




# HR AS A SERVICE:

Experience results you never knew you  
could expect from HR

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# Outsourcing HR



It's the elephant in the corner. A word that brings shudders to some, but sings 'savvy business' to others. A word that has been overused, misused, and misinterpreted: outsourcing.

Now couple that word with another word that some leaders see as a strategic pillar in their organizations, while others still view it as an overhead cost center. The role that in some companies drives culture and sets the tone, and in other companies is known as a gatekeeper, rule maker, and fun-crusher. HR.

## ***Outsourcing HR.***

Because of the connotation of these words and myriad of bad interpretations of their meaning, we prefer to talk about this model as "HR as a Service." Sure, it's a play on words, but it better describes the intent of the model. It's treating HR as a service, because that's how it occurs in top organizations. It's not "outsourced" in the literal meaning of the word, because how would you really "outsource" employee engagement, retention strategies, culture leadership, and workforce planning? Really, the word "insourcing" makes more sense. Because you're bringing expertise IN, not pushing anything out.

Regardless of its name, it's a model that is worth exploring for the small and medium business (SMB) leader. In the pages that follow, we'll hash out the details. But for our purposes, we're going to call it by our name – HR As a Service, or HRAS for short.

# What is it, really?

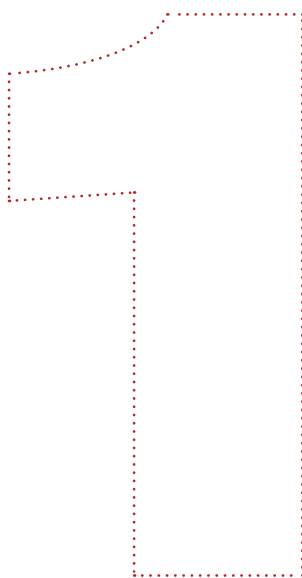
HRAS is relying on a third party service provider for Human Resources. MSPs (managed service providers, or outsourced IT) are better known for this model than their HR counterparts. In some cases the HRAS program serves as the full HR function, while in others it augments a small internal team or individual. But there is a similar methodology – you define what “HR” means for your company, and then you rely on the selected service provider to deliver it.





# What is the value?

We have narrowed it down to the **TOP 7 ADVANTAGES** small and medium businesses (SMB's) find in HR as a Service models:



