IDC MarketScape

IDC MarketScape Excerpt: Worldwide HR BPO 2014 Vendor Assessment

Lisa Rowan

THIS IDC MARKETSCAPE EXCERPT FEATURES: ADP

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape HR Business Process Outsourcing Vendor Assessment

Source: IDC, 2014

Please see the Appendix for detailed methodology, market definition, and scoring criteria.
IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide HR BPO 2014 Vendor Assessment (Doc # 248394). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This IDC study represents a vendor assessment of the comprehensive human resource business process outsourcing (HR BPO) market through the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain success in this market. This IDC MarketScape covers a variety of vendors participating in the HR BPO market. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and one another and highlights the factors expected to be the most influential for success in the market in both the short term and the long term. Key findings include:

- Key strengths in the HR BPO market include vendors' breadth of service offering, global delivery model, customer retention, and using what they sell.
- The aggregate challenges include the need for continual cost reduction, the need to identify new target markets, and the burden of supporting multiple HR platforms.
- Multitenant SaaS-based systems provide the one-to-many platform that could boost the popularity of HR BPO. Despite numerous attempts to standardize on a platform in the past, the majority of HR BPO deals require the service provider to assume responsibility for whatever HR platform is in place. HR BPO providers are taking a close look at SaaS platforms as a way to overcome this challenge.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

This IDC MarketScape looks at comprehensive HR business process outsourcing. The criteria for inclusion of vendors in this IDC MarketScape analysis are as follows:

- Vendors must at a minimum offer comprehensive services encompassing HR record keeping, benefits administration, payroll, learning management, and recruiting.
- Vendors must have a minimum of 150,000 employees/users live on a combination of two or more of the major HR business processes mentioned previously.
- Vendors must have a presence in the United States.

Services analyzed in this study were reviewed as they were in general availability as of December 2013.
ESSENTIAL BUYER GUIDANCE

To maximize value and minimize disruption, enterprise leaders must consider the following factors when evaluating HR BPO providers:

- **Delivery model appropriateness and execution.** Is the HRIS platform on which vendors support clients sustainable?
- **Portfolio benefits delivered.** Is the service solution adequately delivering the promised benefits of cost savings and efficiency?
- **Sales/distribution channel structure and capabilities.** Are the right partners and a strong system that engages partners at the right time in place?
- **Growth strategy execution.** Is the provider demonstrating market momentum and growth through consistent acquisition of new clients?
- **Innovation.** Are sufficient new services being added to stay ahead of or in line with the competition?

VENDOR SUMMARY PROFILE

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of one vendor's strengths and challenges.

ADP

According to IDC analysis and buyer perception, Automatic Data Processing (ADP) is an IDC MarketScape Leader worldwide.

ADP has its heritage in payroll outsourcing and has been offering such services since 1949. ADP has two HR BPO offerings: Comprehensive Outsourcing Services (COS) for the domestic market built on ADP's own proprietary platform and GlobalView HCM, which has its underpinnings on SAP for the multinational market – GlobalView with proprietary prebuilt country templates built for each country of ADP coverage. GlobalView is targeted toward large multinational companies that have significant employee populations around the globe and a preference to administer those employees on a single system of record. Generally, these organizations have 10,000+ employees. For smaller multinational populations, GlobalView leverages a proprietary partner network of in-country partners. Streamline is a partner network solution providing a single reporting/view of the data, single service experience, and a single contract for 100+ countries. Streamline is also integrated with the U.S. COS, GlobalView, and Vantage HCM offerings to expand the geographic footprint for ADP clients. U.S. COS remains focused on the U.S. domestic midmarket buyer (with 1,000-20,000 employees) that prefers a proprietary solution approach and best practices-oriented processes. Across the HR BPO offerings, ADP is the largest supplier of HR BPO services, with over 3.3 million client lives served for processes including RPO, HR, benefits, and payroll.
ADP completed a comprehensive total cost of ownership study for HR BPO. The study demonstrates that outsourcing payroll to ADP in a BPO model not only lowers the cost of payroll administration but also drives change throughout the organization, resulting in lower costs for HR transaction processing, time reporting, and management.

**Strengths**

ADP has many areas of strength including global reach, vendor reputation and viability, and sustained affordability. It is important to note that ADP has strong internal talent practices where employee longevity is the norm and many promotions come from within.

**Challenges**

Until this analysis, ADP's partnering efforts were not a strength, but this has been improved. ADP also launched its own change management practice, which improved upon what was a challenge previously.

**APPENDIX**

**Reading an IDC MarketScape Graph**

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The number of client lives served by two or more major and integrated HR functions in adherence to IDC's definition of comprehensive HR BPO is indicated by the size of the marker.

