



**Human Resources Outsourcing (HRO)
Market Update: November 2009 – Preview Deck**

**Topic: Recruitment Process Outsourcing (RPO) –
Moving Beyond the Pioneer Stage**

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Background of the research

Buyers' satisfaction with recruitment services within multi-process HRO deals has been mixed. Not surprisingly, our research study shows that around 18 percent of the existing multi-process HRO buyers de-scoped recruitment from their original deal, either by restricting it to technology support only or dropping it completely. On the other hand, stand-alone Recruitment Process Outsourcing (RPO), a relatively new market, is witnessing a fair amount of interest among buyers, given the focus and specialization that RPO suppliers bring to the table. While the hiring volumes are down in the current economic environment, the value proposition of RPO is still resonating with buyers that are looking for a cost-effective and flexible option to withstand the current turmoil and at the same time create an efficient and effective talent-acquisition process that can be scaled up quickly when business environment improves

In this research study, we analyze the RPO market across various dimensions:

- Market overview and key business drivers
- Buyer adoption
- Solution and transaction characteristics
- Supplier landscape
- Case studies

The scope of analysis includes

- Stand-alone RPO deals in which a minimum of **four or more** recruitment processes are included
- The RPO deal is active and is **at least one year** in contract length
- The buyer employee size is **3,000 or more**
- Suppliers that offer recruitment as a **stand-alone outsourcing service**

Overview and abbreviated summary of key messages

(page 1 of 2)

This report examines the end-of-term market in HRO and provides insights, analyses and implications for stakeholders along four key dimensions: market overview, what has happened to date, upcoming end-of-term deal characteristics, and changing market dynamics and future outlook. Report also provides six brief case examples and three case studies on successful RPO partnerships.

Some of the findings in this report, among others, are:

Market overview and key business drivers

- There are three sourcing models for recruitment services – out-tasking, selective/componentized outsourcing, and comprehensive outsourcing models
- Stand-alone HR process markets are at different levels of maturity. While the stand-alone RPO market is relatively new, it is quickly moving beyond the pioneer phase of the market maturity curve
- There are multiple key drivers behind RPO; cost reduction and scalability gained prominence in the current economic environment

Buyer adoption

- Overall, North American and the UK buyers are the leading adopters of RPO. Demand from Continental European buyers is also increasing
- Almost 75 percent of the RPO deals cover a single country only. Regional adoption is on rise in the North America and EMEA regions, driven by U.S.- and UK- headquartered buyers
- Overall, manufacturing and hi-tech & telecom are the leading adopters of RPO. Adoption by hi-tech & telecom, services, and the public sector is on the rise

Overview and abbreviated summary of key messages

(page 2 of 2)



Solution and transaction characteristics

- While a base fee plus variable price is the most commonly used pricing structure, the use of variable pricing structure is increasing
- Best-of-breed and proprietary software are the most commonly used technology solutions in RPO deals
- Core recruitment processes are most commonly included in RPO deals. Suppliers often use specialist partners for non-core recruitment processes

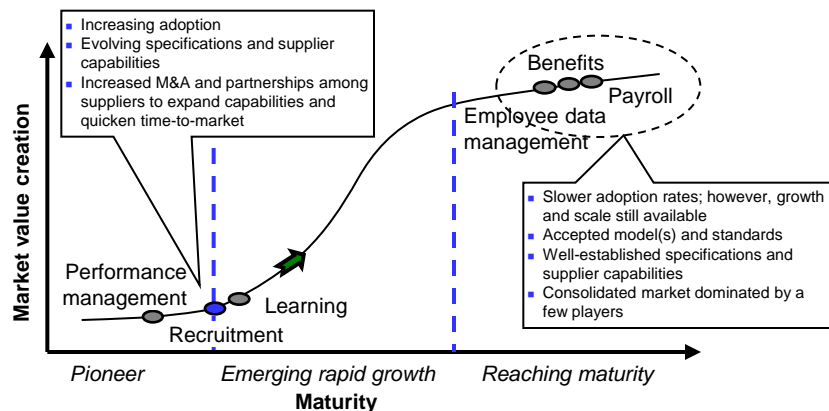
Supplier landscape

- The supplier landscape is quite segmented from a geography-coverage perspective. Most of them have limited geographic coverage on their own
- In order to expand their geographic coverage, suppliers create regional partnerships
- The competitive intensity in the RPO market is high. The competitive intensity varies across different industry verticals
- RPO suppliers formed partnerships with peer RPO suppliers, multi-process HRO suppliers, and technology vendors. Each type of partnership is based on some unique considerations

This study offers four distinct chapters providing a deep dive into key aspects of the RPO market; below are four charts to illustrate the depth of the report

