

**A Report for the CBE Staff Association on the Proposed  
Outsourcing of Human Resource Functions by the  
Calgary Board of Education**

**Derek S. Chapman, Ph.D.  
Piers Steel, Ph.D.**

**Chapman Organizational Research and Consulting**

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The recommendations provided in this technical report are those of the authors and do not necessarily reflect the views of the CBE Staff Association.

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## Executive Summary

The effectiveness of any organization relies heavily on the quality of the personnel hired to carry out the organization's mission. Ensuring a high quality Human Resource system is in place maximizes the chances of attracting, hiring, and retaining the best employees to meet the objectives of the Calgary Board of Education (CBE). An extensive review of the CBE HR system was undertaken with special attention paid to the issues facing the CBE and whether outsourcing some HR functions is the best option from a business perspective. Compared to other public organizations in Canada, the CBE has approximately one quarter of the HR staff per capita typically found. The Deloitte & Touche 2004 report on HR in Canada found that the typical ratio of HR staff to employees is 3.0 per 100 employees in public institutions. CBE has only .74 employees dedicated to HR functions (including management) for every 100 employees.<sup>1</sup> In addition, the technology infrastructure is outdated. As a result of a lack of staff and technology, HR services are deteriorating and significant re-investment in HR is needed.

Four major findings are summarized here.

1. The CBE has not undertaken a sufficiently thorough review of the existing functions of the HR group to allow them to evaluate the potential success of an outsourcing strategy. This poses considerable risk for failure.
2. The CBE has not fully considered the ramifications of outsourcing the HR function including:
  - a. the impact on remaining staff, loss of control over decisions related to the HR function, and the strategic loss of synergy among HR staff
  - b. the loss of control of HR policies and processes in order to introduce change in the CBE
  - c. the potential for increased costs associated with the introduction of a third party into the core workings of the CBE
3. The CBE has not fully considered other solutions to improve the effectiveness of the HR system including:
  - a. Licensing the technology directly from the primary vendor and bypassing secondary vendors
  - b. Training existing staff on the use of the new technologies in house
  - c. Effecting positive change in HR delivery by adequately staffing positions
4. The CBE does not have a sufficiently developed HR system to take advantage of a full HRMS system at this time.

Accordingly, we recommend that CBE complete its initial reorganization of HR, purchase updated modules related to Payroll and Benefits only, and invest in training existing HR staff on the new technologies. This approach minimizes cost, disruption of service and toll on existing employees while improving service significantly.

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<sup>1</sup> Based on stats from the RFP: 92 FTE in HR and 12,389 employees.

# **Section 1**

## **Background**

This report was researched and created at the request of the CBE Staff Association. The goal was to provide an unbiased professional third party assessment of the proposed outsourcing of several HR functions from CBE to a third party vendor. This report is provided to decision makers at CBE as well as HR managers who could benefit from further assessment of the pros and cons of outsourcing HR functions for CBE. This report is structured into several sections. The first section briefly details the process by which the analyses were conducted. The second section presents a summary of the existing problems in HR that contribute to the need to invest in solutions or face increasingly damaging problems for ongoing operations at CBE. The third section provides an overview of the research literature on outsourcing that was relevant for CBE's circumstances. Section four speaks directly to each of the five evaluation criteria described in the RFP and makes critical evaluations regarding the utility of keeping HR functions in house versus outsourcing at the end of section four, recommendations are provided. Lastly, extensive appendices are included as support material of interest to CBE. Of particular note are Appendices X and Y which contain the actual words of CBE HR Staff and provides them with the only available direct link to share their voices with decision makers. Sections can be read independently; however, a full reading of all the materials in order provides the best approach to the document.

## **Methodology**

Information regarding HR practices at CBE was difficult to access. Despite providing CBE HR managers with specific questions and requests for prior analyses to be evaluated and included in this report, it became clear immediately that management was unable or unwilling to answer straightforward questions regarding the functioning of the HR department or the process by which outsourcing would be evaluated (see the preliminary set of questions asked in Appendix A). Only the documentation for the outsourcing RFP and the EOI was provided. Additional documentation was obtained from the staff association including position descriptions for the re-organization process and overheads from presentations of previous consultants. In order to gather additional information from HR staff, a detailed survey completed by 72% of affected HR staff was conducted. In-depth focus groups were also held with CBE HR staff outside of the normal business hours to minimize the impact on HR functioning. The survey and focus groups included employees identified as potential 'in scope' as well as those who would not be directly affected by the outsourcing. A FOIP request was made to obtain additional documentation when it became apparent that the HR managers were not willing to share any information on analyses provided to them to date. At the time of writing this report, no response had been given to the FOIP request from HR managers.

## Section 2

### A Brief History or Events Leading to Current Conditions in HR at CBE

#### Chronic under funding compared to other Canadian organizations

In brief, one could describe HR at CBE as ‘lean’ but not ‘mean’. Lean in that the costs to CBE for HR are very low and not ‘mean’ because the HR staff is ill equipped to handle the demands of a 12,000 employee organization and the system is under considerable strain. Compared to other public organizations in Canada, the CBE has approximately one quarter of the HR staff per capita typically found. The Deloitte & Touche 2004 report on HR in Canada found that the typical ratio of HR staff to employees is 3.0 per 100 employees in public institutions. CBE has only .74 employees dedicated to HR functions (including management) for every 100 employees.<sup>2</sup> In addition to being grossly understaffed compared to other Canadian organizations, CBE is also operating with a very inexpensive and old technology infrastructure. This ‘legacy’ infrastructure amounts to a small cost of only \$160,000 per year and consists of a series of stand alone applications loosely strapped together and kept operational through the creativity of IT employees. Consequently, CBE has managed to spend just under 1% of its budget on all HR functions and for years has avoided setting aside the necessary resources to renew infrastructure. This massive financial windfall for CBE is obviously unsustainable and re-investment is necessary if CBE is to continue to function without severe disruptions to daily operations. Add to this scenario the fact that a combination of an aging workforce and a spike in new hires due to a renewed interest in provincial funding and you have a perfect storm of negative circumstances-- a rapidly growing demand for HR services coupled with a chronically understaffed HR department saddled with aging technology and using outdated and inefficient HR processes.

#### Consequences of under funding

There is a price to pay for neglecting any critical function within an organization and HR at CBE is no exception. The results of the employee survey and focus groups held with CBE HR staff reveal that the circumstances detailed above are creating considerable problems for all concerned.

Here is a small sampling of more detailed comments from HR employees attending our focus groups. Additional comments can be found in Appendix E.

*“Thursday we were short two people and received 142 calls, which is more than double the usual, plus we were [in the middle of] cross training – this is how hard it is on our end. No work is being done because all you do is answer phones”*

<sup>2</sup> Based on stats from the RFP: 92 FTE in HR and 12,389 employees.

*“By Monday I have 32 phone calls that I don’t have time to return, days later the call is returned”*

*“They keep promising technology and never follow through; I’m working with a 97 system.”*

*“An employee calls on a regular basis crying but there is no one to refer this individual to- no manager to refer people to. We have no one to go to and are told to handle issues on our own”*

*“An employee passed away two months ago and we just found out now. In the old days, they would contact us. We would contact people to make sure they would be paid ... now no one is being contacted, and their spouses are coming in to let people know when someone has passed away. This put people on the spot and is embarrassing people when they need to repay money [that we mistakenly] paid to their dead spouse.”*

*“You can’t do training in one hour in the middle of a call center with phones ringing everywhere.”*

*“There was no communication to the system – employees don’t know who to call so they are frustrated when they get to us and are very angry, then we need to calm them down before fixing the situation.”*

*“Errors are being caught from staffing because there are so many temps and their work load is too much.”*

*“We requested a meeting to talk about training but this has never happened.”*

*“Support staffing does not have a good reputation in the schools right now...”*

The HR staff have indicated that they are very upset that they are bearing the brunt of disgruntled employees complaints because poor technology and insufficient staff to deal with queries in a timely fashion leaves customers of HR frustrated and angry. As one HR staff member noted:

*“You can’t even sleep at night because we are stressed that there is so much going on”*

### **Initial Strategies to improve the situation**

It is clear that HR Management is aware that there are considerable challenges facing them to improve HR service with little additional funding. A series of consulting firms were brought in to help re-structure the HR departments. However, this strategy was poorly implemented and resulted in additional confusion, chaos and resentment from

HR staff who were “humiliated” to have to apply for their own jobs complete with resumes and references. With inadequate staff to handle the regular workload, there was insufficient slack in the system to allow employees to adequately cross train to their new duties while simultaneously trying to train their co-workers in their areas of specialization. Work processes were poorly defined, formal training was not provided, and promised manuals never materialized. This naturally resulted in a deteriorating situation with service suffering as a result. Employees describe the re-organization process as ‘stalled’ or ‘failed’ with employees being unsure about what their roles are anymore in the new system.

It was also apparently evident to the HR managers that technology upgrading was necessary to create a modern and reliable HR department. Our survey found that 100% of HR staff agreed with their assessment and felt new technology was necessary to improve service (see Figure 7 in Appendix D).

According to the HR managers, they initially had planned to upgrade their technology by purchasing an extensive HRMS infrastructure from a primary vendor such as PeopleSoft or SAP and then training their own people to use this new technology. They indicated, however, that this approach would necessitate a large up front capital expenditure and that CBE HR was unable to raise the resources necessary for this route. Unfortunately, at the time of this writing, CBE HR was unwilling to share these estimates with us or which financing strategies they contemplated previously.

### **The move toward an outsourcing solution**

In what appears to be an effort to simultaneously fix the failed re-organization process and upgrade to needed technology, HR Management has solicited bids through an RFP to secondary vendors. The secondary vendor would purchase the needed software and hardware from primary vendors such as PeopleSoft or SAP on behalf of CBE and then operate several functions of the HR staff by absorbing up to 47% of HR staff. CBE has further offered these secondary vendors space in their buildings, as well as computer and office equipment purchased by CBE for these employees.

In the next section of this report, we review the available literature on outsourcing to highlight some of the challenges faced by CBE if an outsourcing option is followed. Then, we analyse each of the five evaluation criteria for the RFP and point out some serious concerns about the risk of failure in an outsourced solution. Finally, we present an alternative option for addressing the re-organization process and technology upgrade.

## **Section 3**

### **Evaluating HR Outsourcing**

Outsourcing is a delivery channel that may or may not prove to be viable. Research indicates that outsourcing does work for some companies and for some HR services, but it requires a proper foundation. As an overview, many companies, though mostly those worth greater than \$1 billion, were surveyed by a variety of sources, including the Conference Board (a public interest research company), the Society for Human Resource Management, Watson Wyatt, Towers Perrin, as well as by individual researchers (e.g., Adler, 2004; Elmuti, 2003; Forster, 1999).

HR outsourcing is proving to be a growing business. However, the prevalence of outsourcing can be somewhat misleading as many companies include relationships with insurance providers who provide benefits to the company or pension administration as an outsourced function. By this definition, CBE is already in an outsourcing relationship as insurance, pension and other benefits are already administered partially by third parties. Accordingly, some higher estimates indicate that about 85% of US companies and 71% of Canadian companies have outsourced at least one element of their HR systems. However, a recent survey of Canadian companies by Deloitte & Touche (2004) suggests that outsourcing of HR functions is rare in Canada with less than 1% of Canadian companies indicating that they have moved to outsourcing. Other estimates show that approximately 8% of HR spending in the US is on outsourcing, suggesting that this is still somewhat of a fledgling enterprise. Appendix G shows the results on one major review that found, among other things, that only 3% of companies surveyed fully outsourced their benefits department and only 3% fully outsourced their HRIS. Despite a handful of subjective anecdotal endorsements, often from those in the industry of selling outsourced solutions or from the decision makers who stand to look incompetent if they admit that things have not gone well, there is no hard evidence available to conclude that outsourcing has any financial or functional benefit over the short, medium or long term. Instead of data, we tend to get 'stories' from one or two successes which are subsequently passed around the industry of 'proof' that outsourcing works. Alternatively, we also have several surveys of HR managers asking for subjective appraisals of success with no substantiating evidence provided.

The reported results of these outsourcing arrangements from various surveys are mixed. Fully 31% of these arrangements have been sufficiently problematic that companies have either put them out to bid again or, less frequently, brought them back in house. Given the long range commitments built into many of these contracts this is a troubling number as many organizations would not have the option to reconsider for up to 10 years after the contract is signed. That being said, about 90% of respondents indicate that they were at least somewhat satisfied with outsourcing although only 42% indicated that they mostly achieved their expectations.

Elmuti's (2003) survey indicated that though the majority of outsourcing arrangements resulted in some improvements in the outsourcing goals, it was not a vast

majority. For example, 46% did not see an improvement in costs and 40% failed to see an improvement in customer service. The point to be taken from this is that while outsourcing can be a viable option for some organizations, it is certainly not a guaranteed success.

