



Human Resources Outsourcing (HRO) Market Update: June 2007

**Topic: HRO Benchmarks – Scope, Pricing,
and Quality – Preview**

Background of the research

- The Institute conducted in-depth interviews and a data collection exercise with senior governance teams of HRO buyers. The objective of the survey was to explore buyer satisfaction with HRO, and what definitions, metrics, and measures overall and within specific HRO process areas facilitate optimal realization of the desired outcomes of HRO
- A total of 18 buyers participated in the survey, representing 27% of the overall market in terms of Total Contract Value (TCV) through 2006

The scope of analysis includes

- Key metrics on the extent of outsourcing adoption in HR
 - HR process scope
 - Technology models
 - Implementation platforms
 - HR staff reduction
 - Offshore adoption
- Pricing metrics
 - Targets and actual
 - Price-points
- Quality metrics
 - Targets and actual
 - Service levels
- HR process deep-dive: Training example



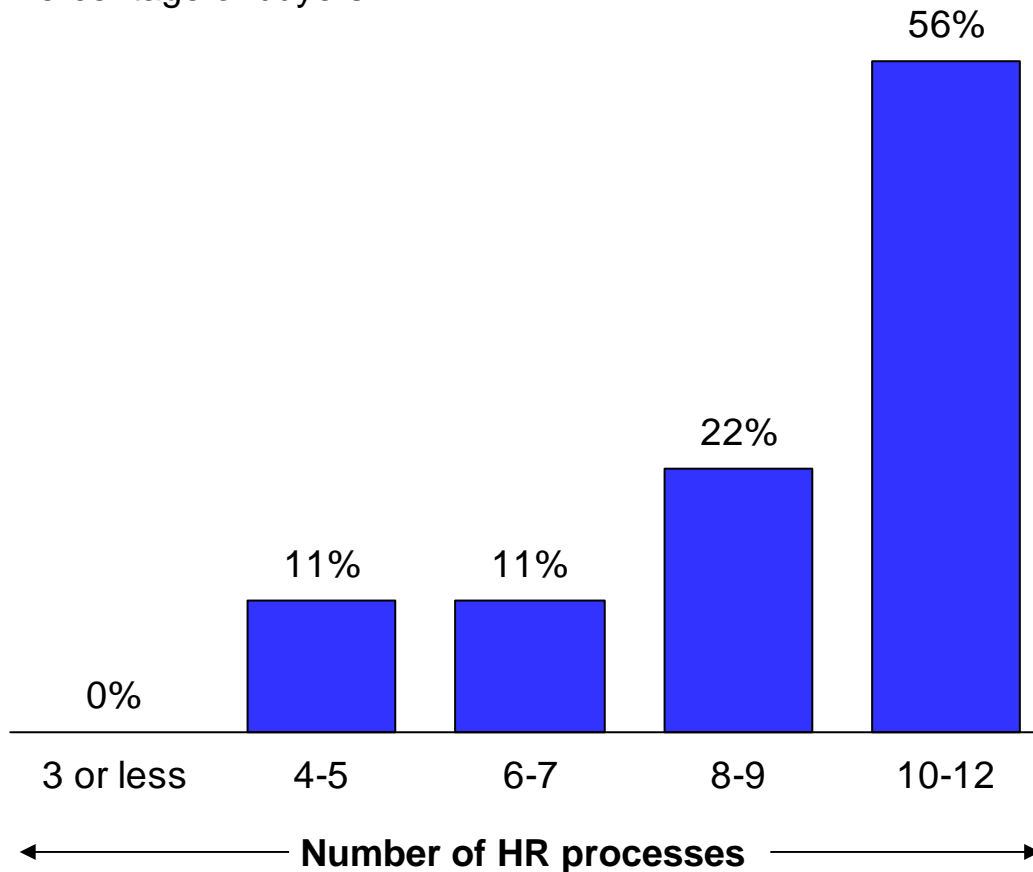
Topic	Page no.
Section I: Introduction	4
■ Key objectives	5
■ Participant demographics	6
■ HR pyramid	7
Section II: Executive summary	8
■ Scope/adoption	9
■ Pricing	9
■ Quality	10
■ Process deep dive: Training	10
Section III: Detailed findings	11
■ Scope/adoption	11
● Summary	12
● Process scope	13
● Technology	16
● Delivery/implementation models	18
● Retained organization	23
● Offshore adoption	24
■ Pricing	26
● Summary	27
● Pricing model	28
● Overall price-points	30
● Process level price-point	32
● Cost reduction	33



