

Best Practices Part I

NO PAIN, NO GAIN! TO ACHIEVE BEST PRACTICES IN HRM, YOU MUST FIRST ESTABLISH BEST PRACTICES IN BUSINESS RULES. BY NAOMI BLOOM

Of the many reasons cited for outsourcing HR management (HRM) business processes, and investing in HRM software, none are more susceptible to marketing hype than the belief that outsourcing delivers best practices in HRM. I have long argued that HRM software “out of the box” doesn’t deliver best HRM practices in those areas that really matter (e.g., producing better hires or better compensation plans, increasing sales volume, or reducing sexual harassment incidents.) However, the best HRM software does enable those who know what best practices are to execute them much more effectively. Similarly, the best HRM outsourcing providers deliver best practices in their HRM delivery system, thereby providing the means to execute those HRM best practices when (and if) you figure out what they are. However, there is just no such thing as competency-centric HRM software. No matter what HRM software is capable of doing, it can’t deliver competency models. Having now angered a good portion of the HRM software and outsourcing community, I guess I’d better explain. In HRM, there are three types of practices that are amenable to process improvement through functions such as automation, outsourcing, process redesign, etc., and these can have an impact on achieving business outcomes. I call these three types of practices “big P” processes, “little p” processes, and business rules.

MIND YOUR BIG Ps, LITTLE Ps, AND BUSINESS RULES

When we speak of best practices in HRM, we need to be very clear as to which of these three types of processes we’re referring, and we need to understand their very different impacts on business outcomes. While a provider’s HRM delivery system, with its lean “little p” processes (e.g., work flow), can make it easy to execute excellent business rules and “big P” processes, it can just as easily speed up and spread really stupid business rules and flawed “big P” processes. Imagine what it would cost you if a poorly designed benefits plan has such an efficient enrollment (“little p”) process that everyone decides to take advantage of it, instead of staying with their original, better designed plan. Or imagine being able to speed up (and thus lower the cost of) making hiring decisions, but the

result is gut-based (rather than competency-based) decisions that result in mediocre hires. As so often happens, the devil really is in the details.

Having efficient “little p” or even “big P” processes is of little importance if you don’t have a strong base from which to build: efficient business rules. Business rules include things such as eligibility criteria to qualify for health care plans or as a full-time employee, formulas for calculating sales incentives, requirements for employee training and development, appropriate screening questions, and decisions such as whether to promote from within and grow talent or search out new talent.

An outsourcing provider might argue that a specific client’s business rules are more complex than can be justified by the client’s business needs, and they might insist on simplifying or standardizing those business rules or require that the client pay a higher migration and ongoing servicing cost. But no HRM BPO provider stipulates those business rules (except where they are regulated and not subject to the customer’s control), let alone which business rules would constitute best practice for a specific client in a specific time and situation. Even when an HRM BPO provider has considerable HRM consulting capability and a delivery system that really can deliver business rules, the most that provider can do is help the client determine which business rules will do the best job for that client.

Every organization needs a set of business rules that are shaped by their business goals, have the fewest complexities and differences across the organization, and are designed with the HRM delivery system in mind (i.e., with the intention of using technology to enable intelligent self service.) This latter point is key, because self service puts a premium on ease of use and customer satisfaction; both of these objectives depend on having HRM business rules (to include data definitions and code sets) that are understandable to everyone. But no matter how sleek the delivery or how standard and simple the rules, they have to be the right rules for the business or else the business really suffers.

Next month, we’ll examine how best practices emerge in “big P” and “little p” processes and what you can expect from your HRM outsourcing providers for both of these. **HRO**



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