One limitation is that most of the outsourcing success has dealt with very large companies with well planned transition teams moving more standard, transactional HR processes to their vendors. For example, approximately 76% of large companies have outsourced their retirement programs but only 26% had partially or fully outsourced their HR management systems. Typically, HR outsourcing focuses mainly on elements such as payroll, benefits, and stock options administration. There is good reason for limiting to these transactional services, as a Towers Perrin report on HR outsourcing indicates:

*Respondents were far less positive about their results in such critical areas as transformation of the HR function, improvements in service quality, and employee and manager behavior change. These, in combination with cost-saving goals, were key objectives for virtually all of the survey companies. Yet, while 59% said the ability to eliminate transactional work helped them refocus on more strategic activities, just 11% cited full success here. Only 35% cited improvements in service quality beyond what they felt they could have achieved on their own. And of the 57% who said they were changing manager and employee behavior - and moving toward increased self-service -- just 15% cited full success*

Appendix F contains a brief article from the Canadian HR Reporter regarding the problems associated with outsourcing even transactional functions such as payroll.

There are HR elements that a majority of organizations are refusing to outsource. These include employee communications (80%), HR information systems (60%), assessment (57%), and recruiting (56%). They are considered core or strategic elements that cannot be effectively customized by the outsource vendor or that they benefit from institutional memory.

In this section, we review the critical junctures of an outsourcing evaluation, implementation, and long-term maintenance. There are obstacles and pivotal decisions at each step, any one of which could be fatal to the venture. Of note, several books over the last few years have been written specifically on the HR outsource decision (see references) and they reiterate many of the points made here.

### ***Making the Decision to Outsource***

The survey research indicates five major reasons why HR outsourcing is considered.

1. Reduced day-to-day costs
2. To avoid making major investments in technology
3. Improved quality, service, delivery
4. Access to resources and skills
5. Free HR departments to focus on strategic focus

According to a large US survey by Accenture consulting (2003) the two primary reasons organizations outsource are 1) cost savings and 2) to gain expertise unavailable in house.

In theory, by outsourcing, a company can focus on what it does best. However, to determine whether outsourcing will deliver on these promises very difficult. Many HR managers are unsure whether the end result is a better service at a more reasonable price. In fact, the process of selecting a vendor can be more challenging than determining how to upgrade one's own in-house system. As reported, "It was as painful as if we had done it ourselves. Many people don't take this into account and think the outsourcer will sprinkle magic dust over nonhomogenized processes and it will be fine in a few months" (Roberts, 2004, p. 72).

Because this is fair amount of work, Robert (2004) indicates that the outsourcer may not be forthcoming as they don't want to scare people away while the customer "doesn't want to say it because they haven't done their homework and they're in denial" (p. 74). Watson Wyatt's research indicates about many outsourcing decisions are based are nothing more than anecdotal efforts and clever marketing. Also, Fan (2000) concludes that "in the most cases the decision to outsource had been made prior to starting this [evaluation] process" (p. 216). The very evaluation process was *pro forma*, designed to justify the already-made business decision.

Given that outsourcing can be a risky venture, failing to plan, can mean planning to fail. As will be discussed, a successful outsource venture is based upon several steps, inherent in the decision-making process.

### ***Determining Your Options***

Establishing a good diagnostic baseline of every HR task you are considering for outsourcing is a critical, foundational part of successful outsourcing. If this is not done adequately, it will undermine the entire process. As the Towers Perrin report concludes, many of the outsourcing failures were because the implementation arrangements were not right. Also, Elimut (2003) work indicates that a major reason for failure was the plans were not comprehensive enough.

Essentially, you need to determine how much it costs for you to complete the tasks in-house and what level of service you provide. This requires a very detailed analysis of each functional HR unit (e.g., staffing, training, compensation, benefits, employee assistance) to determine exactly how the outsourcer with tackle them. Naming general HR functions, such as recruiting, is inadequate as this can entail a very wide range of options. Some might be less than what is needed, resulting in poor service, or more than what is needed, resulting in excessive costs. The worst case scenario is that it is possible for the outsourcer to provide a worse service at an increased cost.

In the end, you want to know what exactly you do well, what you want to focus upon, how you want things to be done, and what it presently costs. Without this understanding, it will be impossible to determine if outsourcing is the right choice, what should be outsourced, and it threatens the entire outsourcing venture. It would be extremely difficult to develop a positive relationship with the vendor if the scope of that

relationship is not specified in sufficient detail well in advance. A successful outsourcing requires such proactive management.

### ***Outsourcing the Right Elements***

The choice of what to outsource will be driven by strategy, trading off quality for costs. Many elements should be retained in-house. According to the Watson Wyatt's study, by creating or upgrading their own centralized HR system, companies were *more* likely to reduce costs and increase customer satisfaction. Core competencies that are considered vital to the success of an organization should be outsourced reluctantly.

For example, recruiting may be vital to the success of CBE. Without quality candidates, there simply will not be quality teachers. Consequently, even if the outsourcer does provide a more cost effective solution, there may be a decrease in service that undermines any justification to outsource. Key elements such as these should receive especially close consideration.

### ***Finding the Appropriate Vendor***

Choosing the right partners is another key element. Even if outsourcing makes sense in theory, choosing the wrong partner can lead to failure (Elmulit, 2003). As with most products, different vendors specialize in different HR solutions, at different levels of quality, and at different prices. Unless you have a good idea at exactly what you want outsourced, how it should be done, and what is your present costs, it is very difficult to select among all your options.

Ideally, you can get a better deal from a single vendor for taking care of all your services. To help determine if a vendor is appropriate, having the vendor evaluated by using scripted scenarios is helpful to double check the system. Essentially, consider a few common and problematic situations you presently experience. Run them through with your outsourcer. If they cannot handle them, then that needs to be addressed.

### ***Negotiating the Contract***

Negotiating a mutually beneficial contract is a very difficult but important proposition. One of the key predictors of a successful outsourcing agreement is adequate skills to negotiate a sound contract (Elmulit, 2003). Also, a good contract can mitigate many problems, but "can be time-consuming and expensive to negotiate and enforcement may be uncertain and costly" (Alder, 2004, p. 4).

Specifying the contract scope is critical. You must have an extremely precise understanding of what you are asking. For example, do you want paycheques to be delivered monthly or bi-weekly? Decisions such as this will affect the profitability and service quality of the venture. Negotiating these services as an add-on later will prove to be more costly. Future changes must be anticipated. How do you introduce new

applications and how much will they cost? How much flexibility is built into the contract? Good planning ahead of time will help reduce these problems, but is unlikely to eliminate them all.

Performance standards should be built into the contract. Again, this is based upon understanding what your HR department presently delivers and what costs. The outsourcing must prove superior to this to be a viable option. According to Towers Perrin, most contracts hold the outsourcing to some level of required savings (from 12% to 40%). Finally, the length of the contract has to be considered. The vendor needs enough time to prove their worth, but not so long as keep CBE involved if the partnership is not successful.

### ***Job Loss and Morale Decline***

Outsourcing has often involved sending people and assets to the vendor (Eckerson, 1990). However, it must be managed well. Outsourcing often results in job loss, which unless managed properly can cause morale to plummet. Fear of job loss and fear of change is the *biggest* reason cited for outsourcing failure (Elmulit, 2003). Also, Pomery (2004) indicates several elements necessary to achieving the anticipated financial results. Most notable, do the remaining workers agree with the decision to outsource, or do they feel threatened, especially in terms of job security?

Fortunately, if the outsourcing process is done effectively, there need be no significant difference in job satisfaction for employees transferred (Eddick, 2003). CBE needs to clarify its position on this point. It is unclear how much job security transferred employees have and for how long. Also, for the employees that remain at CBE, some of their responsibilities will shift. One of the main advantages of outsourcing is to allow the HR department to focus on more strategic goals. However, not all of the staff will excel at this new responsibilities and job loss is often inevitable. An effective communication program regarding the purpose and progress of the outsourcing venture is a very desirable feature (Elmulit, 2003). Outsourcing can also effectively handcuff HR strategy if the vendor is unable or unwilling to make strategic changes in their delivery to meet emerging HR strategies.

### ***Cost Reduction***

Again and again, firms report cost reductions as the number one reason to outsource. Unfortunately, this result is not guaranteed. For example, Deborah Pitcher, a relocation manager for United Parcel Service said, “We looked at outsourcing and decided not to do it purely from a cost standpoint, because it would have cost about three times what we are currently paying” (Mitchell, 1998, p. 64). Also, Grossman (2004) indicates that “some consultants report savings shortfalls as often as 40 percent of the time – as well as numerous instances where companies actually end up paying more when they outsource” (p. 79).

Part of this happens because organizations did not take time to develop very clear objectives and expectations regarding outsourcing activities. Fan’s (2000) research on

outsourcing found that there was a direct correlation between realizing cost reductions and managing the process to achieve these reductions. Consequently, outsourcing cost savings are a result of anticipating very specific problems and making strategic trade-offs between costs, quality, and flexibility.

In the short term, often there will be savings of a sort. You do usually get a sophisticated HRMS without the initial capital investment. In the short-term, this will result in an immediate savings over direct purchasing. However, a report on HR by the Robert W. Baird, the financial management company, indicates HR outsourcing is at the beginning of a longer term trend. The longer term financial impact of HR outsourcing is not well known. Consequently, cost-savings estimates should focus on the long- as well as short-term.

Of note, though costs are the number one reasons for outsourcing, it is accompanied by a period of disruption. It will take a fair amount of time before the outsourcer properly aligns itself with the needs and intricacies of any company. If your present system is adequate, the outsourcing solution has to be significantly better to justify this disruption. Some recommend that a savings of at least 20-30% is necessary to justify the move. The interesting element is this point, “Consolidation does create upheavals and results in downsizing of HR personnel, especially generalists – that’s where most of the 20 percent to 30 percent savings come from” (Frase-Blunt, 2004, p. 60). For CBE, the outsourcing company cannot lay off any of the employees. Consequently, the vendor must be growing at a very rapid rate in order to absorb these new hires or maintain profitability by charging an uncompetitive rate. Given this situation, vendor pricing becomes an even more critical issue for CBE than in most other outsourcing situations.

### ***Managing the Long-Term Relationship***

Even after all the previous steps have been addressed, the outsourcing can fail in the longer term. A survey conducted by Foster (1999) indicates that 55% of outsourcing relationships fail within 5 years and of those that remain, 12% regret the decision to outsource. In other words, according to this survey, 67% of outsourcing either fails or is regretted by the parent company. Unfortunately, David Dell, a research director for the Conference Board indicates, managing outsourcing is a task that “HR departments are not yet good at.”

After the initial transition to an outsource vendor, managing the vendor will take considerable effort, sometimes up to 50% of HR management’s time. In order for this be successful, the HR managers either must seek a knowledgeable third-party to or become experts in the dynamics and responsibilities of outsourcing. Creating a permanent HR outsource management team is highly recommended.

Challenges to management include keeping explicitly clear lines of communications regarding successes, problems, needs, and wants. As communication quality with a vendor increases, so does the likelihood to continue a contract (Whitten, 2004). This team also will need negotiating skills, both collaborative and distributive. For example, if the vendor comes back with a surcharge for unforeseen modifications, can this be dealt with?

Finally, the HR managers need to manage the metrics to evaluate the vendor. As Fan (2000) concludes, “the absence of any improvement targets may mean that potential savings are not being realized and the competitiveness of the outsourcing venture may gradually diminish in relation to the market” (p. 218). In other words, you have no way of determining whether the outsourcing decision was a success or a failure. Metrics to consider include costs, cycle time, customer satisfaction, and quality measures. All of these should have been clearly discussed during the initial negotiations.

## ***Dependency***

A final risk with outsourcing ventures is that even if all goes well in implementation and design, dependency and consequently vulnerability could occur. As Alder (2004) concludes, “external suppliers may exploit the user’s dependence upon them”(p. 4). There are substantial “switching costs” to moving to outsourcing arrangement, and ultimately to move back from one as well. Consequently, approximately 38% of companies indicate that the loss of internal control is a problem for outsourcing.

The risk of dependency increases with time. You do lose knowledgeable staff if you outsource. Historical knowledge, institutional memory will erode over time. As David Rhodes, an expert on outsourcing from Towers Perrin concluded, that once you have bundled your HR services with one vendor, it is very difficult to change that position. Returning to an in-house position may eventually prove more difficult than the initial outsourcing transition.

## **Section 4**

### **Direct Responses to the RFP Evaluation Criteria**

#### **Response to RFP 5.21 Treatment of People Considerations (Weight 20%)**

##### **The benefits of treating people fairly and the perils of injustice**

Although ideally organizations are interested in the well being of their employees for social justice reasons, it is also good business practice to treat people with honesty, integrity and respect. Treating your employees fairly has been well documented to result in significant positive outcomes including: increased volunteering to go above and beyond organization requirements (Skarlicki & Latham, 1996), reduced theft and other “deviant” behavior (Aquino, Lewis, & Bradfield, 1999; Greenberg, 1990), and reduced voluntary turnover (Jones & Skarlicki, 2003). Moreover, perceptions of fairness are related to other important criteria, including workplace attitudes such as job satisfaction, organizational commitment, and trust (Colquitt et al., 2001). Thus, it is in the best interests of CBE to be perceived by its employees as being a fair and just place to work. The manner with which sensitive restructuring processes or outsourcing decisions are made are critical in order to avoid spillover effects that have serious negative effects on the remaining employees of CBE. This could have costly effects such as increased voluntary turnover, increased stress-related leaves, resistance to change initiatives, and reduced productivity.

