

# Software is Key to HRO Profits

**TREASURE CHEST OR EMPTY COFFER? MAKE SURE YOUR PROVIDER'S SOFTWARE IS A MAP TO FORTUNE, NOT FAILURE. BY NAOMI BLOOM**



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**B**eginning with this column and continuing next month, I will discuss two subtle but critical decisions that HRO providers make about their software that have tremendous impact on their profitability and, therefore, their viability. The first decision is whether or not the outsourcer will run HRM software that can support multiple customer organizations within one software and, usually, database instance. The second decision—and it's generating a lot of industry heat these days—is whether or not the outsourcer will use commercially available HRM software within their delivery system or purpose-built (what our British cousins call bespoke) software. Dare I mention that most of the commercially available HRM software, which is meant to be licensed by and run for a single organization, was never designed to support multiple organizations or to do many of the other things that make software HRO-ready? But I'm getting ahead of myself.

There are many non-technological decisions that help determine whether or not an HRO provider will be profitable that are way beyond the scope of this column. But I'm sure you've noticed my columns deal not only with technology in general and HRM software in particular but also with the way in which technology decisions, especially software design decisions, create a good or bad fit to customer needs, a greater or lesser dependence on manual intervention, and a better or worse customer experience. After all, technology decisions aren't abstract choices—they are central to running a successful HRO business.

There are many cost and managerial reasons for wanting to run an HRO service on what's commonly called multi-tenant or one-to-many software. Just as large organizations have reduced their number of data centers, servers, software applications and databases by developing internal shared services capabilities, so does the efficient HRO provider attempt to reduce the sheer number of things to be managed. Even when offshoring is used heavily, the fewer things to manage, maintain and upgrade reduces those costs even further.

When organizational politics are not involved and appropriate backup and recovery capabilities are strong, why not run an entire organization on one

instance of your core HRMS? Even very large organizations are doing this, and all of the high-end ERP providers are encouraging it. It's no surprise that one of the oldest, largest and longest running profitable HRO firms, ADP, continues to run its "classic" one-to-VERY-many payroll gross-to-net engine. When you realize just how many different organizations ADP can pump through a single instance of that engine, you can almost hear the cash register ringing. But please note that this software's ability to run one-to-many doesn't offset its many other limitations for those customers who need more functionality than it can provide.

With the goal of running one-to-many and being efficient for the outsourcer in other ways, HRO-ready HRM software, must be able to:

1. Keep each organization's data fully secured from other organizations (especially important in a self-service world);
2. Include metering functions for activity levels and, more importantly, results by organization;
3. Manage single-instance business rules that transcend organizations (e.g., tax tables), while supporting individual organizations' business rules and workflows;
4. Create unique IDs (e.g., person or job) both within and across organizations;
5. Meet each organization's operational needs on schedule;
6. Include batch processes capable of addressing multiple organizations in a single job stream (e.g., tax filing or annual benefits statements);
7. When global services are promised, support organizations that span several geographies as well as a single geography that spans multiple organizations; and
8. Provide security procedures that permit authorized outsourcing staff, who are not known inside the HRM software for the customer organizations, to have access to data, business rules, workflows and all other system capabilities both within and across customer organizations.

Now that's a VERY tall order, but these capabilities reduce operating costs so substantially for your HRO providers that it's worth including some of these features in your scenarios for provider assessment. 