



The Evolution of Recruitment Process Outsourcing (RPO) in the Digital and Talent-starved Era

From Execution to Strategic Orchestration

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www.everestgrp.com | EGR-2023-26-V-5576

Contents

Introduction	03
The evolution of RPO: from execution to strategic orchestration	04
RPO outcomes	11
Key considerations	12

Introduction

The COVID-19 pandemic significantly disrupted lives, businesses, and the delivery of work. As we realize the repercussions of the pandemic, businesses are faced with a challenging business environment characterized by the following factors:

- **An unprecedented talent supply-demand mismatch:** The challenge of finding great talent at the desired quality, cost, and time is not new; in fact, the problem has plagued highly skilled areas such as niche technologies and healthcare for some time now. What makes the current situation truly unprecedented is the talent supply-demand mismatch across the board for all types of jobs, levels, and industries globally. In the US, monthly job openings continue to outpace the number of jobless people – the difference stood at over 5.5 million in the middle of 2022. In the UK, the number of job vacancies exceeded 1 million in August 2021 for the first time in recorded history and reached 1.23 million in November 2022. This talent supply-demand mismatch drove the “Great Resignation” and a surge in wages/salaries, as the available talent pool took advantage of the booming job market. Record levels of inflation have further exacerbated the situation – Consumer Price Index hit a four-decade high of 9.1% in the US in June 2022, while it stood at 11.1% in the UK in October 2022 – also four-decade high. As central banks raise interest rates to tame inflation, GDP growth suffered, giving rise to fears of a looming recession. A volatile global geopolitical situation and persistent supply chain issues have added another layer of volatility to the business environment. However, in spite of these significant uncertainties and recession fears, the talent supply-demand mismatch has not improved, and keeps worsening. These developments are stress-testing organizations’ talent management functions, especially the talent acquisition function, to keep pace with the double whammy of rapid growth and rising attrition. The need for sustainable and scalable talent acquisition functions has become even more evident
- **The need for digital transformation:** The COVID-19 pandemic accelerated the arrival of digital. However, the rapid scaling down and equally prodigious scaling up of businesses during the lockdown months made it difficult for many firms to keep pace with the digitalization required. Consequently, digital, which was meant to be a panacea for organizations, has become a major stumbling block in achieving business aspirations. Most organizations have introduced diverse new technologies in the talent acquisition space, which they are finding difficult to work through. Moreover, talent acquisition typically ranks lower in the digital transformation priority order for organizations, behind revenue-/growth-generating functions, especially for organizations struggling with digital transformation anyway. Paradoxically, the inability to leverage digital in the talent acquisition space is inhibiting organizations from hiring fast enough to support their overall digital transformation journeys

- **Virtual globalization:** While, on the one hand, the pandemic forced people to work from their homes, on the other hand, it eliminated geographical boundaries around work and its delivery. Notably, while this aspect theoretically opens up a large talent pool, most organizations have been unable to tap into it due to their inability to invest fast enough and transform their talent acquisition functions. For some employers however, the onset of virtualization has reduced access to onsite talent. Industries such as healthcare and manufacturing, which rely on frontline employees for physical work, are being forced to move away from strictly onsite models and find innovation in the digitalization of service delivery

With an inadequate talent acquisition function becoming the key stumbling block, many organizations are looking for help from the Recruitment Processing Outsourcing (RPO) industry. In fact, the RPO industry grew 33% in 2021 and closed a record 1,000 deals last year.

In this research, we describe RPO's evolution to an orchestrator of businesses' global recruitment efforts, especially in the pandemic's aftermath. The research will benefit organizations in building a more efficient and resilient talent acquisition function that is better suited to achieve business outcomes in a volatile world.

The evolution of RPO: from execution to strategic orchestration

The RPO industry's growing maturity, increasing expectations from it, the emergence of digital, and pandemic-induced disruptions have accelerated the industry's transformation to a strategic orchestrator, which is characterized by the elements exhibited below.

