



# **Human Resources Outsourcing (HRO) Annual Report – Preview Deck**

**November 2008**

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## **Background of the research**

There are some major shifts taking place in the 11-year old multi-process Human Resource Outsourcing (HRO) market. While the fundamental drivers behind outsourcing multiple human resources processes are still strong, the ways and means to achieve them are changing. In a challenging economic environment, buyers are looking to reduce their direct and indirect cost in the shortest time possible. Existing suppliers continue to refine their strategy to serve their clients profitably while new suppliers are eyeing underserved areas

In this backdrop, this report provides comprehensive coverage of the global HRO market including detailed analyses on

- Market size and buyer adoption
- Transaction characteristics and value proposition
- Supplier landscape

## **The scope and methodology of this report includes**

- Third-party HRO deals; it does not include shared services or captives
- Multi-process HRO deals with a minimum of three HR processes and servicing more than 3,000 employees
- All multi-process HRO deals signed as of July 2008
- Focused interviews with HRO suppliers and buyers

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# Overview and abbreviated summary of key messages

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This report will assist key stakeholders (i.e., buyers, suppliers, and technology providers) understand the changing dynamics of the HRO market and will help them identify value creation opportunities as well as identify potential risks involved. It examines the global 2008 HRO market and provides insights, detailed analyses and implications for stakeholders along three key dimensions: market size and buyer adoption; transaction characteristics and value proposition; and supplier landscape

## Some of the findings in this report, among others, are

### Market size and buyer adoption

- The multi-process HRO market slowed down in 2008, and we estimate it will reach US\$2.9 billion by the end of the year, in terms of ACV.
- In a slowing economy, buyers prefer a componentized model over a wide-scope transformation model. An “offshore-led” lift-and-shift model is coming into play for buyers looking for early cost savings

### Transaction characteristics and value proposition

- Transaction-intensive processes continue to be most frequently included in HRO deals, though the inclusion of benefits administration declined in deals signed since 2006. Within existing deals, judgment-intensive processes are de-scoped more frequently while transaction-intensive processes are more likely to be added
- The average contract duration (three-year trailing average) has come down in the last eighteen months to reach 6.3 years

