

The Value of Vertical Knowledge

Having insights into a client's industry can help providers better understand their unique needs. But don't expect this knowledge to be more valuable than service excellence. By Lisa Maxwell

When I hear HRO providers discussing the benefits of adopting a vertically focused strategy, they tend to promote this approach within their sales team. This is understandable, as client organizations consider a vertical market focus to be among the criteria that influence provider selection.

If you look at industries such as BPO and consulting, many firms have taken a vertical approach to their business. Industry expertise forms the foundation for these firms to differentiate services and add value. However, how important is it for HRO executives to have vertical market experience?

There is no arguing that vertical market experience brings value to buyers of outsourced services. HRO executives working in specific industries already know the market drivers and common business processes, making it easier and faster to get up to speed with a new client.

In certain HRO domains, vertical experience is more of a predominate factor than others. Organizations seeking to improve inadequate internal recruitment processes by outsourcing to an RPO provider want to know that the vendor firm has experience recruiting for the types of positions they demand. The airline industry, for example, is highly regulated with many security measures. Understanding the intricacies of the industry and specific skills required for the business gives clients peace of mind.

Moreover, provider service teams comprised of professionals with prior experience in the client's vertical can perhaps more easily troubleshoot problems or anticipate issues before they become problems. What they add to the provider's resources is an insider's feel and comprehension of the particular difficulties within that industry. For example, an outsourcer with a background in retail can diagnose the payroll problems a client in this field may be facing. Often, retailers have a tremendous number of pay classes that might perplex the uninitiated, so rather than try to simplify the pay codes, a provider with experience in the vertical might begin with a more sophisticated payroll solution for retail clients.

Additionally, there are markets such as government and healthcare where vertical experience plays a larger role. Federal, state and local government buyers want to understand your experience in the public sector. When selecting an RPO provider, it is important that the firm has experience working with the Office of Personnel

Management and understands federal hiring guidelines. Bill Sebra, vice president of RPO for the Bartech Group, who works extensively in the public sector, noted: "When you entrust something as strategic as hiring, you want to know that the provider understands the nuances of your industry."

For domains such as payroll administration, benefits, and workforce administration, vertical experience plays less of a role. Efficiently and effectively managing payroll, human resources data, and processes is more of a scalability issue. Buyers of these services are looking for a statistical approach that can be scaled to any size organization with a corresponding budget. Firms want to know that providers will be able to accommodate their unique requirements.

A good example of this is NorthgateArinso. A leading global HR software and services provider, it supplies innovative HR business solutions to employers of all sizes, including global *Fortune* 500 companies and many public sector organizations.

"Although we are strong in certain markets such as oil, gas and energy in the U.S. and retail in the U.K., our focus in terms of sales is broken down by client size and how to deliver the best solution. There is commonality at the business process level with companies of similar size," stated Kay Mason, president of NorthgateArinso U.S.

Although specialization by service domain and company size might be the strongest drivers behind an employer's vendor selection, having vertical expertise does have some advantages. Most often, this comes at the beginning of the engagement process, when an employer is vetting potential suitors. Providers who already serve in the industry of a prospective buyer can relate to vertical-specific HR issues, thereby projecting an aura of empathy when it comes to relating to certain pain points. This becomes an especially strong selling point to HRO buyers who seek high-touch services. However, the provider must also follow up with demonstrated competencies in service delivery to ensure a deal win.

In summary, if a buyer of HRO services has established that the provider has the operational experience, than perhaps the vertical understanding is a competitive advantage. However, given the immaturity of the HRO industry, in most cases, functional expertise takes precedence. In other words, vertical specialty is valuable, but only if the operational experience is there first. **HRO**



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