Perspectives | SOURCING STRATEGIES

When it comes to managing business processes such as human resources, finance, and administration, companies are faced with a fundamental decision: Manage the data collection, integration, and ongoing maintenance themselves through an in-house enterprise resource planning (ERP) platform or outsource the work to a third-party provider. While there are clearly risks and benefits associated with each approach, it's not necessarily an all-or-nothing decision. In fact, many companies use a combination of delivery models, assembling a blend of homegrown and outsourced services that work best for them. Still, the debate continues. Here are two perspectives on the issue.

Outsourcing Advantage

Mike Salvino, Financial Services Team Leader
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> "Outsourcing enables an organization to reduce administration costs, improve efficiencies, and focus more intently on its core business. Good outsourcing providers are 100% focused on continuous improvement."
>
> **Mike Salvino**

Five years ago, companies moving to an outsourced HR services model were viewed as early adopters. Today, business process outsourcing (BPO) is a proven solution, and while it may not be the solution for every organization, many companies in the top 100 of the FORTUNE 500 have experienced the cost-saving and performance benefits associated with outsourcing.

The consolidation and uncertainty surrounding the ERP market in recent months has likely contributed to the marketwide acceleration of movement toward BPO. As the future of ERP providers is called into question, companies are growing increasingly hesitant to make the long-term investment in resources that owning and managing an ERP solution requires. Today, many view hiring a respected and stable outsourcing provider as the "low-risk" choice.

Outsourcing enables an organization to reduce administration costs, improve efficiencies, and focus more intently on its core business. Good outsourcing providers are 100% focused on continuous improvement, which means customers experience contractually guaranteed cost reductions and ongoing performance improvements—improvements ERPs don't commit to contractually and often fail to match.

In addition, keeping an ERP solution up and running is a major commitment, requiring significant infrastructure investment, regular software updates, and investment in a skilled professional administrative staff. Eventually, some companies reach the point where the return fails to justify the investment.

By choosing to partner with a BPO provider, companies avoid the expenses and drain on internal resources that accompany the maintenance of an ERP system. Instead, the outsourcing firm takes on those responsibilities. The end result of outsourcing is greater overall value and improved service delivered at a reduced cost.

ERP: Retaining Control

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> "For many, the primary benefit of the ERP model is the ownership and control over an organization's technology platform and data. The onsite ERP platform provides the opportunity to seamlessly integrate data from across the enterprise."
>
> **Trey Campbell**

There are three ways for companies to obtain the technology required to run their HR administration—they can build it themselves, they can outsource for access to a provider's technologies, or they can buy or license the systems from ERP vendors like Oracle or SAP. Building is often a long, expensive process that keeps the client in the software development business forever. Outsourcing can make the client dependent on the provider's commitment and investment in the business.

Companies that choose to install and manage an ERP solution themselves often make their decision based on philosophical or cultural drivers. Some want to remain in charge of selecting and operating technologies, perceiving the risk associated with giving up control to an outsourcing firm as too high. Others are fearful of how they'll reclaim their data or deliver services if the relationship with the outsourcer doesn't work out, or they're uncomfortable with the staff reductions sometimes associated with moving to an outsourced model. Every organization must grapple with these and other issues in the decision-making process.

For many, the primary benefit of the ERP model is the ownership and control over an organization's technology platform and data. The onsite ERP platform provides the opportunity to seamlessly integrate data from across the enterprise—HR, finance, supply chain, etc.—into a centralized, integrated system of record. Add to this the benefit of a single license, maintenance and support of one product versus multiple software solutions, and the fact that today's ERPs provide a suite of robust features and powerful data reporting capabilities, and the appeal of ERPs over an in-house multiplatform patchwork solution becomes clear. **H**