

# Magic Quadrant for Comprehensive HR BPO

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**This Magic Quadrant focuses on vendor capabilities in the comprehensive HR business process outsourcing market among 12 different providers. Use this Magic Quadrant to help identify and evaluate the right providers to support your company's HR needs.**

## WHAT YOU NEED TO KNOW

The comprehensive HR business process outsourcing (BPO) market – often described as “end-to-end HR BPO” – is adolescent. The market is at a crossroads; in the current climate of hard economic times, strategic, complex comprehensive HR BPO services that require significant front-end transition investment and time to implement will likely give way to greater adoption of standardized services (that feature use of alternative delivery models such as business process utility and software as a service) that are easier to implement in incremental components over time. Some of the largest providers that cannot adapt and offer the delivery of this style of comprehensive services will struggle.

This is the second iteration of the comprehensive HR BPO Magic Quadrant (the first of which was released in December 2007), and major trends affecting the maturity of the market in the ensuing year include the increased appetite for global solutions, the increased adoption by the midmarket, a small minority of buyers starting to look at the “unbundling” of the outsourced subprocesses from individual comprehensive contracts, and the ongoing drive to increase profitability among the service providers in the market.

Meanwhile, the pipeline of comprehensive HR BPO deals has slowed to a trickle compared with the boom years circa 2004 to 2005, and the market has seen a few high-profile deals canceled. Moreover, levels of satisfaction as evidenced among customer references for the Magic Quadrant were down from 2007. Since most deals are structured around cost reduction and process improvement, the past year has seen most vendors focused largely on better execution on their existing deals to reinforce their strengths on deals already won. As a result, one of the main differences to look for in this year's Magic Quadrant is that some providers have “shifted to the left” of the quadrant, as there has generally been less activity around business development and “visioning” for market differentiation. A result – in part – is that there are no players squarely in the Visionaries quadrant this year.

One of the big “X factors” in this Magic Quadrant is the absence of players headquartered in India – none cross the \$100 million HR BPO revenue threshold for inclusion. For the most part, these players have been “dabbling” in HR BPO from a distance but are well-capitalized and eyeing HR BPO companies for acquisition, and they are looking to parlay their acquisition of shared-service centers into commercially facing HR BPO entities. Just a couple of major deals (or an acquisition of one of the major providers) is all it will take to increase their revenue and make a splash and impact in this market.

Overall, the worldwide HR BPO market will grow from \$28.1 billion in 2007 to \$42.9 billion in 2012, an 8.9% compound annual growth rate. This size and forecast growth is for the entirety of the HR BPO market, inclusive of single process outsourcing (like discrete payroll contracts), as well as the big comprehensive deal activity showcased in this Magic Quadrant. Approximately 15% to 20% of the deals signed in the HR BPO market to date have been comprehensive.

Gartner's comprehensive HR BPO Magic Quadrant is a useful starting point from which to identify and evaluate comprehensive HR outsourcing (HRO) services from a variety of vendors. Selection of a good provider for comprehensive HR BPO services should be based on a detailed evaluation of an enterprise's HR needs and objectives compared with a service provider's capacity to fulfill those requirements and expectations. Therefore, enterprises need to determine which comprehensive HRO provider can best address their particular requirements. If a service provider falls into the Leaders quadrant on this evaluation, that position doesn't automatically make it the right choice for a buyer's needs. In some instances, buyers must be expected to accept the provider's standard slate of offerings, whereas other vendors will be very flexible in their approach.

## MAGIC QUADRANT

### Market Overview

Comprehensive HR BPO contracts have been gaining prominence since the beginning of the decade. Comprehensive deals, which involve the "end-to-end" outsourcing of the majority, if not the entirety, of largely administrative functions within HR, are typically five to seven years in length. Usually, the buyers of comprehensive HR BPO deals are looking for a provider that can not only reduce costs, but also respond to the dynamic shifts in their business requirements over time. Sometimes, HR buyers may start small, with a discrete HR BPO deal for, say, payroll-only services, but will look to work with a provider that can add incremental services to the relationship over a period of years.

