

The Top 22

Enterprise HRO Providers

WHEN THE *FORTUNE* 1000 ARE LOOKING FOR HRO SERVICES THEY CAN COUNT ON, THIS YEAR'S GROUP OF SERVICE PROVIDERS ARE MOST OFTEN ON THE FINALISTS' LIST. MORE THAN ANYONE ELSE, THESE PLAYERS HAVE THE GLOBAL FOOTPRINT, THE DELIVERY CAPABILITIES, AND THE INDUSTRY EXPERIENCE TO MEET THE MYRIAD NEEDS OF EMPLOYERS OF ALL SIZES AND BUSINESSES. IT'S PROBABLY SAFE TO SAY THAT IF THIS GROUP CAN'T DELIVER THE SERVICE, IT'S MOST LIKELY UNDELIVERABLE. BY PEGGY COPE

When we began compiling this year's list of top enterprise HRO providers, it was clear that several important trends are affecting this group of global companies. From market growth to acquisitions to changing buying trends, the industry today is noticeably different from this time last year.

We've got both good news and bad news. The good news is demand for outsourcing is up. The bad news...it's not increasing at the same rate as in previous years, and the number of suppliers is also growing. In other words, the pie may be somewhat bigger, but there are more diners grabbing a piece of it.

A report from EquaTerra in November 2006 looked at outsourcing trends and found that although demand was up for 46 percent of the company's advisors, it was still shy of previous levels: a 13 percent decrease from third-quarter 2006 and fourth-quarter 2005. Similarly, the number of service providers who noted an increase in demand was at 61 percent—up from 48 percent in the third quarter of 2006—but down from levels shown in the fourth quarter of 2005.

The reasons for an overall slowing are

many. According to EquaTerra's Stan Lepeak, managing director of research, the drivers include BPO supplier capacity constraint, historic high levels of demand in previous reporting periods, more multi-sourcing (smaller, less visible deals) and more prudent, sophisticated, and selective buyers.

Peter Bendor-Samuel, CEO of the Everest Group, had similar observations to make after checking his crystal ball. The two trends he pointed to were an increase in demand for outsourcing services, as well as a changing supplier landscape—including a proliferation of suppliers. The Everest Group at the end of 2006 estimated that the total number of outsourcing suppliers of all kinds was close to 4,000.

What it means is that the heyday of the big enterprise deals might be a thing of the past—not that headline-grabbing contracts will be extinct. It's just that fewer of these may be in the works, displaced by many more best-in-class engagements. And large deals could be concentrated in fewer sectors or get broken up when they come up for renewal.

What does it mean for the provider com-

munity? Will we see more consolidation down the road? Lepeak pointed out that acquisition work is difficult and “easier to discuss on paper than to pull off.”

“Consolidation will take longer than was anticipated,” he said. “Service providers are hesitant to jump into that right now.”

For evidence of this, just take a look at this year's list of top providers—which has remained mostly unchanged from last year's list. The two most notable changes have both been recent transactions, with the announced acquisition of ARINSO by Northgate in the U.K., and the proposed buyout of Ceridian by Thomas H. Lee Partners and Fidelity National Financial. Both are sizable acquisitions, but the field of global providers has been pared by just one player since the proposed buyers of Ceridian are not existing HRO suppliers.

Still, with the year only half over, will we see more consolidation among Tier 1 providers or can we expect acquisitions of Tier 2 suppliers by larger competitors or other counterparts in the segments?

Only time will tell.

Criteria for the list: Providers must have at least one documented end-to-end HRO client with 1,000 employees or more, and be able to provide national service. Providers are listed in alphabetical order.

TOP ENTERPRISE HRO PROVIDERS

Accenture HR Services accenture.com/hrservices

Examples of End-to-end Clients: Unilever, BT (second generation), Best Buy, Sandvik, Transportation and Security Administration (TSA), and Telecom Italia

HRO Services: Recruitment, workforce performance, learning, compensation and benefits, payroll, and employee services

Description: Accenture is one of the few end-to-end enterprise providers offering multi-tower services in both the HR and finance and accounting domains. Last year, the company penetrated the mid-market with the acquisition of Savista of Wichita, KS, which specialized in BPO for organizations with 2,000 to 12,000 employees. The resulting Accenture business, Accenture BPO Services, Solutions for the Middle Market, brought the number of Accenture professionals performing BPO work to more than 18,000. The company last year also won the highest annualized-value HRO contract ever with a \$1 billion engagement with Unilever.

