
**Why They Chose
Integrated HR
Outsourcing:
A Look at Three
Small Companies**

Table of Contents

3	Overview
4	Companies Face Several Alternatives
6	Case study: Synergistics
8	Case Study: InPhase technology
10	Case Study: Form router
12	Conclusions

Picking through the white noise about outsourcing can be time consuming and tedious. And while you're busy doing all that research, your company's payroll and benefits problems aren't going anywhere. You need to outsource—but you're not clear on the alternatives available to you.

If you're in this position, this white paper is designed for you. It provides a research tool for smaller companies by describing the reasons why three companies, all under 100 employees, decided to outsource their human resources to an integrated service provider. It presents a picture of what other companies have done when faced with the challenge of wading through a crowded vendor landscape, evaluating their alternatives, and making a final decision.

Who Should Read This?

You will want to read this document if you are a decision maker at a company between 1-100 employees. The profiled companies are honest about both their reasons for choosing their HR provider, as well as the challenges that drove them to outsource. Reading their stories will provide you with the context you need to understand integrated HR outsourcing.

Disclaimer

This paper is written by TriNet, a provider of payroll, benefits, and human resources—not a disinterested third party. However, the information presented about each customer is accurate. Each of them chose to resolve their issues using TriNet's services, and their collective example will help you understand why using a "single vendor" provider may be the best choice for companies facing a particular set of HR challenges. It will also identify the characteristics of companies who chose this decision path.

Companies Face Several Alternatives

Outsourcing isn't the only answer. Most small companies face a complicated decision path when deciding what to do with business non-core functions.

This is because small companies, even more so than their larger counterparts, need to focus on their core competency with laser-like precision. Any function that doesn't directly relate to that core competency distracts the workforce from developing the company's product or service.

When faced with human resource challenges, companies have three alternatives:

1

Create or Improve the In-House Infrastructure.

Pros

Creating an in-house infrastructure gives business owners the confidence that they are building the HR processes that's right for their company, and psychologically it offers a sense of control. It allows a business owner to create a company culture from the "ground up" by hiring employees who oversee the general environment, character, and personality of the company.

Cons

A smaller company may not have the time and resources to build such an infrastructure. That time may better be spent on developing the company's product or service. It's also possible that the right HR provider—which forms a true "match"—may indeed be able to contribute to the company's internal culture by streamlining processes and offering high-level HR expertise.

2

Multiple Vendors

Pros

If the decision is made to outsource the HR function, companies may choose to seek out providers that handle disparate functions. For example, they may select a benefits broker and a separate payroll provider. The advantage to this approach is cost driven; a company can generally spend less on providers that specialize in handling one particular function. That's because single-function providers tend to do large volumes of business in order to keep their price point low.

Cons

The time and effort of managing multiple vendors can often offset the up-front cost savings. This is particularly true if the vendors deal with related functions—such as payroll and benefits—but use separate systems or databases to do so. These means that the functions aren't integrated and can often prove extremely difficult to manage properly. In addition, "large volume" providers may not offer the individual attention or the range of services that the company truly needs, undermining the attractiveness of the lower cost.

3

Single Vendor

Pros

The HR outsourcing landscape offers the ability to outsource to a single provider. These “integrated” providers offer payroll and benefits together on a single platform, as well as high-level HR expertise in the form of on-site staff. Single-vendor providers can act as a company’s entire HR department and prevent the need for in-house staff or infrastructure.

Cons

The primary disadvantage of an integrated outsourcing provider is that the service may be overkill for a company that only needs to offload a single HR function. For example, if payroll is the primary problem, the company probably only needs a payroll provider rather than an end-to-end service. In addition, an integrated provider may offer a degree of flexibility in its service but may not be able to accommodate specific requests from its customers (for example, building electronic timesheets into its online services).

What follows is the decision path of three small companies who decided to outsource to a single, “integrated” provider—meaning that the provider was able to deliver a full range of HR outsourcing services.

“The up-front cost of integrated HR can be daunting. What’s important to recognize is whether those costs are made up elsewhere.”

Case Study: Synergenics

Interview: Susan Vandegrift, VP of Finance, Synergenics

The Background

William Rutter, former CEO of Chiron, founded Synergenics in order to invest in bio-medical field and technology companies. Synergenics provides its related family of biotech startups with laboratory space, business development and administrative backbone. Synergenics currently has about 5-10 companies under its watch.

The Challenge

Synergenics had to gain affordable health insurance fast, but our options were limited. We were too small to get a cost-effective health insurance package that would also offer disability and life insurance. We knew our employees would need a minimum level of benefits offerings but we also had a budget to manage.

