companies) become more aware of their vulnerability in HR and they need a greater level of expertise in that position," Lewis said. "They want to focus more time on a different aspect of the business or they want to unburden somebody because a certain task has become too much to handle."

One occurrence that often proves to be a problem in smaller companies is employees who find themselves completing work beyond their scope.

"The crossroad you might reach is the accountant who also does HR; (it) gets to a point where they are overwhelmed with their workload," Lewis said. "The unburdening of them on the HR side gives them the chance to focus more on what they are trained to do."

OperationsInc., which is approaching its sixth year in business, is often sought out by companies that lack an employee with HR capability and those with a small number of HR staff members, Lewis said.

"We have two primary customer types: the client that has no in-house HR professional, but they have HR issues and comes to us to manage and administer all of

their HR needs." He said. "Since the economic slowdown in 2000, there has been a trend in the industry where companies have reduced their HR team to the bare minimum. (As a result,) we also do a fair amount of work for companies with just a core team in their HR department."

Don McLaughlin, vice president of marketing, small-business services division for ADP TotalSource, echoed Lewis' belief.

"I think the main reason is they want to focus on their business. Payroll is a necessary pain in the neck," he said. "It takes business owners a lot more time than they need to be spending on it. Keeping up with tax laws is a burden. (Outsourcing) allows them to focus on business instead of focusing on administrative stuff."

OperationsInc's services all of which are on a per-hour basis, include recruitment management services, benefits administration, exit interview services, payroll administration and management and staff training, Lewis said. "We become (a company's) virtual HR department."

Known for its affiliation with large companies, ADP TotalSource offers a large selection of services that can be tailored to even the smallest business "with one-to-three-person payrolls."

"Payroll and tax services are our bread and butter. We're involved with time and attendance, worker's compensation, a wide variety of retirement services, background checks, and an HR help desk," McLaughlin said. "On the small-business side, we service over 350,000 companies. Different businesses can choose from the available services to suit their needs."

While outsourcing HR-related jobs has become widespread, so has using a third party to complete other necessary business support work.

One example is Workstation Business Support, a Mount Kisco-based outsourcing

service for small businesses and independent professionals that provides off-site sales, marketing and administrative support, said Laura Leites, owner.

"I work with solo professionals who either don't have or don't need a full-time support staff, but still they recognize that there are administration or marketing tasks they need to do," Leites said. "They are either trying to do it all themselves or they are not getting to do it because they are so busy."

Many of Workstation's clients are former business executives who have left corporate America, and all of its available resources, to begin their own companies.

"With their own business, (former executives) don't have the same available resources (as they did in their former corporate jobs), but these are still things that need to get done," Leites said. "For example, they still need to send out their invoices, they still need someone to proofread their work and they may not have time to get out their newsletter."

For small companies where every dollar counts, outsourcing their information management and sales and marketing support on a per-hour basis is a way to avoid additional overhead costs that plague larger companies.

"It's perfect for people who have a home based or virtual office because they don't need to purchase any other equipment, software licenses, additional phone lines, etc.," Leites said. "They are only paying for the time that they use because they are not hiring a full time assistant and then finding out they only need them a few hours a week or just on a project basis. The company isn't covering sick time, vacation time or benefits."