## DEPTH OF RESOURCES

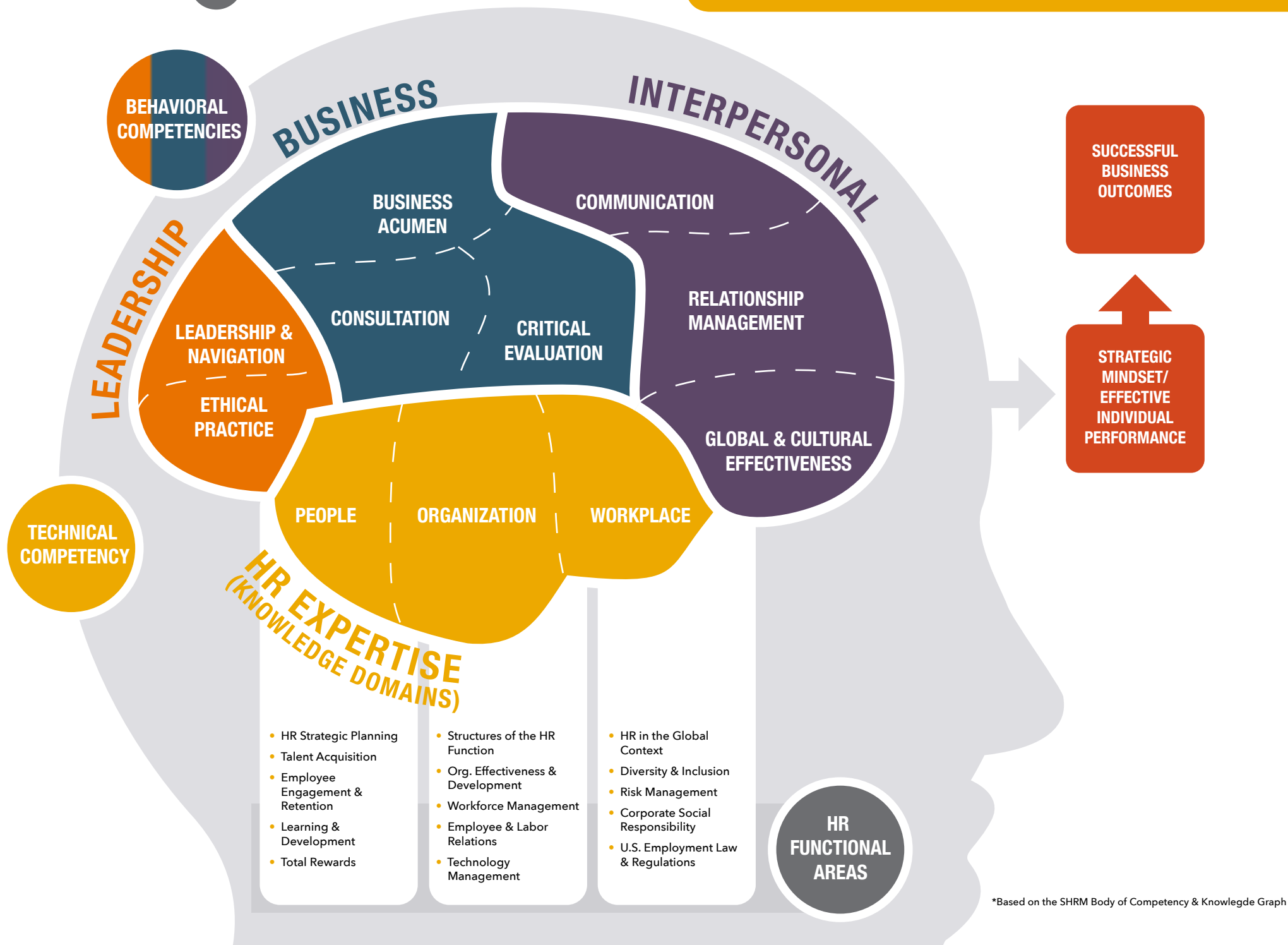
Typically speaking, SMB's only have the budget for one full time HR resource, if they have money for any full-time HR resources at all. And if SMB's can only hire one full-time HR employee, that one individual must fulfill the strategic role while simultaneously managing the administrative functions. This “play up/play down” phenomenon is challenging for companies, not only in finding the right fit, but also in a company's ability to retain the talent.

**Exhibit A** (page 5) shows how complex the role of HR is based on the Society for Human Resource Management (SHRM) Body of Competency & Knowledge™.

In the HRAS model, there is a deep bench—from VP of HR to HR admin—to manage day-to-day work while also working on HR strategy. There are resources to handle spikes in activity and to work on company culture, attracting and retaining people, and other critical people processes. SMB's leveraging an HRAS model don't have to operate with resource scarcity. More can be accomplished because you simply have more bandwidth and expertise.

## Body of Competency

## Body of Competency &amp; Knowledge



# Top 7 Advantages

SMB's find in HR as a Service models

**“HR AS A SERVICE  
PROVIDES ACCESS TO  
THE RIGHT EXPERTISE  
WHEN YOU NEED IT.”**

2

## EXPERTISE

When considering all the responsibilities that fall to HR, such as compensation, safety, wage & hour laws, compliance, training and development, and so on, is it reasonable to expect one individual to be an expert in all areas? They become a jack of all HR trades, and a master of none. SMB's don't need an employee to handle each of these areas in a full-time capacity, which makes HRAS an affordable way to get the right level of HR when you need it. In the HRAS model, your selected provider should have an expert in each of these areas—e.g. specialists in learning & development, compensation, compliance, strategy, etc.

# Top 7 Advantages

SMB's find in HR as a Service models

**“MINIMIZE MULTI-VENDOR CHAOS AND ADD EXPERTISE THROUGH INTEGRATION.”**

3

## INTEGRATION

In most HRAS models, there is opportunity for integration of additional business functions that are dependent on or impacted by HR. For example, payroll processing, benefits administration, group benefit products are often accessible. Most SMB's have various vendors in place to manage these functions resulting in disconnected data and processes. Having an employer partner to administer these functions can ensure systems and people are in sync by streamlining and minimizing the multi-vendor chaos, while adding a layer of expertise that isn't always affordable for a SMB.

