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The Globalization of RPO



INTRODUCTION

Recruitment Process Outsourcing (RPO) is one of the fastest growing markets in the HRO industry. As the RPO market matures, solutions continue to evolve on a global scale. Today's companies need service providers that can work across multiple regions, offering them common global processes and governance structure while serving as a single point of contact for all locations. This demand creates a serious market challenge for RPO providers who have or wish to have an established presence in multiple countries.

With variable RPO market maturity, compliance, complex client needs, and the challenges of language and cultural difference, a global RPO provider has a large array of variables to manage and predict when traversing outside of headquarters. In order to become a strong global RPO provider, it must first create a solid and globally-resilient "RPO foundation" on which to build global RPO. This can be attained through applying knowledge of multiple regions to RPO goals, but such simple research may not produce consistent success for the client. The nature of global RPO creates a very complex situation which requires proactive and recurrent planning rather a single "one-size-fits-all" solution.

*First generation markets can be characterized by first-time RPO clients who require basic RPO services such as fulfilling compliance heavy tasks and implementing Applicant Tracking Systems.

DATA, KPIs & GOING GLOBAL

Outsourcing of recruitment is a strengthening trend. With more than half of HR budgets typically accounted for by recruitment-associated costs, there are clear savings for a company that chooses to engage with an RPO provider.¹ However, defining effective RPO first on the homefront is necessary to building a definition of effective global RPO – that is, RPO that serves large clients who have a presence in multiple regions.

For many RPO providers, KPI restructuring has become a recent method of creating a strong RPO program. Simply put, it's all about the strength of the data – establishing KPIs that communicate efficiencies rather than outcomes translates directly to the success of an RPO provider.² On a deeper level, KPIs appear most effective when they communicate the creation of talent pools. Talent pools, often formed by effective employer branding in third generation* RPO markets, bring strategically sourced candidates to the client that in turn create growth and a job well done. For younger, first generation markets, talent pools are also an essential part of KPI data, but enhancing the capabilities of the client's existing HR department is often a stronger KPI efficiency for these new customers. First generation markets most often experience success through an RPO provider's ability to handle repetitive and compliance heavy tasks, so that the client's HR department is then free to have a stronger involvement in employee relationship management and C-level meetings.³ How the provider uses KPI management to achieve this success is highly dependent on the client and market maturity, but once effective KPI management is established, an RPO provider is well-positioned to begin expansion.



FOR YOUNGER, 1ST GENERATION MARKETS, TALENT POOLS ARE ALSO AN ESSENTIAL PART OF KPI DATA, BUT ENHANCING THE CAPABILITIES OF THE CLIENT'S EXISTING HR DEPARTMENT IS OFTEN A STRONGER KPI EFFICIENCY FOR THESE NEW CUSTOMERS.

*Third generation markets can be characterized by RPO clients who are entering contract negotiations for the 3rd time. Likely, they already have ATS in place and are seeking added-value, consultative services such as employer branding, recruitment marketing, and enhancement of the client's existing procedures.

MARKET KNOWLEDGE AT HOME & ABROAD

Client needs may vary, but market conditions are predictable, and for an expanding global RPO provider, success in multiple regions requires knowledge and predictions of multiple markets. Different levels of market maturity exist, creating a challenge for global RPO providers.

The Markets of Global Headquarters

Home to the most global RPO providers, the Western market is the oldest and most established RPO market. North America, the UK, and Australia have graduated in recent years to third generation market conditions, where employer branding and value-added services are in demand more so than compliance-heavy tasks. This market already has ATS services in place, and the current demand is for analytics, blended solutions, and improved technology.⁴ These mature regions have produced the current global players, spreading their ATS services into Asia and Pacific (APAC) and Continental Europe, where RPO services are a new concept for the majority of organizations.⁵

APAC Markets

APAC is experiencing a unique market that is rapidly adapting RPO services and jumping from first generation conditions to third generation conditions very quickly, mostly due to the influx of Western providers. Third generation services are primarily Western inventions, and most APAC companies buying these services are already engaged with Western markets in some way. Yet, these APAC

companies do not make up the majority of APAC. Market ignorance of what RPO is and what it does is a major hurdle for RPO expansion, creating a diverse APAC market that lends itself to even more challenges. With India and China as the largest economies in the world, RPO faces a significant challenge in this area, as these economies are relatively inexperienced with RPO services.⁶ However, in the southern hemisphere, the Australian RPO market is on par with North America and the UK,⁷ leading to a very diverse region that must be broken up even further to fully understand.

