The Worker Outsource Calculus

Exceptions, scale, and the pursuit of harmonization are the elements that typically should drive workforce reconfigurations.

By Paul Davies

Anyone working in HRO, or outsourcing in general for that matter, expends an inordinate amount of effort explaining to indignant employees, in the nicest possible way, that they might not be as special as they believe themselves to be.

The idea of being too indispensable to outsource pervades the speeches made by those fending off outsourcing initiatives—an idea that is often supplemented by the belief that the in-house offering is also too complex, efficient, flexible, or quality-conscious. If these broadsides fall on deaf ears, the next presumption usually dwells upon the loyalty, long-serving nature, and past glories of the employees who will be affected.

The intent, no doubt, is to remind the perfidious outsourcing-inclined organization of the qualities it will miss out on, should a provider replace the incumbent department. It also presumes, erroneously, that providers will be full to the brim with employees as dastardly as the in-house employees are wholesome.

After so many years of doggedly struggling over such tenaciously defended ramparts, one dons skin as thick as armor before every new attempt. Less metaphorically, one refuses outright to believe anything the incumbent employees say. After all, their claims are usually based on ignorance and resentment—plus a human capacity for saying anything that will save their skin.

Outsourcing requires the implacableness of a mother who saves the last seat on a lifeboat for her child; no argument in the history of the universe is strong enough to make her give it up. Without such fierce determination, no outsourcing would ever get done, and yet, as is often the case, virtues have a tendency to become vices.

Occasionally, under certain circumstances, those who champion in-house service provision are right, and it's important to spot such an eventuality, because proceeding regardless will result in apocalyptic service failure and all-round career suicide on a scale not seen since someone at Enron discovered an interesting new accounting loophole.

However, the one in a million who happens to be right is no different from the 999,999 others who argue the same thing. The emotions are no different; the reasoning is no different; the words are no different. There is literally no way of telling him/her apart from the others—at least not until one reaches the smug, "told you so" phase, by which time it's too late.

So, the place to go is not the apologist for all things in-house; the place to go is a full understanding of customer expectations and the current in-house processes. Any employee facing outsourcing will, of course, describe processes that have more in common with quantum physics than HR administration, but after wading through this, one should concentrate on three things: exceptions, scale, and lack of harmonization.

Broadly speaking, an organization that has different processes for a multitude of different, small-scale employee groups, and regards a high number of exceptions as a mark of good quality, is a poor candidate for HRO. Where the differences are derived from a business model or union agreements that cannot be changed, this rule is doubly true, and if senior management expectations support the approach, it's an inescapable physical law, up there with gravity.

HRO strips out cost by simplifying, commoditizing, and automating as much as possible, then codifying the rest so that maximum advantage can be taken of labor arbitrage. This isn't always true, and we hope that in the future it might be different, but for now, most delivery models do not cope well with frequent exceptions or discreet employee groups too small to provide scale sufficient to justify separate IT development.

It's not a matter of in-house HR being unique or irreplaceable; it's just that HRO providers have not yet developed a business model to cope with such unpredictability and variety at a price that offers buyers substantial savings and themselves sufficient profit. In simple terms, it's not worth the hassle.

If a buyer is lucky, providers will figure out the problems in due diligence and refuse to take the job on or quote an unaffordable price. However, on the off chance that they don't, it pays to remember that the whining doom merchants are sometimes right. Just don't take their word for it; check out how much the organization can take first. HRO

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