

Value maximisation in human resources through cloud BPO

The transformation of the HR department
adds value to the overall corporate strategy
through a sustainable shift in its focus

Julia Bickel
Tillmann Dietrich
Justus Dircks
Dr. Philipp Kleine Jäger

Key Facts

- The ability to find, retain and develop human resources is at the core of business success.
- HR departments are burdened with manual processes and capacity is expended on low-value administrative tasks.
- Companies need to transform HR from a cost-center into a primary strategy execution lever effectively focussing on value adding tasks.
- Business Process Outsourcing (BPO) enables process automation and significant efficiency gains in resource availability, cost effectiveness and process quality.
- CORE offers tailor-made solutions for the analysis, planning and implementation of cloud HR technologies.

1. Establishing modern human resource management as a primary lever to realize business strategy objectives

Every organization’s success is primarily determined by the ability to find and retain sufficiently qualified human resources (HR) irrespective of the business model. Yet, most HR departments - instead of understanding and operationalizing business strategy - expend significant capacity for repetitive processes and commodity services such as HR management. Almost every company has differing approaches instead of adopting best practices.

In this paper, we outline strategies to transform HR from a cost-center into a primary strategy execution lever effectively eliminating administrative overhead. It should be self-evident that investing in self-service portals and automation is not economically feasible unless HR processes are part of the primary business model and hence, we propose Business Process Outsourcing (BPO) to realize synergy effects and economies of scale while improving HR process quality.

Additionally, we demonstrate how significant cost effects can be realized by using standardized and highly automated self-service processes to substitute organizational with technical measures and how cloud systems can be integrated into a bounded-domain ERP landscape using APIs and webhooks.

Modern HR management thus translates business requirements for HR capacity into pressure on internal (enablement, training and staffing) and external (recruiting & sourcing) pipelines. It provides tools and processes for business stakeholders to satisfy requests without administrative drudgery and operational and financial overhead.

2. Traditional HR management ineffectively supports strategy by its transactional activity and support process focus

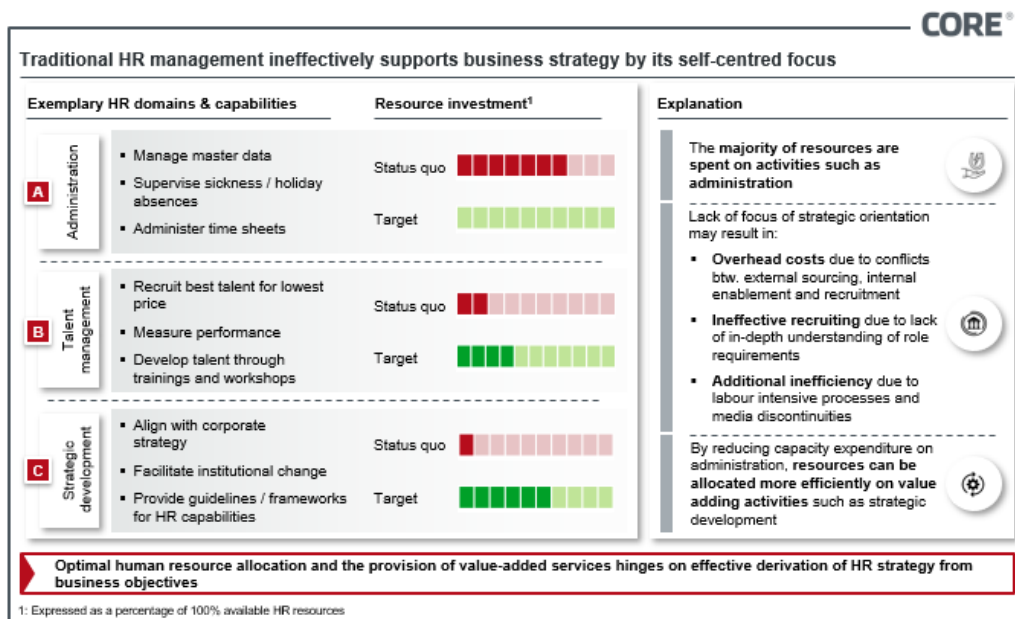


Figure 1: Ineffective HR Management

Business success is more likely given optimal resource allocation, meaning every available human resource is staffed based on a fundamental understanding of overall business strategy and current circumstance to maximize impact. This capability- and impact-aware staffing is one of the most important functions of HR management. Making additional qualified resources available to satisfy requirements through recruiting, sourcing and training being the other.

In contrast, HR departments are spending most of their time on administrative tasks such as expenses, timesheets, vacation and contract management as well as reporting and contractual issues. They lack knowledge about personnel qualifications and role requirements resulting in an inability to effectively match supply and demand, particularly due to the fuzziness of qualifications. Additionally, there are often multiple competing capacity allocation processes: (external) sourcing, which often resides within the purview of the procurement department or various managers, internal enablement programs and recruiting endeavours. Often, administrative tasks and overload serve as a welcome excuse for not being able to execute business-critical duties.

