

Five Years and 50 Columns Later, An Examination of HRO Progress

Are we making any progress? The needs are still there, but the march towards transformation is propelling HRM BPO closer to its goals.

By Naomi Bloom



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To celebrate the five years and 50 columns that I've written for *HRO Today*, I thought it would be a great reality check to use my year-end column to look back at my very first column in terms of our progress as an industry.

There are many who lament the state of comprehensive HRM BPO, particularly for providers and customers at the very highest, most global end of the market. But it's useful to recall that many key players—regardless if they are now working for providers, sourcing advisors, analysts, or their customers/prospects—are the same folks responsible for going a zillion dollars over budget and over schedule while never achieving the business goals of ERP implementations.

Just as it took quite a while for the ITO folks to learn how to achieve an ERP implementation on time, with-in budget, and with the promised benefits, it's going to take us some time to learn how to do this essentially very new thing—which includes all of the above plus running the “factory” (i.e., the HRM delivery system) at a profit for the provider and with real business benefits for the customer.

A little perspective is in order on just how hard it really is to build and operate a truly strategic HRM delivery system, regardless of who's doing it. Perhaps

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what we should lament is that greed and lust, yet again, clouded good judgment when it came to applying IT to the business of HRM to achieve important business outcomes. But then, greed and lust have a way of doing that.

I began my first column by noting that there are many good reasons why comprehensive HRM BPO might be attractive to end-user organizations. Reviewing that original list (*see sidebar*), I'm not embarrassed by the list, but rather by how little of what's listed has actually been achieved. I know that we're still an immature

industry, and I'm working closely under layers of non-disclosures with providers on their next generation of platform and service offerings and with software vendors who are positioning products to be BPO-ready, but I still would have liked to report that more progress has been made on bringing not just good practices in the routing of transactions but, more importantly, good practices in human resource management.

I would also have liked to report that providers were much further along in creating highly technology-enabled, intelligent self-service as a replacement for Tier-1 contact centers and armies of offshore data entry/data cleanup teams, but we're still a long way from giving Amazon and Land's End or any other commercial web sites a run for their money.

Outsourcing still sounds like a pretty good idea, and it is, as long as your provider can deliver the expected/promised benefits. To make all of this work and produce the benefits for which we've signed up, our providers must be able to deliver the promised services profitably for themselves (or they won't be providers for very long, and that means big disruptions for us) and at an acceptable price and level of benefits for us (or we won't sign up in the first place).

Yes, providers must deliver, and therein lies the catch. It was the challenge when I wrote those lines originally, and it remains the challenge today. My biggest disappointment in the past five years has been just how little real progress has been made in getting to the state of HRO discussed in my original article. It was and still is about the software, but only recently is everyone agreeing.

All of the good things promised by outsourcing providers of technology-enabled HRM BPO depend on the capabilities of their software. The breadth, quality, and cost-effectiveness of their services constantly depend on what that software can and cannot do (or cannot do easily). Customer satisfaction, at least in the short run, has been achieved in many cases through heroic feats performed by committed staff members, even when the underlying software is poor. But this is achieved at a very high cost that translates into low or no profitability for the provider, and this manual approach isn't robust,

scalable, or sustainable. In the end, whether you in-source or outsource, the devil is in the details of the software.

What the software can do easily and well, you or your provider can do at a manageable cost and with predictable service levels. What it can't do easily or well holds us and our providers hostage. Business application software components constitute the outsourcing provider's manufacturing process—the more robust and appropriate the software, the more likely the provider will be successful. And appropriate is important here because software must not only be designed to “manufacture” specific capabilities, but also

HRMS for me (but interfaced or integrated with their other HRMDS components), and I've already determined that I made a good HRMS choice and have implemented it successfully.”

Well, we now know that those buyers and their providers were a little naive. It's now very clear that providers haven't been able to achieve all of the promised benefits and savings when they must constantly run and upgrade one instance of software and surrounding support services for each client. It's no longer just my opinion that software selected for in-house use, implemented by an army of systems integrators to satisfy that

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be appropriate to a target market, economic/business model, technology environment, etc. The devil is indeed in the details.

Then as now, we need an HRM delivery system software platform designed for this business, with all of the capabilities about which I've written, including:

- Architectural multi-tenancy that transcends regulatory jurisdictions and provides for inheritance of systemically effective-dated business rules, events, and data across and within tenants;
- Intelligent, work role-based self-service that obviates the need for most Tier 1 contacts;
- A correct, underlying object model that doesn't require tons of procedural code to implement or evolve; and
- Effective-dated configuration, to a very great extent, that can be done by the client, with inheritance and which survives new software releases.

These are just some of what our BPO platforms must have if we're going to achieve the success this business deserves.

“No problem,” says the pioneer customer of this industry. “I'm a global 2000 company with my own HRMS license, which I'm conveying to my selected provider as part of an HRM BPO deal. They'll be running my

customer's every need and architecturally incapable of running in a truly multi-tenant way was not the best choice for money-making, customer-satisfying HRM BPO. Lift and shift, your mess for less, ITO instead of BPO—all of these can bring some initial cost relief from providers who can deliver economies of scale and labor arbitrage (if we let them use labor arbitrage), but overcoming big-money deal pursuits and lengthy implementations is still a work in process, and anything remotely resembling better HRM (as opposed to faster time to hire) is still a dream/wish/hope/expectation awaiting fulfillment.

With many thanks to *HRO Today*, I've been able to publish five years of monthly columns on how we collectively can make this business better. During that time, the providers, sourcing advisors, software vendors, analysts, and their customers and prospects have learned a great deal about what to change, and they've worked hard at making those changes. I've learned a lot too, and I've tried to apply that learning to every client engagement. With apologies to Robert Browning, and from the vantage point of someone working under layers of non-disclosures on the next generation of HRM BPO, mature with me, the best is yet to come. **HRO**

THE BUSINESS CASE FOR COMPREHENSIVE HRM BPO INCLUDES:

- Reducing costs, making them variable with business activity, and creating predictable expenses.
- Gaining access to best-in-class HRM consulting, programs and delivery system capabilities, whose costs are prohibitive if obtained directly for all but the very largest organizations.
- Gaining access to good HRM and HRM delivery system (HRMDS) practices. No one in his right mind freely shares a truly best HRM or HRMDS practice because that's what creates competitive advantage.
- Moving more quickly than we could on our own to implement specific HRM and/or HRMDS capabilities needed to run the business, e.g., widespread self-service and/or the ability to handle important new programs in variable compensation or candidate sourcing.
- Achieving better service levels than we could on our own because that service will be delivered by a firm for which that HRM activity, function, or process is its core competency; but take care to select the right metrics and target values so that you don't just hire poor performers faster.
- Eliminating the capital investments needed every year to create and then maintain the state-of-the-art HRMDS, which a workforce exposed to amazon.com and landsend.com have come to expect.
- Gaining immediate access to that state-of-the-art, highly automated HRMDS without having to construct it for the first time or to understand in detail how it's constructed, supported, or evolved.
- Freeing up valuable management attention to focus on running the business and going a step further.
- Reducing the time, expense, risks, and distractions of directly managing a portfolio of outsourcing relationships and integrating a portfolio of HRM delivery system components through more integrated business process outsourcing.