This Magic Quadrant focuses on vendor capabilities in the comprehensive HR business process outsourcing market among 10 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
This document was revised on 2 December 2009. For more information, see the Corrections page on gartner.com.

The comprehensive HR business process outsourcing (BPO) market – often described as “end-to-end HR BPO” – consists of support for multiple business processes within the HR domain through a singular BPO contract. While currently in its adolescence, the market has been hampered because of the impact of the recession, as well as a lack of major new “deals of size.” The pipeline of comprehensive HR BPO deals – which we described in 2008 as “slowing to a trickle” – largely evaporated for the first three quarters of 2009. This scenario will continue through early 2010, as macroeconomic forces make HR requirements and costing assumptions uncertain, but the volume and tempo of deal signings should steadily improve throughout 2010.

Stabilization of service, listening to customers, focus on long-term partnership, and generally making HR BPO “easier to buy” have been major characteristics of our research and discussions with buyers and providers of comprehensive HR BPO services in the preparation of this year’s Magic Quadrant. These elements have largely manifested themselves in the Offering (Product) Strategy, Overall Viability, Market Responsiveness and Track Record, and Customer Experience ratings. Because of the exigencies of the recessionary period, many providers “shifted upward” in the Magic Quadrant, and generally there continues to be less activity around business development and “visioning” for market differentiation.

Throughout the recessionary climate of hard economic times, strategic and complex comprehensive HR BPO services that require significant front-end transition investments and time to implement will likely give way to greater adoption of standardized services (which feature use of alternative delivery models, such as business process utility and software as a service [SaaS]) that are easier to implement in incremental components over time. Investment in platforms that increase the odds of scalability, leverageability and standardization is one of the biggest market trends to be observed in 2009. Some of the largest providers that cannot adapt and offer the delivery of this style of comprehensive services will struggle.

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.
Being global as an HR BPO provider matters. More buyers are seeking providers that can accommodate regional or global needs as businesses expand, decline, or face mergers and acquisitions. While most comprehensive deals are signed on a region-specific basis, this is no longer the case for point solutions, such as payroll, in which there is now significant demand for global payroll solutions. 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 situation 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 market 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. Many buyers are reluctant to “overoutsource” too much of their HR function. Perform a cost-benefit assessment of the time, systems and interfaces required to manage partially outsourced HR functions, compared with the cost reduction that a more-comprehensive approach to HR BPO might deliver. And, based on sourcing requirements, think through the processes in which improvements and cost-benefits may be possible and which benefits might, in turn, help fund investments in critical nonoutsourced processes that will help sustain the enterprise’s competitive advantage.

Comprehensive HR BPO needn’t be a “big bang” approach. HR BPO buyers seeking an eventual comprehensive HR solution should look for HR BPO providers that can add subprocesses incrementally to the contract as their needs change over time.

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 the 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.

Gartner’s comprehensive HR BPO Magic Quadrant is a useful starting point from which to identify and evaluate comprehensive HR BPO 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 must determine which comprehensive HR BPO provider can best address their particular requirements. For example, just because a service provider falls into the Leaders quadrant in this document, 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.

Figure 1. Magic Quadrant for Comprehensive HR BPO

<table>
<thead>
<tr>
<th>Challengers</th>
<th>Leaders</th>
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<tbody>
<tr>
<td>Hewitt</td>
<td>ADP</td>
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<tr>
<td>Ceridian</td>
<td>IBM</td>
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<td>NorthgateArinso</td>
<td>Accenture</td>
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<td>Logica</td>
<td>ACS</td>
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<td>Convergys</td>
<td>Capita</td>
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As of November 2009

Source: Gartner (November 2009)
Compensating Have Been Striving For Several Years.

Onset Providers – Marg Ine Improvement Is Something The Market Has
Improved Bottom-Line Profitability Results Across The Board Among
The Service And Technology Industries). Generally, This Level Of Focus
2009 Its HR BPO Renewals With Three Large Global Companies In
The State Of Texas, As Well As Announcing In The Third Quarter Of
And Convergys, For Its Part, Successfully Renewed Its Contract With
Comprehensive HR BPO Implementations. Some Providers, Such As
Hewitt And Convergys, Have Acted As Prime Contractors And
Utilized Implementation Specialist Partners, Allowing Them To Focus
On Posttransiti HR Process Management Services. Additionally,
We Have Seen Instances Of Larger Contracts Being Broken Down
Into Smaller Statements Of Work, And Discrete Processes Being
Implemented One At A Time, As Opposed To A “Big Bang,” All-At-Once
Approach. This Situation Is In Contrast To The Early Part Of The Decade,
Whereby Providers Would Bid On Complex Deals But Then Have Trouble
Transitioning Them To A Steady State Of “Profitable” Operations.

