



# **RPO-** **Redefining The Future Of Recruitment**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>1. DEMYSTIFYING RPO .....</b>	<b>4</b>
1.1 What is an RPO? .....	4
1.2 What is not an RPO?.....	5
1.3 Top Company Triggers for RPO .....	6
1.4 Depth of Engagement .....	7
1.5 Types of RPO .....	7
<b>2. THE PRE-RPO ERA .....</b>	<b>10</b>
2.1 What changed for organizations and why.....	10
2.2 Evolution of Outsourcing as a means to overcoming the talent challenge .....	11
2.3 History of RPO – What worked well and what did not? .....	11
2.4 The Changing TA Landscape.....	12
2.5 RPO – The Business Imperative.....	12
2.6 RPO in the Beginning .....	13
2.7 RPO’s Evolution into the Present .....	13
<b>3. EVOLUTION OF THE RPO INDUSTRY – GLOBAL VS. INDIAN .....</b>	<b>14</b>
3.1 RPO Industry growth – Global and Indian Scenarios .....	14
3.2 The Indian RPO Scenario – On the Growth path .....	16
3.3 The Early adopters in India .....	17
3.4 A Sectoral Overview of the IT Industry’s RPO Evolution .....	17
<b>4. GROWTH OF THE RPO INDUSTRY – GLOBAL AND INDIAN PERSPECTIVES .....</b>	<b>20</b>
4.1 Macro environmental influences.....	20
4.2 Micro environmental factors influencing growth .....	21
4.3 The Game Changers – Business drivers that changed the face of RPO .....	22
4.4 The Game Changers – RPO Success Stories .....	23
<b>5. THE INDIAN RPO LANDSCAPE : AN AS-IS REPORT.....</b>	<b>27</b>
5.1 An Industry-wise perspective with more emphasis on some key and emerging sectors .....	27
<b>6. TOP REASONS TO CONSIDER RPO FOR YOUR ORGANIZATION .....</b>	<b>30</b>
6.1 Is RPO right for your organization?.....	30
6.2 RPO Pricing Models .....	34
6.3 Cost Vs Benefits .....	35
6.4 Measuring Success – a few metrics .....	36
<b>7. THE FUTURE OF RPO.....</b>	<b>37</b>
7.1 Explorations: One model for all or flexi-customization?.....	37
7.2 Voice of Clients for an RPO model of tomorrow and impact of SMAC Technologies .....	37
7.3 The Indian RPO market and the trajectory it would take.....	39

## EXECUTIVE SUMMARY

*The face of Recruitment has drastically changed the world since the 1970s and more so in the last decade. Organizations have gone through the cycle of ups and downs in identifying the right talent and retaining them. Vast resources of time, money and sweat were being invested to bridge the talent gap in an economy that saw an upsurge in industrialization and liberalization. While sometimes successful, most times the companies were left wanting for right talent and the need to trim costs.*

*Recruitment Process Outsourcing (RPO) came as a boon at this juncture, to capitalize on this need gap. While the global developed economies welcomed it and soon found themselves being surrounded by several providers vying for a share of the pie, in India, the spurt has been happening more since the last decade.*

*Over the years, organizations have realized that talent is the key to their success. This age where human talent precedes all else is rightly termed the Human Age. In this Human Age, Organizations across industries turn towards RPO to ease their lives in the entire hiring process, allowing them to focus on the core activities and needless to say, bring in substantial savings on cost and time. It is predicted that although India has only recently joined the global bandwagon, the outlook is very promising (**INR 1000 crores industry by 2020**) indeed with the Americas and EMEAs leaning towards our country in the Talent Hunt.*

*This paper attempts to understand the RPO Industry from the very roots, provide a classical understanding of the offerings of an RPO, and also lay out the Global and Indian perspectives on the growth of this industry, given the economic factors that swing the ropes in the RPO field.*

*Also detailed in the paper is an Industry-wise outlook for the RPO industry, with Client's expectations, the challenges faced, along with mentions of a few game changers in the industry, adopted by successful RPO providers to stay ahead in the game and top reasons to consider RPO for an organization.*

*In order to obtain a fresh understanding from the market itself, interviews were conducted with few Clients who chalked out the current Indian RPO scene and also envisioned a model for tomorrow with emphasis on technology , creative sourcing and pricing models.*

*Their insights are invaluable and the essence of those discussions have been included in the report which concludes with the views on the trajectory the Indian RPO market would take in the near future and answering the question posed on whether RPOs can redefine the future of recruitment*

Ch.1

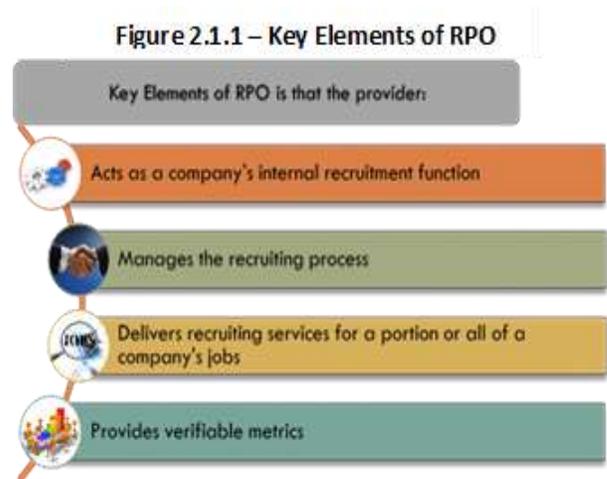
# DEMYSTIFYING RPO



Many companies are looking for ways and means to improve their recruitment function, either by revamping their internal function or by leveraging on external expertise like RPO firms to spruce up the recruitment process efficiency. In India especially, the RPO industry has not yet standardized its service offerings, providers use different terminology to describe services, and different providers offer all or a subset of these services. This makes it challenging for both RPO providers and client organizations. Demystifying RPO is therefore essential to uncover and clarify the grey areas and bridge the gaps.

## 1.1 What is an RPO?

According to the US based Recruitment Process Outsourcing Association ([www.rpoassociation.org](http://www.rpoassociation.org)), a vendor-neutral organization dedicated to helping companies navigate their recruitment outsourcing goals by qualifying, certifying, and monitoring RPOs, RPO is a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service provider. An RPO provider can provide its



own or may assume the company's staff, technology, methodologies and reporting. In all cases, RPO differs greatly from providers such as staffing companies and contingent/retained search providers in that it assumes ownership of the design and management of the recruitment process and the responsibility for results (**Figure 2.1.1**).

An RPO provider acts as a company's internal recruitment function for a portion or all of its jobs. RPO providers manage the entire recruiting/hiring process from job profiling through the on-boarding of the new hire, including staff, technology, method, and reporting. A properly managed RPO will improve a company's time to hire, increase the quality of the candidate pool, provide verifiable metrics, reduce costs, and improve governmental compliance.

## 1.2 What is not an RPO?

RPO is not just an on-call permanent placement service or a "head-hunter" that is available to fill permanent positions. It's also not for the 'one-off job opening or meeting a quick list of hiring needs. It is a sustained and clearly defined process that provides a predictable and customized sourcing and/or recruiting engine for your business. RPO is often misunderstood and confused with Human Resources Outsourcing (HRO). While RPO is focused on the sourcing and recruiting aspects, HRO is more concerned with the functional HR processes, such as input of information into HR systems, on-boarding paperwork administration, benefits administration or performance management. While some RPO process, such as on-boarding, may include some aspects of HRO, the intent is that the RPO program is related to sourcing, recruiting and/or hiring and typically involved processes related to 'candidates'.

### 1.3 Top Company Triggers for RPO

While RPO is emerging as a far more strategic response to the biggest talent management issues companies face, the need to hire specialized individuals with hard-to-find skills, improve recruitment efficiency, and increase workforce scalability and flexibility, are now some of the main reasons why Companies are likely to consider an RPO, besides many others. The main triggers for a Company to consider an RPO are as described in **Figure 2.3.1** below:

**Figure 2.3.1 – Triggers for RPO**



### 1.4 Depth of Engagement

The RPO firm can engage either for a part of the Recruitment Process Continuum, or up to a certain stage or for all the steps in the chain, starting with the client hiring request and sourcing to on-boarding the employees post hire(Figure 2.4.1).

Figure 2.4.1 – Depth of Engagement



The Depth of Engagement can also be defined by how and where these services are rendered. Like the services themselves, service delivery would also depend on the client, the provider, and even on the service or services rendered.

There are three delivery options available:

- a. **On-Site** – Recruiters are at the client’s location, sitting at a desk and recruiting directly.
- b. **Virtual** – Provider has a hub or off-site location for the recruiters, but they are dedicated to the client. Recruiters are not on site.
- c. **Supported** – This means that the recruiters are not dedicated to one client, but this delivery option is designed for scalability. More recruiters can be added, or taken away, when needed.

### 1.5 Types of RPO

An RPO can cater to a portion of the recruitment segment, an entire department hiring needs or the complete company’s hiring requirement. Depending on the extent of outsourcing to service, there are different types of RPO. While an RPO firm can have their own differentiated services and value additions, broadly the types of RPO (Figure 2.5.1) are as detailed below:

Figure 2.5.1 – Types of RPO



### a) Enterprise RPO

Enterprise recruitment process outsourcing, also known as full-service RPO or fully outsourced RPO, is the company-wide outsourcing of all or most of the recruiting functions. An RPO provider, in this case, would be taking overall responsibility and accountability for all elements of the continuum. Accountability is crucial for enterprise RPO because the provider designs, from beginning to end, a program that will meet the needs of the customer. It's also crucial because the RPO provider is also responsible for managing resources and meeting certain metrics defined, for and with, the customer.

There are mainly two types of enterprise RPO:

- 1) **Long-Term, Company Wide** - This is where a company hires an RPO provider to handle the entire recruiting process, everything from the process itself to technology and the results.
- 2) **Job/Location Specific** - This is very similar to the long-term arrangement, except that it's just for a certain job function or for a certain location (i.e. headquarters, an R&D facility, a call center). For example, the RPO provider focuses on filling positions at corporate or on filling only the call center positions.

### b) Project RPO/Short Term RPO

Project RPO, a short-term engagement is exactly what the name says, a core recruitment process outsourcing service involving a specific project with a specific term. Often times, it's related to engaging a provider for a specific scope of sourcing or recruiting, such as hiring a sales force, fulfilling a set number of hires, or helping processes or locations that don't have enough resources.

Project RPO differs from the other services in three ways. First, there's less responsibility overall on behalf of the provider, as the provider will find specific candidates or help a location while having the customer handle the rest of the company. Second, although service-level agreements still apply, the agreement would only reflect the scope needed and the metrics that are relevant to the project. Third, contract lengths tend to be shorter, such as six months to one year, and are much more likely to be set according to the project length or to a specific volume that needs to be met. This differs from enterprise RPO, where services could continue well beyond the initial two to three years.

### c) Point-of-Service/Limited RPO

Point-of-service RPO, better known as limited RPO or selective RPO in the industry, means that the RPO provider is taking responsibility for one or more components of the recruiting process. It's very similar to project RPO, but point of service RPO is an ongoing service as it involves a much more sustained effort and then a handoff to HR. Examples of point of service RPO include applicant intake, applicant screening, social media outsourcing/recruiting, or putting this data into the applicant tracking system.

