

# EmployerPractices

Covering the payroll-related areas of Benefits, Systems, and Disbursements



## The Changing Face of ASPs

BY JENNIFER CAMBERN

It began as a love story. Human resources and payroll managers fell head over heels for an outsourcing concept known as an application service provider (ASP). The attraction was strong, and it wasn't limited to payroll professionals. Corporate financial executives fell hard for these outsourcing solutions, too, finding the appeal of ASPs to be irresistible. After all, instead of purchasing expensive payroll or time and attendance software—and then waiting for IT to install it—companies could simply rent the software without spending a lot of money up front. Furthermore, they could predict monthly expenses and add or reduce capacity as needed. Payroll managers and CFOs were enamored. It seemed like a match made in heaven!



The ideas that intrigue us most in business, as in life, are those that mesh with our life experiences and resonate with our dreams. One such idea is that organizations can maximize their effectiveness and increase productivity if they can be free to focus on what they do best. For payroll professionals, this means offloading the burden of redundant administrative tasks. It means integrated solutions that offer strong reporting and analysis. It means true cost containment and demonstrat-

ed return on investment. ASPs seemed to offer the potential to make dreams (and business aspirations) come true.

### Shifting Marketplace

The marketplace has changed dramatically since ASPs first appeared. Some ASPs declared Chapter 11 or saw their share prices plunge. Many “pure” ASPs weren’t able to make consistent wins with HR professionals while others  
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couldn't deliver on their promises. But the proven ASP providers survived and others are changing. Companies that seek to alleviate the pain of burdensome administration have evolved. In a dynamic, chaotic market, they've found new ways to deliver solid value, and it's a refreshing change for the better.

The leaders in HR/payroll outsourcing now concentrate on managing business processes, rather than just renting software. Successful outsourcing vendors now depend on their managerial and implementation expertise to produce return on investment. Their hosted solutions make it possible for businesses to access truly



integrated, fully hosted, Web-based systems that include HR/payroll, time and attendance, self-service, and tax filing via a single solution. Outsourcing firms like these represent the changing face of ASPs.

As companies look at outsourcing options, they confront their real need: someone to effectively manage complex systems. Firms that specialize in business process outsourcing fill that need by providing a way to access and integrate leading technologies. Businesses gain processing expertise they might never receive from in-house IT departments while remaining in control of their human capital and compliant with ongoing requirements. Business process outsourcers attempt to take away the burden and complexity of demanding tasks—but they won't take away control. As old solutions evolve and business process outsourcers rise to new business challenges, the opportunities and enthusiasm increase.

In these economically trying times, there is strong demand for outsourcers that can deliver dependable

administrative management of payroll and human resources. Forward-thinking outsourcing firms know that HR professionals face the most challenging obstacles in recent memory: a soft economy, cutbacks in benefits, and freezes or reductions in workforce. They know that HR managers are being asked to do more with less. And business process outsourcers are ready to meet the test.

### Broader Service/Flexible Platform

The best outsourcing solutions begin with a comprehensive understanding of an organization's business processes. When this knowledge is integrated with workflow, common databases, compliance, and self-service, productivity will rise as payroll and HR managers free up time for more strategic initiatives. The breadth of a winning outsourcer's product line will handle tax filing and new hire workflow, and often includes integration with employee assistance programs (EAP) and work-life services. Integrated solutions such as these give HR/payroll managers the ability to manage everything from a desktop Internet browser. Hosted solutions prove attractive to businesses that seek a growing range of business-critical functionality while outsourcing the administration of these increasingly important employee management applications.

This means that small and mid-sized organizations can now gain access to best-of-breed solutions for a reasonable price, by leveraging hosted solutions. They can enjoy the benefits of fully integrated, Web-native time and labor management, along with self-service options. There is no hardware to buy and no software to upgrade. It's a huge step forward. Businesses of any size can take advantage of full outsourcing, and the solutions provide a flexible platform.

This sort of approach to integration eliminates duplicate data entry, which in turn reduces time and costs. A single database is used for HR, payroll, and self-service to ensure that all HR and payroll data is synchronized. Data is entered once, and is then used for all HR, payroll, and self-service functions. There's no need to learn multiple interfaces or to set up and maintain separate systems and infrastructures.

Vendors that offer integrated solutions on a hosted platform know that usability is key. Some solutions provide built-in customization that allows payroll managers to modify fields based on defined roles and parameters without changing the underlying database structure. Therefore, a company's IT resources can concentrate on business goals rather than administrative systems.

