NEAT EVALUATION FOR CAPGEMINI:

Cloud HR Transformation Services

Market Segment: Multi-Country Focus

Introduction

This is a custom report for Capgemini presenting the findings of the NelsonHall NEAT vendor evaluation for *Cloud HR Transformation Services* in the *Multi-Country Focus* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Capgemini for cloud HR transformation, and the latest market analysis summary.

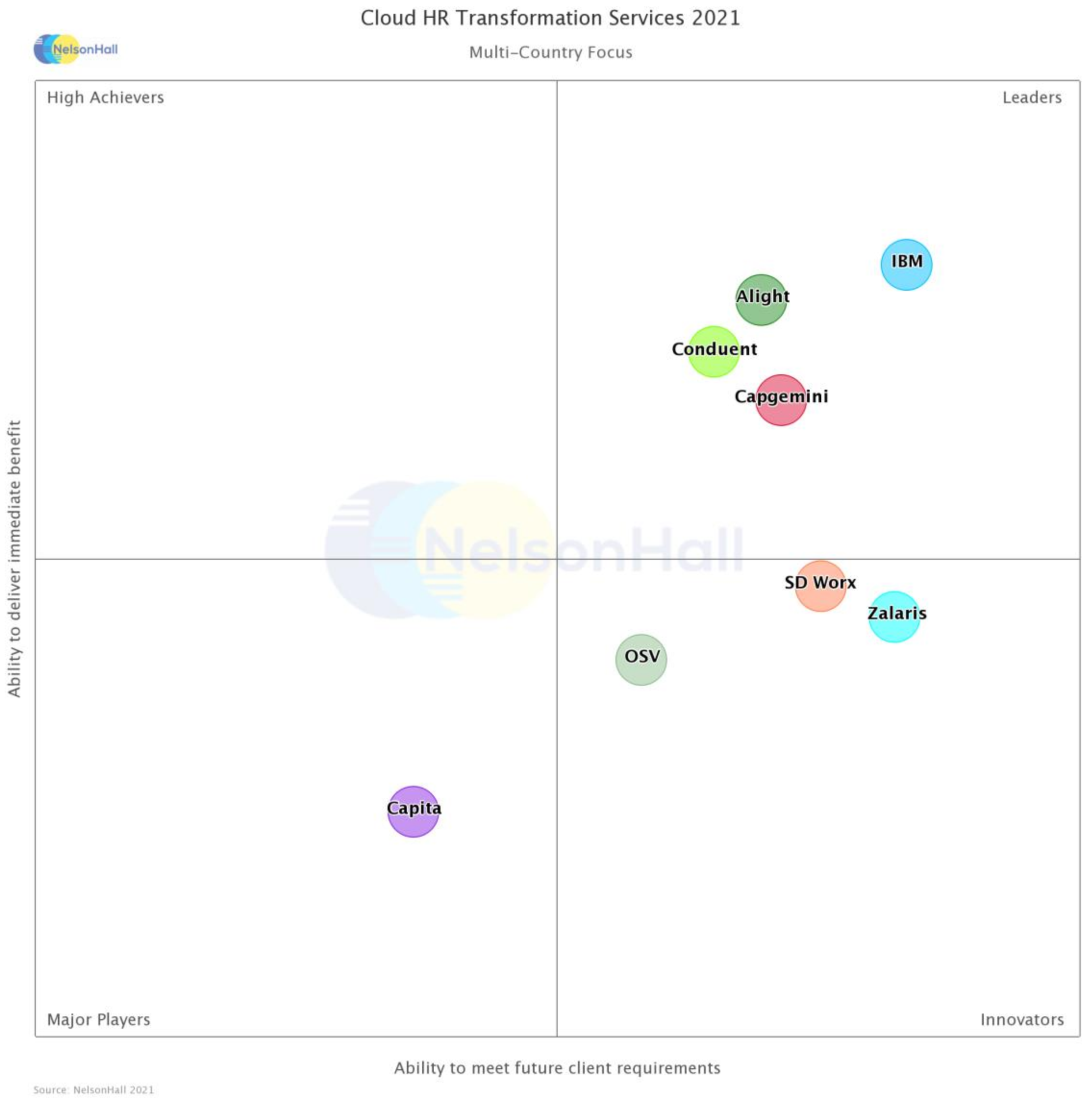
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering cloud HR transformation services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors with specific areas of capability (talent/skills, efficiency, Workday services and SuccessFactors services) or geographic coverage (multi-country, North America, and Europe).

