

NEAT EVALUATION FOR CAPGEMINI:

Cloud HR Transformation Services

Market Segment: Overall

Introduction

This is a custom report for Capgemini presenting the findings of the 2023 NelsonHall NEAT vendor evaluation for *Cloud HR Transformation Services* in the *Overall* 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 overall and with specific areas of capability (talent/skills, efficiency, Workday services and SuccessFactors services) or geographic coverage (multi-country, North America, and Europe).

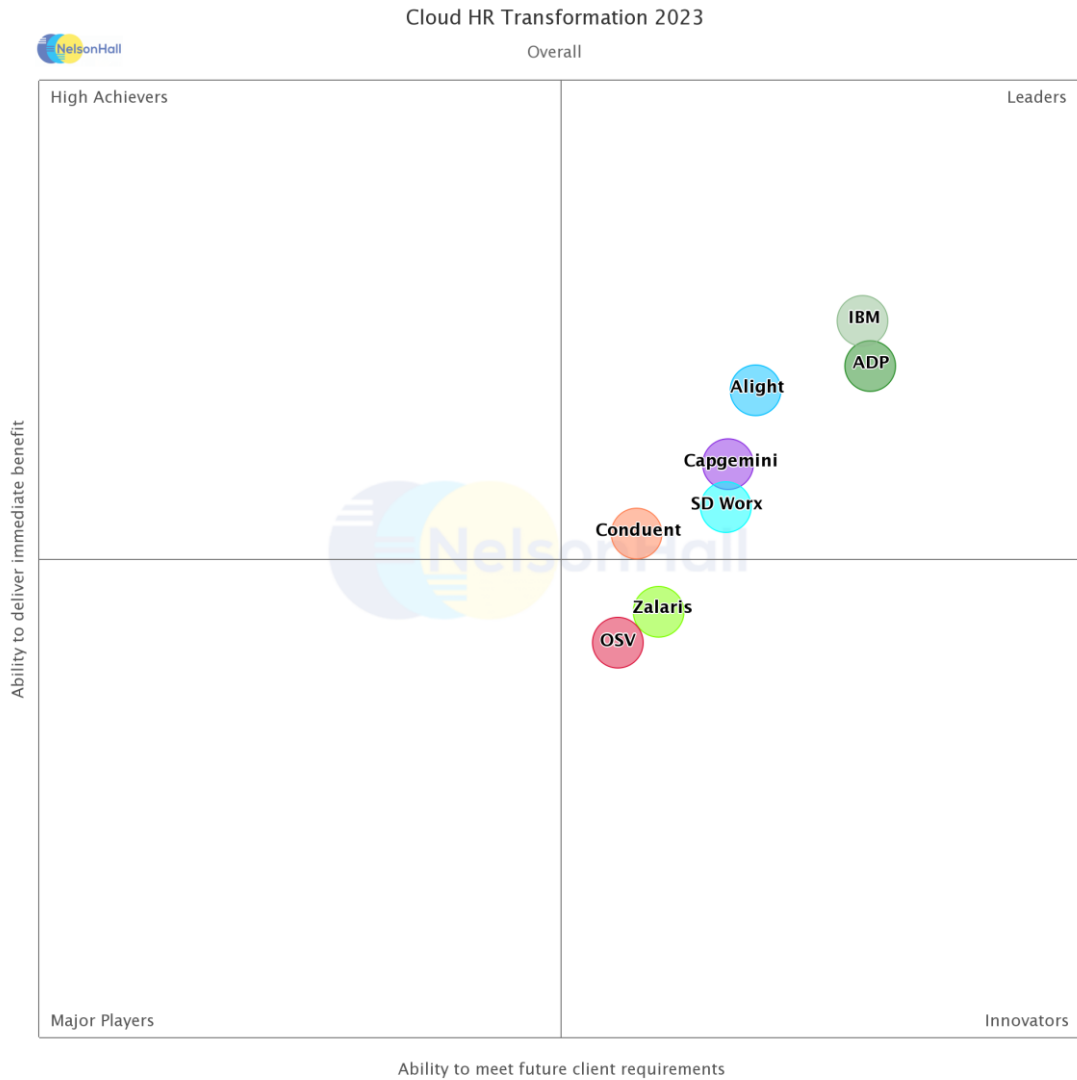
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Vendors evaluated for this NEAT are: ADP, Alight Solutions, Capgemini, 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 (Overall)



NelsonHall has identified Capgemini as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Capgemini’s overall ability to meet future client requirements as well as delivering immediate benefits to its cloud HR transformation clients.