### Vanquishing Technical Challenges

Promise becomes reality with properly designed business process outsourcing solutions. These solutions emphasize elimination of technical challenges by focusing on ease of implementation, ease-of-use, and a reduced need for investment of IT and financial resources to implement and upgrade the product.

Seek out a business process outsourcing firm with a

proven history in the industry. One outsourcing professional had this to say: “My team came from payroll. We’ve been there. We talk about how we’ve been in the office at eight o’clock at night trying to get a payroll report finished. If we were using stand-alone payroll software, we couldn’t count on our database administrator to be there if we encountered a problem—that guy is home having dinner with his family by then. And some of us who worked at smaller companies never even had access to technical support. So when we began this project to design new hosted solutions and we got hung up defining the parameters, we’d look at each other and say, ‘Yeah, but does it help get them home by dinner time?’ That was something that kept us all driving toward the same goal. It provided clarity, and it ultimately improved the product. Our goal is to vanquish the customer’s technical challenges.”

Technical management and support is one of the most promising areas for the hosted model because solutions are tied so closely to customer need. Outsourced solutions allow users 24/7 access to the solution, with everything else happening behind the scenes. The vendor hosts the software, maintains the database, and supports the environment.

### Strong Reporting and Analysis Tools

One of the most compelling reasons to consider hosted solutions is to gain access to the strong reporting and analysis tools they provide. Look for simple, easy-to-use reports that can be easily executed from the desktop. When data is easy to find, and when there is confidence in its validity, business decisions can be made quickly and confidently.

Users of these new Internet-based systems are often surprised that so much of their time savings comes from such mundane sources as reports and queries. But the proof is in the daily use of these outsourced solutions. Managers save time when they can extract payroll data, import it to other applications such as Microsoft Excel, and manipulate it to suit their needs. They save hours researching past events. Queries and analysis can be accomplished quickly without tech support, which saves time, too. Finally, one click of the mouse can send a report to a printer or a network, save it as a local file, or send it via e-mail.

Another key element is intuitive task and menu organization, which makes it easier to know where you are in a process and how to get to the next step. One method to ensure complete and accurate data is field-level validation performed during data entry. Look for solutions that offer an activity scheduler/monitor if you desire to track or automatically complete required tasks during off-hours.

### Discuss ROI With Your CFO

Imagine you are a financial executive at a meeting to discuss hosted human resource management (HRM) solutions. HR and payroll come to the meeting rosy-

cheeked and flushed, having heard magnificent things about business process outsourcing. They’ve been told how it can improve productivity, strengthen customer loyalty, and streamline employee services. The CFO senses your anticipation, and the financial executive can see how your eyes shine with possibility. The CFO adamantly demands that cost containment be verifiable, with a solid return on investment. Essentially your CFO is saying, “Prove it.”

HR/payroll managers should encourage their CFOs to wave the ROI banner high. In today’s competitive marketplace, return on investment is more important than ever. HR and payroll are no longer seen solely as areas of capital expenditure, and to financial executives, cost containment never goes out of style. Outsourcers know that only a sound business strategy allows an organization to flourish. And outsourcers that can provide advanced technology and best-of-breed service will fuel productivity at your company. The success of their solutions will directly impact your bottom line. The returns they promise must be demonstrated.

According to Ceridian survey data, an average 200-employee company can save \$271,000 per year by adding self-service to its HR department and automating employee transactions. When customers integrate time and attendance with an outsourced payroll system, they can gain a 100% return on investment in as little as 18 months, according to Ceridian survey data.

Technology alone can’t justify an outsourcing partnership. An effective applications management outsourcing solution must provide a host of capabilities in its vertical business function, along with the ability to scale and integrate with other best-of-breed solutions across the business. Automating HR business functions does more than reduce internal workload; it allows people to focus on what is really important. Studies show that as much as 60% of employee time is spent in repetitive, administrative tasks.

Increasingly, the needs of most organizations require HR/payroll decision-makers to gain a better understanding of costs, resources, and returns. After entrusting noncore processes to a strong outsourcing firm, HR teams can devote most of their time to strategic tasks, such as recruiting staff, motivating the workforce, improving retention, and developing revenue-generating initiatives.

### The Perfect Partner

Today’s leading outsourcing partners work overtime to create and deliver solid solutions that meet your needs. They are devoted to you and they take the time to fully understand you. Most importantly, they free you to concentrate on what really matters—your business.

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