

The Top 34 HRO Buyer-Provider Relationships

QUANTITATIVE OR QUALITATIVE? WE THINK A SUCCESSFUL BUSINESS PARTNERSHIP IS BASED MORE ON SOFT AND FUZZY FACTORS THAN ON HARD NUMBERS. HERE IS OUR AUTHORITATIVE (THOUGH ADMITTEDLY SUBJECTIVE) LIST—IN NO PARTICULAR ORDER. BY THE STAFF OF *HRO TODAY*

Face it. We at *HRO Today* always want to have the inside scoop. So do you. Each issue we publish is another chance for us to turn over another rock in the never-ending stream of knowledge about the exploding market for HR Outsourcing services. This month's Top 34 HRO Buyer-Provider Relationships list is no exception. Sometimes when we turn over these rocks, we find some surprises. We hope you will too.

When we started compiling this list, we intended to rank the relationships according to objective numerical criteria such as dollar volume or headcount or duration of contract or number of functions. Soon after we began, however, we realized that the way to judge a relationship is based more on qualitative or subjective factors such as shared interests, cross-border communications, cultural cross-fertilization, and other soft and fuzzy concepts. So we had to make a decision: quantitative versus qualitative—the Pythagoreans versus the Aristotelians.

In the end, the Pythagoreans lost. We went qualitative. But as a reader of *HRO Today*, you know that we have equal comfort with numbers and words and are just as happy to swim in the gray areas as in the black-and-white. Now you will notice that for some relationships, we have lots of data, including the value of the contract, the

term, the number of employees. For others, we have more qualitative text. Remember, we are dealing with inside scoop here. Sometimes the inside scoop comes in a little fuzzy. That's just the way it is. With all that said, go ahead and enjoy *HRO Today's* list of the Top 34 HRO Buyer-Provider Relationships for 2003. And if you have any suggestions on how we can improve the list for next year, shoot us an email at info@outsourcingtoday.com.

1 Motorola & ACS Global HR Solutions. \$650 million contract over 10 years will transfer much of Motorola's HR systems, software, and process capabilities organization to ACS. ACS will combine these acquired capabilities along with 700 acquired Motorola staff with its BPO organization to create a new wholly owned ACS business, ACS Global HR Solutions.

2 State of Florida & Convergys. \$280 million over 7 years. Under the contract, the company will supply support to Florida's human resources, recruiting, training, benefits, and payroll administration services for 189,00 employees. According to Florida's Department of Management Services, the project will save the state up to \$173 million over seven years.

3 Transportation Security Administration (TSA) & Accenture HR Services. \$215 million over 4 years. Service was up and running in under 30 days. Involves a full suite of HR services to TSA's 45,000 employees (which will grow to 63,000 soon) who manage security at some 450 airports in the United States and in U.S. Territories. Services include payroll, benefits administration, onboarding, orientation, managing 70,000 personnel files. TSA's legacy systems will transition to Accenture's PeopleSoft platform.

4 British Petroleum & Exult. \$600 million over first 5 years. This is the first equity-for-contract deal. It includes outsourcing of all payroll, recruiting, expatriation, records management, vendor management, global e-learning services and relocation services for British Petroleum's 63,000 employees. BP company has reaped many benefits from the arrangement. Payroll processing is more timely and accurate. Employees get their benefits questions answered sooner. HR processes have been standardized across the company. And for the first time, BP has measurable data on which HR activities are effective. In the process, BP's core HR staff has been slashed 65 percent—from 100 to 35 people.



5 Bank of America & Exult. Signed in November of 2000, the deal is worth \$1.6 billion over 10 years. Integrates 130,000 employees, over 95 percent of BofA in-scope employees into contract. Includes the predominance of the bank's back office HR and affiliated financial processes and regional staffing and recruiting functions. The result is a partnership that has included complex payroll conversion, a successful annual benefits enrollment, lowering costs, and achieving goals. Significant mutual success in driving self-service and process automation.