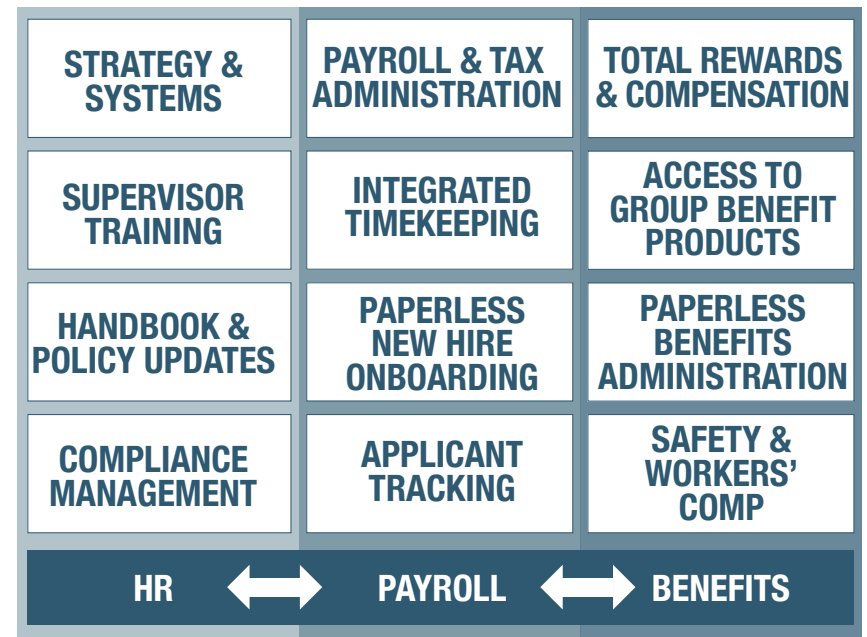
***Exhibit B*** (page 8) illustrates how an organization manages HR functions pre and post integration.

## EXHIBIT B

### BEFORE



### AFTER HRAS INTEGRATION



THE PERFECT BLEND OF  
HANDS-ON EXPERTISE  
AND TECHNOLOGY



# Top 7 Advantages

SMB's find in HR as a Service models

**“SMALL BUSINESS LEADERS NEED OBJECTIVITY WHEN FACED WITH CHALLENGING DECISIONS ABOUT THE PEOPLE PART OF THEIR BUSINESS.”**

4

## OBJECTIVITY

HRAS offers objectivity and removes emotions from business decisions that require impartial thinking. An internal HR Manager might experience a handful of tricky employee relations issues a year, compared to an HRAS team that has supported many across all industries, geographies and sizes. An HRAS partner who has that much depth, expertise, and experience in HR matters, brings objectivity to the table while also understanding how difficult some business decisions can be. Evaluating and offering various options to meet the business objective, weighing risk and timelines all while being human - this is the magic in HRAS objectivity.

# Top 7 Advantages

SMB's find in HR as a Service models

**“TURNOVER IN THE  
HR DEPARTMENT  
DISRUPTS THE  
ENTIRE ORGANIZA-  
TION”**

5

## UNINTERRUPTED FLOW OF BUSINESS

Retaining internal HR talent is especially challenging for the SMB. Internal HR is under-resourced, spread thin, and not able to work on the more stimulating aspects of the job due to the distraction of the day-to-day fires. HRAS provides stability because your HR system is a program, not a person. **Rebuilding the HR role each time your single HR resource leaves for a new opportunity is exhausting for any leadership team.** Processes are compromised, employee engagement suffers, and in the worst cases, important tasks and functions of the job are overlooked because the legacy knowledge is housed in the person that just walked out the door. HRAS can protect a business from this chaos, because the processes and systems live organizationally, not inside one team member's head. There is no single point of failure in the HRAS model.

