

ADP: Making the HR Experience Better

*A white paper for addressing today's
HR challenges and opportunities*

How does your organization align HR resources with its organizational priorities? What programs will drive results for the business? And how can you trim the cost of HR operations while improving service to your employees?

These three challenges represent typical issues ADP's clients face today. Every organization, whether growing or re-focusing, needs to ensure that the contributions of each employee count. Improving the quality of new-hires, shortening recruiting cycles, or facilitating learning and development can all accelerate the engine of a business, but only if these strategic initiatives aren't disrupted and disabled by the strain of day-to-day processing and administration of HR, payroll and benefits programs.

This paper describes the options available to address these key challenges, and outlines the major considerations to weigh in choosing the best approach for your business. Finally, we explain how ADP's service relationship works to make the HR experience better for all levels in an organization.

Options for meeting HR needs

In every organization, business goals and culture drive HR strategy. Although each organization is unique, approaches for supporting HR strategy will follow two fundamentally different tracks. The benefits and drawbacks of each approach should be measured according to what best serves the business issues driving the strategy.

Software-based: In this approach, internal domain experts (IT and HR) manage and deliver the appropriate internal services, using software and even external hosting as tools. Organizations may develop their own technical expertise in-house, or employ enterprise resource planning (ERP) software. A recent permutation of the software-based approach involves using an outside vendor for hosting; this solution is commonly known as software-as-a-service (SaaS). Indeed, SaaS provides a new level of relief to IT domain experts, with service support addressing software usability and accessibility of the hosting environment. But it does not provide additional service for HR functional issues; HR teams still carry the full load of transactional responsibility, which may hinder their abilities to maintain a strategic focus.

Service-based: This approach changes both the IT and HR value proposition within an organization. An external service bureau amplifies internal IT and HR resources by providing technology platforms and HR functional expertise. An even more comprehensive sourcing arrangement, called business process outsourcing (BPO), includes employee contact centers designed to resolve employee questions directly on behalf of the client HR organization.

The following chart highlights differences between the two approaches on several criteria:

<i>Approach</i>	Software-Based	Service-Based
<i>Provider type</i>	In-house, ERP, SaaS	Service bureau, HR BPO
<i>Support focus</i>	Technical	Functional, domain
<i>Employees in client service roles</i>	10%	50%
<i>Typical support question fielded</i>	"How do I apply this patch?"	"Is the expense eligible for FSA reimbursement?"
<i>Implementation</i>	Often by third-party	By same service provider
<i>Focus of HR practitioner</i>	Administration, processing, support	Strategy, relationship management
<i>Organizational focus</i>	Internal: Maintain IT expertise, manage software upgrades, integration with other systems	External: Communication of HR functional strategies, cultivate service relationship at all levels
<i>Key benefits</i>	Customizable software	Domain expertise, flexibility, lower cost

Key considerations when choosing an approach

Certainly, your HR and organizational goals will influence which approach works best for you. Through client conversations, ADP has found that discussion around the following three areas will likely reveal the key decision points for your organization.

Strategic engagement

HR leaders continue to re-direct their functions from a transaction-focused organization to one that can drive the strategic goals of their business. Such transformation requires more focus on talent recruitment, development and retention to support expansion plans, globalization and other initiatives. Consequently, it requires a critical evaluation of non value-add activities that often bog down an organization in its pursuit of strategic initiatives. Ultimately, an organization must choose between maintaining control of customized processes and systems, or displacing (sourcing) those transactions to a worthy service provider whose core business has always been about processing such transactions.

Targeted talent investment

The reality of an aging, shrinking employee population has arrived. Organizations find it increasingly difficult to attract and develop new employees for entry-level administrative HR, payroll and benefits administration positions that are already susceptible to turnover. Prioritizing where to invest valuable recruitment dollars for the greatest ROI has never been so critical. The ability to staff core business areas, such as operations or sales or product development, may demand a re-orientation of HR's service structure.

Total Cost of Ownership

Decisions to acquire HR and HR-related technology require a view far beyond the on-going commitment to implement, host, manage, update and support the technology. Many organizations do try to weigh the long-term costs of committing to a technology treadmill that requires IT competence and IT staff. The advantage for these organizations lies in greater customization opportunities, but the maintenance of those features can prove burdensome, limiting, and will face repeated obsolescence.

Unfortunately, what most organizations do not also consider is the cost associated with a lack of integration of the individual technology solutions that deliver individual processes (e.g., payroll, benefits). In other words, organizations that have developed and maintained HR delivery systems for separate HR processes incur more than **\$100 per employee per year in costs** related to systems customizations and manual processes – just because the technology is **not** integrated (ADP-sponsored study by Saratoga, of PricewaterhouseCoopers, 2006).

