

EXCERPT

IDC MarketScape: Worldwide HR BPO 2012 Vendor Analysis

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IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide HR BPO 2012 Vendor Analysis by Lisa Rowan (Doc # 237630). All or parts of the following sections are included in this excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, and Essential Guidance. 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 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.
 - ☒ Key trends that may impact HR BPO services for the better tie to IDC's four pillars of cloud, mobile, social, and big data/analytics. Platforms and platform strategy have always played an important role in HR BPO services, and a move to cloud platforms like Workday may be game changing. Social and mobile open up new, more efficient ways to communicate with clients and clients' employees. HR is clamoring for help with actionable HR metrics, both operational and strategic. Delivering on both types of analyses will be a real differentiator for providers that are able to do so effectively.
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IN THIS STUDY

This IDC study represents a vendor assessment of the comprehensive human resource business process outsourcing market through the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain a vendor's success in this market.

This IDC MarketScape covers a variety of vendors participating in the HR BPO market. With a focus on the market in the United States, 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.

This study is composed of two sections: The first part involves a definition of the characteristics that IDC believes lead to success in the HR BPO market. These characteristics are based on buyer and vendor surveys and key analyst observations of best practices.

The second part of this study provides a visual presentation of multiple vendors into a single bubble chart format. This display concisely exhibits the observed and quantified scores of the reviewed vendors.

The document concludes with IDC's essential guidance to support continued growth and improvement of these vendors' offerings.

This IDC MarketScape replaces the HR BPO IDC MarketScape published in 2011 (see *IDC MarketScape: Worldwide HR BPO 2011 Vendor Analysis*, IDC #229437, July 2011).

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.

Definitions

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 (SI), 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.

SITUATION OVERVIEW

The market for comprehensive HR BPO services has slowed down since the highs of 2007 but has remained fairly steady with a big comeback in 2011 from the challenging year in 2010 (see Figure 1).

We may not again see the volume of headline-making billion-dollar deals that were struck in 2005 through 2007, but there will always be a few of that caliber with more single-function and lower-profile deals in the midmarket. IDC has lowered its market growth expectations in light of overall economic conditions, and the five-year CAGR through 2016 now stands at 2.4% for the United States, which is lower than prior

forecasts. There may yet be a rebound if vendor activity is any indication. The vendors covered in this analysis indicate fairly universally that there is renewed interest in HR BPO with more RFPs in play than has been the case in recent years.

FUTURE OUTLOOK

IDC MarketScape Worldwide Comprehensive HR BPO Market Vendor Assessment

The IDC vendor assessment for the comprehensive HR BPO market represents IDC's opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC divided potential key strategy measures for success into two primary categories: capabilities and strategy.

