



Quick Guide to Selecting an Outsourcing Partner

The selection process

The most important thing to bear in mind when selecting a potential outsourcing partner is that you will be entering into a partnership – it is not a normal client/supplier relationship.

Identify Requirements

You should prepare a requirements document including pay structure, number of staff, frequency of payments (e.g. weekly, monthly, fortnightly), overtime arrangements, pensions etc. How much access to the information will your staff need. The tender document should include as much detail as possible, but also be aware that it cannot forecast all further changes, so your chosen partner must be flexible.

Selecting the supplier – a checklist

Company Profile

Find out their background and how long they've been in the HR and Payroll business. How important is payroll within their overall service offering? What is their financial status? Their approach – do they immediately

tell you about their service or do they attempt to understand your business and its requirements first? Is it a partnership approach. What level of consultation do they offer? Most importantly – could you work with them? Do you feel confident in their ability.

Software used

Is it their own software with an industry leading provider or are they software independent? Bear in mind that there is stability with industry standard software and future changes in legislation are automatically taken care of? Is it standard or customised. Most standard payrolls will not be flexible enough for blue chip organisations.

Service profile

Can a standard service really be tailored to your needs? – find out exactly how. Look at their customer base to see if they all have similar pay requirements, or if they are different. Can they demonstrate their level of commitment and flexibility to your needs? Do they understand your needs in the first place? Do they have the flexibility to cope with future needs? Remember you cannot predict all future needs at the outset. Disaster recovery – what measures are in place for both the system and for the payroll office.

Scheduling

Can you get what you want, when you want it? How flexible can they be? Do they run the payroll processes when they specify or when you want to?

Development and Support

What are their technical skill and expertise? Are they IPPM and Payroll Alliance qualified? How many staff are dedicated to HR and Payroll support?

Managed Payrolls

The term managed service can mean different things to different people. Do they provide a general call center service or a dedicated team for each client. What elements are provided as standard in the managed service:

- Data validation/test of reasonableness
- Payroll control
- Payroll reconciliation
- Third party payments
- Manual payments
- Employee liaison

Links and integration with other systems

HR and Payroll is a complex management information system; a huge percentage of company's total costs are payroll related. There is a need to accurately monitor these and this is where an interface between payroll and general ledger is critical. Also can the supplier provide interfaces with personnel, pensions and time and attendance recordings? Can the supplier interface to any of your chosen or existing software packages or will they want to sell you their own products?

Project planning in migration

What is their process for change management? Will a project manager be assigned? Will they agree to user defined acceptance testing and parallel runs.

Reference sites

Do not be afraid to ask to talk to their existing customers. This is a valuable way to find out what the service is really like and what the people are like. Check their track record. Are the reference sites relevant to your organisation?

Costs

Ask for entire fee charging structure, or ask for a quote for specific tasks so you only pay for what you want –

it is easier to compare different suppliers if costs are for same things. What are the initial set up costs and recurring costs? Consider your current in-house costs in full: software maintenance and enhancements, cost of keeping staff, headcount, floor space, management time, corporate overhead, keeping up to date with legislation and technology, hardware and software costs, etc.

Cost comparison

To compare costs of your current system (if it is in-house), with outsourcing you need to look at all costs involved – comparing “apples with apples”.

IT	Office
Resource/support staff costs	Staff costs
Capacity disk/CPU/space/depreciation/Power	Power/Space
System Operating costs	
Communications charges	Office equipment & IT equipment
Disaster recovery	Telephones
Printing and forms handling costs	Management overhead
Disaster recovery	Contingency planning
Printing and forms handling costs	Corporate overhead
Management Overhead	
Corporate overhead	
Management overhead	

Contract

Ensure there is a detailed Service Level Description, so both supplier and client know exactly what is required and expected.

Overall

Ensure they have the flexibility to cope with your future changes.



Get in touch

If you would like further information or an informal discussion about any of SCS' Payroll Products or Services please contact us on 0121 766 2929 or email Marguerite Jenkins on marguerite.jenkins@SCC.com.