Topic	Page no.
Section III: Detailed findings (continued)	
■ Quality	35
● Summary	36
● Target and actual quality	37
● Service-level usage	38
■ Process deep-dive: Training	45
● Summary	46
● Process scope	48
● Technology adoption	51
● Offshore adoption	52
● Staff reduction	53
● Degree of standardization	54
● Pricing	55
● Service metrics	57
Section IV: Implications for key stakeholders	58
■ Implications for buyer	60
■ Implications for suppliers	62
Appendix	64
■ Detailed charts	64
● Process scope	64
● Service metrics	68
■ Glossary of terms	81
■ References	85

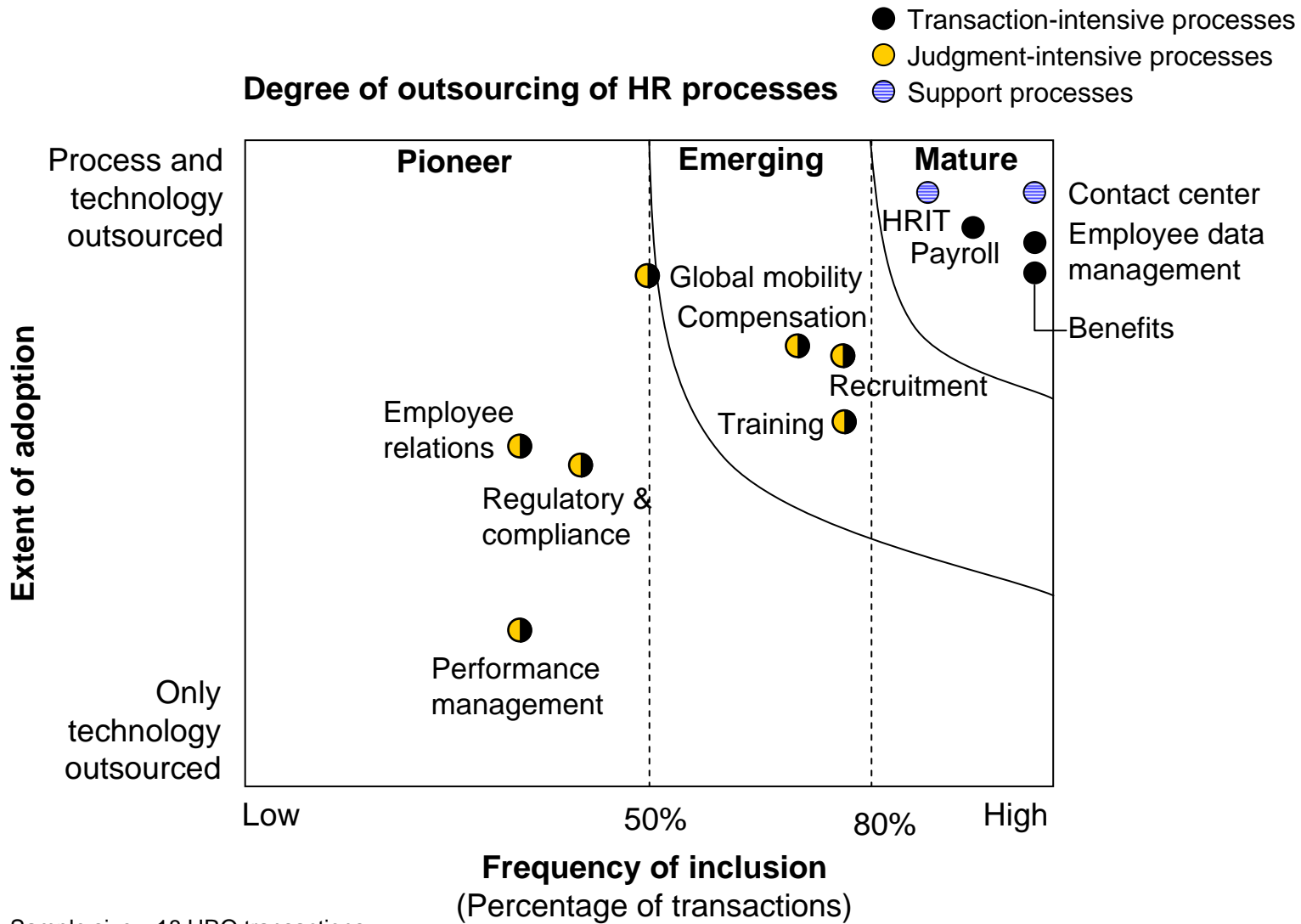
The majority of buyers have outsourced ten or more HR processes (out of a maximum of 12)