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 (Overall)* [here](#).



Vendor Analysis Summary for Capgemini

Overview

Capgemini supports Cloud HR Transformation services through its three divisions:

- *Consulting (Capgemini Invent)*: offering HR functional design, process optimization, HR automation, organizational change management, and employee engagement solutions
- *Cloud HR Services*: offering application development, system integration, and maintenance services of technologies such as SuccessFactors, Workday, Oracle, SAP, ServiceNow, Zendesk, Salesforce, and Digital Workplace solutions
- *Managed Services*: offering outsourced services covering employee helpdesks and transactions, process enhancements and automation tools, and learning value chains and design, including:
 - *Recruit to hire*: includes recruitment and staffing services
 - *Administer to work*: includes workforce administration services
 - *Reward to pay*: includes payroll, pensions, and compensation and benefits
 - *Learn to perform*: includes learning and development, performance management, and succession planning.
 - *Helpdesk (Query to resolve)*: includes employee experience and omnichannel digital contact centers
 - *Analytics*: includes operational dashboards and workforce analytics to drive insightful decisions.

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

Capgemini has ~31 Cloud HR Transformation Services clients and serves ~795k employees. It primarily targets large enterprise organizations that are driving greater value from operational services through increased digital services. It targets its existing BPS clients for its Cloud HR Transformation services, including its F&A, procurement, and supply chain outsourcing clients. All its current Cloud HR Transformation Services clients are part of broader multi-tower BPS deals.

The company primarily targets North American and EMEA-headquartered organizations. Cloud HR Transformation services have mainly been sold to organizations headquartered in the U.S., U.K., France, Germany, the Netherlands, and Australia.

Capgemini has ~3.5k employees delivering its Cloud HR Transformation services.



Financials

Capgemini reported CY 2022 revenues of €22bn (~\$23.3bn), up 21.1% (up 16.6% in CC and 15.3% organically). NelsonHall estimates revenue for Capgemini's Cloud HR Transformation Services was \$224m in 2021 and \$279m in 2022.

Strengths

- Capgemini commits to pricing, makes continuous improvements, and designs 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 and key guiding design principles supported by design workshops. Capgemini brings a consulting emphasis to support business case development and post-deployment HR operational design, including developing target operating models for digital operations
- Focus on digital, including Digital Employee Operations, Digital Helpdesk, and Digital Learning Operations to offer consumer-grade experiences
- Capgemini is able to deliver digital learning solutions with a knowledge-centric focus to drive up employee engagement and address the upskilling challenges of organizations
- A holistic approach to delivering exceptional experiences by bringing a rich technical stack incorporating all aspects of HR operations, including knowledge management, collaboration, case management, process automation, and employee experience platforms. Capgemini heavily leverages next-generation technological innovations, including RPA, chatbots, and machine learning/AI (it is leveraging ~100 robots in its HR operations across multiple clients). Capgemini has been investing in its People Experience lab to offer demos and use case examples to help drive improved employee experiences to meet ever-increasing expectations
- Strength across large-market HR geographies, including the U.S., U.K., France, Germany, the Netherlands, and Australia. It has significant breadth in service to include HCM deployment as well as HR operations that include HR master data management and payroll services in ~40 countries.

Challenges

- Ability to grow its Workday practice given the shortage of Workday skills in the market and given Capgemini's Workday practice is not as established as that of other providers
- Limited offerings for mid-market organizations
- 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 improved business outcomes with improved and connected employee experience to grow its Cloud HR Transformation Services business. It will continue to develop D-GEM and drive more chatbots to support digital processes. Capgemini's target operating model has been further developed over the last twelve months and looks to leverage the latest digital workspace technology. Capgemini's target operating model includes scenarios where the metaverse can be tested. It is looking to further innovate with Microsoft Mesh to support team development and hybrid working patterns. Capgemini is currently building demos of the new model to showcase to clients, some of which are planned to be shared as soon as Q1 2023.

Integration across its preferred technical stack supported by rich methodologies and key partnerships will continue to be a key focus in 2023. ServiceNow and Zendesk are increasingly being positioned as strategic CRM platforms. Its digital design-thinking strategy for 2023 can be grouped into the following categories:

- *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 governance
- *Cost-effective operations*: faster deployments using “in a box” solutions that include pre-configuration and workflow templates
- *Transfer & transform*: right-shoring to leverage digital transformation cost savings
- *HR refocus*: focusing on holistic health & safety and employee welfare and morale, delivering agility and adaptiveness in HR organizations
- *Upskilling 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 emphasize digital transformation heavily through its applications (e.g., Digital Employee Helpdesk, Digital HR Operations, and Digital Learning Operations), 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.

