

## NEWS RELEASE

### FOR IMMEDIATE RELEASE:

### Media Contacts:

The Point Group

Scott Tims ([stims@thepointgroup.com](mailto:stims@thepointgroup.com))

214-378-7970 x 278 (mobile 214-957-6785)

Laura Reina ([lreina@thepointgroup.com](mailto:lreina@thepointgroup.com))

214.378.7970 x 238 (mobile 214.216.5612)

## **Outsourcing of HR Functions to Regain Momentum in 2008, according to Everest Research Institute**

### ***Companies leveraging 'phased-in' approach to HR outsourcing***

**DALLAS, November 2, 2007** — Outsourcing of human resource functions – including the most commonly outsourced functions of payroll, benefits, employee data management, information systems, and contact centers -- is expected to increase in 2008 after remaining relatively flat since 2005, according to the [Everest Research Institute](#). While all market segments present significant growth potential, the Institute's annual Human Resources Outsourcing (HRO) market study predicts mid-sized, North American and European companies will spark the growth. The Institute will hold a [Webinar](#) on November 6 at 9 a.m. CST to present study findings and insights.

According to the Institute, the cumulative total contract value of human resources outsourcing transactions reached US \$21.2 billion in 2006 and is expected to be US \$25.4 billion by the end of this year. The Institute's study, *Human Resources Outsourcing (HRO) Annual Report: November 2007*, attributes future HRO growth to existing suppliers that have decreased transition costs and timeframes and are promoting standardized offerings. With the current penetration level of HRO being low in all market segments and across geographies, suppliers are focusing on the largely underserved mid-market and are offering compelling price points. According to the study, North American buyers account for more than 70 percent of HRO transactions, but Europe has seen increased deal signings over the past three years. Manufacturing, financial services and high-tech and telecom are the leading buyers of HRO overall.

"Over the last three years, we've seen a flat market in terms of the number of global HRO deals made due to the limited capacity of suppliers; however, the share of regional transactions has increased, especially for mid-sized companies of 3,000 to 15,000 employees," said Monica Barron, Vice President, Everest Research Institute. "Existing suppliers are building capability and new suppliers are entering the market, indicating continued market evolution and growth. We've seen a definitive move away from the 'lift-shift' model, where the supplier takes over the buyer's existing staff, processes, and technologies largely 'as-is' to provide outsourcing services. Buyers are leveraging a transformation-transfer model in which standardized processes and technologies are implemented and provided by the supplier."

Another growth driver is a 'componentized' HRO model where buyers uncomfortable with full-scope, large scale transformation are signing contracts with suppliers who break up the outsourcing engagement into components and outsource them in phases.

“As buyers are deciding to move toward a componentized route, either in terms of scope of process or geographic scope, suppliers must have flexible offerings and contract terms to meet their requirements,” said Rajesh Ranjan, an Everest Research Institute Senior Research Analyst and co-author of the report. “At the same time, suppliers will need to ensure that their offering is scalable so as to be the supplier of choice when buyers decide to expand their scope of outsourcing.”

The study notes that [Accenture](#), [Convergys](#) and [IBM](#) have gained significant HRO market share in terms of total contract value while [Hewitt](#) remains the market leader in terms of annual contract value.

Other study findings include:

- **Process Scope:** Six to seven HR processes on average are included in an HRO transaction. Since 2004, the inclusion of training, recruitment and compensation in HRO deals have increased; however only data administrative services and technology have been outsourced in almost 50 percent of the cases. Inclusion of benefits administration in full scope HRO deals, on the other hand, has declined.
- **Size and Term:** The average transaction size of HRO deals remains less than US \$100 million. There has been a steady increase in the number of smaller transactions (less than US \$200 million). Average deal term remains around 6.5 years with 75 percent of the transactions having a deal duration between five to 10 years.
- **Pricing:** After declining considerably, the average price point is increasing for companies with more than 15,000 employees due to suppliers’ stronger definitions of their operational criteria, sole-source agreements with targeted industry clients and clear focus on attaining profitability.
- **Offshore Adoption:** Currently, only 46 percent of HRO transactions include an offshore component; however, 68 percent of HRO transactions in the over 15,000 employee segment have an offshore component and is on the rise as suppliers continue to leverage offshore delivery centers to reduce operational costs.
- **Technology:** In almost 85 percent of transactions, HR information systems were outsourced, signifying the key role of technology in HRO. Since 2004, the market penetration of proprietary solutions has increased.

The annual report is the first of a two-part study of the HRO market. The second part, the *2007 Global HRO Supplier Landscape*, will be released in December.

The [Webinar](#) will take place on **November 6, 2007**, at 9 a.m. CST; 3 p.m. GMT; 8:30 p.m. IST. To register, please visit: [www.everestgrp.com/Webinars](http://www.everestgrp.com/Webinars).

For additional information and an extract of the HRO Annual Update, please visit [www.outsourcing-center.com](http://www.outsourcing-center.com). You may also call 214-451-3110 to schedule a personal briefing appointment.

#### **About Everest Research Institute**

[Everest Research Institute \(www.everestresearchinstitute.com\)](http://www.everestresearchinstitute.com) serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, service providers, and investors in the global

outsourcing and offshoring marketplace. The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute's distinguished Board of Advisors, senior executives and thought leaders oversee the Institute's research agenda to ensure that it fully supports the business needs of corporations, service providers and investors.

Everest Research Institute members receive access to unparalleled analytical and advisory services, including access to Everest analysts, in-depth reports on major outsourcing and offshoring topics, white papers on market-shaping events, and Webinars designed to provide insight and information about important market trends. The Institute's wealth of knowledge and experience provides members with unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

[Everest Group](#) is a global operational strategy consulting firm with offices in such leading business centers as Dallas; Gurgaon, India; London; Amsterdam; New York; Toronto and Melbourne. An industry leader since 1991 when we created the sourcing consulting category, Everest Group has earned a worldwide reputation for ongoing innovation as we help clients achieve maximum value from their operations, which includes sourcing strategy and implementation. Everest created the Everest Research Institute ([www.everestresearchinstitute.com](http://www.everestresearchinstitute.com)) as the central source of industry information. Please visit [www.everestgrp.com](http://www.everestgrp.com) and [www.everestresearchinstitute.com](http://www.everestresearchinstitute.com) for more information.

###