Significant Improvements In The Discipline Used In The Delivery,
Financing And Development Of Costing Assumptions Of These
Deals Will Continue Through The Near Term. These Improvements
Have Been Required To Profitably Manage Individual Deals And The
Portfolio Of HR BPO Contracts, And A Bright Spot On The Supply
Side Of The Market Is That The Majority Of Providers Are – At Long Last
– Pulling Their Comprehensive HR BPO Out Of The Red And Into The
Black Of Profitability.

Some Players Have Exited The Comprehensive HR BPO
Market

In Terms Of The Competitive Landscape, We Continued To See The
Impact Of Vendor Consolidation In This Market, With The Exit Of HP/
EDS’s ExcellerateHRO Unit From The Market, As Well As The Decision
By Fidelity Employer Services To Stop Pursuing Comprehensive
HR BPO Deals; As A Result, The Number Of Providers Matching Our
Inclusion Criteria Is Now Down To 10. Furthermore, Xerox Announced
Its Intention To Purchase ACS; We Shall See How The Integration
Efforts Proceed For The Long Term. Buyers Should Continue To
Anticipate Further Consolidation, In Line With Our General BPO
Guidance That One-Quarter Of The Top 20 BPO Providers Will Cease
To Remain As Separate Entities By 2012.

No India-Centric Vendors Among The Top 10 Providers

In This Magic Quadrant, The Absence Of Players Headquartered
In India Continues To Be One Of The Big “X Factors” – None Cross
The $100 Million HR BPO Revenue Threshold For Inclusion (Tata
Consultancy Services [TCS] Comes Close, And Infosys Technologies
– TCS’s Nearest Rival In Terms Of Estimated HR BPO Revenue – Trails
Significantly Behind). For The Most Part, These Players Continue To
“Dabble” 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.
Market Definition/Description

Comprehensive HR BPO – often called "end-to-end HR outsourcing (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 these subprocesses each have multiple subcomponents):

- Payroll
- Benefits administration
  - Defined contribution administration (for example, 401[k] in the United States 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 United States)
- 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
- ExcellerateHRO – EDS, now owned by HP, confirmed to Gartner in July 2009 that the company would shut down the use of ExcellerateHRO as a delivery platform for comprehensive HR BPO. For that reason, it has been dropped from this Magic Quadrant.
- Fidelity HR Services – Fidelity HR Services was dropped from the Magic Quadrant because of its disclosure to Gartner in February 2009 that it had decided to stop pursuit of comprehensive HR BPO deals.

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. HR BPO 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.

Market Responsiveness and Track Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customers’ 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 HR BPO deals being evaluated. Specifically, this includes the ways customers receive operational HR BPO service support and strategic account support to ensure that comprehensive HR BPO 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.

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Product/Service</td>
<td>Standard</td>
</tr>
<tr>
<td>Overall Viability (Business Unit, Financial, Strategy, Organization)</td>
<td>High</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>Low</td>
</tr>
<tr>
<td>Market Responsiveness and Track Record</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>Standard</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>Standard</td>
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</tbody>
</table>

Source: Gartner

Business Model: The soundness and logic of a service provider’s underlying business proposition. Business model considerations will also include its interrelation to HR BPO 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 also will 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.

Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Standard</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Standard</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>Low</td>
</tr>
<tr>
<td>Innovation</td>
<td>Standard</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>Standard</td>
</tr>
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</table>

Source: Gartner

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 HR BPO 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 HR BPO consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling HR BPO 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 HR BPO development and delivery that emphasizes differentiation, functionality, methodology, and depth and breadth of HR services as they map to current and future requirements.

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, business models, and understanding of who they are and how they are differentiated in the market. They also have a relatively strong global reach and 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 vendors in this quadrant, execution continues to improve consistently, and customer experience and track record are very good; innovation, thought leadership and sustained attention to marketing will help improve completeness of vision.
Visionaries
Visionaries have a clear vision of market direction and are focused on preparing for that, but they still can improve their service delivery. Again, no players are currently positioned in the Visionaries quadrant, which is symptomatic of the market having focused largely on execution during the recession.

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 a consideration; 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 the installed base of comprehensive contracts is also a factor.

Vendor Strengths and Cautions

Accenture

Strengths

• Depth of HR domain knowledge, supported by Accenture’s industry-specific and horizontal consulting skills.

