



Outsourcing: One of the Most Underused Tools for Small & Mid-Sized Nonprofits

Outsourcing your HR functions can reduce turnover, build morale, and avoid costly lawsuits.

By Tina Hamilton

If you run a nonprofit, you're probably not a human-resource expert. There's nothing wrong with that. But when HR issues distract you from your leadership duties, things can unravel quickly. So, although you don't need to be an HR expert, you do need to understand the importance of human resources and ensure that your organization has the HR information and services necessary to function properly.

More and more nonprofits are finding that outsourcing HR needs can increase efficiencies while being surprisingly affordable. On the surface, outsourcing can seem extravagant, but when you look at the benefits, it can be a great saving. Many nonprofits neglect HR issues to the point that morale suffers, talented people leave, and compliance issues arise. Sometimes penalties or complaints are leveled, and lawsuits ensue.

These problems cut into budgets, time, and energy. Professional HR services can help fix that.

Outsourced HR Services 101

What can outsourced HR services do for you? The answer comes down to creating efficiencies so your organization

runs lean. Some common issues that cause organizations to seek help are:

- **managers too overwhelmed** to handle all the required HR tasks
- **risks** associated with not being up to date on compliance or not recognizing regulatory violations as they occur
- **bad hires and lack of quality candidates** that result from sporadic, flawed, outdated, or non-existent hiring practices
- **communication problems**, often from employee relations efforts that have fallen to the wayside
- **lack** of proper training
- **low** employee morale
- **unnecessary** employee turnover (or the need for it)
- **employee performance** not being properly tracked and managed.

While the benefits have a ripple effect, there are two main areas where outsourcing can help you tremendously:

1. Scale HR tasks to your needs. Your outsourced HR team can assess your unique needs, then craft a program

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that works seamlessly within your organization. Your team will monitor this program so that it meets your needs not just now but in the future as your organization grows and changes.

2. Gather valuable information. Your outsourced HR team can collect important information through employee surveys, hotlines, and interviews. These tasks must be done correctly, consistently, and objectively to collect useful, meaningful data. Your team will then use the information to follow up on employee feedback as well as to create meaningful employee communication and engagement programs. Such data collection helps people feel heard and valued. As a result, productivity, retention, and pride among employees will go up.

How Outsourced HR Works

Outsourced HR usually begins with an audit to determine the organization's strengths, weaknesses, opportunities, and threats through an HR lens. The audit will set the parameters for the outsourcing arrangement by setting priorities and parameters. Budget is a factor, too. The outsourcing firm will help the nonprofit prioritize its needs, risks, and opportunities.

Depending on your unique needs, any number of HR functions can be outsourced, partly or entirely, including these critical tasks:

- **hiring**, including assessments and interviews
- **compliance** with local, state, and federal regulation
- **benefits** and payroll administration
- **employee relations** and performance management
- **compensation programs**
- **applicant attraction services**
- **enter/exit interviews**
- **employee surveys**
- **hotline and employee appreciation program services**

Outsourced HR can do more than handle mandatory HR needs. It can supply services that improve the health and welfare of employees, increase their morale, and foster a better workplace. These benefits can improve employee retention.

Avoid Confusion among “Outsourcing” Options

Don't confuse outsourcing with these other HR options:

1. PEOs. Professional employer organizations (PEOs) basically hire your employees and lease them back to you.

Unlike PEOs, outsourcing firms don't require you to give up control over your workforce at all.

2. Payroll Companies. Many payroll companies offer HR assistance. While this option can relieve your team of some HR responsibilities, it's essential to ask about the expertise of the people delivering the service, how many clients they're serving, and if there are limits to their knowledge and ability to help you.

3. HR Consulting. HR consultants can provide valuable strategy, insight, and direction. But most don't handle the day-to-day needs of the organization. An HR outsourcing firm will provide both.

How to Choose an HR Outsourcing Firm

When considering an HR outsourcing company, there are a few things to keep in mind:

The HR people assigned to you should all have specific HR expertise. They should be highly credentialed, experienced, and engaging. After all, you need to get your HR tasks done to the level you'd expect from any of your employees.

They should have the kind of “high-touch” approach that is ideal for the close-knit teams found at nonprofits. They should understand your unique needs as a nonprofit organization.

The support and services they offer should be customized to fit your organization's culture. That could mean providing hands-on HR outsourcing when you need the support of a dedicated team, supporting your own HR team (if you have one) by managing one or more HR processes, and handling specific one-off or recurring HR projects as part of their ongoing relationship with you. 

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HR Essentials

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Reimagining Your Hiring Practices: A Self-Assessment (Vol. 36, No. 3)

Outsourcing in the Nonprofit Sector (Vol. 15, No. 5)

Are You Offering the Right Perks? (Vol. 35, No. 1)

Don't Be Sued for Negligent Hiring (Vol. 21, No. 3)

How to Overcome Your Top Four HR Challenges (Vol. 35, No. 1)

Take the Gamble out of Hiring with Assessments (Vol. 25, No. 4)

Play to Your Strengths: Using Outsourcing to Manage Human Resources (Vol. 17, No. 1)