EXHIBIT 1

RPO building blocks

Source: Everest Group (2023)

The basics

- Access to recruiters
- Easy scalability
- Conversion of fixed cost to variable cost

The enhancements

- Employer branding
- Talent communities
- Diversity, Equity, Inclusion, and Belonging (DEIB)
- Technology addition

The orchestration advisory

- A local approach with global best practices
- A global technology platform
- Analytics-based executive decision-making
- Advisory and consulting
- Gateway to total talent acquisition and management



We take a closer look at each of these elements below.

The basics

The basics are the core or fundamental benefits that an RPO provider typically offers.

The pandemic and the subsequent talent-supply shortage has made these “basics” more important than ever, and, in fact, RPO providers today play a more strategic role in relation to these aspects:

Access to recruiters

Timely access to recruiters is a key value proposition for RPO providers today. Notably, talent acquisition professionals are among the most in-demand skilled personnel. Both the hiring and retention of recruiters are huge challenges due to the extreme competitive pressures of the job. RPO providers fare much better than most organizations in attracting and retaining recruiters as they provide an enhanced Employee Value Proposition (EVP), including better training and skilling avenues and proper certifications for recruiters.

The opportunity to work across multiple client accounts is of great importance to those choosing RPO providers over staffing companies as employers. Moreover, as talent acquisition is the core RPO business, RPO providers are able to provide recruiters with a better and more structured career trajectory than most other organizations.

Furthermore, time-tested, structured training programs and a suitable recruitment environment enable RPO providers to quickly train non-recruiters, bring them up to speed, and deploy them at short notice – a rapid scaling mechanism that would be almost impossible to replicate in non-recruitment firms. Many of the RPO providers have industry- or skill-set-oriented teams that can help them deploy at speed and serve urgent scaling solutions to their clients.

Last but not the least, leading RPO providers can cross-deploy recruiters across countries/regions through their globally distributed Centers of Excellence (CoE). This geographic distribution not only allows RPO providers to access a larger pool of recruiters, but also helps manage/balance recruiter supply-demand ebbs and flows at individual locations. RPO providers have invested in a globally distributed CoE infrastructure to facilitate such recruiter cross-deployment across geographies.

Easy scalability

The pandemic exposed that recruitment is more susceptible to the vagaries of the business environment than most other functions. RPO providers are better at managing such vagaries. The RPO model can operate through multiple models to suit the exact requirements and urgency of the buyer – ranging from end-to-end multi-year enterprise RPO to short-term project RPO or the staff-augmented Recruiter-on-Demand (RoD) model. RoD can assist in quickly scaling up within a short turnaround time to help meet sudden demand and can then be evolved to enterprise RPO over time to build a sustainable, future-ready recruitment organization. Similarly, enterprises can hedge against uncertainties of unprecedented business downturn by engaging with RPO providers. Downscaling internal talent acquisition teams to mitigate costs can create long-term stress on the function, which can be avoided if the organization deploys scalable RPO solutions.

Conversion of fixed costs to variable costs

A natural corollary to helping manage variability in hiring demand via RPO is the conversion of fixed costs (maintaining a recruitment organization in-house with a buffer to cater to demand ebbs and flows) to variable costs for organizations. In times of extreme fluctuations in hiring demand, as in the recent past, such variability can serve as a big cost saver for organizations.

The enhancements

Beyond the basics, value-added enhancements elevate the recruiting function's overall effectiveness. While these enhancements have been around for some time, the talent scenario today has increased their complexity manifold. A simple or basic approach to employer branding, talent communities, technology or DEIB is hardly effective anymore. RPO providers can bring in deep expertise in these fields that most organizations will struggle to invest in or build on their own.

Employer branding

In today's talent market, where the candidate is the king and has multiple options to choose from (and very likely, multiple offers in hand), the right employer brand is more important than ever in attracting talent.

