

Managing HR: In-House or Outsourced?

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**SHARE THE WORKLOAD
WITH AN HR PARTNER**





As a business owner, you know that having employees comes with a host of responsibilities.

They include:

- ✓ Setting up and administering employee benefits
- ✓ Handling payroll and compensation
- ✓ Onboarding and training new hires
- ✓ Establishing culture that will attract and retain talent
- ✓ Staying compliant with state and federal regulations

These and other tasks fall under the human resources (HR) umbrella. And when they're managed smoothly, you and your staff are able to focus on your individual primary responsibilities to help the business grow.

Ideally, you would have a dedicated professional on staff—and possibly even a whole team—to manage HR. But this isn't always the case, especially in a smaller operation with limited resources. And even if you have an HR team, there could still be portions of the work that are particularly challenging and require more time or expertise than the team has available, which means other high-value tasks could end up on the back burner.

In general, when it comes to managing HR, you can:

OPTION 1

Take a do-it-yourself (DIY) approach by either handling it yourself or hiring and growing an HR team in-house

OR

OPTION 2

Outsource HR to a partner who can share the workload

There are considerations unique to both that you should be aware of. Let's take a closer look at both options.

OPTION 1 DIY IN-HOUSE

Many business owners either add HR duties to an existing employee's role or hire someone to do it full time. But there's also a third scenario, which is that business owners end up taking on HR themselves.



41%

The infographic features a background image of a desk with a keyboard, a pen, and a pair of glasses. Two white rectangular boxes are overlaid on the image. The left box contains the text '41%' in large blue font, followed by 'of small business owners choose to handle HR themselves—exactly the same proportion who handle their own finances.' in smaller black font. The right box contains the text '70%' in large blue font, followed by 'of small businesses add HR onto the workload of employees who manage it on an ad-hoc basis in addition to their primary job.' in smaller black font.

of small business owners choose to handle HR themselves—exactly the same proportion who handle their own finances.¹

70%

of small businesses add HR onto the workload of employees who manage it on an ad-hoc basis in addition to their primary job.²

If you're the person in charge of HR, you have to spend significant time on HR tasks which means you have less time to focus on other high-value strategies and initiatives. Similarly, if another employee is handling HR, they have to split their time as well. But no matter who is managing HR in-house, all employee-related matters are solely the responsibility of your business.

¹2019 Small Business Finance and HR Report. OnPay. April 2019

²"Which Hat Is It Today? ADP Study Finds 1.5 Million US Small Businesses Spend Billions to Manage HR as an 'Ad-Hoc' Function, Increasing Business Risk." MarketWired. July 26, 2017

Here's what else to consider with DIY HR if you're the owner managing HR:



YOUR CAN-DO ATTITUDE CAN'T NECESSARILY SOLVE EVERYTHING

Handling HR yourself may seem like a good idea...until it isn't. If you run into a problem, suddenly you have to devote more time than you can realistically spare to take care of it. And that's assuming that you have the right knowledge (or access to it) to solve the problem appropriately.



YOU HAVE LESS TIME TO BE STRATEGIC

As the business owner, you know what it's like to wear many hats, especially when you were first starting out. But if you're continuing to manage HR alone, this leaves you with far less capacity to focus on the strategies, initiatives, and goals that will help your business succeed and be more competitive.



THE RISK IS ENTIRELY YOURS

All the employee-related liability and compliance concerns you can imagine are 100% yours and yours alone. And the impact can be significant, with the cost of litigation for small businesses ranging anywhere from \$3,000 to \$150,000.³ The stakes are simply too high if you're not well-versed in employer laws and HR rules.



43%

of small business owners
have reported being
threatened with or involved
in a lawsuit.⁴

³.

⁴International Comparison of Litigation Costs: Europe, the United States and Canada. NERA Economic Consulting / U.S. Chamber Institute for Legal Reform. May 2013.

OPTION 2

SHARE THE WORKLOAD WITH AN HR PARTNER

If you're new to the idea of outsourcing, think of it like this: Instead of managing all your HR in-house, you contract with a third-party organization to handle certain functions and tasks for you. Outsourcing gives you access to your partner's specialized talent and experts to round out your HR needs—and at a lower cost than if you were to hire for multiple HR roles internally.

59%

of businesses use outsourcing to reduce their expenses,

57%

to focus on their core business, and

47%

to solve capacity issues.⁵

A dedicated, local HR partner has the experience and expertise on hand to make sure your employees are cared for and compensated, your staffing needs are addressed, and your workplace challenges are resolved. They can also help ensure your business stays updated and compliant with changing regulations. And even if you have a well-equipped, internal HR team, you can still offload and consolidate many HR tasks to your partner so that everyone in your business can become more strategic in their focus.



⁵2016 Global Outsourcing Survey. Deloitte. May 2016.

Here's what else to consider with outsourcing HR:



THE SIZE OF YOUR BUSINESS DOESN'T MATTER

Whether you're a two-person startup or a small to mid-sized business, outsourcing HR can work for everyone. To grow your business, you need to be able to delegate certain day-to-day tasks and challenges to the people who are best suited for them. This is an especially powerful approach if you're a smaller operation with limited staff and resources.



YOUR CRITICAL BUT NON-CORE WORK GETS DONE

Services like IT, legal, and accounting are critical to your business, but they may not be your core work. The same is true for HR. When you outsource HR and other critical but non-core functions to the experts, you're freeing up your time and your staff's time to perform the core work of your business and strategically help it grow.



THE COST OF EMPLOYEE BENEFITS IS LOWER

Outsourcing to an HR partner not only eliminates the time you'd otherwise have to spend putting together and managing an employee benefits package, it also rewards you with a lower cost of benefits. An HR partner can do the research and heavy lifting for you, while also providing you with a group discount that you wouldn't necessarily have access to on your own.



YOUR ADMINISTRATIVE BURDEN IS REDUCED

Many of your back-office functions such as payroll, benefits, and workers' compensation claims require a lot of time, patience, and skill to manage—not to mention the right technology to help automate them and reduce paperwork. Outsourcing a portion or all of these HR-related functions to a partner helps relieve the administrative burden.



YOU CAN STILL BE A PEOPLE PERSON

When you outsource many of your HR tasks and functions, it doesn't mean that there's never any person-to-person interaction at your business. You can still enlist someone internally—whether it's you or another employee—to handle the necessary people-focused work of HR without also making that person responsible for the administrative load.



78%

of businesses
surveyed feel
positively about
their outsourcing.⁶

⁶2016 Global Outsourcing Survey. Deloitte. May 2016.

Partner with Obsidian HR

Remember: there's a big difference between outsourcing a portion of your HR workload to the experts and having to be an expert yourself. When you work with a reliable HR partner with specialized knowledge in multiple areas, you can avoid headaches, mitigate risks, and save costs. You and your staff can also focus your time and energy on the high-value tasks that drive revenue and business growth.

Ready to outsource your HR activities to a trusted, local HR partner?
Schedule time with an expert today [here](#).



3600 S. Yosemite Street, Suite 550 | Denver, CO 80237
720-456-3590 | inquiry@obsidianhr.com | obsidianhr.com

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