Recruitment Process Outsourcing (RPO) Report: January 2011 – Preview Deck

Topic: RPO – Service Provider Landscape and Capability Assessment

ERI-2011-3-PD-0488

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Background and scope of the research

Background of the research

The Recruitment Process Outsourcing (RPO) market has quickly moved beyond the pioneer phase of the market maturity curve to be in the rapid-growth phase now. Typical of this phase, the RPO service provider landscape continues to evolve rapidly. While new service providers continue to enter the market, established service providers are trying to increase their market share and build new capabilities through various organic and inorganic routes. At the same time, there is an increased focus from the traditional MPHRO service providers to tap the stand-alone RPO market. In such a dynamic service provider landscape, it is important that buyers have a clear understanding of available service provider options and their delivery capabilities. In order to compare the capability of service providers, buyers will have to assess each service provider's capability along key dimensions such as scale, scope, technology capability, and global delivery footprint.

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

- RPO service provider landscape overview
- Detailed analyses on key areas of differentiation
- Service provider delivery capability assessment

The scope of analysis includes:

- The deals includes a **minimum of four or more recruitment processes**
- The outsourcing deal is active and **at least one year in deal length**
- The deal scope is **not limited to temporary hires only**
- RPO service provider offers **stand-alone RPO services**

Overview and abbreviated summary of key messages (page 1 of 2)

This report examines the dynamics of the global RPO service provider landscape and its impact on the RPO market. It gives an overview of the market and the service provider, analyzes the key areas in which service providers are creating differentiation, and provides an assessment of delivery capabilities of 23 leading RPO service providers. It also identifies the key implications of the research findings for buyers and service providers.

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

Service provider landscape overview

- Over the last few years, the RPO market grew at a healthy rate with exponential growth in new deal signings in 2010. Overall, the RPO market reached US$1.1 billion in 2010
- There are 20+ established RPO service providers in the market which come from a variety of backgrounds
- Service providers use varying strategies to gain market share: partnerships to expand geographical footprint, building technology based RPO solutions, developing global RPO solutions, etc.
- SourceRight Solutions, Manpower, and The RightThing lead the RPO market in terms of number of new hires added

Detailed analyses on key areas of differentiation

- RPO service providers are creating differentiation along various dimensions such as geography coverage, industry and buyer size focus, technology offering, process delivery, type of hiring, and global sourcing[1] approach
- Each geography is dominated by only a few service providers; Limited service providers have a global or multi-regional capability

1 Defined in Appendix

Overview and abbreviated summary of key messages (page 2 of 2)

Detailed analyses on key areas of differentiation

- RPO service providers are technology agnostic and can provide a varying degree of technology support across multiple technology solutions; However, several service providers are moving towards a more standardized approach by creating strategic partnerships with technology vendors
- Hays, CDI World Concert, AMS, and Manpower together contribute nearly 75% of deals where both temporary and permanent hires are included
- Manpower and The RightThing together contribute over 40% of the exempt employees managed; PeopleScout leads the market for non exempt employees with a share of 33%
- Most service providers have an onshore-centric delivery model. Currently, only service providers with a multi-process HRO background such as Infosys, Accenture, IBM, etc. offer an offshore-centric solution. However, more service providers are investing to augment their global sourcing capabilities

Service provider delivery capability assessment

- The Everest PEAK matrix categorizes RPO service providers into leaders, major contenders, and emerging players based on their market success and overall RPO delivery capability
- We assess RPO delivery capability of service providers based on four dimensions – scale, scope, technology, and global delivery footprint
- Our assessment shows clear differences among service providers along the different dimensions of delivery capability assessment

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

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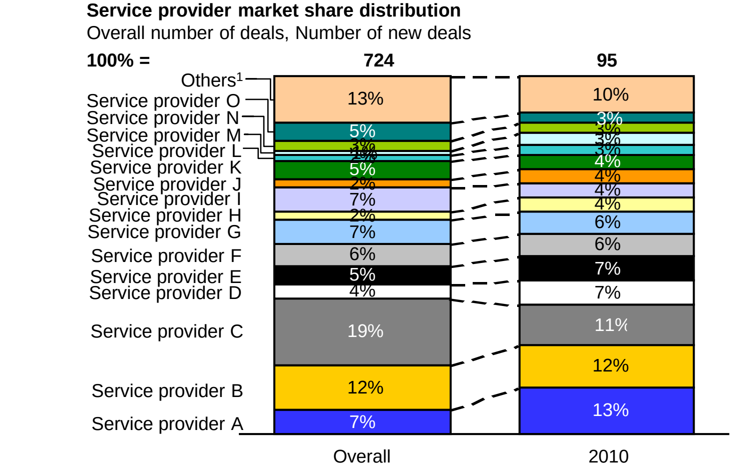
Service provider market share