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Vendors evaluated for this NEAT are: ADP Employer Services, Alight Solutions, Capgemini, Capita, Conduent, IBM, OneSource Virtual, SD Worx, and Zalaris.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: Cloud HR Transformation Services (Multi-Country Focus)



NelsonHall has identified Capgemini as a Leader in the *Multi-Country Focus* market segment, as shown in the NEAT graph. This market segment reflects Capgemini's ability to meet future client requirements as well as delivering immediate benefits to its cloud HR transformation clients with specific capability in multi-country delivery.

Leaders are vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements.

Buy-side organizations can access the *Cloud-Based HR Transformation* NEAT tool (*Multi-Country Focus*) here.

Vendor Analysis Summary for Capgemini

Overview

Founded in 1967 and headquartered in Paris, France, Capgemini provides consulting, outsourcing and professional services to design and drive technology-enabled business transformations. Capgemini services large enterprise clients across the Americas, Europe, and Asia Pacific.

Capgemini firstly entered the BPS market in July 2003. It began providing HR BPS services in conjunction with F&A services for two clients in 2006 and began offering HR BPS services internally from Kolkata and Bangalore for its ~140k employees in 2008. In 2010, Capgemini was awarded its first end-to-end multi-country multi-process HR services contract by Syngenta, and it has primarily grown its HR services business organically. In 2016, however, it acquired Fahrenheit 212, a global innovation consultancy, which helped drive growth and strategy.

Capgemini has ~27 cloud HR transformation services clients and serves ~750k employees. Today, Capgemini's Employee Services business supports cloud HR transformation services through its three divisions:

- *Consulting Services*: includes HR functional design, process optimization, HR automaton, organizational change management, and employee engagement solutions
- *Cloud HR Services*: includes application development, system integration, and maintenance services of technologies such as SuccessFactors, Workday, Oracle, SAP, ServiceNow, Zendesk, Salesforce, and Digital Workplace solutions
- *Managed Services*: includes outsourced service and delivery covering employee helpdesks and transactions, process enhancements and automation tools, and learning value chains and design. Its services framework is supported by ~3k HR practitioners and ~800 change practitioners – all focusing on HR effectiveness and people experience improvement.

Core to its offering is the Capgemini HR digital transformation approach, which it has heavily invested in over the last few years. Since launching the D-GEM framework, Capgemini's Digital Enterprise Model for designing future state, Capgemini follows a methodology that drives results and behaviors to optimize client outcomes across its HR service offerings.

Capgemini is technology agnostic and will either leverage its client's system and/or implement a third-party cloud platform, including Workday, SAP SuccessFactors, or Oracle HCM Cloud. Platforms and utilization rates within cloud HR transformation service deals are as follows:

- SAP SuccessFactors, 56%
- Workday, 23%
- Oracle HCM Cloud, 21%.

Capgemini has deployed operational enabling technologies for all its cloud HR transformation service clients, including:

- Ticketing and case flow technology such as ServiceNow and Zendesk
- Complimentary HR vertical software such as Degreed, SumTotal, Taleo, Percipio, etc.
- RPA/robotics

- Document management and archiving
- Analytics/insights.

Capgemini offers fixed-cost deals (FTE-driven) with commitments to productivity gains over the contract duration. Pricing models for its cloud HR transformation service contracts include, with estimated attachment rates:

- Fixed per annum, 31%
- FTE-based, 28%
- Transaction-based, 24%
- Per employee, 9%
- Blended, 8%.

The contract length for cloud HR transformation services averages five years(~75% of its clients by share of revenue) with three years being the next most common contract term. The more extended duration contracts enable greater productivity gains to be absorbed into the contract.

Financials

Capgemini reported FY 2020 revenues of US$15.8B, up 12.3%, with the acquisition of Altran and at -3.5% organic growth at constant currency. NelsonHall estimates its cloud HR transformation services was $224m. It announced its digital and cloud services grew 15% in 2020. Capgemini announced seven new cloud HR transformation client wins across its deployment and multi-process HRO business (excluding advisory projects). These were across the Manufacturing, Retail, and Utility sectors.

The estimated breakdown of its cloud HR transformation services by scope, with an estimated share of revenue, is:

- Stand-alone deployment/consulting and application support services, 63% or $133m
- Bundled with services, 37% or $62.4m.