Indeed, each of the areas listed above figure into the business cost equation – whether in tangible ways or lost opportunities. Delivering HR services to employees is inherently labor-intensive, but it doesn't have to be. Offloading certain administrative tasks to a provider who offers economies of scale and speed, while providing consultation in HR best practices, is the model nearly 50 percent of large organizations choose.

ADP as service provider

There is good reason that large organizations choose to partner with ADP for 15 to 20 years, on average. We believe that HR functional needs should drive technology needs. So our service support reflects a deep understanding of the HR domain to empower clients to offload repetitive administrative tasks with confidence, even when it comes to highly technical HR areas involving compliance and tax filing. Specific characteristics of our service model follow.

Our goal is to be the business partner of choice. Our service will enhance our clients' ability to execute in their respective markets. We are passionate about creating value and demonstrating leadership by living three simple but powerful beliefs: *every client counts, every associate counts, every interaction between our associates and our clients counts.*

- More than 1,000 of our National Account service and support associates maintain critical industry certifications (e.g., CPP, FPC, PHR and CEBS) so they can effectively relate with clients on a peer professional basis.
- We share our knowledge gained from serving thousands of clients every day in payroll, tax filing and benefits processes. ADP provides extensive client training – both online and in-person – to enhance the proficiency of internal HR, payroll and benefits teams.
- Unlike other service providers who may rely on a call center approach to service clients, ADP assigns a service champion to each client to serve as the first point of contact on any question.
- Even ADP service level agreements reflect the focus on HR outcomes, where accuracy, timeliness and partnership are mission-critical, and technical considerations are baseline measurements.

ADP Associate Training
ADP ranked 20 on the "Training Top 125" list – Training magazine (February 2008) Standard of minimum 40 hours of training per year for each associate.

Ultimately, it comes down to our people. ADP associates and their exceptional commitment to service adds value to the interactions between our clients and their employees.

World Class Service, at ADP

Answering client questions qualifies as service. Completing requested tasks quickly and accurately qualifies as service. But the parameters of World Class Service extend far beyond such daily actions. World Class Service truly treats the client/ADP relationship as a partnership, where ADP associates perceive themselves as an extension of the client HR team, proactively anticipating client needs and ensuring successful outcomes. The following real-life examples illustrate a few of the ways our people think and act as if they were your people.

Shauna and Jennifer recognize opportunity to reduce tax penalties

Client challenge: A client organization with 13,500 employees began receiving a very high volume of tax jurisdiction inquiries. At one point, there were 270 outstanding inquiries on file. Despite the significant rise in volume, the client practitioners had not yet identified an issue.

Ramification: The growing volume of inquiries could indicate tax filing irregularities that expose the organization to financial penalties and additional internal costs.

Service response: Shauna, an Account Manager, and Jennifer, a Tax Consultant, noticed the spike in inquiries. After investigation, they noticed the client was processing multiple adjustment runs during the quarter, which was causing the problem. Shauna and Jennifer proactively notified the client and shared their findings. By helping the client to improve their processes and make better use of system tools, they were able to minimize financial exposure and reduce the number of inquiries by more than 90%.

Tiffany “hand holds” employees through first online Open Enrollment

Client challenge: One client organization was nervous and uncertain about the first annual enrollment (AE) conducted online via ADP’s Health and Welfare Service Engine. Employees were tentative and reluctant about online registration and enrollment. Worries persisted that AE would not be completed on time for the client’s 1,000 benefit-eligible employees.

Ramification: Delays in AE usually translate to delays in insurance card distribution and lack of employee accessibility to coverage at the start of the new plan year.

Service response: Hearing the client’s concern, Tiffany took initiative outside her normal responsibilities in product marketing to go on-site to the client location for several days. She made herself available to walk any employee through both the registration and enrollment process – screen by screen.

Greg smoothes acquisition on-boarding bumps

Client challenge: A major hi-tech firm juggles multiple acquisitions in addition to its normal HR needs for 34,000 employees. Frequent urgent needs include new programs for benefits on-boarding, correcting client payroll run errors, research, and confirmations.