Figure 1. Magic Quadrant for Comprehensive HR BPO



The size and scale of a buyer's operation are important to selecting the appropriate vendor of comprehensive HR BPO services. In addition to the providers showcased in this Magic Quadrant, be aware that for very small businesses (such as those with fewer than 100 employees), providers such as Paychex or TriNet, for example, could be considered for a comprehensive HR BPO vendor selection list.

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Being global as an HR BPO provider matters. More buyers are seeking providers that can accommodate their regional or global needs as their businesses expand over time or as the businesses go through regional, as well as global, mergers or acquisitions. Today, most comprehensive deals are signed on a region-specific basis, but the status quo has begun to shift, especially around global payroll capabilities. From a comprehensive HR BPO standpoint, not all vendors in the market have multiregional capabilities, leaving some buyers to cobble together multiple midsize suppliers, especially for smaller countries in which they operate. This can negatively impact the amount of cost savings, as well as data reporting consistency, integration and timeliness. Multiregional capability will become a more prominent requirement of vendors in the marketplace as more buyers look for truly global, comprehensive HR BPO capabilities.

Being a well-informed buyer matters – know what you want from comprehensive HR BPO. We have seen the pipeline of comprehensive HR BPO deals slow to a trickle compared with the boom years circa 2004 to 2005, and the market has seen a few high-profile deals canceled in the past 12 months, including Convergys' contract with Starbucks, and Hewitt's contract with Wachovia. Many of the first comprehensive HRO deals were done as one-off, stand-alone deals, with little leverage across technology platforms, service delivery locations and delivery staff. Therefore, the provider profitability and client satisfaction with comprehensive forms of HRO has been under the microscope over the past 24 months, and for these reasons, we put comprehensive HR BPO at the nadir of the Trough of Disillusionment on our Hype Cycle for BPO in July 2008.

The poor economic climate will likely boost opportunities for comprehensive HR BPO, and new models of delivery (as opposed to the traditional "lift-n-shift" one-offs may accelerate its maturity. As deals start to move into their second generation (such as Accenture's contract with BT, or Avaya's recent renewal with Convergys), most buyers are sticking with incumbent suppliers versus canceling and "re-insourcing" their processes. Major deals are now attaining go-live status, such as Convergys' massive \$1.1 billion, 13-year deal with DuPont. The hard work of nailing down realistic service-level agreements and deal pricing (compared with the sign-first, make-it-work-later mentality that prevailed earlier) has begun in earnest. Hype has also given way to reality in the form of nonpartisan users' groups, such as the Human Resources Outsourcing Association's ambitious Industry Standards Subcommittee.

Most buyers are also sticking with more single-vendor strategies and appear to be investing appropriately in HR BPO sourcing management activities; nonetheless, a perceptible minority has begun to invest in best-of-breed BPO sourcing strategies to explore unbundling of the HR domain from a BPO standpoint (that is, this minority is looking to work with multiple best-of-breed HR

BPO suppliers, versus a one-stop shop for comprehensive HRO services. The transition to steady and stable (as well as profitable) deals will be a key determinant of the speed with which comprehensive HRO reaches the Plateau of Productivity on the Hype Cycle.

This Magic Quadrant offers a deep analysis of the competitive landscape for comprehensive HR BPO services by showcasing the relative positioning of the main players in the market according to a variety of criteria, and by offering detailed strengths and cautions for each of the included vendors. The ratings of the vendors represent a combination of research conducted specifically for the Magic Quadrant process, along with input from the Gartner BPO research community, ongoing vendor briefings, interactions with Gartner buyer clients and market developments.

### Market Definition/Description

Comprehensive HR BPO – often called "end-to-end HRO" – consists of support for multiple business processes within the HR domain through a singular BPO contract and typically includes four or more subprocesses associated with HR, from at least three of the following five categories (bear in mind that most of the numbered subprocesses each have multiple subcomponents):

- Payroll
- Benefits administration
  - Defined contribution administration (for example, 401[k] in the U.S. and Registered Retirement Savings Plans in Canada)
  - Flexible spending accounts
  - Defined benefits administration (for example, pensions)
  - Health and welfare benefits administration
  - Consolidated Omnibus Budget Reconciliation Act (COBRA) administration (in the U.S.)
  - Online benefits enrollment
- Hiring and recruiting (including background checking)
- Education and training
- Personnel administration

### Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, a vendor must have the following:

- At least two existing, referenceable comprehensive HR BPO deals
- A minimum threshold of at least \$100 million in overall HR BPO revenue to establish a "critical mass" and commitment to the HR BPO market

### Added

None

## Dropped

None

## Evaluation Criteria

### Ability to Execute

Gartner analysts evaluate providers on the quality and efficacy of the processes, systems, methods or procedures that enable provider performance to be competitive, efficient and effective, and to positively impact revenue, retention and reputation (see Table 1). Ultimately, providers are judged on their ability and success in capitalizing on their vision.

The following ability-to-execute criteria were used to evaluate vendors' positions.

**Product/Service:** Core goods and services offered by the provider that compete in/serve the defined market. This includes current service capabilities, quality, feature sets, skills and so on, whether offered natively or through partnerships as defined in the market definition and detailed in the subcriteria. HRO customer references will also focus on transition management and steady state of HR process delivery.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Financial viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, offering the product and advancing the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The service providers' capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support and contracting expertise.

**Table 1. Ability to Execute Evaluation Criteria**

Evaluation Criteria	Weighting
Product/Service	standard
Overall Viability (Business Unit, Financial, Strategy, Organization)	high
Sales Execution/Pricing	standard
Market Responsiveness and Track Record	standard
Marketing Execution	standard
Customer Experience	high
Operations	standard
Source: Gartner	

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve, and market dynamics change. This criterion also considers the provider's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional activities, thought leadership, word of mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with comprehensive HRO deals being evaluated. Specifically, this includes the ways customers receive operational HRO service support and strategic account support to ensure that comprehensive HRO delivery is in lock step with their business.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

Gartner analysts evaluate technology providers on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs and competitive forces, and how well they map to the Gartner position (see Table 2). Ultimately, providers are rated on their understanding of how market forces can be exploited to create opportunity for the provider.

The following completeness-of-vision criteria were used to evaluate vendors' positions.

**Market Understanding:** Ability of the service provider to understand buyers' needs and translate these needs into comprehensive HRO relationships. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those wants with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages promoting HRO, consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling HRO that uses the appropriate network of capabilities, including marketing, service and communications affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** A service provider's approach to comprehensive HRO development and delivery that emphasizes differentiation, functionality, methodology, and depth and breadth of HR services as they map to current and future requirements.

**Business Model:** The soundness and logic of a service provider's underlying business proposition. Business model considerations will also include its interrelation to HRO implementation, attainment of steady-state operations, and ongoing innovation.

**Vertical/Industry Strategy:** The service provider's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, or defensive or pre-emptive purposes. The service provider's reputation as a "thought leader" and innovator will also be evaluated.

**Geographic Strategy:** The service provider's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries, as appropriate for those geographies and markets.

## Leaders

Leaders are performing well today, have a clear vision of market direction, and are actively building competencies to sustain their leadership position in the market. The comprehensive HR BPO players in this quadrant generally share superior market understanding (in addition to market responsiveness and track record), and they have a relatively strong global reach, deep technology leverage, and above-average customer experience as common denominators.

## Challengers

Challengers execute well today, but they have a less-defined view of market direction and, therefore, may not be aggressive in preparing for the future. For the vendor squarely in this quadrant,

execution has improved noticeably in the recent past, but increased attention to marketing will help improve its future alignment to new prospects.

## Visionaries

Visionaries have a clear vision of market direction and are focused on preparing for that, but they still can improve their service delivery. No players are squarely positioned in the Visionaries quadrant, which is symptomatic of the maturity of this market.

## Niche Players

Niche players focus on a particular segment of the client base, as defined by characteristics such as size, vertical and project complexity. Their ability to outperform or be innovative may be affected by this narrow focus. Niche players concentrate on particular market segments and often support only those services that apply to those targeted segments. Among the comprehensive HR BPO players in this quadrant, strength in geographic strategy is now a bigger consideration than in the past; target country or regional market can therefore designate niche player status, as well as overall viability, innovation and strength in certain specific geographies. The relative number of installed base of comprehensive contracts is also a factor.

