

HROA STANDARDS AND PRACTICES

Draft HR Outsourcing Lifecycle Methodology

**Draft Version 1.10
for Public Comment**

HROA Recommended Practice™ for HR Outsourcing Lifecycle Methodology

Introduction

The HROA Recommended Practice™ for HR Outsourcing Lifecycle Methodology presents a comprehensive approach to the use of outsourcing. This Recommended Practice has been reviewed and approved by the HROA Standards & Practices Committee, with members representing the HRO industry including buyers, service providers, attorneys and advisors.

Target Audience

This document is for use by all parties involved in establishing, revising and managing the HR Outsourcing Lifecycle. Those new to HR outsourcing will find the information especially helpful.

Purpose

The HROA Recommended Practice™ for HR Outsourcing Lifecycle Methodology is intended for use in the definition of HR services delivery strategy, solution identification and implementation, and the management and optimization of HR outsourcing.

Using the accepted HR Outsourcing Lifecycle Methodology reduces the time and resources needed to successfully plan, select, implement and manage HR outsourcing solutions that fulfill the business case objectives and meets the dynamic needs of the business.

The goal of HR Outsourcing Lifecycle is to:

- Create a globally applicable standard frame of reference for the lifecycle of HR outsourcing
- Standardize HR Outsourcing Lifecycle phases and definitions
- Ensure a common understanding of the responsibilities and activities to be completed during each phase of the lifecycle
- Identify the risks that may occur if is each phase is not successfully completed.

Limitations

To be as useful as possible, the information provided in this document contains examples and information illustrative of current industry practices. The information should not be used to limit or replace the negotiation and governance process between the buyer and service provider.

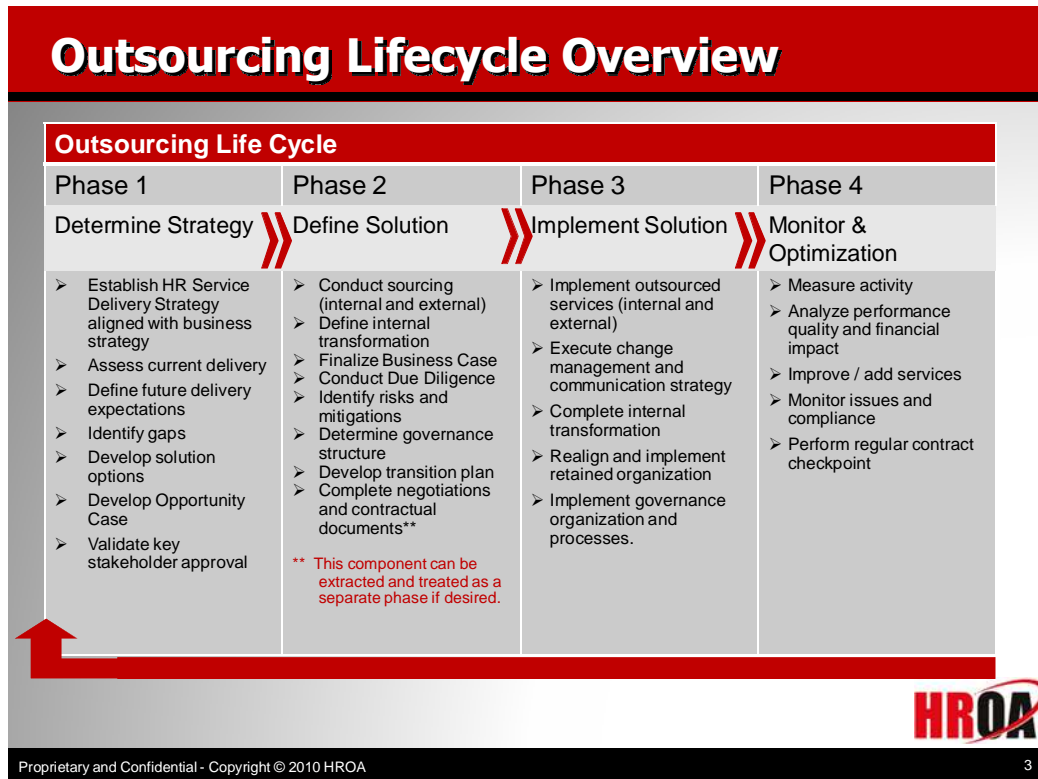
Linkages

HROA Recommended Practices™ provide a basic foundation of single topic information and tools that can be used as a common starting point for developing, negotiating and managing HR outsourcing agreements. Please visit [HROA's Industry Standards & Practices page](#) for more information.

HROA Recommended Practices™ are not intended to cover all aspects and issues related to the topic. Additional education and guidance may be needed to address circumstances specific to a particular buyer and service provider. HROA welcomes feedback and input about its Recommended Practices™.