Strengths

- Capgemini commits pricing, continuous improvements, and design metrics to meet HR operational outcomes with clear results, as shown in a large number of case studies
- Digital design thinking with a robust methodology and delivery capability for digital solutions through its D-GEM methodology with key guiding design principles supported by a design workshop approach with clients
- Focus on digital, including Digital Employee Operations, Digital Helpdesk, and Digital Learning Operations
- Consulting emphasis to support business case development, post-deployment HR operational design, including developing target operating models for digital operations
- A holistic approach to delivering a rich technical stack that incorporates all aspects of HR operations, including knowledge management, collaboration, case management, ESOAR solution, and live chats

- Capability to deliver digital learning solutions with a knowledge center focus to drive up engagement with digital solutions across HR processes and the broader business digital processes
- Strength across large market HR geographies including U.S., U.K., France, Germany, Netherlands, and Australia
- Ability to support all three major HCM technologies: Workday, SAP SuccessFactors, and Oracle HCM
- Significant breadth of service to include HCM deployment, as well as HR operations that includes HR master data management and payroll services in over 40 countries
- An extensive list of SuccessFactors reference clients and a growing Workday list of outsourcing clients and ability to deploy SuccessFactors rapidly
- Proven capability to deliver benchmarks and analytics through its DEO Benchmarking and analytics center
- Heavily leverages next-generation technological innovations, including RPA, chatbots, and machine learning/AI (Capgemini is leveraging ~100 robots in its HR operations).
- Capgemini includes application services and release management for all its operational service clients, which means that all cloud HR transformation services clients benefit from a single provider for the technology and operational support to drive through continuous improvement.

Challenges

- Ability to grow its Workday practice given the shortage of Workday skills in the market, and Capgemini's Workday practice is not as established as other providers
- Tension in the talent pools – with significant variations by geography and grade – to smooth the workforce dynamics
- Limited offerings for mid-market, which is a segment that is seeing high growth in the HCM software market
- Reliance on partners for payroll services
- Limited references for recruitment process outsourcing, an area that is commonly outsourced to specialist providers.

Strategic Direction

Capgemini focuses on driving greater business outcomes with improved and connected employee experience to grow its cloud HR transformation services businesses. It takes a commercial and operational view on employee experience. It will continue to develop D-GEM and drive more chatbots to support digital processes.

Integration across its preferred technical stack supported by rich methodologies and key partnerships will continue to be a key focus.

ServiceNow and Zendesk are increasingly being positioned as the strategic CRM platforms. Its digital design thinking will be focused on addressing the following HR trends, which it has identified as *the New Normal*:

- *Protect investments*: consolidating existing technology landscapes, building resilience using its ESOAR approach to identify redundant systems and processes
- *Remote and right-shoring workforces*: enabling infrastructures to support remote workplaces and using tools to enhance productivity and governances
- *Cost-effective operations*: with faster deployments using 'in a box' solutions that include pre-configuration and workflow templates
- *Transfer & transform*: right-shore to leverage digital transformation cost savings
- *HR refocus*: on holistic health & safety and employee welfare and morale, delivering agility and adaptiveness in HR organizations
- *Upskill talent* through its Next learning platform to support organizational changes to meet the critical jobs for the future. Growing Capgemini's Digital Learning Operations (DLO) is expected to be a continued area of focus and differentiator
- *Virtual knowledge collaboration*: leveraging a knowledge framework with digital/online tools to improve efficiency, communications, and effectiveness based on 'moments that matter'.

Capgemini will continue to place heavy emphasis on digital transformation through its applications; e.g., Digital Employee Helpdesk, Digital HR Operations, and Digital Learning Operations (which launched in 2018), which will continue to expand. Technology developments are expected to focus on greater collaboration tools, improved analytics to support increased process decision-making and reporting and increased Workday capability with a digital Workday helpdesk.

Key sectors Capgemini will focus on include Manufacturing, Retail, Energy & Utilities, and Financial Services for North American and European headquartered organizations. Capgemini looks to attract clients by focusing on delivering solutions and associated pricing models that support client outcomes and drive business behaviors to enable continuous improvements in line with client strategies.

Outlook

Three key factors are likely to drive continued interest in Capgemini's cloud HR transformation services offerings as a result of current market pressures:

- Capgemini's emphasis on business outcomes for clients and commitment to deliver cost benefits
- Capgemini's focus on the digital experience with a holistic approach that includes the people, HR operational design, and governance needed to support digital HR operations in a remote working environment
- Capgemini breadth of process experience across talent, benefits, and HR administration.

