

CONVERGYS CORP  
Form 10-K  
February 27, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Commissions file number 1-14379

**CONVERGYS CORPORATION**

An Ohio  
Corporation

I.R.S. Employer  
No. 31-1598292

201 East Fourth Street, Cincinnati, Ohio 45202

Telephone Number (513) 723-7000

Edgar Filing: CONVERGYS CORP - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange
Common Shares (no par value)	on which registered New York Stock Exchange
Series A Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [  ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

## Edgar Filing: CONVERGYS CORP - Form 10-K

The aggregate market value of the voting shares held by non-affiliates of the registrant was \$1,810,309,113, computed by reference to the closing sale price of the stock on the New York Stock Exchange on June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter.

At January 31, 2009, there were 122,196,141 common shares outstanding, excluding amounts held in treasury of 60,685,519.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the 2009 Annual Meeting of Shareholders to be held on April 21, 2009 are incorporated by reference into Part III of this report.

**Table of Contents**

**TABLE OF CONTENTS**

<i>Item</i>	<i>Page</i>
<b>PART I</b>	
1. <u>Business</u>	2
1A. <u>Risk Factors</u>	11
1B. <u>Unresolved Staff Comments</u>	11
2. <u>Properties</u>	11
3. <u>Legal Proceedings</u>	11
4. <u>Submission of Matters to a Vote of the Security Holders</u>	11
<b>PART II</b>	
5. <u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	14
6. <u>Selected Financial Data</u>	16
7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	44
8. <u>Financial Statements and Supplementary Data</u>	44
9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	81
9A. <u>Controls and Procedures</u>	81
9B. <u>Other Information</u>	81
<b>PART III</b>	
10. <u>Directors, Executive Officers and Corporate Governance</u>	82
11. <u>Executive Compensation</u>	82
12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	82
13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	82
14. <u>Principal Accounting Fees and Services</u>	82
<b>PART IV</b>	
15. <u>Exhibits, Financial Statement Schedule</u>	83



## **Table of Contents**

### **Safe Harbor Statement and Part I, Item 1. Business**

#### **Private Securities**

#### **Litigation Reform Act Of 1995**

#### **Safe Harbor Cautionary Statement**

This report and the documents incorporated by reference contain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs and expectations of Convergys Corporation (Company), are forward-looking statements and will contain words such as believes, expects, intends, could, should, will, plans, anticipates and other similar words. These statements discuss potential risks and uncertainties; and, therefore, actual results may differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. The Company has no current intention to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these projections or expectations include, but are not limited to: the behavior of financial markets including fluctuations in interest or exchange rates; continued volatility and further deterioration of the capital markets; the impact of regulation and regulatory, investigative, and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve; the loss of a significant client or significant business from a client; difficulties in completing a contract or implementing its provisions; and numerous other matters of national, regional, and global scale including those of the political, economic, business, and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. The Risk Factors set forth in Part I, Item 1A of this report could also cause actual results to differ materially from the forward-looking statements.

## **Part I**

### **Item 1. Business**

#### **Overview**

Convergys Corporation (the Company or Convergys) is a global leader in relationship management. We provide solutions that drive more value from the relationships our clients have with their customers and employees. Convergys turns these everyday interactions into a source of profit and strategic advantage for our clients. For over 25 years, our unique combination of domain expertise, operational excellence and innovative technologies has delivered process improvement and actionable business insight to clients to enhance their relationships with customers and employees that now span more than 70 countries and 35 languages.

Our principal executive offices are located at 201 East Fourth Street, Cincinnati, Ohio 45202, and the telephone number at that address is (513) 723-7000. We file annual, quarterly, current reports and proxy statements with the SEC. These filings are available to the public over the Internet on the SEC's web site at <http://www.sec.gov> and on the Company's web site at <http://www.convergys.com>. You may also read and copy any document we file with the SEC at its public reference facilities in

## Edgar Filing: CONVERGYS CORP - Form 10-K

Washington, D.C. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You can also inspect reports, proxy statements and other information about Convergys at the offices of the NYSE Euronext, 11 Wall Street, New York, New York 10005.

The Company has adopted a Code of Business Conduct that applies to all employees as well as our Board of Directors; a Financial Code of Ethics that applies to our principal executive officer, principal financial and accounting officer and certain other management and senior employees; and Governance Principles for our Board of Directors. The Code of Business Conduct, Financial Code of Ethics and Governance Principles, as well as the charters for the

2 Convergys Corporation 2008 Annual Report

## **Table of Contents**

### **Item 1. Business** (continued)

following committees of our Board of Directors, being the Audit Committee, Finance Committee, Compensation and Benefits Committee and the Governance and Nominating Committee, are posted on our web site at [www.convergys.com](http://www.convergys.com). The Company will post on our web site any amendments to the Code of Business Conduct and Financial Code of Ethics. Copies of these documents will be provided free of charge upon written request directed to Investor Relations, Convergys Corporation, 201 East Fourth Street, Cincinnati, Ohio 45202.