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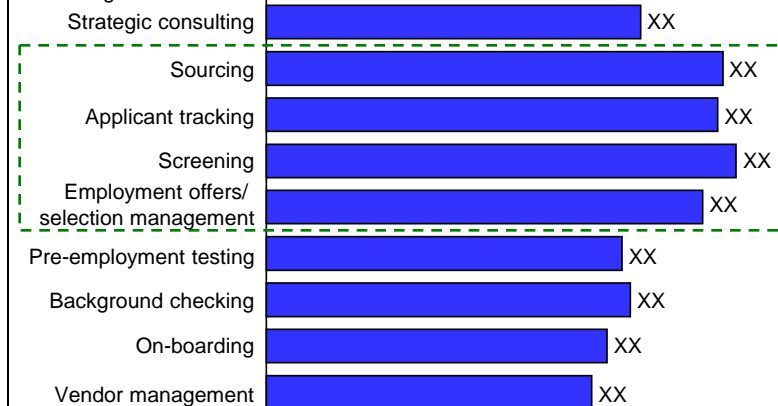
Evolution in the single process HRO market



Frequency of inclusion of RPO sub-processes

Inclusion of recruitment processes within RPO deals

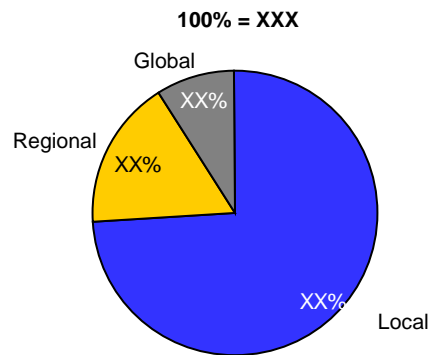
Percentage



Geographic scope of RPO adoption

Share of RPO deals by geographic scope

Number of deals



Combined delivery capability of RPO partners

High-Medium Medium-Low Very Low/Not present

Supplier	North America	EMEA	South America	Asia Pacific
Supplier A and Supplier B	High-Medium	High-Medium	Very Low/Not present	Very Low/Not present
Supplier C and Supplier D	High-Medium	High-Medium	Medium-Low	Medium-Low
Supplier E and Supplier F	High-Medium	Very Low/Not present	Very Low/Not present	High-Medium
Supplier G and Supplier H	High-Medium	Very Low/Not present	Medium-Low	High-Medium
Supplier I and Supplier J	High-Medium	Very Low/Not present	Very Low/Not present	High-Medium

Source: Everest Research Institute (2009)

The report on RPO market has three buyer case studies in addition to six brief case examples

Case example #3: An Asia-Pacific-based bank achieves cost savings and efficiency in hiring process



Client situation

- In 2007, an Asia-Pacific-based bank outsourced its RPO in order to:
 - Reduce cost per hire
 - Measurably reduce time to hire
 - Increase quality of hire
 - Get access to best practices in talent-acquisition strategy
 - Design, build, and implement a standardized recruitment process across the Asia Pacific region
 - Select and implement an Applicant Tracking System (ATS)

Solution

- Supplier A provided an end-to-end RPO solution
- Hong Kong, Singapore, Australia, Malaysia, and India were leveraged for service delivery. Some of the sites were also offshore sites
- Several recruitment agencies were contracted based on their specialization and geographic reach. Supplier A was responsible for management of these vendors

Scope of work

- Process scope: Strategic consulting, sourcing, applicant tracking, screening, pre-employment testing, offer management, background checking, on-boarding, vendor management
- Deal started in 2006; length of contract: 3+years
- Contract size: US\$5 -10 million
- Average number of hires per year: 2,700
- Country covered (currently): Taiwan, China, Indonesia, Philippines, Thailand
- Type of hires: N.A.

Key results achieved

- Reduced cost of recruitment and time to fill
- Improved efficiency of the recruitment process in terms of speed, quality, cost, and timeliness.
- Improved support to hiring managers and candidates
- Better reporting
- Support line and HR team across the entire recruitment cycle
- Increased focus on direct sourcing channels

Additional HRO research recommendations



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The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **RPO Supplier Landscape and Capability Assessment** (ERI-2009-3-R-0380); 2009. This research assesses supplier delivery capability across scale, scope, technology, and delivery footprint, and provides detailed analyses across different areas of differentiation for RPO suppliers
2. **Recruitment Process Outsourcing (RPO) – Supplier Profile Compendium** (ERI-2009-3-R-0378); 2009. The compendium provides an accurate, comprehensive, fact-based snapshots of 15 suppliers in the recruitment process outsourcing market. Further, it provides key findings of the research on the RPO market and identifies key implications for stakeholders
3. **Multi-Country Payroll Outsourcing (MCPO): A New Approach to an Old Problem** (ERI-2009-3-R-0340); 2009. This report examines the MCPO market and provides insights, analyses and implications for stakeholders along four key dimensions: market overview and key business drivers, buyer adoption, solution and transaction characteristics, and supplier landscape
4. **HRO Annual Report 2008** (ERI-2008-3-R-0308a); 2008. This report examines the global 2008 HRO market and provides insights, detailed analyses and implications for stakeholders along three key dimensions: market size and buyer adoption; transaction characteristics and value proposition; and supplier landscape. Each dimension is discussed in detail (and illustrated with supporting data and analysis) to provide the reader information in easy-to-apply, bite-size pieces

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