### d) Consulting RPO

This service is exactly as the name states: a company simply seeking the knowledge an RPO provider has on recruiting and improving the process. In this case, an RPO provider may offer advice on how to improve their processes, on what tools should be used, on how to do social media recruiting etc.

### e) Blended RPO

In today's scenario, there is increasing demand for contract hires besides permanent hires. The efforts involved in both these hiring requirements are the same. While outsourcing has emerged as an effective means of managing both contract and permanent hiring requirements, organizations follow a silo based approach by engaging a Managed Service Provider for the contract hiring and an RPO Provider for permanent hiring. Thereby creating disparities between the two arrangements. Blended RPO is that solution that integrates the process of contract hiring and permanent hiring into a single, total talent acquisition approach.

### f) Emerging RPO Services

The RPO industry is a relatively new industry that's still finding new ways to meet the needs of clients and to adjust to the changing landscape of recruiting. The RPO services below are emerging categories that don't fit into any of the three listed above. These are also newer services that not every provider has embraced or standardized.

#### CONTINGENCY/ON-DEMAND RPO

This type of service is an agreement for an RPO provider to offer the agreed upon service whenever the client needs it. For example, a client may need 100 hires per month but wants it on the contingency that this pool is available to use when the client asks. This is good for those who would fit into the point of service category, but would only need the service when there's an overflow and don't want to outsource the process completely.

#### BRANDED/WHITE-LABEL RPO

This RPO services involves outsourcing the recruiters, but these recruiters are going to the marketplace on behalf of your company and as if they are part of your company for temporary and permanent hires. This type of service is more than just outsourcing recruiting, but is done in a way that makes it look like the recruiting is being done internally and not through a provider, to create an overall talent community for the client.

#### CO-SOURCING

This is one of the newest types of RPO services, where a client may engage multiple RPO providers to serve different areas. For example, a client may have one provider for high volume hires and another for hard-to-find individuals. This is an emerging service that providers are increasingly becoming more comfortable with and are increasingly engaging in by specializing in certain industries, functions, and/or hiring certain positions.

## Ch.2

## THE PRE RPO ERA



Prior to the beginning of the millennium all was seemingly well in the organizations as far as hiring the workforce was concerned. A traditional hiring process was followed by most organizations which began with Sourcing and navigating through a series of steps, concluding with the Offer Letter doled out to the candidate.

However, we live in an era where change is the only constant and adaptation to change is the only means of survival and sustenance. Even in organizations beneath the all-is-well carpet, in the world of Human Resources, things were not the same. Organizations realized that the Human Age had taken over. The Human Age evolved quickly on the heels of historic technological, demographic and geopolitical shifts. Bypassing the Bronze, Iron, Space and Information Ages, we are living in the Human Age – the key drivers of this age being human capital and talent.

*It is the best of times. It is the worst of times. It is the Human Age.*

### 2.1 What changed for organizations and Why

What was a decade ago referred to as ‘workforce’ evolved into ‘human capital’, and has now become ‘talent’ in organizations.

Talent is a comprehensive term which packs into it, the sum total of skills an individual possesses, his/her experience, competence and organizational culture fit. The new capitalism, talentism, puts unprecedented value on talent as the driver of business success.

In this Human Age, companies navigate continued growth of emerging markets, globalization, competition for employees – who are pickier about potential employers – and the usage of increasingly sophisticated technologies. Higher unemployment rates than in previous years is a harsh reality of the Human Age. Firms face shortages of crucial skills, called a mismatch, because of the large number of people unable to find

work. This is especially true for the emerging markets like India and China which have a vast population and the rise of the younger generation.

## 2.2 Evolution of Outsourcing as a means to overcoming the talent challenge

The organizations felt strongly than ever before the need to necessitate proactive, innovative and flexible workforce management strategies in order to get the best out of talent acquisition. The resourcing team in organizations were thus faced with unsurmounted pressure to identify, attract and recruit best-suited candidates. Enter RPO- Recruitment Process Outsourcing, promising to overcome the challenge in the recruitment space.

Simply put, an RPO is a specialized service that allows clients to outsource some or all of the recruitment function. Operating as the client's internal recruitment function and strategic partner, the RPO provider will work closely with the client to improve the recruitment efficiencies of quality of hire, speed of delivery and cost containment. Improvements measured and monitored through real-time metrics are then tied to strict service level agreements. The client's goal is to select a world-class RPO partner that continuously recognizes and delivers best practices to tactically elevate the client company's internal processes and to promote the company as an employer of choice.

## 2.3 History of RPO – What worked well and what did not?

Recruitment Process Outsourcing as a concept was first realized in 1970's in US with the demand of technical skills going up with high tech companies, mainly information technology and manufacturing firms. Hiring cost was going up in tracking external experts and at that time RPO service was only used to add more value to the technical jobs.

Later in 1980's and 1990's companies started realizing the necessity of reducing the fixed cost of HR, which was primarily related to recruitments. James Caan from U.K. was the first person to develop RPO in the 1990s. Early 2000 registered a major change in RPO scenario. With the introduction of HRO today magazine- "The Baker's Dozen Survey of top RPO vendors in the world" in the year 2002, RPO became a big time business solution to talent management.

In a prominent study by Future Step (RPO Service Provider) in the year 2005, it was stated that those recruitment models which just focus on cost-reduction and process have failed to integrate talent acquisition. Management with the strategic imperatives for talent as demanded by the business and organizations should realize that leveraging talent as a competitive advantage is paramount.

A study by the Yankee Group in 2008 stated "RPO can provide companies with cost savings, increased candidate quality, effective screening processes/tools, metrics, and new technology without major capital investments. Companies can focus their internal HR resources on the strategic core business of the company." The study revealed that due to RPO Model flexibility, innovative recruitment strategies and technologies, its end-to-end hiring programs, and dedicated program teams the companies are able to achieve its strategic target well on time in comparison to their competitors, by concentrating on their core business commitment and value-added services in their specific industry.

In a study of RPO in 2009, it was revealed that 62% of organizations that fully or partially outsourced recruitment was able to reduce cost per hire and organizations are yielding significant performance gains across the board. The findings also introduced key performances metrics for RPO such as time to fill positions,

hiring manager satisfaction, new hire retentions. Aberdeen Group research study 2010 was able to build a long awaited business case for RPO. It was stated in the report that “If an organization is challenged by uncertainty, legacy processes, and resource constraints, RPO can provide the flexibility it needs to compete for key talent by innovating its processes and allowing resources to focus on core business competencies. Rather, organizations must identify the major holes and work with the provider to plug them.” It was stated that when implemented successfully, RPO Model can yield great gains in business outcomes and other metrics.

Since then, a lot has changed and evolved in the industry including services offered, delivery methods, buyer-provider relationships, and the players in the market. As most employers are trying to reduce the overall cost of hiring, improve talent acquisition results and enhance productivity for HR staff and hiring managers by increasing the ROI, they are looking at new models for hiring. Recruitment Process Outsourcing (RPO) has emerged as a model that the world is endorsing. RPO is process centric where the focus is on process excellence along with significant cost benefits and getting the most suitable Talent for the client.

Several factors contributed to the success of the RPO in the initial days:

- The market became much more complex.
- An acceleration of the number of new tools and companies entering the recruiting space, an acceleration that continues to speed up with each passing year.
- The increase in budget scrutiny, where the trend was that the businesses were looking for ways to increase operational profits, to preserve cash, and to lower fixed costs.
- The recognition of core and context: hiring the right person who is core while the hiring process is contextual.

## 2.4 The Changing TA Landscape

With globalization, shifts in workforce demographics, and the demand for innovation, identifying and attracting top talent has become increasingly complex. Organizations looking to gain competitive advantage are rethinking their approach to recruitment in order to make leaner and smarter decisions around talent. As a result, the value proposition for Recruitment Process Outsourcing (RPO) has never been greater. RPO helps companies create greater efficiencies, reduce costs and improve processes during both a strong and weak economy. Historically viewed as a tactical, administrative service, RPO has evolved into a more strategic endeavor –responsible for igniting organizational change and driving business outcomes.

## 2.5 RPO - The Business Imperative

Talent acquisition is no longer just an HR initiative. The process of identifying and attracting talent is a key business imperative that can fuel organizational growth and performance.

Even where huge capital investments are been made in the recruitment process for vacant jobs promotions and candidate screening, the process still falls short in terms of its performance and delivery, leaving many pitfalls behind. Even if the company has the capacity to increase their scalability to large volumes of recruitment due to new or existing project deadline, which is quite common in this industry, the other issues like attrition, effective profile mapping, compensation management; cost cutting etc., spoils the whole scenario. All such challenges needs an effective recruitment model where the quality of recruitment function improves with an impact on recruitment metrics of an organization. The RPO Model is a model which reduces employers' recruitment costs with a flexible "pay-for-performance" facility that deploys recruitment more efficiently when

undertaking volume recruitment project or when an organization wants to control attrition and retain talent. It offers the entire gamut of tasks performed under recruitment function.

## 2.6 RPO in the Beginning

In the beginning, there were two types of RPO providers: those that did high volume, low complexity work and those that did low volume, high complexity work. Many HR leaders weren't comfortable with the idea of outsourcing their recruiting, although a few major companies were willing to take the chance and give the idea a try. In fact, a large majority of leaders would have cautiously considered the idea at best. Some would have rejected the idea outright, while a small number would have been openly supportive of the idea of outsourced recruitment.

In the early days of RPO many of the projects were projects that the recruiting agencies and contract recruiters failed on, or were the projects that no one wanted.

## 2.7 RPO's Evolution into the Present

The main issue for HR leaders a decade ago was getting executives to consider talent acquisition and human capital ideas. Nowadays, that mindset has shifted amongst executives where they are okay with being a customer of recruiting services so that the company can focus on what generates revenue. There also isn't two distinct types of RPO provider anymore, as most providers do both high volume/low complexity work and low volume/high complexity projects.

Part of the mission back then was that companies were already outsourcing their recruiting using contract recruiters, recruiting agencies, job boards, and applicant tracking systems. The mission has changed, since companies realized that they have been outsourcing recruiting this whole time, and that it's okay. Now, the mission continues as RPO is presented as another form of recruitment outsourcing that's more cohesive.

Organizations are also thinking more strategically about how to leverage RPO services to help identify critical skills- those roles that are most closely tied to organizational performance and productivity. By customizing the recruitment process for various jobs, organizations are no longer viewing recruitment and RPO as a "quick fix" (typical of a project-based investment) but as a long-term strategic initiative. As a result, RPO becomes less about "outsourcing" the entire recruiting function and more about solving critical business challenges. Several of the leading RPO providers are offering expertise in a specific industry, by which they are better able to build a trusted partnership. As a result, organizations in these industries are investing in a more holistic approach to RPO including everything from employer branding to onboarding.

