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Executive Summary
Introduction to the 2016 HfS Blueprint Report: HR Operations in the As-a-Service Economy

- HfS Research takes a fresh look at HR Operations—the Multi-Process HR BPO market in this Blueprint, reviewing the market activity and a comparative analysis of the innovation and execution capabilities of 13 multi-national, multi-functional service providers.

- These service providers have multi-process HR (MPHRO) business process support capability in their portfolio—at least two of the following services: Recruitment Process Outsourcing (RPO), Learning, Benefits Admin, Payroll, Workforce Development Services and HR Analytics.

- Two of the significant elements in the emerging HR market are cloud-based HCM platform implementation and management and the managed delivery of HR business services. Along these lines, the scope of the Blueprint covers SaaS-based HCM implementation and managed multi-process HR services for the functional areas.

- This research takes a look at the evolution of HR BPO to a market that is increasingly agile, collaborative and consumer-centric. HfS considers this transition in outsourcing a move to the As-a-Service Economy, placing increasing value on diverse talent, analytics, and collaboration, as well as increasingly on platform-based services.

- As such, in this Blueprint we use the Eight Ideals of The As-a-Service Economy as a significant element of our service provider assessment methodology. The eight ideals describe the operations of service buyers and service buyers in a business-outcome focused outsourcing partnership.

- As the MPHRO market matures there is an increasing focus on the underpinning cloud HCM platforms used in the delivery of HR service. Buyers recognize this and as such are seeking service providers who not only have excellent service delivery credentials but can implement, manage and optimize these new HCM platforms to extract maximum value; essentially embracing ideals of the As-A-Service Economy.

- A key element of the report is the focus by both service providers and buyers on employee engagement. Therefore, as HfS looks at the MPHRO market and the role of service providers, it is from the perspective of enabling closer ties to employees, often using automation and analytics to support this engagement.

- This report does not include a software evaluation of MPHRO related features and functions, although reference will be made to certain tools.
# Multi-Process HR BPO Value Chain

In this report, we look at how service providers are supporting the following representative components of Multi-Process Human Resource Outsourcing:

<table>
<thead>
<tr>
<th>Recruitment (RPO)</th>
<th>Learning Services</th>
<th>Benefits Administration</th>
<th>Payroll</th>
<th>Workforce Development Services</th>
<th>Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent sourcing</td>
<td>Learning administration</td>
<td>Pension services</td>
<td>Payroll administration services</td>
<td>Career development planning</td>
<td>Payroll administration services</td>
</tr>
<tr>
<td>Workforce planning</td>
<td>Content design and creation</td>
<td>Health and welfare services</td>
<td>Payroll processing</td>
<td>Compensation management</td>
<td>Payroll processing</td>
</tr>
<tr>
<td>Employer branding</td>
<td>Learning delivery</td>
<td>Workplace benefits</td>
<td>Tax and reporting services</td>
<td>Performance management</td>
<td>Tax and reporting services</td>
</tr>
<tr>
<td>Candidate selection and assessment</td>
<td></td>
<td></td>
<td>Payroll helpline</td>
<td></td>
<td>Payroll helpline</td>
</tr>
<tr>
<td>Onboarding services</td>
<td></td>
<td></td>
<td>Payroll data entry</td>
<td></td>
<td>Payroll data entry</td>
</tr>
</tbody>
</table>

Cloud HCM Platforms • Robotic Automation • Analytics • Mobility • Social Media • Cognitive Computing • Artificial Intelligence

## OPERATING MODELS, METHODOLOGIES AND PLATFORMS

Outsourcing • Shared Services • GBS • COEs • BPaaS/SaaS/IaaS • Design Thinking

**HfS Value Chain Definition:** Value chain refers to the business units that carry out value-creating activities to design, produce, market, deliver, and support a company’s product or service. In this usage, we refer to the range of primary processes and support services that providers offer to their clients.
Key Highlights: State of the Market

The leading driver in the adoption of MPHRO is the improvement of process efficiency.

Drivers for Outsourcing MPHRO

- Improving Process Efficiency: 26%
- Employee Engagement: 13%
- Cost: 22%
- Migration to Cloud: 18%
- Cloud HCM Maintenance and Expertise: 5%
- Focus on Core Competencies: 4%
- Standardization of Multinational Operations: 4%
- Access to Operational Data: 4%
- Multi-Country Compliance: 4%

Source: 2016, HfS HRaaS interviews
Note: 1,221 MPHRO contracts
Key Highlights: State of the Market, Cont.

- **Improving Process Efficiency is the Key Driver:** Outsourcing in the MPHRO market is now primarily driven by the need for improving process efficiencies within buyer HR departments, specifically with the U.S, U.K, and Continental Europe. Much of the process improvement involves the application of Automation and Analytics within the areas of: data capture and transfer, auditing and compliance, query resolution, email response and auctioning and rules based processing within the HR function.

- **Cost Is No Longer the Primary Driver to Outsource MPHRO:** Through client interviews, service provider briefings, and additional research, HfS observes that the market is no longer primarily led by the need for cost take-out. Having said this there is still of course a need to reduce the price of operations. Clients in the U.S. are the predominant group still driven to outsourcing MPHRO in order to remove cost. This indicates that price is still a differentiator among MPHRO service providers but it doesn’t carry the same importance it once did.

- **Multi-Country Deals Are Increasing:** Multi-country MPHRO deals are continuing to rise. This is leading many service providers to partner with local and/or large payroll providers in order to deliver on these contracts. ADP is used as a payroll partner by 33% of the leading MPHRO service providers. Around 80% of service providers covered in this Blueprint partner with either large payroll providers or in country payroll specialists to deliver on these long tail payroll contracts.

- **Bundling Patterns of MPHRO Deals:** Currently the most common bundling of HR functions within MPHRO deals are workforce development services, payroll and helpdesk support. Recruitment and learning support are usually provided on a standalone basis. This mix of services has remained constant from historic MPHRO contracts.
Key Highlights: State of the Market, Cont.

- **Technology Catchup is Stimulating MPHRO Growth in APAC**: Much of the MPHRO growth in the APAC region, specifically Australia, is driven by the need to adopt cloud based HCM platforms and applications as many organizations in the region have been slow to implement. This has created a follow on scenario where many implementation only deals have evolved into deals that include service delivery.

- **The Emergence of Employee Engagement**: The need to increase employee engagement is now a key consideration across buyer organizations. Losing highly trained employees in a market with limited talent resources is more expensive than ever. As such, service providers are now brought in to address the business outcome of reducing attrition through increasing employee engagement. Capgemini’s Digital Maturity Assessment aims to ascertain where a client is in terms of employee engagement, for example.

- **Multi-Departmental Coverage Challenges Adoption of MPHRO**: Having to engage and win over a number of service line department heads within the MPHRO value chain is a challenge service providers have to overcome when selling MPHRO contracts. There is also a reluctance to change within the middle-tiers of management, further exacerbating the problem. A sales focus on the c-suite and appealing to business outcomes within the c-suite is assisting in overcoming this inhibitor. Service providers are building up their consulting capability and increasingly starting with transformational projects that ultimately lead into service delivery.

- **Data Privacy is Still a Concern for Buyers**: Multiple buyers are inhibited in the adoption of outsourced MPHRO due to the security concerns of releasing personal employee information to a third party. Service providers such as Xerox have leveraged internal data security teams from the wider organization to address the concerns of clients and build robust security measures.
Key Highlights: State of the Market, Cont.