Guidelines for HR Outsourcing Lifecycle Methodology

The Guidelines and Definitions outlined are to be used in conjunction with the HR Outsourcing Lifecycle document embedded below.



The HR outsourcing lifecycle methodology is comprised of four phases each containing; goals, key deliverables, primary participants & responsibilities, phase timing, and risk implications.

Phase 1 – Determine Strategy

The strategy phase defines the overall expectation for the outsourcing initiative. It aligns the solution with the larger business strategy. The strategy identifies/documents the current state including the current cost of delivering the services. The strategy also identifies the desired future state include the opportunity case associated with achieving the future state. This phase also begins the stakeholder education and alignment for the future state. A key component is developing the roadmap to achieve the future state and ensuring that there is organizational buy in for the future state and the roadmap to achieve the future state.

Phase 2 – Define Solution

The define solution phase defines the overall solution. This may be a combination of externally sourced solution(s) and internally developed solution components. The phase includes the processes for developing the sourcing document (e.g., RFP) and evaluating the resulting proposals, determining the preferred solution, and ultimately negotiating the agreement. It includes critical components for gaining approval of the solution and building upon the strategies for change management and communication to ensure organizational alignment.

Phase 3 – Implement Solution

The implementation phase focuses on the processes required to “implement” the selected solution within the buyer organization. This phases focuses on both the responsibilities of the service provider in implementing the solution and the buyer organization to receive (and adapt to) the new solution.

Phase 4 – Monitor & Optimization

The monitor and optimization phase is an ongoing phase covering the life of the relationship. This phase is key to ensuring that the services are being delivered in accordance with the agreement, that consumption of the services is planned and managed, that the relationship is adjusted as required to stay current with business needs. A critical component of this phase is the refresh of the services (either during the course of the relationship or at the end of the relationship). This may trigger a recycle through the Outsourcing Lifecycle starting with Phase 1 – Determine Strategy.

HR Outsourcing Lifecycle Methodology Definitions

Term	Definition
Business Case	The model representing an estimate of costs and potential financial impacts based on actual pricing received for the solution. [Typically developed in Phase 2 of the Lifecycle.] Includes Baseline Costs (i.e., the cost of delivering the function today.)
Commercial and Demand Management	The process to identify and manage the consumption of the services, includes both forward looking requirements and past consumption patterns. Includes both an assessment of the financial (e.g., cost) consumption and the volumetric consumption (e.g., numbers of units consumed/delivered).
Due Diligence	The two-way process of determining the capabilities of the service provider to deliver the services and the service provider assessment of the buyer's current state as foundation for negotiating the outsourcing contract.
Gap Analysis	Analysis of the proposed solution with the desired end state. Includes an assessment of impact of the gap.
Governance	The function to provide contract oversight and relationship management including process definition, committee structures, teams, roles and responsibilities.
HR Current State	Documentation of the buyer's current state. Includes definitional and descriptive narratives, current processing volumes, current service level achievement, in-flight initiatives, work allocation, regional requirements, etc.
HR Future State Delivery Model	The desired future state for HR service delivery. Includes components such as shared services centers, self service, process definition, technology, and so on.
HR Service Delivery Strategy	A component of an overall Human Resources business aligned and approved strategic plan that sets out the objectives for selecting, managing and measuring HR service delivery solutions which may be a mix of in-house and outsourced solutions.
Key Stakeholders	Executives critical to the approval and support for the HR outsourcing solution, typically the senior-most HR vice president, CIO, CFO, COO and CEO. Key stakeholders may also include key influencers and customers; business unit or regional executives and their HR leaders and HR policy leaders.
Opportunity Case	The model representing an estimate of costs and potential financial impacts based on assumptions developed from market data (and third party advisor data). [Typically developed during Phase 1 of the Lifecycle.]
PMO	Project Management Office. The PMO is tasked with

Term	Definition
	managing the outsourcing project ensuring that appropriate project management discipline is applied to ensure that the project meets its objectives.
Request for Proposal (RFP)	The instrument that is used to communicate the information to selected service providers in order to solicit a proposal for the desired solution. Contains components representing the sourcing initiative approach and rules, the information about the current state, and the information about the desired future state. Normally contains structured response documents for the service provider to complete and return.
Retained Organization	The buyer organization that will be in place following the implementation of the selected solution. Addresses the resources, their roles and responsibilities, and their relationship with the new solution.
Risk Assessment & Mitigation Strategy	Identification of potential risks in achieving and/or delivering the new solution and approaches to mitigating each risk.
Site Visit	The process of physically visiting a service provider delivery center to validate delivery capability.
Sourcing Strategy	The approach (documented) to achieve the desired solution (e.g., single provider, multiple providers, software-as-a-service, onshore, offshore, hybrid, etc.).
Third Party Advisor	Business process outsourcing consultants that support buyers throughout the HRO Lifecycle, most commonly used in the initial establishment of a major and/or complex HR outsourcing contract.