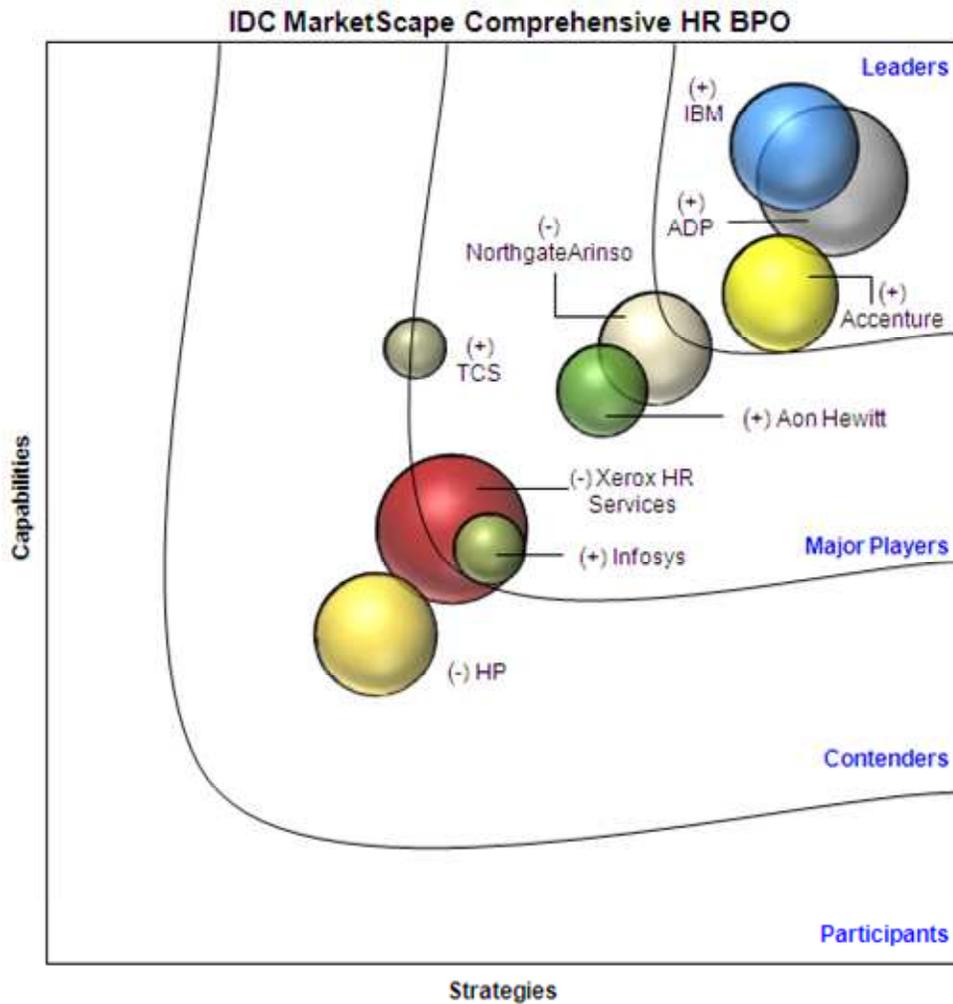
Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well it is aligned to customer needs. The capabilities category focuses on the capabilities of the company and services today. In this category, IDC analysts look at how well a vendor is building and/or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

Positioning on the x-axis or strategy axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategy category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, which in this case is defined as the next three to five years. In this category, analysts look at whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 2 shows each vendor's position in the vendor assessment chart. 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 bubble, and a (+), (-), or () icon, respectively, indicates whether the vendor is growing faster than, slower than, or even with overall market growth. It is important to note that the number of client lives served is self-reported by the vendors.

FIGURE 2

IDC MarketScape Worldwide HR BPO Vendor Assessment



Source: IDC, 2012

Vendor Summary Analysis

This section briefly explains the key observations that resulted in a vendor's position in the vendor assessment graph. While each vendor was evaluated against each of the characteristics set forth (refer back to Tables 1 and 2), the description here provides a brief excerpt of the findings that represent the vendor's score.

The vendors covered come from a variety of backgrounds to HR BPO. Each background lends a slightly different perspective and advantage to the vendor offering. Legacies include traditional process outsourcing, IT outsourcing (ITO), and consulting. The lines, however, are becoming blurred as the market matures. Several

of the players can be categorized in multiple ways as a result of acquisitions or concerted efforts to broaden expertise.

IBM

IBM has businesses encompassing global hardware, software, and services. IBM offers core and end-to-end HR services as well as standalone services in learning and in recruitment process outsourcing. IBM's approach is to assist clients with transformation and/or transition, and it supports a variety of HR technologies with key partnerships in some functional areas. In addition to end-to-end HRO, the subject of this analysis, IBM also offers core services in learning and recruiting. IBM targets organizations with more than 10,000 employees, with an element of concentration in one or more countries and where multiple HR processes are in scope. IBM has a Client Advisory Group for its HRO clients. IBM also offers standalone services (or start small and grow offerings) in learning, recruitment, and HR analytics. The acquisition of Kenexa (to be finalized in December 2012) further broadens IBM's talent management, learning, and recruiting services offerings.