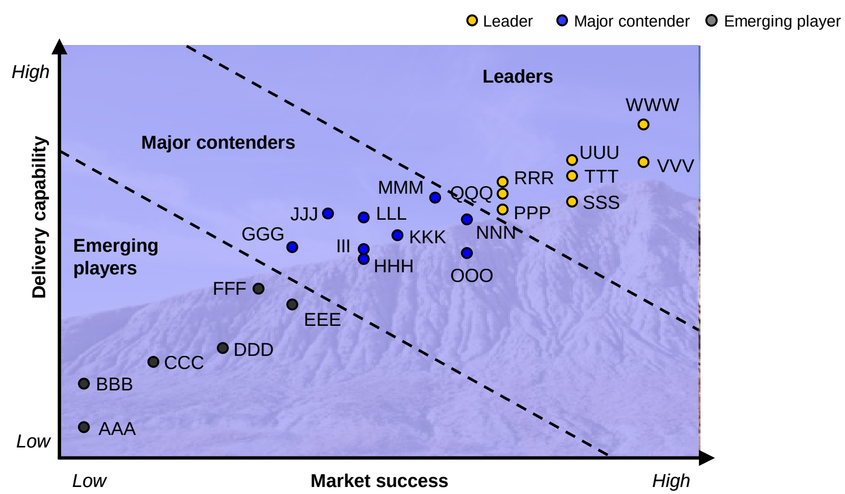
Delivery experience across geographies

High-medium | Medium-low | Very low/not present

Individual delivery experience of RPO service providers

Service provider	North America	EMEA	Asia Pacific	South America
Service provider A	High-medium	High-medium	High-medium	High-medium
Service provider B	High-medium	High-medium	High-medium	Very low/not present
Service provider C	High-medium	Medium-low	High-medium	Medium-low
Service provider D	High-medium	Very low/not present	Very low/not present	Medium-low
Service provider E	High-medium	Very low/not present	Medium-low	Medium-low
Service provider F	High-medium	Very low/not present	Medium-low	High-medium
Service provider G	High-medium	Very low/not present	Very low/not present	Very low/not present
Service provider H	High-medium	Very low/not present	Very low/not present	Very low/not present

Everest PEAK matrix



Assessment of delivery capabilities

High | Medium | Medium-high | Low

Service provider	Scale	Scope	Technology capability	Delivery footprint	Overall	Comments on RPO experience
Service provider A	High	High	Medium-high	Medium	High	▪ 52 RPO transactions ▪ 60,000 hires managed ▪ 12 regional/global transactions
Service provider B	High	High	Medium-high	Medium-high	High	▪ 30 RPO transactions ▪ 38,500 hires managed ▪ 16 regional/global transactions
Service provider C	High	High	High	Medium-high	High	▪ 49 RPO transactions ▪ 25,000 hires managed ▪ 7 regional/global transactions
Service provider D	High	Medium-high	High	High	High	▪ 45 RPO transactions ▪ 52,000 hires managed ▪ 29 regional/global transactions

Source: Everest Research Institute (2011)

Additional RPO research recommendations

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

1. **Mapping onto the Workforce of Tomorrow: How RPO Can Play a Role** (ERI-2010-3-W-0459); 2010. This Report highlights the role that RPO can play in creating the workforce of tomorrow. It looks at the current value proposition of RPO, suggests ways of advancing the value proposition, and highlights the business and strategic impact that RPO can create

2. **Recruitment Process Outsourcing (RPO) Annual Report 2010 – "A Year of Rapid Growth and Intense Competition"** (ERI-2010-3-R-0487); 2010. This research report provides a comprehensive coverage of the 2010 RPO market and analyzes it across various dimensions such as market overview and key business drivers, buyer adoption trends, transaction characteristics, and service provider landscape. It also includes predictions for the 2011 RPO market

3. **HRO Annual Report 2010 – "A year of multi-process HRO market reinvention and evolution"** (ERI-2010-3-R-0403a); 2010. In the backdrop of a tough economic environment, the multi-process HRO (MPHRO) market witnessed some fundamental shifts in 2009. While the new deal signings were relatively low, the market grew marginally to reach US$2.9 billion in annual contract value (ACV), influenced by several end-of-term decisions. The transaction characteristics were influenced by the changing preferences of the buyers and the maturing delivery models of service providers. MPHRO service provider landscape witnessed significant shifts that included withdrawal of service providers from the market, improving profitability of service providers, and strategic acquisitions. Combined with improving economy and emergence of sustainable HRO models, 2010 promises to be a stronger year for MPHRO

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