Creating, communicating, and maintaining an employer brand is a complex, ongoing process in which an RPO provider can play a significant role via the following:

- Employee Value Proposition (EVP): It is important to have a global EVP comprising the overarching themes across an organization's global operations. The EVP should also be fine-tuned to serve the specific nuances in each country or even different job categories and should be able to fulfill candidates' rapidly changing expectations. It should not be in conflict with the overall organizational brand
- EVP content: Converting the EVP to text / creative copies, headlines, and descriptions is a critical next step that RPO providers can assist with to ensure that the messaging is attractive to potential candidates. Conveying an authentic picture of organizational culture and environment based on employee voice is critical in terms of attracting the right talent who will stay and grow with the organization
- EVP communication: RPO providers can also help select the right media channels for communication based on objective criteria and evolve that over time based on engagement and feedback

Talent communities

Talent communities are not only a key channel to propagate the employer brand, but also a key avenue to enhance the organization's sourcing capability (top of the funnel). RPO providers can help build and enhance the talent community's membership, as well as curate the talent pool to ensure a readily available pool of (mostly) passive candidates. Thus, they can offer multiple benefits in terms of quicker time-to-hire, better candidate quality and engagement, improved fit between the organization and candidates, and a great way to gauge market sentiment about the employer brand.

Diversity, Equity, Inclusion, and Belonging (DEIB)

Talent acquisition is one of the most vital elements for creating a diverse, equitable, and inclusive workforce as it serves as the gateway for talent entry. RPO providers can help with multiple elements around this theme, including:

- Benchmarking the current state of the organization's DEIB, in terms of external messaging, integrating it into the employer brand, and tracking the actual state of diversity in the organization
- Advising on the DEIB strategy, including the diversity areas to focus on (among gender, racial, veterans, people with disabilities, LGBTQIA+, neurodiversity, etc.) and an execution roadmap with clear milestones and dates

- Helping measure diversity at various stages of the hire-to-retain lifecycle; during the sourcing, screening, and interviewing stages; and in retention and redeployment through detailed analytics
- Helping source diverse candidate slates and identifying/reducing conscious and unconscious biases
- Leveraging technology tools and platforms to track and report on critical DEIB metrics, and source diverse applicants
- Working closely with hiring managers to educate them on the implications of their choices as it relates to diversity

Technology addition

Talent acquisition has spurred the emergence of startups and investments in new tools, adding advanced functionalities, improving stakeholder experience and efficiency, and driving insight-driven decision-making. However, it has also led to the problem of plenty, as organizations struggle to select the best options for themselves. RPO providers can play a key role by bringing the right combination of proprietary and off-the-shelf (through partnerships) technologies, for both selection and then implementation. These technologies can include tools across the talent acquisition spectrum, including core systems such as ATS and Candidate Relationship Management (CRM) tools, as well as tools that offer point functionalities, such as programmatic advertising, interview self-scheduling, video interviewing, chatbots, Robotic Process Automation (RPA), and reporting portals/dashboards. RPO providers can also play a vital role in ensuring the right mix of technologies across countries and regions based on local nuances, hiring volume, and technology price points, among other things.