ACS (Global HR Solutions) acs-inc.com/hro

Examples of End-to-end Clients: Chubb & Son, Delta Air Lines, Goodyear, General Motors Europe, and Motorola

HRO Services: Benefits administration, health and welfare, compensation administration, consulting, employee contact center, global mobility, HR technology, payroll administration, workforce development

Description: ACS is a Tier 1 provider of fully diversified, end-to-end business process and information technology services to commercial and government clients worldwide. With more than \$5 billion in revenues, more than 55,000 employees, global operations reaching nearly 100 countries, and a host of high-profile clients, ACS offers a global footprint. It can manage the entire HRO, BPO, and IT spectrum. ACS is currently weighing a proposed bid to take the company private by company founder Darwin Deason and Cerberus in a \$6.1 billion deal.

Administaff administaff.com

Examples of End-to-end Clients: Texas Bankers' Association, EnerVest Management Partners, and GoldStar Trust Company

HRO Services: Employment administration, benefits management, retirement services, business services, compliance, employer liability management, recruitment, training and development

Description: Graduating beyond small businesses, Administaff is now one of the larger PEOs ready to make a big splash in the mid-market. With more than 5,000 clients and 100,000 worksite employees, the company is well-positioned to compete with the likes of Gevity, Ceridian, Core3, and HRXcel.

ADP (Employer Services) adp.com

Examples of End-to-end Clients: Blue Cross Blue Shield of Massachusetts, Apple Vacations, and CarMax

HRO Services: Payroll, benefits administration, HR information management, HR administration, self-service, data management, performance management, compensation management, applicant management

Description: ADP has made a bigger push into the smaller enterprise HRO space. Since acquiring companies such as Employease, ADP has broadened its reach into areas such as on-demand platform for recruitment, ongoing HR functions, and employee and manager self-service. Recently, ADP won a huge payroll deal with home furnishing giant IKEA.

Advantec advantechr.com

Examples of End-to-end Clients: Coral Beach Hotels & Clubs, and Crown Auto

HRO Services: Payroll, HRMS, benefits administration, reporting and analytics, learning and training, risk management, screening

Description: Offering end-to-end services, Advantec provides small businesses a broad range of HR services including technology. The company targets organizations with up to 2,500 employees, a range comfortable for most PEO organizations. Since its founding in 1999, the company has grown to support more than 700 clients nationwide.

Aon Consulting aon.com

Examples of End-to-end Clients: AT&T, and Michelin USA

HRO Services: Recruitment and staffing, administration for employment processing, employee benefit plans, payroll, tuition reimbursement plans, performance management, compensation plans, and COBRA /HIPAA

Description: Aon Consulting reported 2006 revenues of \$1.3 billion and employs 6,500 professionals in 117 offices worldwide. Aon Consulting delivers integrated consulting solutions for employee benefits, HRO, compensation, communication, and management.

ARINSO International arinso.com

Examples of End-to-end Clients: Sodexho, Baxter, PGGM, Celanese AG, and Johnson Diversey

HRO Services: Employee self-service, report and audit, payroll and HR tools, and transfer and migration of HR data

Description: One of the leaders in European payroll services, ARINSO operates in 24 countries throughout Europe, North America, and Asia. While it offers discrete outsourcing services, the IT specialist also provides Application Maintenance Outsourcing (AMO) and Infrastructure Management (ISO). The company has agreed to sell itself to Northgate in a \$514 million deal. Their combined workforce of close to 6,000 professionals and revenues of €700 million will consolidate the market leadership of the two companies in HR & payroll services in Europe, with strong operations in the Americas and Asia.

Capita capita.co.uk

Examples of End-to-end Clients: BBC, Independent Police Complaints Commission (IPCC), and British Nuclear Group

HRO Services: BPO and service transformation, back-office administration, customer service, finance and treasury, claims and policy administration, HR staff support and training, recruiting, and training, and offshore/near-shore solutions

TOP ENTERPRISE HRO PROVIDERS

Description: In one of the largest outsourcing contracts signed by a nonprofit organization, the BBC last year awarded a 10-year comprehensive HRO contract to Capita for the administration of pay (excluding pensions), aspects of staff development, occupational health, and other services. Capita's expertise comprises customer contact services, back-office administration, HR services, treasury and financial services, information technology and software services, strategic support, and property consultancy. In 2006, the company had 27,000 employees working in 250 sites, and before-tax profits of £148.2 million.