In addition to being the largest, India is soon expected to be the best performing economy in the world, and China is predicted to be the 2nd-best.⁸ This creates expansion opportunities for global RPO providers who are not already in India or China, but the RPO market has experienced no steady generational growth. Instead, both countries have had a rapid adoption of advanced third generation services like

SUCCESS IN MULTIPLE REGIONS REQUIRES KNOWLEDGE AND PREDICTIONS OF MULTIPLE MARKETS. DIFFERENT LEVELS OF MARKET MATURITY EXIST, CREATING A CHALLENGE FOR GLOBAL RPO PROVIDERS.

employer branding, assessments, and marketing,⁹ seemingly skipping the first generation services of ATS implementation and compliance management. Already the Indian and Chinese markets are using “Westernized” RPO, but the growth is unprecedented and much faster than that of Western markets.

MARKET GROWTH



NORTH AMERICA

↑ **6%**



LATIN AMERICA

↑ **11%**



EMEA

↑ **21%**



APAC

↑ **31%**

Additional research has shown that the Asian market experiences significant single-country deals due to the large number of niche markets that are specific to Asia. Such single-country success requires the local expertise that global providers often struggle to provide. Furthermore, corporate hiring has decreased in Asia,¹⁰ so despite booming GDPs, global RPO providers may find themselves struggling to find a hold in Asian RPO markets.

The Australian market, conversely, is seen as mature and in competition with other RPO providers for new clients.¹¹ The low unemployment rates in Australia have pushed Australian RPO recruiters to finely-tune their strategies,¹² and the current shortages of highly skilled talent has created significant challenges in the midst of a growing global economy. Australian providers often compete with providers in the UK and the US, thus creating a fully “Westernized” island

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market that contributes to the rapid spread of third generation services in other APAC areas. However, consider the fact that many Western providers wish to

apply “one-size-fits-all” solutions to their expansions, and it is no surprise that these Western providers are deeply concerned with the numerous and dynamic RPO challenges this region presents.

EMEA Markets

The region of Europe, Middle East, and Africa (EMEA) is experiencing similar conditions as APAC, but with less urgent growth into employer branding and value-added services. Continental Europe’s market conditions are more unified than Asia’s, with a focus on consultative success due to the skeptical nature of buyers in this region.¹³ Demand for RPO is lower in EMEA than in APAC, as this market is still very young and most organizations are unfamiliar with RPO’s benefits.¹⁴ However, most EMEA companies have considered RPO providers out of a desire for external expertise and cost consideration, translating to a market that is heavily interested in consultative services.

Much like APAC, the EMEA market contains a mature island market, this time in the UK with 2nd and third generation buyers and employer branding services. On the other hand, continental Europe has many more first generation buyers than the UK,¹⁵ primarily due to the lack of education surrounding RPO.

In the EMEA RPO market, size matters. Smaller companies will typically outsource all HR functions when engaged with an RPO provider, while larger companies will only outsource operational HR functions. These small companies are single-country deals, leading to another parallel between Asia and continental Europe: expertise in local markets translates to greater success for local RPO providers than for global RPO powerhouses.

In particular, Poland has seen significant success in single-country deals and the growth of RPO services. While using Polish fluency and local market knowledge to their advantage, Polish RPO providers perfected transactional processes in single-country deals and then moved into more advanced RPO services. The knowledge and language fluency of Polish providers allowed them to then develop efficient methods to more easily solve talent shortages.¹⁶ This unique positioning of Poland in EMEA's first generation market has contributed a significant amount to the growth of RPO in continental Europe, and is perhaps a foreshadowing of future market maturity in the region.

Markets in the Americas

The Western hemisphere of the globe has experienced less dynamic market conditions than EMEA or APAC. North America stands as the largest and most mature RPO market, with the majority of new services and innovative third generation solutions coming from the United States and Canada.¹⁷ When compared with the developing nature of APAC and EMEA, the American markets appear slow to grow. Many American companies are rapidly adopting RPO services, but these companies have small hiring volumes, causing the true expansion of American RPO markets to be masked behind numerous small deals.¹⁸



MANY AMERICAN COMPANIES ARE RAPIDLY ADOPTING RPO SERVICES, BUT THESE COMPANIES HAVE SMALL HIRING VOLUMES, CAUSING THE TRUE EXPANSION OF AMERICAN RPO MARKETS TO BE MASKED BEHIND NUMEROUS SMALL DEALS.

Latin America, however, makes up the smallest RPO market at only 4% of all RPO services, supported mostly by inclusion in global RPO transactions.¹⁹ Latin America is very heterogeneous with varying degrees of sophistication, and experts expect this region to have more influence on the global RPO stage in the future.

COMMON CHALLENGES & TRENDS IN GLOBAL RPO

Local market knowledge is critical to success, and global RPO providers must face the age-old question of how to balance local markets inside of a larger global environment. With a wide variety of challenges and roadblocks, a global RPO market has a lot to consider when solving the problems of talent scarcity.