- **Long Sales Cycles Denting MPHRO Adoption:** Due to the multi-departmental challenge of selling MPHRO contracts, there is an inherently longer sales cycle than other functions such as finance or customer service that are often centralized. As such there is a risk of key stakeholders in the buyer organization moving on before a deal is brought to conclusion, thereby bringing negotiations back a number of steps. This reemphasizes how important it is for service providers to be speaking to c-level executives at a strategic level from the outset. Building scope into long-term engagement will help address this as both sides of the party can then build on an existing relationship.

- **Majority of MPHRO Contracts Use a Multi-Tiered Pricing Model:** Within the MPHRO stack: payroll, elements of RPO (primarily onboarding), benefits administration and talent management are largely priced on either a per employee/transaction or FTE basis. Increasingly an element of outcomes based pricing is included in these contracts. SaaS offerings are priced on a subscription basis while learning is occasionally priced on a fixed price basis.

- **FTE Pricing is Declining in Popularity:** Only 25% of MPHRO contracts now contain an element of FTE pricing; it is now being replaced by per employee/transaction pricing for managed service offerings which is now included in 54% of MPHRO contracts. Per employee/transaction pricing is more conducive to fostering a BPaaS contract as service providers will not cannibalize revenues, through the use of automation and other efficiency enhancements, to the same extent as when FTE pricing is used. This pricing model in addition to an element of outcomes pricing is the best compromise for both service providers and buyers.
Key Highlights: State of the Market, Cont.

- **Prescriptive and Predictive Analytics are a Differentiator:** The use of prescriptive and predictive analytics, specifically in workforce development services, payroll and RPO is set to become a differentiator in the MPHRO market. This form of analytics has been rolled out by HCM software manufacturers at this point (Ultimate Software) but is in the pipeline from many service providers as either an application or embedded within proprietary HCM platforms. For example, OneSource Virtual is set to go-to-market with a packaged prescriptive and predictive analytics application by H2 2016. This will, at the front end, be a verticalized scorecard of behavioral characteristics for employees by industry and job type which then seeks to identify churn, at the predictive level, but then also the best remedy, at the prescriptive level.

- **Multi-Tenancy of F&A and HRO is Increasing in Adoption:** BPO organizations that offer multiple service lines are starting to see an increased adoption of HRO by current F&A clients. Capgemini and Infosys in particular are now making HRO service delivery a priority as these service providers look to grow portfolios.

- **Legacy HCM is On its Way Out:** Approximately 55% of the buyers covered in this Blueprint are now using cloud-based HCM systems. The most common of these been Workday and SuccessFactors, followed by Oracle HCM. Therefore the move from legacy systems such as SAP is now well on its way. Nearly all buyers covered in this Blueprint have stated their intention to move to a cloud-based HCM platform at some point in the future. Wide scale BPaaS engagements (where the service provider uses its own resources of talent and technology to deliver an agreed upon business outcome) are still a way off. At this stage the MPHRO market is largely defined by platform enabled BPO.
Key Highlights: State of the Market, Cont.

- **Consultation on Cloud HCM Implementation Is An Entry point For MPHRO Services:** With the largescale move to cloud HCM platforms there is a niche created for consultation around these platforms. The majority of the consulting at this point is handled by the likes of Deloitte although both multi-tenant and pure HR service providers such as Accenture, IBM, Capgemini, NGA HR and Infosys are using this implementation as an entry point for managed service delivery of MPHRO.

- **Verticalization of Services in MPHRO is Not Relevant But Understanding Businesses Is:** There is almost no verticalization of MPHRO services by service providers. The standardization of processes around payroll and RPO administration are not industry specific. Where there is service specialization is between blue collar and white collar workforces, specifically in the areas of time management, learning and workforce development services.

- **Contract Duration Remaining Stable:** Contract duration for the MPHRO market is remaining consistent with previous studies into the MPHRO market with most contracts at 3-5 year duration.

- **Desire for Proven Practices from Other Clients:** HfS heard quite a bit of interest from clients wanting new ideas and practices from, and more interaction with, other clients. While most service providers are providing cross client communication at some level, for the most part this has not been taken to level at which it is really needed, whereby a framework/platform is created for HR best practice in relation to HCM platform used.
As-a-Service Winners in this Blueprint are articulating and demonstrating the most mature use of the 8 Ideals of the As-a-Service Economy to increase the value of sourcing in targeted areas of MPHRO:

- **Accenture** has a distinct mix of service delivery expertise and technological innovation
- **Xerox** has a developed framework for innovation and is actively bringing this to the table in client discussions
- **NGA HR** has redefined its implementation strategy on a fit for purpose approach, combining service and cloud HCM implementation and maintenance
- **Aon Hewitt** has the scale and operational expertise to excel
- **ADP’s** global payroll coverage coupled with its approach to design thinking make it a leader in the MPHRO market

**AS-A-SERVICE ECONOMY**

Use of operating models, enabling technologies and talent to drive business outcomes through outsourcing. The focus is on what matters to the end consumer.

HfS uses the word “economy” to describe the next phase of outsourcing as a new way of engaging and managing resources to deliver services.

The 8 Ideals of the As-a-Service Economy:

1. Write Off Legacy
2. Design Thinking
3. Intelligent Engagement
4. Brokers of Capability
5. Intelligent Automation
6. Accessible and Actionable Data
7. Holistic Security
8. Plug & Play Digital Services

Source: **Beware of the Smoke: Your Platform is Burning** by HfS Research, 2015
Key Highlights: State of the Market, Cont.

- The **High Performers** are established and well-regarded service providers in MPHRO:
  - **OneSource Virtual** has the ideals of the As-A-Service Economy at its roots
  - **Capgemini** is building on its F&A heritage to win multi-tower deals and establish itself as a MPHRO service provider of choice
  - **Neeyamo** receives praise from its client base on its exceptional operational delivery
  - **IBM** effectively leverages internal analytics capability to further future service delivery
  - **Ceridian** is a strong operational service provider in the UK, Ireland, U.S and Canada

- The **High Potentials** are innovative and well-regarded service providers in MPHRO:
  - **Infosys** is focused on technological innovation

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7. Holistic Security
8. Plug & Play Digital Services

*Source: Beware of the Smoke: Your Platform is Burning by HfS Research, 2015*
Market Sizing
Global HR BPO Market by Region 2015–2020  
(Expenditure $B and Growth %)

Source: HfS Research, 2016
Global HR BPO Market Growth by Region in 2016 and 2015–2020 CAGR

Note: APeXJ is Asia Pacific except Japan, which is categorized separately.

Source: HfS Research, 2016
HR BPO Services Market 2015–2020 by Industry Sector (Annual Expenditure $B)

Source: HfS Research, 2016
Global HR BPO Market Growth by Industry in 2016 and 2015–2020 CAGR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Transportation &amp; Logistics</td>
<td>3.4%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Telecom, Software &amp; Hi-Tech</td>
<td>5.3%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Retail &amp; Hospitality</td>
<td>6.1%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>3.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Pharma, Life Sciences &amp;...</td>
<td>4.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>*Other</td>
<td>8.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Entertainment, Media &amp;...</td>
<td>5.3%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Energy &amp; Utilities</td>
<td>4.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Banking / Insurance</td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

*Other includes: Professional services, etc.
Key Market Dynamics
Who Is the Employee?

As the MPHRO market continues its evolution to an As-A-Service Economy, it is fundamental to understand why this evolution is taking place. The answer is employees. The need to attract, retain and nurture talent is now more important than ever as organizations look to grow and adapt to a more digital ecosystem. Corporate culture plays a part in this but mission critical is having a HR function that can improve employee engagement and interact in a way that is natural to the employee.

As millennials enter the workplace, employee interaction has to change. The always on, always connected workforce is here. Organizations need to adapt HR functions accordingly and embrace mobile and cloud technology that can be accessed anyway and anytime.