Capgemini is expected to attract clients that are looking for:

- Cost-effective 'operations in a box', leveraging RPA
- Virtual knowledge collaboration with AI and chatbot communication support
- Reduced time for starting operations, right-shoring, faster results
- Higher ROI from the HR investments already made

- Transfer and then transform approach.

NelsonHall estimates that Capgemini's cloud HR transformation services revenues will increase in single digits over 2021, increasing to double digits in 2022.

Cloud HR Transformation Services Market Summary

Overview

The last year was a survival and recessionary year, where organizations experienced greater cost pressures as a result of:

- Fluctuating business volumes and associated staffing needs due to uncertainty/lockdowns
- Significant legislative changes and increased operational costs
- Health challenges resulting in unprecedented absence rates, reduced labor force participation, travel disruption and difficulty attracting hard-to-fill roles
- Continued mandated working from home (WFH) for long periods resulting in a greater need for digital services, technology, and automation, reducing the dependency on personnel to support volume changes and scale as well as supporting the new WFH model.

Employees experienced increased mental stress not helped by many additional family/financial pressures; yet despite this, there was also an overall increase in productivity. Society also saw a widening of inequalities and movements to address DE&I, climate and social responsibility gained greater traction across many organizations and communities.

Current market developments include:

- Cost, process improvement and superior employee experience are the primary drivers. Transformative client agendas are increasingly addressing skills gaps as part of the business needs. The majority of MPRHO clients have now migrated to Cloud HR platforms, with less than 5% of the market represented by on-premise HCM solutions
- Just over half of the cloud HR transformation services market comprises payroll-related revenues that are bundled into HR service contracts. HR services bundled with HR Transformations are typically only one or two service towers, payroll being the most common tower
- Providers offering a global HR service increasingly have a technology agnostic approach and are looking to drive portal solutions that deliver a consistent experience across platforms. Vendors that have a technology preference tend to have a country or regional focus
- Buyers select cloud HR transformation services vendors primarily based on their cost-effectiveness and their technical and process expertise to support the client environment
- Growth through acquisitions over 2020/1 focused on European geographical expansions
- Vendors continue investing in automation and chatbots; however, the use of chatbots across buyers is nascent across the industry.

Buy-Side Dynamics

Over 2021 and into 2022, organizations are striving to deliver workforce safety, workforce productivity with the latest digital tools, security and better managed cost containment. Expect increased M&A activity in 2022 and improved growth rates as companies have revised their strategies and are consolidating to support scale. Restructures and M&A activity will create greater demands on the HR function to manage change and organizational agility.

Key drivers of the cloud HR transformation services market are:

- Helping the organization stay competitive with improved cost, process improvements and a superior employee experience
- GDPR (Europe) compliance and HR compliance in general, through improved data flows and system harmonization. Organizations look to mitigate risks and fines for non-compliance due to poor controls, especially around payroll and onboarding
- Skills gaps and increased demand for talent are driving organizations to redesign the HR function to better support business needs
- Standardized operating models at a regional or global level and across HR and payroll functions
- Improved employee experience with ongoing UI and digital process improvements that cloud technologies offer to better support working from home and getting employees back to workplaces (where on-premise platforms are still in place)
- M&A activities create a need to stand up new HR operations from scratch, where there is a corporate desire for a consistent employee experience across the organizations to facilitate the integration
- Agility: the ability to adapt to keep up with changes, manage fluctuations in headcount and drive continuous improvements
- Cost control: through improved digital processes, improved data quality and visibility and access to benchmarks
- Reduced administration to focus on strategic activities; this often includes vendor and technology consolidation to help reduce the management onus of a complex architecture or provider landscape. Multiple vendors across different geographies can become overwhelming where this is managed centrally.

Market Size & Growth

In 2020, the global cloud HR transformation services market was estimated at $6.6bn, and it is expected to grow at ~8.7% CAGR over 2020-2025 to $10.0bn by 2025.

The largest market is the Americas with a $3.9bn market size in 2020 which is expected to grow to $6.0bn by 2025.

Given a growing need for compliance support across many HR services, MPHRO services are a key element of the market and are expected to grow at 7%.

Payroll service revenues bundled within Cloud HR transformation services represents a significant 51% of the market.