6 International Paper Co. & Exult/Towers Perrin. \$600 million over 10 years, supporting 70,000 employees, expanded by an extra \$90 million in late-2002. The partnership provides for a guaranteed expense reduction and increase in service delivery to International Paper. Exult has signed a pact with Towers Perrin to offer health benefits services to Exult clients, including International Paper Co. Exult will oversee the Stamford, Conn., com-

pany's payroll management, benefits administration, call-center management, relocation and outplacement services, and HR information services for 70,000 employees and 80,000 retirees. About 200 International Paper HR and IT employees have been offered positions at Exult, and the outsourcer will take over the manufacturer's HR operations center in Memphis, Tenn. Exult will develop personalized Web pages for employees and retirees, dubbed myIP.com, from which they'll track personnel information, career training and job requirements, internal communications, and other HR-related information. The system will be integrated into International Paper's SAP system to tap back-end data. International Paper hired Exult because of its guaranteed cost-savings, experience in managing third-party vendors, and reductions in business IT spending.

7 Prudential Financial & Exult. 10 year contract supporting 47,000 employees. Exult is the outsourcer for comprehensive

HR & Affinity finance and accounting. Prudential has been able to achieve greater business efficiencies, establish a favorable cost structure, and focus on its strategic HR needs, at the same time delivering world-class HR transactional services to its employees. Direct process transaction was completed within eight months of contract signing, migrating approximately 300 FTEs' work with few Prudential hires, significant savings realization, reduced capital expenditures, and a firm platform for future cost reduction.

8 Defense Finance and Accounting Service/Defense Retiree and Annuitant Pay System (DRAS) & ACS. This innovative payroll and customer call-center outsourcing deal resulted in ACS's hiring of 390 government personnel. ACS promoted cross-communications through facilitated team-building activities with DFAS. Performance metrics are built in with future goals mutually developed. Innovative management, pay incentives, and new technolo-

gies have provided improvements in DRAS operations and customer satisfaction.

9 America Online & ProBusiness. Deal signed in 1999 includes outsourcing AOL's payroll, payroll taxes, HR, and benefits administration for 14,500 employees in 50 states. AOL's strategy is to outsource business processes rather than build systems internally with an ultimate goal of going paperless. Towards that end, its partnership with ProBusiness has more than 95 percent of AOL's employees on electronic direct deposit.

10 Canadian Imperial Bank of Commerce & EDS. Under a seven-year, \$156 million contract, EDS is outsourcing the human resources functions and technology for the Canadian Imperial Bank of Commerce (CIBC). About 200 bank employees, including IT and human resources experts, will transition to EDS. The functions EDS provides include payroll, pension, and benefits administration as well as a contact center for employee, manager, and systems support. The contact center staff is among the bank employees transferring to EDS. Also, EDS provides program and project-management support for several bank departments, including human resources, health and occupational services, and financial reconciliation and management.

11 British Telecom & Accenture HR Services. One of the first shared-equity deals in HRO, which Accenture eventually bought back from BT. Accenture provides the telecom company with HR administration, learning and professional development services, assumes resourcing/recruiting function, handles its payroll services, and runs day-to-day HR operations. Some 93 HR roles were transferred to the provider. This outsourcing agreement is not simply about generating cost efficiencies but about transforming operations to achieve world-class performance levels.

12 Home Depot & Talx. The relationship began in 1997 and covers 300,000 employees. Talx provides verification of employment and income, W2 reissuance, and unemployment cost management. Home Depot employees can use TALX W-2 eXpress



service and prompted the DIY leader to start rolling out the TALX ePayroll service to move to an electronic version of the printed paystub. The Home Depot associates will be able to retrieve their pay information online—anytime they choose—by visiting a secure Web site or by using an automated IVR system.