• Slate of HR processes offered is broad, with specific emphasis on strategic talent management. Subprocesses include payroll, benefits, recruitment, learning services, and workforce and data administration.

• Fostered early renewals of 10 clients in the recessionary climate; Accenture’s current portfolio of comprehensive HR BPO deals numbers approximately 25.

• Outstanding brand awareness for HR BPO services among buyers, and Accenture’s is consistently strong in Asia/Pacific, Europe and North America.

• Geographic strategy for HR BPO – Global clients will find a broad-reaching set of countries and regions served.

Cautions

• Inconsistency and integration of outsourced HR subprocess delivery cited. Carefully evaluate a match of Accenture’s specific HR subprocess capabilities (such as payroll or benefits) to your specific requirements.

• Accenture’s services tend toward significant change in 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.

• Responsiveness to the recession cited as being mixed (in HR BPO messaging and uneven innovation) – while some clients lauded Accenture’s predictive models forecasting the impact of the recession on the HR function, others stated that Accenture was overambitious and underestimated delivery times.

• Midmarket strategy unclear – Accenture BPO Services and Solutions for the Midmarket has been folded into the broader HR BPO portfolio, and strategic HR BPO focus is now clearly on large-enterprise customers.

ACS

Strengths

• 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.

• Execution-oriented approach; implementations cited as sensible and pragmatic; access to and responsiveness of multiple levels of senior executives also consistently cited.

• Broad global delivery capabilities, supporting more than 4 million employees in more than 72 countries.

• Improved attention to marketing strategy and messaging, especially in the face of the recession.

• HR BPO offering strategy bolstered by ACS’s rollout of preconfigured Oracle platform targeted to the Oracle/PeopleSoft installed base of customers; however, ACS has no live customer references yet for these Oracle-leveraged platform services.

Cautions

• ACS’s recent acquisition by Xerox has impacted its overall viability rating, until such time as the merged entity can prove it has minimized internal integration distractions and has successfully blended the two organizations.

• Despite considerable revenue backlog in HR BPO, ACS has maintained a below-average number of comprehensive HR BPO contracts, which presently number approximately 11. That said, these deals maintain the highest employee average in the industry, at more than 103,000 employees.

• Rollout and execution of “SynchHRO” moniker for the Oracle-leveraged platform met a mixed reception in the market – ACS found that some prospects were confusing it with a SaaS-only play, versus BPO.
Below-average brand awareness for HR BPO services in Europe continues to present a marketing execution weakness.

References cite concern over inconsistent methods across processes and overcustomization, as well as turnover and lack of continuity of key staff in the HR BPO subprocess delivery.

Utilization of Buck Consultants to proactively drive HR BPO innovation and thought leadership is cited as inconsistent.

**ADP**

**Strengths**

- Consistently strong references for customer experience as well as quantity of client installed base, numbering approximately 52 comprehensive HR BPO deals that support ADP’s well-differentiated Comprehensive Outsourcing Services (COS) strategy of building a technology-enabled, standardized, scalable comprehensive HR BPO offering.

- Good understanding of market requirements for HR BPO, especially in terms of what it takes to successfully deliver among midsize businesses.

- ADP has shown sustained consistency and results in its offering differentiation for comprehensive HR BPO as a result of its diversification from its strong brand perception as a “payroll niche provider.”

- Business model is strong; ADP is well-entrenched in HR BPO as a market specialist, and it has excellent understanding of what it takes to achieve profitability on a deal-by-deal basis in the comprehensive HR BPO market.

- Modularity of comprehensive offerings and investment in implementation methodology, with a primary focus on midmarket buyers (1,000 to 15,000 employees) in the United States.

- Cited as being responsive to client feedback.

**Cautions**

- Geographic strategy features heavy focus on the U.S. market, but ADP’s intent is to continue to grow international customers through GlobalView platform with multicountry payroll “toehold.”

- Product silos are glaring (one reference stated it “feels like the right hand doesn’t know what the left hand is doing sometimes”), and niche product decisions are made without regard for impact of broader COS systems and processes.

- Global implementation challenges are especially cited, and scale issues among large enterprises – versus midsize customers – can be a challenge.

- ADP’s comprehensive HR BPO offerings are based largely on payroll and benefits administration services; ADP’s 2009 alliance with Cornerstone pushes the offering further into learning and performance management services.

- Lack of consultative approach to HR and business challenges.