The organization is encumbered by a lack of modern processes such as (mobile) app-powered travel, expenses, timesheet and personnel management or (360°) feedback processes. Managers requesting HR capacity are frustrated by a lack of understanding for correct role requirements and ineffective staffing on the one hand and lack of automated billing, accounting and reporting on the other. Institutional development is delayed through slowly evolving enablement, coaching and recruiting programs and formats. Prospective applicants almost invariably dread recruiting rounds with HR staff as the interviews are deemed arbitrary, irrelevant and – as a result – awkward. Recruiting impairments are compounded by missing awareness for novel job portals and recruiting formats such as active sourcing and a centralized dashboard ensuring process stability. Additional compliance issues regarding e.g. GDPR are often the consequence that can only be dealt with through manual (and therefore often defective) processes.

Further symptoms of focus misalignment are a lack of institutional employee opportunities such as sabbaticals, academic qualification, additional remuneration and retirement schemes, suboptimal, incomplete and outdated onboarding processes et cetera. HR departments often act as institutional complaint boxes and are also responsible for ESG topics but lack strategic impact to engender cultural and institutional change.

3. HR management as a strategic pillar and retained organization

Given that administrative processes in HR are most likely not market differentiating for any organization as, after all, every institution must satisfy HR requirements, it is in effect a commodity. As an interchangeable commodity one implementation flavour is not preferable to others. This means that these processes may be conveniently outsourced to vendors which specialize and hence realize economies of scale, enabling further process optimization. The larger the volume any given vendor is operating on, the more compelling the argument for automatization and the business case for investing in substituting organizational with technical measures.

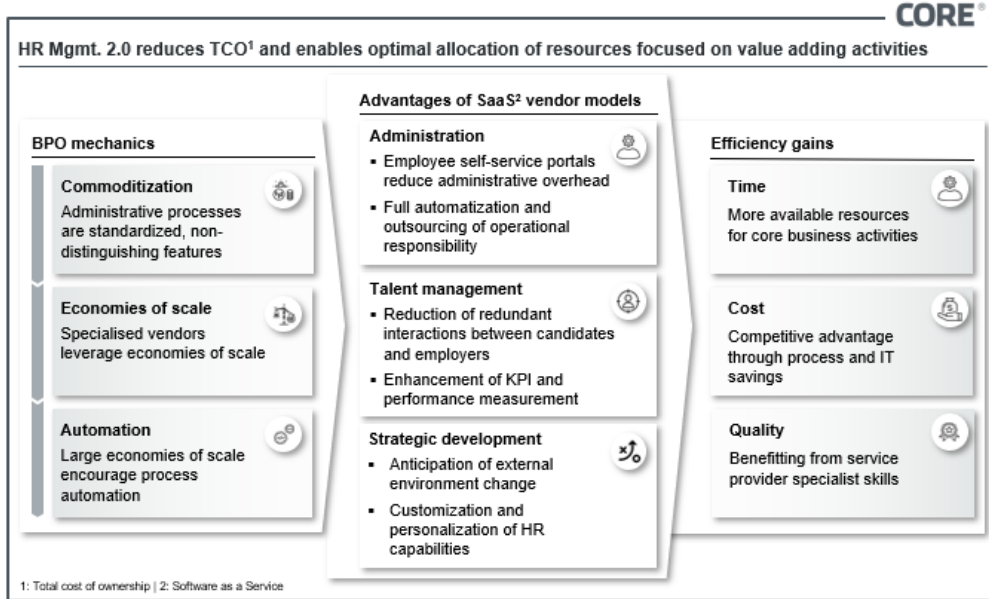


Figure 2: Efficiency enhancements through BPO

This business mechanic has led to specialized vendors providing automated HR process platforms. They often employ employee self-service portal mechanics to further reduce the need for administrative overhead. This – maybe sometimes counterintuitively – also leads to a better user experience for all involved parties, since both managers as well as employees and applicants often do not have to interact with and wait for HR personnel and processes. Additionally, the structured data entry and process design allows for easier integration with user experience optimized mobile apps and other user-centric channels such as career platforms and job markets.

By sourcing the design and implementation of administrative processes, HR resources are free to focus their time on value-adding tasks such as strategic development, recruiting and enablement. HR performance measurement and KPIs may be shifted towards more relevant focus areas. This shift entails a more strategic and abstract as well as more useful HR service portfolio. And lastly, the overhead incurred by HR management can be significantly reduced.

