

The Retained Organization's Role

Outsourcing HR services doesn't mean you wash your hands of communications. The buyer must continue to manage a number of areas following implementation.

By Paul Davies



Paul Davies is an independent advisor in HR services and outsourcing. He can be reached at paul.davies@debunkhr.com.

Whereas “shadow work” is the kind of retained effort a company that has outsourced HR doesn't want, there are tasks that the retained organization must control.

Outsourcing doesn't just take away a bunch of work; it changes the way HR performs what's left behind.

“Ah!” say the HRO champions. That will be all the “strategic thinking” sizzling through the office in place of the administrative numbness that someone else has to do.

Well, yes and no.

After all, the responsibility for the administration can't be outsourced, and you still have to control the provider.

It's often overlooked, but outsourced work still requires managing. Sure the provider will handle workload planning, data input and process flows, and systems upgrades and payroll patches, but the business environment is dynamic and sometimes murky. It still chucks up enough to worry about, and it takes experts to manage experts.

This opinion is not universally accepted. Once you've got an expert provider, why would you need your own? But, in an outsourced relationship, there's still potential for the same complex choices that used to exist, and this time there's also the risk of divergent interests.

So it's important not to be wholly reliant on what the provider says.

Then, there is the contract management itself, which is not to be confused with the knowledge management. The provider needs oversight at a contract level, too.

Full-scope HRO is a world apart from the contracts we HR folk are used to, especially if it involves transformation. You don't need an army to look after it, but a well-resourced and, in some way, differently skilled staff, definitely. Completely aside from the services themselves, you have to handle change management, service levels/penalties, conflict resolution, audit, finance, budgets, and ongoing projects.

Some of these skills are well-represented in HR, but others are not. Some, like project and change control, are strongly IT orientated; others, like intellectual property rights, are commercially orientated. All require ensuring that the contract management staffs have the right experience.

Then, there is the role the retained organization still has to play in the actual administration.

Perhaps the biggest irritant is approvals. HR doesn't want to do admin, but it does like to approve things. In some HR universes, this is double speak for making sure a line manager has to talk with the HR guy before something like a pay raise happens. It rarely makes any difference to the result, but HR likes the conversation to take place, and HRO does not automatically change things.

There are, of course, issues of internal equity to consider, and some line managers have the moral compass of Sweeney Todd. But HRO can be a great opportunity to rethink the level and sheer number of HR interventions in the administrative process. How much is kept will directly impact the retained HR organization.

Another bugbear for retained HR is supplying knowledge to the provider. This ranges from consultation regarding the surprises that everyone forgot, to keeping the provider informed of changed policies and agreements. Make no mistake: This annoys people. After all, it was outsourced. Why should retained HR still do the stuff?

The fact is providers are not self-contained islands. Daily communication with the retained organization is not only desirable—it is necessary. If a call-center team leader is unsure about how to handle an unusual query or report request, why not call retained HR? That's what the internal folk used to do. It makes sense.

Notification of changes is even more clear, but often generates push-back because what used to be simply “known” in the organization becomes a formalized chore. But it's an absolutely necessary one. The retained organization in every locality has to be set up to transfer knowledge back to the provider and, where necessary, revise processes to fit.

Foresight or notice of changes can also be important. If pay negotiations are about to be completed and payroll deadlines have to be squeezed to accommodate an immediate implementation, talk to the provider. Committing to implement and then telling the provider may not work out. This is a commercial relationship with service levels and profits at stake.

The retained organization often wants an “is and is not my job” approach to outsourced work, when in reality collaboration and communication are just as important as they used to be. The touch points are myriad. This is a delicate point of education; it'll pay off big time to get it right. **HRO**