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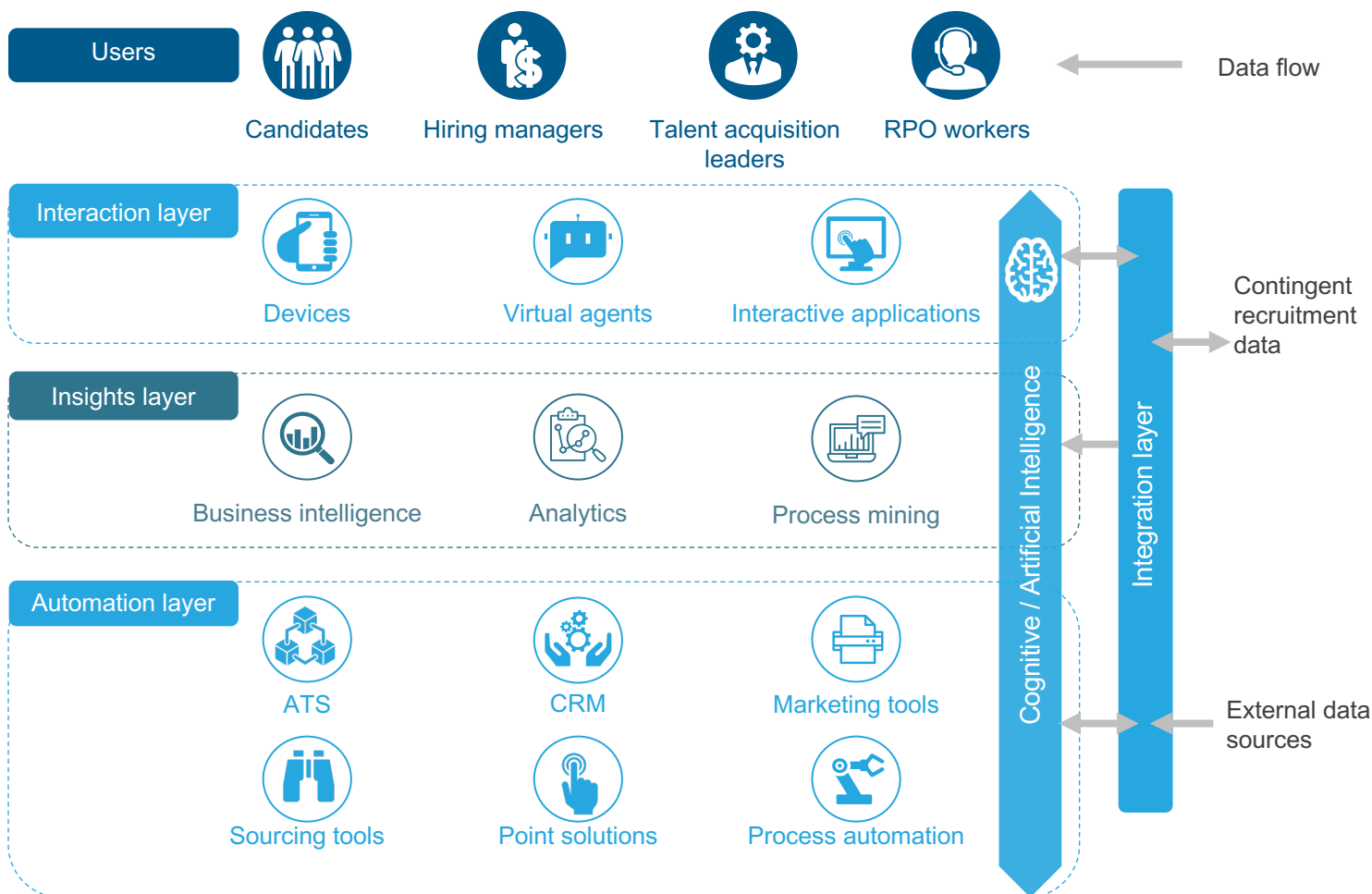
The orchestration advisory

The dynamic talent market scenario demands a problem-solving and design-thinking approach beyond the execution of basic and advanced elements. Organizations need to respond quickly to these ever-changing market dynamics instead of continuing to follow their old ways. Consequently, RPO providers need to shift their attention to global recruitment orchestration, which requires taking a bird's eye view of the entire recruitment organization and orchestrating/designing it to be flexible and nimble enough to withstand rapid changes and any shocks to the system. It involves:

A local approach with global best practices

Today, leading RPO providers can serve organizations' recruitment needs globally through a combination of in-country presence and strategically located CoEs. RPO providers can combine global best practices with the necessary local nuances to serve lingual and cultural needs. They can imbricate this global approach across aspects such as employer brand, process design, technology options, SLA/KPIs, and stakeholder experience with the necessary local flavors. In fact, RPO providers can advise organizations on redesigning the entire process and orchestrating the entire recruitment function, in light of market situations and technology options, to ensure an efficient, lean, flexible process that solves business objectives and improves the experience for all stakeholders (candidates, hiring managers, talent acquisition leaders).

EXHIBIT 2
 Integrated technology ecosystem
 Source: Everest Group (2023)



A global technology platform

After bringing in the right set of proprietary and off-the-shelf technologies, providers can orchestrate these disparate tools to create an integrated technology ecosystem to deliver strategic RPO through a digital platform.