# Overview and abbreviated summary of key messages

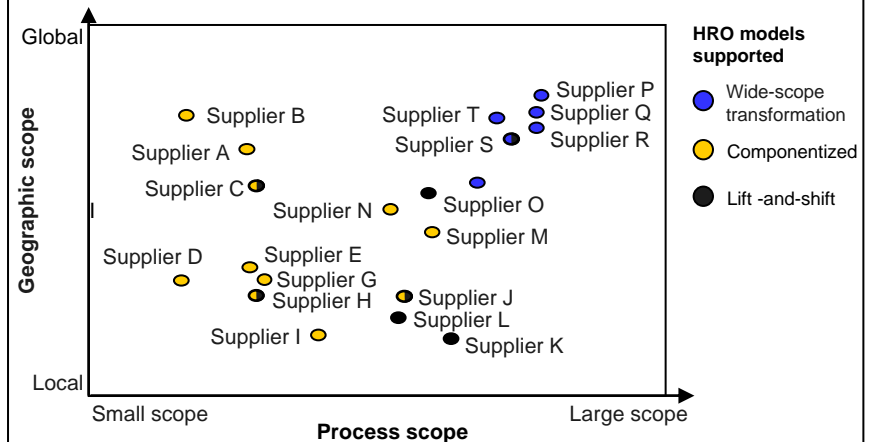
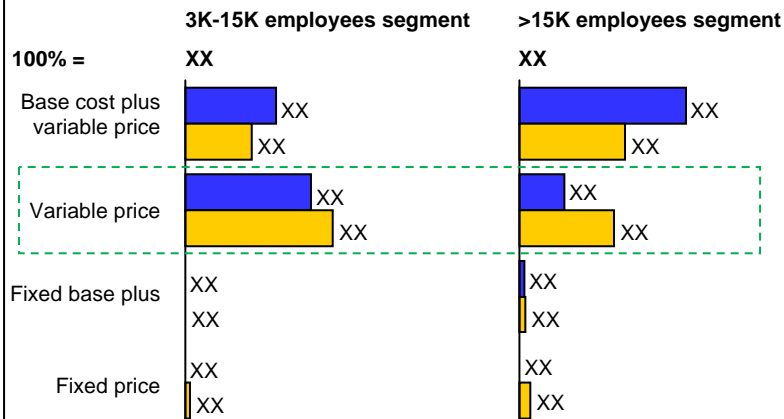
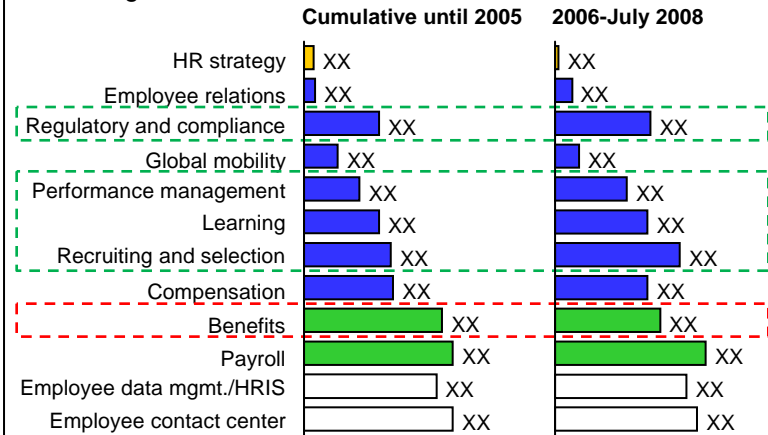
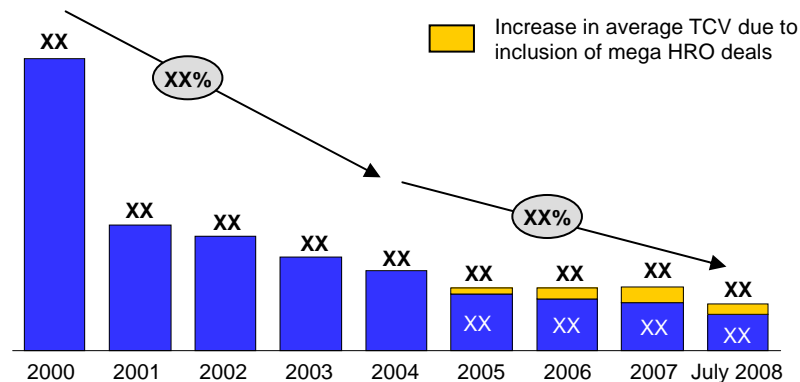
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## Transaction characteristics and value proposition

- Variable price and base cost plus variable price are the predominant pricing structures with the former preferred in the mid-market and the latter in the large market. Variable pricing structure is increasing in use across both the market segments
- In the last 12 months, all key offshoring regions grew, both in terms of number of suppliers and FTEs, with India growing the fastest. The extent of offshoring varies across industry and buyer segment

## Supplier landscape

- The HRO supplier landscape continues to evolve with consolidation and withdrawal on one hand and entry of new suppliers on the other hand
- Suppliers have specialized across four dimensions: buyer segments (large market vs. mid-market focus), technology (technology platform agnostic vs. technology platform aligned), geography (global vs. regional focus), and deal scope (small-scope deal vs. large-scope deal preference)



Source: Everest Research Institute (2008)

# Additional HRO research recommendations



The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **HRO Annual Report 2007** (ERI-2006-3-R-0220); 2007. This report provides comprehensive coverage of the global 2007 HRO market including detailed analyses on market size, buyer adoption, and transaction characteristics with an overview of supplier landscape. It also summarizes the key insights and implications for the stakeholders
2. **Pan-European HRO Market** (ERI-2008-3-R-0249a); 2008. This report examines the Pan-European HRO market and provides insights, detailed analyses and implications for stakeholders along four key dimensions: market size and trends, market segments, transaction characteristics, and supplier landscape and delivery capabilities. Each dimension is discussed in detail (and illustrated with supporting data and analysis) to provide the reader information in easy-to-apply, bite-size pieces
3. **Learning Services Outsourcing** (ERI-2008-3-R-0276); 2008. This report analyzes the LSO market and provides insights, detailed analyses, case studies, and implications for stakeholders along four key dimensions: market overview and key business drivers, buyer adoption, transaction characteristics, and supplier landscape
4. **2008 Global HRO Supplier Landscape** (ERI-2008-3-R-0309); (To be published in December 2008). This research analyzes global 2008 HRO supplier landscape, investigates the emerging supplier trends, and assesses supplier delivery capability across scale, scope, technology, and delivery footprint. The report also profiles key HRO suppliers

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