The Company's web site and the information contained therein are not considered as being incorporated into this Annual Report.

### **Business Segments**

The Company has three segments: Customer Management, which provides agent-assisted services, automated self-service and technology solutions; Information Management, which provides business support system and operational support system (BSS/OSS) solutions; and Human Resources (HR) Management, which provides global human resource business process outsourcing (HR BPO) solutions.

Pursuant to Rule 12b-23 under the Securities Exchange Act of 1934, as amended, the industry segment and geographic information included in Item 8, Note 17 of the Notes to Consolidated Financial Statements, are incorporated by reference in partial response to this Item 1.

### **Customer Management**

Our Customer Management segment partners with clients to deliver customer solutions that enhance the value of their customer relationships, turning the customer experience into a strategic differentiator. As an end-to-end single-source provider of self-service, agent-assisted and proactive care, we combine consulting, innovative technology and agent-assisted services to optimize the customer experience and strengthen customer relationships. Whether contact center operations are on-premises, fully outsourced or blended, we customize our solutions to meet our clients' needs.

Our global service delivery capabilities provide our clients with the right solution mix of skill sets, geographies, technology, operations management and industry expertise. We provide comprehensive and integrated multichannel care using a global service delivery infrastructure of agent-assisted and multichannel automated self-service that operate 24 hours a day, 365 days a year. Our services include multilingual program support.

Customer Management solutions are organized into two areas: 1) agent-assisted services, and 2) automated self-service and technology solutions.

### ***Agent-Assisted Services***



## Edgar Filing: CONVERGYS CORP - Form 10-K

Every day our approximately 65,000 contact center employees handle millions of customer service interactions such as account service, billing inquiries and technical support and service in contact centers worldwide. Agent-assisted solutions include:

### ***Customer Service Solutions***

Our Customer Service Solutions include comprehensive outsourced business and consumer customer support functions.

### ***Customer Acquisition Solutions***

Our Customer Acquisition Solutions provide comprehensive sales and order support to identify and secure high-value consumer and business customers, maximize sales conversion rates and increase revenue per customer. In addition, we offer Direct Response Solutions to address the customer support needs of direct response marketers.

### ***Customer Retention Solutions***

Customer Retention Solutions leverage analytics to optimize the level of customer satisfaction, build customer loyalty and address customer churn. Our programs are designed to help our clients retain their customers and increase their lifetime value.

Convergys Corporation 2008 Annual Report **3**

## **Table of Contents**

### ***Technical Support***

Technical Support includes tier-one, tier-two and tier-three advanced services. Either online or by phone, our programs focus on first contact resolution. Our services span from simple how-to inquiries from new users to sophisticated trouble-shooting and technical support.

### ***Back Office Solutions***

We offer complete outsourced Back Office Solutions that combine integrated document management, data entry and transaction processing capabilities with process expertise and workflow management to help meet our clients' back office needs in customer care, accounts receivable management for early-stage collections, finance and accounting, and accounts payable. Our global labor pool supports a 24 hours a day, seven days a week customer support environment.

### ***Convergys Business-to-Business Solutions***

Business-To-Business Solutions include inside sales and account management, marketing campaigns, customer service and self-service programs. Focused on supporting the needs of the business-to-business market, Convergys offers a way to expand the reach of our clients' sales force and to improve the effectiveness of their channel partnerships. Whether working with current business customers or tapping new and traditionally under-served markets, we become an extension of our clients' sales force to drive sales and profits higher while enhancing the value of their customer relationships.

Agent-assisted services are deployed via multishore delivery capabilities that have grown to more than 80 contact centers worldwide with an infrastructure designed to cost-effectively support customer care requirements. Our seamless and integrated network of onshore and offshore centers provides a high degree of availability and redundancy. Offshore culture and communication training combined with the Six-Sigma quality assurance system ensures quality. Home agent delivery is enabled via a secure network for client data with applications that reside behind our firewall for desk-top security. Our home agents are closely integrated and monitored by agents sitting in our contact centers. The flexibility of telecommuting, coupled with an expanded labor pool, results in a more cost-effective and versatile agent solution.

### ***Automated Self-Service and Technology Solutions***

Within the Customer Management segment is the Relationship Technology Management unit that focuses on leveraging the latest advanced technologies in voice portals and speech automation, real-time decisioning, web-based self-service, multichannel integration, mobile services and enhanced analytics to improve the quality and value of interactions across agent-assisted and self-service channels.

