

From the Editor's Desk



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It strikes me as fitting that this first issue of the Journal after 2008 deals exclusively with a still relatively new HR service delivery model: Human Resources Outsourcing (HRO). This issue of our Journal will help the reader understand some of the fundamental elements of this alternative deployment model, and in it, you'll find a broad spectrum of HRO related information that can be of value to you when you start assessing whether and how it could help you with your HR challenges.

With personnel professionals faced with fierce and ongoing expectations to control costs and to contribute and add value to the organization with an even more limited budget to invest in new solutions, a number of HR departments will find themselves in a tight spot in 2009. While HRO may not be the panacea for all organizations looking to transform HR and/or drive costs out of the process, those departments looking for creative and innovative alternatives will do well to consider outsourcing as an option for one or more administrative HR tasks.

In our first article "HR's Time to Shine," I'll take a look with you at how outsourcing can help boost HR's value contribution to the organization while taking into account some of the restrictions mentioned above. I'll also pay specific attention to some of the single-process outsourcing opportunities: Learning Outsourcing and Recruitment Process Outsourcing. Finally, the article illustrates the value of governance. Governance of sourcing relationships is an often overlooked element that can actually help achieve the value, integrity and overall intent of HRO relationships. These various perspectives will help you understand how successful sourcing or outsourcing projects can enhance the value HR brings to the organization. Contradictory as it may sound, in these economically challenging times successfully implementing HRO may be one of the most important and underused tools to help the HR function take on a more strategic role.

The next article "The Human Resources Outsourcing Industry Landscape: Less Complexity Drives Renewed Growth" by Phil Fersht, AMR Research, reports the author's findings on new research on the HRO market. Phil, an old time warrior in the BPO space, provides a brief historical foundation detailing the difficult and profitless early years of HRO, but then demonstrates that the research findings indicate that the HRO market is rebounding significantly. The research suggests that a significant rebound in the profitability of the HRO space is due to less complexity in HRO engagements, as well as to bundled technology and processes, increased maturity of providers and the rapid deployment of offshore HR delivery models.

Sean Keaton, Joel Harrison and Katherine Soanes from the outsourcing team at Milbank, Tweed, Hadley and McCloy LLP – yes indeed, a law firm – provide a thorough practice-based long-term perspective on HRO relationships in their article "HRO: The right thing to do now?" Sure, we all want cost savings, but once we're used to those, where are the HR process successes we initially anticipated? The authors offer some practical guidelines on how to structure the ongoing conversation with service providers and how HR transformation fits into that. They also educate us on a number of important HRO-related legal topics from Employee Transfer Legislation and Data Protection through to important liability issues. The authors demonstrate that good HRO projects take not only the short-term cost savings into account, but also the long-term value to HR, including risk mitigation and regulatory compliance.

In "Delivering Excellent Service through the Virtual Shared Service Centre" by Caroline Brown from Tata Consulting Services, the author gives us a specific perspective on the service centre, its tools and sup-

porting technologies along with its integration with the business, is at the core of the strategic approach to Human Capital Management. Leveraging the advantages of the Indian labour market, this model has become more and more virtual according to Brown, successful delivery a given. It is now focused on the more subjective elements of excellent service and this will be the next challenge for the Indian service providers. Brown specifies this by introducing an evolutionary model towards “natural integration” and ultimately end-to-end processes without boundaries. Achieving this in a cost-effective way is the specific challenge of the Indian providers.

“Learning Outsourcing: the Next Generation” by John Higgins and Craig Mindrum of Accenture, describes the evolution of Learning Outsourcing (LO). Much like its bigger HRO brother, LO has lived through its initial purely transactional stage and is now gearing up for the longer term by focusing on relationships that drive longer term business value. Backed by Accenture research data, the authors convincingly argue that this next generation of LO can contribute to the strategic goals of the organization well beyond mere cost-savings. They offer some interesting case studies to prove their point and offer valuable examples of how cost-effective learning programs can help drive revenue in organizations and how focused work force investments yield even greater returns.

In “The Role of Technology in HRO – Making the Right Choices,” Yvette Cameron and Gianni Giacomelli, outsourcing veterans of SAP AG, focus on the importance of technology to drive sustainable HRO relationships. As technology enables scale, process optimization and labor arbitrage – main HRO value drivers – its impact is much larger than its relatively small percentage (up to 10 percent) of overall service cost would suggest. The authors then describe the increasing complexity of the technology landscape today, due to a potential mix of proprietary, niche and ERP systems. Integration, functionality and usability increase the risk potential of these environments. It is unlikely that the perceived savings and benefits will actually be achieved in such an environment, as Cameron and Giacomelli illustrate in their case study. In order to drive sustainable HRO relationships, an early and thorough focus on what technology choices are best for the organization is key.

In our closing article “Enabling HR transformation in the European Public Sector: e-HR and Outsourcing,” Ahmed Limam, HR Access Solutions, takes yet another perspective on HR outsourcing. The author describes how HRO can help European public sector organizations transform their HR functions. The lessons, however, are not restricted to European soil, but will prove useful across the globe to all sorts of organizations. These lessons, illustrated in three case studies, cumulate into a practical 10-step roadmap towards HR transformation. Public sector organizations may have been laggards in the past, but they will need to now step up to the plate and adopt a comprehensive e-HR and outsourcing strategy. The approach outlined by Limam will support them – and others – in getting there.

So, there you have it. An *IHRIM Journal* jammed full of new and forward thinking perspectives on Human Resources Outsourcing. For some of you, HRO might be a new idea. Consider it. See if it fits your organization and goals. As Victor Hugo remarked in 1852: “An invasion of armies can be resisted, but not an idea whose time has come.”

I wish you as much pleasure reading this issue as I had putting it together as a guest editor, and thank all of the authors for their insightful contributions.