



HR BPO - an overview

The times in which companies outsourced support processes in whole or in part out of pure cost considerations are long gone. For some time now, the main focus has been on increasing process quality, which plays an important role in the decision to cooperate with external partners. As a result, successful cooperation with experienced providers of Business Process Outsourcing (BPO) is increasingly becoming a strategic success factor for recruitment and personnel departments of companies of all sizes and industries.

» Industry Innovation

Outsourcing changes industries

The concept comes from the manufacturing industry: production areas separate from certain production steps and outsource these to specialized companies. The fundamental effects on the company's cost structure are independent of the type of outsourced process: fixed costs become variable costs, which increases the company's flexibility. In addition, there is a reduction in process costs due to the efficiency advantages of the service provider, for whom the fulfilment of the process taken over represents a core competence.

Initially, the scope of outsourcing included only sub-processes, but the range of tasks performed by external providers was expanding rapidly. Within the framework of the HR BPO, mainly IT-heavy and administrative business areas such as human resources (HR), finance and logistics are outsourced to service providers. Outsourcing has had a lasting impact on many industries: For example, the internal value chains of established industries have been significantly shortened.

Depending on the scope of the outsourced processes, different forms of outsourcing can be distinguished: A first approach to cost reduction is Hosting, in which the service provider merely makes its computing power available to its customers for the operation of the customer's own software. Application Service Providing (ASP), on the other hand, already provides for closer cooperation. Here, the service provider is responsible for hardware and software, enabling the outsourcing company to hide the technical aspects of the process in day-to-day business. As part of Business Service Providing (BSP), the service provider also relieves its customers of the processing of individual business tasks. However, Business Process Outsourcing provides for the greatest possible integration of the service partner into the business processes.

Human Resource Management is a Change Manager

The core idea of the HR BPO is for companies to part or completely separate from mainly administrative processes in order to focus on the strategically relevant processes that are most critical to achieving the company's goals. By ensuring performance in the human resources area, the company is also able to concentrate fully on its core business processes and increase efficiency.

Until now, companies have mainly used the support provided by Recruitment Process Outsourcing (RPO). Here, a service company strengthens the recruitment department of a customer and takes over the recruitment processes. HR BPO, on the other hand, is a holistic form of cooperation that also supports the customer in other areas of his HR department.

The need for holistic HR BPO solutions is also reinforced by the changes in human resources. The increased competition for skilled personnel, fluctuation and changing job profiles demand a reinterpretation of the role of Recruitment. In addition to administrative tasks, the role of HR as a manager of change processes and as a strategic consultant at management level is becoming increasingly important. In the course of concentrating on core functions, companies are becoming more willing to entrust a service provider with additional HR tasks.

Experience, know-how, modern IT equipment and economies of scale of the service provider have a positive effect on the central indicators of process quality: Costs, duration and quality. Almost all companies can benefit from HR BPO regardless of their industry and market position. In the past, HR BPO focused on securing the IT and process competence of the service partner. Particularly in the area of payroll and travel expense accounting, the good delimitability of the affected processes and their high degree of standardization across company boundaries facilitate the decision to outsource.



HR BPO enables companies to improve efficiency and expertise.

Trends in HR BPO

Surveys show that reservations about business process outsourcing in HR management are declining. So far, concerns about legal security, communication problems and the quality of services provided have been the main obstacles to existing [outsourcing efforts](#). These uncertainties are especially important for HR, where the particularly sensitive personal data of employees is processed. However, cost awareness in HR is increasing, as evidenced by the increasing use of benchmarking tools and the widespread introduction of employee self-management as part of Employee Self Service (ESS). At the same time, service providers can address data security concerns through extensive certification and the use of state-of-the-art technology.

Even beyond these standards, our experts in HR BPO are prepared to meet customers' demands for greater strategic integration and long-term cooperation through their knowledge of numerous high-tech industries.

HR BPO as a strategic success factor

Experts in HR management agree: The BPO of business processes in human resources will continue to gain importance as a strategic tool. Accordingly, more and more companies are [open to the use of HR BPO](#) in personnel recruitment. However, this is also accompanied by a change in the requirements profile for HR service providers. Their contribution to added value is shifting further and further away from the provision and operation of IT solutions to the perception of an expert function

with industry knowledge. For example, in order to meet customer expectations for an increase in the quality of applicants, Talent Acquisition Managers take over the entire application and recruitment process from the maintenance of personnel marketing channels to the final interview.

Companies of all sizes can benefit from this concept. Startups can also benefit from the outsourcing of personnel-related processes. This is because the ability to grow quickly is often crucial to success. Focusing exclusively on technical skills is often not the right way to go. After all, the ability of the candidate's personality and corporate culture to fit in is of particular importance here. A practical example shows how [ARTS experts support the high-tech startup Lilium onsite](#) in the targeted development of human resources.

But also the assumption of tasks of an administrative nature remains in demand. Smaller companies can benefit from HR BPO primarily through increased independence from temporary absences or fluctuation. When employees who have earned a salary in a smaller company go into retirement, a change often occurs anyway, which is connected with the standardization of processes and the qualification of new employees.

The BPO service provider should always focus on the individual needs and requirements of the customer. The identification of processes that can be outsourced and the development of various possible solutions should always be the beginning of a successful business relationship. Individually agreed contract terms and transparent pricing facilitate bid comparison and ongoing quality control during the collaboration.

Our ARTS experts will also be happy to [support you in this change](#) in various individual areas such as Recruitment & Assessment or take over the Payroll & Administration area. It is also possible for us to take over the central control of all HR processes for internal and external employees as part of master vendor management or to support your HR department on site with a permanent on-site management concept.

Sources: [scheer-group.com](https://www.scheer-group.com) | [pac-online.com](https://www.pac-online.com) | [sciencedirect.com](https://www.sciencedirect.com) | [hbr.org](https://www.hbr.org) | [personalmanagement.info](https://www.personalmanagement.info)



Recruitment Consultant

Tatjana Kalwa is a Recruitment Consultant for all applicants in the field of aircraft mechanics and electronics. In addition, as Service Owner, she is responsible for all services within the HR BPO.

Tatjana Kalwa

tatjana.kalwa@arts.eu +49 (0)351 / 795 808 21