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# Recruitment Process Outsourcing

## Market Overview

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# Session Agenda

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**HRO Market Trends**

**RPO Defined**

**RPO Evolution**

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**RPO Taxonomy**

**Wrap Up / Questions and Answers**

# Introductions and Stage Setting

## TPI Credentials: Reputation Matters

<b>Largest</b>	TPI is the largest advisory firm in the world focused on a broad range of business support functions and related research methodologies.
<b>Leading</b>	The sourcing advisory industry founder, TPI has grown with its clients. We employ advisors in regions that include the Americas, EMEA and Asia Pacific.
<b>Focused</b>	TPI exclusively concentrates on helping enterprises make lasting improvements to their business support functions.
<b>Global</b>	Possessing practical experience in global operations, TPI's roster of colleagues appreciate the significance of interconnected economies.
<b>Experienced</b>	TPI is the advisor on over 50% of the transactions that use an outsourcing advisor, and on over 25% of the TCV awarded each year.
<b>Objective, Informed</b>	The outcomes that TPI recommends are entirely driven by the client situation and meaningful understanding of market realities.
<b>Passionate</b>	TPI advisors share a genuine conviction for the value that we help clients achieve.

## Meet The Experts

### *Brett Gerard*

Talent Management Advisory Leader, TPI



- ▶ Assess and structure clients' sourcing relationships
- ▶ Research and analyze service provider practices
- ▶ Input to outsourcing industry standards

More than ten years of industry participation

- ▶ Korn/Ferry International FutureStep, Inc.
  - ▶ RPO Business Leader for U.S. and Canada
- ▶ Hewitt Associates
  - ▶ Managing Consultant and Client Development Leader