Outlook

Three key factors are likely to drive continued interest in Capgemini's Cloud HR Transformation Services offerings as a result of current recessionary pressures:

- Capgemini's emphasis on business outcomes for clients and commitment to delivering cost benefits
- Its 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’s breadth of process experience across talent and benefits as well as 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 with right-shoring and faster results
- Higher ROI from the HR investments already made
- A transfer and then transform approach.

NelsonHall estimates that Capgemini’s Cloud HR Transformation Services revenues will increase in single digits over 2023 and maintain momentum in the near to medium term.



Cloud HR Transformation Services Market Summary

Overview

2022 was another disruptive year characterized by inflationary pressures, supply constraints, climate impact events, low-growth or zero-growth economies, tight labor markets despite an element of demand softening, industrial action, attempts to normalize the office–work-from-home dynamic, and for many the good news of a return to travel and full lifting of COVID restrictions.

To support business strategies and address changing social attitudes and updated priorities, HR functions focused on further developing DEI and ESG programs, enhancing analytics alongside growing investments in the development of personalized employee experiences, embedding collaboration tools into HR processes, and geographical expansions.

Against the backdrop of ongoing legislative changes, increased operational costs, and high turnover rates, there was an overall recognition of the benefits of addressing pay inequity and supporting greater pay transparency to attract workforce participation. These pressures are expected to continue despite slowing employment growth predictions, as the availability of key skills remains tight.

Cloud HR Transformation vendors are focusing on the following activities:

- Investing in analytics, automation, and chatbots; however, the adoption of chatbots across buyers of Cloud HR Transformation services is still nascent
- Undertaking geographical acquisitions, mainly across Europe and Asia Pacific, and pursuing technology acquisitions to enhance talent solutions
- Expanding HR services to enrich the training and development of HR practitioners.

For vendors offering a global HR service, they increasingly have a technology-agnostic approach and are investing in engagement and collaboration solutions.

For vendors with a technology preference, they tend to have a country or regional focus from which new developments are launched and tested in the largest region prior to rollout across other regions.

Buy-Side Dynamics

Over 2023 and beyond, NelsonHall sees robust and continued healthy demand for Cloud HR Transformation and multi-process HR outsourcing services. Buyers are demanding engagement services, not just HR experience-focused services. Workforce productivity and operational gains are key priorities as underlying costs are expected to experience upward pressures. Demand for digital solutions with analytics-based/AI-based recommendations will continue.

Employees look for employers with workplaces that are imbued with humanity, often with an approach that includes inclusion and accounting for societal impact. It is increasingly acknowledged by buyers that fostering belonging, connectivity, creativity, and wellness for their employees can yield higher performance and improved retention. As such, organizations are increasingly making environmental and social impact statements and targets alongside supporting new ways to collaborate through digital means. Buyers look to present their values, purpose, and work environment in a way that resonates with new recruits and longer-term employees. HR functions have a key role in supporting these initiatives and, although these are



not the sole driver of Cloud HR Transformation projects, a modern digital-enabled HR function can better facilitate governance and the implementation of such initiatives.

Key drivers of the Cloud HR Transformation Services market include:

- Staying competitive with improved cost, process improvements, and a superior employee experience. This often includes standardizing operating models at a regional or global level and across HR and payroll functions. Cost control can be supported through improved digital processes, improved data quality and visibility, and access to benchmarks
- Improved employee engagement and experience with ongoing UI, decision support, and digital process technology investments
- Skills gaps and the ongoing demand for scarce talent drives buyers to redesign the sourcing techniques of their talent function, supported by tools such as skills inference tools
- Analytics are increasingly important and can support the implementation and governance of pay equity initiatives, CSR, DEI, and other corporate initiatives
- Ensuring HR compliance and minimizing exposure to the risk of fines through improved data flows and system harmonization. Organizations look to mitigate risks of noncompliance with better controls, especially around recruitment, payroll, and onboarding
- Agility: the ability to adapt to keep up with changes, manage fluctuations in headcount, and drive continuous improvements
- M&A activities that create a need to stand up new HR operations
- Reduced administrative burden 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.