# Top 7 Advantages

SMB's find in HR as a Service models

**“THE RIGHT RESOURCES ARE DEDICATED TO THE WHIRLWIND AND KEEPS THE STRATEGIC PROJECTS AND OVERALL STRATEGY MOVING FORWARD.”**

6

## ESCAPE THE WHIRLWIND

Ever wonder why it took two years to roll out the revised employee handbook? Do you wish your HR function could produce greater results and focus on future strategy for one, three, or five years out? The whirlwind of HR can be overwhelming for a single employee to manage - even a small team struggles with this phenomenon.

**Between the administrative responsibilities, ever changing compliance requirements, and day-to-day “emergencies”, it can be hard to also focus on the bigger picture.** Using the HRAS model ensures the right resources are dedicated to the whirlwind, while also having bandwidth to dive in when something unpredictable pops up and simultaneously keeps the strategic projects and overall strategy moving forward.

# Top 7 Advantages

SMB's find in HR as a Service models

## EXHIBIT C

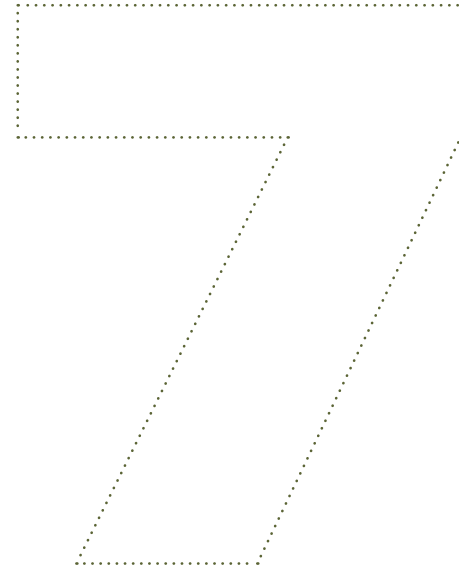
### COST OF MANAGING INTERNAL HR

#### HARD COST

Salary	\$60,000-\$125,000+
Benefits	approx. 30% over salary
PTO	80-160+ hours per year
Certifications	\$1,000 per year
Training/Workshops	\$1,500 per year
Legal	\$500-\$5,000+ per year
3rd party resources	\$2,000-\$5,000+ per year

#### SOFT COST

Recruiting/Hiring/Retaining	✓
Coaching/Mentoring	✓
Coverage (PTO/leaves/ training time)	✓
Inability to provide career pathing	✓



## FINANCIAL

Think you're saving money by handling HR on your own as the business owner, or tasking your Controller or VP of Finance with the role? Think again. Not only are those options your most expensive business resources, they are often un- or under trained in HR, and can only give the function attention when it escalates noisily. The alternative – hiring a dedicated HR Professional – can be expensive (**see Exhibit C**). Even beyond the obvious expenses like salary and benefits, employers need to be mindful of ancillary costs that will come with building an internal HR role. Ongoing training and development, legal resources, certifications and other third party resources to meet the demands of the role just to list a few. Many HRAS providers will include services or products that would be a separate expense for a stand-alone department. At minimum a cost/benefit comparison is an important step when considering hiring internal HR.

# The Variations of HR as a Service

There isn't just one way to leverage HRAS. For employers with under 100 employees, a full HRAS model might make the most sense. But, depending on the needs of your business, there are other ways to tap into the advantages of HRAS.

## AUGMENTATION OF HR

1

For a company with a high functioning internal HR Department, HRAS can “wrap around” to serve as additional bandwidth or to augment with a specialty not held by someone internally. Common uses of augmentation include escalated compliance or employee relations issues, training and development, project-based initiatives, compensation design, etc.

## TRAINING & DEVELOPMENT

2

Many HRAS providers have training programs for emerging leaders and managers in the form of workshops, web courses, and one on one coaching & mentoring. For classroom learning, self-paced learning, and external mentoring, the HRAS model is a perfect option for developing and training your supervisors and managers.

## PROJECT DELIVERABLES

3

Organizations that are too small to justify a full time HR employee or a full HRAS model may simply need some help on projects that get neglected. Employers can lean on an HRAS provider for things such as handbook development, compensation design, culture development, employee engagement surveys, performance management initiatives, and more.



# Helpful Links



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