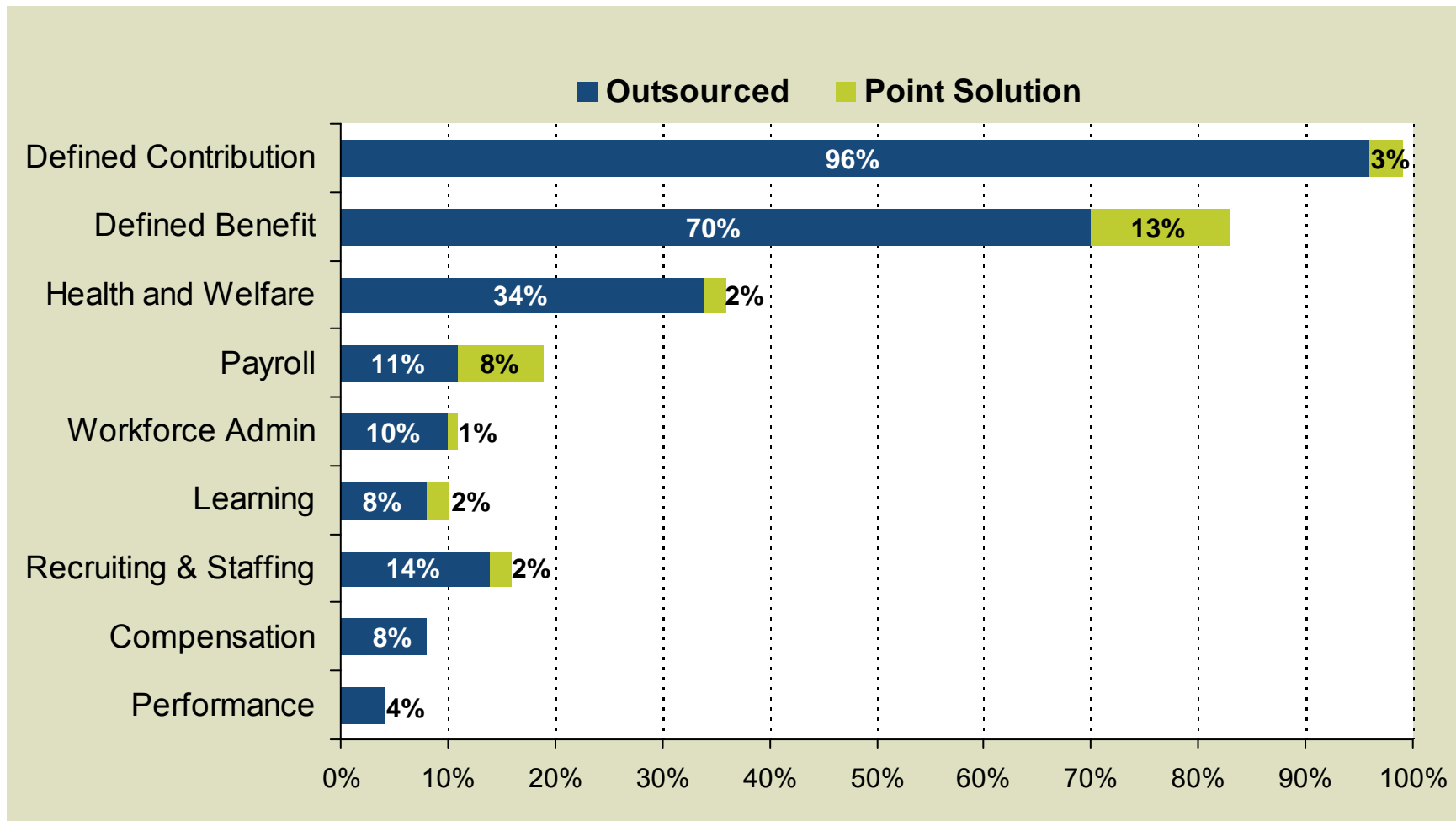
# HRO Market Trends

## HRO Market Trends

- Tier 1 service providers beginning to focus on core services only — WFA, payroll and benefits
- Simultaneously, we see a trend toward specialization around certain human resources processes
  - Clients seeking specialty solutions within their HRO relationships and on a stand-alone basis
  - Service providers seeking out partnerships for delivery
  - New service providers emerging with specialty solutions
- These areas have emerged as specialty “stand-alone” outsourcing opportunities:
  - Recruiting & Staffing
  - Payroll (domestic and global)
  - Talent Development
  - Mobility Solutions

## Utilization of Outsourcing by HR Function Among Large Firms

*After Benefits Administration, the Recruiting & Staffing function is tapped for outsourcing most frequently by large firms today.*