Number of HR processes in scope
Percentage of buyers



Sample size: 18 HRO transactions
Source: Everest Research Institute (2007)

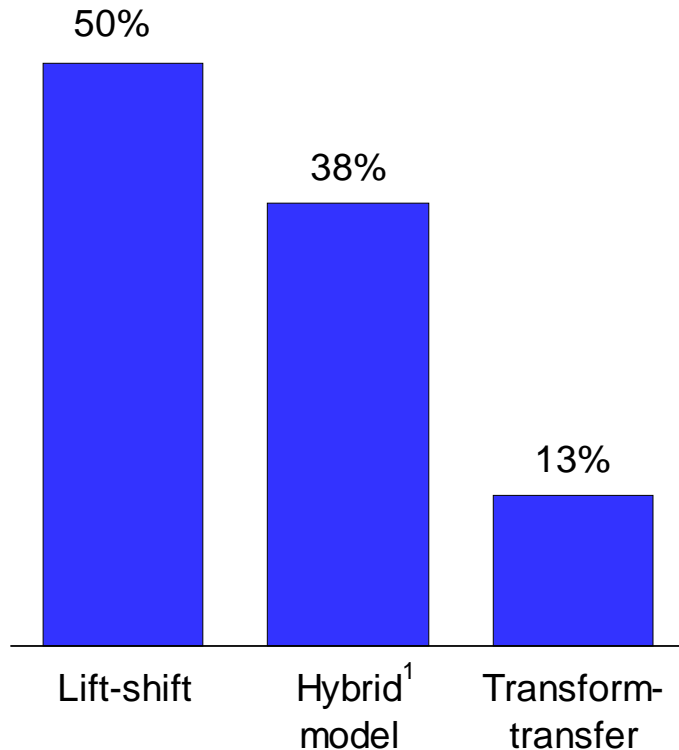
Transaction-intensive and support HR processes are outsourced more than judgment-intensive processes