##### **Employee treatment and risks to outsourcing success**

Ultimately, the success or failure of any re-organization depends upon the cooperation and effort of the employees who are expected to implement the proposed changes. The single greatest predictor of the failure of outsourcing attempts is having the employees fear for their long term security (Elmullit, 2003). An outsourcing failure would result in considerable cost and disruption to CBE’s operations. As I will detail below, the conditions for successful outsourcing are not present at CBE. HR staff report feeling uninformed about the outsourcing process, distrustful of HR management, stressed out about the uncertainty of their futures and feel there are few gains to be found in outsourcing any HR functions. These are precisely the ingredients for a massive failure of this restructuring/outsourcing process.

##### **Current Perceptions of CBE Employees**

The current perceptions of employees at CBE was assessed by a detailed survey completed by 72% of CBE’s HR staff and in-depth focus groups conducted outside of regular CBE working hours by Chapman Organizational Research and Consulting. These

data revealed that current employee perceptions of job security are extremely low. Appendix D, Figure 13, shows that only 11% of employees either ‘agreed’ or ‘strongly agreed’ with the statement “I think that if I were transferred to the outsourcing agency that they would keep me for the long term”. The employees also report experiencing high levels of stress associated with restructuring process. Figure 4 shows that only 22.2% ‘disagreed’ or ‘strongly disagreed’ with the statement “I have experienced a lot of stress due to uncertainty about my future here at CBE.” The picture is no better for perceptions of how remaining HR staff will be affected by outsourcing some of their colleagues (Figure 16). Only 11.1% of respondents agreed that “If some HR functions are outsourced I think the remaining HR staff will be better off.”

The survey further revealed that poor communication regarding the outsourcing process and a lack of trust in the ability of HR management to handle the outsourcing properly is partly to blame for these perceptions. Figure 1 shows that only a third of the respondents felt that they had been well informed about the process. Only 5.6% of the respondents reported that they ‘agree’ or ‘strongly agree’ that they “trust HR managers will make a good choice about whether to outsource or not” (Figure 2). Furthermore, Figure 6, shows that only 11.2% of employees believe that “management is looking out for my interests while considering improvements to CBE’s HR processes.” The vast majority of employees report that they believe management made up their minds to outsource their jobs first and then set out to find evidence to support their decision. Here is a small sampling of comments from HR employees from the survey:

*“The trust in the management is non-existent now, employees in HR keep their heads down and their mouths shut. Morale is the lowest I have ever seen at the CBE...”*

*“Can you really protect my position once you outsource me to another company for more than 1 year. I want a decent pension. I am by myself!!”*

*“Why haven’t you consulted us – you don’t know what we do.”*

*“Management says they are transparent and they tell us the facts. Not so. They are actively pursuing outsourcing as if it’s a done deal. (But in the mean time telling us they are just getting info on the possibility of outsourcing). It seems this decision is about money and obviously downsizing so money can be saved by eliminating positions.”*

*“I do not think they know enough about each of our jobs to make decisions. No one ever actually has asked us what we do on our jobs – they have a general idea only.”*

*“We have been put through the mill over the last 2 years having consultants coming and going, having to apply for jobs complete with a resume and references and then being interviewed. How humiliating and for what? To be told later that we will no longer be CBE Employees”*

*“I don’t believe that the people making these decisions are making informed decisions as they are really not aware at all of details and complex issues involved in our work.”*

If any cost savings are realized as a result of outsourcing, it is normally due to laying off staff (Frase-Blunt, 2004). However, the collective agreement covering the affected employees explicitly states that they are not to lose their jobs as a consequence of outsourcing (see Article 37). Accordingly, it is difficult to make a business case that outsourcing that includes long term security of affected employees is viable. Normally, the outsourcing company will dramatically reduce the number of staff as soon as contractually possible in order to realize any savings. This may be difficult to do given the fact that CBE has \_ the typical staffing level for HR. The fact that the employees who are to be transferred to the new employer are aware of this inevitability poses a significant risk for the viability of the arrangement.

### **Conclusions**

Given the level of fear for job security and mistrust among both in scope and out of scope employees, we have serious concerns about the likely success of an outsourcing arrangement. It is unclear whether management would be able to regain the trust of the employees not directly affected by the outsourcing however, the odds are not in favour of a positive outcome. A minority of HR staff are so disillusioned with the management of the re-organization and proposed outsourcing process that they welcome the opportunity to be transferred to another organization.

*“HR is looking forward to working for new management, they are hopeful the new company will treat them better.”*

Regardless of whether an outsourced or in house solution is decided, management will have to improve communication with all of the stakeholders significantly in order to achieve any improvements or risk significant impairment to CBE daily operations and additional chaos.

### Summary of Treatment of People Considerations

	<b>PPP</b>	<b>In-House Technology Upgrade</b>
<b>Short Term Job Security</b>	High (likely short term guarantees of one or two years will be built into the arrangement)	High
<b>Long Term Job Security</b>	Very Low	High, CBE HR is currently under staffed making future cuts unlikely. The collective agreement also reduces job security concerns
<b>Risk to viability of solution</b>	Very High Mistrust and fear of job loss are the largest known predictors of outsourcing failure	Moderate Current conditions are likely to foster resistance to change if not carefully managed
<b>Social justice</b>	Moderate to low CBE is attempting to secure short term job security but long term is unclear. Concerns over seniority, benefits etc. are also an issue	Moderate to High Additional resources to hire adequate numbers of staff, providing training and new technology will help considerably. Investing in employees by training them properly in their jobs will improve morale significantly.
<b>Overall score</b>	<b>10/20</b>	<b>15/20</b>

## **Response to RFP 5.22 Strategic Alignment and Transformation Considerations (Weight 30%)**

Previous work with other consultants over the past 2 years has identified a ‘focus on students and learning’ as constituting the core functions of CBE. Accordingly, central to the strategy of providing the best possible teaching and learning environments (necessary for learning) CBE should consider those functions that ensure the best possible teaching and learning environments are provided to students as being part of the core functions of CBE. In knowledge-based industries, such as education, the quality of service provided is highly dependent upon a) attracting the very best teachers and support staff to apply to CBE, b) identifying and selecting the best teachers and staff available and c) retaining the best teachers and staff. These goals are met by ensuring a) that HR recruiting practices are the best possible practices available that are highly tailored to the education industry b) that selection practices are the best possible practices available and highly tailored to the education industry and c) that HR practices that promote a positive and efficient workplace are provided to retain employees.

An examination of the current recruiting, selection and retention practices of CBE shows considerable room for improvement. Although a detailed set of recommendations are beyond the scope of this report, many HR practices are outdated and inefficient. Results of our employee survey showed considerable confusion regarding HR policies and procedures with only 24.5% of CBE HR employees agreeing with the statement “I believe our HR policies and procedures are clear and well understood.” Despite the enormous potential to create HR practices that are tailored to CBE’s needs, managers and employees often lack the training or expertise in Human Resources to design or implement custom made practices for the education context. For example, managers were unable to answer questions such as the time required or the cost of hiring a teacher. Few metrics on system efficiency are collected making any strategic plan handicapped by a lack of understanding of what the strategy is to achieve or having any way of assessing whether those unstated objectives were met. Easily obtainable efficiencies in the selection system are possible without the necessity of investing in an HRMS. Furthermore, many HR functions are considerably under funded and under staffed leading to enormous challenges to provide timely, high quality service to CBE employees. Recent failed attempts at internal reorganization have created considerable confusion and have resulted in frustration for both HR staff and the clients they serve. Poor implementation of the half-completed re-organization of HR functions has handicapped the capacity of the HR staff to do their jobs effectively while CBE employees in general have not been apprised of the potential for delays in service. One example of note is the re-organization of the Employee Information Center. The re-organization was implemented on the 1<sup>st</sup> of September during the busiest season for inquiries. The staff was given little opportunity to train. No formal courses were offered. Swamped staff had to try to teach temps while dealing with high volumes of inquiries. Poor communication with employees regarding the best time to implement the re-organization, and with CBE employees in general to manage their expectations regarding HR services during a major re-organization creates a recipe for frustration for both HR staff and the CBE staff they serve.

One of the major strategy-related tradeoffs of outsourcing is that the parent organization loses strategic control of the functions that are outsourced. This is particularly disconcerting when it comes to HR areas proposed to be outsourced such as teacher recruiting, staff selection and recruiting, payroll and benefits administration. These functions are far from simple transactional processes. For instance, whatever strategic leverage that can be had from changes in reward structures (one of the most common organizational development strategic tools) are often implemented through payroll functions. If managers must get approval from vendors prior to changing scripts to reward CBE staff, this could seriously reduce strategic flexibility. Similarly, it is nearly unheard of that a knowledge based organization would give up control of its advertising of positions to a third party. This is the public face that is put on the organization for applicants to see. Recruiting strategy would necessarily be hampered by negotiations with a third party to implement changes.

In addition to strategic limitations associated with loss of control, CBE also would lose the synergistic leverage one obtains by investing in an HRMS system in the first place. Many HR tasks involve frequent interaction among members of various departments. For instance HR staff members indicated that they frequently work together on a file to resolve a client issue. Some comments from our focus groups included:

*“a lot of the work we do is so interconnected, we work closely with staff in other departments in Human Resources to do our work, some who may not be outsourced”*

Statement from a teacher staffing employee

*“if payroll isn’t there, there will be no one to communicate with and make sure the payment goes through, particularly when info is given late- which happens often”*

Another strategic limitation associated with outsourcing is that HR will lose nearly half of its employees. These employees constitute a pool of resources for implementing projects. They are also a viable pool for recruiting into vacant positions and managerial roles. They can also be a source of ideas for improving HR processes. If they are outsourced to a third party, they may be entering data for CHR one week and CBE the next. It is unlikely that these employees would be thinking about ways to improve CBE’s HR processes under those conditions.

The proposed benefit to outsourcing some of these functions is to free up HR management from the daily administrative tasks so that more time can be devoted to HR strategy. An unfortunate side effect of this benefit is that the very tools that could be used to implement the strategy are made more difficult to access as they are now in another company.

Consequently, we see little strategic advantage for outsourcing these HR functions to a third party.

## **Response to RFP 5.23 Functional Impact Considerations (Weight 20%)**

In order to determine the functional impact of adopting a PPP approach to HR functions versus in house solutions it is imperative that decision makers have a thorough and detailed understanding of the goals of existing functions, the processes by which these goals are attained by HR functions, and the costs and benefits associated with these processes. The EOI and RFP are inconsistent in the level of detail provided about existing HR functions. For example, the information provided about the workload of the EIC is substantially more detailed than any of the other departments. Regrettably there is almost no data presented regarding the processes involved in providing HR services at CBE, the time required or number of personnel specifically allocated for these processes, or how these would be affected by the removal of personnel from these functions. Simply stating that X FTE's are associated with Payroll is not a sufficient level of detail for decisions to be made.

Any re-organization or restructuring of business functions entails costs and functional deterioration associated with the change itself. These costs include:

- a) The time spent on determining which changes to make,
- b) Time and costs spent for training personnel in new technologies and processes
- c) Loss of service during transition to new technologies
- d) Loss of service during transition to a new business structure
- e) Loss of quality of service due to new employees unfamiliar with the CBE

environment

Over the medium to long term, these losses may be offset in part or in total by efficiencies gained by a new technology. However, it is not uncommon to have several months of severe disruption associated with adopting a new technology and that disruption is lengthened considerably if the addition of bringing in a new partner with new personnel and structural processes is done concurrently. Thus, if a new system is put in place that reduces the time to run the payroll from 36 hours to four hours (a potential efficiency identified by the CBE HR Technology Manager) savings could be realized to the extent that one or two technicians are freed up to do other tasks during that time and that other costs are mitigated by having the technicians' fixed salary costs applied to other functions of the HR Technology infrastructure. Thus introducing the new technology could result in saving as much as 2 or 3 person days per month over several years if the technicians' time could be applied meaningfully to other work. However, this would need to be weighed against many weeks of lost productivity due to adjustments to the factors listed above not to mention the significantly increased cost of the new technology. From a utility standpoint, gains in efficiency to areas like payroll and benefit administration are unlikely to justify the costs of a re-organization, however, the purchase of new Payroll technology may provide opportunities for the introduction of better service interfaces for CBE staff and open up more strategic options with respect to how benefits are administered. For example, flexible benefits, whereby each employee selects

from a basket of possible benefits according to their needs, are not possible with the current technology but could be introduced with newer technologies.

The costs associated with taking advantage of the potential flexibility of the new technology is not factored directly into the RFP comparison but there is normally a significant cost to customizing or purchasing modules for various HR options beyond standard Payroll/Benefit packages.