- This digital platform will be an integrated digital ecosystem bringing together various digital elements into one platform, as illustrated in Exhibit 2
- The integration will be seamless, allowing end-to-end data transfer through an integration layer without the need for multiple, discrete integrations
- The seamless data flow will enable powerful analytics and insights at a global level and provide an enhanced, globally consistent, and locally relevant, customized stakeholder experience
- The platform will be composable, allowing plug-and-play for individual components based on organizational requirements, without an elaborate implementation and integration exercise

Analytics-based executive decision-making

A unified, global technology ecosystem will unify data across sources, thereby improving analytics. These sources can include data from recruitment tools as well as other talent-related data residing in an organization in systems such as ERP/HRIS, payroll systems, and performance management systems. It needs to be augmented with external data around pay/salary benchmarks, talent availability, and others to enable informed decision-making. This is easier said than done, but RPO providers today are helping bring different types of data together through integrated technology ecosystems and representing this vast data through easy-to-read and customized dashboards on their proprietary analytics portals. The availability of data at the tips of one's fingers in real-time improves decision-making at each stage of the recruitment process, including leveraging the right job-posting channels through programmatic advertising, identifying high-risk candidates who may ghost the organization after accepting an offer, and even improving DEIB sourcing.

Most importantly, this real-time granular data helps identify the root causes of problems quickly (descriptive analytics), predict potential problems (predictive analytics), and suggest corrective action (prescriptive analytics). Some of the most common use cases are:

- Talent shortage at a location or non-competitive salaries could be responsible for a longer time-to-hire for a particular role at a particular location. The recommended action steps could include shifting the role's location to a more suitable geography where talent supply is better or suggesting the right, competitive salaries
- Data availability can also help predict and identify requisitions that are likely to pose problems and miss the target time-to-hire and can suggest corrective measures or put additional, special investments on those requisitions

Advisory and consulting

Equipped with advanced analytics, RPO providers are moving beyond reactive RPO execution to proactive orchestration by advising organizations on various aspects of talent acquisition, besides being well versed in change management and getting executive buy-in. Such advisory services can take various shapes and forms, including leveraging a consultative problem-solving and design-thinking approach on a daily basis as well as separate, standalone consulting or advisory engagements. Some common examples are (including some aspects already mentioned earlier):

- Employer brand audit and EVP design (overall or specific to DEIB) beyond the execution
- Experience design

- DEIB advisory
- Location advisory: The RPO provider can help an organization select the right location for an expansion plan based on talent availability, cost, time-to-market, etc. It can also help with market mapping and estimating the total addressable market. The provider can also help organizations access a much wider global talent pool by ensuring requisitions reach a more diverse (and often under-accessed) talent and that suitable requisitions (especially those that allow remote work) reach a more globally dispersed audience
- Assessment and selection strategy
- Technology advisory and implementation
- Regulation and compliance
- Hire, train, and deploy
- Strategic workforce planning
- Internal mobility

While RPO arrangements are increasingly including such services, the last three (hire, train, and deploy; workforce planning; and internal mobility) provide the strongest indication of RPO's evolution to a strategic solution. Traditionally, hiring managers focused on perfect-fit candidates, who fit all the pre-requisites for a position, some of which might not have been absolutely critical for that role. In a world of massive talent supply-demand mismatch, this approach can significantly slow the time-to-fill and lower conversion rates. Thus, RPO providers are thinking of creative ways to source candidates, by looking beyond traditional job titles to bring diversity of thought, and to identify training and upskilling programs to plug skill gaps.

Notably, hire-train-deploy's true value is unlocked when it is done at an institutional level across the organization. The RPO provider's responsibility goes beyond advising a few hiring managers to large-scale change management, including evangelizing for mindset changes and suggesting structured large-scale upskilling programs.

Similarly, to avoid playing catch-up through a reactionary approach, RPO providers are predicting long-term hiring demand and advising on workforce planning by leveraging external and internal data as well as historical and future business plan data.

Making internal hiring and mobility across the organization based on skill sets a key part of talent strategy is another strategic aspect that RPO has brought in. RPO providers are enabling internal mobility through a combination of the right tools and technologies, evangelization of a changed organizational culture/mindset, and integration into workforce planning.