4. CORE service offers for analysis, planning and implementation

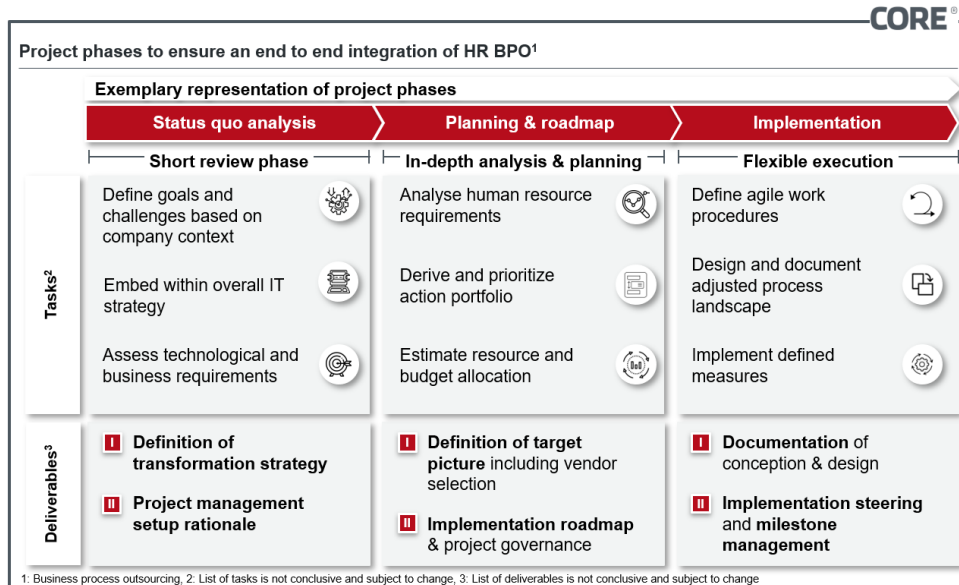


Figure 3: HR Cloud BPO project outline

A project to transform traditional HR processes to a cloud-based BPO scenario should ideally be embedded in an overarching IT strategy program or at least be aligned with finance, controlling and reporting. Our experience both in SMEs as well as multinational corporations shows that both the technical setup as well as organizational and cultural change can be challenging, since the affected departments have been operating on their established process landscape for a long time. And since sourcing usually entails organisational restructuring, a transition plan including all relevant stakeholders needs to be devised.

We usually advise to start with a workshop including only a minimal set of stakeholders, defining major challenges and goals. Working on a transformation strategy including the target scenario, planning and business case is required to design a solution set up effective project management. It also ensures fitness to satisfy all requirements in a specific context as companies might have special requirements and up-front planning mitigates project risks.

After jointly defining the target scenario, implementation roadmap, project governance, roles and responsibilities, and establishing steering and reporting processes, the resource and capacity requirements should be estimated, and a qualified team identified. Sufficient budget will have to be allocated.

Depending on the implementation strategy, external, internal or mixed teams jointly develop the solution of establishing a technical platform, designing and documenting an adjusted process landscape, covering IT security, data protection and compliance requirements and training users. Depending on the size of the company and of affected departments, previous internal experience in transformation projects and stakeholder support – among other factors – this process will take a few weeks. Full transformation including all documentation, policy and compliance adjustments take longer to complete.

We advise to employ agile methodology to be able to quickly adapt to new or previously unknown requirements and adjust to unforeseen developments.

For further information please contact Dr Philipp Kleine Jaeger, Managing Partner at CORE, at philipp.kleinejaeger@core.se.

5. Authors



Dr Philipp Kleine Jäger is Managing Partner at CORE and leads the strategic development of IT architectures. After studying materials science, he earned his doctorate at the Karlsruhe Institute of Technology in Electrical Engineering. He has extensive consulting experience in the areas of entrepreneurship and innovation management. His main topics include financial enterprise architecture management, data management, container-based cloud native systems and IT & information security.

Mail: philipp.kleinejaeger@core.se



Justus Dircks is Transformation Associate at CORE. He holds a Master's degree in Entrepreneurship and Innovation Management from the University of Lund in Sweden. His focus is on integration management, agile project management and start-ups. He already has experience in managing development teams in the development of mobile applications and in the implementation and quality assurance of an overall project plan on 3 platforms.

Mail: justus.dirks@core.se



Julia Bickel is a Transformation Fellow at CORE. She holds a Master's degree in Mechanical Engineering from the Technical University in Darmstadt. Her first professional experiences include support in project planning and management as well as in requirements management in the automotive and mechanical engineering industries.

Mail: julia.bickel@core.se



Tillmann Dietrich is Transformation Fellow at CORE. He completed his MBA in High-Tech Entrepreneurship in Barcelona and gained his first experience as an online marketing manager. His focus is on agile project management, fundraising, marketing, business case development and investor relations. He has already gained experience in leading a development team for programming a platform for digital magazines and designing and calculating business plans for start-ups.

Mail: tillmann.dietrich@core.se

CORE SE
Am Sandwerder 21-23
14109 Berlin | Germany
<https://core.se/>
Phone: +49 30 263 440 20
office@core.se

COREtransform GmbH
Am Sandwerder 21-23
14109 Berlin | Germany
<https://core.se/>
Phone: +49 30 263 440 20
office@core.se

COREtransform GmbH
Limmatquai 1
8001 Zürich | Helvetia
<https://core.se/>
Phone: +41 44 261 0143
office@core.se

COREtransform Ltd.
Canary Wharf, One Canada Square
London E14 5DY | Great Britain
<https://core.se/>
Phone: +44 20 328 563 61
office@core.se

COREtransform Consulting MEA Ltd.
DIFC – 105, Currency
House, Tower 1
P.O. Box 506656
Dubai | UAE Emirates
<https://core.se/>
Phone: +97 14 323 0633
office@core.se