### Summary of Functional Impact Considerations by option

	PPP	In-House Technology Upgrade
<b>Time spent researching proposed changes</b>	High (if done properly, moderate if not).	High (if done properly, moderate if not).
<b>Time and costs spent for training personnel in new technologies and processes</b>	Moderate (Remaining in-house employees/managers still need training and costs of training vendor personnel are normally added into the contract costs. If the vendor has trained staff on technology then cost may be lower)	Moderate (Primary vendors provide training on new modules at a cost of approximately \$2500 per employee)
<b>Cost of Loss of Service while introducing technology</b>	Moderate to High (may be lower if company has a lot of project management experience and can implement the technology changes faster)	High (bringing in experienced transitional consultants may reduce costs by shortening the adjustment period).
<b>Cost of Loss of service during transition to a new business structure</b>	High (Employees are faced with possible change of location, supervisors, and processes)	Moderate (employees only have to deal with a change of process)
<b>Cost of Loss of quality of service due to new employees unfamiliar with the CBE</b>	Moderate (some employees transferred to vendor can reduce this impact somewhat)	Low (All employees are CBE employees with corporate knowledge of CBE processes)
<b>Overall score</b>	<b>10/20</b>	<b>15/20</b>

## **Response to RFP 5.24 Technological Alignment Considerations (Weight 15%)**

One thing that unites all of the parties concerned is a shared belief that CBE would benefit from upgrading its existing HR technology infrastructure. Three principal questions must be asked in order to assess whether a technology solution meets the needs of CBE:

- a) What is needed versus what is wanted?
- b) How much can CBE afford to pay?
- c) Are CBE's HR processes sufficiently developed to warrant some HRMS features?

Although the main problems with the existing IT architecture deal with the issues of payroll and benefits, the RFP only requests pricing for a full HRMS system. Accordingly, with respect to questions A and B, CBE decision makers need to consider whether a less robust system would meet their short term to medium term needs. The HRMS systems available on the market are principally from three major players, Oracle, SAP and PeopleSoft. All three have modularized enterprise software. Thus, if a client wants to buy a package containing only Payroll and Benefits modules, this can be done at a lower cost than a full package that integrates all HR functions. Few organizations are set up to fully realize the benefits of a full HRMS system. Often modules require significant and costly customization to fit the needs of the client. Although the term 'best practices' is widely touted in the industry, the fact is that what constitutes a 'best practice' varies for many HR functions across industries. Thus, any hopes that buying a sophisticated HRMS system will improve HR functions that have not been fully thought out are misplaced. An interview conducted with the Senior VP of People and Learning at the Calgary Health Region, (who recently entered a PPP agreement with Telus), noted

*"If you don't have your processes nailed down, technology is not going to solve your problems."*

Or, as Roberts (2004) pointed out

*"It was as painful as if we had done it ourselves. Many people don't take this into account and think the outsourcer will sprinkle magic dust over nonhomogenized processes and it will be fine in a few months"*

An examination of the Calgary Health Region website reveals that the addition of a sophisticated HRMS system has not resulted in a state of the art solution for recruiting and selection. Prospective applicants are still required to print out forms from the website and fill them in by hand and then mail or fax them to CHR. This laborious process was outdated in the mid 90's and reflects an antiquated manual-oriented approach that does not serve HR needs well.

Two of the largest surveys of HR technology use conducted to date were done by the first author of this report (Chapman & Webster, 2002, 2003). A survey we conducted

for the Society for Human Resource Management received responses from 939 VP's of HR regarding the success of reaching their goals by implementing various technologies (Chapman & Webster, 2003). This survey revealed that most executives did not feel that they fully attained their goals set out in their plans. Common problems included difficulties with customizing and integrating applications, cost overruns, and applications which failed to function as promised. These results do not suggest that organizations should be discouraged from implementing technology solutions in HR, only that considerable planning and expertise is needed to take advantage of a full HRMS system. In the judgment of this author, CBE's processes are not in good enough shape to automate.

Accordingly, we recommend that CBE take advantage of a modularized system and only buy those modules that service functions that have common practices across many organizations (e.g., pay and benefits) with the goal of ultimately adding modules as practices in other areas are sufficiently upgraded and detailed. This would also help reduce up front costs and make the cost of primary vendor purchases more attainable. Vendors have pre-packaged training programs, many of which can be done online, that would permit the training of CBE's employees in house. The cost of training varies somewhat depending on the HRMS functions to be trained for. One of the most costly programs is Payroll which costs approximately \$8500 per trainee to get a full training package in all aspects of the HRMS system with specialization in payroll (See Appendix H for sample training program costs from PeopleSoft). While training requires and investment up front, trained staff with better technology will be in a better position to handle increasing demands while reducing the need to hire large numbers of additional staff to carry out the work.

	<b>PPP</b>	<b>In-House Technology Upgrade</b>
<b>Technology meets CBE's immediate needs</b>	Yes	Yes
<b>Cost of training</b>	High Built into the cost for the contract. Training is the same.	High Paid for as needed directly from vendor
<b>Cost of Hardware</b>	Moderate Built into the cost of the vendor.	High Servers must be purchased up front.
<b>Disruption in service</b>	Very High	Moderate (employees only have to deal with a change of technology)
<b>Security of information</b>	Unknown	High
<b>Overall score</b>	<b>10/15</b>	<b>10/15</b>

## **Response to RFP 5.25 Financial and Other Benefits & Risk Mitigation Considerations (Weight 15%)**

**Financing:** Any organization that is fiscally responsible must ensure that adequate measures are put into place to pay for its proposed activities. During the course of this consulting project, it became evident that one of the principal drivers of decision making surrounding HR functions was a financial one. Specifically, the capital costs incurred by purchasing new technologies and subsequent periodic upgrades can be daunting if they have not been forecasted properly and accounted for in annual budget planning. It appears to be the case that CBE has not set aside more manageable portions of funds over the years to pay for an upgrade to their technologies. This is an oversight that should be corrected in the future by adopting multi-year budget forecasting and allocating a percentage of the budget to be set aside for new technologies and upgrades.

However, given that future technology costs were not planned for in the past, CBE is faced with finding substantial funding in the short term to upgrade its technology. Unfortunately, CBE only appears to be paying serious attention to the Public/Private Partnership (PPP) option through a secondary vendor as a means of financing new technologies. This would seem to be a rather convoluted approach to get financing. Why not approach primary vendors (e.g., PeopleSoft, SAP) about spreading acquisition costs out over time? All of the primary vendors offer this financing service to their clients. Other potential financing approaches include reallocating some of the overall CBE budget to upgrading HR. Given the size of the CBE budget (nearly \$800 million) the incremental costs to upgrade these systems would not be a large percentage of the overall budget, and yet the benefits to the organization could be considerable. Lastly, as the provincial government is the ultimate source of financing for CBE, the government, who can borrow money at a far lower cost than private companies, could be approached to provide an alternate source of financial smoothing that CBE desires as part of its solution.

Engaging in a PPP for HR services ultimately means that CBE is paying the costs of financing based on whatever the vendors costs are for securing the capital plus a profit margin.

**Short term implications-** In the short term, CBE will have to pay more for HR services regardless of the option chosen—it is only a matter of degree. The PPP option means that a secondary vendor either purchases a system and then leases it to CBE at a lower initial cost, or the secondary vendor re-leases their leased system to CBE. In order to make a profit, the secondary vendor must build in the cost of their financing the system into the bid so savings are mathematically impossible. Given that financing can be obtained from primary vendors, it is difficult to see how CBE would benefit in the short term from a PPP relationship.

**Long-term implications-** There is no such thing as a free lunch. Eventually CBE will have to pay for the new technology. In the case of a primary vendor, CBE will pay for cost of the technology, plus a profit for the primary vendor, plus financing costs. In a

PPP, CBE will pay the full price of the technology, plus the primary vendors profit on the technology, plus financing costs from the secondary vendor. See Table X for a breakdown of cost sources.

The secondary vendor can only make a viable long term business case by significantly reducing the number of staff it receives from CBE which runs contrary to CBE's stated goal of treating people fairly.

**Conclusions:** First, it is difficult to assess the overall financial benefits of outsourcing the proposed HR functions. Management has not demonstrated a sufficient knowledge of existing costs or where those costs originate to make a business case in favour or against outsourcing. For example, HR is unable to provide the costs per hire for a teacher or staff member, they did not provide the costs associated with purchasing direct from a vendor and training staff in-house. Thus the overall strategy of saving costs through this technical restructuring is not fully thought out. As a result the evaluation process for the restructuring of HR has focused exclusively on technological solutions and the costs of these solutions without due diligence to the overall role of HR in the organization. The risk of locking CBE into long term contracts without fully appraising the benefits or even having metrics against which various solutions can be compared could have catastrophic consequences for CBE's mission. Any government auditor would easily conclude that a decision of this magnitude being made without fully considering options or having a means of showing effective improvement for money spent would not meet a standard for acceptable business practices or good governance.

With respect to the question of the relative benefits of financing HR software upgrades several conclusions can be reached. Financing the costs of a new HRMS through a secondary vendor will reduce the need for a very large expenditure of capital in the first year of the project although substantially more would be paid in subsequent years than if the CBE purchased the HRMS outright. Upgrading costs are built into the price of the contract so this creates a higher up front expenditure relative to a primary vendor contract although subsequent upgrade costs are less predictable. Over the long term a leasing strategy is more expensive but it can be helpful to reduce the stress of finding resources immediately to pay for purchases and upgrades. There appear to be no financial advantages to a PPP financed solution to a primary vendor financed solution.

### **Risk Mitigation**

All choices entail some risk as does failing to make a choice. CBE should be very cautious in making decisions of this magnitude and take necessary steps to avoid risk. The RFP outlines some areas of risk but overlooks many others. For example, at the time of writing this report, Oracle is in the process of making a hostile takeover of PeopleSoft. These are two of the three primary vendors for the technology sought in the RFP. Entering into extended contracts with any of these privately traded vendors under the assumption that they will not be bought, sold, or outsourced, and that their products will not be abandoned, neglected, or replaced with other technologies is somewhat naïve. What recourse will CBE have if a secondary vendor is cut off by a primary vendor? In the case of PeopleSoft, for example, the board has adopted a 'poison pill' option whereby they plan to pay out 2-5 times the costs of an existing contract should Oracle take them

over and discontinue their software. While the legality of this poison pill is being argued in US courts, it is clear that if you are not the primary contract holder, then your secondary vendor would receive the compensation from PeopleSoft leaving CBE with the need to find new software and no compensation for the inconvenience (see Appendix B for an excerpt from an article on this matter). Furthermore, with a reduction in competition due to mergers, costs could escalate over the longer term. Thus a second risk factor involves the quality of contract that the secondary vendor has with the primary vendor. To my knowledge that is not being taken into account.

Another potential risk is that the secondary vendors could decide to follow CBE's example and spin off non-core assets. IBM, EDS, and Telus are not specialized HR companies and so they may make a business decision to shed non-core assets such as HR services. IBM just announced this week that it is selling off its PC manufacturing business (often thought of as a core business of IBM). It is not difficult to see the possibility that non-core assets such as HRMS support could also be sold off to meet business needs. If these assets are sold to a third party, CBE may find itself partnered for the long term to a company it did not originally deal with.

Other common risks realized after outsourcing include 'scope creep' whereby the initial underspecified contract leaves considerable room for the vendor to charge more money for additional services or would require CBE to hire more staff to do those jobs. In a recent interview I conducted with the Senior VP of People and Learning at CHR it was noted that some challenges had arisen around defining whether CHR or the vendor was responsible for a given HR task. Since most of the previous HR staff were now under control of the vendor, the remaining HR staff at CHR have to do any function that was not explicitly specified in the contract. This is very common and most vendors vastly underestimate costs and then raise the costs when additional 'details' become evident. There are undoubtedly many unforeseen risks and these are but a few examples.

**Conclusions --** Failing to act to improve HR services is a risk, however, this risk is not fully mitigated by outsourcing functions to a secondary vendor. Uncertainties surrounding the long term availability of product, sudden changes in vendor status, scope creep and a host of other risks can ultimately undermine the utility of a secondary vendor for managing risk and could potentially increase risk over in house solutions.