Market Size & Growth

NelsonHall estimates the size of the global Cloud HR Transformation Services market was \$7.7bn in 2022. The market is expected to grow at ~8.8% CAGR over 2022–7 and is estimated to be to reach \$11.8bn by 2027. Key features of the market are:

- The largest market is the Americas, with a \$4.6bn market size in 2022, estimated to grow to \$7bn by 2027, up 8.6% CAAGR
- Payroll services revenues bundled within Cloud HR Transformation services continue to represent over half of the market
- Multi-process HRO services are a key element of the market and are expected to grow at 7%.

Success Factors

The top five success factors are:

- **Partnership approach:** successful Cloud HR Transformation Services vendors collaborate with clients to support tailored needs and build client relationship management structures and governance structures to proactively serve and manage client relationships



- **Holistic and integrated HR services:** with a focus on experience-led and engagement-led service design, vendors need to ensure design thinking and collaborative workshops are inclusive of 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. They also offer flexibility to add new solutions
- **Technology capability and innovation:** to be a successful transformation, operational delivery needs to keep up to date with ongoing technological developments and change needs to be embedded into the digital design
- **Flexibility of approach:** Successful vendors focus on value-added discrete offerings. Where they can offer outcome-based offerings they are likely to be most successful. As the cloud HCM market matures, second-generation transformation buyers increasingly look to leverage their existing cloud platforms, so HR portal offerings and multi-cloud offerings are increasingly important to enable optimal employee experiences.

Outlook

Market predictions for 2023 and beyond are:

- With an increased focus on cost alongside skills, Cloud HR Transformation services will see robust growth driven by the need of organizations to stay competitive in the talent market as well as contain cost and offer cost visibility
- Employee engagement, employee wellbeing, DE&I, compliance and risk, and cost management will be key themes for buyers
- Vendor offerings will be characterized by “pick and mix”, the success of which will depend on the ability of providers to offer a broad range of services that include collaboration tools, knowledge help, communication tools, and workflows
- Access to analytical insights will be a differentiator for buyers, and recommendation engines and predictive analytics will increasingly support not just corporate functions but HR professionals, managers, and employees
- Investments in innovation, broad talent partnerships, and the ability to support client-preferred technology architectures and integration needs will be critical for success
- Until predictive analytics solutions are embedded into chatbot intents, the use of chatbots across buyers is unlikely to see significant adoption
- Vendors will increasingly develop faster deployment methods (agile methodologies), using automated client onboarding and testing tools
- As M&A activity rebounds, Cloud HR Transformation services will see increased demand
- Market consolidations and new partnerships will be driven by a need for large data sets to support effective AI and analytics, additional talent services such as learning, and ongoing geographical expansions.



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	<ul style="list-style-type: none"> Cloud HR consulting offering Cloud HR deployment capability Cloud HR AMS offering HR administration services Talent services Global payroll services Benefits administration outsourcing offering Other HR services Proprietary cloud technology services
Delivery Capability	<ul style="list-style-type: none"> Ability to drive services process excellence Application of automation/robotics and AI/machine learning/cognitive Application of omni-channel delivery Application of advanced analytics and benchmarks Architecture capability Capability to support HR Services on a Workday platform Capability to support HR Services on an SAP HCM platform Capability to support HR Services on a Oracle HCM platform 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	<ul style="list-style-type: none"> Overall HR client presence N. America client presence U.K. client presence Continental Europe client presence Asia Pacific client presence Latin America client presence Global client presence
Benefits Achieved	<ul style="list-style-type: none"> Improved experience Process improvement Cost savings Greater agility to scale Improved decision making Simplified and modernized technology



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 Flexibility of approach
Roadmap Execution and Plans	HR services roadmap Workday services roadmap SAP services roadmap Oracle HCM services roadmap Robotics/RPA and AI/ML/cognitive services roadmap Omni-channel services roadmap Predictive analytics and benchmarking roadmap Geographic expansion roadmap
Ability to Deliver Innovation	Perception for innovation Client perception of deployment innovation Client perception of application support innovation Client perception of speed of transformation Client perception of digitization of service Client perception of future suitability

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



Sales Inquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:
Guy Saunders at guy.saunders@nelson-hall.com

Important Notice

Copyright © 2023 by NelsonHall. All rights reserved. NelsonHall exercises its best efforts in preparation of the information provided in this report and believes the information contained herein to be accurate. However, NelsonHall shall have no liability for any loss or expense that may result from incompleteness or inaccuracy of the information provided.