To Outsource or not To Outsource?

Part two in a series on important HRO questions.
By Naomi Lee Bloom

In last month's column, we began a series designed to help HR leaders assess the current state of their HRM outsourcing activities by laying the groundwork in HRM strategy and the related HRM domain model. With that foundation, let's continue our consideration of the current state of HRM outsourcing in our organizations. Here is a list of questions you should be trying to answer when deciding whether or not to outsource.

■ What are we outsourcing now and to whom? HRM policy/program design/administration? Litigation support? Software development? Systems integration? Hosted delivery of software? Individual or integrated HRM processes (BPO)? Don't forget: The use of consulting services or software packages are themselves outsourcing.

■ How satisfied are we with our current outsourcing arrangements and our providers? How confident are we of the continued viability of our providers? Are these arrangements achieving the business outcomes that were the impetus for entering into them? Are there any unpleasant surprises lurking just out of view?

■ What are the total life-cycle costs and expected benefits of each outsourcing arrangement? Have those benefits been realized? Have costs been exceeded or under run? (Don't forget the costs to enter into and manage those outsourcing relationships, as well as to integrate the results of those outsourcing relationships into our own HRM, HRM delivery system [HRMDS], and business models—both current and future states.) For any current outsourcing arrangements that aren't delivering the expected benefits, what steps are we taking to bring these arrangements into compliance or to end them?

■ What other services do our current satisfactory providers offer that may be of interest? Have any of them expanded their services in areas where we now use a separate, perhaps unsatisfactory provider? Is it wise to continue using separate satisfactory providers in place of a more integrated offering from a single provider? Do we know what the potential benefits are of a more integrated approach? Do the benefits offset the risks?

■ At what point would an integrated approach move responsibility for the bulk of the HRMDS platform and much of the operating model to the provider? Is this an appropriate direction for us? Why or why not?

■ What processes aren't we outsourcing currently that could be candidates for outsourcing? Why are they presently being done in-house? What would need to change (in our business, thinking, culture, processes, systems, etc.) for us to consider outsourcing these additional processes? Would such changes help or hinder us in meeting business outcomes?

■ What processes do we consider off-limits for outsourcing? Why? What would need to change (in our business, thinking, culture, processes, systems, etc.) for us to consider outsourcing these processes? Would such changes help or hinder us in meeting business outcomes?

■ What are our true, fully-loaded enterprise-wide costs for conducting the HRM business? Have we included all of the time spent outside of the HR organization by those engaged in the HRM business—time spent by managers to understand the practices involved, conduct, record, review, approve performance reviews and staffing interviews, and time spent by employees to understand the relevant business rules, apply for, and schedule vacation time? Have we included all of the conference fees and related travel expenses? Do we know which of these costs and related service levels are addressed by current or possible outsourcing arrangements?

■ What is the relationship between those costs and various surrogate measures of organizational activity, e.g., headcount metrics, organizational outcomes, and revenue metrics? What is the relationship between those costs and required HRM business outcomes? Would more or less outsourcing affect those costs in a positive way without adversely affecting quality, timeliness, or other important measures of process outcomes or our required business outcomes?

■ What are the decision criteria for when, how, to whom, and with what service level agreements to outsource each HRM process or multiple HRM processes? What are the criteria for shifting responsibility for the overall HRMDS to the provider? Who makes these decisions and are there any opportunities to influence them? Should we?

Stay tuned for a continuation of this list of questions for assessing the current state of your HRM outsourcing activities and planning for your future state. **HRO**

Naomi Lee Bloom, Managing Partner of Bloom & Wallace, may be reached at 239-454-7305 or naomibloom@ mindspring.com.