**Capita**

**Strengths**

- Well-established track record in the United Kingdom. Capita is an especially good choice for the public-sector market, having signed its first HR BPO deal in 1998, and it has approximately seven current contracts for comprehensive HR BPO.

- Good market differentiation and improved European HR BPO brand awareness due to installed base and experience with U.K. public-sector agencies.

- Breadth of comprehensive HR BPO offerings, which include payroll, benefits administration, pensions administration, recruitment, and HR administration services.

- Good professionalism and customer care of HR constituents cited.

**Cautions**

- U.K.-centric footprint for service delivery; its niche status here weakens its ability to compete against other players in the comprehensive HR BPO market for deals requiring Pan-European capabilities, let alone global ones.

- Chronic difficulty in marketing its unique capabilities and differentiation.

- Sales strategy is conservative, yielding a relatively small installed base of comprehensive HR BPO clientele (despite a 10-year track record).

- Transition of HR BPO implementation staff to post-transition, “steady-state” personnel cited as not being seamless.

- Flexibility and proactive HR BPO thought leadership cited as lacking.
Ceridian

Strengths

• Very strong references in the way of customer experiences; Ceridian currently has approximately 22 contracts.

• Good HR BPO offering breadth, including payroll, benefits administration, health and welfare, recruiting, and performance management.

• Major competitive emphasis on customer responsiveness; the client advisory board is a powerful influence on Ceridian’s HR BPO strategy, and customer references especially cite Ceridian’s propensity to “listen and learn.”

• HR BPO leadership team cited as strong, and manifesting a work ethic that is honest and hardworking.

• Intent to further leverage its strong position in payroll contracts to progressively more-comprehensive ones, competing from a position of strength.

• Corporate focus on Six Sigma and total quality management; strong implementation skills. Clients cite improving root-cause analysis of metrics and enhanced reporting capabilities.

Cautions

• International capabilities largely around payroll only, yet Ceridian has reorganized and invested in its global organization for consistency; installed base of comprehensive HR BPO clientele is largely composed of North America-headquartered clients.

• Despite the notable addition of a couple of U.K.-headquartered clients in 2009, its chronically low brand awareness for HR BPO outside North America continues.

• Silos and disconnect between U.S. and Canadian organizations cited.

• Overly manual HR processes (“behind the curtains”) cited as being an impediment to continuous process improvement (bearing in mind the above strengths for Six Sigma).

• Present competitiveness is affected by Ceridian’s legacy platform; major investments are under way in new proprietary HR BPO delivery platform (“InView”).

Convergys

Strengths

• Breadth of comprehensive HR BPO offerings, which include payroll, benefits administration, recruiting and resourcing, learning and HR administration.

• Successfully obtained four significant contract renewals in the second half of 2009; number of deals currently numbers approximately 10.

• Customer responsiveness in the face of the recession cited as being consistently strong.

• Synergies with Customer Management CRM BPO business, manifesting in ability to drive HR interaction with end users, and very good customer satisfaction cited.

• Broad global delivery capabilities, supporting clients in more than 70 countries as well as supporting 35 languages.

Cautions

• Convergys’s relatively small HR BPO revenue size compared with its competitors, as well as ongoing special charges associated with its massive DuPont and Johnson & Johnson contracts, continue to hamper profitability – absent those significant charges, profitability will improve.

• Lack of proactive, creative solutions and innovation cited.

• Despite broad global delivery capabilities, Convergys’s HR BPO client roster is U.S.-centric.

• Lack of front-end HR consulting services specifically cited as an impediment to innovation as contracts mature, as well as hampering Convergys’s ability to truly articulate a long-term vision and strategy for its HR BPO services.

• Issues surrounding data coordination, integration and data usability from Convergys’ subcontractors in the HR BPO services cited; Convergys’ use of platform implementation partners may also necessitate a greater investment in sourcing management on the part of buyers.
Hewitt

Strengths

- Experience and lessons gained surrounding comprehensive HR BPO deals; broad portfolio of services includes payroll, benefits, recruiting, learning and development, relocation and mobility, and workforce management. Hewitt has approximately 26 comprehensive HR BPO contracts today.

- Customers cite strength of senior leadership and consistently strong execution; overall customer experience is very good; also, swift market responsiveness in the face of the recession cited.

- Solid revenue base and improved profitability make for strengthened overall viability in the comprehensive HR BPO market.

- Synergy with Hewitt’s benefits outsourcing and HR consulting business.

Cautions

- Despite intent to target multinational deals, most HR BPO contracts today are based in North America, an impediment to geographic strategy.