## Vendor Strengths and Cautions

### Accenture Strengths

- Customer experience; its approximately 52 deals are a testament to its sales effectiveness. Fifteen of those deals support more than 15,000 full-time equivalents and retirees. Numerous deals are also supported through Accenture BPO Services, Solutions for the Middle Market unit.
- Thought leadership for comprehensive HR BPO; its emphasis on outsourced Talent Management services will serve it well over the long term.
- Brand awareness for HR BPO services among buyers, consistently strong in Europe and North America.
- Acquisition of Savista's BPO assets in 2006 (now rebranded as Accenture BPO Services, Solutions for the Middle Market) gives improved focus on midmarket opportunities (companies of 3,000 to 15,000 employees).

### Cautions

- Accenture's services tend toward significant change to how the HR function interacts with the business; know what you are buying – higher investment in your sourcing management capabilities may be required to sustain the relationship and business case alignment over the long term.
- Visibility as an HR BPO service provider in Asia/Pacific. Should your scale of operations be minimal, especially for payroll services, Accenture may be unwilling to support Tier 2 or Tier 3 countries; vet coverage on a country-by-country basis.
- Inconsistency of outsourced HR subprocess delivery cited, especially for payroll delivery partners. Carefully evaluate a match of Accenture's specific HR subprocess capabilities (such as payroll or benefits) to your specific requirements.

**Table 2. Completeness of Vision Evaluation Criteria**

Evaluation Criteria	Weighting
Market Understanding	high
Marketing Strategy	high
Sales Strategy	standard
Offering (Product) Strategy	standard
Business Model	standard
Vertical/Industry Strategy	low
Innovation	standard
Geographic Strategy	high
Source: Gartner	

## ACS

### Strengths

- Execution-oriented approach; implementations cited as sensible and pragmatic; access to and responsiveness of multiple levels of senior executives consistently also cited.
- Breadth of comprehensive HR BPO offerings, which include payroll processing, learning administration, benefits administration, talent management, performance management and succession planning, relocation services, and expatriate administration.
- Improved attention to marketing strategy and cohesion of HR BPO messaging.
- Greater use of Buck Consultants subsidiary for HR consulting and innovation on specific deals.
- Standardized service delivery is a present initiative, with ACS having rolled out a new, preconfigured offering option in 2008 in partnership with Oracle to the Oracle/PeopleSoft installed-base customers.
- Improvements in learning services and technologies cited, largely due to Intellinex acquisition.
- Broad global delivery capabilities, supporting over 4 million employees in over 72 countries.

### Cautions

- Despite the greater use of Buck Consulting in recent years, ACS still needs to focus on cultivating a sense of vision for what its HR BPO services can do for clients over the long term.
- Know what you are (and are not) buying from ACS on the new Oracle BPO platform model. ACS's strategy to support new HRO buyers on a standardized Oracle platform may create "cultural tension" because one of its traditional strengths has been its flexibility in working with large enterprise clients on a customized, one-to-one basis.
- ACS cited for bidding services "high" (as opposed to "lowballing" and then "nickel-and-diming" clients later on), yet improved attention to realistic costing assumptions is required to be competitive, with some questioning of the installation of unnecessary services cited.
- Reactive (not proactive) responses to operational flare-ups are cited; references question whether best practices and lessons are being captured and spread across ACS's HRO client base from a process, as well as geographic, standpoint.

## ADP

### Strengths

- Quality of references and quantity of client installed base, numbering approximately 46 comprehensive HR BPO deals (15 of which were added in the past year), supporting ADP's strategy of building a standardized, scalable comprehensive HRO offering.
- Good understanding of market requirements for HR BPO, especially what it takes to successfully deliver within the midmarket.
- ADP has shown sustained consistency and results in its investments for comprehensive HR BPO, in attempts to diversify from its brand perception as a "payroll niche provider."

- Global brand strength for HR BPO, primarily driven by its installed base of payroll-only deals.
- Modularity of comprehensive offerings and investment in implementation methodology, especially for midmarket buyers in the U.S. (1,000 to 20,000 employees).
- ADP management cited as being straightforward, approachable and "trustworthy – unafraid to make changes when necessary."

