It's Not Just About Technology: Look at Pipeline and Problems

In the final look at non-technology considerations when weighing a provider, remember to examine pipeline and problems. In the end, technology may be the salvation. By Naomi Bloom

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This column completes the series on a few non-technology factors critical to the success of any HRM BPO provider. Organizational focus and capabilities, physical assets including intellectual property, a balanced mix of in-house capabilities, and a realistic and nuanced understanding of a provider's target market are important considerations when gauging a provider's ability to meet your needs.

But there are many other non-technology considerations that warrant your attention—far too many to cover in this column. Rather than gloss over these, I'm going to address two additional, non-technology factors that I use as an early warning system to negative changes in a provider's likelihood of (continued) success. These are pipeline and problems.

What does the provider's sales pipeline look like? Be sure to ask about each prospect/deal, whether it's competitive or sole source, and, if competitive, who's the competition; whether a sourcing advisor is involved; how much time has passed since the deal first was identified; how long before a decision is anticipated; what's your win rate on the last similar deals in the pipeline; and what argued for or against the provider selected?

A careful look at the pipeline offers insights into how the provider does business (e.g., does it self select procurement in which it is one of several apples being compared or is it routinely a part of mixed fruit evaluations; to what extent is the provider's pipeline unduly weighted towards hard-to-predict closures; to what extent do the provider's pipeline organizations look like you and/or like other existing customers; and is there a consistency in what the provider proposes or is it prepared to do most anything to win the deal? You also will want to look at the momentum of the pipeline, i.e. the extent to which more deals are arriving in the pipeline versus older prospects that have closed favorably or unfavorably.

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It may seem obvious, but your due diligence really does need to take a hard look at the provider's finances (If public, is it making money from actual operations? If private, how is it funded and are there issues there?); any litigation involving really large exposures or potentially embarrassing revelations; the likelihood of and reasons for turnover at the top; the impact of industry consolidation (Is the organization likely to be a consolidator or consolidatee? If bought, would it lose its best leaders once non-competes expired); the disruption of new software architectures or technologies (Is it dependent on commercial software whose announced generation will create data discontinuities and/or other implementation costs that the provider must absorb? Does it have the savvy to know?); dependence on a partner which someone else is likely to acquire (Are they dependent on commercial software which is known to be in play?) and/or all the other characters in your anxiety closet. The worst of all possible outcomes when entering into an HRM BPO relationship, especially a comprehensive one, is to learn shortly after signing the contract that a major change in the provider is forthcoming.

Writing about some of the non-technology topics that deserve your consideration when evaluating HRM BPO providers has given me an even better appreciation of just how many things a provider must get right if they're to be a durable success story and, therefore, the type of provider you want to choose. But it also has reinforced my conviction that designing and building the right HRMDS remains the core issue for these firms; some of the problems I've discussed can be resolved forcefully given the will and the resources in much less time than to resolve failures in the HRMDS.

Need a new CEO? Finding a great one takes six months. Ineffective marketing? Find and hire a new leader, retain appropriate consulting help, and re-launch your offering in nine months to a year. But discovering that you've bet the farm on using commercially available HRM self service, when what's needed goes far beyond what you can license off the shelf, could mean that you're looking not only at much more than a year of design and development but also at the disruption of rolling out self service to all of your customers. Enough said. HRO