In September 2008, Convergys purchased Intervice, Inc. (Intervice). The purchase was made to augment the Company's relationship management solutions. This acquisition expands Convergys' integrated automated and agent-assisted offering and provides a complementary growth platform. Convergys and Intervice clients now have the opportunity to benefit from a wider array of industry-leading, premise-based and hosted customer management solutions that are expected to drive greater value from their customer and employee relationships. The portfolio of software, services and solutions is called relationship technology management solutions designed to address our clients' key business challenges.

Our automated self-service solutions include:

*Cost Containment Solutions*, which provide multichannel interaction efficiency and increased containment within self-service channels.

*Adoption Acceleration Solutions*, which ensure customers use, enjoy and benefit from self-service offerings.

*Revenue Realization Solutions*, which enable organizations to take advantage of frequent, information-rich interactions to capture new revenue opportunities, present targeted upsell offers and highlight cross-sell promotions.

4 Convergys Corporation 2008 Annual Report

## **Table of Contents**

### **Item 1. Business** (continued)

*Experience Enrichment Solutions*, which help increase satisfaction and loyalty by making interactions more personalized and intuitive.

Our technology solution components include:

#### ***Intervoice Voice Portal 6.0***

Intervoice Voice Portal 6.0 (IVP 6) enables clients to create highly personalized speech solutions, leveraging a set of rules and policies that can be easily constructed by integrating with the Convergys Dynamic Decisioning Solution. This includes a voice portal platform designed to facilitate the development of multi-channel applications.

#### ***Interaction Composer***

Interaction Composer enables both contact center programmers and IT developers to quickly build, deploy and manage complex voice or multi-channel applications. For enterprises with legacy interactive voice response (IVR) applications, Interaction Composer also enables the migration of legacy-IVR applications to open-standards applications for more efficient self-service calls.

#### ***Convergys Dynamic Decisioning Solution***

Convergys Dynamic Decisioning Solution includes software that can be leveraged with IVP 6 to create highly personalized applications. The use of Dynamic Decisioning Solution with IVP brings an enhanced level of customer service by enabling applications to automatically trigger personalized interactions and respond to changes in a customer's profile in real-time improving each customer's self-service experience.

#### ***IP Contact Center***

IP Contact Center (IPCC) is a multi-channel contact and agent routing application for on-site and remote agents. IPCC is available integrated with Intervoice Voice Portal or a separate solution and is also available in a dedicated hosted environment.

#### ***Media Exchange with HomeZone***

The Media Exchange with HomeZone is an application delivery platform for fixed and mobile operators. Applications include a variety of subscriber self-service, messaging and call completion applications including speech-enabled IVR, voicemail, video mail, SMS and missed call alert.

#### **Information Management**

## Edgar Filing: CONVERGYS CORP - Form 10-K

Information Management provides BSS/OSS capability across a broad functional footprint, combining software, partner products, integration and business consulting services, and operational expertise to create solutions that help service providers meet their business goals.

The Information Management solution portfolio is organized into three functional areas: revenue management, enterprise product management, and customer relationship solutions. All solutions are billed using Infinys components.

### ***Revenue Management Solutions***

Revenue Management Solutions enable the creation of compelling service bundles to differentiate offers in the marketplace, and provide real-time capabilities that enable revenue generation from all customer segments, regardless of payment type. Our revenue management solutions include:

#### ***Rating and Billing Manager***

Infinys Rating and Billing Manager is a highly scalable and reliable convergent charging, rating and billing management system that supports existing and emerging services across multiple vertical markets.

#### ***Active Mediation***

Infinys Active Mediation seamlessly bridges many protocols and/or data formats to meet convergent mediation business requirements. It is equally suitable for deployment in traditional batch environments and in next-generation networks that require a real-time, bidirectional dialog for end-to-end service delivery.

Convergys Corporation 2008 Annual Report 5

## **Table of Contents**

### ***Real-Time Convergent Charging Solution***

The Real-Time Convergent Charging Solution provides an end-to-end solution, including pre-integrated network control, real-time rating and charging, balance management, payment management, customer self-service and CSR care. This end-to-end solution allows service providers to access all segments for service, regardless of payment method (pre-/post-paid).

### ***Enterprise Product Management Solutions***

Enterprise Product Management Solutions speed product development times, and also simplify the increasing complexity associated with managing a growing product and service portfolio. Our enterprise product management solutions include:

#### ***Product Control Manager***

Infinys Product Control Manager automates manual and disjointed product management practices, as well as multiple product catalogues, throughout the enterprise. It can coexist with existing product repositories, centralizing and normalizing data and processes.

#### ***Offer Management Solution***

Offer Management enables targeted selling and reduced order fallout, qualified offers based on the individual customer, and the presentation of only relevant offers via the call center application directly to agents.