### Cautions

- Geographic strategy for comprehensive HR BPO services suffers from poor and inconsistent messaging across the U.S. Comprehensive Outsourcing Services (COS) unit and the international GlobalView organization.
- Client experiences have been similarly uneven on the geographic front – the U.S. COS services are seen as being more mature in capability today.
- Aside from a small minority of panregional buyers that are premised on the GlobalView platform (architected on SAP technology), U.S. buyers must be willing to adopt ADP's proprietary platform; this fact will limit its opportunities among larger companies.
- ADP's comprehensive HRO offerings are largely based on payroll and benefits administration services, with some personnel administration services, limiting its opportunities among clients that need true end-to-end functionality.
- Lack of consultative approach to HR and business challenges.

## Capita

### Strengths

- Breadth of comprehensive HR BPO offerings, which include payroll, benefits administration, learning management and training administration, recruitment, assessment and selection, background checking, international service personnel administration, relocation support services, and performance management.
- Well-established track record in the U.K. market, having signed first HRO deal in 1998, with approximately seven current contracts for comprehensive HR BPO.
- Ability to distinguish between the HR needs of public-sector versus commercial organizations and market to those segments, specifically those in the U.K.

### Cautions

- U.K.-centric footprint for service delivery – its niche status here weakens its ability to compete against other players in the comprehensive HR outsourcing market for deals requiring Pan-European capabilities, let alone global ones.
- Difficulty in marketing its unique capabilities and differentiation; moreover, despite singular U.K. focus, its brand awareness for HRO services in the "home" market in Europe is merely average.
- Sales strategy is conservative, yielding a relatively small installed base of comprehensive HRO clientele (despite 10-year track record) – no reference accounts were made available to Gartner for this study, per the methodology.

## Ceridian Strengths

- Understanding of market wants and needs. The offering encompasses payroll, benefits administration, time and attendance, recruiting, talent acquisition and management, and productivity management.
- Focus on targeting companies in transition (such as spinoffs and divestitures, mergers, and acquisitions); Ceridian focuses on marketing its ability to reduce repetitive, manual tasks.
- Generally good customer references. Ceridian currently has approximately 23 contracts.
- Technical capabilities and flexibility cited by references.
- Intent to further leverage its strong position in payroll contracts to progressively more-comprehensive ones, competing from a position of strength.

## Cautions

- International capabilities largely around payroll only. The installed base of comprehensive HR BPO clientele is largely composed of North America-headquartered clients (with the potential for more payroll-only Canadian and U.K. clients to grow incrementally into comprehensive relationships over time).
- Stated focus on companies of 2,000 to 30,000 employees is broad, and unfocused from a segmentation standpoint.
- Not all clients will be willing to accept a proprietary platform for service delivery.
- References cite the need for improved internal controls to eliminate errors.
- Internal silos can result in imperfections in service delivery, which may be exacerbated as Ceridian increasingly looks offshore for talent to deliver its comprehensive HR BPO services.

## Convergys Strengths

- Breadth of comprehensive HR BPO offerings, which include recruiting, performance management, learning services and HR administration.
- Synergies with Customer Care CRM BPO business, manifesting in ability to drive HR interaction with end users.
- Broad global delivery capabilities, supporting clients in more than 70 countries, supporting 35 languages.
- Convergys currently has approximately 10 comprehensive HR BPO contracts under management, including the largest HR BPO contract in the world, with DuPont (\$1.1 billion, 13 years), which was successfully transitioned to go-live status in August 2008.
- Relationship management with clients is characterized by an ability to work through problems successfully.

## Cautions

- Given Convergys' relatively small HR BPO revenue size among its competitors, and lack of profitability (it took a \$272.9 million charge for deferred implementation costs on its earnings in the third quarter of 2008 because of its HRO unit), it will need to win additional deals with a solid pathway to profitability to demonstrate growth and to maintain viability in the long term.

