

# The Top European HRO Deals

DON'T BELIEVE THAT EUROPE IS INCAPABLE OF PRODUCING THE MEGA DEALS. THIS YEAR, UNILEVER'S HRO DEAL, THE LARGEST EVER ON AN ANNUALIZED BASIS, ESTABLISHED THE EU AS A HOTBED OF OUTSOURCING ACTIVITIES. NOW IF ONLY THE WORKS COUNCILS AND LABOR UNIONS SEE IT THAT WAY.  
BY ANDY TENG

**U**nilever, the BBC, Boots, Nestle, and a number of other large deals during the year proved that the European HRO market is every bit as hot as its North American counterpart. Don't believe it? Consider this: the Unilever deal will probably be the only one worth more than \$1 billion this year.

Whether it's a public-sector play or wholesale HR transformation at a publicly held corporation, outsourcing is making its presence felt throughout Europe, even in countries where strict labor laws have become roadblocks to widespread adoption. Despite the opposition, the deals listed here—all of which were signed by buyers that have European headquarters—prove that European organizations are sincere about saving money for their shareholders or taxpayers.

For instance, the BBC's decade-long accord with Capita is a serious statement from a quasi-public entity about cutting costs. This 10-year commitment is aimed at transforming the broadcaster's HR resources while saving

millions each year. Similarly, IKEA, the home furnishing giant, signed a contract indicative of a larger trend among buyers: standardizing the platform on which payroll is processed.

These and other deals are taking place all because Europeans are growing less intimidated about outsourcing. Sure, you still see resistance from unions in the cases of the BBC and Carillion, but the objections haven't mounted to serious contention. Moreover, as workers accept the idea that transparency, efficiency, and alignment are positive changes, we suspect pushback against HRO will gradually diminish. Even with a head start, it's taken the American market, which has very lax labor laws, some years to reach its current maturity point. The European market will likely to reach its own equilibrium in time.

When that happens, we expect the market to take another turn currently unfolding in the U.S.: the development of the mid-market. As the large enterprise segment saturates, expect to see smaller organizations—typically those with fewer than 10,000 employ-

ees—begin to embrace the global HRO phenomenon. Many in the U.S. are already climbing aboard after seeing their *Fortune* 500 counterparts successfully implement outsourcing strategies. We foresee Europe following in a similar pattern.

Finally, we would like to acknowledge global sourcing advisory firm TPI for assembling this list. As one of the largest consultants in the HRO arena, TPI has particularly keen insight into the mega deals executed in the past year, a number of which have included their participation. TPI's research and knowledge are as comprehensive and thorough as any in this space, and we appreciate the firm's willingness to share with *HRO Europe's* readers.

We hope this section provides you with helpful insight into the deal-making taking place in Europe. Although market perception is that the EU is light years behind the American market, these contracts clearly beg to differ. And with much more room for growth, expect Europe to further blossom in the outsourcing space. 

HRO Buyer	HRO Provider	Date of Contract	Length of Contract (yrs)	Total Contract Value	Number of Employees
<b>Bank of America</b>	<b>ARINSO</b>	<b>August 2006</b>	<b>6</b>	<b>N/A</b>	<b>10,000</b>
Under the six-year deal, ARINSO will provide HR administration, payroll, and timekeeping on its euHReka platform to 10,000 Bank of America employees in the U.K., Ireland, Spain, and Canada.					
<b>Bank of Ireland</b>	<b>Accenture</b>	<b>December 2005</b>	<b>7</b>	<b>\$150M</b>	<b>N/A</b>
In this procurement and HRO deal, Accenture is helping the Bank of Ireland to make wholesale transformation of its purchasing services and HR functions including learning. According to the companies, the deal was to have affected 180 employees within the bank's operations, which were expected to save more than €20 million a year from the outsourcing contract.					