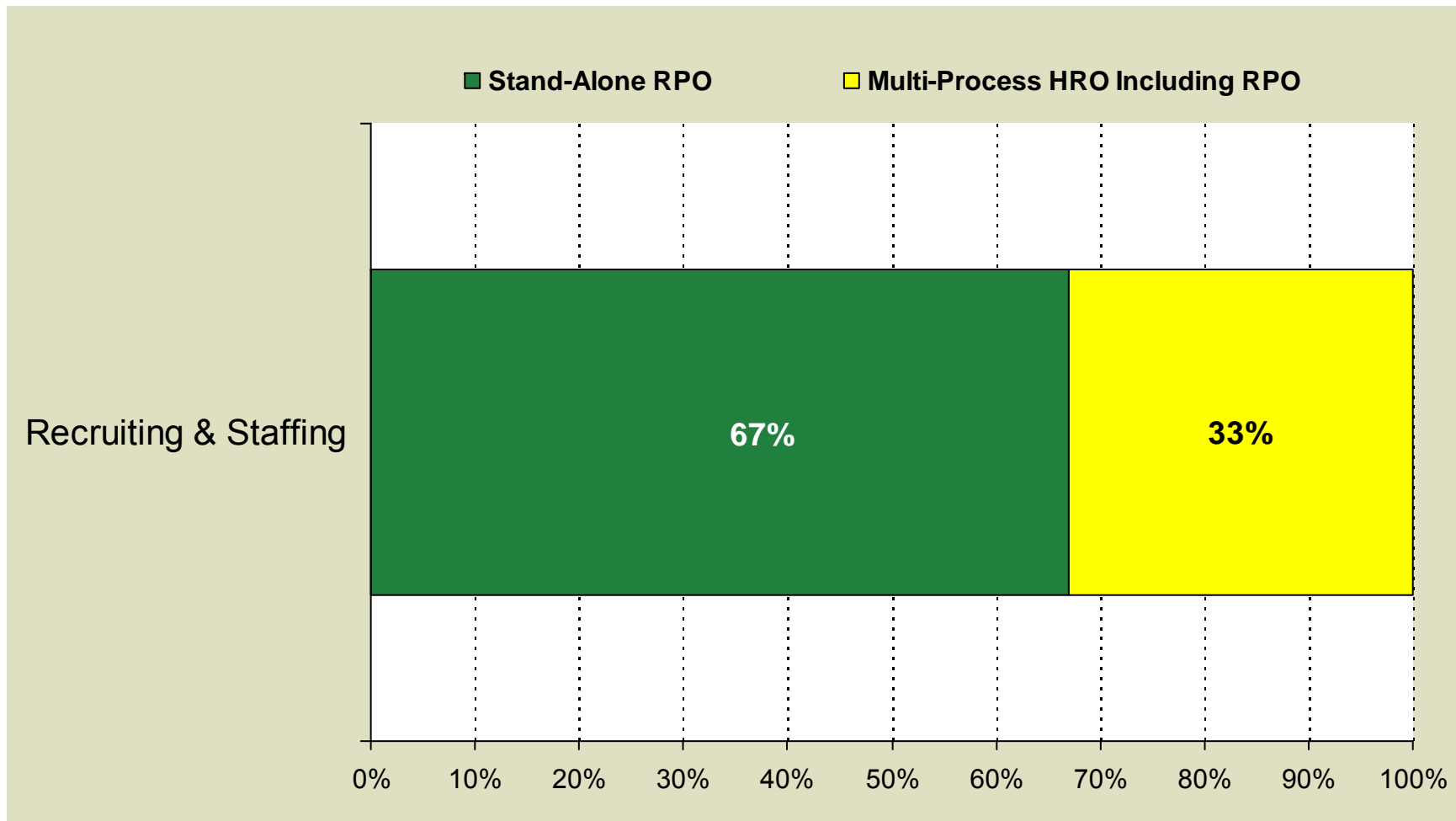


n = 700 private sector firms with >10,000 US employees

Source: TPI Prevalence Database™  
Updated April 2007 - Proprietary and confidential

## Utilization of Outsourcing by HR Function Among Large Firms

*Of the Recruiting & Staffing functions outsourced today, two out of three are outsourced on a stand-alone basis; one of three comprise a multi-process HRO contract that includes RPO.*



n = 100 full service RPO contracts among private sector firms with >10,000 US employees

Source: TPI Prevalence Database™  
Updated April 2007 - Proprietary and confidential

## RPO Defined

## RPO Defined

*A specialized provider engaged to acquire quality talent, improve recruitment processes and manage costs*

### What it is . . .

- Recruitment process re-engineering – evaluate current recruitment processes and set forth a plan to re-engineer the process, driving efficiencies throughout the organization
- Full-cycle recruiting from open requisition to onboarding – service provider handles all aspects of the position, including sourcing, screening, selecting and placing candidates
- Third-party service provider management – provider assumes responsibility for selecting, managing and/or contracting with vendors
- Technology and data management – service provider manages and/or supplies applicant tracking system
- Multiple-year contracts, including contractual SLAs

## RPO Defined

*“RPO” is a term used fairly aggressively in the market. Several current non-RPO staffing structures are sometimes included in the definition.*

### What it is not . . .

- Retained search
- Temporary staffing
- Contingency search
- Small-project recruiting
- Technology-only solution
- Single-process services – sourcing only