13 General Motors & Workscope. General Motors's new employee self-service portal, which insiders have affectionately named mySocrates, was outsourced lock, stock, and barrel to Workscope. In the annals of Web-based employee self-service, this portal is notable both for its content (which includes payroll, benefits, and HR self-service data) and for the sheer volume of traffic it must handle. On a daily basis, mySocrates delivers daily doses of data to 190,000 hourly and salaried workers, including members of the United Auto Workers union. Over 200,000 times each hour, employees hit the Web site, which is based on Workscope's Employee.com portal technology. The site was deployed in 12 months, and is hosted by Workscope. The technology was the result of a team effort among Workscope and Sun Microsystems, and won over 50 industry awards for its scale and design. General Motors has been known throughout its history as an innovator in outsourcing. The company started partnering with manufacturing outsourcers back in the 1950s, and has extended that practice through to business process outsourcing in the 21st century.

14 Johnson and Johnson & Hewitt. Signed in 1999. Eight year deal for defined contribution and health & welfare administration outsourcing. Deal affects 65,000 employees for health & welfare and 90,000 for defined benefits. J&J says, "This isn't your ordinary client relationship. They

like us and we like them." The following words were used by both J&J and Hewitt: Trusted partnership; continuous improvement; naturally integrate with each other.

15 Sony & Hewitt. When Sony hired Hewitt for HR Outsourcing in 2002, its goals were to reduce costs; create more streamlined, effective HR processes and policies; change the way HR staff got work done; and consult on the people strategy aspects of its business. A key objective was to create an HR delivery environment that aligned with Sony's brand reputation for excellence.

It couldn't have been done without a true partnering, collaborative relationship: working side-by-side, listening to each other, and collaboratively creating a solution that would work. Sony and Hewitt have had and are proactively addressing change management issues, including the evolution of HR roles, HR's relationships with their customers, the readiness of employees and managers to perform new responsibilities, and the standardization of processes across businesses and sites.

Some of the efficiencies included a reduction in the number of HR driven data interfaces by 67 percent, an 80 percent consolidation of intranet content from multiple sites into one single portal, and a reduction in the number of HR policies by 74 percent. Two months after the launch, there were more than 11,000 unique user logins to portal, 500 average daily transactions and 350 average daily calls. The success of this relationship can be attributed to the partnership of two leading organizations committed to a clear vision, excellence, innovation, ongoing communications, trust and joint responsibility for the transformation of the HR function.

16 Intel & SHPS/eBenx. At the PeopleSoft Benefits Special Interest Group gathering in Chicago in May, eBenX and client Intel presented "Reengineering Benefits at Intel"—detailing the successes they have achieved in transforming their benefits administration process at both the front and back ends. The "before and after" picture painted by Intel shows definitively the value eBenX has provided them. Specifically, quality has improved 89 percent and employ-

ee satisfaction is up 20 percent. The relationship with Intel is one of the reasons that SHPS and EBenx decided to merge. Both providers share a relationship with Intel.

17 Kellogg Company & Recruitment Enhancement Services. Successfully reengineered and replaced Kellogg's recruiting function, developed custom Web-based technology integrating all facets of process allowing for complete tracking and measurement with a cost per hire savings of over 60 percent, and a risk/reward contract that provides significant reportable ROI for Kellogg.

18 General Motors & ACS. In May 2002, GM and ACS entered into a 10 year contract whereby ACS is the provider outsourcing payroll benefits administration tax filing. GM has achieved financial savings, new systems, variability of costs, and more. The transition to ACS has been successful: Attrition was negligible, GM suffered no service interruption or degradation, and ACS is delivering substantial economic value. The project's success is attributable to a strategic GM/ACS partnership as well as ACS' experience with similar engagements, along with its general BPO expertise.

19 Borden Chemical & Accenture HR Services. The companies forged a single-team mentality starting in implementation, carrying over into service delivery. Best-of-breed solutions were installed in administration, payroll, and benefits—creating integrated, seamless service delivery to employees, backed up by e-enabled customer service. Borden's PeopleSoft investment is now more cost-effective, freeing retained HR to focus on strategy.