HRO Buyer	HRO Provider	Date of Contract	Length of Contract (yrs)	Total Contract Value	Number of Employees
<b>BBC</b>	<b>Capita</b>	<b>February 2006</b>	<b>10</b>	<b>£132M</b>	<b>25,500</b>
<p>The deal calls for the provider to deliver a full range of HR services to the BBC, including recruitment, payroll and pension administration, aspects of staff development, occupational health, and other services. It's one of Capita's largest deals ever, although it was later marred by striking BBC employees that demanded they be allowed to continue to perform work for the BBC instead of being moved to other Capita accounts.</p>					
<b>Boots</b>	<b>Northgate</b>	<b>April 2006</b>	<b>7</b>	<b>£16M</b>	<b>65,000</b>
<p>The contract covers payroll services and core HR systems for Boots' 65,000 employees. It will also address manpower planning and labor scheduling, which Northgate will subcontract to Torex Retail. Northgate will use ResourceLink, a fully integrated and web-enabled HR solution, to provide the backbone to its service. This self-service functionality combines payroll and core HR systems into one single database and will replace Boots' current HR and payroll systems after a period of transition.</p>					
<b>Carillion</b>	<b>Accenture</b>	<b>October 2005</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<p>This highly contentious deal, which drew objections from labor unions, included components of HR and F&amp;A services, including HRIS and payroll.</p>					
<b>Centrica</b>	<b>Hewitt</b>	<b>July 2006</b>	<b>7.5</b>	<b>N/A</b>	<b>30,000</b>
<p>Workforce administration, payroll, customer service, reward management, performance management, and succession planning are covered under this massive deal to 30,000 Centrica employees in the U.K. Centrica, a large natural gas and energy supplier in Europe, said the deal would help improve the delivery of HR services and bring transparency to the organization.</p>					
<b>IKEA</b>	<b>ADP</b>	<b>July 2006</b>	<b>N/A</b>	<b>N/A</b>	<b>90,000</b>
<p>As the sole outsourcing service provider to home furnishings giant IKEA, ADP will provide HR administration and payroll services for the Swedish company. The deal, which covers 90,000 employed in 40 countries, is one of ADP's largest payroll deals signed this year. Payroll will be delivered on ADP's single-source platform.</p>					
<b>KPN</b>	<b>LogicaCMG</b>	<b>May 2006</b>	<b>4</b>	<b>N/A</b>	<b>20,000</b>
<p>Under the deal, LogicaCMG is replacing the current custom-made payroll system with a standard salary system for the 20,000 KPN employees. LogicaCMG will eventually handle the entire salary administration for KPN and take over the operational and technical management of KPN's HR system of Oracle/PeopleSoft and integrate it with its own service organization.</p>					
<b>Lloyds TSB</b>	<b>Xansa</b>	<b>August 2006</b>	<b>5</b>	<b>N/A</b>	<b>N/A</b>
<p>Xansa will provide Lloyds TSB with HR services including administration and recruitment and take over existing helpdesks for training, advice, guidance and general queries. This was an extension of a relationship that the companies already had, in which Xansa, leveraging its offshore delivery capabilities, provides back-office finance and accounting outsourced services.</p>					
<b>Nestle</b>	<b>H-P</b>	<b>July 2006</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<p>In its largest HRO deal to date, HP will provide payroll services—possibly along with some benefits administration support—to the consumer product giant's employees in Europe. Although Nestle has 250,000 workers worldwide, it's not clear how many are covered under this contract. The HRO deal follows a previous agreement for HP to provide back-office finance and accounting services to Nestle.</p>					
<b>Repsol YPF</b>	<b>ARINSO</b>	<b>May 2006</b>	<b>5</b>	<b>N/A</b>	<b>20,000</b>
<p>ARINSO is providing HR services to Repsol YPF in Spain and Portugal. It will deliver personnel administration and payroll services to more than 20,000 employees across 35 legal entities in Spain and Portugal from ARINSO's shared-services center in Madrid. According to ARINSO, the five-year deal is its most significant HRO contract in Southern Europe to date.</p>					
<b>Sandvik</b>	<b>Accenture</b>	<b>September 2005</b>	<b>3</b>	<b>N/A</b>	<b>N/A</b>
<p>This agreement expanded on an existing 10-year HRO contract signed in 2004. Under the extension, Accenture will provide application maintenance and enhancement services for Sandvik's existing PeopleSoft platform for HR management. Technical help desk services will be provided from Accenture's shared-services centers in Sandviken, Sweden and Chicago, Illinois. The application support and maintenance services will be provided from Sandviken and Accenture's delivery center in Bangalore, India.</p>					
<b>Unilever</b>	<b>Accenture</b>	<b>June 2006</b>	<b>7</b>	<b>\$1B</b>	<b>200,000</b>
<p>In the largest HRO contract awarded (annualized basis), the Unilever deal covers a broad gamut of services including recruitment, payroll administration, reward administration, performance management, workforce reporting, core HR administration, and third-party provider management services. Accenture will deploy and manage critical HR software applications and provide content sourcing and development, program planning and delivery, learning system hosting, and management and administrative services as part of the training provision. For more information, see this month's cover story on p. 34.</p>					