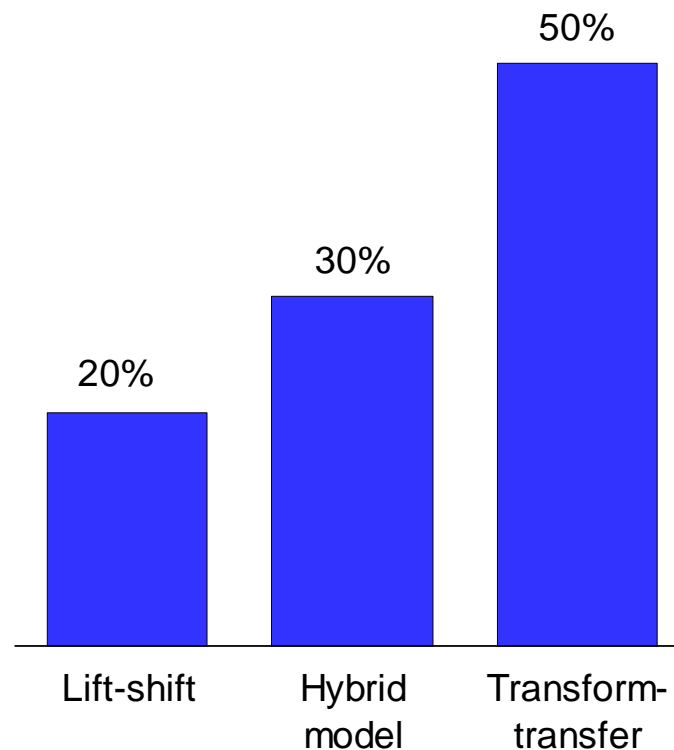
Sample size: 18 HRO transactions
Source: Everest Research Institute (2007)

Transactions are evolving from a “lift-shift”¹ delivery model to a “transform-transfer” model

HRO delivery model – Pre-2004
Percentage of buyers



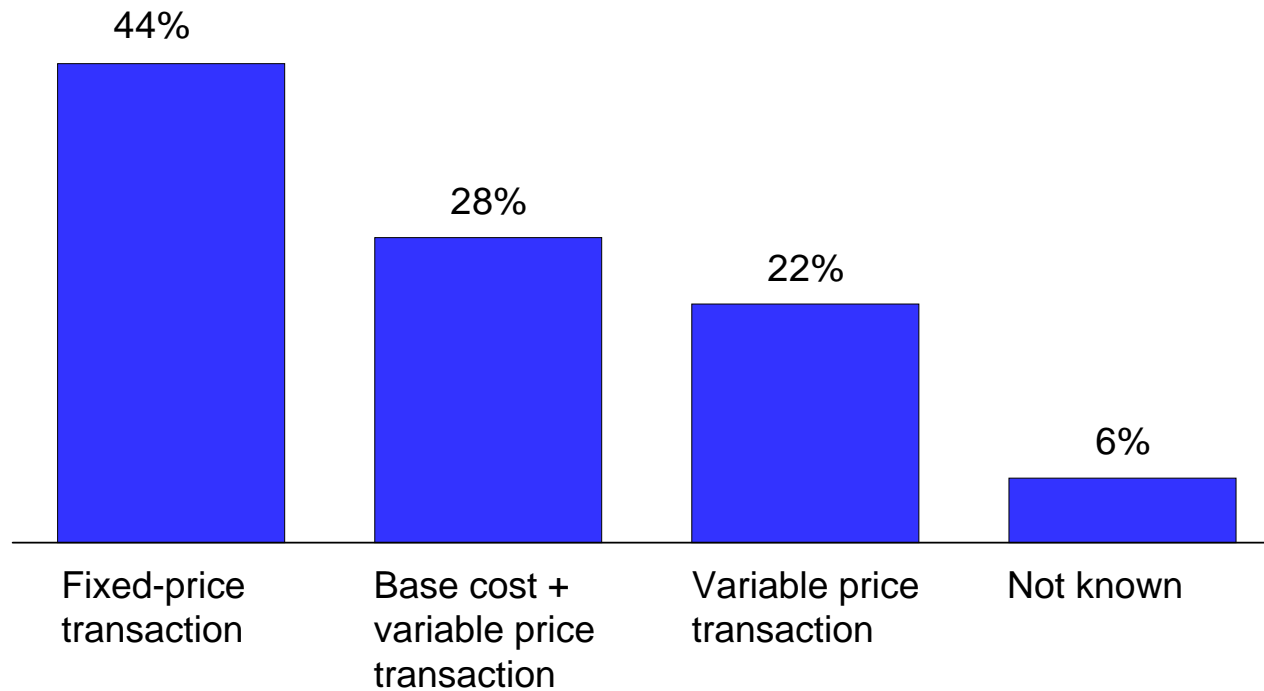
HRO delivery model – Post-2004
Percentage of buyers