### ***Customer Relationship Solutions***

Customer Relationship Solutions are designed specifically for communications service providers and help them provide the right customer experience to stand out from the competition. These solutions provide significant flexibility for service providers to deliver the right experience through any channel, and to find the optimal balance of agent and self-service care to increase customer satisfaction, loyalty and profits. Our customer relationship solutions include:

#### ***Customer Service Manager***

Infinys Customer Service Manager is an end-to-end relationship management system for communications and media providers. The system provides automated end-to-end order orchestration and sophisticated human factors engineering to meet and exceed subscriber, order, and customer care needs. Solutions can include Convergys Dynamic Decisioning software that includes both a set of tools and a policy engine in order to enable the execution of real-time customer service policies and proactive upsell offers that increases customer retention.

#### ***Field Service Manager***

Infinys Field Service Manager enables communications service providers to predict service demand, then plan, schedule and execute service delivery in a way that maximizes value across their extended enterprise.

In addition to the modular solution portfolio above, Information Management offers service providers a pre-configured, end-to-end solution to meet specific business requirements.

***Infinys/ICOMS***

The Infinys Integrated Communications Operations Management System (ICOMS) solution is designed specifically for the broadband convergent video, high-speed data and telephony markets. It incorporates the power and flexibility of our cable television subscriber management system with the integrated support of high-speed data and wireline telephony.

**HR Management**

Our HR Management segment partners with clients to deliver HR solutions that transform their global HR to drive more value from employee relationships, fostering greater organizational effectiveness and lowering costs. Convergys helps clients harmonize HR processes, standardize global HR technology and improve service delivery. The result is a greater level of workforce insight that enables HR to make better decisions and better manage global talent as a corporate asset.

## **Table of Contents**

### **Item 1. Business** (continued)

Convergys HR Solutions include the following:

#### ***Benefits Administration Solution***

We manage the complexities of benefits administration, which enables us to predict benefit expenses and provide clients the business intelligence they need to improve benefit-related processes, services and costs. Our service delivery model combines self-service tools and multilingual service centers to provide services to employees, including health and welfare administration services, retirement services and pension administration, absence management, flexible spending account administration, carrier administration and tuition reimbursement.

#### ***Compensation Solution***

We help companies improve the clarity and parity of their global compensation plans while assuming global administration to lower overall costs and deliver key analytics. By aligning global compensation with other key HR processes, Convergys can help improve employee understanding of compensation strategies resulting in increased employee engagement.

#### ***Human Resource Administration Solution***

We help organizations transform the task of managing global employee paperwork and data into a harmonized, automated and highly efficient process. Our solution incorporates process improvements and technology innovations to streamline global HR Administration.

#### ***Learning Solution***

Learning helps companies manage the employee life cycle to get more from the talent that they have and develop the talent that they need. By outsourcing select learning functions such as administration, operations and content development and sourcing to us, companies gain better return on investment.

#### ***Organizational Development/Performance Management Solution***

We offer effective Organizational Development and Performance Management that integrates aspects of recruiting and resourcing, compensation, learning and workforce intelligence to increase employee engagement and to improve employee performance.

#### ***Payroll Administration Solution***

Our Payroll services range from end-to-end payroll outsourcing to targeted process management for each point between employee time entry and payroll check production. We can manage the complexities of global payroll, including controls for accuracy and compliance to local regulations.



***Recruiting and Resourcing Solution***

Our global Recruiting and Resourcing Solution can free HR departments from the administrative aspects of finding, hiring and on-boarding employees so that they can focus on higher-value activities such as staffing strategies and hiring decisions.

***Workforce Intelligence Solution***

Workforce Intelligence Solutions turn HR information into business insight. Our solutions give HR the business intelligence it needs to make better decisions and better manage the global workforce.

***Talent Management Solution***

We offer integrated talent management technology and processes that leverage valuable recruiting, compensation, learning, performance management and succession planning data enabling organizations to acquire, align, manage and develop talent in a way that creates the most effective workforce environment.

**Strategy**

Our strategy is to enable our clients to gain more value from their relationships with their customers and employees. We do this by providing clients comprehensive relationship management software, services and solutions. The value we create drives improved business performance and a sustainable competitive advantage for our clients. Key elements of our strategy include:

*Deliver a Differentiated Value Proposition to Clients:* As a global leader in relationship management, Convergys provides solutions that drive more value from the