**Summary of source of financing costs by option**

	<b>PPP financing</b>	<b>Primary Vendor Financing</b>	<b>Buying outright</b>
<b>Basic Technology Cost</b>	Cost of buying technology from primary vendor (spread over years)	Cost of buying technology from primary vendor (spread over years)	Cost of buying technology from primary vendor
<b>Financing costs</b>	Cost of PPP's financing plus profit	Cost of Primary Vendor plus profit	0 (or low cost government loan)
<b>Immediate capital requirements</b>	Moderate	Lower	High
<b>Overall total cost</b>	Most expensive	Moderately expensive	Cheapest
<b>Risk Mitigation</b>	Low	Moderate	Moderate
<b>Overall score</b>	<b>0/15</b>	<b>7.5/15</b>	<b>15/15</b>

## Section 5

### Overall Conclusions and Recommendations

Based on our review of the available information, the research literature on outsourcing, documentation provided by CBE, surveys and focus groups conducted with HR Staff it is apparent that CBE would benefit greatly from an extensive overhaul of HR practices to bring them up to date and increase the efficiency of the system. It is also obvious that the existing system is under considerable strain due to chronic under funding, old technology, insufficient staffing levels, inadequate training, and lack of HR expertise. Attempts at restructuring the HR department were poorly implemented and resulted in additional confusion and deterioration of service for CBE. Employee morale is low, high levels of stress are reported and distrust between managers and staff has resulted in creating an environment that is resistant to change. HR management is now interested in trying to resolve these issues, in part by exploring the possibility of outsourcing nearly half of the HR personnel to a third party and improving technological capabilities simultaneously through accessing a sophisticated HRMS system through the secondary vendor. We believe that there are several compelling reasons why outsourcing is not a good solution for the problems facing CBE. These include:

1. The CBE has not undertaken a sufficiently thorough review of the existing functions of the HR group to allow them to evaluate the potential success of an outsourcing strategy. This poses considerable risk for failure.
2. The CBE has not fully considered the ramifications of outsourcing the HR function including:
  - a. the impact on remaining staff, loss of control over decisions related to the HR function, and the strategic loss of synergy among HR staff
  - b. the loss of control of HR policies and processes in order to introduce change in the CBE
  - c. the potential for increased costs associated with the introduction of a third party into the core workings of the CBE
3. The CBE has not fully considered other solutions to improve the effectiveness of the HR system including:
  - a. Licensing the technology directly from the primary vendor and bypassing secondary vendors
  - b. Training existing staff on the use of the new technologies in house
  - c. Effecting positive change in HR delivery by adequately staffing positions
4. The CBE does not have a sufficiently developed HR system to take advantage of a full HRMS system at this time.

Accordingly, we recommend that CBE complete its initial reorganization of HR, purchase updated modules related to Payroll and Benefits only, and invest in training

existing HR staff on the new technologies. This approach minimizes cost, disruption of service and toll on existing employees while improving service significantly. It also retains maximum flexibility for future strategic initiatives that could be undertaken by HR managers. Furthermore, any efficiencies that can be gained by introducing the new technology and adopting more efficient processes will be realized by CBE rather than the vendor.

### ***Summary of Evaluation Criteria***

	<b>PPP</b>	<b>In-House Technology Upgrade</b>
<b>Treatment of People</b>	10/20	15/20
<b>Strategic alignment</b>	15/30	25/30
<b>Functional Impact</b>	10/20	15/20
<b>Technological Alignment</b>	10/15	10/15
<b>Financial and Risk Mitigation</b>	0/15	15/15
<b>Overall score</b>	<b>45/100</b>	<b>80/100</b>

Accordingly, we recommend that CBE implement changes in house and gradually over time, starting with critical areas such as benefits and payroll, rather than attempting to tackle all of the problems at once. This reduces the cost of purchasing a full HRMS system up front and allows modules to be added as additional problems are addressed. Investing in the existing employees by giving them training on the new technology will also help boost morale and re-build trust between staff and management.

HR managers should ultimately be examining HR processes more than HR structure as a source of finding efficiencies. For example, if teacher staffing decides that an online screening and application process should be implemented, a detailed plan should be constructed first and then the HRMS vendor should be brought in after the process has been thoroughly mapped out to customize a module to fit CBE's needs. HRMS software often makes certain assumptions about best practices that may be incompatible with CBE's needs. For example, you may purchase web-based architecture for payroll inquiries and yet the majority of CBE staff have no private access to a computer with an internet connection at work to access the system. By designing processes first based on the ideal processes for CBE's needs, HR managers need not abscond their flexibility to implement new strategies based on the limitations of a pre-packaged system that is not customized for an educational environment.

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## Appendix A

### Preliminary Questions for CBE HR

#### Background

The Staff Association for the Calgary Board of Education (CBE) has enlisted the services of Chapman Organizational Research and Consulting to examine the issues surrounding the proposed outsourcing of specific CBE Human Resource (HR) functions to third party vendors. Dr. Chapman holds a Ph.D. in Industrial and Organizational Psychology and teaches graduate and undergraduate courses in Personnel Selection, Recruiting and Organizational Behaviour at the University of Calgary. In addition to being an internationally recognized scholar in issues related to Human Resources, for the past eight years he has provided advice on HR issues to a wide variety of clients across Canada, the US and Europe, including, NATO, Microsoft, Procter & Gamble, Compaq Computers, Human Resource Development Canada, the Canadian Public Service, the Canadian Forces and the Edmonton Police Services. Dr. Chapman has also written two white papers on the use of technology in HR for the 180,000 professional managers in the US Society for Human Resource Management. The CBE Staff Association feels that the involvement of Dr. Chapman and his associates will serve as an additional unbiased resource to decision makers regarding the viability of proposed solutions to challenges faced by the HR department at CBE.

In order to be of assistance to decision makers, Dr. Chapman has reviewed the relative documentation relative to this issue and it was felt that additional data would need to be gathered from HR management regarding the reorganization of HR processes and the RFP procedure so that useful recommendations could be generated. A meeting had been previously arranged for 1:30-2:30 p.m. on Tuesday, November, 16 and it was agreed that HR management would assist with this information gathering by responding to some preliminary questions. These preliminary questions are listed below.

#### **Questions for HR managers:**

- 1. In order to determine the effectiveness of a solution, it is helpful to understand what specific HR functional problems are being addressed.**
  - a. What are the challenges (e.g., training, infrastructure) facing the HR group that have precipitated this re-organization?**
  - b. What is the desired end state for HR with respect to these specific challenges?**
  
- 2. Outsourcing is a fairly recent business trend whereby non-core functions are shed by organizations to allow them to focus on core functions. A 2004 survey by Deloitte & Touche suggests that HR outsourcing is relatively rare**

**in Canada (less than 1% of surveyed organizations had opted to outsource HR functions). Knowledge-based industries, which rely on employee quality to meet their organizational missions, are particularly unlikely to surrender HR functions to third parties. A recent survey of US firms by Accenture consulting found that outsourcing was normally done to either reduce costs or to gain expertise unavailable in house.**

- a. **Given the fact that the bulk of HR costs are related to salaries, and the collective agreement restrictions require CBE to guarantee CBE employees' jobs, where does CBE hope to find cost savings in an outsourcing solution?**
  - b. **None of the third party vendors could list HR as one of their core competencies (they are technology and telecommunications companies). Furthermore, a major disadvantage of third party solutions for HR outsourcing is the lack of contextual knowledge about the business environment and practices in the primary organization. What expertise then, is CBE likely to gain by outsourcing HR functions to one of these vendors? How will the expertise of vendors be evaluated?**
3. **To determine if outsourcing is an appropriate choice for CBE, it should provide a superior combination of costs and advantages as compared to maintaining and upgrading the HR functions in house. For example, acquiring HRIS systems directly from Peoplesoft or SAP etc., with training provided to existing staff to operate these systems, may possibly prove to be a superior option. Has CBE done this analysis and what criteria will be used to compare this solution to the outsourcing options?**
  4. **Normally, outsourcing sacrifices strategic control of outsourced functions for lowered costs or additional expertise. Given that HR is the primary strategic driver of knowledge-based industries, how might this loss of flexibility and control affect CBE with respect to attracting, selecting and retaining the best talent to serve their clients?**
  5. **Automating HR practices through technological solutions can be an excellent means to standardize good HR practices across the organization. However, automating poor practices serves to entrench them and make them even more difficult to improve later.**
    - a. **Is CBE convinced that existing practices are at a state that they should be entrusted to automation?**
    - b. **If there are practices that you expect to upgrade, has this been factored into the cost of outsourcing?**
  6. **It is well documented that outsourcing can have considerable negative effects on organizational 'survivors' (those not directly affected by the outsourcing). For example, the impact on remaining employees' morale, turnover intentions and productivity are all typically negative and can be**

**quite costly for organizations. How will CBE factor in this “spillover” effect into the decision making process?**

- 7. On page 55 of the RFP, \$160,000 is designated as “other IT costs.”**
  - a. How was this figure arrived at?**
  - b. How much of this infrastructure cost will actually be eliminated by outsourcing HR functions?**
- 8. How will subsidizing vendor bids by offering CBE space, furniture and computer equipment be balanced out in the decision making process?**
- 9. How will the specific evaluation criteria listed in the RFP (e.g., “Treatment of Employees”) be evaluated?**
- 10. Exactly, how much security do employees have regarding their jobs due to the collective agreement? For example, can they be re-assigned to positions which require them to undergo additional training to perform the job? Under what circumstances could they be terminated in their new positions? Is there a pre-defined time period during which the termination of employees is prohibited or is it just in the initial stage of agreement?**

As this is a fairly large amount of material to cover in a one hour meeting, it is hoped that there will be additional opportunities to meet to further discuss these issues with managers and decision makers so that useful recommendations can be generated that could meet the needs of all of the parties involved. In the end, the overarching goal is to make decisions on this very complex and technical issue that ensure that CBE is able to best meet its goals. Chapman Organizational Research and Consulting is dedicated to helping CBE decision makers arrive at a thoroughly researched solution. Responding to these questions is a preliminary but vital step in helping us assist in the generation of viable solutions for CBE.

Sincerely,

Derek S.Chapman, Ph.D.  
Chapman Organizational Research and Consulting  
(403) 680-5558

## Appendix B

### From a News Article in *Computer World* on the Future of PeopleSoft November, 2004.

As PeopleSoft customers continue to face uncertainty about the future of their vendor, the best thing they can do is update their software to the latest versions to protect their investment if PeopleSoft's development is disrupted, advises Meta Group Inc. analyst Barry Wilderman. He gives the acquisition an 80% chance of happening at this point, but whether it would be a good move on Oracle's part depends on how well it supports PeopleSoft's customers and how many it retains, he said.

"Some people will migrate to Oracle's applications, but some will go to rivals like SAP, and some will stay on PeopleSoft and go to third-party providers to maintain the applications," Wilderman said. "If Oracle can carry over, say, 80% of PeopleSoft's customer base, this is a good deal for them. If it's 60%, it's not a good deal."

Customers relying on PeopleSoft's CAP to protect their investment may be out of luck. Dechert's Lawlor said that while Judge Leo Strine is unlikely to void PeopleSoft's poison pill, he might "split the difference" and invalidate the CAP.

"Oracle has put together a pretty good case," he said. "They may get a sympathetic hearing from Judge Strine. If I were betting, I would say he may very well strike down the CAP as being an overly draconian measure. It's a little muddy how the court would fix the problem there, but I think there's a good chance he will look at it."

## Appendix C

## Survey of HR Staff November 2004

Thank you for participating in this survey sponsored by the CBE Staff Association. In order to ensure your anonymity, individual responses will only be collected by Chapman Organizational Research and Consulting and any information provided to the Staff Association, HR Management or Board Members will be in group format only. Accordingly, individual responses can never be traced to a single person. Any initial identifying information (i.e., your e-mail address) will be stripped immediately from the data. All data will be stored securely for a period of two years and then destroyed in compliance with ethical and professional guidelines of the Canadian Psychological Association. Please e-mail the completed survey directly to

[dchapman@ucalgary.ca](mailto:dchapman@ucalgary.ca)

If you have any trouble with the survey or have any questions about its content, please contact Dr. Chapman at 680-5558 or at the e-mail address above.

Please respond to the following questions by typing an 'X' in the space corresponding to your level of agreement with the statement provided.

Statement	Strongly Disagree 1	Disagree 2	Neither Agree Nor Disagree 3	Agree 4	Strongly Agree 5
1. I am well informed about the proposed outsourcing of some CBE HR functions to another company					
2. I trust that HR managers will make a good choice about whether to outsource or not					
3. I will be better off personally if I am transferred to another company as part of an outsourcing deal than to stay a CBE employee					
4. I have experienced a lot of stress due to uncertainty about my future here at CBE					
5. Things have gotten so bad that sometimes I think about quitting					
6. I feel that management is looking out for my interests while considering improvements to CBE's HR processes					
7. We need better technology to serve our clients more effectively					
8. I think our HR policies and procedures are clear and well understood					

Statement	Strongly Disagree 1	Disagree 2	Neither Agree Nor Disagree 3	Agree 4	Strongly Agree 5
9. HR managers will be better able to implement CBE strategies if some HR functions are outsourced					
10. CBE employees using HR services would be better served if these services were provided by outside contractors					
11. It would be better for CBE to buy new technology and invest in training for current HR staff than to outsource to another company					
12. Distractions surrounding my future employment have hampered my ability to perform my job					
13. I think that if I were transferred to the outsourcing agency that they would keep me for the long term					
14. To do my job well it is important to know about the working environment at CBE					
15. I have good tools to do my job well					
16. If some HR functions are outsourced I think the remaining HR staff will be better off					
17. Worrying about my future at CBE is affecting my family					
18. I believe that the consultants and managers have collected enough information from me about my job to make a good decision about the best solution for my position					
19. CBE will save a lot of money if they transfer my position to another company					
20. I believe the final decision about whether to outsource my area has already been made					

## Demographic Questions.

1. How long have you been employed by CBE? \_\_\_\_\_
2. How long have you worked in HR at CBE? \_\_\_\_\_
3. How long have you been in your present position? \_\_\_\_\_
4. If you have other HR experience outside of CBE, how long did you work there? \_\_\_\_\_
5. Which HR department do you work in? \_\_\_\_\_

## Written Responses.

In this section you have the opportunity to type in your thoughts regarding the process and future of HR at CBE. Please type your response immediately below the question. Feel free to write as much or as little as you like.