¹ Defined in Appendix
Sample size: 18 HRO transactions
Source: Everest Research Institute (2007)

44% of the buyers surveyed signed a fixed-price transaction

Pricing model
Percentage of buyers

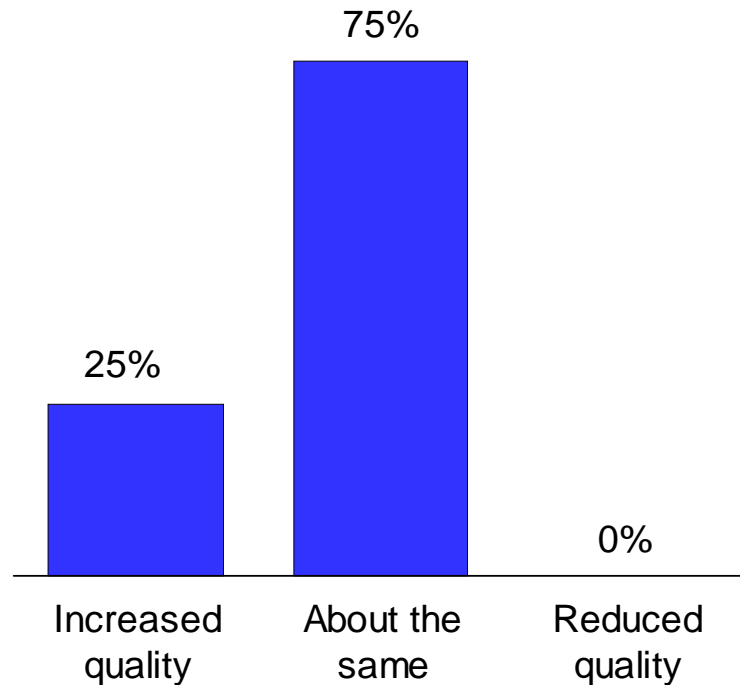


Sample size: 18 HRO transactions
Source: Everest Research Institute (2007)

Although the majority of buyers sampled were not targeting improvement in quality of service delivery, a significant proportion (37%) have seen a reduction in quality post-HRO