Ceridian ceridian.com

Examples of End-to-end Clients: Visteon and PHH Mortgage

HRO Services: Staffing, EAP, payroll and compensation, compliance, health and wealth, benefits administration, HRMS

Description: With more than 110,000 clients employing 25 million, the company offers Ceridian Health and Productivity Management, which features full-service and employer-administered leave administration; online health and productivity assessment tool; life enhancement wellness coaching; return-to-work management; and disability and disease management. Ceridian recently announced it had entered into an agreement with Thomas H. Lee Partners, L.P. and Fidelity National Financial, Inc. to be acquired in an all-cash transaction valued at approximately \$5.3 billion.

CGI Group cgi.com

Example of End-to-end Clients: City of Montreal, Universal Insurance, U.S. Environmental Protection Agency, MTA New York City Transit

HRO Services: HR administration, payroll, time management, web-based recruitment, training, auditing, benchmarking

Description: Business process services, which include outsourced functions such as payroll and data management, remains a small sliver of CGI's overall business. The company realized \$3.5 billion in revenues in 2006.

Convergys (Employee Care) convergys.com

Examples of End-to-end Clients: Johnson & Johnson, DuPont, Whirlpool, State of Texas HHSC, and State of Florida

HRO Services: Benefits, payroll, administration, recruiting and staffing, learning and development, call centers, data integration, vendor management

Description: Convergys scored big in the enterprise HRO marketplace in 2005, signing contracts with DuPont and Whirlpool. And recently it scored another billion-dollar deal with the May 29th announcement of a comprehensive HRO deal with Johnson & Johnson. So far in 2007, Convergys has posted a seven-percent boost in first-quarter revenues compared with the same time last year, increasing sales to \$719.9 million. New president and CEO Dave Dougherty (appointed April 17) said the company is focused on driving revenue and earnings growth and is committed to delivering record results this year.

ExcellerateHRO excelleratehro.com

Examples of End-to-end Clients: U.K. Armed Forces Personnel Administration Agency, CIBC, BP Canada Energy, and Infineon Technologies AG

HRO Services: Payroll, benefits administration, relocation and assignment, absence management, compensation management, recruiting and staffing, workforce administration, workforce development, HR consulting

Description: Since EDS and Towers Perrin joined forces in 2004, ExcellerateHRO has seen modest results from the marriage. The company, while maintaining a global footprint, hasn't posted the kind of big wins seen at Convergys or the number of signings of Hewitt. The company serves more than 400 clients in North America, EMEA, Latin America, and Asia Pacific, providing services to upwards of 34 million active and retired employees.

Fidelity Employer Services Company (FESCO) fidelity.com

Examples of End-to-end Clients: Bank of America, ABB, and BASF

HRO Services: HR administration, payroll, defined benefit/contribution, health and welfare, compensation, and consulting

Description: Fidelity had been quiet on the sidelines for more than two years, announcing only one major signing last year as it invested and implemented a robust HRIS system with payroll capabilities. Company officials confirmed that last year at this time, its sales force was ready to seek out new buyers to justify its hefty investment. On May 16 this year, the company announced the appointment of Patrick F. Goepel, formerly president and CEO of Advantec, as its new president of HR services. Goepel may provide the catalyst the company has been looking for.

Gevity gevityhr.com

Examples of End-to-end Clients: ComUnity Lending, Global Netoptex Inc., Intelligent Software Solutions, Voice-Tech

HRO Services: Compensation administration, performance management, learning, payroll, benefits administration, risk management, compliance, exit services, HRIT and reporting, HR data administration, full portal, contact center, strategic HR leadership services, on-site HR generalist roles

Description: Gevity, a PEO that is moving up-market, provides comprehensive HRO services spanning the employee lifecycle, from small businesses to mid-market employers. The company last year took over all HR functions for Danka, a \$1 billion reseller of office imaging equipment. The publicly traded company plans to become a broader enterprise provider for North American employers. In February, Gevity announced the acquisition of HRAmerica, Inc., a move that gives it the scalable technology to enhance its non-coemployment model. Gevity Edge Select, HRAmerica is an HR outsourcing firm that offers such solutions as payroll processing and manager self-service to approximately 75 clients and 16,000 client employees.

