

It's Not Just About Technology

How critical a provider's HRM BPO business is to its core determines the quality and longevity of your partnership. Part 1 of 5.

By Naomi Bloom



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Since the inception of this column at the beginning of 2003, I've been writing about the importance of various systems-related topics to the success of HRM BPO providers, the successful delivery of HRM BPO services, and the successful execution of HRM BPO deals—topics of increasing interest to both the providers and their prospects/customers. There's much more to say about these system-related topics and about their importance to the success goals of the delivery system choices being made by buyers and sellers of HRM BPO, and I will return to these topics in a few months. However, I wanted to take the next few columns to make sure we don't lose sight of the many other factors that must be handled well if an HRM BPO provider is going to be around long enough for its service delivery to matter. If you thought you saw consolidation and just plain provider failures in 2005, prepare for whiplash in 2006. And those left standing will need to have more going for them than excellent delivery systems.

When I'm asked to work with an HRM BPO provider, there is a set of questions to which I want answers ASAP, almost regardless of the specific issues that are central to the consulting engagement. These are the very same questions that providers' prospects and customers—not to mention the sourcing advisors, financial and IT analysts, media, etc.—should ask but often don't. It's these questions that will be the focus of the next several columns, and they are all important competitiveness indicators of your prospective HRM BPO provider and especially of your prospective comprehensive HRM BPO provider. After all, the more outsourcing eggs you're planning to place in one basket, the more you should carefully examine the basket makers as well as their basket.

WHERE DOES THE HRM BPO BUSINESS FIT INTO THE PROVIDER'S OVERALL BUSINESS?

Is HRM BPO a minor or truly important piece of the business? The bigger the scope of HRM BPO services we consider for a provider, the more we might like to have a provider for which HRM BPO is at the top of management's priorities.

One way to figure this out—because this isn't always

easy to assess directly in a larger, more diverse IT services or HR consulting business—is to look at who is leading the provider's HRM BPO business and at what level this executive/team reports. What "power" does this executive/team carry (and here, look at both position power and personal power) to sign contracts; commit capital and expenses; make acquisitions; hire, fire, and subcontract; and develop, direct, and invest in business strategy, their HRMDS, and marketing initiatives? Are these leader(s) gaining or losing "power" within their firm? Is the HRM BPO business gaining or losing "power" within the larger firm (if it's not the only business of that firm)? Are there any changes—positive or negative—in the offing?

Will an equity partnership which acquires an IT services firm of which your HRM BPO provider is just one part—perhaps to break it up—care as much about your HRM BPO needs as someone who only does this type of business? Will an HR consultancy that does some HRM BPO on the side invest the needed capital to create world-class self-service and call-center technology? Even if we're placing a modest amount of limited-function BPO business with a large provider, we can't ignore where that limited-function BPO business is placed within the larger organization. How sanguine do you think former Towers Perrin benefits administration outsourcing clients were to learn that their provider's senior management had sold off their benefits administration business to EDS? While the benefits administration business may have played a large role at Towers Perrin—albeit not large enough or sustainable in the face of the very large capital investments needed in its underlying software platform and other delivery system components—benefits administration revenues are absolutely not a material element in EDS' overall revenues, at least not any time soon.

I hope that my question at the beginning of this column gives you a feel for the types of non-technology issues that will be covered in my next few columns. The HRM BPO technology connection is very tight and two-fold—HRM BPO provider technology choices and deployment won't be sound unless these other factors are in alignment, and even the best technology choices and deployment won't matter if your HRM BPO provider isn't around long enough for you to benefit from them. **HRO**