- As Convergys' marketing messages increasingly focus on Talent Management services, it will need to ensure that specifics about its broad array of HR point solutions don't get lost.
- Lack of front-end HR consulting services specifically cited as an impediment to innovation as contracts mature, as well as hampering Convergys' ability to truly articulate a long-term vision for its HRO services.
- Struggles with meeting milestones and deadlines are cited, as well as the impact that turnover in account teams has on this issue.
- Convergys' capabilities at an HR subprocess level are cited as being inconsistent, as are its subcontractor/supplier management capabilities. As Convergys looks to utilize implementation partners for its new HR BPO deals, superior supplier management capabilities will be crucial.
- References question whether best practices and lessons are being captured and spread across Convergys' HRO client base.

## ExcellerateHRO Strengths

- HR skills and brand recognition from Towers Perrin – joint venture crafted in early 2005 between Towers Perrin and EDS to offer comprehensive HR outsourcing services.
- Breadth of HR services offered, including benefits administration, payroll, relocation services, absence management services, recruiting and staffing, workforce administration, and workforce development services. Services today are managed for clients in 14 countries.
- Focus on delivering services to North America, Europe, the Middle East and Africa among target clients that have 30,000 or more employees and that have existing EDS or Towers Perrin relationships and require technology transformation in their HR environment.

## Cautions

- ExcellerateHRO has been too cautious in its sales strategy, yielding a very limited installed base of comprehensive HRO reference clients (which number approximately five), which has severely inhibited its ability to prove itself as a strong competitor in the marketplace (no reference accounts were made available to Gartner for this study, per the methodology).
- Meanwhile, it has been primarily focused on bolstering its benefits-administration-only business in lieu of developing its comprehensive HR BPO portfolio.
- In light of EDS's acquisition by HP and the subsequent restructuring of the entire EDS BPO portfolio, clients should question ExcellerateHRO's viability in the market in its present incarnation without tangible evidence of investment from senior executive leadership. The strongest evidence will come in the form of new comprehensive contract wins, signaling a continued commitment to this component of the EDS business.

## Fidelity HR Services

### Strengths

- Integrated model for offering a broad suite of HR services, including payroll, defined benefits, defined contribution, health and welfare administration, health savings accounts, stock plan administration, recruiting, learning, and HR administration.
- Understanding of buyer requirements of HR – focused on the workforce as individuals – and how to translate those requirements to its model for delivering HR BPO.
- Marketing strategy has focused on the intersection of the employee to the employer, capitalizing on Fidelity's strengths in (and brand awareness in North America for) benefits administration services to refine other highly transaction-intensive services, such as talent management services.
- Understanding of how its services apply (or don't apply) to specific vertical industries, such as online-enabled, stable workforces. So far, Fidelity has focused on manufacturing, healthcare and pharmaceutical.

### Cautions

- Very low installed base of current comprehensive HRO deals, which number approximately five.
- Senior executive management changes/departures in the past year, calling into question its ability to make good on short-term strategy.
- North America-centric business model. True global or international processes are largely aspirational at this point, which will impede its opportunities among global, multinational customers.
- Ability to keep current with HR legislation proactively is cited as problematic.
- Articulation of HR subprocess point services under the umbrella of the "comprehensive HR BPO" banner is disjointed.

## Hewitt

### Strengths

- Experience and lessons gained around comprehensive HR BPO deals; services include payroll, benefits, recruiting, learning and development, relocation and mobility, and workforce management. Hewitt has approximately 31 comprehensive HR BPO contracts today.
- Brand awareness – consistent in both North America and Europe – for HR BPO services.
- Hewitt is quick to point to lessons learned since struggles with overly aggressive, "too much, too soon" deal pursuit (part of which came along with Hewitt's acquisition of Exult in 2004) in its comprehensive business, and for the most part, its client references corroborate the stability in service.
- Synergy with Hewitt's benefits outsourcing and HR consulting business.

### Cautions

- Overcoming its market reputation for signing unprofitable deals several years ago.
- North America emphasis today, although U.K. business development efforts becoming more evident.
- Resource constraint cited in some instances, especially among contracts where the economics of the deal forced Hewitt to underinvest.
- High turnover and quality of recruiting services support staff cited.
- Poor reporting and lack of proactive continuous improvement cited.