In this situation, having benefits in-house wasn’t feasible. We needed a provider that could aggregate many companies into a single pool and offer affordable, “large company” benefits. We found that payroll services were easy to find, but it was difficult obtaining small business health insurance at reasonable rates.

The Alternatives

Having decided that an integrated HR provider would serve our needs more efficiently than a single-function provider, our primary objective was to obtain affordable healthcare. We looked for this competency in our prospective vendors. We also wanted to determine how much time it would take to manage the vendor relationship.

Why Did You Choose TriNet?

TriNet’s rates on health insurance and workers’ compensation made up the cost of their service fee, and they were able to get Synergenics and its related family of biotechs up and running quickly. It helped that the employees had a direct link to TriNet via a toll-free call center, rather than an administrative contact. This not only drastically reduced the time we needed to devote to the vendor relationship, but it saved me time personally because employees wouldn’t come to me with routine payroll and benefits questions.

Synergenics looked at two of TriNet’s competitors as well, but they both priced their services via a percentage of employee payroll and put ancillary fees on top of that. It was difficult to understand the full cost of doing business with them. TriNet, in contrast, offered a flat fee that allowed us to crunch the numbers and do a comprehensive, cost-benefit analysis.

What Were the Drawbacks?

The up-front cost of integrated HR can be daunting. What’s important to recognize is whether those costs are made up elsewhere—in our case, we make the costs back in terms of our healthcare rates and workers’ compensation rates.

What Would You Recommend for a Company in Your Position?

Look at the HR provider's fees, examine your company's demographics, and examine the internal cost of managing HR on your own. See if integrated HR makes sense from this standpoint. If your prospective provider's fee structure isn't easily understood, that should be a red flag right there.

If you have an employee population that doesn't necessarily need benefits such as disability and life insurance, then you may not need integrated HR. But if you run a business that requires a mature workforce, benefits such as cost-effective health insurance, disability and life insurance become important factors. This is particularly true if you want to attract and retain the talent.

Case Study: InPhase Technologies

Interview: Andrew Evans, CFO, InPhase

The Background

InPhase Technologies was founded in December 2000 as a Lucent Technologies venture, spun out of Bell Labs research, with the objective of becoming the first company to bring holographic data storage technology to market. Through revolutionary techniques developed by a team of Bell Labs scientists, InPhase has solved several fundamental problems associated with holographic storage, including the creation of a viable storage medium, and the systems expertise required to record holograms. The result of more than ten years of groundbreaking research in holographic storage has culminated in the InPhase Tapestry™ media and drive.

The Challenge

The need for an attractive benefits package played heavily into the decision to outsource, but there was another consideration as well: keeping our company's small staff focused on our core competency. That meant creating an infrastructure that eliminated the need for an HR manager or administrator. Doing so would help the company save on staff costs, as well as ensure that our employees kept their focus on perfecting our holographic storage technology.

What alternatives did you seek?

Because of our need to offload as many administrative positions as possible, we were interested in an integrated service provider. We decided to hire a vendor who could handle the entire range of HR functions. This would allow us to expend an absolute minimum of effort on the overseeing of payroll and benefits functions.

Why did you go with TriNet?

TriNet had a better web interface for their services, which allowed our managers and employees to access and update their own information without an HR or administrative "middleperson." The other providers we looked at were paper-intensive. Using them would have meant losing some of the efficiencies that we hoped to gain through outsourcing.

We also needed a competitive benefits package. That meant finding and hiring the best talent in the storage industry—a tall order even in the midst of a slow economy, as the best engineers and scientists were already gainfully employed by large, public companies. TriNet helped us to compete with those larger, better funded entities.

Finally, TriNet had better references. They had customers who were willing to go to bat and support their choice in choosing TriNet, which lent the credibility that we were seeking from a vendor handling as delicate a matter as payroll and benefits.

“Because of our need to offload as many administrative positions as possible, we were interested in an integrated service provider.”

What were the drawbacks?

InterPhase has continued to grow, and TriNet's benefits package continues to help us attract the talent we need. We are currently able to manage benefits and HR without a full-time, dedicated person. However, as we grow even further, it's certainly possible that the cost of TriNet's service will outweigh the cost of an in-house resource.

What Would You Recommend for a Company in Your Position?

If you need to attract and retain talent, you may need a provider like TriNet to strengthen your competitive position. But in order to do your homework, you should ensure that the provider has good references. Always ask for references and *use* them before making a final decision. Then, when the relationship has been established, continue to monitor it and make sure that outsourcing remains cost-effective versus the other alternatives, such as bringing the HR function in house.