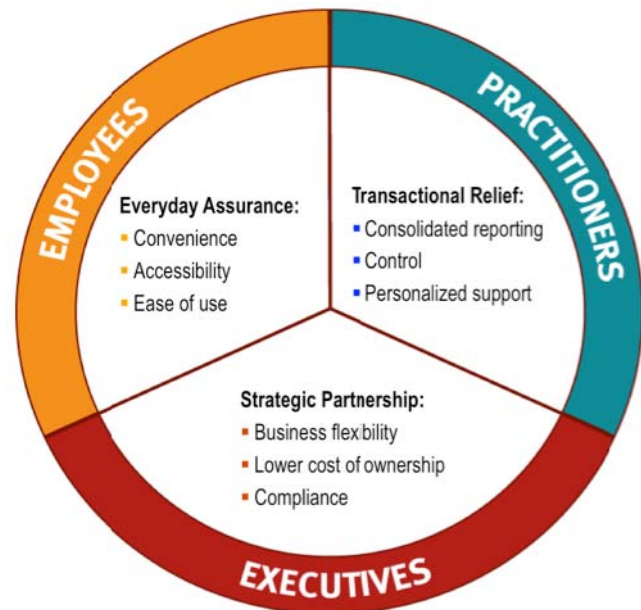
Ramification: Interruptions in any acquisition can trigger loss of new talent, lower productivity, increased management needs, and eventual risk to the business value of the acquisition itself.

Service response: Greg, an account manager, responds more quickly than “most of the [client’s own] staff” and follows up hourly to ensure that corrections flow smoothly. He coordinates so well between various ADP departments and the client’s HR, payroll and finance departments that the client “sometimes forgets that [his] employer is ADP and not [the client’s].”

The preceding situations do not occur every day. But the service orientation reflected in them does occur every day – in ADP associates anticipating client needs, responding to questions on tax filing, payroll and benefits – to make sure the HR experience is the best it can be for every level of the organization.

How does ADP make the HR experience better?

HR stakeholders include employees, HR practitioners, and key executives – each with their own expectations and needs unique to their place in the organization. As an HR company first, ADP delivers service mindful of how HR can have a positive impact for each stakeholder group. The following chart and examples describe how ADP makes the HR experience better in the face of common challenges at each level of the organization.



Everyday assurance for employees

Imagine: A new parent tries to learn the ropes in caring for a four-week-old baby. The late night feedings are tiring enough, never mind having to understand employee insurance options and benefit enrollment processes.

Service provided: Knowledgeable and well-trained client service representatives in ADP Benefits Solution Centers provide support during business hours. An award-winning online portal to review, research, change and confirm benefits elections and payroll deductions in one place, offers answers when it’s convenient for the employee – whether before the 10 p.m. news or during a 2:00 a.m. feeding.

Transactional relief for practitioners

Imagine: An HR director feels the weight of responsibility for integrating 600 employees from an acquisition set to occur in three months. ROI targets allow for minimal attrition and require maximum productivity among the newly acquired employees. Ensuring they get paid on time with new benefits plans loaded properly is just the beginning. How to engage the new employees in organization culture and align them with strategy keeps being sidelined because of the pressure of integrating reports, getting the new employees on the 401(k) feed, reconciling benefits premiums with carriers, and updating the general ledger.

Service provided: Consultation with ADP's Solution Center Manager and Implementation Consultant begins with discussing goals for the acquisition, not just the logistics. Throughout the project-planning phase, ADP offers best practices for timing, streamlining (where appropriate) and integration of HR services during acquisitions. ADP technical support advises the client's IT team to ensure that IT systems can communicate with each other so reporting stays comprehensive and on schedule.

Strategic partnership for executives

Imagine: A CEO facing declining revenue and margins in an economic downturn. The possibility of layoffs or a divestiture looms, and senior leadership is seriously considering moving to a high-deductible healthcare plan to reduce costs. With so many uncertainties ahead, the organization needs the reliability of vendor relationships predicated on long-term investment.

Service provided: ADP Relationship Managers probe for understanding of the core competencies of the business and how HR functions can drive or distract that output in a variety of economic situations. ADP relationships reflect flexibility in economic partnership. Contracts offer a comprehensive array of solutions, integrated with each other for maximum efficiency. Both ADP and the client stand for the same thing: the effects of smooth day-to-day HR operations and compliance that should be seen and not heard.

The best choice for your HR strategy

In serving all key HR stakeholders well, ADP amplifies your HR value proposition to the entire business. The value of a relationship with ADP begins with the fact that, as a service provider, we offer a partnership based on HR functional service expertise – not just the technology expertise you would gain from a software or SaaS vendor. But it doesn't end there. What makes ADP different is how we provide service to actually improve the HR experience, not just sustain it.

One stop shop portfolio: ADP service strategy begins with making it easy for clients to have a single provider of integrated services for the full range of HR needs (payroll, pre-employment, HRIS, workforce management, health and welfare, COBRA, FSA, tax and compliance, HR BPO). We call it one-stop shop. Our clients call it service value.