Cloud HCM platforms have developed user interfaces that speak to this new workforce, but with ~50% of organizations still using on premise legacy HCM systems, there is still a long way to go for many organizations. By partnering with proven service providers, organizations can now make the migration to the cloud quickly and efficiently. Also by leveraging the managed service expertise of these providers, organizations are more enabled to focus on key moments of truth with employees thereby reducing employee churn and having a more aligned, motivated and focused workforce.
In the Move to The As-A-Service Economy, Hiring and Retaining Talent Is Key

Do you have plans in place to execute on the following actions, over the next 24 months, to improve your “As-a-Service” environment?

<table>
<thead>
<tr>
<th>Action</th>
<th>Definitive Plans</th>
<th>Considering</th>
<th>Undecided</th>
<th>No Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in effective analytics tools &amp; skills</td>
<td>32%</td>
<td>38%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Identify/hire a transformational leader/change agent</td>
<td>25%</td>
<td>20%</td>
<td>16%</td>
<td>40%</td>
</tr>
<tr>
<td>Invest in internal IT talent to help us migrate away from legacy systems</td>
<td>24%</td>
<td>26%</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>Retrain existing internal operations talent to redesign processes</td>
<td>23%</td>
<td>33%</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>Invest in external IT services to help us migrate away from legacy systems</td>
<td>23%</td>
<td>30%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Replace your existing (legacy) service provider(s) with &quot;As-a-Service&quot; driven providers</td>
<td>22%</td>
<td>31%</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Write-off legacy IT investments and move straight into cloud delivery of processes supported by As-a-Service partner(s)</td>
<td>22%</td>
<td>30%</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Invest in specialized external services to redesign operations</td>
<td>21%</td>
<td>23%</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Accomplish creative problem solving/&quot;Design Thinking&quot;</td>
<td>21%</td>
<td>31%</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Invest in specialized management support to reorient operations staff</td>
<td>18%</td>
<td>31%</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>Invest in robotic process automation</td>
<td>13%</td>
<td>27%</td>
<td>18%</td>
<td>42%</td>
</tr>
<tr>
<td>Hire new operations talent to redesign processes</td>
<td>12%</td>
<td>30%</td>
<td>26%</td>
<td>31%</td>
</tr>
</tbody>
</table>
Employee Experience Is Core to Service Buyer Values

Employee Engagement

With buyers now considering talent as a key lever in the shift to the As-A-Service Economy, coupled with the increasingly complex (and expensive) skillsets required in this shift, talent retention is now more important than ever. At present, the need to improve the employee experience accounts for ~13%* of the total adoption of MPHRO contracts in the market. HfS expects this to increase over the next five years to move past cost and cloud migration in importance.

*Source: 2016, HfS HRaaS interviews
Note: 1,221 MPHRO contracts
Employee Experience Is Core to Service Buyer Values, Cont.

HfS sees this as the move to address employee engagement taking place in two phases:

- **Phase 1, Process Improvement:** At present this is largely where both buyers and service providers are targeting employee engagement as ~26% of MPHRO contracts are now won on a service provider’s ability to provide a better, more streamlined HR function. This reduces employee frustration due to inaccurate HR processes and creates a more transparent working environment. The use of automation for more mundane tasks and predictive analytics to detect likely employee churn, free up more time for HR managers to engage with and rectify employee concerns, leading to a more connected workforce. At present all service providers covered in this Blueprint are able to deliver on this phase of employee engagement.
Employee Experience Is Core to Service Buyer Values, Cont.

HfS sees this as the move to address employee engagement taking place in two phases:

- **Phase 2, Proactive Employee Engagement:** Prescriptive and predictive analytics around talent management are all well and good, but they are ultimately reactive measures to a problem already at hand and are undertaken to maintain talent and will in the future be used as a measure of last resort. Therefore HfS sees the next stage in the evolution of MPHRO will revolve around employee engagement. This will be a proactive step in reducing attrition in the workplace. This employee engagement will take place from hire to retire across RPO, learning and workforce development services.

In the RPO space, firms such as Hexaware are launching technologies that allow for quicker and more engaged onboarding experiences, through mobile technology, for new hires. This is in response to the high dropout rate of new hires in the APAC market. As another example, the ADP Marketplace allows HR professionals to search and find vetted service provider and software capability with approved APIs to plug in and address specific elements of employee experience. There are also a raft of smaller companies such as ZenNut, which are coming to the market with employee social interaction tools aimed at creating community bonding within organizations. Large service providers will be looking to build and acquire capabilities in this area over the next five years.
Service Frameworks Are Key to Driving Innovation

With “The need for process efficiency improvements” as the predominant driver in the MPHRO market, service providers are identifying ways in which to formalize frameworks of service delivery and technology in order to address this. HfS sees this standardization taking place in two phases:

- **Platform and Basic Service Framework Development**: Currently the MPHRO market is in the early stages of HR framework development and most activity is revolving around cloud software implementation and basic service delivery in support of it. Previously the majority of service providers have gone to great lengths to create bespoke HR software implementations for clients, the cause of this was largely due to clients believing their HR operations were unique and service providers undertaking lift and shift HR delivery. The knock on effect of this was increased cost and time to deploy but also increasingly complex software support post implementation.

Contracts such as these are also vulnerable to service delivery collapse as key stakeholders move on from both the provider and buyer side, taking with them IP that was crucial to the delivery of these bespoke systems and services. Service providers are now in the process of creating best “fit for purpose” implementations. NGA HR has done this in the UK market with its ResourceLink platform. Service frameworks are also beginning to be developed, for example, Capgemini is now undertaking maturity assessments of clients’ HR operations and then adapting its HR services framework around these.
Service Frameworks Are Key to Driving Innovation, Cont.

With “The need for process efficiency improvements” as the predominant driver in the MPHRO market, service providers are identifying ways in which to formalize frameworks of service delivery and technology in order to address this. HfS sees this standardization taking place in two phases:

- **Business Outcomes Based Platform and Basic Service Framework Development:** In the near future, we believe service providers will deploy HR service frameworks aimed at addressing the business outcomes of clients. Similar to what has happened in the contact center market where service providers are beginning to implement frameworks to target increased revenue generation, customer satisfaction (CSAT), etc. The HR market will move in a similar direction, with service providers implementing targeted frameworks aimed at addressing business outcomes, such as reducing attrition, either across the MPHRO value chain or in discrete processes. In order for this to be done, effective benchmarking and closer ties with top level management of buyer organizations need to be in place. Infosys is in the process of bringing this type of framework to market through its Business Value Delivery (BVD) framework.
Welcome to the As-a-Service Economy

HfS uses the word “economy” to emphasize that the emerging next phase of outsourcing is a more flexible, outcome focused way of engaging and managing resources to deliver services. Operating in the As-a-Service Economy means architecting use of increasingly mature operating models, enabling technologies and talent to drive targeted business outcomes. The focus is on value to the consumer—in this case, the employee.
Journey to the As-a-Service Economy

- Moving into the As-a-Service Economy means changing the nature and focus of engagement between Enterprise Buyers, Service Providers, and Advisors.
- “As-a-Service” unleashes people talent to drive new value through smarter technology and automation.