## Scope of Services

### Typical Scope Of Services: Recruitment Process Outsourcing

- Recruitment strategy and design support
- Requisition management
- Hiring manager needs-assessment
- Service management and governance
- Candidate assessment
- Offer management
- Pre-placement verification
- Employer branding
- Customer support
- Reporting
- Technology
- Service provider management
- Diversity and university relations

# RPO Evolution

## RPO Evolution

*RPO is evolving as companies continue to face a challenging labor market.*

- Shortage of skilled professionals in Western nations
- Social Security Administration reports:
  - 77 million baby boomers will leave the workforce (8,000 per day)
  - The generation that will replace them consists of only 46 million people
- Evalueserve estimates by 2010:
  - The United States will have a shortage of 5.6 million professionals
  - The United Kingdom will have a shortage of 700,000 professionals
- Lack of skilled professionals actively searching for a new job
- Drive for HR to be accurate in predicting global labor shortages in support of business strategies
- A world-class recruiting organization can provide a real competitive advantage

## Internal Factors Driving RPO Evolution

*With the growth of companies, several factors are driving the emergence of the RPO market.*

- Companies are having difficulty finding quality talent
- Talent needs are growing fast, and the talent group cannot produce a large enough selection pool
- A lack of resources who understand how to proactively recruit candidates
- The ability for organizations to attract and retain talented recruiters
- The cost of acquiring talent is skyrocketing due to the lack of controls in today's environment in the utilization of third party recruitment agencies (contingency)
- HR is facing demanding hiring managers that expect candidates quickly and within a reasonable budget

## RPO Provider Overview

# Recruitment Process Outsourcing (RPO) Provider Overview

*Categories of service providers in the RPO market . . .*

## Executive Search Firms

- History providing executive and mid-professional search
- Leverage global capabilities including brand and facilities
- FutureStep
- Hudson

## Temporary Staffing Firms

- History providing temporary staffing solutions
- Gradual change in business model from temp to fully managed RPO
- Leverage global capabilities including brand and facilities
- Spherion
- Kelly HRfirst
- Manpower
- Momentum

## Independent RPO Firms

- Provide only RPO Services
- No history of temporary staffing or executive search
- Solid recruitment infrastructure and models
- May be venture-capital funded
- The RightThing
- Pinstripe
- StraightSource
- Kenexa
- RES

## HRO Providers

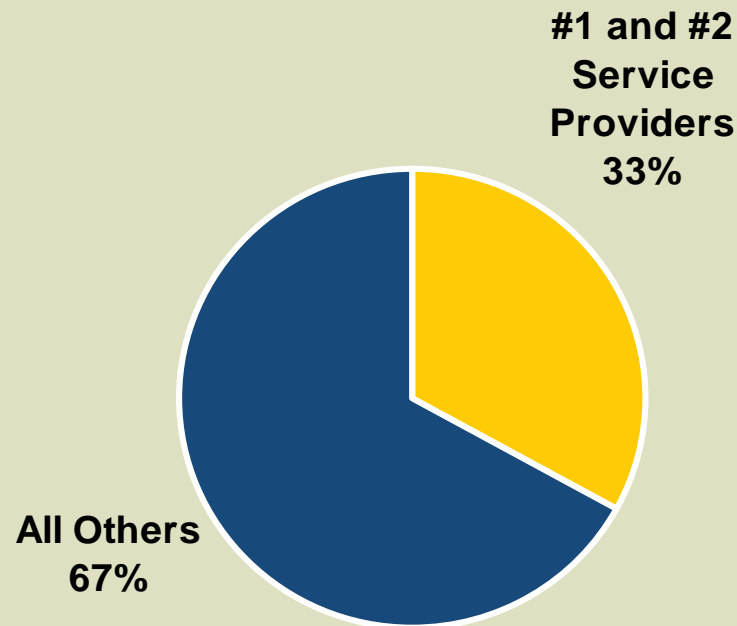
- Typically offer RPO in some form in a full HR BPO solution
- May not have a long history providing recruiting services
- Some global capabilities
- Accenture
- Convergys
- Hewitt
- IBM
- Fidelity / Veritude

## Recruiting & Staffing Outsourcing Service Provider Market Share

#1 and #2 RPO players account for 33 percent of the total U.S. large market (stand-alone RPO + RPO included in a multi-process HRO contract).