IBM has added services in the areas of HR analytics; Smart Learning Content Services, which includes thousands of courses from IBM and third-party providers covering a wide range of needs; the AdviseHR suite, which is a full technical suite for HR including IBM's WebSphere portal technology and IBM's AdviseHR suite solution (IVR, CTI, case management, mobile, and Knowledge Base technology) used to provide HR information, track customer cases, and enhance the user's self-service experience; HR Integrate to reduce the onetime cost of integrating multiple HRIT applications and to reduce the total cost of ownership; and Talent Management as an offering.

IBM is again a Leader in this analysis. IBM's strengths include global reach, breadth of HR services portfolio, vendor viability and reputation, and strength in transformative consulting. With the acquisition of Kenexa (to be finalized in December 2012) and subsequent rollout of the Smarter Workforce initiative, look for more HR services that apply social technology to talent management business challenges.

ESSENTIAL GUIDANCE

While much in the HR services arena remains unchanged, IDC's four pillars of mobile, social, cloud, and big data/analytics are coming into play in HR BPO services. Infusion of such innovation may bring about big changes down the road. In detail:

- ☒ **Cloud.** Platforms and platform strategy have always played an important role in HR BPO services. In the early days of HR BPO, the platform model was "lift and shift" and then came "transform then transfer." More recently, various vendors have taken on-premise ERP and adapted a standard implementation onto which to move clients presumably to lower costs. TCS and NorthgateArinso have both done this with SAP. Infosys and Xerox have done this with Oracle. This supplier-formed ERP model has been met with mixed results. All of these modes have had challenges in that buyers wish to cling onto their huge investments in their system of choice. But what if the buyer is already committing to a new platform and one that will not differ from client to client? Along comes Workday. Just about all of the vendors covered in this analysis are building out services on

Workday, with Aon Hewitt already reporting services customers on the platform. And Workday is not the only cloud story. ADP has rolled out its SaaS-based platform, Vantage HCM, onto which it will migrate its clients. With no resource-hogging customizations to manage around, the promise of SaaS may be a real boon to the HR BPO market.

- ☒ **Social and mobile.** Social is just now getting a foothold into HR processes, but tremendous potential is there for socialization in many areas. On the service delivery side, providers are opening up customer service via social means like chat and building out social communities where client peers can share tips, ideas, and more. Within the HR functionality itself, social capabilities in recruiting and learning are well advanced. Going beyond what we see today, IBM's Smarter Workforce initiative will be presenting social use cases for improving overall workforce processes. Xerox with Life@Work is offering employees social feedback around health and wellness with retirement in the offing. There will be a real groundswell of demand once HR sees the real value of social. This category also involves mobile in that one calls for the other. If it's social, chances are you want to access it via smartphone or tablet.
- ☒ **Big data/analytics.** More established than the other pillars in HR services, analytics are not by any means any less important. There are two sets of analytics that come into play in HR services. First, there are analytics available to clients, primarily HR administrators that report on the service itself. Useful analytics might tell administration that a lot of employees call the call center on Tuesdays. The client and the provider can determine why this might be and take action to answer "Tuesday" questions before they pop up. The aforementioned analytics are generally well provided for by suppliers. More difficult but very valuable are analytics that analyze the client's HR data to report on key performance indicators (KPIs) such as turnover. Taking it a step beyond that is augmenting client's KPI results with benchmark data gleaned from aggregate client data. Delivering on all of these types of analyses will be a real differentiator for providers able to do so effectively.

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.

"The vendors covered in this analysis generally all provide mature service offerings with similar strengths and weaknesses. However, emerging technologies across cloud, mobile, social, and big data/analytics may prove to be game changers in the next few years," says Lisa Rowan, research vice president, HR, Talent, and Learning Strategies for IDC. "Platforms and platform strategy have always played an important role in HR BPO services, and a move to cloud platforms like Workday may be game

changing. Social and mobile open up new, more efficient ways to communicate with clients and clients' employees. HR is clamoring for help with actionable HR metrics, both operational and strategic. Delivering on both types of analyses will be a real differentiator for providers that are able to do so effectively."

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