**Fixed Assets**

1. Write Off Legacy
2. Design Thinking
3. Brokers of Capability

**Leveraged Assets**

4. Collaborative Engagement
5. Intelligent Automation
6. Accessible & Actionable Data
7. Holistic Security
8. Plug & Play Digital Services

**Change Management Ideals**

- **Legacy Economy**
- **SOLUTION Ideals**

- **As-A-Service Economy**
The MPHRO Market Has Already Started to Adopt As-a-Service Ideals

Where Are the Ideals Between Service Buyers and Service Providers

<table>
<thead>
<tr>
<th>IDEAL</th>
<th>AS-A-SERVICE IDEAL DEFINITION</th>
<th>NON EXISTENT</th>
<th>INITIAL</th>
<th>EXPANSIVE</th>
<th>EXTENSIVE</th>
<th>ALL PERVERSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write Off Legacy</td>
<td>Using cloud HCM platform, such as SuccessFactors, Workday, Oracle HCM for greater reporting depth and more agile, less exception oriented systems &amp; processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Design Thinking</td>
<td>Understanding the business context to reimagine processes aligned with meeting client needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Brokers of Capability</td>
<td>Orienting governance &amp; operations to source expertise from all available sources, internally and externally, to address capability gaps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Collaborative Engagement</td>
<td>Ensuring relationships are contracted to drive sustained expertise and outcomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Intelligent Automation</td>
<td>Using automation and cognitive computing to blend analytics, talent, and technology</td>
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</tr>
<tr>
<td>Accessible and Actionable Data</td>
<td>Applying analytics models, techniques and insights from big data, real-time</td>
<td></td>
<td></td>
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<tr>
<td>Plug and Play Business Services</td>
<td>Plugging into “ready to go” business outcome focused, people / process / technology with security measures</td>
<td></td>
<td></td>
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<td></td>
<td>2016</td>
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</tbody>
</table>
How As-a-Service Is Taking Shape in MPHRO:—Writing Off Legacy

Legacy on premise investments which limit reporting and therefore employee analytics and are difficult and costly to update with latest regulation and improvements

Using cloud based HCM such as SuccessFactors, Workday and Oracle HCM to create a more agile HR function with greater reporting potential

For the most part, Writing Off Legacy in MPHRO is at an advanced stage with ~50% of service buyers now on a cloud based HCM platform and a large proportion of the remainder looking to move to a cloud HCM platform. All service providers covered in this Blueprint are providing implementation and management support in SuccessFactors, Workday or both and to a lesser degree Oracle HCM. This writing off of legacy also applies to processes and not just software. Through the adoption of MPHRO buyers are able to write off long used, and often outdated, processes and instead define and leverage service provider driven and software-supported processes that are fit for purpose.

Examples:

- NGA HR implements and maintains both SuccessFactors and Workday HCM platforms. This provides both an entry point for the service provider to foster further BPO service delivery following the implementation and also provides clients with a one stop shop instead of partnering with multiple service providers.

- OneSource Virtual underpins its entire HR practice around Workday implementation, support and managed service delivery. With this single minded approach the service provider is able to deliver on in depth best practice delivery and implementation across the Workday platform.
How As-a-Service Is Taking Shape in HR:—Design Thinking

Resolving problems by looking first at the process as the source of the solution
Understanding the business context to reimagine processes aligned with meeting client needs

With organizations looking at employee engagement, design thinking becomes increasingly important. Mapping out employee pain points and decision cycles (as service providers would do in front office operations) allows for effective service delivery that has a real impact on employee engagement. As the HR market is under increased pressure to improve process efficiencies, decrease cost and increase employee engagement, an approach like design thinking can help create a more insightful understanding of the target and current employee, and the culture of the client company for increasingly effective HR management. Borrowing from a proven approach in customer care, some service providers have been doing customer journey mapping in HR as a means by which to increase employee engagement in both service delivery and platform development.

Examples:
- Infosys is currently developing process frameworks that combine technology and service enablers in support of business outcomes. The service provider has incorporated these into an insurance client for learning services resulting in cost savings of ~30% and increased compliance.

- Capgemini’s maturity assessment brings together design thinking and industry benchmarking and then adapting this to service deployment.
How As-a-Service Is Taking Shape in MPHRO: —Brokers of Capability

Focusing governance and operations staff on managing to the letter of the contract and the decimal points of service levels

Orienting governance to source expertise from all available sources, both internally and externally, to address capability gaps

Brokers of capability are the professionals in MPHRO who can look outside the process for current and anticipated needs to deliver business results, and manage to those outcomes which may or may not be included as KPIs specific to the engagement. This ability is extremely useful in the MPHRO market, where processes and KPIs are relatively similar across businesses but business outcomes differ greatly from buyer to buyer.

Examples:

- Capgemini has developed its GEM maturity framework which it undertakes at the beginning of a contract to ascertain at which stage a client’s MPHRO processes lie and then how best to optimize these with services, software and partners available at the service provider’s disposal.

- NGA works in collaboration with its client base and proactively suggests process improvements where needs occur. An example was a client for which NGA was rolling out a payroll solution. During implementation it became apparent that the client’s data management was insufficient. NGA brought this up and suggested means by which to rectify the problem, leading to further business together.
How As-a-Service Is Taking Shape in MPHRO: —Collaborative Engagement

The key to a sustainable MPHRO engagement is collaboration, working together to produce a result. Traditionally MPHRO work has been directive from service buyers to service providers, and managed strictly by procurement organizations. As more HR business units and global shared services centers take responsibility for relationships, HfS is seeing a move over time to more of a collaborative nature where there is trust and experience in place, often through shared outcomes and results.

Examples:

- OneSource Virtual has been praised by clients for proactively seeking out feedback and then incorporating this into ongoing service delivery improvements.

- Neeyamo’s clients see them as part of their internal teams through Neeyamo’s constant engagement with clients and the feeding back of this into service delivery.

- Clients have praised Xerox’s flexibility and ability to truly partner with them in order to understand client business outcomes and how best to influence these from an HR perspective.
How As-a-Service Is Taking Shape in MPHRO: —Intelligent Automation

Operating fragmented processes across multiple technologies with significant manual interventions

Using of automation and cognitive computing to blend analytics, talent, and technology

Automation—software used to do rules-defined tasks—is prevalent in HR email processing, and data capture and transfer as well as for workflow management in operations. What HfS terms “Intelligent Automation,” extending automation across processes and bringing in natural language processing and machine learning, has started to be implemented in employee query resolution.

Examples:

- Accenture proactively uses automation within MPHRO processes addressing compliance, email and workflow.

- Infosys is using RPA for audits and compliance, data capture and transfer, query resolution and email response and auctioning.

- Neeyamo is set to launch an automated compliance tracking offering in July 2016 that will include dynamic compliance alerts for payroll.

- OneSource Virtual rolled out an automated email function for a client in the U.S. which reduced the process from 20 hours down to eight minutes and reduced FTE count on the process from eight to one.
How As-a-Service Is Taking Shape in MPHRO: —Accessible & Actionable Data

Service providers are cultivating skillsets of Data Scientists, and subject matter experts to help develop models, dashboards, and tools to help drive increasingly real-time access and analysis, addressing all aspects of the value chain from RPO and reducing onboarding churn, identifying payroll mistakes to identifying underperforming employees and in some cases how best to rectify the issue.

Examples:

- OneSource Virtual is currently bringing to market an analytics offering that will track and benchmark data from a client’s operation against industry best practices. Predictive analytics will be used to forecast, such as turnover, for the next year. Predictive analytics will take this one step further in the package and offer remedies on an individual employee basis.

- Neeyamo has embedded predictive analytics within its automated employee helpdesk portal.

- Aon Hewitt is using analytics in the design of its clients front end HCM platforms. One example is how it is being used to identify dropout rate from pages and enable root cause of channel churn. This can then be fed back into the design on the platform to make it more user friendly and drive employees to the channel of least friction.
How As-a-Service Is Taking Shape in MPHRO:
—Holistic Security

The risk of leaked employee data is one of the major inhibitors to adoption of MPHRO services. HfS takes the position that security is not just about having security software or technology, but practices and culture for creating digital trust all along the value chain and internal and external in networks. People will become increasingly interested in sharing data when they realize the benefits of doing so, but will only do so with companies and systems they trust. The adoption of cloud HCM platforms that require a greater degree of employee data has been inhibited to an extent by security concerns.

