

ExcellerateHRO Drops Utility Platform for Comprehensive HR BPO

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ExcellerateHRO, owned by EDS/HP, is discontinuing its utility-based delivery platform for comprehensive HR BPO. It continues to offer benefits administration BPO, but use caution until EDS clarifies its strategy.

NEWS ANALYSIS

Event

On 30 July 2009, ExcellerateHRO CEO Sanjiv Anand confirmed to Gartner reports that the company would shut down the use of ExcellerateHRO as a delivery platform for comprehensive HR outsourcing (HRO).

Analysis

EDS is now a division of HP, and HP's decision to wind down ExcellerateHRO as a platform for comprehensive HR business process outsourcing (BPO) is not surprising, since it has been struggling in the market. When we published our most recent Magic Quadrant for HR BPO in November 2008, we wrote that clients should question ExcellerateHRO's HR BPO viability following HP's purchase of EDS and the subsequent restructuring of the EDS BPO portfolio — unless there were new comprehensive contract wins. This did not happen.

ExcellerateHRO signed Cardinal Health as its initial "anchor tenant" client in 2005, intending to leverage the platform as standardized service to additional customers, who never materialized. The acquisition of EDS by HP in 2008 further clouded ExcellerateHRO's HR BPO market outlook.

What is less clear is HP's intent with respect to its other HR BPO business. EDS has said ExcellerateHRO is still attracting benefits administration services customers (as well as relocation services) in this business. HP's decision also comes on the heels of the Fidelity HR Services' announcement that it too will exit the comprehensive HR BPO marketplace. Long-term vendor viability will remain a question for some time, although we believe that IBM, Accenture and ACS will emerge as the biggest winners, given their improved chances of luring business away from HP/EDS large enterprise customers.

While we rated HP's overall status in BPO as "promising" in our last vendor rating (see "Vendor Rating: HP") and it has performed well in some areas of BPO (for example, finance and accounting BPO), its strategic commitment to BPO in general and the comprehensive model in particular is unclear, and it would merit a "strong caution" for comprehensive HR BPO in the short term.

RECOMMENDATIONS

ExcellerateHRO customers:

- Press senior HP management about the company's future plans and strategy for delivering HR BPO services, and develop contingency plans, especially if you use benefits administration services that use ExcellerateHRO.
- Understand in detail HP/EDS's long-term commitments to invest in ongoing improvements to systems, processes and services support. Should it show signs of "de-investment" in your deal, assess the ability of other providers to take over your deal, as well as the ability and likelihood of transition assistance from HP/EDS.

RECOMMENDED READING

- "Fidelity Ends Pursuit of Comprehensive HR Outsourcing Deals" — Fidelity will stop pursuing comprehensive HR BPO deals but will continue to support its installed base.
By Robert Brown
- "Magic Quadrant for Comprehensive HR BPO" — This Magic Quadrant focuses on vendor capabilities in the comprehensive HR BPO market among 12 different providers.
By Robert Brown

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