

Increasing the Bottom Line through Outsourcing.

A closer look at how outsourcing can benefit your bottom line.

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Outsourcing HR: it's not just about payroll anymore.

The Built Environment, Infrastructure and Resources industries have not been immune to the changes within the economic and global monetary markets over the last 5 years. Since the onset of the GFC in 2008/9 most businesses have been operating within an extremely volatile and unpredictable market. Fluctuations in business and consumer confidence have only made the situation worse.

Managing costs in an unpredictable market

Many business owners and leaders struggle to accurately predict and calculate their annual budgets due this uncertainty. As a business pre GFC, Constructive was always able to achieve budgets within 5% (plus or minus) however, over the last 5 years we've been lucky to get to within 20%. We've found unpredictability to be the major cause of the budgeting and forecasting difficulties we face. For example, the first six months of a year will be good but the second poor, or vice versa. Or, even harder to predict, every 2 to 3 months there are changes in confidence and purchasing of goods, services or commodities.

The inability to accurately predict where the market will head next and to what degree is a real challenge for many businesses. To manage this situation many businesses prefer to have increased flexibility over their cost base. This allows them to offset a decrease in revenue with an immediate reduction in costs.

The growth of outsourcing

As a result there is a market trend, both nationally and internationally, to outsource many non-core business functions. This removes the headcount from in house and still allows for flexibility and scalability. The required resources can be brought in to meet business needs as required.

Outsourcing a function shares headcount and overall costs across potential clients instead of all costs falling on the business. Many specialist functions require both key staff and a support function, which can mean large numbers of staff. This can become costly if paid for in house. Outsourcing alleviates this.

A number of different outsourcing services can be used within a business. The most common are:

- IT Services
- Accounting
- Marketing and PR
- Human Resources

Most of these services have been available for many years. Recently, one of the fastest growing outsourced functions has been the HR discipline.

While HR functions such as pay rolling have been outsourced for decades, more recent initiatives such as R.P.O. (Recruitment Process Outsourcing) are becoming popular. Many businesses increasingly see the benefits of outsourcing a non-core part of their business to a specialist provider. We've looked at each of these individually to consider their benefits.

■ Pay rolling

One of the most traditional types of HR outsourcing, for a large business, outsourcing payroll removes a large volume function and reduces the size of the finance department. In many cases companies can take advantage of better technology and efficiencies than they could on their own.

■ Industrial Relations

Darren Nelson from Nelson Consulting Group has found an increasing need from clients within the technical sectors who are using the outsourced model for IR. Nelson says:

"IR laws are more complex than ever and most companies do not have the need or budget for a full time IR Manager. Agreement negotiations, terminations and disputes are not their core business activities and as a result it makes sense to hire an expert on a as needs basis to do the heavy lifting for you." Nelson went on to say, *"The ability to link your business needs with best for business IR outcomes is key and is the best way to avoid the traps and pit falls many companies experience with Industrial relations."*

■ Compensation and Benefits

Rewarding employees while remaining commercial plus aligning compensation and benefits programs to business goals is a huge challenge for almost every business. The larger the organisation the harder it is. Outsourcing this non-core business function not only reduces costs, it keeps the business in touch with the market and shows them how to reward its employees in the most competitive way.

■ Recruitment Process Outsourcing (R.P.O.)

This is the newest and fastest growing service within the HR outsourced market, with companies moving to this model every week. R.P.O. gives the in-house recruitment function to an external consultancy.

Instead of setting up an internal recruitment team or paying an external recruitment consultancy for one off placements R.P.O. keeps this function outside the business. It takes on the risks of scalability and removes the danger of disengagement often faced by non-core business functions.

Jo Commins, Operations Manager for R.P.O. at Constructive Recruitment says:

"Partnering with an R.P.O. provider will allow an organisation to focus on its core competencies and allow a team of experts to gain a competitive advantage in the market whilst hiring the best talent in the most effective and efficient way".

Recruitment outsourcing has been prevalent in the States and the UK for a number of years and is now growing in Australia. While the typical "pay per placement" and contract services will always be used, there's a growing need for new, flexible and cost effective solutions.

So, when should you consider outsourcing your recruitment function? If any of the below reflect your current recruitment status, it's probably a good idea.

■ Internal function is overloaded

If internal recruitment teams have been reduced in a number of sectors and they're becoming overloaded when the need to hire increases, why not consider temporarily outsourcing part of the recruitment function.

Tasks such as sourcing, screening, shortlisting, interviewing, referencing or administration can be performed to a very high standard externally and remove the need to increase headcount.

■ Major Project Win

Outsourcing recruitment to an onsite team for a major project eliminates the need to increase internal recruitment headcount and avoids having to hire extra staff through a 3rd party agency.

The team aligns to the project and company and is able to scale up and down at a rapid pace. This is a significant benefit.

■ A full time internal recruiter is not in the budget

Flexible R.P.O. (Recruitment Process Outsourcing) allows companies without the budget for a full time recruiter to opt in and out of an internal function to manage talent sourcing and recruitment. This reduces time spent by managers finding the right person.

■ High internal hiring costs

The experienced internal team will all have their own costs and cost it back to the business. In some cases outsourcing roles with a lower salary can be more cost effective. An outsourced consultant can sit with your internal team and reduce the internal hiring cost.

■ Your current recruitment function is expensive or broken

If your internal solution is broken and/or expensive an outsourced recruitment team reduces cost, dramatically increases quality and implements systems, process and innovations that remain with your business for the long term.

As mentioned earlier, it's been common for a number of years to outsource business functions such as IT or maintenance. Recruitment outsourcing is gathering pace through the clever concept of R.P.O.. Like any outsourcing, there are times when it's right and times when it's not.

The future is positive for business and confidence is growing; yet volatility looks set to remain for the foreseeable future. Most businesses are resigned to this. Outsourcing has a secure future within the business community and is likely to continue to gain pace as companies see first-hand how it has the potential to both improve results and increase the bottom-line.

Constructive Recruitment are recruitment outsourcing experts and can provide you with a consultation to discuss your current situation. Please contact **Guy Ingleby**, Client Director on: **02 9929 3000** or **guy@constructive.net.au** and take advantage of the Constructive difference.

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