Example:
- Xerox has a stand alone “Xerox Security Office” where agents and other MPHRO operational staff are trained. The service provider also undertakes a full data security analysis for each client prior to an MPHRO engagement.

- The ADP Marketplace allows HR professionals to select from pre-approved and vetted service providers and software providers to ensure secure APIs.
How As-a-Service Is Taking Shape in MPHRO: —Plug & Play Business Services

Undertaking complex and often painful technology transitions to reach a steady state

Plugging into “ready to go” business outcome focused, people / process / technology with security measures

The MHRO market was previously characterized by elaborate bespoke platforms and services. This reduced innovation potential and also increased costs, a plug and play option that includes platform with business process services puts the onus of capital expenditure and talent management on the service provider, although it also assumes the service provider can use the solution for more than one client to get scale and return on investment.

Example:

- NGA HR has stopped doing bespoke integrations of its ResourceLink HCM platform in the U.K and has instead designed a best “fit for purpose” design that it can integrate into clients operations on a “Plug & Play” basis. This reduces implementation time and simplifies the update process thereby improving compliance.

- Aon Hewitt has UPoint which integrates client’s HR systems (proprietary TBA system, Workday, PeopleSoft, Employee Central, SAP, Cornerstone, Taleo, web chat, case management), organizational HR policy content, and HR business program announcements into one common customer experience framework.

- Accenture’s integrated HR service and technology delivery is delivered on a plug and play basis and is aimed at addressing the business outcomes of clients.

- Xerox has predefined stack of HR services that can be rapidly deployed into a client organizations on a plug and play basis.
Research Methodology
Research Methodology

Data Summary

- Data was collected in Q1 2016, from buyers and service providers of MPHRO services

Participating Service Providers

Tales from the Trenches:
Interviews with buyers who have evaluated service providers and experienced their services. Some contacts were provided by service providers, and others were interviews conducted with HfS Executive Council members and participants in our extensive market research.

Sell-Side Executive Briefings:
Structured discussions with service providers regarding their vision, strategy, capability, and examples of innovation and execution.

Publicly Available Information:
Thought leadership, investor analyst materials, website information, presentations given by senior executives, industry events, etc.
## HfS Blueprint Scoring: MPHRO

<table>
<thead>
<tr>
<th>EXECUTION</th>
<th>100%</th>
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<tbody>
<tr>
<td>Quality of Account Management Team</td>
<td>10%</td>
</tr>
<tr>
<td>Incorporate Feedback</td>
<td>10%</td>
</tr>
<tr>
<td>Writing Off Legacy</td>
<td>12%</td>
</tr>
<tr>
<td>Quality of Service Delivery</td>
<td>22%</td>
</tr>
<tr>
<td>Geographic Scale and Footprint</td>
<td>9%</td>
</tr>
<tr>
<td>Flexible Pricing Models &amp; Contracting</td>
<td>10%</td>
</tr>
<tr>
<td>Thought Leadership</td>
<td>11%</td>
</tr>
<tr>
<td>Embedding Intelligent Automation</td>
<td>8%</td>
</tr>
<tr>
<td>Generation of Actionable Data</td>
<td>8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INNOVATION</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision and Investment for MPHRO</td>
<td>18%</td>
</tr>
<tr>
<td>Increase Value over Contract Life Cycle</td>
<td>16%</td>
</tr>
<tr>
<td>HCM Application Strategy</td>
<td>12%</td>
</tr>
<tr>
<td>Solutions for Accessible &amp; Actionable Data</td>
<td>13%</td>
</tr>
<tr>
<td>Intelligent Automation Approach</td>
<td>12%</td>
</tr>
<tr>
<td>Delivery of Plug &amp; Play Digital Services</td>
<td>17%</td>
</tr>
<tr>
<td>HCM Cloud Platform Integration/Management Strategy</td>
<td>12%</td>
</tr>
</tbody>
</table>
# Execution Definitions

<table>
<thead>
<tr>
<th>EXECUTION</th>
<th>How well does the service provider execute on its contractual agreement and how well does the provider manage the client/provider relationship?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Account Management Team</td>
<td>How engaged is the executive and management team in defining and managing the delivery of business services?</td>
</tr>
<tr>
<td>Incorporate Feedback</td>
<td>How has the service provider taken feedback and incorporated it into the solution and delivery?</td>
</tr>
<tr>
<td>Writing Off Legacy</td>
<td>How is the service provider working with clients to write off legacy HCM platforms?</td>
</tr>
<tr>
<td>Quality of Service Delivery</td>
<td>What is the clients’ overall impression of the quality of service?</td>
</tr>
<tr>
<td>Geographic Scale and Footprint</td>
<td>How well positioned is the service provider to adapt to scale and multi-country demands?</td>
</tr>
<tr>
<td>Flexible Pricing Models &amp; Contracting</td>
<td>How competitive and flexible are service providers in determining pricing of contracts? Are they willing to make investments into clients for long-term growth?</td>
</tr>
<tr>
<td>Driving Thought Leadership</td>
<td>How well does the service provider bring forward innovation and thought leadership on how best to improve clients MPHRO services/</td>
</tr>
<tr>
<td>Embedding Intelligent Automation</td>
<td>Is the service provider using automation, machine learning, cognitive computing, etc?</td>
</tr>
<tr>
<td>Generating Actionable Data</td>
<td>Is the service provider generating data through client work that is accessible and actionable by the client or by itself on behalf of or in partnership with clients?</td>
</tr>
</tbody>
</table>
## Innovation Definitions

<table>
<thead>
<tr>
<th>INNOVATION</th>
<th>Innovation is the combination of improving both services and business outcomes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision and Investment for MPHRO Delivery</td>
<td>Does the service provider have, share, and engage in dialogue regarding a vision for MPHRO innovation and service differentiation of the industry, and / or in sourcing?</td>
</tr>
<tr>
<td>Increase Value over Contract Life Cycle</td>
<td>Has the service provider shared or recommended ideas / initiatives that have resulted in step change?</td>
</tr>
<tr>
<td>HCM Application Strategy</td>
<td>Has the service provider invested in the development or purchase of HCM platforms that can improve the service delivery of clients using either on premise or cloud HCM platforms?</td>
</tr>
<tr>
<td>Solutions for Accessible &amp; Actionable Data</td>
<td>Does the service provider has investment or plans in place for developing its HR analytics capability?</td>
</tr>
<tr>
<td>Intelligent Automation Approach</td>
<td>Does the service provider has investment or plans in place for developing its automation capability?</td>
</tr>
<tr>
<td>Delivery of Plug &amp; Play Digital Services</td>
<td>Is the service provider able to deliver predefined MPHRO frameworks spanning technology and services to address clients business needs?</td>
</tr>
<tr>
<td>HCM Cloud Platform Integration/Management Strategy</td>
<td>Is the service provider able to deliver cloud HCM platform implementation and management?</td>
</tr>
</tbody>
</table>
Service Provider Analysis
Guide to the HfS Blueprint Grid

To distinguish service providers that show competitive differentiation in a particular line of delivery with progress in realizing the “As-a-Service Economy” of business outcome–oriented, on-demand talent and technology services, HfS awards these providers the “As-a-Service Winner’s Circle” designation.

