



## Human Resources Outsourcing Grows - Merger highlights employers' unwillingness to deal with liabilities and regulations

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by Catrine Johansson

Hewitt Associates' purchase of **Exult Inc.** will create a \$3 billion corporation that hopes to become a one-stop shop for payroll, benefits, temporary staffing and other human-resources services.

The deal, announced Wednesday, is valued at about \$690 million and has been in the works for a couple of months. Once it's completed in September, Irvine's Exult will be absorbed into the much larger Hewitt Associates, headquartered in Lincolnshire, Ill.

Combining Hewitt's list of global Fortune 500 clients and its benefits services with Exult's human-resources outsourcing and consulting is the perfect match, corporate officials said. "It will be the clear global leader in the rapidly growing human-resources business process outsourcing industry," said Dale Gifford, Hewitt chairman and chief executive. "It will be the most comprehensive and

flexible human-resources solution in the marketplace."

Competitors of the Hewitt-Exult combination include **ACS, Accenture Ltd. and BearingPoint Inc.** With \$3 billion in expected annual sales, the new Hewitt-Exult combination will be about the same size as BearingPoint with \$3.2 billion in 2003. It will be smaller than ACS with \$3.8 billion in 2003 sales and much smaller than Accenture with sales of \$13.4 billion.

Hewitt and Exult complement each other, said Lauraine Bifulco, president of **Vantaggio Inc.**, a human-resources consulting firm in Aliso Viejo. But they should be careful not to spread themselves too thin, she said. "You have to be cautious not to try to deliver everything but the kitchen sink," Bifulco said.

Still, having such a large player on the market can bring more visibility to the human-resources outsourcing market, Bifulco said. While outsourcing of information technology and other services has been common for a long time, outsourcing human resources services has only gained in popularity in the past few years when more

complicated regulations and increased liability risks made companies turn to outside expertise to run human-resources departments, Bifulco said. "Companies have a tendency to be more hands-off so that they don't get bogged down," she said.

"It's a combination of risk management and fear factor." Jim Madden founded Exult Inc. about five years ago, when the industry was still new. It quickly landed large corporate clients such as **British Petroleum** and **Bank of America**, and grew to a \$500 million company in 2003.

When Hewitt completes the purchase, an integration team made up of executives from both corporations will determine how the work forces, the products and the technologies will be combined. It's too early to say whether there will be layoffs, officials said. But several Exult executives will likely have jobs at Hewitt, including Madden. He will be working with business development for the human-resources business process outsourcing once the integration is complete.

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