Gateway to total talent acquisition and management

In a talent-starved business environment, viewing talent through the siloed lenses of permanent and temporary inhibits organizations' abilities to conduct business effectively. RPO providers can advise organizations on a more holistic talent strategy by taking a combined view of talent and orchestrating a total talent acquisition and management strategy. While, in theory, this concept has been around for some time, it has never gained much traction. However, market dynamics have changed, and the solution offers many benefits and addresses many of the previous challenges.

- The direct sourcing of contingent workers through employer brand and talent communities, bypassing staffing providers, is rapidly gaining traction. Due to the similarity with the employer branding- and talent community-led talent sourcing in permanent hiring, RPO providers are

advising organizations to leverage direct sourcing to orchestrate total talent acquisition and management

- RPO providers' platform-based technology approach that leverages a global, integrated technology ecosystem can potentially enable a holistic strategy combining permanent and contingent talent data
- Better technology options, such as Workday + Vndly and SAP's Successfactors + Fieldglass, are available in the market today

Total talent orchestration goes beyond external talent (temporary or contingent) – it also includes looking at talent sources within an organization, mapping their skills, and encouraging internal talent mobility.

RPO outcomes

RPO's target outcomes are to create a flexible and nimble talent acquisition organization that can effectively navigate today's talent environment and respond rapidly to potential disruptions in the future, as exhibited below.

EXHIBIT 3

Key RPO outcomes

Source: Everest Group (2023)

Proactive contribution to business outcomes and alignment with organizational objectives/plans

Significant agility, scalability, and flexibility and lower risk

Timely and cost-effective access to high-quality talent

Visibility into the entire global talent acquisition (permanent and potentially temporary workforce)

Superior stakeholder experience

A renowned and admired employer brand

A future-ready talent acquisition organization



Key considerations

The most important factor in ensuring successful RPO outcomes is choosing the right partner. Enterprises would do well to look beyond the usual parameters of provider selection and consider the ability to deliver globally (through CoEs or in-country presence), a consultative mindset, existing investments, and a structured future investment roadmap, especially in terms of technology/digital.

Global organizations have vastly different talent acquisition requirements in different countries and locations. The unprecedented talent scenario means that a few locations' or countries' hiring needs will be much more urgent than others. In addition to the talent demand and supply intricacies, regulatory requirements add in another layer of complexity. Thus, in addition to having a global approach, organizations need to have a feasible global RPO implementation and roll-out plan. A phased approach is often a safer option for large global arrangements, though well-planned big-bang implementations can also work well.

The provider's and buyer enterprise's roles are different but equally important. The provider needs to work with the buyer to ensure that proper change management plans are in place. The buyer should ensure proper stakeholder buy-in, reasonable outcome expectations, and multiple internal champions in various parts of the organization. It also needs to make the provider privy to its wider business strategy so that both parties can work together to curate a tailor-made RPO solution to achieve organizational objectives.

A well-structured contract is important to ensuring that the both the buyer enterprise and the provider benefit from the relationship. Hence, it is vital to have the right set of SLAs/KPIs (including reverse KPIs for the buyer enterprise, where applicable), appropriate targets for the KPIs/SLAs, the right pricing models (typically, a hybrid of fixed and variable fee), and correct price points. It will also be necessary to factor in variations in local business environments and regulations. However, a granular variation in each of these elements, across countries, is likely to make the structure too complicated and difficult to govern. Homogeneous countries can potentially be clubbed into groups with similar contractual elements.

A governance structure that ensures that the right strategies/plans and problems are discussed at the right levels at the right frequency with the right stakeholders is vital to solve problems, build for the future, and create and maintain trust. Last, but not the least, the buyer-provider relationship needs to be built on collaboration, trust, centered on partnership, and focused on strategic change within the organization.

Strategic orchestration to help organizations achieve business outcomes is the next step in RPO's natural evolution. If all market constituents work together, they can help fulfill this next-generation RPO promise and solve organizations' talent and talent acquisition-related challenges of today and the future.

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This study was funded, in part, by WilsonHCG



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