**Thank you for completing the survey. Please save the survey and attach it to an e-mail to \_\_\_\_\_.**

## **Survey of CBE HR Staff, November 2004- Results**

**I am well informed about the proposed outsourcing of some CBE HR functions to another company**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	3	16.7	16.7	16.7
disagree	6	33.3	33.3	50.0
neither agree nor disagree	3	16.7	16.7	66.7
agree	5	27.8	27.8	94.4
strongly agree	1	5.6	5.6	100.0
Total	18	100.0	100.0	

**I trust that HR managers will make a good choice about whether to outsource or not**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	3	16.7	16.7	16.7
disagree	6	33.3	33.3	50.0
neither agree nor disagree	8	44.4	44.4	94.4
agree	1	5.6	5.6	100.0
Total	18	100.0	100.0	

**I will be better off personally if I am transferred to another company as part of an outsourcing deal than to stay a CBE employee**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	38.9	38.9	38.9
disagree	2	11.1	11.1	50.0
neither agree nor disagree	8	44.4	44.4	94.4
agree	1	5.6	5.6	100.0
Total	18	100.0	100.0	

**I have experienced a lot of stress due to uncertainty about my future here at CBE**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	2	11.1	11.1	11.1
disagree	2	11.1	11.1	22.2
neither agree nor disagree	2	11.1	11.1	33.3
agree	5	27.8	27.8	61.1
strongly agree	7	38.9	38.9	100.0
Total	18	100.0	100.0	

**Things have gotten so bad that sometimes I think about quitting**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	2	11.1	11.1	11.1
disagree	2	11.1	11.1	22.2
neither agree nor disagree	5	27.8	27.8	50.0
agree	6	33.3	33.3	83.3
strongly agree	3	16.7	16.7	100.0
Total	18	100.0	100.0	

**I feel that management is looking out for my interests while considering improvements to CBE's HR processes**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	27.8	27.8	27.8
disagree	4	22.2	22.2	50.0
neither agree nor disagree	7	38.9	38.9	88.9
agree	1	5.6	5.6	94.4
strongly agree	1	5.6	5.6	100.0
Total	18	100.0	100.0	

**We need better technology to serve our clients more effectively**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid agree	7	38.9	41.2	41.2
strongly agree	10	55.6	58.8	100.0
Total	17	94.4	100.0	
Missing System	1	5.6		
Total	18	100.0		

**I think our HR policies and procedures are clear and well understood**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	3	16.7	17.6	17.6
	disagree	8	44.4	47.1	64.7
	neither agree nor disagree	2	11.1	11.8	76.5
	agree	3	16.7	17.6	94.1
	strongly agree	1	5.6	5.9	100.0
	Total	17	94.4	100.0	
Missing	System	1	5.6		
Total		18	100.0		

**HR managers will be better able to implement CBE strategies if some HR functions are outsourced**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	5	27.8	29.4	29.4
	disagree	3	16.7	17.6	47.1
	neither agree nor disagree	6	33.3	35.3	82.4
	agree	3	16.7	17.6	100.0
	Total	17	94.4	100.0	
Missing	System	1	5.6		
Total		18	100.0		

**CBE employees using HR services would be better served if these services were provided by outside contractors**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	38.9	38.9	38.9
	disagree	6	33.3	33.3	72.2
	neither agree nor disagree	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

**It would be better for CBE to buy new technology and invest in training for current HR staff than to outsource to another company**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neither agree nor disagree	6	33.3	33.3	33.3
	agree	5	27.8	27.8	61.1
	strongly agree	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

**Distractions surrounding my future employment have hampered my ability to perform my job**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	1	5.6	5.6	5.6
	disagree	5	27.8	27.8	33.3
	neither agree nor disagree	5	27.8	27.8	61.1
	agree	6	33.3	33.3	94.4
	strongly agree	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

**think that if I were transferred to the outsourcing agency that they would keep me for the long term**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	4	22.2	22.2	22.2
	disagree	5	27.8	27.8	50.0
	neither agree nor disagree	7	38.9	38.9	88.9
	agree	1	5.6	5.6	94.4
	strongly agree	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

**To do my job well it is important to know about the working environment at CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neither agree nor disagree	1	5.6	5.6	5.6
	agree	12	66.7	66.7	72.2
	strongly agree	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

**I have good tools to do my job well**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	5	27.8	27.8	27.8
	neither agree nor disagree	7	38.9	38.9	66.7
	agree	6	33.3	33.3	100.0
	Total	18	100.0	100.0	

**f some HR functions are outsourced I think the remaining HR staff will be better off**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	27.8	27.8	27.8
disagree	6	33.3	33.3	61.1
neither agree nor disagree	5	27.8	27.8	88.9
agree	2	11.1	11.1	100.0
Total	18	100.0	100.0	

**Worrying about my future at CBE is affecting my family**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	1	5.6	5.9	5.9
disagree	4	22.2	23.5	29.4
neither agree nor disagree	5	27.8	29.4	58.8
agree	4	22.2	23.5	82.4
strongly agree	3	16.7	17.6	100.0
Total	17	94.4	100.0	
Missing System	1	5.6		
Total	18	100.0		

**I believe that the consultants and managers have collected enough information from me about my job to make a good decision about the best solution for my position**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	10	55.6	55.6	55.6
disagree	4	22.2	22.2	77.8
neither agree nor disagree	4	22.2	22.2	100.0
Total	18	100.0	100.0	

**CBE will save a lot of money if they transfer my position to another company**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	4	22.2	22.2	22.2
disagree	5	27.8	27.8	50.0
neither agree nor disagree	9	50.0	50.0	100.0
Total	18	100.0	100.0	

**I believe the final decision about whether to outsource my area has already  
been made**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	disagree	1	5.6	5.6	5.6
	neither agree nor disagree	6	33.3	33.3	38.9
	agree	3	16.7	16.7	55.6
	strongly agree	8	44.4	44.4	100.0
	Total	18	100.0	100.0	

**Survey of CBE HR Staff, November 2004, Figures**

**Figure 1**

**Figure 2**





**Figure 3**

**Figure 4**

**Figure 5**

**Figure 6**

**Figure 7**

**Figure 8**

**Figure 9**

**Figure 10**

**Figure 11**

**Figure 12**

**Figure 13**

**Figure 14**

**Figure 15**

**Figure 16**

**Figure 17**

**Figure 18**

**Figure 19**







## Appendix D

### Qualitative Feedback from the Survey of HR Staff

**Question 1 What are the potential advantages you see for CBE to outsource some HR functions?**

Technology

None

The potential advantage that the BOARD is touting is that it can save money and buy the technology that we so desperately need. I don't see any advantage. What it is going to cost the Board with lost expertise is incalculable.

**Perhaps another company who specializes in payroll or benefits, may have upgraded technology to handle this.**

**Not sure what the advantages are**

None.

A technology solution for Human Resources (new computer system).

**Less time to do some of present tasks.**

**NONE**

Difficult to comment because I have not been a CBE employee or in my job long enough and was not aware of outsourcing parts of H.R. until last week.

**They will save themselves money by not having to pay benefits, etc. Other companies may be more efficiently set up to process a huge payroll more so than the CBE itself.**

**Getting rid of Stargarden and getting new system.**

**I am not yet convinced that there are potential advantages. The employees are used to and command individual attention to deal with their "problems". If some of these practices are outsourced I believe that the employees will suffer, become increasingly disgruntled and the gulf between the "them and us" will widen. An**

**organization of this size (10,000 employees) should maintain it's entire HR department to better serve all of the employees of the Board**

**There is an advantage to outsourcing the technology due to costs of constantly upgrading.**

**New comp technology  
better technology  
improved productivity and efficiency**

**It would provide a superior technological solution compared to what CBE could build in-house or purchase outright. As well, the opportunity exists for serious process re-engineering driven by the technological solution. Service levels should increase.**

**Question 2 What are the potential disadvantages you see for CBE to outsource some HR functions?**

Lack of communication, understanding, compassion, service with employees. Lack of communication with department eg: staffing/payroll/benefits/employee relations/EHRC. These departments have to work closely together in order to look after employees as per the collective agreements, on a daily basis. We have a lot of difficulties under the new re-org, getting correct information in a timely manner now. What will happen if some of the dept.'s are located somewhere else, I feeling employees will end up over paid, under paid, no benefits, grievances due to lack of service. Who will be responsible for this???

**Level of service will go down dramatically.**

### **BETTER WORK ENVIRONMENT**

The disadvantage that I see for the CBE is that there will be no one who can answer questions about the Board's collective agreements, benefit packages or policies and regulations concerning compensation issues. We also worry about the FOIP implications of where our information will be going outside of the Board. Major concerns about outside control over HR functions.

**People will lose their jobs.**

I see problems for employees to receive correct information. Already the CBE has stopped benefit/pension counseling which has caused concerns for employees

Loss of all the time and efforts I have put in to CBE to make the Benefits program work effectively and efficiently.

Also, the years of service I have contributed to this organization.

Being disconnected – a lot of the work we do is so interconnected, we work closely with staff in other departments in Human Resources to do our work, some who may not be outsourced. The cost of Outsourcing could escalate especially when the Vendor starts charging CBE for every request which used to be done at not extra cost when these employees were CBE (Human Resources) employees.

**Not being treated fairly at a new company, loss of seniority, benefits, etc. Ee's will be frustrated and the remaining staff also because of lack of staff to do the work. Job loss – no guarantee new vendor will want CBE Ee's or how long they will keep them.**

Difficult to comment because I have not been a CBE employee or in my job long enough and was not aware of outsourcing parts of H.R. until last week.

**They will have a bunch of anxious employees waiting decisions, wondering if they have jobs, etc and it will effect their work.**

**We are so complex, I can't see how it can work. There aren't any other companies that have all these union groups and F.t.e.'s and people with combinations of different pay types.**

**As stated above the division between the "them and the us" will widen. People will not know who to call, where and which of their questions will be answered.**

**I believe that outsourcing of positions limits the availability for employees to receive help and or information as required.**

**Other than loosing some very long-time EE's, I really don't see any.**

**outsourcing of jobs  
decrease in organizational commitment and communication**

**Some people may lose their jobs. The costs of the arrangement could escalate, one the original agreement period ends.**

**Question 3 What do you think CBE should do to improve HR processes in your area?**

Have an expert sit with each of us on a daily basis to see what we actually do, they said they were going to do that in January 04, this has never happened. How can they outsource services that they know nothing about??

**New computer system**

The Board should be spending some money in the area of technology to serve the client base (the teachers who got the hefty pay raises). If the Board would do a little yearly planning instead of always scrambling to catch up whenever technology passes us by we wouldn't always be in a reactive mode. We always seem to be playing catch-up and experimenting with whatever the latest fashion is for Human Resources and Management techniques.

More flexibility and cooperation and less resistance

Need more IT support – additional EIC staff

Better communication with the employees (eg. They still have not been advised that we are now a call centre).

Better training and keeping some of these services separate (eg. Payroll, Benefits, Salary Admin).

Better equipment and technology.

Hire sufficient people to do the job and less managers at the top to tell how you should do the job.. One boss is lots, I don't need 3 people telling me what to do.

**Hire more qualified staff, boost morale, improve technology.**

Still new to job and CBE; therefore still learning HR processes in my area.

**We do not need so much middle management. We are perfectly capable of doing our jobs without so many managers – they could be saving money but they seem to be hiring more all the time! There does not seem to be much confidence from our managers that we can work without them overseeing everything we do.**

**We need a new system and more employees to do the job.**

**Give us proper training, take time to learn exactly what of the various processes is done by which group of employees. Again – proper training is the key to success.**

**Have better cross training of staff.**

**Hire more staff, we are very short-staffed**

**better technology and processes  
more staff**

**A lot of work that people are doing is “busy work” because of the style of some supervisors/managers (“that’s the way we have always done it.....we tried that once and it didn’t work”). A critical eye needs to be applied to the “what” and “why” of some of the activities that the staff are being asked to perform. Increased commitment to training people so that they can perform their jobs competently.**

**Question 4 What factors do you think CBE may have overlooked in making a decision whether or not to outsource?**

The detail of what each of us really do. 2. Employee service. 3. What it is that would help with our duties.

\* Do they know the facts around outsourcing; how many companies have changed back? Do they know the outsourcing starts as a inexpensive way to get a job done, but that the cost increases in most cases. Did they really do there homework????

**Communicating this decision to the various union groups**

There is no financial advantage to outsourcing. If the Board wants to save money it should be looking in other areas than outsourcing. It seems we always get money from the Provincial Government for teachers but we can’t seem to find any to pay the little people who make the system run. Where does it stop? You loose control over functions. The CBE should be growing because Calgary is growing.

Nobody has talked to the general staff about what they do. There are many complicated processes and procedures that the hierarchy are unaware of

**Getting details from us as to what is involved in our current jobs.**

The cost down the road, which could escalate as noted in question 2. They should have waited to see how the CHR/Telus Outsourcing was working, it hasn’t been proven that it is successful. Did they do extensive research on how well outsourcing Human Resources is working for other companies similar to the CBE?