20 AT&T & Aon. Seven-year outsourcing agreement with Aon Consulting, combining the talents of AT&T's human resources and payroll organizations with Aon's core competencies in employee benefits, compensation, employment, and other services. Aon Consulting, through a subsidiary, Aon Human Capital Services (AHCS), provides AT&T with end-to-end human resources administrative, transaction, and payroll services, including the oversight of existing ben-



efit plan service providers. Aon invested in and builds upon both the state-of-the-art, high-tech creative solutions that AT&T has developed for transaction-based employee services, and those leading-edge services that Aon Consulting currently provides to clients. AT&T provides critical employee services with a single provider to more efficiently manage all administrative and transactional human resources and payroll functions. AT&T also leverages Aon Consulting's leading-edge systems and technology to expand e-enabled services and functionality for AT&T employees. At the same time, the company is achieving significant cost savings.

21 IBM & Fidelity Employer Services Company (FESCO). July 2002, Fidelity Investments and IBM signed an agreement under which IBM will outsource the administration of its pension program and health and welfare plans, as well as a broad range of its HR and Payroll services, to Fidelity Employer Services Company (FESCO), a business unit of Fidelity Investments. As part of the agreement, approximately 700 of IBM's U.S. employees—who are based in North Carolina and New York, and have been providing HR transaction and administrative support to IBM's approximately 150,000 U.S. employees and 100,000 retirees—will be transferred to FESCO, where they will initially have the same responsibilities of servicing IBM.

22 Container Store & Ultimate Software. This 28 chain retail store with over 3,000 employees needed a hosted solution for HRIS and payroll after learning that the current legacy system they were using would no longer be supported by the software provider. One main requirement was to have the ability to keep in-house control by

“intersourcing.” The buyer-provider relationship in this case is first class and extremely cooperative and as The Container Store adds 300 to 400 new employees per year, the UltiPro system makes it all easy to administer. Cost savings through hosting is unmatched.

23 BASF & Mellon HR Solutions. End-to-end HRO for 14,000 employees and over 10,000 retirees in over 40 locations including benefits administration, employee training, relocation, staffing support, retirement planning, and all payroll functions. BASF's HR department employs 100 professionals (down from more than 300 in 1992) and due to several acquisitions, the number of employees has doubled. HR professionals are no longer paper pushers, they're true strategic partners to the business, concentrating on recruitment, policy, and program design as well as employee relations and BASF's employees are taking leadership roles.

24 American Express & Mellon HR Solutions. Deal signed in April 2002. Mellon HR Solutions business provides American Express with a broad array of global online human resources services, including online compensation and employee policies, payroll administration, learning, and other employee services to 81,000 employees globally. The outsourcing arrangement has improved the speed and ease with which American Express employees can access human resource information and update their personal information online, while ensuring data privacy, enhancing employee and management satisfaction, and reducing costs.

25 Mastercard & Manpower. By serving as a sole supplier for MasterCard, which previously used 15 temporary help services, Manpower has had a substantial impact on MasterCard's business. The relationship has substantially reduced the administration burden on MasterCard's HR staff by managing all orders and secondary vendor processes, reducing turnover rates for both temporary and contract employees, and has eliminated co-employment problems by taking over all supervisory needs of the employees. Customized training is also part of the arrangement.

26 Adecco USA & TALX. Adecco and Talx signed a four-year relationship in which Talx will provide electronic time reporting, unemployment cost management, and employment and income verification for Adecco USA's 515,000 temporary employees.

27 Sodexo & Spherion. The \$4.5 billion global food-and-facilities-management-services company hires over 2,700 managers a year, to add to its 130,000 worldwide employees. Spherion provided Sodexo with a world-class recruitment process delivering more qualified candidates, improving customer service, increasing productivity, lowering turnover, and reducing costs.

28 Deutsche Bank & Spherion. Spherion and Deutsche Bank have partnered to take an all-inclusive enterprise-wide view of Deutsche Bank's workforce to deliver: the best client service to internal and external customers, an accelerated hiring process, self-service capabilities for HR, procurement, hiring managers, employees, suppliers and contingent workers, increased efficiency/decreased cost across the employment process, and seamless, real-time reporting.

