# http://www.umsl.edu/divisions/business/files/images/logo_rtcallblock.jpeg HRO or FAO

Human Resource Outsourcing (HRO) is the transfer of one or more HR processes to an external service provider that owns, administers, and manages these processes. Likewise, Financial & Accounting Outsourcing (FAO) is the transfer of one or more FAO processes to an external service provider that owns, administers, and manages these processes. Both HRO and FAO markets have continued to grow each year.

Historically, Human Resource Outsourcing was limited to targeted HR activities such as payroll administration. The market for large-scale, transformational human resource outsourcing (HRO) accelerated in 1999 with the creation of two pioneering firms, [Xchanging](http://www.xchanging.com/home.html) and Exult (now [AonHewitt)](http://www.hewittassociates.com/Intl/NA/en-US/Default.aspx). These HRO suppliers had the idea that the bulk of a large client’s decentralized HR transactional services could be outsourced in order to radically reduce costs and improve services. The client’s HR is transformed through the supplier’s transformation levers: creation of shared services from clients’ disparate HR departments, headcount reduction for redundant and low performing employees, retraining and empowerment for retained employees, process redesign and standardization, and significant technology enablement. These suppliers took over a myriad of their client’s HR activities, including HR information systems, benefits administration, compensation (salary administration and job descriptions), recruitment, training, career development, and regulatory compliance. Clients typically kept HR strategy (budgets, policies, workforce planning, organizational design), employee performance (assessment, counseling, career paths), and liaison roles in-house. This type of transformational HRO injected the HRO market with new vitality.

***The task for your group is to help general managers understand the promises, pitfalls, and best practices associated with either HRO or FAO.***

Your presentation may begin by answering these questions:

* Did you choose to study HRO or FAO? Why?
* How big is the phenomenon today and how big is projected to be?
* Which types of processes are most frequently outsourced?
* What are the real risks to a client company as opposed to perceived risks in outsourcing HR or FA?
* Who are the top outsourcing suppliers in this space?
* Who are some of the major customers in this space? (Client firms who signed megadeals).

Your presentation should proceed with one to three case studies of organizations' with HRO or FAO. One of these case studies may be about a company that examined outsourcing HR or FA but decided against outsourcing.

Case studies should include the Company Background:

* Size of company in terms of sales and profits & number of employees
* Major products the company sells

The main part of the case should be a retelling of the HRO or FAO story at each company. (See questions to ask interviewees below).

The group should end the presentation by comparing the cases and providing some best practices or important lessons for general managers. Your group should also cover HRO or FAO trends.

If you have other creative ideas, please feel free to discuss them with me.

Potential questions for interviewees:

Please tell us a little bit about your current job and the role you play or played in outsourcing:

* Job title
* Length of time in current position
* Role in HRO/FAO decision, implementation, and/or management

Please tell us your HRO/FAO story—when and why did your organization decide to look at outsourcing?

Who were the senior leaders in charge of the decision?

What was the scope of work initially?

Functionality

Number of workers

Contract value

Contract duration

**TRANSITION PHASE:**

How was work initially moved to HRO/FAO supplier(s)?

Were any in-house employees transferred to HRO/FAO supplier(s)?

What were the two to three things you did well to successfully transition work to the HRO/FAO supplier(s)?

What were the two to three things you could have done better in transitioning work?

What were the two to three things the HRO/FAO supplier(s) did well initially?

What were the two to three things the HRO/FAO supplier(s) could have done better initially?

**DELIVERY PHASE:**

Since the initial transition period, what has changed in terms of:

Scope of work

Quality of deliverables

Processes used to assign, review, and accept work from internal clients to HRO/FAO supplier(s)

People assigned as liaisons or contacts

How does your organization resolve conflicts or misunderstandings between internal clients and HRO/FAO supplier(s)?

Please describe your governance process including performance metrics, service level agreements, chargeback mechanisms, etc.

**OUTCOMES OVERALL:**

Overall, to what extent is your organization getting the cost savings from HRO/FAO it expected to get?

Overall, to what extent is your organization getting the quality of work from HRO/FAO it expected to get?

**LESSONS LEARNED:**

What advice would you give to another company interested in outsourcing HR/FA?

What are the three critical success factors in outsourcing HR/FA?