

Darwinian HRO: The Evolution of HRO Standards

As the HRO industry moves up the corporate value chain, standards are becoming more refined and better results are becoming possible.

By Michel Janssen



Michel Janssen is a Managing Research Director, of Dallas, for Texas-based Everest Research Institute, and author of the HRO market analysis, "An Up-to-Date Look at the Full-Service HRO Marketplace." He can be reached at mjanssen@everestgrp.com.

There are many business benefits to developing specific standards for HRO, further enabling movement up the value chain by leveraging an equally shared partnership between supplier and buyer. As HRO suppliers invest in this industry, buyers have new choices for delivery options that reflect the strengths of their prospective business partners. Some of these investments will produce real benefits for the HR industry in general. It is up to you to make critical decisions about how they will impact your organization.

SUPERIOR ANALYTICS RESULT FROM GOOD MEASUREMENTS

Most people would agree that, in the past, HR has lacked the sophistication level of measurements that most other corporate functions are accustomed to today. However, during the past 12 months, I have seen suppliers increasingly improve their capabilities to deliver better analytics to their clients. These improved analytics are the result of not only increased sophistication from the mathematical perspective but also specific research on real-life HR problems.

ERP systems have also been a help to some buyers seeking to improve their analytics, but the hard management disciplines for creating a measurement culture in HR are often still lacking. With the surge of HRO, however, buyers are finding that they have real options to generate change within their organizations.

In my two preceding columns, I argued that most organizations have very common needs when it comes to various areas within HR but each have developed their own best practice independently (more out of circumstance than necessity). Some HRO suppliers are investing heavily in producing the best practice around operating standards and the associated analytical tools to go with those standards.

OUTSOURCING CREATES A FOCUS ON MEASUREMENT

One of the pluses of going through the outsourcing procurement process is that you will learn much about your organization. The outsourcing process forces you to understand how your processes are being handled currently

and how they compare to others in the industry. This end result won't be some fancy consulting report but a set of expectations that you will hammer out at the negotiating table. These decisions will really focus thoughts about what you need or don't need, since you will be immediately translating them into real money.

Some time during the process of those negotiation sessions, a really talented HR executive is going to ask the right question about service level measurements: not whether they should be 99.5 percent versus 99.9 percent but whether these are the measurements that really impact the mission of the organization.

BETTER INFORMATION LEADS TO RELATIONSHIPS WITH MORE IMPACT

Suppliers are promising to deliver dashboards that provide buyer executives with real-time views of their organizations. At the end of the day, the success or failure of HR will not be based upon how long it takes to answer a call in the contact center but rather around a much broader set of business metrics.

Already, areas of HR that lend themselves to better standards via HRO include the obvious services surrounding employee recruiting and retention, payment of wages and other compensation, as well as identification and administration of benefits plans. In addition, suppliers are developing capabilities that will help buyers produce better results when it comes to managing workforce productivity, reducing liability exposure for employee relations issues, or being able to model global workforce changes to mirror changes in the business requirements.

The onus is on the HRO partners to develop a series of logical standards that will govern their service level agreements and create an environment that is conducive to a successful partnership. The merging of two business cultures can produce singular standards between buyer and supplier. A "comfort" factor between the two is important as they both move toward a business relationship.

The presence of those dynamics, by its nature, leads to an evolution of standards. In most types of outsourcing, this is how industry standards developed. But HRO's industry standards are still emerging, so greater "understanding" between the buyer and supplier is paramount. **HRO**