## Ch.3

# EVOLUTION OF THE RPO INDUSTRY – GLOBAL VS INDIAN

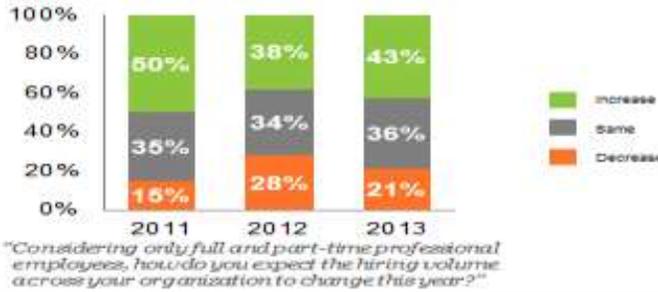


## 3.1 RPO Industry growth – Global and Indian Scenarios

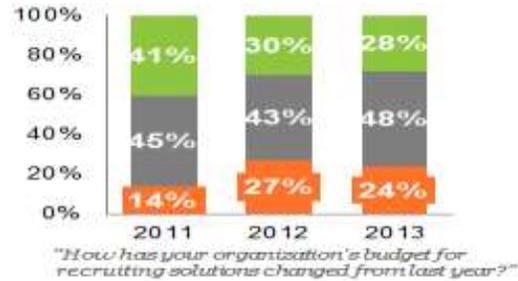
It was the Americas that became the first adopters of the RPO model. Global giants like Kellogg's and Hershey's were among the pioneers in RPO. The RPO model primarily was deployed at a transactional level with the cost-cutting measure as priority. However, this approach did not resolve the talent problem which only continued to grow. The **Cost-and-Process oriented approach** gave way to a **Value-and-Innovation oriented approach**. While cost and process efficiencies are still a priority, organizations are now realizing that leveraging talent as a competitive advantage is paramount. HR functions in partnership with their service provider must be more outwardly oriented – i.e., in closely managing and evaluating the various human capital vendors and partners with whom they work and through innovative strategies and tactics that create value while simultaneously driving down cost. The RPO wave spread to the EMEA nations followed by the APAC nations.

Without doubt, the RPO industry has seen a boom since 2012, with the demands for talent having taken an upward spiral. A Global Survey conducted by Talent Solutions and LinkedIn revealed interesting data to support the fact that hiring is on the rise, not just in the developed markets but more so in the emerging markets. Hiring volumes worldwide saw a 5% increase from 2012 to 2013 (38% to 43%). The supplementing interesting fact is organizations are willing to increase their spends, in order to identify and fill the right people at the right place and at the right time. Refer **Graphs 3.1.1 Global Hiring Volume** and **Graph 3.1.2 Global Hiring Budgets**.

**Graph 3.1.1 – Global Hiring Volume**

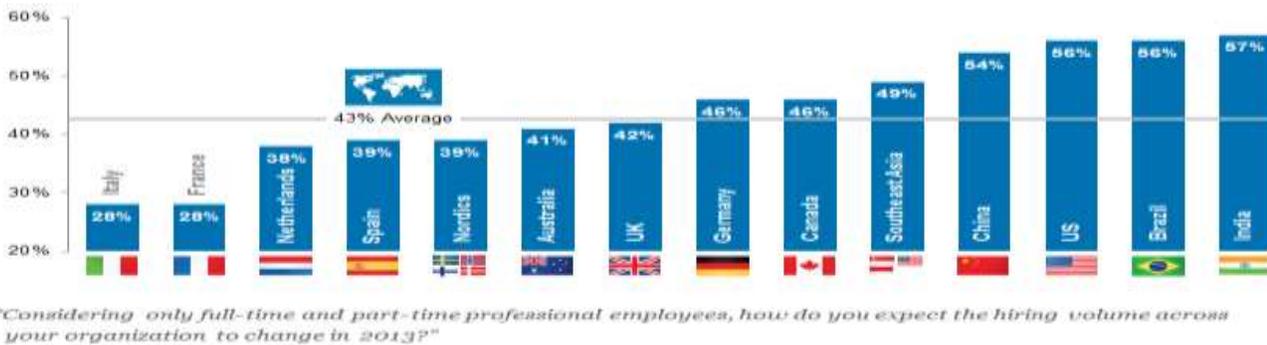


**Graph 3.1.2 – Global Hiring Budgets**



In a study done in 2013 covering all key nations of the world, to understand how hiring volumes were expected to change across their organizations, the scores for India were the highest, revealing close to 60% increase in hiring volumes. India displayed the highest optimism surpassing scores of China (45%) and US (56%). Refer Graph 3.1.3 below.

**Graph 3.1.3 - 2013 Hiring Volume Increase**

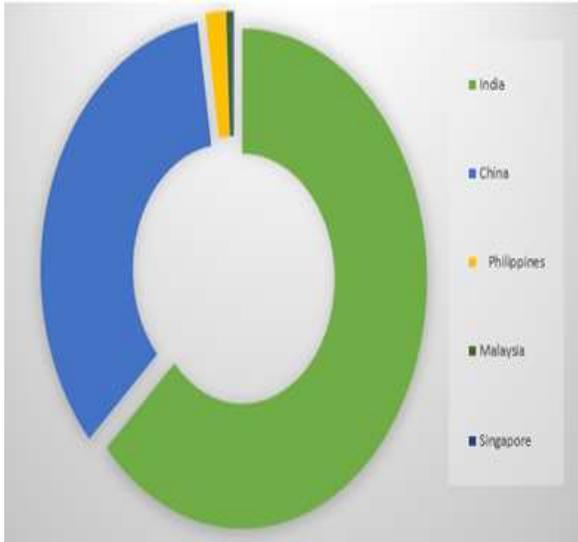


The report also revealed that the top priority for India for Hiring was to Improve Quality of Hire. It is little surprise then, that in 2012, the RPO industry which has evolved to being a Value and Innovation provider, grew by more than 12 percent globally, according to a report issued by Everest Group in February 2013.

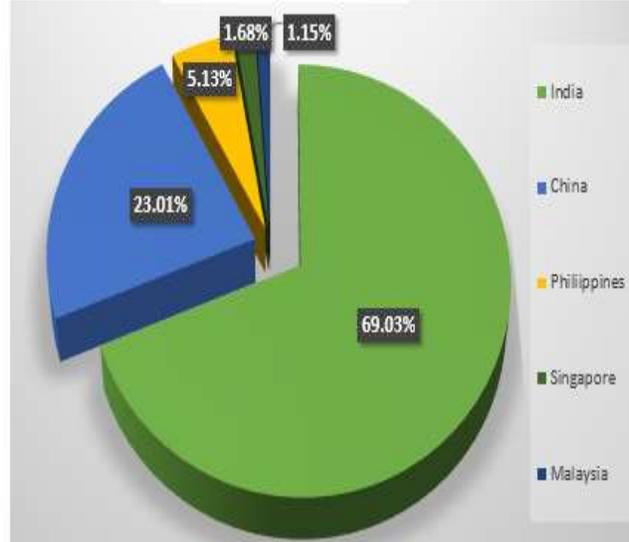
### 3.2 The Indian RPO Scenario – On the Growth path

According to a survey conducted by Recruise India during the period of 2012-2013, among APAC nations, India tops the charts for the workforce as well as for Outsourcing in the job market. Refer **Graph 3.2.1** for % of workforce among top rated outsourcing countries and **Graph 3.2.2** for Open positions in Outsourcing among these nations.

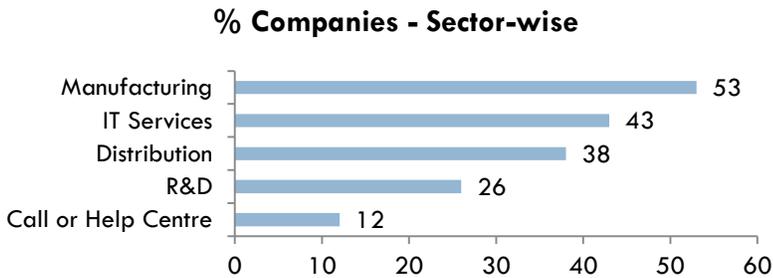
**Graph 3.2.1 % Workforce in APAC**



**Graph 3.2.2 APAC-Open positions in outsourcing**



**Graph 3.2.3 – Outsourcing Sector Wise Spread**



Among the sectors in India that contribute to the whopping 70% open positions in outsourcing is the Manufacturing industries followed by Information Technology. Refer **Graph 3.2.3** for the Sector-wise spread.

### 3.3 The Early adopters in India

Early Adopters of the RPO model were the giants in the IT sectors as well as the banking and Financial Services sector. The Big brands that were instrumental in the boom of the RPO Industry are as detailed in the **Figure 3.3.1**.

**Figure 3.3.1 – Early adopters of the RPO**



### 3.4 A Sectoral Overview of the IT Industry’s RPO Evolution

The IT/ITES sectors were among the fastest growing in the Indian economy and with the younger generation vying for the hot jobs in this sector, came armed with the restlessness of youth and a continuous hunger for change and new dynamics, and coupled with competitive environmental factors, an attrition of almost 50-60 per cent was what the Industry faced. Refer **Image 3.3.1**. that depicts the talent shortage in this sector across all levels of management, amongst the other sectors like Real Estate, Financial Services etc.

**Image 3.3.1 – Attrition Analysis across sectors**



Source: Deloitte- Compensation trends survey 2012

The key challenges which led to these high attrition levels is summarized in **Figure 3.3.2** below:

**Figure 3.3.2 Reasons for High Attrition levels**



Some organisations that successfully adopted the RPO models were Apple Inc. with Futurestep – A Korn/Ferry Company; Quantum Technologies with Hyrian; Microsoft Inc. and Sun Microsystems with Kenexa. Outsourcing the recruitment processes for an industry like IT and ITES, which faces an attrition of almost 50-60 per cent, can help the companies in this industry save costs tremendously and focus on other issues like retention. The 2-pronged benefits of RPO in the IT industry are as depicted in **Figure 3.3.2**.