Hewitt Associates hewitt.com

Examples of End-to-end Clients: Rogers Communications, Inc., Alcoa, Blue Cross and Blue Shield, Sun Microsystems, Marriott, and Wachovia

HRO Services: HR administration, payroll, benefits, retirement and financial management, recruiting, training and development

TOP ENTERPRISE HRO PROVIDERS

Description: No enterprise provider had more big wins in 2005 than Hewitt, which acquired Exult a year before. On the momentum of the purchase, the global provider went on an unprecedented string of contract wins with Fortune 500 clients such as Marriott and Wachovia. In 2006, the company saw a much quieter level of activity as it tried to digest so many deals. Even so, the company last year inked deals with Catholic Health Initiatives and the federal Office of Personnel Management, and just last month signed up to provide Rogers Communications, Inc., a communications and media company based in Canada, with HR business process outsourcing.

IBM Global Business Services ibm.com

Examples of End-to-end Clients: Eastman Kodak, Dana Corp., and T-Mobile

HRO Services: Payroll, benefits administration, compensation, expatriate and relocation, HRIT, consulting, vendor management

Description: IBM emerged from its shell of inactivity in 2005 to make a couple of deal announcements in HRO. Coupled with its F&A outsourcing capabilities, IBM is well positioned to tap into the current fledgling movement of integrating HRO and FAO. Like Accenture and ACS, it is one of a few Tier 1 service providers that can offer services in both realms.

Liberata liberata.com

Examples of End-to-end Clients: U.K.'s Department for Constitutional Affairs, Department for Culture, Media & Sport, Department for Work and Pensions, Health Protection Agency, Her Majesty's Court Service, Westminster City Council, The Public Guardianship Office, and Barclays Investment Management

HRO Services: Revenues and benefits administration, policy and claims administration, HR & payroll processing, and contact center services

Description: Liberata is one of the largest HRO providers to the U.K. public sector. With more than 3,800 employees and more than 20 locations across the U.K., Liberata improves, streamlines, and simplifies complex back-office processes, while providing service excellence. Liberata's financial performance for year-end August 30, 2006, showed a profit improvement of £27 million.

LogicaCMG logicacmg.com

Examples of End-to-end Clients: KPN and Gendarmerie Nationale

HRO Services: Fully managed payroll, expatriate management services, flexible benefits administration, consulting, finance and accounting, and training

Description: Known more as a provider of IT outsourced services, LogicaCMG's strength is in payroll, e-learning, and self-service. The company's integrated IT and payroll solutions allow it to offer comprehensive products to buyers of HR and IT services. LogicaCMG employs approximately 40,000 people in 41 countries.

Mercer Human Resource Consulting mercerhr.com

Examples of End-to-end Clients: the Home Office (U.K.)

HRO Services: Retirement solutions and administration, health and benefit administration, absence management, and education

Description: Mercer Human Resource Consulting is a global provider of HR and related financial advice, products, and services. The firm provides consulting advice to its clients regarding the financial and retirement security, health, productivity, and employment relationships of their global workforce.

Northgate Information Solutions northgate-is.com

Examples of End-to-end Clients: All of the U.K.'s regional police forces, as well as approximately 90 percent of U.K. local authorities and more than 50 percent of FTSE 100 companies

HRO Services: HR software, payroll, and pensions

Description: Northgate Information Solutions is a market leader of software applications and outsourcing solutions to the public safety, local government, education, and human resources sectors, and is also the largest HR and payroll application supplier in the U.K. Northgate has more than 3,200 employees and approximately 2,700 large/medium customers and 7,000 SME customers across the U.K. and Ireland. The company recently agreed to purchase ARINSO (see p. 25) in a move that could propel Northgate into one of the largest global BPO providers. Analysts say the marriage will help Northgate expand internationally, as well as broaden its outsourcing solutions. Previously, Northgate had bought Rebus HR Group in 2004, as well as PWA Group Ltd. and payroll processing services providers Cara Payroll Group and Prolog.

TriNet Total HR Services trinet.com

Examples of End-to-end Clients: Rose Ryan, United Community Bank, Socket Communications

HRO Services: Benefits plans and services, human capital consulting services, payroll, and online self-service tools

Description: TriNet serves three distinct industries: technology, financial services, and professional services. Companies within these industries gain economies of scale by aggregating with more than 1,500 firms in TriNet's customer base to access and deploy premium benefits, payroll, and HR services. TriNet serves its clients' HR services needs by implementing and maintaining a total HR services model: a mix of HR professionals, HR services, and HR technology. TriNet is part of the General Atlantic company portfolio.

Xchanging xchanging.com

Examples of End-to-end Clients: BBAE Systems

HRO Services: Payroll, screening, HR advice, employment law, resourcing services, health and safety

Description: Created through the spin-off of BAE Systems in 1998, Xchanging provides outsourced HR services to 250,000 employees in the U.K. HRO