As a whole, the vendors covered in this analysis are established players, all with strengths in service and delivery. While prior years were marked by mergers and acquisitions (M&A) in the space, 2013 was quiet on the M&A front, leaving a relatively stable field. This research is focused on United States and global firms so firms exclusively serving non-United States markets are not included.

In terms of underlying platform, there's a change coming. While many suppliers still support a variety of ERP platform solutions, there is strong interest in supporting and movement toward the multitenant SaaS offerings like that from Workday.
IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor’s characteristics, behavior, and capability.

Market Definition

Distinguishing Between Business Process Outsourcing and Processing Services

Although many BPO service providers use the terms BPO and processing services interchangeably, there is a key distinction: In the case of BPO, the engagement incorporates services that focus on better aligning the operational aspects of the business function with the overall business needs of the client company. These services are delivered during the initial design and implementation of the solution as well as on a continuous and ongoing process improvement basis. Services such as business consulting, IT consulting, systems integration, application outsourcing (AO), training and education, and change management are typically involved in BPO engagements to a much greater degree than has been the case with more traditional processing service engagements.

An additional point is that many BPO engagements may contain elements of processing services. In fact, we see a growing trend in which processing services are being incorporated within the scope of BPO engagements and not engaged on a discrete basis.

This study focuses exclusively on multifunctional HR BPO, in which more than one major HR process is being outsourced as part of the BPO engagement as defined previously. Examples of major processes include:

- Payroll administration, compensation planning, and payroll call center
- Benefits administration and planning, both those related to health and welfare and those related to retirement, and benefits call center
- Recruitment management wherein the provider is actually acting in a recruiting capacity for the client, not just managing ATS technology
- Learning management wherein the provider is doing more than managing LMS technology

Overall HR administration and record keeping are considered to be included in these processes.
Migration of HR Systems from On-Premise to SaaS Will Drive Growth in HR Services and HR BPO

In IDC's 2013 survey of HR executives, a reported 27% plan to change HR systems in 2014 compared with the reported 13% of actual changes in the prior year (see 2013 Human Capital Management Survey: HCM Buyer Actions and Plans, IDC #243110, September 2013). The top reason for planning a change is outdated technology, indicating the likelihood that the move will take HR from on-premise to SaaS.

This is an important trend with potential impact to HR services providers in several areas:

- **Consulting.** The sheer complexity of replacing aging and highly customized systems will drive HR buyers to search for consulting services to help navigate them through the change management and process redesign needed to fit into a new model. We've seen this trend in 2012 and 2013, but it will accelerate in 2014 and 2015.

- **HR BPO.** Multitenant SaaS-based systems provide the one-to-many platform that could boost the popularity of HR BPO. Despite numerous attempts to standardize on a platform in the past, the majority of HR BPO deals required the service provider to assume responsibility for whatever HR platform was in place. This meant that the majority of savings to the buyer came from labor arbitrage and miscellaneous efficiencies introduced by the service provider. With an introduction of a non-proprietary, multitenant platform that is accepted by the market external to services engagements, HR BPO providers will be able to scale services to be multitenant. This means lower provider costs that if passed on to the buyer will make BPO attractive again. For the buyer, multiple updates per year of SaaS-based systems are not as easily consumed as advertised, so having a services partner would help ease this burden.

- **Processing services.** Payroll services providers stand to make gains when HR buyers make big HR system shifts. First, the move itself has a lot of moving parts and it may make sense to outsource payroll and take it out of the conversion mix, at least temporarily. Second, some of the newer cloud-based HR systems do not yet offer strong payroll capabilities. In the latter case, it will be natural to move payroll and perhaps benefits administration to a service provider. Third, the drive to a single global view is heightened by a move to a new system, yet some of the SaaS HR systems vendors do not yet support payroll globally. In the global case, HR buyers will seek payroll from services firms with broad geographic coverage.

LEARN MORE

**Related Research**

- IDC's Worldwide Services Taxonomy, 2014 (IDC #247379, March 2014)
- The Promise of Integrated Talent Management: A Reality Check (IDC #243704, October 2013)


**Synopsis**

This IDC study represents a vendor assessment of the comprehensive human resource business process outsourcing (HR BPO) market through the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain success in this market. This IDC MarketScape covers a variety of vendors participating in the HR BPO market. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and one another and highlights the factors expected to be the most influential for success in the market in both the short term and the long term.

"Multitenant SaaS-based systems provide the one-to-many platform that could boost popularity of HR BPO. Despite numerous attempts to standardize on a platform in the past, the majority of HR BPO deals require the service provider to assume responsibility for whatever HR platform is in place," says Lisa Rowan, research vice president, HR, Talent, and Learning Strategies for IDC. "HR BPO providers are taking a close look at SaaS platforms."
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Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-insights-community.com
www.idc.com

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