**Figure 3.3.2 Benefits of RPO in IT Industry**

#### At a Strategic Level

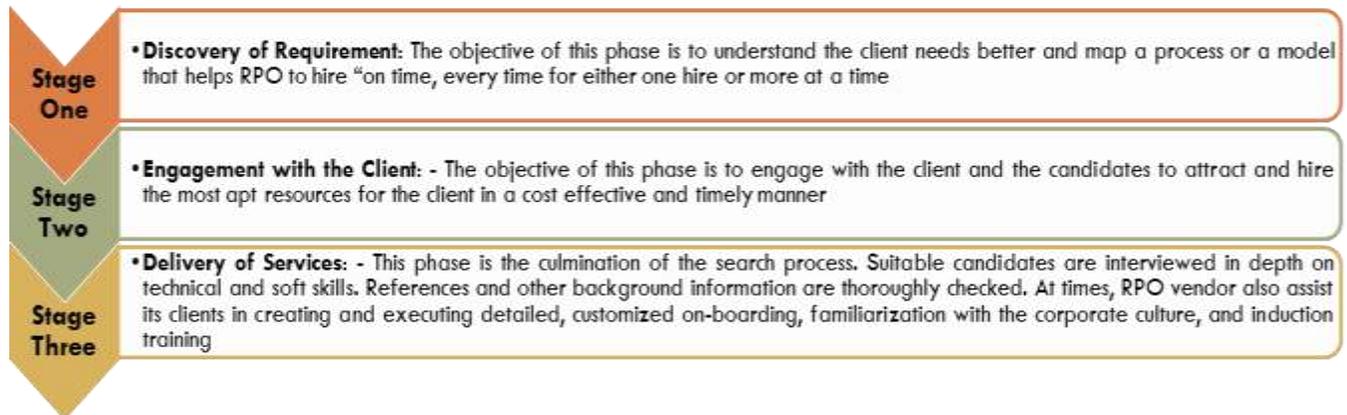
- Brand Awareness
- Improves resources planning
- Develop Hiring Manager skills
- Employee Engagement

#### At an Operational Level

- Reduced costs
- Quicker Turnaround times
- Quality pool for candidate engagement
- Clear accountability form recruitment activities
- Highly skilled culturally aligned recruiters and hence a better organisational fit

The job seekers are also availing the services of the third parties (consultants) for accessing the latest job opportunities. This arrangement is therefore mutually beneficial to both the parties. Also, RPO Model works best on employee expectations in terms of benefits, compensation and work polices. The 3-stage process followed by RPOs in the IT industry are described in **Figure 3.3.3** below.

**Figure 3.3.3 - The 3-stage process followed by RPOs in the IT industry:**



## Ch.4

# GROWTH OF THE RPO INDUSTRY - GLOBAL AND INDIAN PERSPECTIVES



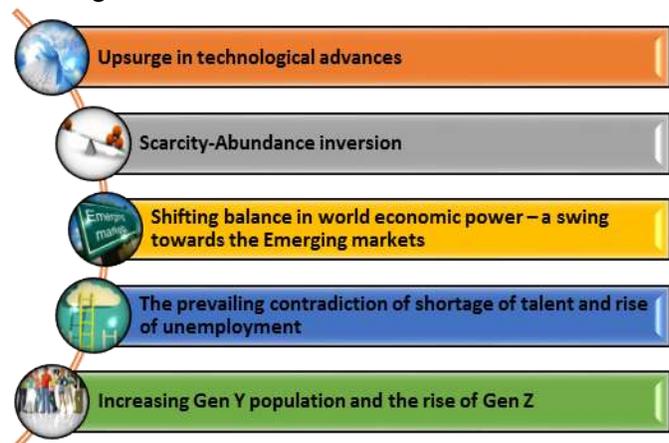
As every industry's growth path is influenced by the environment operated in, the RPO industry over the years has been subject to the dynamics of the environment ever since its evolution and progress – both at a macro and at a micro level. And certain RPO providers have managed to accelerate the pace of this industry's growth while also being game changers for the future of the industry itself – through their practices, processes and use of technology to provide the best solutions for their clients.

## 4.1 Macro environmental influences

There are a multitude of factors that are transforming the ecosystem (**Figure 4.1.1**), the key ones being:

- **Upsurge in technological advances** leading all development to be technology-led, and with increased Analytics capabilities, demands of clients as well as delivery models of RPOs have been changing. RPOs are forced to move beyond being a transactional provider and into the

**Figure 4.1.1- Micro Environmental Influences**



realm of intelligently exploiting the Big Data to source the right talent and offer an array of solutions.

- **Scarcity-Abundance inversion** which means resources that were considered to be available in plenty, viz skilled human talent is now becoming a scarcity and those resources that were scarce are no longer so. Companies have become extra cautious and switched to smaller staff and diligently calculate the worth and necessity of an employee to be retained. In developed economies like the US, cost considerations have impacted the benefits of social services. The increasing older age group no longer feels secure in the social net and hence have started to join the active workforce. According to a survey, there is an increase in the number of employees aged 55 years and above. Current trends predict this pattern to continue in the next few years as well.
- **Shifting balance in world economic power – a swing towards the Emerging markets:** A study by HSBC bank predicts that by the end of this decade, emerging markets' contributions to world economic growth will almost double those from established markets. (Four decades ago, established markets' contributions approximately tripled those of emerging markets.) The markets' contributions are roughly even now. Moreover, the younger populations of many emerging markets – among them India, Brazil and Vietnam – are at an advantage over more established economies. These countries have also developed faster-growing domestic markets fueled largely by increases in discretionary income. In 2011, India's GDP rose more than 7 percent and Brazil's above 6 percent. U.S., UK and Japan GDP growth rates floundered at about 2 percent or less. A study by the research groups Moody's Analytics and McKinsey Global Institute found that U.S. companies would have to create 21 million jobs over the next eight years to return the country's unemployment rate to 5 percent. Many of these jobs will require preparation that current educational and vocational systems are not equipped to provide. Emerging markets like India and China hence offer much better scope for sourcing talent.
- **The prevailing contradiction of shortage of talent and rise of unemployment** occurring simultaneously is a unique situation the world is in today. Simply put, there is a huge gap that exists in identifying the right jobs and corporates would continue to face the challenge of choosing the Best Fit.
- **Increasing Gen Y population and the rise of Gen Z:** The Gen Y population in the developed nations as well as the emerging nations are on the rise. The boom is currently the Gen Z – those born in the 1990s who are stepping into the corporate game field and who have begun to revolutionize the way corporates are looked at, who continue to push the bars of the Human Resources with their high adrenalin rush to perform, and their incessant demand for fresh challenges. According to a Manpower Group Report, there is a huge deficit in the talent pool. The good news is that as against the global scene, the APAC nations have taken it upon themselves to be proactive and find innovative ways of addressing the issue and trying to bridge this gap.

## 4.2 Micro environmental factors influencing growth

The competitive environment remains intense with several providers competing fiercely to gain market share. The RPO landscape is changing like never before. At a micro level too between companies, there is a strong undercurrent of movements being witnessed. Some key observations being:

- Both rapid consolidation and expansion
  - New Players and Make-overs
  - Slew of M&A activity
- Global demands are driving change and span of control issues
- Equity players are also driving change

- Small to Mid-size buyers emerging
- Plethora of reasons for excitement and concern for the buyer community
- Service providers are looking to expand geographically through both organic and inorganic routes

### 4.3 The Game Changers – Business Drivers that changed the face of RPO

Over the years, the RPO market has had its growth from having begun as a Recruitment provider in the initial years to being a key contributor to the client's data management process, payroll and benefit as well. Some case examples vis a vis the business drivers which were game changers that changed the face of RPO are as given below in **Figure 4.3.1**.

**Figure 4.3.1 – Business Drivers that changed the face of RPO**

#### Cost reduction

- A New Zealand headquartered co-operative group realized more than 30% cost savings through recruiting agencies consolidation alongwith process reengineering in an RPO model

#### Scalability

- A leading North America Pharmaceuticals company met its fluctuating recruitment needs, typical of a pharmaceutical environment and hired close to 3000 people by taking the RPO route

#### Move to a specialised service provider

- Not satisfied with the recruitment services of the HRO service provider, a leading British defence, security and aerospace company moved the recruitment function to a specialised RPO Provider

#### Improving recruitment Process

- RPO helped a leading global communication provider to reduce time-to-hire from 4 months to 32 days, increase the offer acceptance from 30 to 90%, and increase the internal hiring by 20% for its European operation

#### Access to better technology

- A US based national pharmacy automated the application process, built pre-screening tools to quickly identify high quality candidates and provided online information to hiring managers about candidate status and resumed records of interviews through implementation of a new Applicant Tracking System (ATS) tool and web portal as part of RPO engagement

#### Enhancing Employer Branding

- After a US based brewing company acquired a UK based company, RPO helped it launch and communicate its brand leading to increase in applicaiton by 50%

#### 4.4 The Game Changers – RPO Success Stories

In the last few years, the recruitment landscape has seen several RPO providers establish themselves with the hope to change the lives of their clients for the better, through right talent placement at the right place. While many survive, a few have managed to stay ahead in this race and a closer look reveals that these RPOs have been doing things differently, being quick to adapt to changing economic demands. While each of them has their own methods which are detailed later in this section, there are some common factors of success. These are:

##### Factors contributing to an RPO's success in current economic situation:

- i. **Deep Industry and functional knowledge** is something which a successful RPO provider is armed with. The stronger the knowledge on the Client industry and the history of the organization's resources, the better to tailor the solutions to bridge the talent gap for the client, believe these RPO providers. This way, the providers know the business strategy of their clients and not just provide the human talent for today but anticipate the client needs for tomorrow too.
- ii. **Expansion of services** to being as full-fledged as possible and comprehensively covering the client's recruitment needs is a key to success for an RPO. This could be either through expanded geographical reach, or through a wide suite of services offered.
- iii. **Adherence to Quality precedes Cost Savings:** While cost reduction is definitely a given and to be followed, it is only secondary to Quality of service provided. Successful RPO providers know that quality is respected and cannot be compromised on, although they still continue to transfer the cost savings to their clients.
- iv. **Lend the extended arm in Employer Branding initiatives for the client:** Successful RPO providers realize that with the width and depth of access they have to the human capital, and the employment market, the methods they employ to recruit talent can create a positive difference – the efficiencies an RPO brings to the business can go a long way in boosting the Employer Brand – the one thing all companies vie for in the Human Age, knowing that employees of the present generation seek to be associated with brands that are successful. Refer **Image 4.3.1** below

**Image 4.3.1 How RPO and Employer Branding impact revenues:**



- v. Other factors include Flexible and scalable **Pricing Models**, On-demand and As-needed **Delivery Models**

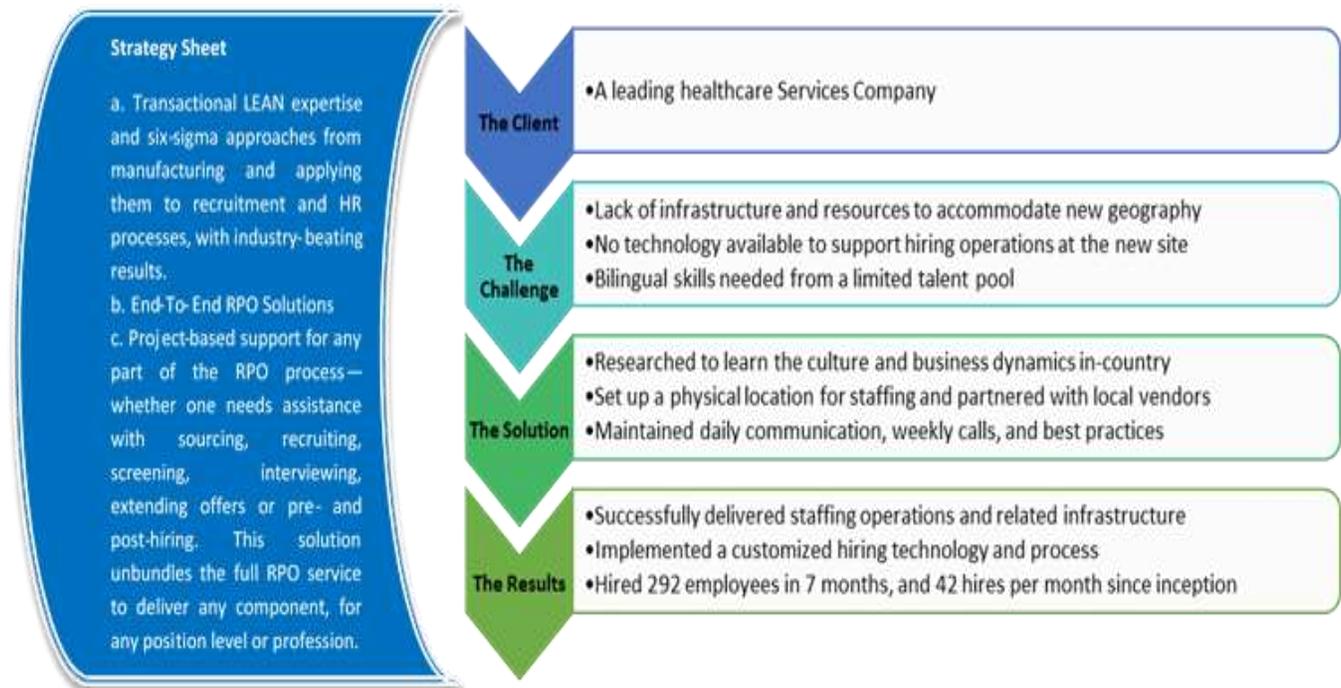
- vi. Successful RPO providers also created well thought out differentiation and specialization in their RPO offerings as given below in **Image 4.3.2**

