

# Build Versus Buy Redux

To build or not to build, that is the question that many HRM BPO providers and clients are still asking. Examining the pros and cons of both. **By Naomi Bloom**

**T**his time last year, I discussed the pros and cons of using packaged versus custom-built software as the foundation of HRM BPO platforms. After working on this question with several comprehensive HRM BPO providers, HRM software vendors, and end-users, I've reached some further conclusions about build versus buy that can help you understand the choices your BPO provider is making.

For the long-term success of any HRM BPO provider, I'm convinced that achieving the one-to-many delivery model, which presumes the individuality of business rules and processes not only across clients but also within clients by location or business unit, is critical. The question is how best to get there.

Those in favor of comprehensive HRM BPO providers using suitably architected, packaged HRM software might argue that:

- BPO clients must get a return on investments in licensing and implementing packaged software
- The best widely licensed successful ERP/HRMS packages bring accumulated expertise and best practices with them
- The cost to the package vendor and to the BPO provider of maintaining and upgrading the software is spread across thousands of customers
- The brand name of the software may bring cache to an organization
- There's a marketplace of people experienced in packaged software, allowing more rapid BPO ramp-up as well as the needed support to move to another provider using the same software
- Using packaged software offers clients the option of switching providers and/or reappropriating their HRM delivery system without having to change their entire data design, self service experience, or data access tools
- None of the integrated HRM BPO providers with custom software can offer comparable, global functionality—and there's no evidence that any of them will be able to do so over the next few years

As long as such packages continue to be widely licensed, with integrated HRM BPO outsourcing still the minority position, these points seem to favor packaged versus custom-built BPO platforms, at least for larger and/or more global BPO clients and are persuasive from the customer's perspective.

But from the providers' perspective, there are many who see the merit of custom (or at least owned) software, even at the highest end of the integrated HRM BPO market. As evidence, one could cite Hewitt's acquisition of Cyborg, a move to perhaps avoid the license and maintenance revenues that would otherwise be due to PeopleSoft or a counterpoint to PeopleSoft's inability to support a true one-to-many BPO environment. While the cost of licensed software may be tanking, HR outsourcers would prefer to control what capabilities they use to enable their offerings and the timing and impact of upgrades rather than giving control to vendors still catering to customers licensing software for in-house or hosted use.

On the surface, it looks like the build-versus-buy debate rages on, at least for BPO providers serving larger organizations. But the real action is happening just below the surface. In May, ADP, arguably the largest global provider of HRM BPO services with a long tradition of using custom-built software, signed a greatly expanded partnership agreement with SAP to use SAP HR as the foundation of ADP's global BPO offering. Not yet announced when this article was written, but very much under discussion, are similar deals with Oracle and PeopleSoft. As BPO grows, in-house licensing wanes, and HRM package vendors must be positioned within successful BPO platforms in order to reap revenues from this migration to BPO.

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While I wish someone would fund the development of a global, BPO-ready HRM platform, there's just no way to justify this level of investment at current levels of BPO utilization. When all is said and done, it's impossible to replicate the breadth and depth of functionality of the very best of the global HRMSs. As long as one or two major packages can be run more or less one-to-many and vendors are ready to price these packages so that the BPO providers can make some money, the debate tilts heavily in favor of buy versus build for providers targeting larger and/or global clients. **HRO**



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