## Table of Contents

relationships our clients have with both their customers and their employees. Convergys turns these everyday interactions into a source of profit and strategic advantage for our clients. Our differentiated solution set includes Customer Solutions, BSS/OSS Solutions, HR Solutions and industry-specific solutions. Our Customer Solutions enhance the value of customer relationships, turning the customer experience into a strategic differentiator for our clients. Customer Solutions provide end-to-end support for customer acquisition, service, retention, technical support, back office and automated self-service. These solutions deliver support using live agents staffed around the world, self-service technology (speech, IVR, web and e-mail) that intelligently automates the handling of interactions, along with analytics for real-time decisioning and deep customer management process expertise. Additionally, BSS/OSS Solutions address the critical customer care, billing and product-related issues that face the communications industry specific to managing customer relationships, revenue management and enterprise product management. Our BSS/OSS Solutions deliver real-time rating and charging, accelerate the product lifecycle and improve the customer experience. Our HR Solutions deliver greater organizational effectiveness through comprehensive HR BPO and integrated talent management strategies. We provide industry-specific solutions to serve the following vertical markets: communications, financial services, healthcare, manufacturing, retail, technology and transportation. Additionally, we provide tailored solutions for the government sector.

*Invest in Our Business to Expand our Addressable Markets and Strengthen our Solutions:* Our growth strategy is to continue to broaden and deepen our offer portfolio to provide our clients with comprehensive solutions. We will invest in the business as required (e.g., to acquire new capabilities, to expand into new global locations and to employ new personnel with desired talent) to expand our addressable markets. We continue to identify and operate in attractive markets where we can effectively provide differentiated value and deliver superior returns. We intend to expand operations globally with employees and partners who strengthen our ability to successfully serve and satisfy the demands of multinational clients. Specifically for HR Solutions, we are strategically aligning with partners to reduce risks in our business model.

*Expand Our Relationships with Existing Clients:* We focus on client satisfaction to maintain and grow our base business. Our intent is to grow by cross-selling new solutions and expanding our relationship management footprint within our clients' organization. Our clients have generally renewed their agreements, reflecting what we believe is a high degree of satisfaction and stability in our client base.

*Aggressively Grow Our Client Base:* We believe that the global market for relationship management solutions is large and underserved and we intend to make investments to aggressively pursue this market. We emphasize a consultative selling approach leveraging our expertise in four critical areas, 1) business and customer strategy development, 2) business and customer analytics, 3) technology enablement, and 4) operational excellence to deliver superior operating performance and further strengthen our leadership by cross-selling other services.

*Sustain Our High-Performance Culture to Drive Business Results:* We believe that people drive performance and we are committed to hiring and retaining the best performers and ensuring that they are committed to the success of our clients. Our competencies include our proven strength in recruiting, training, equipping, deploying and effectively managing very large groups of people with diverse skills on a global basis (people), expertise in operations and cost-effective service delivery (process), and design, development and delivery of innovative, scalable transactions and interaction applications (technology). We adhere to the principles of strategic HR, including emphasizing collaboration, goal alignment, pay for performance, continuous improvement and focus on accountability

## **Table of Contents**

### **Item 1. Business** (continued)

and results. We believe this approach drives superior execution, enabling us to consistently deliver significant value to our customers.

#### **Clients**

Both our Customer Management and Information Management segments derive significant revenues from AT&T Inc. (AT&T). Revenues from AT&T were 18.2%, 16.3% and 17.3% of our consolidated revenues for 2008, 2007 and 2006, respectively.

#### **Customer Management**

Our Customer Management segment principally focuses on developing long-term strategic outsourcing relationships with large companies in customer-intensive industries and governmental agencies. We focus on these types of clients because of the complexity of services required, the anticipated growth of their market segments and their increasing need for more cost-effective customer management services. In terms of Convergys' revenues, our largest Customer Management clients during 2008 were AT&T, Comcast Corporation (Comcast), the DirecTV Group, Inc. (DirecTV), General Motors Corporation and Sprint Nextel Corporation (Sprint Nextel). We provide customer management services to Sprint Nextel as a subcontractor to International Business Machines (IBM).

#### **Information Management**

Our Information Management segment serves clients principally by providing and managing complex BSS/OSS services that address all segments of the communications industry. In terms of Convergys' revenues, our largest Information Management clients during 2008 were AT&T, Cincinnati Bell Inc., Sprint Nextel, T-Mobile Inc. and Time Warner Inc.

#### **Human Resource Management**

Our HR Management segment primarily focuses on providing human resource outsourcing solutions for large companies and governmental agencies. In terms of Convergys' revenues, our largest HR Management clients during 2008 were Boston Scientific Corporation, E.I. du Pont de Nemours & Co. (DuPont), the State of Florida, the State of Texas and Whirlpool Corporation.

#### **Operations**

We operate approximately 83 contact centers averaging approximately 61,000 square feet per center, with approximately 42,500 production workstations with 24 hours a day and seven days a week availability. Our contact centers are located in various parts of the world including the United States, Canada, India and the Philippines. New contact centers are established to accommodate anticipated growth in business or in response to a specific customer need. We are currently adding contact center capacity in the Philippines to accommodate client needs.