**Can you really protect my position once you out source me to another company for more than 1 year. I want a decent pension. I am by myself!!**

**Checking out the track record of potential vendors after 1 year/ after 5 years. Impersonal to Ee's having to call another company (who don't know about CBE) to get their information.**

I have not been a CBE employee or in my job long enough to comment.

**I do not think they know enough about each of our jobs to make decisions. No one ever actually has asked us what we do on our jobs – they have a general idea only.**

**I know they say they're trying to look out for their employees, but how could they have told us anything different? They have overlooked the history and knowledge that many of these CBE employees have, and others depend upon. They are only looking at the bottom line.**

**I am not convinced that any of the “factors” was looked at closely. I am not convinced that adequate research has been done – that organizations have been canvassed properly to get input on the successes and failures encountered with their outsource.**

**No one knows what we really do to this day. The well being of it's EE's. They are under so much stress that it has taken it's toll on many people.**

**employee morale  
organizational culture  
affect on productivity and emotional commitment to CBE**

**I believe that they have done as much as humanly possible to examine the issue from every angle.**

**Question 5 What would you need from CBE to help you improve how your work is performed in HR?**

A decision on outsourcing or not and with what company. Technology and more staff.

**Hire more staff to do the work**

What we in HR need is the resources (time, money, people) to get the job done that we were hired to do. We seem to have a lot more chiefs and not enough little guys to get the job done. We need clear direction and a plan as to where we are going so we can plan for the future not just react to changes that seem to jump out a grab us.

Modernize technology.

Need additional support

**Confirmation of NO outsourcing.**

**Communication with the employees (eg. The Call Centre).**

**There is a need for a new technology solution for Human Resources as our current HRIS system is outdated and does not provide everyone with the tools they need to do their job more efficiently. Common language in Collective Agreements regarding Benefits, Sick and Vacation Accruals, etc., for ease of Administration as well as clear and defined policies and procedures would also be helpful.**

**A better computer system and better tools. I wasn't the one who chose our current system and I shouldn't be the one that will be punished. Again, get realistic about the work load and the expectation that you will become an expert in everything that is done in your department.**

**You staff too many positions at management level and never enough people at the clerical level to do the job.**

**Improve existing technology or get new programs. Top Executive to care about Ee's who are front line workers and not being driven by the lure of conforming to someone else's ideology.**

Still in the process of learning my job.

**A new system and more employees.**

**Proper training, a second set or even a third set of hands to process the work and answer the ever present questions.**

**Being treated fairly, new comp system, training, instead of just being put in  
A position & expected to train ourselves, happens to temps all the time  
better technology  
better processes**

**Better physical work environment and increased training.**

**Question 6 If you could say anything to the people deciding whether or not to outsource your position, what would you say?**

I would like them to know that they should have found out what we do on a daily basis. They have no idea at this point as they did not do the research they had promised to do. What are the needs of the CBE staff member.

The trust in the management is non-existent now, employees in HR keep their heads down and their mouths shut. Moral is the lowest I have ever seen at the CBE and most of HR is looking forward to working for new management, they are hopeful the new company will treat them better.

They should have asked the employee outside of HR what they thought and expect from HR.

**You are not considering the people element. The people who will lose their jobs, seniority, vacation time etc. over this and the people it will affect in future ie teachers, support staff etc.**

You will not save money by the jettison of employees (benefits and salaries), because in the long run, who is going to operate this new technology that you are trying to get. You have a very experienced and knowledgeable staff, but you don't seem to want to train or equip them to do their job. How is sending our jobs off-site going to improve the bottom line for the Board?

Don't do it, I love my job.

Why haven't you consulted us – you don't know what we do.

**I don't believe that the people making these decisions are making informed decisions as they are really not aware at all of details and complex issues involved in our work.**

**This is a huge organization with a very demanding group of employees and they will have a very difficult time with the errors that will be made on their salaries, payroll and benefits if our services are outsourced.**

**Have you thoroughly researched outsourcing and the possible risks? Have you interviewed employees who have been outsourced to ask them how well it is going, if it was an improvement to how their work was done before being outsourced?**

**I don't think these people are concerned about what we do for this organization and what a mess it will be without us. It seems they are more concerned about the money they will save if they outsource us.**

**What were you thinking . . . only about the bottom line? Doesn't the good work of staff count for anything? Staff were NOT consulted about their opinions, thoughts on outsourcing. So if you get rid of us who are the managers going to manage? Will they be without a position/job, too?**

I enjoy working for CBE and my present position and would be upset if my position is outsourced.

**Think about the future, and what the implications will be if all of this backfires. They won't be able to turn back.**

**Examine everything very closely. What exactly are the advantages of outsourcing.**

**Do me the favour**

**If you are going to do it, do it quickly rather than dragging the whole process out.**

**Question 7 Please indicate any other comments here:**

There is no advantage to outsourcing our positions. What we need to have are the resources to do the jobs that we were hired to do. If you want to save some money, maybe it should be found in other areas. No company ever saved money in the long run because they have to find the information from the outsourced employees and pay for the information and expertise that they are getting for free now. Let us do the job that we were hired to do but give us the tools that we need to do it.

We have a major concern about the long-term employees losing their seniority and benefits if and when we go to an outsourcing agency. People who have many years of service and receive 5 weeks or more of vacation will not be compensated. We fear that the outsourcing agency will only honour the collective agreements for a year and then jettison all of us without any recourse to save money.

To do an HR reorganization at the same time HR is being outsourced is insane. Moral is so bad and everyone is exhausted trying to keep the reorg working.

**This is a huge mistake and very disappointing that they do not care about any of us here in HR that work extremely hard and are very dedicated to our work.**

**It also reflects that they do not care about any of the employees that we deal with (teachers, etc) that will be very hard hit without our services. This will reflect in those employees attitudes and impression of CBE if we are outsourced.**

I have a concern regarding salary, benefits and pension and how the Vendor doing the outsourcing will treat employees. When CHR employees moved to Telus (outsourced) they were only guaranteed their new positions for one year (I don't believe they were in a Union at CHR). I am in a union and hopefully those of us that will be outsourced will have it stated in the contract with the Vendor that we will be kept whole (salary, benefits, pension etc) for at least 2 years.

**Stress, stress and more stress. I hope everyone at management level is happy, were NOT.**

**Management says they are transparent and they tell us the facts. Not so. They are actively pursuing outsourcing as if it's a done deal. (But in the mean time telling us they are just getting info on the possibility of outsourcing). It seems this decision is about money and obviously downsizing so money can be saved by eliminating positions. Do or say something to change our minds on this whole upsetting, stressful and exasperating situation. We have been put through the mill over the last 2 years having consultants coming and going, having to apply for jobs complete with a resume and references and then being interviewed. How humiliating and for what? To be told later that we will no longer be CBE Ee's**

**They think they know what we do, but they have no idea what our everyday jobs entail.**

**This is all very discouraging – the talk has been convincing – but still I fail to see the advantage of this move. Most importantly – will the employee population be better served?**

**As my job is not on the list to be outsourced I am not as involved in the forthcoming decision. I have only been with HR for X years and I am still learning all the processes. The staff are not cross-trained in any other area than their own, so has been hard to follow the process. It did not help that during this time the department reorganized with new processes.**

**I feel that this is the straw that broke the camels back, get it over with I want the Staff Assoc to neg the best deal possible for us & not to try & stop The process, they are beating a dead horse**

## Appendix E

### Focus group data

#### QUESTION #1

- too much work and not enough people
- a new system with no manuals
- lack of communication to the employees
- hardware is out of date (i.e., printer)
- as they break down they are not being replaced
- due to centralized printing
- to the client there is no one to meet the employees – no one can accommodate a report of death
- makes us seem inefficient
- however, it is still being done – but only if they show up
- retirement planning was pulled in the last 6 months
- lots of employees are ESL including teachers
- when major decisions are being made, these people can't do so.
- there is no room or time to do this
- a teacher had to phone and apply for pension
- these are a very demanding group of people
- they will not make appointments
- unrealistic expectations
- employee calls on a regular basis crying but there is no one to refer this individual to
- no manager to refer people to
- we have no one to go to and are told to handle issues on our own
- client have difficulty coming in
- by Monday I have 32 phone calls that I don't have time to return, days later the call is returned
- people who come in get the service immediately
- they are surprised that there is no where to go to talk and they have to discuss personal problems in a foyer
- the work load is too much – there used to be a leave desk which had three people and now there is one.
- now they have additional role in addition to answering calls
- employee passed away two months ago and we just found out now
- in the old days, they would contact us , we would contact people to make sure they would be paid and would receive sick benefits
- now no one is being contacted, and their spouses are coming in to let people know when someone has passed away
- this put people on the spot and is embarrassing people when they need to repay money
- Errors are being caught from staffing because there are so many temps and their work load is too much
- having people in the same area is helpful to deal with errors.
- if we were in separate buildings this would be very difficult
- the reason we walk is to avoid voice mail, and they don't have time to respond to emails

- some deal with finance on a daily basis and it would be very difficult to deal with this
  - management doesn't understand the day to day interactions
  - even people within HR don't know what the roles are
  - we can't even communicate with our own HR department
  
  - Thursday we were short two people and received 142 calls, which is more than double the usual, plus cross training – this is how hard it is on our end
  - no work is being done because all you do is answer phones
  - phone increases the number of errors.
- The concept of a call center is usually just for calls and they don't do the work, in our case we do the calls and the work
- they told us in the VPR that they planned to sit with us in Jan to steam line the process but this has never happened – they don't know what we do and I don't believe they care what we do – when it gets to a grievance level then they care otherwise they don't

#### WHAT ARE THE SOLUTIONS – WHAT CAN BE DONE DIFFERENTLY

- there are only seven people in the EIC – this isn't enough
  - 2 temps and 5 f/t
- no time to train, we train ourselves
- you can't do training in one hour in the middle of a call center with phone ringing everywhere
  
- we need a room to deal with clients who come in
- sitting in reception area to discuss maternity leave is ridiculous
- we are hiring temps and then they leave
- you can't even sleep at night because we are stressed that there is so much going on
  
- people are specialized – there is a huge level of detail and it can't be done with a call center unless there were 10 people
- there was no communication to the system – employees don't know who to call so they are frustrated when they get to us and are very angry, then we need to calm them down before fixing the situation
- computer program issues – and this keeps getting postponed but it has to be done in 3 weeks
- we were told that we would get training in Access – but were told that CBE was moving away from Access but we are still viewing queries and don't know how to look it up.
- they have been talking about portal technology for years but it isn't happening
- many are ESL and don't have computer skill to use this
- there are no orientations, there are 13 collective agreements
- teachers don't even know what pension plan they are in or what their options are so portal plan won't work
- moving to big printers will be problematic because you will be waiting for 20 minutes and it still won't be done

#### WHAT OTHER TECHNOLOGIES/TRAINING WOULD BE HELPFUL

##### -HRIS –

- website for pensions had a breach of security and it is horrible to deal with because it is very slow, the member can't get into it
- send info through a modem
- there is no money or time to implement technologies
- if we had the technologies we could do things efficiently
- some people got new desks - because people had neck and back problems and the new stuff isn't much better than yesterdays stuff
- updates are constantly being cut or postponed
- there used to be 3 programmers, now there are 2 and they aren't full time
- everyone agrees that a new HRIS system would be beneficial
- if we get a new system – who will choose the system – most likely they won't know what we are doing and the processes will not be improved
- I'm scared that the same people will be choosing the design
- in the past we merged two systems and had such a mess – we had no testing and had to go live

#### WHAT SHOULD THE DECISION MAKERS KNOW

- they need to know all of our processes
- a whole new process review (i.e., payroll & benefits)
- they need to know more about the business processes
- same thing happens with outsourcing – they need the whole picture and they don't have it (ie., all of the parking problems).
- if they don't do this properly (outsourcing or updating) the IT won't get the service, there will be grievances, it will cost them more money in the long run, the employees and ourselves will suffer,
- more than 10,000 will suffer
- HR is the scapegoat for the employee complaints
- people don't know who to call
- they have concerns with their schools and positions and they don't know who to call
- only one person needs to have a bad experience and it goes through the entire system this build up wall between them and us
- we will never get it back
- this organization is so top heavy
- there used to be 1 analyst and now there are 4 and I don't know what they are analysing
- there was no info sent out to let everyone know that HR is under construction
- we are getting the angry & frustrated employees because they don't know how short handed we are
- a beneficiary project was under way, when they ran out of money, the project was stopped even though it wasn't completed.

#### CROSSTRAINING – IS IT GOOD

- absolutely but we need more time to do it sufficiently

- there is an overwhelming amount of info to learn and it will take a long time to absorb all of this info.
- 50/50 on the cross-training
- we've learnt what to say but we don't know how to do the paper work
- it is hard to find the time to learn and teach
- they are pushing for the EIC center for September 1<sup>st</sup> but this is the busiest time except for June.
- 200 new teacher were hired in the middle of August, people were staying in the office at night and on the weekend or else no one would have been paid . We were asked not to work overtime.
- This may have been because Year end started in August
- the Sept 1 was set up so that we would fail but we didn't

#### WHAT PROBLEMS WILL FACE HR IF OUTSOURCED?

- if you lose staff, you lose knowledge
- we won't have the opportunity to tell staffing that someone has passed away
- separate locations will cause over/underpayments
- problems with walk-in traffic
- pay is given ahead of time leaving a large margin for error.
  