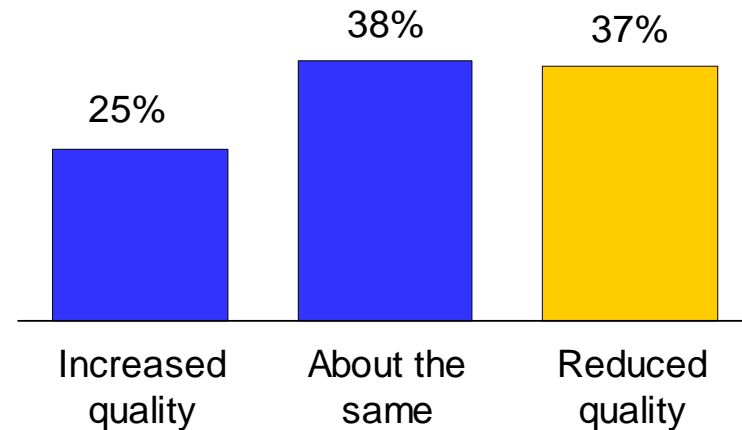
Target quality post-HRO

Percentage of buyers



Actual quality post-HRO

Percentage of buyers



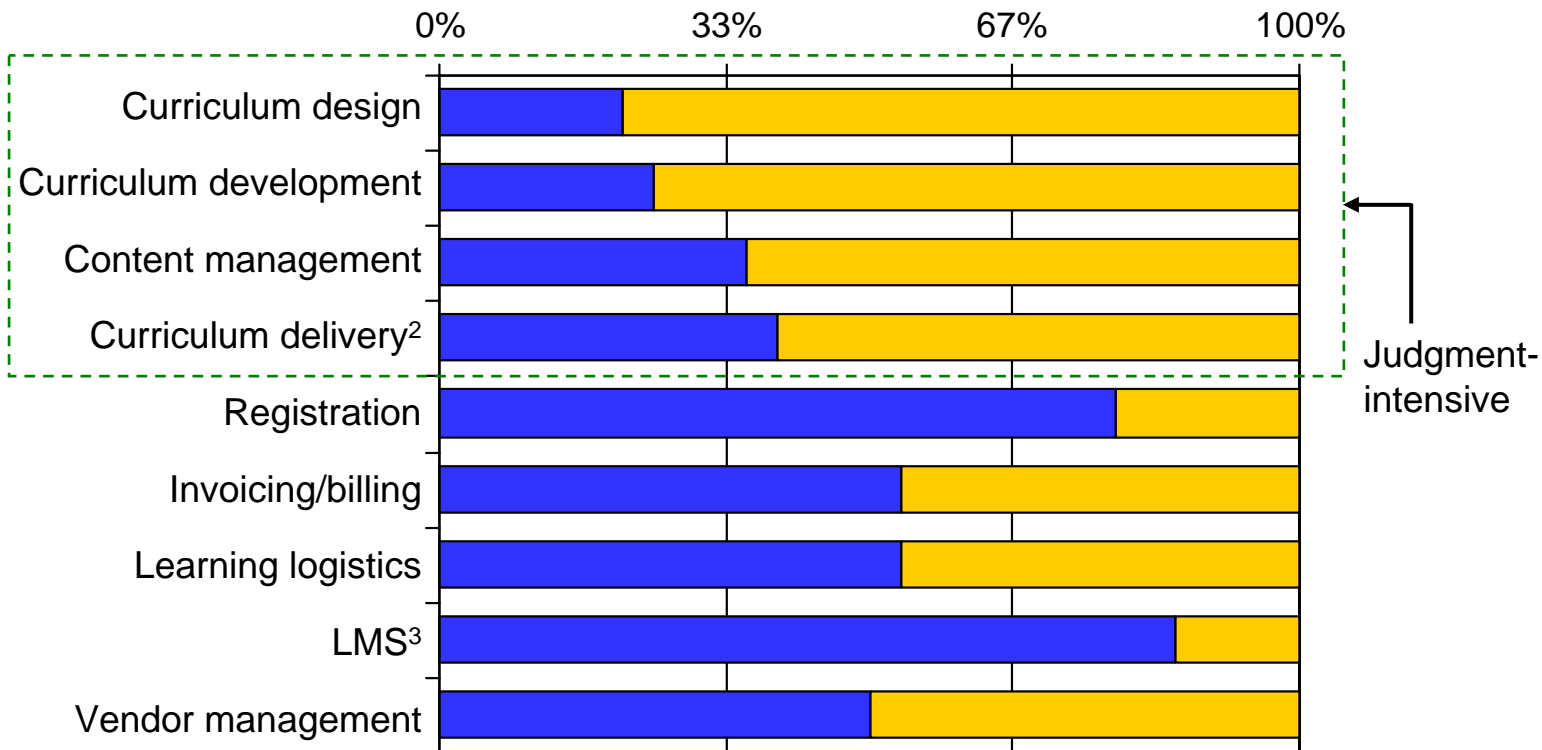
Sample size: 8 HRO transactions for which information on quality was available

Source: Everest Research Institute (2007)

Within training, judgment-intensive sub-processes get outsourced less often compared to more transactional sub-processes

Training sub-process inclusion¹ Percentage of buyers

■ Sub-process in scope
■ Sub-process not in scope



- 1 Training strategy is typically not outsourced and therefore not included in the above analysis
- 2 Curriculum delivery may also include transactional elements like Web-based delivery
- 3 Learning Management System

Sample size: 14 HRO transactions with training in scope

Source: Everest Research Institute (2007)

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