**Image 4.3.2 – Areas of Differentiation and Specialization for RPOs**

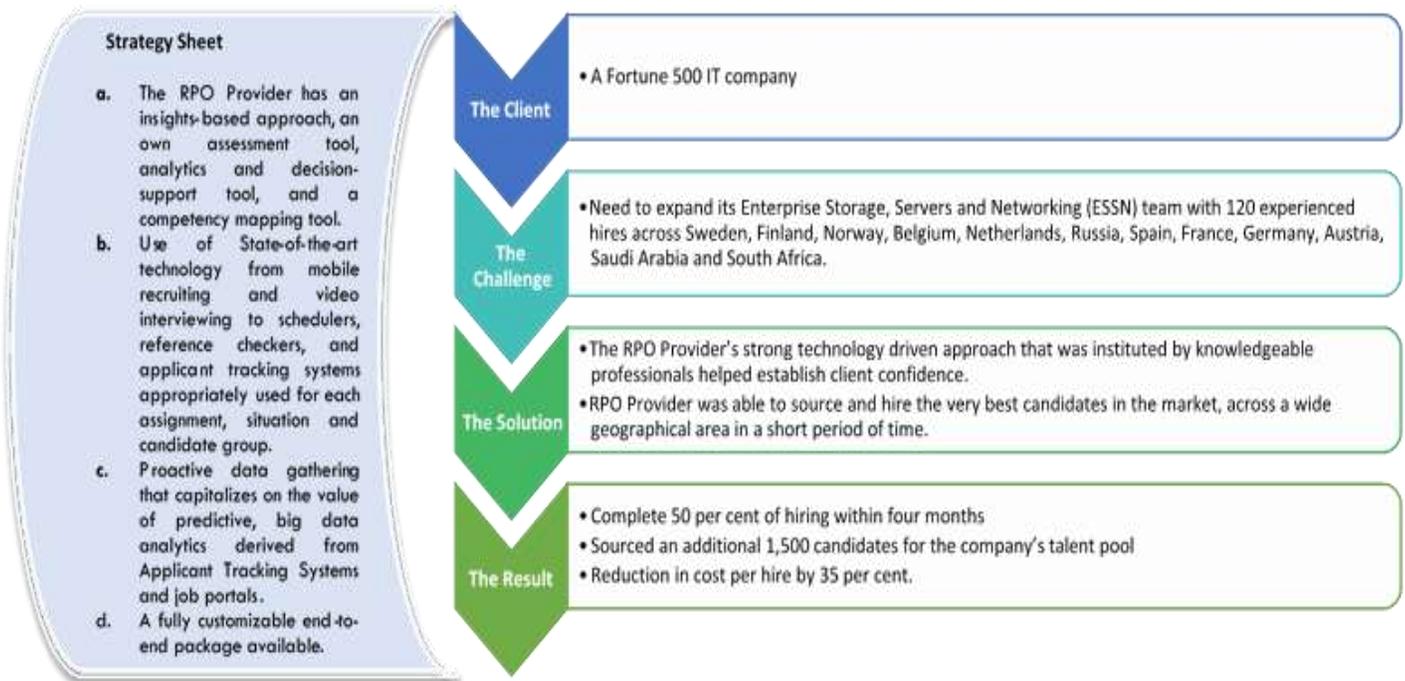


**Case Studies with some strategies adopted by successful RPOs:**

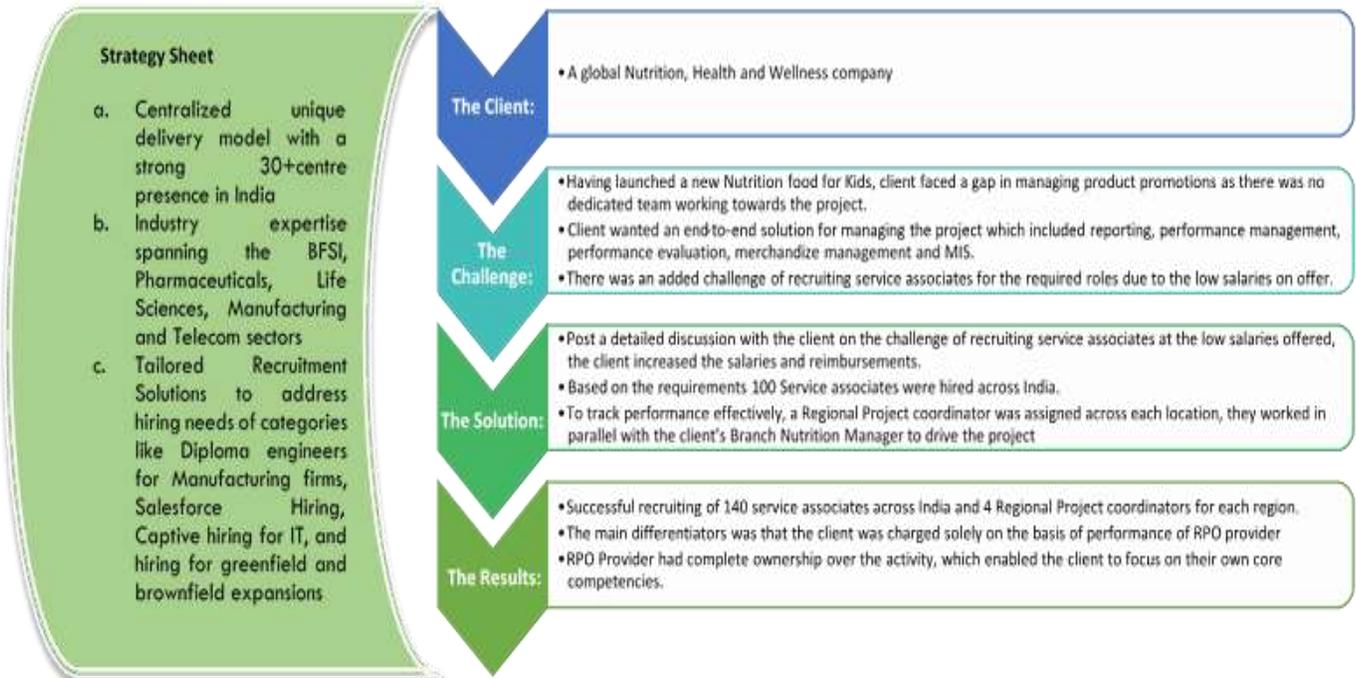
**1. Case Study - RPO Provider ‘A’**



## 2. Case Study - RPO Provider 'B'



### 3. Case Study - RPO Provider 'C'



# THE INDIAN RPO LANDSCAPE: AN AS-IS REPORT



## 5.1 An Industry-wise perspective with more emphasis on some key and emerging sectors

RPO has certainly come to stay and grow in the coming years in India. RPO providers are gearing themselves up to face the demands of their Clients and exceed their expectations. Given a highly intense competitive market scene in this industry and coupled with the large numbers of unemployed candidates who possess the talent but not find the company fit, RPOs are trying to focus on specific industry verticals and gain depth of knowledge and expertise in taking care of the recruitment needs.

One size never fits all in this industry and the demands of an IT organization may be different from those of a Financial Services one, although both are seeking human talent. There exist nuances in each of these industries that are unique to the particular industry and therefore have a direct impact on the client's manpower needs. Successful RPOs and those striving to be a strategic partner to their clients and in order to do so, industry knowledge and a thorough understanding of client's expectations can make a positive difference.

We bring to the table an industry-wise perspective of the expectations of clients from RPO, key strategies that RPOs can adopt, the benefits they bring and also the need gaps that still remain. We cover a sector that is increasingly using an RPO provider's services and which stands to benefit - the E-Commerce Industry, one of the fastest growing segments in the Indian economic landscape. We have also covered the Top 2 Hot sectors where RPOs services have clearly benefitted the clients and will continue to do so in the near future, namely: BFSI (Banking, Financial Services and Insurance) and the Information Technology Sector (IT).

## 1. E-Commerce Industry

We have chosen this as the Top Emerging Sector for the recruitment industry basis the market economics and the digital technology growth in India. A look at why this is a sector of importance:

- ❖ Foreign and domestic e-retail majors such as Amazon and Flipkart expand their businesses aggressively, and therefore hiring activities are expected to grow by over 30% in the sector and may help create up to 50,000 jobs in the next 2-3 years.
- ❖ India's e-commerce market was worth about \$3.8 billion in 2009 and went up to \$12.6 billion in 2013. It is growing at an estimated 30 per cent CAGR vis-a-vis a global growth rate of 8-10 per cent.
- ❖ According to recent report, at least one in every nine students graduating from the 2015 batch across IITs is likely to join an e-commerce firm or a start-up, according to recruiters

	<p><b>Current Situation</b></p> <ul style="list-style-type: none"> <li>• Hiring the right talent and retain the employees who look beyond the monetary benefits:                     <ul style="list-style-type: none"> <li>• Compensation - immediate, short term and long term - are all important but employees in this sector look beyond just money. Unlike other sectors, empowerment, working culture, and focus on innovation are also critical in the e-commerce sector where attrition levels are high.</li> </ul> </li> </ul>	<p><b>Where opportunity lies – Pivotal roles</b></p> <ul style="list-style-type: none"> <li>• Software development product</li> <li>• App development</li> <li>• Data analytics</li> <li>• Quality and process.</li> </ul>	<p><b>What an RPO can do to add value</b></p> <ul style="list-style-type: none"> <li>• Undertake high volumes of hiring that the e-commerce sector demands</li> <li>• Need-to-speed being crucial in this domain, only an RPO can provide the right fit in short turnaround times</li> <li>• Non-conventional hiring methods like social media, innovative assessment tools led by technology are what can woo the prospective employees who typically belong to the younger generation and are more likely to warm up to technology and mobile based recruitment options.</li> </ul>
--	--	--	---