Western bias:

Some global RPO companies have an unconscious bias towards hiring “Westernized” candidates for clients who are already globalized. Unfortunately, these candidates often do not have the local market knowledge necessary for greater success, despite being able to efficiently communicate with a Western headquarters.²⁰

Location:

Additionally, an RPO provider must include its client during strategic meetings, and important points of contact may not be readily available on a global scale, leading to miscommunications and a lack of true partnership between the provider and client. A point of contact must be located nearby the RPO provider or within a reasonably close time zone,²¹ as the provider requires collaboration in order to predict hiring needs for the client and create appropriate talent pools.

Candidate diversity:

Furthermore, providers must consider the strong diversity that composes the global market. Employee desires are extremely diverse all over the globe, and no single set of values will satisfy all of the candidates necessary for an effective solution to a client’s talent scarcity.²² Extensive research must be done before a provider can effectively engage with any unfamiliar candidate pools.

Market trends have indicated where the RPO market is headed on a global scale, but whether these trends will produce ideal solutions to talent scarcity is yet to be seen. There has been increased off-shoring in India, China, Philippines, and Eastern Europe,²³ leading to faster development in RPO in these areas, as previously mentioned. Furthermore, multi-country deals are becoming more frequent and feature increased inclusion of Chinese, Indian, and Brazilian clients,²⁴ but methods for RPO success are still being tested. For the well-established UK, project-oriented RPO is more frequent, with more clients requesting branding and analytics.²⁵ The global market is intensely diverse, and an RPO provider must be flexible enough to provide multiple strategies if expanding across regions.



SIX AREAS FOR GLOBAL RPO SUCCESS

The elements of an effective global RPO service are very complex. One list cannot cover all elements necessary for success, but from a broad perspective, there are six areas where RPO providers can concentrate to see success in a global market.

Market knowledge:

A global provider must know the market in which it is providing RPO. Local expertise is essential, as the prevalence of niche markets and complex market conditions makes it difficult for outsiders to be effective in the creation of talent pools.

HR Communication:

Whether on a global scale or a local one, a successful RPO provider creates a strong business partnership with the client and encourages the client to understand the critical relationship between employees and positive business outcomes. The RPO provider – through market research, industry expertise, and a close relationship with the client – is successful when it understands the importance of HR to the client’s business and then communicates the importance of the human element to the growth of the business.²⁶

Culture translation:

Understanding the core values of the business in all areas becomes an important part of unifying various regions for an RPO provider’s global client. Candidates have different desires all over the globe, but the RPO provider can create successful talent pools for the client through a deep understanding of the client’s core values and then a translation of that culture to multiple areas.

As a “guardian of culture,” the provider effectively manages multiple regions for the client and can provide services that are in-line with the client’s desires, effectively taking their business to the next level.²⁷

Local expertise:

A successful RPO provider is also a global workforce builder – but only through enhancement of local workforces. In addition to communicating with headquarters and determining how to translate core values to a specific region, the provider must also integrate with local markets in order to gain local market share. This involves hiring and training locals, being fluent in the local language, and having a thorough understanding of local requirements and compliance.

Employee empowerment:

Facilitation of employee development is another critical component. The empowerment of employees creates a self-managing workforce due to a sense of fulfillment and happiness at work. Providers are wise to promote the employee experience for their clients, as this will create tremendous value for the client through reduced attrition, greater productivity, and a positive public image of the organization.

Dynamic processes:

Lastly, a global RPO provider becomes a “champion of processes” when extending into multiple regions. It is up to the provider to create processes that maintain uniformity and create consistent and clear communication for the client. On a local scale, these processes may be simple and straightforward, but on a global scale, the challenge increases and the provider is left to juggle many different processes that must be fine-tuned and maintained for maximum efficiency.²⁸

CONCLUSION

In serving multiple locations of the same client, global RPO providers must bring uniformity to the client by managing the regional differences and creating one point of contact for many talent pools. The value of RPO rests in the ability of the provider to help the client achieve greater insight into their business, and as a single point of contact for global hiring needs, many different and complex responsibilities lie on the shoulders of the provider. With appropriate knowledge and execution, success on a global RPO stage becomes attainable.



ABOUT PEOPLESOUT

PeopleScout, a TrueBlue company, is a trusted global recruitment process outsourcing (RPO) provider offering full-service support in nearly every industry and skill vertical. PeopleScout helps its clients make tens of thousands hires annually and improves quality of hire for companies with exempt and non-exempt hiring needs worldwide.

Headquartered in Chicago, Illinois, and Sydney, Australia, PeopleScout provides innovative RPO solutions including enterprise, full cycle, partial cycle and project RPO as well as Recruiter On-Demand™, a contract solution designed by PeopleScout. PeopleScout has repeatedly been honored as an RPO industry leader, including 10 straight years on HRO Today's RPO Baker's Dozen where it was ranked #1 for breadth of service and #2 overall in 2015.

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