<table>
<thead>
<tr>
<th>As-a-Service Winners Circle</th>
<th>EXECUTION</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative relationships with clients, services executed with a combination of talent and technology as appropriate, and flexible arrangements.</td>
<td>Articulate vision and a “new way of thinking,” have recognizable investments in future capabilities, strong client feedback, and are driving new insights and models.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>High Performers</th>
<th>EXECUTION</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execute some of the following areas with excellence: worthwhile relationships with clients, services executed with “green lights,” and flexibility when meeting clients’ needs.</td>
<td>Typically, describe a vision and plans to invest in future capabilities and partnerships for As-a-Service, and illustrate an ability to leverage digital technologies and/or develop new insights with clients.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High Potentials</th>
<th>EXECUTION</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early results and proof points from examples in new service areas or innovative service models, but lack scale, broad impact, and momentum in the capability under review.</td>
<td>Well-plotted strategy and thought leadership, showcased use of newer technologies and/or roadmap, and talent development plans.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Execution Powerhouses</th>
<th>EXECUTION</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence of operational excellence; however, still more of a directive engagement between a service provider and its clients.</td>
<td>Lack of evident vision and investment in future-oriented capability, such as skills development, “intelligent operations,” or digital technologies.</td>
<td></td>
</tr>
</tbody>
</table>
HfS Blueprint Grid: Multi-Process HR BPO in the Emerging As-a-Service Economy

- **Investing in Innovation to Change**
- **Excellent at Innovation and Execution**

- **HIGH POTENTIALS**
  - Infosys

- **HIGH PERFORMERS**
  - Capgemini
  - OneSource Virtual
  - Neeyamo
  - IBM
  - NGA HR

- **AS-A-SERVICE WINNER’S CIRCLE**
  - Accenture
  - Xerox
  - Aon Hewitt
  - ADP

- **EXECUTION POWERHOUSES**
  - Capita
  - Wipro
  - Ceridian

- **Execution Is Ahead of Innovation**

**Building All Capabilities**
Major Service Provider Dynamics – Highlights

**EXECUTION**

- **Quality of Account Management:** Aon Hewitt and Xerox lead the way per client feedback on account management, by being very engaged, proactive and responsive. In particular, Xerox receives strong marks for cultural fit and accountability; and Aon Hewitt for ad hoc and formal interactions.

- **Delivery Performance:** OneSource Virtual has been praised by clients for the ability to adapt to clients operations and continually improve service delivery. Neeyamo has excelled in driving MPHRO services to impact clients’ business objectives.

- **Use of Intelligent Automation:** Increasing use of automation by all service providers in MPHRO. Accenture and Xerox are high performers in delivering automation innovation to clients.

- **Pricing Flexibility:** Clients appreciate NGA and Xerox ability to adopt varying pricing structures.

- **Incorporating Feedback:** Many clients view this as a differentiator among service providers and a key element of building trust within a working relationship. High performers include: Aon Hewit, Neeyamo, OneSource Virtual and Xerox.

**INNOVATION**

- **Vision and Investment for MPHRO Service Delivery:** Accenture, Capita, Capgemini and Infosys have well defined intentions to grow their respective MPHRO practices by organic and inorganic means over the next 18 months.

- **Increasing Value for Clients Over Contract Lifecycle:** The ability to not only come forward with innovative ideas but then also action these is critical in MPHRO service delivery. Xerox, IBM and Capgemini have demonstrated their ability to deliver increasing value in MPHRO client engagements.

- **HCM Application Strategy and Development:** Capgemini, NGA, Neeyamo and OneSource Virtual have all placed extensive resources in building out HCM applications to bolt on to clients’ existing HCM platforms in order to drive innovation.

- **Plug & Play Digital Services:** In order to rapidly deploy, standardize and implement best practices to support clients’ business needs, a clear technological and services framework is needed. Accenture, Capgemini, Infosys and to a lesser extent NGA have all made steps to implement these frameworks.
# MPHRO Value Chain Services Coverage

The chart is a quick reference for coverage by the service providers in this study regarding services they provide today. Data is sourced from the service provider briefings and contract reports they provide.

## Includes:

- Talent sourcing, workforce planning, employer branding, candidate selection & assessment, onboarding
- Learning admin, content design & creation, learning delivery
- Pension services, health & welfare services, workplace benefits
- Payroll admin services, payroll processing, tax & reporting services, payroll helpline, payroll data entry
- Career development planning, compensation management, performance management
- Labor market analytics, employee spend analytics, workforce analytics.

## Service Providers Coverage

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Recruitment Process Outsourcing</th>
<th>Learning Services</th>
<th>Benefits Admin</th>
<th>Payroll</th>
<th>Workforce Dev. Services</th>
<th>HR Analytics</th>
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<tbody>
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<td>Infosys</td>
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Winners Circle
Forward thinking and innovative service provider with a global reach

**Blueprint Leading Highlights**

- Use of Intelligent Automation
- Application of Plug & Play Digital Business Services
- Collaborative Engagement
- Writing Off Legacy
- Focus on Business Outcomes

<table>
<thead>
<tr>
<th>Recruitment (RPO)</th>
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<tbody>
<tr>
<td>Learning Services</td>
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<tr>
<td>Benefits Admin</td>
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<td>Payroll</td>
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<tr>
<td>Workforce Dev. Serv.</td>
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<td></td>
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<tr>
<td>Analytics</td>
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</tbody>
</table>

**Strengths**

- **Extensive Use of Intelligent Automation Within MPHRO Service Delivery**: Accenture has implemented extensive use of automation in its MPHRO contracts from compliance through to email response and actioning. Clients have praised the proactive nature of Accenture's automation implementation within MPHRO functions.
- **Service Delivery Based on Business Outcomes**: Accenture is aiming to sell MPHRO deals through addressing end business goals.
- **Integrated Service and Technology Delivery**: Accenture has an ecosystem of partner and proprietary HR technologies that it implements into client organizations and are included in Accenture’s outcomes and transactional based pricing.
- **Global MPHRO Support Across Value Chain**: Accenture has reached a “critical mass” whereby it can deliver on multi-country and multi-language MPHRO contracts. The service provider has partnered with a major global payroll service provider in its delivery of long-tail country payroll contracts.
- **Key Focus on Employee Engagement**: Accenture has developed its MPHRO services around employee engagement and satisfaction. As this is one of the leading drivers to MPHRO adoption it will help foster growth for Accenture within the MPHRO market.
- **Platform Agnostic**: Accenture has partnered with both SuccessFactors and Workday to deliver implementations, even going so far as launching a Workday CoE in Bucharest.

**Challenges**

- **Fast Paced Career Culture within Accenture**: The fast paced career trajectory of its staff means the vital members of a delivery team are often moved off of accounts after a relatively short time. Accenture needs to manage client expectations and transitions to make this a smooth experience for both employees and clients.
- **Pricing Flexibility**: Clients have stated that Accenture is average when it comes to negotiating the pricing terms of a contract.
- **Cross Client Engagement**: Accenture has not yet successfully launched specific cross client HR or summits. These forums create the breeding ground for best practice sharing between clients and can also be useful to the service provider in development of service delivery through holistic client feedback.