## Edgar Filing: CONVERGYS CORP - Form 10-K

Our contact centers employ a broad range of technology including digital switching, intelligent call routing and tracking, proprietary workforce management systems, case management tools, proprietary software systems, computer telephony integration, interactive voice response, advanced speech recognition, web-based tools and relational database management systems. This technology enables us to improve our call, web and e-mail handling and personnel scheduling, thereby increasing our efficiency and enhancing the quality of the services we deliver to our clients and their customers and employees. With this technology, we are able to respond to changes in client call volumes and move call volume traffic based on agent availability. Additionally, we use this technology to collect information concerning the contacts, including number, response time, duration and results of the contact. This information is reported to the client on a periodic basis for purposes of monitoring quality of service and accuracy of the related billing.

We operate two primary data centers, one in Orlando, Florida, and the other in Cincinnati, Ohio, comprising, in total, approximately 170,000 square feet of space. Our technologically advanced data centers provide 24 hours a day and seven days a week availability (with redundant power and communication feeds and emergency power back-up) and are designed to withstand most natural disasters.

The capacity of our data center and contact center operations, coupled with the scalability of our BSS/OSS,

Convergys Corporation 2008 Annual Report 9

## **Table of Contents**

customer management and HR management solutions, enable us to meet initial and ongoing needs of large-scale and rapidly growing companies and government entities. By employing the scale and efficiencies of common application platforms, we are able to provide client-specific enhancements and modifications without incurring many of the costs of a full custom application. This allows us to be in a position to be a value-added provider of billing, customer and employee support products and services.

### **Technology, Research and Development**

We intend to continue to emphasize the design, development and deployment of scalable billing, customer management and HR Management systems to increase our market share, both domestically and internationally. During 2008, 2007 and 2006, we spent \$54.9 million, \$73.4 million and \$84.9 million, respectively, for research and development to advance the functionality, flexibility and scalability of our products and services. The majority of this spending is incurred in Information Management and reflects our commitment to further develop our solutions. We are being selective in our approach to research and development spending, focusing our efforts on only what we consider the highest impact areas. We are also adding development efforts in Asia and acquiring technology through product partnerships and small acquisitions. The success of both our Customer Management and HR Management segments depends, in part, on our advanced technology used in the delivery of services to clients. As a result, we continue to invest in the enhancement and development of our technology.

Our intellectual property consists primarily of business methods and software systems. To protect our proprietary rights, we rely primarily on a combination of U.S. and foreign copyright, trade secret and trademark laws, confidentiality agreements with employees and third parties and protective contractual provisions such as those contained in licenses and other agreements with consultants, suppliers, strategic partners and clients.

We own 168 patents, 155 of which relate to Customer Management and HR Management and 13 of which relate to Information Management. Customer Management patents include 112 from the Intervoice acquisition. Patents protect our technology and business methods that we use both to manage our internal systems and processes effectively and give us competitive advantages in developing innovative technologies to provide customer management, HR Management and billing services to our clients. The first of these patents was issued in February 1990, while the most recent patent was granted in November 2008. These patents generally have a life of 17 years. Additional applications for U.S. and foreign patents currently are pending.

Our name and logo and the names of our primary software products are protected by their historic use, and by trademarks and service marks that are registered or pending in the U.S. Patent and Trademark Office and under the laws of more than 50 foreign countries.

### **Employees**

We employ approximately 75,000 people, approximately 68,000 of whom work for Customer Management, approximately 3,000 of whom work for Information Management, approximately 3,000 of whom work for HR Management, with the remainder working in various corporate functions.

### **Competition**

## Edgar Filing: CONVERGYS CORP - Form 10-K

The industries in which we operate are extremely competitive. Our competitors include: (i) other customer management companies, such as Accenture Ltd. (Accenture), APAC Customer Services Inc., IBM, ICT Group Inc., SITEL Corp., Sykes Enterprises Inc., Teleperformance, TeleTech Holdings Inc., West Corporation and Wipro Ltd.; (ii) other HR management companies, such as Accenture, Affiliated Computer Services Inc., ExcellerateHRO, Hewitt Associates Inc., IBM and Tata Consultancy Services; and (iii) other BSS/OSS services companies such as Amdocs Ltd., Comverse Technology Inc., CSG Systems International Inc. and Intec Telecom Systems. In addition, niche providers or new entrants could capture a segment of the market by developing new systems or services that could impact our market potential.

