A Stroll Down Memory Lane

In part 2 of our look back at HR management delivery systems, we examine their prime years.
By Naomi Bloom

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In last month's column, we began our look back at the state of the HR management delivery system (HRMDS), from the mid 1960s through the mid 1980s—a time I like to consider my youth. But as they say nowadays, life begins at forty. So in this column, I'll continue my reflections on the HRMDS industry from the 1980s until now, in hopes of reaching some defensible predictions for the future.

By the late 1990s, HR management was awash in regulations, global expansion, complex and constantly changing total compensation plans, talent management, and development and performance management, along with many more consultants and functional outsourcers. HR had more of everything except time, money, and expertise. At the same time, IT was awash in dot-coms, upstart technologies, IT religions and ecosystems, global networking, security holes, and many more systems integrators and IT outsourcers as companies moved to shared services, ERP backbones, program management, enterprise application integration, centers of excellence, vendor management disciplines, human capital management, software configuration management, and customer relationship management. Like HR, IT had more of everything except time, money, and expertise. And many of the top people in each discipline had moved to firms for which that discipline was a major focus.

Everyone's HRMDS was automated and, increasingly being delivered via shared services and self service, where

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customer expectations were being set by companies such as Amazon and Land's End rather than by SAP, Oracle, or PeopleSoft. The HRMDS was cobbled together from multiple packages and interfaced with myriad outsourced functions and amateur call centers, and required lots of hard work. Thus, it is not surprising that the few HRM professionals who remained in end-user organizations, i.e. those that hadn't been downsized or hadn't left for what they thought were greener pastures, were feeling overwhelmed.

It was clear by the late 1990s that the costs, risks, and complexity of managing separate HRMDS outsourcing relationships, including those with packaged software vendors, ASP-delivered software vendors, EAP providers, and the like had gone through the roof—especially when you considered pulling all those interfaces together into a coherent self-service experience. The C-suite had no patience left for HRMDS business cases explaining why the HR department needed more money, time, vendors, consultants, and outsourcing providers just to sustain the HRMDS, particularly when important HRM issues were getting short shrift.

Is it any wonder that the promise of comprehensive HRM BPO—to reduce costs and make them variable with business activity, to improve and take measurable accountability for service levels, to free up the few HRM folks left to address the real people issues of the organization, and to ensure that the HRMDS' use of technology was state-of-the-art—was music to the ears of the C-suite? Is it any wonder that some pioneering end-user organizations believed that comprehensive HRM BPO, leveraged as functional outsourcing and IT outsourcing, could bring even greater benefits of economies of scale and concentration of expertise than they could sustain on their own?

For all of the concerns about privacy, security, and flexibility, comprehensive HRM BPO is the logical next step on a journey that began decades ago when my large corporate employer stopped writing its own file-handling routines and used those written by IBM. The very forces that made it so difficult for end-user organizations to create, maintain, and operate much-needed, state-of-the-art HRMDS made it very attractive for a comprehensive HRM BPO provider to do so on behalf of multiple clients.

There are sure to be some train wrecks, with some hot providers in 2004 being only distant memories by the end of this decade. And it will take time for a set of durable providers with business models and HRMDS software platforms that reliably deliver both revenues and profits to emerge for each major market segment and geography. But I am confident that the dominant HRMDS deployment tactic by the end of this decade, will be to outsource much, if not all, of it to a comprehensive HRM BPO provider. And the providers who are left standing will be those with the best combination of software platform, labor arbitrage, and management team. Is your passport ready for the trip to Bangalore? **HRO**