### Market Share by Number of Contracts

As of 15 April 2007

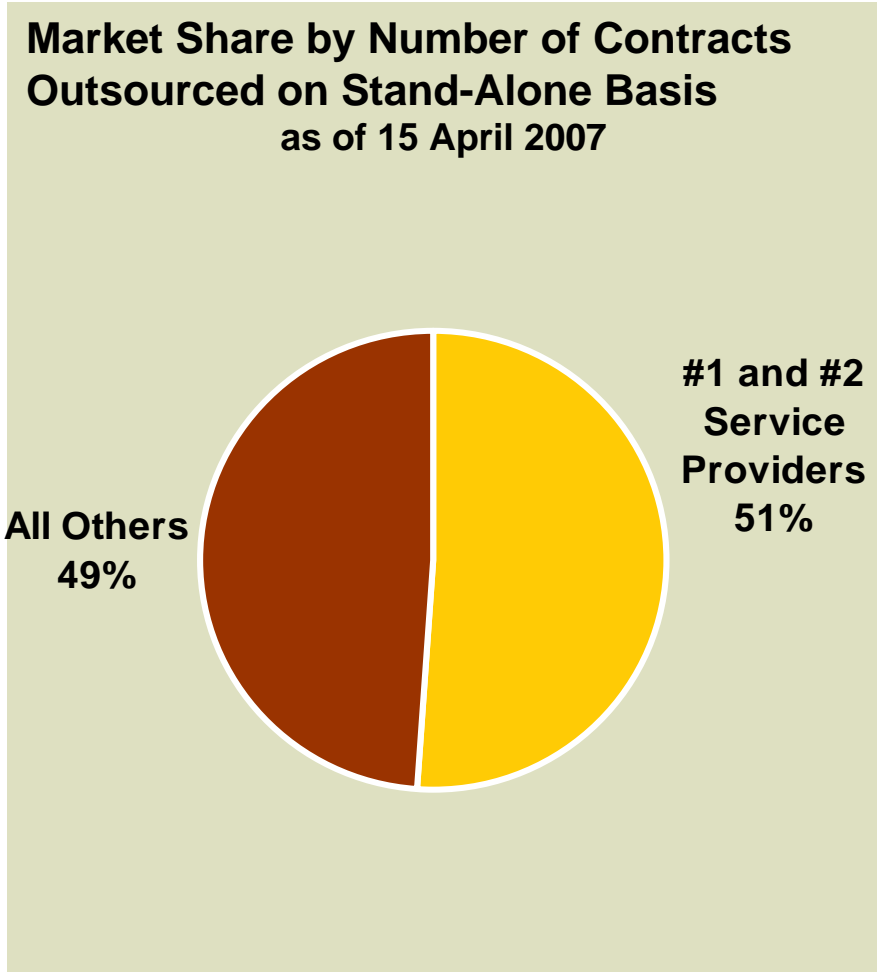


n = 100 "full service" outsourcing contracts among firms with >10,000 US employees

Source: TPI Prevalence Database™  
Updated April 2007 - Proprietary and confidential

# Recruiting & Staffing Outsourcing Service Provider Market Share

#1 and #2 RPO players account for 51 percent of the U.S. large market that outsourced recruiting on a stand-alone function basis.



n = 67 "full service" outsourcing contracts among firms with >10,000 US employees

Source: TPI Prevalence Database™  
Updated April 2007 - Proprietary and confidential