Case Study: FormRouter

Interview: Chris Pieper, CEO, FormRouter

The Background

FormRouter, Inc. allows people with no technical experience to convert their existing paper forms (PDF, HTML, Flash, ASP or MS Excel), into secure, Internet hosted forms, in 5 minutes, with no programming. As forms are submitted, the encrypted results are downloaded directly to the form owner's desktop database, saving time and eliminating errors caused by manual re-keying. Our whole value proposition reflects the importance of collecting information and data from users in a cost efficient and timely way that doesn't allow for mistakes.

The Challenge

We're a small organization that expects to experience rapid growth during the next several years. We consider HR to be a vital function, but it doesn't increase leads, develop products, service customers, sell products, or bring money in the door. We had initiatives to fund, and we didn't want to invest in servers, software, or HR experts.

What alternatives did you seek?

We initially thought we could outsource payroll and handle the rest in house. We used a basic payroll service for eight months, which worked okay but we didn't get access to other key HR functions such as benefits and 401(k) programs. We eventually realized that an integrated provider was the right choice.

Why did you go with TriNet?

When we went with our first choice of HR providers, I was very disappointed that their set-up process was entirely paper based—and shocked when the entries came back with more than a 25% error rate. They even got my name wrong. If things were this unreliable with the vendor's set-up process, what would happen further down the line? I didn't want to roll the dice with business functions as important as payroll and benefits.

Although we were already far down the road with our first choice of providers, we researched other companies on the fly and found TriNet. When I visited TriNet's site, I was pleased that I could log in, fill in my information, and get a quote back—all without having to pick up the phone and talk to someone. I realized that this was a company that understood the advantages and efficiencies of electronic data capture, just like FormRouter.

In my previous company, I employed a whole staff of people to provide the same services that we now have with TriNet. By outsourcing HR, we need virtually no administrative employees, we have lower costs, we get better selection, we can scale to meet our growth requirements, and we save trees (due to TriNet's range of online services).

“We consider HR to be a vital function, but it doesn't increase leads, develop products, service customers, sell products, or bring money in the door.”

What were the drawbacks?

The only down side was getting employees comfortable with the idea of TriNet acting as the “employer” for critical information that they would expect to be handled by FormRouter. For this challenge, TriNet’s technology helped because most HR tasks can be done online quickly. The less time people have to spend thinking about HR the better. Once employees started selecting benefits and managing their HR information online, any concerns regarding the outsourcing arrangement seemed to go away.

What Would You Recommend for a Company in Your Position?

Outsource HR and focus your resources on activities that generate sales and improve profits.

In regards to the specific service provider, electronic delivery and data capture can save time and money. If your HR provider (or any outside vendor) doesn’t leverage the Internet to its full advantage, you’re bound to lose time and money on managing paper-based processes. This is true for the provider’s set-up process as well as the ongoing relationship.

Conclusions

Why Integrated HR?

Integrated HR covers the entire range of payroll, benefits, and human resources functions. It should also deliver a range of online self-service, as well as administrative support and a call center. This approach may be optimum for your company if:

- You have a skilled talent pool that expects a premium benefits package, which your company may have difficulty procuring on its own. Your staff needs to retain focus on the company's core competency.
- Your HR needs mandate having a full-service solution, rather than simply payroll or benefits.
- Your employee salary and benefits structure indicate that outsourcing might save you money.
- Your employees have access to the Internet and can leverage web-based services.
- You have needs in regards to the HR function that include employer-related compliance.
- You require an outsourcing provider than help you attract and retain top talent.

Recommendations for Due Diligence

Points to consider when evaluating HR providers:

- Does the cost of the provider's services lead to other time and cost savings, such as reduced administrative staff, decreased employee oversight, and beneficial rates on healthcare and worker's compensation?
- Does the provider have customers willing to provide references?
- Is the provider's fee structure easy to understand, enabling a cost analysis of outsourcing fees versus in-house investment?
- Does the provider leverage Internet delivery for time and cost savings?
- Does the provider offer a call center for employee questions?
- What is the provider's set-up process? How fast can it be completed?

Your Next Step: Consider your Internal Costs

Before contacting an HR provider, you should map out the current cost structure for your company's human resources. Remember the advice given by Synergenics: consider the *full* time and cost of your HR function, including staff oversight as well as time and energy devoted to each process.

To help evaluate your internal costs, TriNet has provided a worksheet on the next page. It will help you map out how much you spend on each of your internal HR functions.

TriNet Can Help

After you finish the ROI worksheet, you're ready to contact HR providers. If you wish to speak to a TriNet sales representative about our own solution, call [888.874.6388](tel:888.874.6388) or email info@trinet.com.