Future of HRM Service Delivery, Part I

Comprehensive HRM BPO is here to stay now that buyers have raised their expectations of service delivery.

By Naomi Bloom

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In spite of the challenges that service providers face in the areas of quality and achieving client business outcomes profitably—especially at the highest end of the market—I continue to believe that by 2010 comprehensive HRM BPO will be the dominant approach considered by HR leaders and their C-suite colleagues. This is because expectations for HRM delivery system (HRMDS) already go well beyond what even large organizations can or want to envision, create, manage, sustain, afford, and do reliably on their own.

Except for the smallest organizations, today's HRMDS must provide:

■ Global service delivery with local language and regulatory expertise;

■ Intelligent, role-based, integrated, and content-rich self service;

■ Analytics at every level, especially around business outcomes; and

■ Deep automation for both administrative and strategic HRM to reduce costs and improve service consistency, quality, breadth, and availability.

Since none of these capabilities can be achieved just by licensing or subscribing commercially available software, "rolling your own" just isn't the right answer for most organizations. Furthermore, piecemeal outsourcing and the associated vendor management, governance, and systems integration challenges, especially as to self-service and data design, are more than most end-user organizations can or will want to handle. Our expectations of online interactions are now set by Amazon and Lands' End rather than by SAP or Oracle, and those expectations are soaring as a new generation enters the workplace.

And to those who raise the data privacy/security bogeyman, I say that we've gotten used to trusting vendors for critical applications software development and providers for critical outsourced HRM functions, and we'll get used to trusting our data and HRM delivery system to equally-valued, comprehensive HRM BPO providers. What could be more sensitive than the healthcare claims data that are routinely outsourced?

Corporate leaders have better uses for their capital, bandwidth, scarce expertise, risk-taking, frustration tolerance, and other resources than to sustain their own HRM delivery system. While new SaaS offerings may assuage part of these issues, they don't begin to provide the complete service delivery, especially the intelligent self-service, that is at the heart of improving client business outcomes.

While it might have left the station already, the comprehensive HRM BPO train has gotten somewhat derailed and could be sent permanently off track because the industry got started and then continued for far too long with flawed business assumptions. However, in the many meetings I held recently at HRO World, it's clear that the industry has now agreed that:

■ "Lift and shift" is not a sustainable business model;

■ Highly customized and configured in-house implementations of SAP, PeopleSoft, Oracle, etc. cannot be commercialized, nor can highly tuned shared-services organizations;

■ Labor arbitrage will not save the day when customers remain reluctant to accept foreign CSRs, and HRM processes are too poorly designed and documented to be moved offshore;

■ Global call centers are not as cost-effective as global intelligent self service, nor do they produce as high a quality result;

■ The lack of standard and precisely-defined HRM vocabulary for discussing scope of services, data definitions, processes, expected outcomes, standardization, etc. adds big $$ to every aspect of the sourcing and HRM delivery system life cycles;

Our industry is taking far too long to figure out what in HRM should be standardized, within and across organizations, and what *must* be unique in order to create/sustain competitive advantage. We are also taking far too long to create and drive Amazon.com-like HRM self-service. We need to get rid of those pesky CSRs and focus on the few but highly skilled HR generalists and COEs needed to handle what can't be done self-service *and* to deliver insights and advice on improving HRM for each customer.

There are *no* providers yet making money directly on comprehensive HRM BPO to the high end of the global market, although some are very close and will prevail, but several do well with adjunct products and services or with very payroll-centric offerings.

So where does this leave us, and why am I still so convinced that comprehensive HRM BPO is the future of HRM service delivery? My June column will provide the answers not only to this question, but also to the more important one: How can buyers choose winning providers and enter into successful contracts? HRO