## RPO Market Trends

## RPO Market Trends

- Large Fortune 500 companies investigating RPO
- Movement for organizations to outsource all of recruiting and staffing
- Organizations entertaining the concept of total workforce acquisition
- Global delivery interest and EMEA and APAC clients engaging in concept locally
- Minimum three-year contracts with flexibility to scale
- Drive to implement some form of centralization
- Providers are investing in Six Sigma process expertise
- The build-out of Service Management & Governance capabilities to reduce costs
- Multiple contractual SLAs tied to fees at risk
- Detailed reporting on recruitment metrics to effectively manage costs and workforce planning
- Real-time competitive compensation benchmarking
- The opportunity to aggressively drive an employer branding campaign

# RPO Taxonomy

## *Cost savings and fee structures*

- Potential cost savings
  - Reduction and/or consolidation in the utilization of third-party contingency firms
  - Faster, more efficient process improves time-to-fill, driving better business productivity
  - Leveraging a lower-cost labor model and reducing redundancies across the organization
  - Better screening and selection process improves quality fit, reducing turnover
- Fee structures
  - Monthly management fee with a percent “at risk” under SLA contract
  - Transactional model tied to cost-per-hire for both internal and external placements
    - Exempt
    - Non-exempt
    - Administration only

# RPO Taxonomy

## *Service level agreements*

- Service level agreements
  - Critical service levels (CSL)
  - Key performance indicators (KPI)
- Service level metrics include:
  - Time-to-fill
  - Interview to offer ratio
  - Offer acceptance rate
  - Retention
  - Response times
  - Hiring manager satisfaction
  - Candidate satisfaction

## Wrap Up / Questions and Answers

## To Learn More

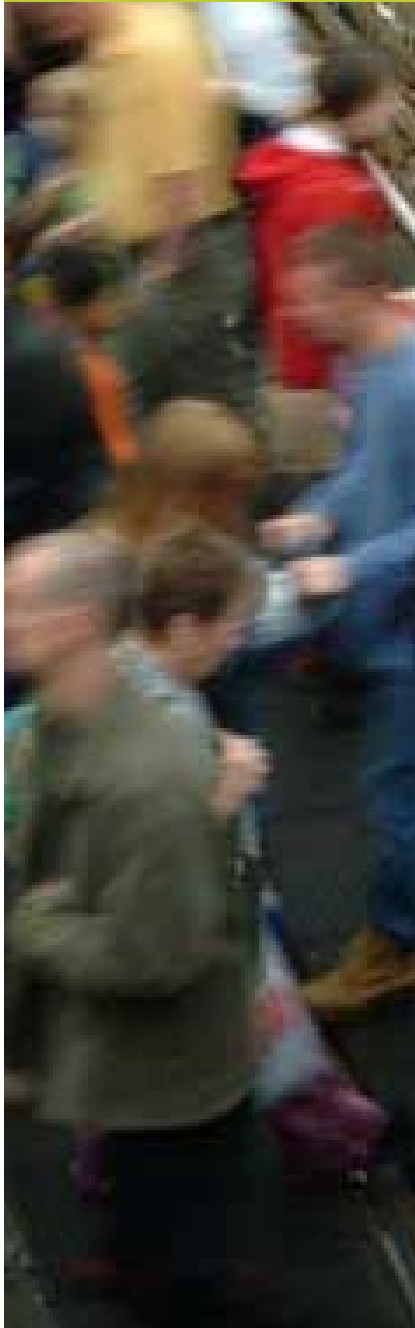
*Call TPI's RPO expert . . .*

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## Additional Resources

[www.tpi.net/knowledgecenter/whitepapers](http://www.tpi.net/knowledgecenter/whitepapers)

*TPI Platform* monthly e-newsletter  
[platformsubscribe@tpi.net](mailto:platformsubscribe@tpi.net)



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[www.tpi.net](http://www.tpi.net)