## IBM

### Strengths

- Geographic coverage (inclusive of global delivery) to deliver unmatched multiregion HR BPO capabilities. Geographic scope covers more than 100 countries and supports over 28 languages.
- Thought leadership and market understanding for HR BPO. Comprehensive HR BPO offering includes payroll, benefits, recruiting, learning performance, and relocation and expatriate services. Current number of HR BPO contracts is approximately 20.
- Investment in precontract discovery process working with IBM's HCM consulting group has yielded stronger blueprints for transition, as well as alleviating misunderstandings about the scope of work, and ensuring cultural fit and alignment from an early stage.
- IBM is cited as being customer-oriented and "a good listener," as well as for being big, with deep resources to bring to bear when problems arise.

### Cautions

- From a delivery perspective – despite "well-laid plans" – inconsistency among offshore locations is cited, although recent improvements have been noted.
- Underbidding on pricing cited as a cause of frustration once the deal was signed and transition began – assumptions had to be revisited.
- Certain subprocesses such as recruiting were cited as being less-solid than other core outsourced functions such as payroll, and some issues arose in managing third-party subcontractors.
- Underuse of consulting resources for transformation, underinvestment in analytical resources and leverage of best practices from other deals cited.

## Logica

### Strengths

- Sales execution, as well as understanding of the vertical-industry circumstance and complexity of the HR environment's impact on pricing.
- Segmentation of offerings and approach among midsize businesses, as well as public-sector agencies. The thrust of its comprehensive HR BPO offerings is in payroll and benefits administration services.
- Established early BPO partnership with Oracle, to drive competitive, pay-as-you-go pricing for HR subprocess components in the comprehensive offering.
- Consistent end-user customer satisfaction is cited. Logica's ability to partner with its customers is cited, as are its seamless service delivery capabilities.
- Established track record for specific European markets since 2003, but a relatively low revenue stream for HR BPO compared with other players; its installed base of comprehensive customers currently numbers approximately 10.

### Cautions

- Service offering differentiation in the market is not pronounced relative to competitors.
- An overemphasis on flexibility will hamper its ability to scale and gain leverage over multiple clients in the long term.
- Market coverage is limited to a handful of European countries, including the U.K., the Netherlands, France, Finland and Sweden. The Logica alliance was launched in January 2008 to cover 110 countries through partnership, although it is still largely aspirational at present.
- Positive risk taking cited as a challenge, trapped by Logica's "ambition for perfection."
- Insufficient front-end scoping of work cited as a reason for underestimating the amount of work that needed to be done in transition.
- Lack of proactive discussions about adding additional services to deal scope cited, as well as a lack of innovation in finding new ways to reduce costs.

## NorthgateArinso

### Strengths

- Payroll heritage of the merged ARINSO and Northgate entities, across continental Europe and the U.K., respectively.
- With approximately 14 comprehensive contracts under management, the company's offering is broad and includes payroll, recruitment, training and development, and HR administration services.

- Understanding of the HR market and a continued desire to project HR BPO services internationally in the future – we expect them to make further investments here.
- Cited as being very well-trained and disciplined in project management and getting things done on time – when problems arise, staff works diligently to set things right (see comment below regarding the Americas).
- Investments in core euHReka HR BPO delivery platform through alliance with SAP; prebuilt templates will appeal to clients willing to adopt NorthgateArinso approach to delivering services.

### Cautions

- Geographic capabilities on a country-by-country basis within its European "home" market (as well as internationally outside Europe) are cited as being uneven.
- The Americas project management especially is cited as needing improvement.
- It has low brand awareness for its HR BPO capabilities, especially in the European "home" market.
- Despite acquisition by KKR and subsequent rebranding of merged entities within the past year, NorthgateArinso must continue to invest in marketing to execute on its vision for comprehensive HR BPO, both in Europe and other regions.
- Continued investment in HR consulting capabilities needed – beyond mere implementation consultants – to help clients understand the long-term benefits of HR BPO.

### Vendors Added or Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

## Evaluation Criteria Definitions

### Ability to Execute

**Product/Service:** Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups and service-level agreements.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.