Personalized service: Larger organizations require higher levels of personal support and attention. ADP lays the foundation of a strong service relationship through a single point of contact during implementation. Then, on a day-to-day basis, an assigned team supports each client's HR team, with a clear path of escalation if needed. Client-focused forums, user groups, product advisory councils, training sessions and our annual Meeting of the Minds conference offer opportunities to broaden the dialogue with ADP and learn from other clients.

Flexible solution options: ADP offers flexibility so you can maintain control of adapting the HR service model you require, as your needs change. Today you may need to offload a few transactional processing services. Tomorrow you may choose a full HR BPO model to accommodate more strategic business needs. Across the range of your needs, ADP helps you make HR successful in your organization.

Local to global capability: Whether your business footprint extends to London, KY or London, UK, we can help your employees experience HR in the same high quality manner.

Today's challenges strain HR functional resources and test the ability of organizations to effectively weigh options for maximizing those resources. It's a tough equation to solve. At ADP, we not only provide technical tools to add helping hands with transaction loads, but our deep HR domain expertise reflected in our service actually multiplies the value of your HR resources.

About ADP

- A leading provider of HR services for nearly 60 years, now with more than 585,000 clients served by nearly 47,000 associates in 50+ countries
- Provides over 50 million workers with one or more ADP services in a year
- Ranked first on Workforce Management's Mid-Market End-to-End Outsourcing List (February 2008)
- Ranked first on Workforce Management's Large-Market End-to-End Outsourcing List (March 2008)
- Ranked on the 2008 *FORTUNE* Most Admired Companies listing in the sub-category of Financial Data Services (March 2008)

What do clients say about the ADP service relationship?

The following testimonials are captured from videos recorded at ADP's annual "Meeting of the Minds" client event. To see the full video testimonials, please contact your ADP representative.

<p>SMS Holdings Susan Schmidt Director of Payroll</p>	<ul style="list-style-type: none"> • One of the nation's leading providers of facilities services for aviation, healthcare, hospitality and retail industries • Over 13,500 employees serving over 385 facilities in 42 states • Plans to grow revenues from over \$300 million to \$500 million in 5 years
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Service relationship:

Aligned strategic direction "…To expand product offerings so [ADP] can take more of the burden from the client, which fits in beautifully with our goal to grow without adding more staff. So the more product offerings we get that are integrated into payroll, the better off we are."

Best interest at heart "The ADP partnership is unique because they really do have our best interest at heart. When we were looking at different product offerings, they (Account Manager and Relationship Manager) both were very honest saying, here are drawbacks, here are the positives and here are the negatives with that platform: 'What do you think, given your environment?' I really appreciated the honesty with that."

Lessened drain on resources "When our company looks at outsourcing, we want to minimize the amount of human intervention it takes to get various systems talking to one another. ADP helps us because they have such a broad range of services and products that are fully integrated. All the quirks with our set-up are worked out long before they bring us into it, so the pull of resources on us is lessened."

<p>Atria Senior Living Group Rod Thomas VP, Benefits and Compensation</p>	<ul style="list-style-type: none"> • Fourth-largest provider of assisted living residential services for more than 13,000 seniors • More than 8,500 employees serve more than 120 communities in 27 states • Acquisition-driven growth
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Service relationship:

Consultative problem-solving "Instead of just 'here's the product and what it can do,' they were asking us 'what do you want this to do for you?' They were asking us, 'how can we help you?' In turn, 'here's what we can do, and based on what you're doing right now and by using our product, here's how it can save you money.' And that's how they stood out from all the competitors."

"They find solutions for us, not just enhancements of what we already have, but letting us know when there are other things we can use."

Personal relationship "They're like family in a way. The biggest value we get...is not just the product, but the people."

Daily service value "It's not one big thing that makes a big difference. It's a lot of little things that add up of how they've gone beyond the call of duty."

<p>Cost Plus World Market</p> <p>Kevin Ward HRIS Manager</p>	<ul style="list-style-type: none"> • Leading specialty retailer of casual home living and entertaining products imported from an international network of artisans from 50 countries • Operates nearly 300 stores in 34 states with fluctuating staff volumes
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Service relationship:

Build business case “Whether it’s doing customizations or helping build business cases and creating ROIs. It’s beyond selling a product.”

Flexibility for business needs “We have 2,000 people we need to onboard into our system in a couple month’s timeframe and 2,000 people need to exit the system in a two month timeframe. They’ve written some [routines] for us to really help us automate that process...instead of four or five people keying for several weeks. It’s helped us not have to add the temporary headcount during the holiday seasons.”

One-stop shop “One advantage is...a vendor for a lot of different services and having those Interfaces and integrations managed for us instead of going to multiple vendors and work with those challenges.”