Success Factors

Client services satisfaction is most challenged for consulting services and HR administration operational services, but satisfaction in robotics, and contact centers is relatively high.

The top 5 success factors are:

- *Ability to demonstrate value for discrete services*: Successful vendors are focusing on value added discrete offerings to support clients on their digital HR journey. Where they can offer outcome-based offerings they are likely to be most successful. As the Cloud HCM market matures, second generation buyers increasingly look to leverage their existing cloud platforms, so HR portal offerings become increasingly important to enable optimal employee experiences

- *Partnership approach*: Successful HR service vendors offer solution flexibility to clients and offer market insights to ensure that needs are addressed in the best possible way as part of a partnership and proactive approach
- *Joining up service and technology innovation*: The ability of providers to manage service delivery innovation alongside continually changing technology improvements. If delivery does not keep up with technology, the transformation impact is likely to be affected, change not adopted by the customers, and the business cases may not be fully realized
- *Holistic and integrated HR services*: Given the breadth of areas impacted by a focus on experience-led service design, vendors need to ensure that representation in design thinking and collaborative sessions includes areas such as change and organization management, process and technology experts
- *Integration capability*: Successful vendors offer integration services, tools and technologies to enable organizations to best leverage existing technologies and also offer flexibility to add new solutions.

Outlook

Market predictions for 2021 and beyond:

- With an increased focus on cost and the design for digital and automation, HR services is expected to see an uptick, particularly to help organizations secure stronger business continuity plans and to help business to stay competitive by optimizing digital operating models and cost structures. The COVID-19 pandemic has served as a catalyst for automation and a driver for better digital processes. Vendors will be under greater pressure to deliver deployment faster, facilitated by RPA and bots
- Vendor offerings will become characterized by "pick and mix", the success of which depends on the ability of providers to offer innovation and support client-preferred technology architectures. Ensuring HR transformations increasingly address talent and skill gaps through more sophisticated HR AI and HR automation is a key driver for some organizations facing extreme shortages
- NelsonHall expects greater focus on business planning, workforce planning and integrated portals that serve up more than just HR transactions and where communications are facilitated, including chat, engagement and helpful AI recommendations that are personalized to individuals. Business continuity, employee wellbeing, compliance, risk, and cost are key themes for buyers
- As M&A activity increases, cloud HR transformation services are used to support changing needs
- Market consolidations and new partnerships are expected, driven partly by a need for large data sets to support effective AI and analytics as well as offering greater efficiencies through scale.

NEAT Methodology for Cloud HR Transformation Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- Leaders: vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements
- High Achievers: vendors that exhibit a high capability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements
- Innovators: vendors that exhibit a high capability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit
- Major Players: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Cloud HR consulting offering Cloud HR deployment capability Cloud HR AMS offering HR administration services Global payroll services Benefits administration outsourcing offering Talent services HR Marketplace services Proprietary technology services
Delivery Capability	Ability to benchmark & establish a roadmap to drive process excellence Application of automation/robotics and AI/machine learning/cognitive Application of omni-channel delivery Application of chatbots/virtual assistants Application of analytics Platform integration and consolidation Use of low cost locations Delivery capability in North America Delivery capability in U.K. Delivery capability in Continental Europe Delivery capability in Asia Pacific Delivery capability in Latin America
Client Presence	Overall HR customer presence Level of HR customer presence in N. America Level of HR customer presence in U.K. Level of HR customer presence in Continental Europe Level of HR customer presence in Asia Pacific Level of HR customer presence in Latin America Scale of multi-country HR operations
Benefits Achieved	Cost savings Process improvement Improved employee experience Greater agility to scale Improved decision making Simplified and modernized technology Enhanced HR capability Improved Compliance

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Service Culture & Capability	Perceived suitability to achieve process transformation Caliber of personnel Service culture
Level of Investments	Investment in developing Workday capability Investment in developing SAP SuccessFactors capability Investment in developing Oracle HCM Cloud capability Investment in robotics/RPA and AI/machine learning/cognitive Investment in omni-channel service delivery Investment in HR analytics Investment in geographic HR footprint
Market Momentum	Cloud HR transformation market momentum
Ability to Deliver Innovation	Perception for innovation Perceived suitability of the vendor to meet client future needs Client perception of deployment future suitability Client perception of application support future suitability Client perception of business benefit Client perception of proactivity Client perception of flexibility Client perception of digitization/technology

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

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Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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