- Despite the strong consulting capabilities that Hewitt brings to the table, its strategy for innovation in comprehensive HR BPO is below average; references cite additional need for innovation on tools and HR thought leadership.

- Problems with silos and team integration cited across HR subprocesses.

IBM

Strengths

- Geographic coverage (inclusive of global delivery) to deliver unmatched multiregional HR BPO services. Geographic scope covers more than 100 countries and supports more than 28 languages.

- Strength of market understanding for HR BPO. The comprehensive HR BPO offering of IBM’s HR & Learning unit includes payroll, benefits, recruiting, learning (including content and workforce productivity), and workforce analytics. Current number of HR BPO contracts is approximately 20.

- Investment in precontract discovery process (working together 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.

- Above-average focus on HR BPO innovation, including deep focus on workforce analytics and reporting at the subprocess level.

- IBM is cited as being customer-oriented and flexible.

Cautions

- Some unevenness on certain processes (such as recruiting) cited by clients, as well as silos across technologies – because IBM utilizes a host of subcontractors for HR BPO, clients should be vigilant here.

- References question whether best practices and lessons are being captured and spread across IBM’s HR BPO client base, despite significant investments in its HR BPO user group.

- Despite its effectiveness for use of IBM consulting for precontract discovery processes, references cited that some of the process templates still need to be fleshed out.

- IBM wants to make its HR BPO transition activities less expensive; there is a future need to reduce costs here while keeping quality intact.

Logica

Strengths

- Strengthened business model; retention and extension efforts with clients, and an upsell-focused sales strategy to move beyond payroll has successfully yielded expanded revenue.

- Service orientation, professionalism, honesty and flexibility cited – “Logica delivers what it promises.”

- Logica’s articulation of its offering strategy and market differentiation has improved, and its breadth of HR services is broad, including payroll, workforce administration, recruitment and staffing, compensation and benefits, and training and learning.

- Established early BPO partnership with Oracle, to drive competitive, pay-as-you-go pricing for HR subprocess components in the comprehensive offering.

- Implementation methodology is strong (due in large part to its system integration heritage).
Cautions

• Logica has improved its Northern European market niche in the United Kingdom, Ireland, the Netherlands, Sweden, Finland (and increasingly) France since 2003, but it has a relatively low revenue stream for HR BPO compared with other players; its installed base of comprehensive customers currently numbers approximately 15.

• Despite Logica’s focus on upsell, references cited that discussions about adding additional services to deal scope were reactive in nature, and lack of innovation in finding new ways to keep service delivery fresh was also cited.

• Service consistency across global delivery sites needs improvement.

• Ongoing need for improvement in scoping and proposing multicountry contracts.

• Technical teams cited as being less flexible than project managers, leading to disjoint in service delivery.

NorthgateArinso

Strengths

• Payroll heritage and global focus on delivery to more than 70 countries; additional comprehensive HR BPO services include pensions and benefits, recruitment, and workforce administration services.

• SAP skills linked to HR BPO implementation of euHReka platform cited as being excellent and holistic in scope.

• Consistently profitable.

• Impressive volume of some 88 individual comprehensive HR BPO contracts is a testament to sales execution, especially in the midmarket; its deals typically service an average of approximately 7,300 employees.

• Messaging surrounding low-cost services gained traction in the market during the 2009 recessionary period, as evidenced by net-new deals; good potential to leverage 2009 “euHReka-on-demand” initiative and global payroll-only deals into greater HR BPO opportunities.

• References cite flexibility and focus on customer orientation.

Cautions

• Geographic capabilities on a country-by-country basis are cited as being highly variable in quality, and consistency of global delivery sites uneven. Service delivery within the Americas is cited especially as needing improvement; U.S. market penetration, despite strategic intentions, remains elusive.

• It has extremely low brand awareness globally for its HR BPO capabilities, which is especially notable in its European “home” market – a testament to the need to invest in sustained branding and marketing efforts.

• Quality assurance and ongoing attention to innovation cited as lacking.
• SAP capabilities and payroll services cited as being good, but quality of ancillary HR subprocesses could use improvement.

• Mixed reviews on implementation capabilities cited: NorthgateArinso can be somewhat “lax” and unstructured (bearing in mind the above strengths cited for its flexibility).

• Employee attrition and some turnover in management is cited as leading to uneven performance and protracted learning curves among sales, marketing and operations personnel.

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 that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization’s portfolio of products.

Sales Execution/Pricing: The vendor’s capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales 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 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 initiatives, 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, service-level agreements and so on.

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 to 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 products 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 sets 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 vertical markets.

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.