29 Best Friends Pet Care, Inc. & ADP. TotalChoice Solutions deal affects 990 Best Friends employees, giving them control of in-house processing via a hosted solution for HRMS, Payroll, Tax Filing, and New Hire Reporting. This is ADP's first foray into middle-market end-to-end HR Outsourcing. Best Friends Pet Care gave ADP high marks for prompt implementation.

30 Lower Rio Grande Valley Workforce Development Board & ACS. In January 2002, low-income job-seekers who use welfare and workforce services of the Lower Rio Grande Valley Workforce Development Board in Texas came to understand the power of HR Outsourcing. That was when ACS won the \$120 million contract to operate 79 One-Stop Centers through 59 contracts in 36 locations nationwide. This program has placed more than 200,000 people in jobs since its inception in 1996. ACS provides a full range of services that benefit both job seekers and employers. These proj-



ects integrate services under the Workforce Investment Act, Temporary Assistance for Needy Families, Welfare-to-Work, Rapid Response, and Food Stamps Employment and Training. ACS also provides specialized workforce services to the Special Needs population (MH/MR), the disabled, refugees, and offenders. The Texas Migrant Council (TMC) is a private nonprofit corporation, providing high quality culturally sensitive services to migrant and seasonal farm workers (MSFWs), as well as operating and managing One-Stop Centers and providing Child Care Services throughout Texas. The Lower Rio Grande Valley Workforce Development Board serves Hidalgo and Willacy Counties in Texas and is one of 28 workforce development boards created as a result of the state's 1995 workforce law. Local Workforce Development Boards are designed to oversee and evaluate local workforce services. The Boards are made up of local community members from the private sector and from education, organized labor, community-based groups, and childcare and economic development entities.

31 Houston Texans-Ceridian. When the National Football League awarded Houston the expansion rights to a new team, which the local owner named the Texans, they suggested to the owners that they outsource their HRIS, payroll, and benefits administration. The fact that NFL teams and players must pay their proportionate share of local and state taxes in each locality in which they actually play games makes professional sports payrolls complex. But the NFL, in its infinite wisdom, realizes that the new breed of NFL player is also Web-savvy and likes to surf the Web, and his pay-stub, from his hotel room on the road. Announced in May 2002, the Houston Texans selected Ceridian's

eSource service, which is completely Web-based. Ceridian's eSource also excels at the complexities of multi-state payroll.

32 Verizon Wireless & Hewitt. Hewitt provides health & welfare outsourcing services to Verizon Wireless's 40,500 active and leave-of-absence employees, 182 long-term disability employees, 3,000 COBRA employees and 154 retired employees. There is an average of 150 calls per day, 100 automated voice response transactions per day, and 400 Internet transactions per day. The relationship's foundation was developed early with a high quality and seamless implementation. In 90 days, both organizations, including senior leadership, came together under very tight deadlines to create a delivery model that supported a new benefits program.

33 Household & Recruitmax. Chicago-based Household (formerly known as Household Finance) employs 33,000 full time workers in 48 states. Like many operations with hundreds of branch locations, it has a hefty recruiting requirement. At Household, over 300 HR generalists spend their time assisting 5,500 hiring managers in their recruiting needs nationwide. In fact, in 2003, Household will process 200,000 resumes to fill 15,000 new staff positions at its headquarters and in its branches. To handle this incredible volume of resumes, interviews, and scheduling, Household turned to Recruitmax, which became Household's recruiting system of record in 2002. The relationship is notable mainly for resulting in a high degree of client satisfaction despite the amount of volume that the provider must handle on a 24x7 basis. Recruitmax claims that system redundancy is the key to keeping the system up and running, and their client happy.

34 Toys 'R' Us & LifeCare. Toys 'R' Us reduced administrative time and staffing costs by outsourcing administration of its Tuition Reimbursement and Scholarship programs to LifeCare, their work/life vendor. By integrating work/life services with subsidy administration programs, employees receive added support from one reliable source, and both LifeCare and Toys 'R' Us streamline processes and improve efficiencies. HRO