<table>
<thead>
<tr>
<th>Relevant Acquisitions / Partnerships</th>
<th>Client Profile</th>
<th>Service Delivery Operations</th>
<th>Proprietary Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions:</td>
<td>TOTAL MPHRO Headcount: ~5,500</td>
<td></td>
<td>One Learning Plan (ILP)</td>
</tr>
<tr>
<td>• FusionX (2015) to enhance cybersecurity</td>
<td>MPHRO delivery in 20 centers</td>
<td></td>
<td>HR Chat tool</td>
</tr>
<tr>
<td>• Cloud Sherpas (2015) to enhance cloud consulting capability</td>
<td>Delivery center locations: North America, Brazil, Argentina, Western Europe, China, Sri Lanka, Japan, the Philippines, and Singapore, India, Czech Republic, Romania and South Africa</td>
<td></td>
<td>HR Apps:</td>
</tr>
<tr>
<td>• i4C Analytics (2014) to enhance analytics capability</td>
<td>Workday COE in Bucharest</td>
<td></td>
<td>• Candidate Interview App</td>
</tr>
<tr>
<td>• Solum Partnerships:</td>
<td>MPHRO Geographic Support: North America, LATAM, EMEA and Asia Pacific</td>
<td></td>
<td>• Intelligent Recruiter App</td>
</tr>
<tr>
<td>• Technology: ServiceNow, Workday, SuccessFactors, Oracle</td>
<td></td>
<td></td>
<td>• Talent Demand Forecaster App</td>
</tr>
<tr>
<td>• Service: Major Global Payroll Provider</td>
<td></td>
<td></td>
<td>• Talent Performance Profiler App</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Recruitment Funnel Analyzer App</td>
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<td>• Talent Supply Analyzer App</td>
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<td></td>
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<td>• Attrition Predictor App</td>
</tr>
</tbody>
</table>
The MPHRO Market Is Breaking Up HR Moves to the As-a-Service Economy

The HR market is becoming less and less defined by large multi-process lift and shift deals and instead is now rather by transformational point solutions.

How significant do you see the “As-a-Service Economy” for your organization?

- Absolutely critical: 42%
- Critical: 40%
- Significant: 16%
- Insignificant: 1%
- All hype and no substance: 1%

Source: "Ideals of As-a-Services" Study, HfS Research, 2015
Sample: Total = 716; Enterprise Buyers = 178; Advisors/Consultants = 176; Service Providers = 372
MPHRO Operating in the As-a-Service Economy Is About 5 Years Out

Five years may seem like a long time, but any organization—buyer or service provider—that has not started along the path of the 8 Ideals is behind the curve. Slow, incremental moves could get lost as the speed of newer, more nimble players picks up.

How quickly will your core enterprise processes be delivered “As-a-Service”?

- **Within 2 years**: 29%
- **Within 5 years**: 44%
- **Within 10 years**: 15%
- **Never**: 9%
- **We are already there**: 3%

Source: "Ideals of As-a-Services" Study, HfS Research, 2015
Sample: Total = 716; Enterprise Buyers = 178; Advisors/Consultants = 176; Service Providers = 372
# The MPHRO Market Continues to Adopt As-a-Service Ideals

## How Ideals Will Progress Between Service Buyers and Service Providers

<table>
<thead>
<tr>
<th>IDEAL</th>
<th>AS-A-SERVICE IDEAL DEFINITION</th>
<th>NON EXISTENT</th>
<th>INITIAL</th>
<th>EXPANSIVE</th>
<th>EXTENSIVE</th>
<th>ALL PERVERSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write Off Legacy</td>
<td>Using cloud HCM platform, SuccessFactors, Workday, Oracle HCM for greater reporting depth and more agile, less exception oriented systems and processes</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Design Thinking</td>
<td>Understanding the business context to reimagine processes aligned with meeting client needs</td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokers of Capability</td>
<td>Orienting governance &amp; operations to source expertise from all available sources, internally and externally, to address capability gaps</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Collaborative Engagement</td>
<td>Ensuring relationships are contracted to drive sustained expertise and outcomes</td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intelligent Automation</td>
<td>Using automation and cognitive computing to blend analytics, talent, and technology</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Accessible and Actionable Data</td>
<td>Applying analytics models, techniques and insights from big data, real-time</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Holistic Security</td>
<td>Proactively managing digital data across service chain of people, systems &amp; processes</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Plug and Play Business Services</td>
<td>Plugging into “ready to go” business outcome focused, people / process / technology with security measures</td>
<td></td>
<td></td>
<td>2016</td>
<td>2020</td>
<td></td>
</tr>
</tbody>
</table>
Service Buyers Typically Still Take a “Directive” Approach to Outsourcing

Service Buyers: Please describe your relationship with your primary service provider.

- Collaborative – we jointly strategize and execute: 21%
- Directive – we tell them what to do: 69%
- Dysfunctional – there’s a general lack of communication and accomplishment: 10%

Source: The HfS Working Summit for Service Buyers, December 2015
(Sample 53 enterprise outsourcing leads)
And Service Provider Leaders Believe Their Clients Have Little Desire to Change

- 13% Fast-moving dynamic innovators willing to embrace change and invest in disruptive solutions
- 38% They want to shift to an As-a-Service model, but struggle to deal with the change
- 50% They pretend to want to change but really don’t
- 0% They like being in a legacy world and use every excuse under the sun never to change things

Source: The HfS Working Summit for Service Buyers, December 2015 (Sample 53 enterprise outsourcing leads)
Increasing the Value of Engagement Through BPO and the Emerging As-a-Service Economy

**Collaborate Across the Industry:** Service buyers together with service providers have an opportunity to take a more prominent role in facilitating collaboration within the MPHRO market. With the dynamics of the market changing as employee engagement, and a focus on wider business outcomes becomes increasingly important. Service providers have to be leading from the front in thought and industry leadership, while buyers need to be engaging in these forums and willing to embrace partnership with service providers.

**Continue to Facilitate the Writing Off of Legacy Through Outsourcing:** The move to cloud HCM platforms in the MPHRO market is becoming increasingly common, although it is not yet all pervasive. Larger organizations in particular are still too often entrenched in legacy and therefore require comprehensive change management partners, and senior level sponsorship, to make the move to these cloud HCM platforms and embrace the requisite changes that come along with the easier workflow and access to data.

Even organizations that have moved to the cloud are often at a loss of how best to use the technology available to them to impact business outcomes. Outsourcing platform management and managed service delivery to platform specific experts (service providers) allows for the optimization and best use of these systems. Service providers are increasingly developing apps that integrate with SuccessFactors and Workday to bring further value to clients.
Increasing the Value of Engagement Through BPO and the Emerging As-a-Service Economy, Cont.

- **Embrace the Efficiency Gains of Intelligent Automation:** Process automation in the areas of data capture and transfer, auditing and compliance, query resolution, employee service, information updates, escalation, email response and actioning and rules based processing are now becoming more commonplace in the MPHRO market. These process automations enhance productivity, significantly add value and reduce manual back-office functions. However we have yet to see true cognitive automation in MPHRO case studies.

- **Utilize Economies of Scale Via Plug & Play Processes:** Infosys, Capgemini, Xerox and NGA HR have rolled out standardized MPHRO managed services and platform implementations that not only allow for quicker, and often more efficient processes than bespoke alternatives, but also allow for an element of cost reduction through the use of cross client economies of scale in delivery centers. Most often the largest component of customization in these implementations is the “look and feel” of the service and front end user dashboard. In order for service providers to excel in this market they need to have pre-built process and software implementation maps that address the business needs of buyers. HfS expects all major service providers to have a service and software implementation framework by 2020.
Increasing the Value of Engagement Through BPO and the Emerging As-a-Service Economy, Cont.

- **Extend Capability and Scope of Service to Support Change and Growth:** Service providers are building off of established capability—talent, tools, ecosystems/partnerships—to provide more business outcome oriented, change enabling, and innovative collaboration, including:
  
  • **Payroll Services:** Multi-national buyers of MPHRO engagements that have an element of payroll require specific long-tail country payroll services that go beyond the direct capabilities of many organizations. These long-tailed country engagement pose extensive regulatory concerns. Service providers that don’t have adequate in-country operations or experience are partnering in order to deliver on these engagements rather than acquire. OneSource Virtual, Neeyamo, Infosys, Capgemini, and Xerox are all partnering with payroll specialist and in-country payroll organizations to deliver long-tail country engagements.
  
