



DEMYSTIFYING RPO

The following article summarizes the key discussion points covered during a Futurestep Executive Forum held at the Hilton Towers at Nariman Point, Mumbai, India on June 12, 2007. HR practitioners from multinational and local organizations alike convened with Messrs Andrew Watt, Chief Operating Officer, Futurestep, and Tim Nelson, President, Asia Pacific, Futurestep, to talk about the likelihood that recruitment process outsourcing (RPO) will be embraced as a true business model in India.



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OVERVIEW

Organizations worldwide are facing staff turnover rates of between 25 and 30 percent, whilst seeking to hire thousands or even hundreds of thousands of mid-level skilled professionals in emerging markets like India. Balancing these two forces is becoming a true leadership problem, one that CEOs, CFOs and HR practitioners everywhere are grappling to solve.

To gain more control over the marketplace and ensure they are getting the best candidates possible, companies increasingly are turning to customized RPO solutions to improve the ROI on their recruitment efforts. In partnering with a dedicated provider of talent management solutions, high value can be derived by taking a sophisticated and proactive approach that aligns a firm's talent strategy with its overall

business strategy. Doing so enables the organization's leadership to focus on the core business while also strengthening its employer brand and cutting costs over the long term. While there is growing agreement in the marketplace that more structured recruitment models need to be adopted in India, questions remain about when and how RPO is the most suitable option.

Q. Is "RPO" a good solution for staff of 100-150 people, or just thousands?

A. Globally, Futurestep has clients at both ends of the spectrum. In India, the entire recruitment "outsourcing" arena is extremely disaggregated – some firms focus on background checks, others candidate sourcing. Naturally, the more people you have to hire, the more it benefits you to build in as many efficiencies as possible. Many clients in the rest of Asia Pacific who have chosen to partner with Futurestep sign on for multiple year deals, understanding that we can help them create those efficiencies and proactively plan for positions they will need to back fill in the future, as an example.

Q. What if you are a very small company with only four to six hires each year? Might it not be safer to spread it across 10 vendors?

A. Perhaps, depending on the level of seniority and functions for those hires. To-date in India we have dealt with several "project RPO" clients averaging between 20 and 30 hires per year. Typically, these are 20 to 30 very skilled people.

Q. Would an RPO model work if you're looking for relatively large numbers of people with a very niche skillset?

A. Yes. The whole RPO concept was actually built on this type of scenario (e.g. airline software specialists, construction engineers, etc.), and there remains a significant market for this regionally and globally. Another example is in Japan – where for cultural and other reasons it can take an average of 336 days to find suitable candidates. There, we have worked on what we like to call a “mini RPO” for a leader in the retail space that knows they will need 12-15 store managers in any given year. Again, the “back filling” concept makes a lot of sense in scenarios where the pool of qualified candidates available is going to be finite.

Q. When you talk about cost savings of up to 30%, are you talking about cost or price?

A. We're talking about the total recruitment fees spent, but we also look at implicit or inherent costs like the time to hire, advertising fees, rent, software, etc. Seventy percent of our clients don't know how much they spend on recruitment and never consider the hidden costs. One was spending USD11 million with outside agencies each year. Our job is to deliver a winning team, but we don't charge on a per hire basis – we agree with the client on guaranteed performance measurements and also deliver a change management process that makes the entire recruitment process more effective and cost efficient.

Q. Why would I give the most critical decisions regarding my people to someone else?

A. In more mature markets like the U.S. or Australia, Futurestep provides on-site teams who are managed by the client's Head of Talent in-house. They leverage our global network and expertise, but really help run and oversee the entire process. In countries like India, where the reality is that the HR function is still evolving and becoming more sophisticated, companies are recognizing that they can't, in fact, handle the challenges alone, and need to completely rethink the way they approach talent management.

Q. Which sectors in India are embracing RPO the most?

A. Retail presents perhaps the largest future opportunity – it is expected to create 2 million jobs by 2010, but the lack of suitable professionals already is being cited as a big impediment to growth. Today, financial services and IT/Telecoms companies are signing on for multiple year contracts with us.

Q. Is HRO in India a bigger trend than RPO?

A. Yes, but RPO will continue to grow as people realize they need quality manpower and cannot deliver it because recruitment is not their core competency. Globally, USD 3-5 billion in RPO contracts are expected from the U.S., U.K., Netherlands, Australia, India and China. The “war for talent” is a global issue, and one that is going to become more difficult everywhere in the years ahead. The entire HR industry and RPO segment is going through tremendous transformation that is not going to stop any time soon. This sort of evolution on a global scale takes time.

ABOUT FUTURESTEP ASIA PACIFIC

Founded in 1998, Futurestep is Korn/Ferry International's outsourced recruiting subsidiary, focusing on the creation of successful recruitment solutions based on clients' individual workforce needs. In addition to recruitment process outsourcing, the company's portfolio of services includes project-based recruitment, interim solutions and mid-level recruitment. With 32 offices in 17 countries worldwide, Futurestep now has a presence in the following countries across Asia Pacific: Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand and Singapore.

For more information, visit the Korn/Ferry International Web site at www.kornferryasia.com or the Futurestep Web site at www.futurestep.com.