## 2. Financial Services Industry

	<p><b>Current Situation</b></p> <ul style="list-style-type: none"> <li>• Challenge to find 'rightly skilled' professionals:                     <ul style="list-style-type: none"> <li>• According to a 2013 Robert Half survey nearly 89 percent of financial services executives surveyed globally found it either 'challenging' or 'very challenging' to find skilled financial services professionals.</li> <li>• The survey also showed that 83 percent of institutions are 'concerned' about losing top performers to other opportunities.</li> </ul> </li> <li>• Global shortage of talent since 2006                     <ul style="list-style-type: none"> <li>• ManpowerGroup's global Talent Shortage Survey shows that finance professionals have ranked among the top 10 hardest jobs to fill for each of the past eight years</li> </ul> </li> </ul>	<p><b>Where opportunity lies – Pivotal roles</b></p> <ul style="list-style-type: none"> <li>• The need for Bank managers, in emerging markets, who possess deep knowledge of bank products and a strong understanding of consumer needs, enabling them to pinpoint the right resource.</li> <li>• The need for Risk Managers, who can cross-functionalize and bridge compliance and risk with their understanding of operations.</li> </ul>	<p><b>What an RPO can do to add value</b></p> <ul style="list-style-type: none"> <li>• Improve the quality of new hires.                     <ul style="list-style-type: none"> <li>• Enable financial institutions to screen potential employees by using an on-site delivery team that identifies, screens, and scrutinizes candidates to meet client needs.</li> </ul> </li> <li>• Develop a deeper, more culturally diverse talent pool.                     <ul style="list-style-type: none"> <li>• Aid in recruiting employees who exhibit the right blend of knowledge and cultural skills, so that the clients are able to expand into new markets.</li> <li>• Enable clients to minimize the risk of exhausting their restricted supply of talent, and strengthen their existing teams with the fresh perspectives of experienced new hires.</li> </ul> </li> <li>• Raise the success rate of employee training programs.</li> <li>• Mitigate risk of fraud through extensive employee background checks.</li> <li>• Increase employee retention rate with well-conceived onboardin strategies.</li> </ul>
--	--	---	--

According to a study conducted by KPMG HfS in 2014, on the State of Services and Outsourcing, high percentage of decision-makers expect HR outsourcing efforts to help their organizations to better meet compliance requirements and provide them access to strategic talent. Refer **Image 6.1.1** below:

**IMAGE 6.1.1 ACHIEVING EMPLOYEE RECRUITMENT GOALS**



### 3. Information Technology Industry



**Current Situation**

- **Need to fill junior level positions in short time**
- Companies spend a lot of time and money in trying to obtain these resources thereby giving them lesser time to focus on the semi and top management hiring, which is core to the organization.
- **Right talent fit in mid-to-senior level positions who will be an asset and not leave in a short while:**
- Apart from the technological fit and skills fit, the cultural alignment becomes crucial too in the later stages of the career and many employees end up switching jobs due to this factor.
- **Need for talent that transcends geographies:**
- With continued increase in offshore and onshore solutions, India offers a huge potential and therefore the incessant and quick demands for talent. Considerable time and money are being spent in onboarding the candidates and the challenge of recruitment in territories where the local expertise is lacking, poses a threat - both financially and culturally, to the organization.

**Where opportunity lies – Pivotal roles**

- Software engineers
- Software Development Manager
- Solutions Architect
- Analytics Manager
- IT Manager
- understanding of operations.

**What an RPO can do to add value**

- **Identify innovative ways to search, source, screen and hire employees** so that not only is the entire hiring process an interesting one for the candidate but so also is the fit in the organization
- **Save hiring costs for entry-level jobs** by up to 40 per cent
- **Quick implementation with dedicated resources** that also bring with them the domain expertise needed for the positions.
- **A tailored approach** by offering onsite, offshore and onshore resources by providing the resources wherever and whenever needed.
- **Integration with global recruitment technology** is also offered by RPOs in this sector, fully aware that client organizations may already have an existing technology system for recruitment.
- **Culture fit assessments** to identify unique company branding and use that information to attract talent who will perform well in the client's environment is something that the RPOs leverage on.

## Ch.6

# TOP REASONS TO CONSIDER RPO FOR YOUR ORGANIZATION



## 6.1 Is RPO right for your organization?

Many business leaders would admit that one of the top pressures their business faces is the difficulty finding right talent with the right skills, especially in today's competitive scenario where everyone is fighting for the same pie. Filling critical positions may take months and in the meantime one may end up settling for subpar candidates. Or it's possible that agencies have been hired to fill jobs but the costs are spiraling out of control. A lot of times, companies in these situations have turned to recruitment process outsourcing. An RPO however is a critical decision for the business and paying attention to some preliminaries in this case is crucial.



One of the first steps to take in considering an RPO program is to understand what is motivating your organization to make a change. In many cases this is also part of the process for creating a business case for change.

Below are a few of the common questions and possible routes to consider while making a case for an RPO:

**What are you looking to achieve?**

While this may seem like an obvious question, there are typically several answers and in many cases it may not be possible to address all of them with a single program, or you may have to prioritize them. But the key is knowing what’s most important. Some of the common goals are mentioned in **Figure 5.1.1**.

**Figure 5.1.1 – Common Business Goals**



**What is your appetite and organizational readiness for change?**

This is important, especially for a new RPO program. A new recruiting process can touch many different departments and functions and must be as integrated as possible to ensure success. As such, it’s critical that there is as much buy-in and support as possible at all levels. Consider if there are other changes taking place at the same time, such as technology change, that may complicate or add to the change management challenges. In which case, a pilot program or phased approach might help ease the change and provide a proof of concept.

Once you have an idea of the reasons and goals for establishing a program, it’s time to think about which type of RPO best suits your organization.

### **Which Companies should go for Enterprise RPO and why?**

The type of customers that would be best suited for enterprise RPO, or who would most benefit from a company-wide outsourcing would include:

- ✓ Companies very familiar and/or comfortable with outsourcing as a company culture or strategy.
- ✓ Companies with a large, sustained need for recruiting – typical enterprise RPO contracts last two to three years.
- ✓ Large companies (i.e. thousands of employees, Fortune 1000 companies).
- ✓ Companies with multiple locations that want to standardize their recruiting processes, and/or with some locations that don't have adequate recruiting resources.
- ✓ Mid-sized companies experiencing aggressive growth or expansion.

Enterprise RPO is increasingly popular with mid-sized companies, as this solution is perfect if you don't yet have centralization in your recruiting process, or if you don't have the resources to handle the aggressive growth or expansion. If jumping in completely or outsourcing everything right away doesn't fit your company culture, or if it seems like too much too fast, then you can start with a smaller engagement then scale up the solution. That's much easier to coordinate from both perspectives (customer and provider) than the other way around, especially since enterprise RPO is meant to handle a large, sustained recruiting need.

### **Which Companies should go for Project RPO and why?**

With short-term project RPO, a broader range of companies would be well-suited and would benefit from this RPO service. This broader range of companies includes:

- ✓ Any company needing a specific recruiting need met (i.e. certain number of hires, hiring for certain positions, helping one location or with one part of the recruiting process)
- ✓ Any company needing recruiting help for just a few months
- ✓ Not the best for 25 hires, but would be better for 50+ hires. However, this is not absolute.
- ✓ Good for those that are looking for a structured process to meet recruiting goals – need consistent results and sustained activity
- ✓ Good for companies not comfortable with complete outsourcing

It's for companies that need help in certain areas or for those who are looking to focus in specific areas or for a specific time period. It could also be used as a pilot, a proof of concept for a larger RPO engagement or for engagements in other areas.

### **Which Companies should go for Point-Of-Service RPO and why?**

Although point-of-service RPO is very similar to project RPO, those that would benefit from project would not necessarily benefit from point of service, and vice versa. Essentially, it's having the provider working with you on one part of the recruiting process so that the overall process is much more efficient. It's a partnership where success depends on the agreed upon work, how it's completed and where the hand-off to HR occurs. Here's who would be best suited for point-of-service RPO:

- ✓ Companies large and small that have a consistent volume of recruiting work
- ✓ Any company that needs to outsource in a certain area

- ✓ Companies that experience fluctuations in volume, where scalability would be tough to do on one's own
- ✓ Mid-sized and large companies are more likely to have the volume and the need to outsource one area
- ✓ Companies with a defined process in place – no need for the RPO provider to design a program or process for the client
- ✓ Point-of-service RPO is much better for established companies than startups because startups lack the recruiting infrastructure necessary to receive value from this limited type of RPO service.

### **Which Companies should go for Consulting RPO and why?**

Consulting RPO is one of the few RPO services that would work with just about any client. It's also one of the few services that could also work in conjunction with any of the other services listed previously, or even with an emerging RPO service. After all, recruitment process outsourcing at any level needs to have some consultation with it so that the provider can meet the needs of the client to the best of their ability. But, if you're just looking for some knowledge and expertise, this is a perfect service choice for:

- ✓ Anyone setting up a recruiting process or an HR department
- ✓ Larger companies that are looking to make decisions on their resources i.e. consolidate their processes or to find someone to look at their overall picture
- ✓ Those that are going through a merger or an acquisition, where different processes and/or employment brands need to be evaluated
- ✓ Startups that are experiencing growth, and would need help with recruiting as well as setting up the process

A lot happens with mergers and acquisitions, where companies lose a part or a corporate entity they were connected with. There are a lot of large companies that are faced with make or buy decision. Or Companies may be pondering over whether they should be having a lot of in-house recruiters, or should they outsource it to an RPO provider. Consulting RPO can help with a lot of that decision making.

### **Which Companies should go for Blended RPO and why?**

Blended RPO is an integrated talent acquisition solution especially suited for those companies that have both contingent and permanent resource requirements. A single RPO Provider working on direct-hire and temporary worker programs provides access to both internal and market data, allowing you to make more strategic decisions about the types of workers that should be engaged for each business objective. With a mixed-hiring strategy, you will achieve greater organizational agility, reduce costs, and improve enterprise-wide visibility. If you are looking to balance the best of both worlds then Blended RPO is the best bet for:

- ✓ Organizations that are looking to attract and recruit temporary talent to meet the growing contingent/niche workforce needs
- ✓ Organizations that are aiming to scale up or down in line with the economic fluctuations
- ✓ Companies that want to adapt to shifts in varying demographics' expectations with temporary workers also seeking greater work/life balance
- ✓ Companies that utilize technological advances to do increasingly high-value activities from remote locations

- ✓ Companies that are caught in the web of globalization and are therefore looking to access talent sources from different geographies

Having made a decision on whether to go for RPO or not and if yes, which type of RPO, the next step is to know what pricing models best suit your Company.