**10** Convergys Corporation 2008 Annual Report

**Table of Contents**

**Items 1. (continued), 1A., 1B., 2., 3. and 4.**

**Interests in Cellular Partnerships**

The Company owns a 33.8% limited partnership interest in Cincinnati SMSA Limited Partnership, a provider of wireless communications in central and southwestern Ohio and northern Kentucky, and a 45% interest in the Cincinnati SMSA Tower Holdings LLC, an operator of cellular tower space (the Cellular Partnerships). We account for our interests in the Cellular Partnerships under the equity method of accounting. Refer to Note 2 of the Notes to Consolidated Financial Statements for more details related to these partnerships.

**Item 1A. Risk Factors**

The information required by Item 1A is included in Item 7 of this Form 10-K.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We own our corporate headquarters facility in Cincinnati, Ohio, which is used by the three segments, an office complex in Jacksonville, Florida, which is used predominantly by Customer Management and HR Management and an office facility in Dallas, Texas, which is used by Customer Management.

We lease space for offices, data centers and contact centers on commercially reasonable terms. Domestic facilities are located in Arizona, California, Colorado, Florida, Georgia, Idaho, Kansas, Kentucky, Louisiana, Missouri, Nebraska, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. International facilities are located in Australia, Brazil, Canada, China, Egypt, England, France, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Malaysia, the Philippines, Saudi Arabia, Scotland, Singapore, Spain, Sri Lanka, Taiwan, Thailand and the United Arab Emirates. Customer Management and HR Management use the majority of these facilities. Upon the expiration or termination of any such leases, we believe we could obtain comparable office space. As discussed more fully in Note 12 of Notes to Consolidated Financial Statements, we lease an office complex in Orlando, Florida under an agreement that expires June 2010. Upon termination or expiration, we must either purchase the property from the lessor for \$65.0 million or arrange to have the office complex sold to a third party.

## Edgar Filing: CONVERGYS CORP - Form 10-K

We also lease some of the computer hardware, computer software and office equipment necessary to conduct our business. In addition, we own computer, communications equipment, software and leasehold improvements. We depreciate these assets using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the associated lease.

We believe that our facilities and equipment are adequate and have sufficient productive capacity to meet our current needs.

### **Item 3. Legal Proceedings**

The information required by Item 3 is included in Note 12 of the Notes to Consolidated Financial Statements of this Form 10-K.

### **Item 4. Submission of Matters to a Vote of the Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of 2008.

Convergys Corporation 2008 Annual Report 11



**Table of Contents**

**Executive Officers of the Registrant**

The following information responds to the provisions of Part III, Item 10.

As of February 27, 2009, our Executive Officers were:

<b>Name</b>	<b>Age</b>	<b>Title</b>
David F. Dougherty <sup>(a)</sup>	52	President and Chief Executive Officer
Earl C. Shanks	52	Chief Financial Officer
Karen R. Bowman	45	Senior Vice President, General Counsel and Corporate Secretary
Clark D. Handy	52	Senior Vice President, Human Resources
Jean-Hervè Jenn	51	Executive Vice President, Global IM Market and Client Development
Timothy M. Wesolowski	50	Senior Vice President, Controller and Treasurer
Andrea J. Ayers	45	President, Customer Management
Michael J. Betzer	47	Senior Vice President, Relationship Technology Management
James P. Boyce	51	President, Global Business Units
John B. Gibson	42	President, HR Management
Robert A. Lento	47	President, Global Information Management

(a)Member of the Board of Directors.

Officers are appointed annually, but are removable at the discretion of the Board of Directors.

**DAVID F. DOUGHERTY**, President and Chief Executive Officer since April 17, 2007; President and Chief Operating Officer, 2005 -2007; Executive Vice President, Global Information Management, 2003 -2005.

**EARL C. SHANKS**, Chief Financial Officer since November 13, 2003.

**KAREN R. BOWMAN**, Senior Vice President, General Counsel and Corporate Secretary since September 1, 2007; President, HR Management, 1999 -2007.

## Edgar Filing: CONVERGYS CORP - Form 10-K

**CLARK D. HANDY**, Senior Vice President, Human Resources since December 11, 2006; Executive Vice President, Human Resources of Teleflex, Incorporated, 2003-2006.

**JEAN-HERVÉ JENN**, Executive Vice President, Global IM Market and Client Development since January 1, 2009; President, Information Management International, 2007-2008; President, EMEA, 2003-2007.

**TIMOTHY M. WESOLOWSKI**, Senior Vice President, Controller and Treasurer since December 5, 2007; Senior Vice President and Controller, 2005-2007; Vice President and Treasurer, 2004-2005; Director of Finance/Group Controller, Fiberglass-Composite Pipe Group of Ameron International, 2002-2004.

**ANDREA J. AYERS**, President, Customer Management since April 1, 2008; President, Relationship Technology Management, 2007-2008; President, Government and New Markets, 2005-2007; Vice President, Customer Management Marketing, 2003-2005.