  • **Verticalization of HR Analytics:** Given that the majority of HR processes are fairly standardized across industry, there has been no need for service providers to tailor services to industries in the manner that they have in front office operations. However, given the targeting of buyer business outcomes in As-A-Service MPHRO engagements, buyers are now seeing a need to define HR analytics by vertical, or at least by employment type (blue collar, white collar). This needs to be done in order to relate changes in HR state (employee churn rate, absenteeism, employee engagement level, etc.) to effects on business outcomes such as: revenue impact on a per store basis, manufacturing production rates, billable hours, etc.
  
  • **Multi-tower Engagements Driving Adoption of MPHRO:** Service providers including Accenture, Capgemini, Infosys and Xerox are leveraging their multi-tower outsourcing ability to drive adoption of MPHRO contracts. Most often clients stack back office engagements with a service provider.
Increasing the Value of Engagement Through BPO and the Emerging As-a-Service Economy, Cont.

**Take Up of Digital Technology:** What we see happening with social, mobile and analytics includes:

- **Use of Social Media for Recruiting:** MPHRO service providers are expanding their social media usage for recruitment and employee engagement. ADP’s Recruiting Manager incorporates social media support functionality, allowing for posting of positions as well as search both internal and external candidates.

- **Proving the Value of Mobility:** Employees expect to interact with their organization in the same way they interact with their friends and as consumers. Service providers are identifying this niche and are developing products in support. Xerox is leveraging its in-house mobility department and has launched employee wellness and benefits apps that integrate with SuccessFactors, Workday and Oracle HCM.

- **Evolving the Use of Analytics Into the Predictive and Prescriptive Realm:** The majority of service providers in this study have or are in the process of developing predictive and to a lesser extent prescriptive HR analytics. The majority of this upper tier analytics is been aimed at talent management functions including the prediction of likely employee churn and then the prescription of recommended management interventions based off of industry best practice.
Recommendations for Service Buyers and Providers

Service providers are largely geared for change and innovation in the MPHRO market; nearly all buyers have indicated that their respective service providers continually come forward with potential areas for innovation in respect of app implementation and predictive/prescriptive analytics. Where certain services providers are lagging is on their packaging of these innovation measures. Buyers seem to be the sticking point in this market with many unable to adapt due to internal restrictions and lack of C-level buy in. This is and can be addressed by the following:

- **Cross Client Engagement and Education:** There are still a number of MPHRO service providers which do not engage clients in forums and summits. This is crucial to cross pollinate best practice between buyer organizations. Buyers want this interaction as there is still an element of skepticism when innovation is brought forward by a service provider who has a vested interest in providing this innovation.

- **C-level Engagement:** The need for C-level sponsorship of innovative MPHRO initiatives can not be over emphasized. Many innovative outsourcing engagements are scuttled due to not having top-level buy in. Also many outsourcing engagements get caught up in the tactical elements of the service delivery as opposed to the strategic outcomes of the engagement. Most buyers interviewed in this study have a tactical & technical, as opposed to a strategic, relationship with their MPHRO service providers. Service providers need to foster top level buy in at the initial stages of a contract.

- **Working Across MPHRO Silos:** Both service providers and buyers need to adapt internal practices to fit MPHRO engagements. At present much service provision from service providers is siloed by HR service line; in addition buyer organizations often silo internal HR departments. This often limits the effectiveness of HR analytics due to data security differences between departments. Buyers have also voiced frustration at having to deal with multiple contacts from a single service provider in an MPHRO environment.
Recommendations for Service Buyers, Cont.

Both service buyers and service providers need to regularly step outside of the everyday routine, and articulate the business problem they are solving today, and consider the solution, and how they might change the current approach. One of the ways to do this is to incorporate Design Thinking into the engagement.

The value here is not just in simplifying project management and engagement, or even in price or cost, but also in moving effectively toward a more business outcome focused, strategic, and end to end collaboration between service buyers and service providers.
## Related Research

### SOUNDBITES

**Short Read Online:**
- Have HRO Service Providers Tapped Into the Power of HCM Analytics?
- Acquisitions in HRO are a Response to the Emerging As-A-Service Economy
- NGA Goes On a Crash-Diet to Survive in the As-A-Service Economy

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  *The Evolution to the As-a-Service Economy Poses Major Opportunities and Threats to Enterprises*
- The BPO Profession in 2015: Today’s Accidental Career Path, Tomorrow’s Capability Broker
About the Author
Mike Cook
Human Resource Services Research Director, HfS Research – Wokingham, UK

Overview

- Mike Cook is the Human Resource Services Research Director at HfS Research, shaping the firm’s research in a newly formed “HR-as-a-Service” domain that helps enterprises transform their HR and workforce management capabilities in the emerging As-a-Service Economy.

- Mike is responsible for driving and authoring a compelling research agenda focused on HR service delivery, talent management and HR-as-a-Service strategies for HR practitioners and HR industry stakeholders. He works with the HfS research team on key research areas that are impacting HfS clients, including multi-process HRO, Payroll Outsourcing, Recruitment Process Outsourcing and HR SaaS.

- Mike also has specific focus on developing and supporting analyst services for HfS buyside practitioner clients across Business Process Outsourcing domains, working across the multi-disciplinary HfS analyst teams.

Previous Experience

- Previously, Mike worked at BPO researcher NelsonHall as one of the firm’s leading principal analysts. In his most recent role, he assisted buyside organizations in making strategy and provider selection decisions for outsourcing services across multiple BPO domains, including HRO, Customer Management Services, F&A, LPO, Marketing BPO and Insurance Outsourcing.

- Mike prides himself on his ability not only to analyze a market accurately and identify how it is changing, but also to apply this knowledge in a practical, thought provoking and hands on manner for enterprise service buyers, providers and investors in outsourcing and technology services.

Education

- Mike holds a Post Graduate degree in International Trade and Development Studies from the University of Johannesburg.
About HfS Research

HfS Research is The Services Research Company™—the leading analyst authority and global community for business operations and IT services. The firm helps enterprises validate their global operating models with world-class research and peer networking.

HfS Research coined the term The As-a-Service Economy to illustrate the challenges and opportunities facing enterprises needing to re-architect their operations to thrive in an age of digital disruption, while grappling with an increasingly complex global business environment. HfS created the Eight Ideals of Being As-a-Service as a guiding framework to help service buyers and providers address these challenges and seize the initiative.

With specific focus on the digitization of business processes, intelligent automation and outsourcing, HfS has deep industry expertise in healthcare, life sciences, retail, manufacturing, energy, utilities, telecommunications and financial services. HfS uses its groundbreaking Blueprint Methodology™ to evaluate the ability of service and technology providers to innovate and execute the Eight Ideals.

HfS facilitates a thriving and dynamic global community of more than 100,000 active subscribers, which adds richness to its research. In addition, HfS holds several Service Leaders Summits every year, bringing together senior service buyers, providers and technology suppliers in an intimate forum to develop collective recommendations for the industry and add depth to the firm’s research publications and analyst offerings.

Now in its tenth year of publication, HfS Research’s acclaimed blog Horses for Sources is the most widely read and trusted destination for unfettered collective insight, research and open debate about sourcing industry issues and developments. Horses for Sources and the HfS network of sites receive more than a million web visits a year.

HfS was named Analyst Firm of the Year for 2016, alongside Gartner and Forrester, by leading analyst observer InfluencerRelations.