

Yes, We Do Need BPO Even When We Have SaaS

Because software automation can't cover all HR processes, there are BPO services. By Naomi Bloom

Few terms have been as misunderstood as business process outsourcing (BPO). Human resource outsourcing (HRO), the umbrella term, is the use of an external provider to do any aspect of HRM rather than doing it ourselves. HRM BPO is the special case of HRO in which the provider delivers the end results of a business process with contractual responsibility for its quality, timeliness, and cost.

Although we should evaluate the HRM BPO provider's people, processes, and technology as part of our evaluation and selection of that provider—we certainly should as part of vendor management conduct ongoing checks—our day-to-day use of the provider isn't burdened with the specifics of how they deliver but rather focuses on the actual results. What's important in BPO that distinguishes it from the rest of HRO is that we judge the BPO provider on the results on the business process rather than on the basis of tasks, products, utility services, etc.

With this distinction, there's a considerable business case for HRM BPO, even when the HRMDS' core platform is entirely SaaS. Until we're able to automate absolutely every aspect of HRM brilliantly and with Amazon-like embedded intelligence/self-service, there remains a ton of HRM work requiring not just technology but also process and people that lends itself to BPO.

There's a lot more to many HRM processes than can be accomplished through purely software-based technology enablement. While SaaS goes a long way toward eliminating a whole list of IT footprint considerations, it doesn't address all of the surrounding manual effort needed to deliver HRM.

Here are some reasons why BPO remains relevant in the age of SaaS:

- Reducing the total costs of service delivery (not just the total costs of IT ownership), making them variable with business activity, and creating predictable expenses. This service delivery includes everything that cannot be done entirely via software, and there are many HRM processes for which full automation is not achievable or cost-effective.
- Gaining access to best-in-class HRM consulting, program designs, 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. An end-user organization may well accomplish this via a collection of never-ending consulting engagements, but only the very largest organizations can spread those consulting costs far enough to begin to approximate the leverage that a successful HRM BPO provider can achieve.

- Moving more quickly than we could on our own to implement specific HRM and/or HRMDS capabilities that are 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. While SaaS-delivered HRM software can play a very large role in enabling a new program or policy, and it can often be implemented fairly quickly, that still leaves all the surrounding process-related work squarely with the customer. With BPO, not only is the technology and associated implementation support provided for the new capabilities, but the rest of the work needed to "turn on" the capabilities is also provided.

- Achieving better service levels than we could on our own because that business process—and not just that SaaS automation—will be delivered by a BPO provider for whom delivering HRM process is its core competency. There's a major caveat here in that great care is needed to select the right metrics and target values so that, for example, your RPO provider doesn't just hire poor performers faster, but this would be true whether process responsibility remained in-house or was contracted with an HRM BPO provider. Where that service level includes customer service center responsiveness, accuracy, etc., it's obvious to all that there's more going on here than can be done solely via a SaaS model.

- Augmenting HRM software, even when delivered SaaS, with all of the content, business rules, analytics, and advisory needed to meet today's expectation by managers and employees of an Amazon-like online experience can be done in-house, but BPO providers have more incentive and resources to do and sustain this level of embedded intelligence than do all but the very largest end-user organizations. The more embedded intelligence via self-service, the less call center activity to be sure, and that's a great source of economy of scale for the BPO providers. **HRO**



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