**MICHAEL J. BETZER**, Senior Vice President, Relationship Technology Management since May 1, 2008; Vice President, CRM Siebel/Oracle, 2004-2008; Chief Executive Officer and Founder, Ineto, 1999-2004.

**JAMES P. BOYCE**, President, Global Business Units since January 1, 2009; President, North America Business Units, 2008; President, Communications, Technology, Media, Entertainment and Canada Groups, 2007; President, AT&T Group, 2005-2006; Senior Vice President, Customer Management Client Business Development, 2002-2005.

**JOHN B. GIBSON**, President, HR Management since September 1, 2007; Senior Vice President, HR Management Client Services, 2007; Senior Vice President, HR Management Global Operations, 2005-2007; Senior Vice President, HR Management Operations, Americas and India, 2004-2005; Executive Vice President, EPIX Holding Corporation, 2001-2004.

**Table of Contents**

**Executive Officers of the Registrant** (continued)

**ROBERT A. LENTO**, President, Global Information Management since January 1, 2009; President, Information Management, 2007-2008; President, Communications, Technology, Automotive Group, 2003-2007.

Convergys Corporation 2008 Annual Report **13**

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related****Stockholder Matters and Issuer Purchases of Equity Securities**

Convergys Corporation's shares of common stock, no par value, are listed on the New York Stock Exchange under the symbol CVG. As of January 31, 2009, there were 10,823 holders of record of the 122,196,141 common shares of Convergys, excluding amounts held in Treasury (182,881,660 outstanding common shares of Convergys, of which 60,685,519 were held in Treasury).

The high, low and closing prices of our common shares for each quarter in 2008 and 2007 are listed below:

Quarter	1st	2nd	3rd	4th
<b>2008</b>				
<b>High</b>	\$ 16.60	\$ 16.75	\$ 16.99	\$ 14.93
<b>Low</b>	\$ 13.66	\$ 14.62	\$ 11.77	\$ 4.02
<b>Close</b>	\$ 15.06	\$ 14.86	\$ 14.78	\$ 6.41
<b>2007</b>				
High	\$ 27.18	\$ 27.26	\$ 24.85	\$ 19.18
Low	\$ 23.84	\$ 23.95	\$ 14.67	\$ 15.86
Close	\$ 25.41	\$ 24.24	\$ 17.36	\$ 16.46

We have not paid cash dividends on our common stock, including during the periods of 2008 and 2007. Our Board of Directors re-evaluates this policy periodically. There is no current anticipation of paying cash dividends in the future.

During 2008, we repurchased 7.7 million shares of Convergys common stock for a total cost of \$116.6 million. At December 31, 2008, the Company has the authority to purchase an additional 7.1 million common shares of its common stock. We did not repurchase any shares during the fourth quarter of 2008 and at the current time do not anticipate executing additional share repurchases in 2009. The timing and terms of any future transactions depend on a number of considerations including market conditions and our liquidity.

**Table of Contents****Performance Graph**

The following Performance Graph compares, for the period from December 31, 2003 through December 31, 2008, the percentage change of the cumulative total shareholder return on the Company's shares of common stock with the cumulative total return of the S&P 500 Stock Index and the Custom Composite Index (old and new), based on an initial investment of \$100 on December 31, 2003, with dividends reinvested. The Custom Composite Index consists of our peer groups. In 2008, we changed our peer group by including certain companies to reflect the change in our competitive landscape.

	<b>Dec-03</b>	<b>Dec-04</b>	<b>Dec-05</b>	<b>Dec-06</b>	<b>Dec-07</b>	<b>Dec-08</b>
<b>Convergys Corp.</b>	\$ 100	85.85	90.78	136.20	94.27	36.71
<b>S&amp;P 500®</b>	\$ 100	110.88	116.33	134.70	142.10	89.53
<b>Old Custom Composite Index</b>	\$ 100	116.54	122.14	129.28	119.62	79.08
<b>New Custom Composite Index</b>	\$ 100	131.20	141.66	180.87	173.34	89.73

The Old Custom Composite Index consists of Affiliated Computer Services, Inc., Amdocs LTD, APAC Customer Services Inc., Converse Technology Inc., CSG Systems International Inc., Hewitt Associates Inc., ICT Group, Inc., Sykes Enterprises, Inc., and Teletech Holdings Inc.

The New Custom Composite Index consists of all of the companies in the Old Custom Composite Index in addition to Teleperformance, Wipro Ltd, Tata Consultancy Services Ltd., and Intec Telecom Systems.

Copyright © 2009, S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

Table of Contents

**Item 6. Selected Financial Data**

(Amounts in Millions Except Per Share Amounts)

**2008**

2007

2006

2005

2004

**Results of Operations**