## 6.2 RPO Pricing Models

One of the most common questions with RPO relates to how the costs for an RPO program compare with a traditional in-house recruiting program. Depending on the RPO services, there are many different ways a provider can charge for the service. Below are five common RPO cost models used by RPO providers (Figure 5.2.1):



### 1. Management Fee Model (typically monthly)

A fee is paid to the RPO provider for working on an agreed number of positions. The fee may change depending on the agreement, or may have escalation factors if the number of hires increases over a period of time. The cost model is associated with enterprise RPO services and some emerging RPO services, such as white label RPO.

### 2. Cost Per Hire Model

A fee is paid for each candidate who is successfully brought through the program and hired (or other action such as offered a position) by the customer. The cost per hire model may be used for short-term project RPO, where the solution is based on accomplishing certain results or the solution is only needed for a few months. This model is also a good fit for point-of-service RPO, where a specific recruiting function (like filling the candidate pipeline) is outsourced to the provider.

### 3. Management Fee Plus Cost Per Hire

This is a combination of the above two. This combines the consistent recruiting effort under the management fee, with payments for the success (hires) of the program. This is another cost model that's appropriate for enterprise RPO and point-of-service RPO.

### 4. Cost Per Slate

This is a sourcing model where the RPO provider charges a fee for a set number of sourced, screened and qualified candidates for each open position. From there, the candidates are provided to the internal recruiters for continuation of the recruiting and hiring processes. Cost per slate is another cost model that's well-suited for short-term project RPO solutions and point-of-service RPO.

### 5. Cost Per Transaction

A fee is charged for a specific process to be completed by the RPO provider, such as initial screening or reference checks. Buyers opting for on-demand RPO services or even consulting RPO services may be charged per transaction, whether it's an hourly rate or for each process or successful candidate.

The only RPO service that isn't covered with these cost models is co-sourcing, which engages multiple RPO providers for one solution. Co-sourcing could utilize any one of these cost models, or could use a customized cost model that suits every provider involved. Because of the degree of change and resources involved, RPO

contracts for enterprise services are typically for two to three years. For project-based service the term of the contract will correspond to the need. For example, a six-month hiring drive in a specific area or a one-year ramp up of a new facility.

### 6.3 Cost Vs Benefits

Primary factor for looking at an RPO is to improve company's recruiting costs. While comparing costs it does not suffice to look only at the company's recruiting budget versus the price of outsourcing to an RPO provider. When calculating the company recruiting costs, the calculations also need to include resources needed for onboarding and data entry as well as the office space and utilities.



Essentially, comparing the costs between RPO and your internal recruiting is much more than looking at monetary savings. It also means looking at the value of allowing specialists to take on certain functions so your current staff can focus on fewer tasks and better own their roles in the recruiting process. Lastly, when comparing your costs and the expected outcomes of outsourcing vs. internal recruiting, the company also needs to consider the increased focus your recruiting staff will gain by outsourcing some or all of your recruiting functions to an RPO provider. To determine those benefits, it's important to ask the following questions:

- Do you have dedicated resources or are some functions spread among generalists?
- Do you hold your internal recruiters to Service Level Agreements (SLA's) or performance metrics?
- Do you get specific reporting and tracking related to internal recruiting?
- Do recruiters specialize in specific areas or have technical knowledge?
- Who owns your internal recruiting function?

RPO represents the most cost-effective alternative to large internal recruiting or HR staffs. Typically the cost per hire charged by an RPO partner is less than the cost of employing recruiters directly and in almost all cases it's a more cost-effective solution than paying fees to permanent placement vendors continuously.

The value that comes from increased focus and accountability is therefore a key factor to consider when evaluating whether or not to outsource. While internal recruiters and others in HR may have other duties, the RPO provider is "on the hook" to maintain service levels and provide tracking and reporting on the program at all times.

#### 6.4 Measuring Success – a few metrics

Most RPO providers will want to establish a Service Level Agreement (SLA) to set performance expectations and allow them to structure their processes, teams and reporting to meet your goals. Along with this are the metrics that will be tracked. Examples of these can include:

- ✓ Number of qualified candidates per position
- ✓ Minimum required candidates per slate
- ✓ Time to respond with qualified candidates
- ✓ Time to offer or fill
- ✓ Time to interview
- ✓ Time to process (specific function, applicants, on-boarding, HRIS, etc.)
- ✓ Number processed per time period (applicants, screening, etc.)
- ✓ Hires per time period (month, quarter, etc.)



## Ch.7

# THE FUTURE OF RPO



## 7.1 Explorations: One model for all or flexi-customization?

The RPO landscape is seeing several changes with the industry both narrowing down and expanding, with numerous original founding players exiting, and a slew of new faces and makeovers joining the fray. This makes it all the more difficult for an RPO provider to differentiate service offerings. Over time the market will take care of itself and the cream will always rise to the top. RPO as an industry is maturing and so are the Providers, who are getting better at delivering quality solutions; the clients therefore will get more sophisticated at selecting the right partners. Some of the notable trends in the RPO industry that are changing the ground rules are:

### 1. Mid-size and smaller companies are investing in RPO services

When dealing with these size firms, RPO providers will be well served to sharpen their game. These are tough clients who will ask tough questions and keep a very close eye on the deliverables since every pie of their investment is a result of some tough decisions and they will therefore demand a valuable ROI. They would expect exclusivity in service, and only committed RPO providers will pass this test successfully.

### 2. Generic RPO will go in one direction. Specialized RPO will go in another.

There is a place for large-scale enterprise RPO programs since there will always be larger companies who will want large-scale process driven RPO solutions. They are building an array of processes, technology and

people to drive that kind of RPO. For the rest of the industry, and even in specific mission critical areas of the large buyer, more precision is required. Specialized firms are emerging as very strong players in providing niche or highly technical RPO hiring. When positions are hard to fill and talent is scarce, these players can be relied upon to provide superior services to those in need.

### **3. The Human touch will become Critical Again.**

While the concept of “Direct Sourcing” has changed a lot with technology and social media, the essence of it is about to become a whole lot more important. Talent in many industries is hard to find. Technology-driven companies are struggling to find the right skills. Aggressive direct sourcing is therefore essential. Making actual contact with human beings and selling them the idea of exploring a new opportunity is important again. Identification is no longer the critical skill it once was due to social networking and the myriad other Internet search capabilities. The skills needed to turn a profile hit into a potential candidate is mission critical. Communications skills and marketing savvy is therefore crucial. It’s back to the human connect once again.

### **4. Engaging the Recruiters is Important**

Recruiter quality may become the game changer. Finding and retaining the best Recruiters in the country, building systems and programs to enable them and training them to keep pace is important. Creating an environment that Recruiters want to work in will be all the more important again to ensure they see Recruitment as a career and not a stop gap arrangement. RPO providers must be employers of choice for Recruiters.

### **5. Customers demand exclusivity**

Service levels of RPO firms have suffered in the past, the clients have therefore become picky and have toughened the selection process. They demand exclusivity having burnt their fingers in the past with RPO firms juggling recruiters between projects. RPO providers would do better instilling confidence and raising their service quality. With these trends affecting the RPO space today, it has become highly imperative to use technology correctly to ensure the right candidate experience, without losing the human touch. There is also a realization that an RPO provider’s job does not stop at hiring, but reaches deep into the on-boarding process to ensure best fit.

Demand for different skills varies with business requirements. By facilitating an on-demand recruitment model, an RPO provider can act as a key enabler in hiring the right type, in the right numbers, and with the correct skills at the right time to meet rising pressures. With the ongoing maturation of RPO – on both sides of the agreement – and the need to adjust models, expectations and the nature of work to different partnership journeys across different deals, there is definitely no one size fits all model. Different drivers require different solutions; emerging markets often require very different solutions from established ones, with different types and quantities of hires required.

Clients and RPO providers need to evaluate their own unique situation and considerations, and invest time and effort to design the solution that best suits their needs.

## 7.2 Voice of Clients for an RPO model of tomorrow and impact of SMAC Technologies

With HR and talent acquisition leaders demanding greater sophistication and creative solutions from RPO firms, it becomes important for RPO Providers to hear what they have to say. Clients were therefore invited to comment on trends in the industry, share their own learning's and predict what they see is a model that holds the key to the future.

Largely most clients feel that sophistication and creative solutions will come from technology, creative sourcing and pricing. RPO firms will need to focus more on talent communities and social media and more creative sourcing. Big Data, cloud, SaaS, and mobile will be all areas of opportunities for RPO and technology firms. Clients feel greater sophistication with technology being bundled into pricing models for RPOs will grow — not quickly, but it will happen, resulting in greater opportunities for RPO firms. There will be ongoing improvements in metrics reporting.

One perspective which kept coming to the fore was that regardless of the specific structure (whether it be one provider delivering globally; one provider subcontracting to other local suppliers; or multiple providers for different regions) what is crucial is the ability of all those involved in the process to work as a single team. If the Client does not feel that they have one coherent team, with aligned tasks, expectations, culture etc., the advantages of the outsourcing model will swiftly be lost. The Emerging RPO Paradigms are as provided in **Figure 7.2.1** below.

**Figure 7.2.1 - Emerging RPO Paradigms**



### What is the impact of SMAC Technologies on Recruitment and RPO?

Technology has touched our lives every day in every way and has completely redefined workplace solutions. The mobile internet users in India is expected to reach 213 million by June this year (2015) on the back of growing smartphone penetration, according to a report by the Internet & Mobile Association of India (IAMAI) and IMRB International. By any statistic or definition, it's now a mobile world. In India, the adoption of such technologies is seeing a significant rate of growth and companies are increasingly discussing social, mobile and analytics capabilities. Social prospecting and mobile recruitment is therefore challenging those companies stuck with conventional hiring methods to rethink their recruitment strategy. A recent report went on to say about how "HR is the new marketing" and "Candidates are becoming consumers." These terms definitely show the level of transformation and disruption recruitment is undergoing. Recruiters' responsibilities are not limited to filtering and assessing talent any more: They must also attract and sell the opportunity. The power of digital is one of the influential reasons behind this change. Social recruiting, therefore, is more than posting jobs and pictures: It is about engaging your audience by leveraging your employer brand. Recruiters need to embrace marketing techniques by using social to proactively listen and engage talent. Recruiters are one of the biggest brand ambassadors! Branding, value proposition and analytics are the buzzwords when it comes to effectively leveraging social media. RPO Firms are therefore looking to offer not just recruitment solutions but employer branding and social recruitment services as well. When clients were asked about the impact of

SMAC on Recruitment solutions and the competencies required in modern recruiters (Figure 7.2.2), here's what they had to say:

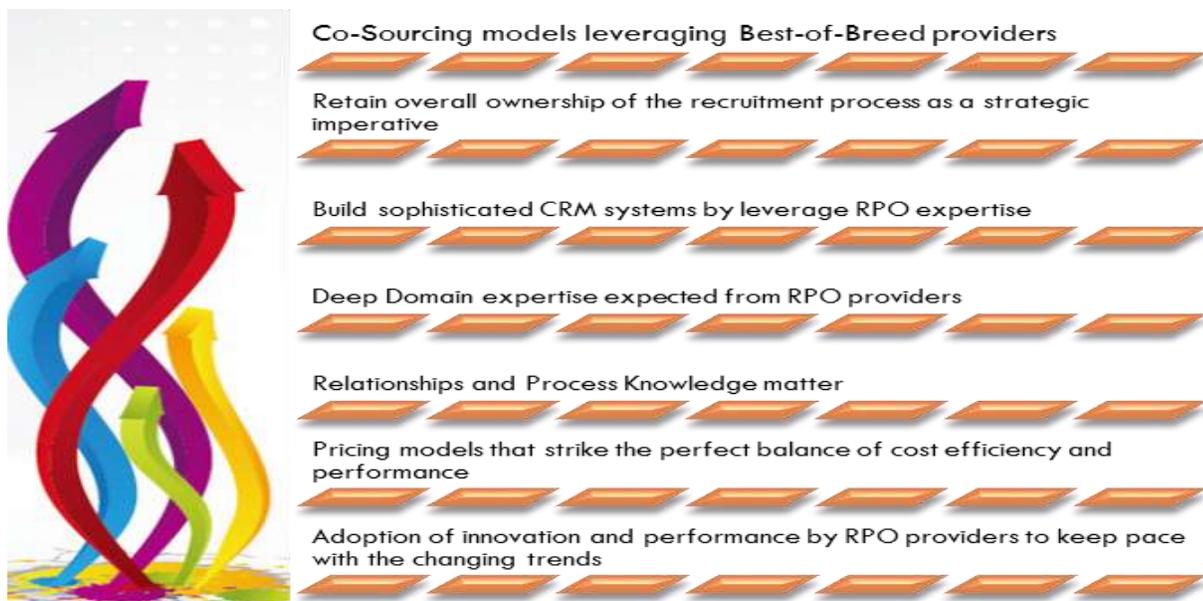
**Figure 7.2.2 - Impact of SMAC on Recruitment Solutions**



**Client Expectation on the RPO model of tomorrow**

Envisioning the RPO model that would work in tandem with their needs, clients listed their expectations on a range of topics from co-sourcing to innovative solutions. Here are some common themes that came up (Figure 7.2.3):

**Figure 7.2.3: Client Expectations on the RPO model of tomorrow**



### 7.3 The Indian RPO market and the trajectory it would take

Till about a few years ago, RPO was just another service option to explore. Now, more companies are taking the plunge and are outsourcing some or all of their recruitment processes. Many Recruitment Firms are coming up with creative RPO offerings blending the best of both worlds and a host of customized solutions to make it work. This is not a recent phenomenon and has been in the offing for some time now.

RPO is back in the limelight because organizations are realizing that with wide spread talent, investment in advanced sourcing solutions, managing an in-house recruitment function has not just become cumbersome but is eating into the bottom-line by adding between 20 and 35 per cent to the overall HR costs. An RPO therefore is a smarter, fruitful bend in the road leading to the same talent destination.

Also, with a positive economic outlook now setting in the country, large, medium and small companies are now on a buoyant ride to get new talent in and set the growth graphs going up. They are more than happy to look at trimming down their operational headaches in finding key talent and are therefore turning to RPOs that are known to save time, money and use their professional expertise in meeting their resource requirements.

The RPO industry in India is still at a nascent stage but the trend is fast picking up. Early players in the market are using their first-hand experience to come up with RPO solutions that suit the Indian Market. According to the numerous recent reports and articles, 2015 is expected to see a surge in hiring to almost 15 to 20% owing to the rapid business growth in India. Meeting hiring demands of rapidly scaling companies is not an easy feat.

According to recent reports, more than 70% of Indian employers are likely to outsource this function either partially or completely. **The current valuation size of the RPO Industry in India is approximately INR 400 crores and is expected to grow at the rate of 40 to 50% to become a INR 1000 crores industry by 2020.** One of the major advantages to organizations, which outsource their recruitment process, is that it would help them save as much as 40% of their recruitment costs. The experience, expertise and economies of scale of a partner, can help companies improve the quality of recruits along with an overall faster process.

Citing from an article in the Hindu Business Line titled 'RPO is an emerging trend for 2015', the top three growth drivers for the RPO boom in 2015 are the need for organizations to enhance quality of hiring, reduce cost of hiring and increase speed of hiring.

Of the many who decided to explore the RPO route in India two success stories that made news are Century Ply and HCL Technologies. Here's an excerpt from a 2014 Business Standard Article – 'The Right Fit.'

CenturyPly, Rs. 1,300 crore-plus company and one of the leading names in the plywood business in India, was faced with a tough situation. Having established a corporate identity far removed from its earlier family-run business tag, CenturyPly wanted to expand fast but found it difficult filling up key roles in the sales division. Not only was the company losing out on precious time, with the company's HR executives travelling all over the country to conduct interviews travel costs were shooting through the roof. Worse, preoccupied as they were with the task of finding the right people for the right jobs in double quick time, the HR team was in danger of overlooking its primary task - managing its existing people and figuring out ways to keep them motivated during a down economy.

That's when someone in the team suggested that the company should outsource its recruitment process. The top bosses felt that was the best way to get the job done under the circumstances - while an outside agency would handle the whole process of identifying candidates, the in-house team would step in only at the final stages to negotiate salaries and taking the candidates through the on-boarding drill.

Around the same time, similar things were brewing in HCL Technologies, the offshore IT and software development company. The company was facing a sort of 'talent leakage' that was leading to a high percentage of "renegade" employees. Though many of these were entry-level employees, the churn ended up stalling some key work processes. While many of the people who quit were hired through employee referral programmes, some senior team members felt the company needed a more robust recruitment process.

The expert and the rescuer for both, HCL Technologies and CenturyPly, turned out to be recruitment process outsourcing (RPO) companies, which ensured both these organisations achieved their recruitment targets at a much lower overall cost. Thiagarajan Suryanarayanan, global head, talent supply chain, HCL Technologies, explains, "The renegade employee rate came down significantly as RPO partners came in with experience and customised solutions for speedy action. The cost saving was a bonus."

For CenturyPly the result was equally spectacular: the company was able to meet its hiring targets in six months flat and cut down recruitment related costs by 20 per cent over the two quarters. "Our concern was to ensure that the cost lines were controlled even while the top line continued growing," explains Sugata Halder, country head, HR, CenturyPly.

In general, companies in India follow either of the two models of RPO. One, in which the RPO provider offers support services to on-shore recruiters to enhance their productivity and organizational effectiveness. Alternatively, the RPO provider performs the entire recruitment function from scratch, including sourcing, screening, interview scheduling, appointment execution and even on-boarding for permanent and temporary positions. The second model has better potential, in that it helps companies reduce the overall cost of recruitment and also frees them up to concentrate on their core competencies.

Newer sectors in emerging markets - e-commerce, for instance, need to hire swiftly. 'Speed to market' being key here, that's something an RPO company specializes in. Looking at the potential benefits, companies are now trying out different permutations and combinations to make recruitment outsourcing more effective. Citing from a newspaper article about a digital outreach company who instead of using the services of an RPO to hire entry-level employees - as is common currently - the company used the service purely for mid to senior-management-level recruitments because getting digital-media savvy people in mid-40s and mid-50s was not an easy job. They therefore got two RPO partners and outsourced the exercise completely. Today, roughly 70 per cent of the recruitment for senior-level positions are done by the company's RPO partners.

All said and done, it is not advisable to take a plunge in haste. A decision should be taken only after assessing the company track record and ensuring the expectations are understood in the same light at both ends.

With Human Resources today evolving from a mere support function to a strategic function geared towards Organization's development, the advent of outsourcing has opened the doors for companies to channel their energies on the redefined core HR undertakings. While globally companies have already recognized and have widely accepted RPO, the trend is now definitely catching up in India. Given the hiring of fewer full-time, more contingent, employees, more blended solutions are being marketed by legacy staffing firms. We are also seeing more clients outsource parts of the recruitment process (sourcing, recruitment administration, etc).

What's lacking today with some RPOs is workforce planning, employment branding, and creative sourcing with talent communities/social media/mobile, and assessment, particularly on a global level. Solutions that focus on these gaps and maximize existing strengths of RPOs will be the winners.

To now answer the question asked:

### Can RPO redefine the future of Recruitment?

RPO is still one of the most misunderstood areas of Talent Acquisition with several questions looming large over what it is and how it can help. For many years Talent Acquisition has continued to remain a tactical process in most organizations. Now, organizations are waking up and thinking more strategically about how to leverage RPO services for identifying critical skills, Human Resources being a business imperative. RPO is less about outsourcing, and more about a partnership that transforms the way you look at talent.

Given this, can RPO redefine the future of recruitment? Here are a few pointers to help you find one:

#### **What type of RPO do you need?**

There are several mind boggling choices but deep down they all cut down to what is your sourcing requirement. RPO providers can work on customized options to suit your needs. Flexibility is the key here.

#### **Are you looking for a comprehensive solution?**

Think long term. Consider and evaluate providers who can talk the strategic language, can talk technology support, social media and Employer Branding. Value added services, multi-channel sourcing and recruitment analytics will not only help strengthen and improve your recruitment function and bring down costs, but also create a strong Employer Brand.

### Can RPO redefine the future of 'your' recruitment process?

You would know the answer yourself if you simply focus on these key questions which will help you choose the right RPO

Provider:

- ✓ Would their contract with you entail exclusive service?
- ✓ Is the RPO provider a strong and steady employer in itself?
- ✓ Are they equipped to handle multi-channel sourcing?
- ✓ Do they understand your organization culture as much as they understand the job profile?
- ✓ Are they technologically proficient?
- ✓ Can they differentiate an RPO offering from a recruitment or staffing service?

**Kunal Sen**

Senior Vice President, TeamLease Services Pvt. Ltd.

## REFERENCES

1. [www.rpoassociation.org](http://www.rpoassociation.org)
2. How to Navigate the Human Age – Manpower Report 2012
3. Recruitment process outsourcing -Moving beyond the pioneer stage webinar
4. Modern Outsourcing Strategies Meet the Need for a More Agile Workforce 2012
5. <http://www.teletech.com/thought-leadership/blog/2014>
6. Brochures of Key RPO Players Global and Indian
7. Business Standard article 'The Right Fit 2014'
8. <http://www.financialexpress.com/article/industry/jobs/hiring-trends-in-it-sector-rising-set-to-continue-in-2015-too-india-skills-report>
9. <http://www.geekwire.com/2015/tech-industry-dominates-list-top-25-highest-paying-jobs-demand>
10. <http://blog.isg-one.com/2014/04/10/trends-driving-rpo-growth-plans-in-2014>
11. [http://articles.economictimes.indiatimes.com/2015-01-25/news/58433418\\_1\\_e-commerce-sector-one-lakh-people-retail-sector](http://articles.economictimes.indiatimes.com/2015-01-25/news/58433418_1_e-commerce-sector-one-lakh-people-retail-sector)
12. <http://www.cxotoday.com/story/indias-e-commerce-sector-on-a-hiring-spree-in-2015>
13. <http://timesofindia.indiatimes.com/tech/jobs/E-commerce-may-create-up-to-50000-jobs-in-India>
14. Everest Group Report on Rise of Blended RPO
15. Recruitment Magazine 2014
16. Other Reports referred to in the White Paper
17. Journals, Leading Newspapers and HR Blogs