- only way down the road will technologies permit proper communication
- if someone quits it can be months until we find out and they will continue to be paid
- management will end up with more pressure because they don't see the maternity leaves and communication on salary aspects – they fax it to me and I have nothing to do with it so I have to run around to figure it out – this is only the mid managers who will be in trouble because they will be left holding the bag and the grievances will come because people have sued in the past
- the biggest thing is that you will lose the human in human resources
- if someone has problems they will have no where to go because they will have outsourced everything
- they expect us to do everything
- they can be very very demanding
- so how we find a way to find people to answer their question, before it took 2 or 3 minutes, now 5
- they keep promising technology and never follow through, I'm working with a 97 system
- if they outsource, they will get all the questions and not know the answer so they will need to hire new people to answer the questions and need to hire the people that do what we do – thus they will only end up with another layer which will cost more money and lead to more disrespect
- the managers will only have a problem when they have a problem with their pay cheque.
  
- reconciliation of LAP (pension plan) – it would take 3 months at 7 hours per day to do this – they say it only happens once per year but it takes really long
- how would they deal with some of the grievances
- there were tons of red flags (i.e., around leaves and retirement (no counselling))

- the biggest issue is how the processes of staffing don't mesh with our department, we don't know what they need
- we need PD days
- job shadowing was one thing that kept coming up at manager meetings
- a lot in benefit area and finance
- red flags in pension and finance will cost millions
- need a way to automate the entry
- single point entry is not possible here
- need PD day to run scenarios so everyone know what the process is and the process is not lost
- need to do some process mapping – this was done but everyone is not involved – but there is no time to do this.
- everyone has different benefits and packages
- outside of sick leaves, there are 12000 other leaves currently
- there could be a cost to the board and a chance of grievances if things are not done right – things can snowball
  
- you can tell them we are tired and exhausted and there is too much paper work so maybe outsourcing is the best thing
- if I believed they did their homework then I wouldn't have a problem with this
- they haven't interviewed someone at telus
- I don't think they have done their homework

#### QUESTION #1

- technology
- misdirection from management
- it has been terrible for the last 6 or 8 months – “they have no direction”
- people are not hired quick enough
- not a big enough pool to hire people from so you need to use a roster to send out temps
- hiring became more of a clerical thing
- support staffing does not have a good reputation in the schools right now – it is not the best
- when there is extra funding people needed to be hired by a certain date which applies pressure – thus separated into two jobs
- no cross training
- now there is a bit of a break because the big crunch is over
- we go the long way around to hire someone.
- if the technology was better, the process could be done quicker
- the department has a bad reputation
- maybe the need to start fresh and start over
- business process review was done – the red flags came up and nothing was done
- people are upset because of the re-organizing and now they are outsourcing
- took more than a year to re-organize
- certain groups were called in, they mapped out what is done, but it wasn't in depth

- at the last meeting they were supposed to come around to determine what people are doing
- Is this a waste of time – is the decision already made?

D: What about the technology side?

- the board in general is always playing catch up – we are three or four years behind – ie now it is XP – some people don't like to chance and if you push them too hard it causes problems

D: How about reception – are there complaints

- yes – people are complaining – mostly CBE employees – payroll and benefits receives the most flack – they are short paid or not getting what they are supposed to

QUESTION #2:

- first they get the application
- technically how it is supposed to happen, the recruiter get the application, then they get put on a sub roster, then the application is given to another member of the staffing association,

-it is not clear where the applications go

- there is a group of four people who do all of the applications, then there is another group who does all of the scripting (if someone has a pay or hour increase)
- I receive the application and give it to another person to enter and then get the application back – basically it goes back and forth

- the application goes to CBE and they receive an interview which determines whether they get the job or not, these are the recruiters – and they are trained how to select applicants, the scores go back to the application desk. When a position come up at a school, the recruiter send a list of eligible candidates, they select, the application is then sent back here and is entered.

-if a teacher is on a leave, the contracts need to be entered,

-OTHER BOTTLE NECKS?

- the girls that do the scripting (entry) work before the hiring letter is sent out
- there are payroll cut offs and info needs to be entered before cheques are given out
- the info should be received a week ahead of time
- they can be in the classroom before they are entered on payroll

HOW ABOUT STAFFING SIDE

- teacher staffing will allow the teacher to go into the classroom before hiring
- support staffing can't

- if payroll isn't there, there will be no one to communicate with and make sure the payment goes through, particularly when info is given late
- this happens quite often

#### QUESTION 6

- we are very interrelated and interdependent
- they want everyone to be cross trained
- they want us to be in tune and in flow with everything
- right now we are not in flow
- if outsource, it would depend on who was doing it and how well they can do it (i.e., having staff to take care of everything)
- it could be good impact if the outsourcing company could do it better and it wouldn't impact any one if they did a good job
- the support staff just physically more in with teacher staffing because they want everyone to integrate which could help cause some duties affect others.
- there are big ideas but no follow through
- I think this is management – they read a book and try something – if it doesn't work they read a book and try something else – everything is being redone
- they spent thousand of dollars (ie., new desks) and it would be better working with the old stuff
- the board does not have a good reputation – people are down and upset because of all of this
- WHAT NEEDS TO BE DONE?
- they separated us – took another individual off contract to enter info, when she was very competent but they did this to cross train and it was very ineffective.

We need technology and training – tell people how to do there job and stop switching people around. Not enough time to get settled and succeed at there jobs

- everyone is brand new – so many temps – no one knew what they were doing
- only one person is full time and was hired in July

#### WHAT SORT OF TRAINING

- computer training –ie scripting
- when training they need to certify and provide manuals
- more efforts need to go into new employees – ie – IHRS
- now you just need to fly with it
- there is no training to update to XP
- sometimes everyone goes to earlton
- this doesn't happen very often
  - you get to go down town but you need approval from umpteen managers to do so and they don't provide training
- we need cross training in all of our jobs – can just place people in other areas –

#### COULD THIS HELP WITH SEASONAL

- yes – we were told that there should be 8 people who do all of the jobs but this hasn't happened because there isn't enough time

- 3 people do contracts, 2 should train another person so there is a 4<sup>th</sup>
- we requested a meeting to talk about training but this has never happened
- now there is a second person waiting to help payroll but she is waiting for approval from team leader before doing so. They are treating us like we have never done the work before

#### MS system – WHAT OTHER TECHNOLOGIES COULD HELP?

Computers that work – hardware that comes dead in a box doesn't help – IT needs to come help and decides it is dead so it can take weeks to get the systems working

We need a new system

- but implementing a new system would be too costly which is why they want to outsource
- this effects everything

#### COULD YOU COME UPTO SPEED QUICKLY

- we've done it before
- unfortunate that HRIS need to be adapted to us
- just go a new phone system which isn't really helping – every day there is something new wrong – people don't know other peoples jobs
- new center to enter employee information –
- can't get people to answer all of the questions

#### WHAT ARE SOLUTIONS TO THE CURRENT PREDICIMENT

- some management have been there too long
- but they are not going to get rid of them
- maybe they need to think of something else
- I agree but they are not going to do it

-even if these 8 people could have met with us as a group, then brainstormed to decide -who would best work together – rather is was treated like “don't say anything to anyone”

-we have so many team leaders – every group has a team leader but they never did before. - Similarly, every team has an analyst – never did before

#### WHO DOES THE ADVERTISING

- it just goes up on the website
- support staff does its own and it is sent to media services before going to the Herald
- IT – does for specialized ones that can't go up on the board.

Supports staff creates content – then send it to media services

-Teaching staff does the same

-Media services puts in on the website.

-They were on the right track putting us into one group but they just never really did it.

-They did the ground work but it was stalled

-We would have been a better complete HR department if it happened

-this would have helped the processes but not morale

- everyone was interviewed, without pay increase but more work duties
- before people were paid at a higher level to do the same work that we are doing now

## Appendix F

### Article on outsourcing payroll from Canadian HR Reporter

#### Outsource Payroll? Makes no Sense

by Ian Turnbull

Some say that there is a growing perception in general management ranks that outsourcing payroll is a cost effective management tool. Outsourcing payroll, they say, is particularly useful for difficult payroll circumstances: mergers, downsizing/severance, rapid growth, and year-end bonuses.

Unfortunately, I couldn't disagree more.

Regular day to day payroll processing should be routine. If it isn't, for whatever reason, then the *first* priority should be to make it routine.

What are the elements of routine payroll?

- Employment contracts – unionized or salaried – define regular and additional rates of pay and benefits for all employee categories.
- Hours worked, or not worked, are the catalyst for payroll. Whether detailed time captured for manufacturing workers, or vacation or sick time for salaried workers, hours worked/not worked are applied against rates of pay.
- Gross pay is calculated by applying employment contracts and rates of pay, and almost always are determined by organizations before any data is sent to the outsourcer.
- Benefit deductions are defined by the employment contract (as developed by human resources, remember) and, where variable, are usually variable because of hours worked/not worked.
- Taxes are defined by federal and provincial legislative authorities, and are provided to anyone who requests them.
- Net pay is determined by applying benefit and tax deductions against the gross pay. It is this activity which is most often the core of an outsourced payroll service. The outsourcer applies with government-supplied tax deductions to an organization's own data.

#### YOU STILL COLLECT THE DATA

Why don't those elements easily come together to form a routine payroll? The most frequent problem lies with time and attendance issues.

Many organizations, even large ones, still collect time manually. Where automation does exist, it is often implemented and/or managed badly. Further, many organizations have multiple collection processes and automated systems.

Time collection originates with every employee and supervisor, so it's pretty hard to outsource.

Payroll is a course job. If you are not 100 per cent right, you are 100 per cent wrong. If you are proficient, no one wants to know how you do your job – they're just very glad that you do. If you are not proficient, you are rarely given much time to become so. So why outsource payroll?

"We're outsourcing to reduce payroll costs."

Not likely; most assessments of outsourcing –payroll or anything else – don't reveal hard savings. At least not unless outsourcing when combined with automation of the time-capture process or some business process engineering of human resources and payroll together.

Or, "payroll isn't our core business."

It is tempting to accept this one, but reason prevails. If non-core activities shouldn't be done internally, then let's not stop with payroll. Away with finance, purchasing, reception, human resources, etc. Who shall be left to supervise the outsourcers?

I am prepared to make one concession. Rapid growth places significantly increased processing demands on payroll without providing time to re-engineer processes and select an automated system. In that kind of circumstance outsourcing makes sense temporarily.

The fact that organizations of small size don't require a full-time resource is not an argument for total outsourcing in my opinion. In organizations of that size, payroll is the responsibility of an office manager or the bookkeeper or a combined HR/payroll person.

I must assume that one unstated reason for outsourcing is a lack of confidence in an organization's own payroll staff. There are at least two difficulties with that perspective. First, every payroll operation continues to be responsible for manual cheques and payroll reconciliation. Second, even if the CEO will forgive the payroll manager for errors committed by the outsourcer, the government will not. In short, the organization is still dependent on its own payroll staff.

Why should you pay an outsourcer to take all of your data – the accuracy, completeness and timeliness of which you are still responsible for – and process it, only to give it back to you in less usable forms? Read the paper folks; processing power is a commodity that is growing cheaper by the day. Access to information about your own payroll is a necessary resource that shouldn't suffer from delays.

Every organization needs a payroll resource that is capable of dealing with those special situations: mergers, downsizing/severance, rapid growth, and year-end bonuses. It is exactly these especial cases that require internal knowledge of the organization.

Outsourcing payroll is a trend whose time is past.

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Article originally published in the September 10, 2001 edition of Canadian HR Reporter. Ian Turnbull is president of Laird & Greer Management Consultants. He specializes in the selection, implementation and strategic and operational integration of HR Information Management systems within organizations. He is also president of the International Association for Human Resources Information Management (IHRIM), and president-elect of the Canadian Council of Human Resource Association.

He can be reached at [iturnbull@lairdandgreer.com](mailto:iturnbull@lairdandgreer.com) or (416) 618-0052.

## Appendix G

	Extent of outsourcing (% of respondents):			Mean
	Not at all	Partially	Completely	
Employee assistance	20	26	54	2.35
Benefits	19	72	9	1.89
Employee training/education	26	73	2	1.76
Management development	41	59	1	1.60
Legal affairs	44	51	5	1.60
Recruitment	49	50	2	1.53
HR information systems	54	43	3	1.49
Compensation	55	44	1	1.46
Affirmative action	68	30	2	1.33
Competency/talent assessment	68	31	1	1.33
Employee record keeping	73	26	1	1.28
Organization development	77	21	2	1.24
Selection	83	17	1	1.18
Career planning	86	14	1	1.15
Union relations	86	14	0	1.14
Organization design	91	8	1	1.09
Performance appraisal	93	6	1	1.08
Strategic planning	93	7	0	1.07
HR planning	96	4	0	1.04

**Appendix H**  
**Sample Training Program and Costs for PeopleSoft**