Pondering The Future of HRM Service Delivery, Part II

Buyers and providers are getting much better at HRM BPO. Multi-tenancy plays a big role once again. By Naomi Bloom

In last month's column, I covered the continuing business need for comprehensive HRM BPO as well as the many challenges the industry faces. The good news is that many of the industry leaders completely understand those challenges and are working hard to address them.

Troubled contracts are being renegotiated without a tremendous move away from BPO but with essential clarification of expectations, some reduction where appropriate in scope, much more attention to using standardized service delivery processes, and some much-needed adjustments in pricing. New pursuits and contracts are starting out with a focus on these and many more ingredients for achieving successful business outcomes for buyers and providers. There's a new tone of sober optimism and confidence among industry leaders, and it was much in evidence at HRO World.

So what does work, and how can a prospective buyer determine which providers will be the winners in this tough but important and potentially lucrative business? For starters, the winning providers will be distinguished by having:

■ Business models that leverage their aggregated customers and payrolls, gathering float income to the max and cross-selling to those (hopefully) satisfied customers. You only need to check out ADP's financials to see the power of float income in the small and middle market and Accenture's healthy HR transformational consulting revenues to see "cross-sell" at work;

■ The power of multi-tenant platforms, which reduce the number of moving parts and, therefore, the total cost of service delivery, especially when they are designed properly around easily implemented cross-client and within-client business rules. The highest end of the market can at best move toward carefully configured, single-instance implementations of the HCM backbones of ERPs, but they can opt for fully multi-tenant bespoke self-service, analytics, and talent management add-ons. Except for the *Fortune* 2,000, it's hard to make this business work without a true multi-tenant platform;

■ Leveraged service delivery designs that offer a sensible balance of configuration by client within provider-set boundaries—whether single or multi-tenant, ERP or newer platform, and any customer size. There really isn't sufficient competitive advantage in whole swaths of administrative HRM to warrant the individualism that has characterized HR process designs and business rules, and providers who can detect and implement the relevant workflow and business rule patterns as a set of configurable options will be far more successful than those who can't;

■ Transformational domain expertise and change management DNA so that they can help clients take advantage of their platform power and configuration tools. What's needed here is the ability to lead clients through linking their HRM delivery system configuration options to a set of well-defined HRM business outcomes so that the only extensions they will need—and pay for—are those that provide a measurable competitive lift;

■ Rigorous quality techniques that improve good processes and discard bad ones outright. It's not enough to be able to execute good processes—you must be able to continuously improve even very good processes and be prepared to kill off the bad ones;

■ Integrated core HRM administration with payroll and, ideally, benefits admin with an emphasis on areas that can deliver not only service fees but float. Here, the bigger the core, the better it is for a given target market because nothing's messier than trying to maintain a slew of interface points between talent management add-ons (with their own data designs and self-service protocols) and your carefully configured HCM backbone application;

■ Strategic HRM capabilities, ideally integrated into the delivery system platform, so that clients can use a little to start and turn on more over time without creating data integration challenges;

■ Intelligent self-service (*see my May column*); and

■ BPO/HRM/business outcome analytics needed to run the "factory" by the provider and customers.

I could go on, but you get the picture. Doing these things is going to be the very heavy lifting of HRM BPO for the next several years, and successful providers will distinguish themselves from those that fall by the wayside. So get a detailed briefing, ideally a scenario-based demonstration of the current and planned HRM delivery system platform. And make sure that the provider is capable of pulling off their roadmap before you sign up for it. **HRO**

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