

# Talentism Heightens the Significance of Outsourcing

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At the 2011 World Economic Forum in Davos, Switzerland, ManpowerGroup announced the dawn of the Human Age. In this new reality, Talentism—the unprecedented importance of individual workers—has replaced capital as the single most important resource in business success. Talentism has required companies to reevaluate their approaches to workforce management. And it has underscored the need for flexible, scalable solutions. Outsourcing gives companies the agility to infuse talent quickly as business grows but also scale back when needed.

A shortage of skills has simultaneously made it imperative for companies to find individuals who can adequately fill roles. In ManpowerGroup's most recent skills shortage survey, approximately one-third of more than 38,000 employers worldwide reported difficulties in finding the skills they need. Outsourcing may be the answer. A 2012 report of ManpowerGroup said that effective HR outsourcing can lead to improved worker quality and better retention.

**Flexible workforce models:** As companies seek more innovative, cost-effective ways to manage their workforces, a number of them are blending contingent and project workers with full-time staff. Our latest report found that nearly one in five companies signing RPO (Recruitment Process Outsourcing) contracts last year incorporated contingent and permanent hires. Experts predict that RPO will increasingly provide blended services as companies seek to consolidate their workforce management into fewer, more trusted hands.

**RPO continues to gain traction:** The latest survey of more than 290 HR organizations found that nearly half outsource some core HR functions, but just 2 percent outsource all core HR functions. RPO has gained traction in various world regions. While it continues to grow in Asia, demand has picked up across the Americas. These data points reinforce the idea that HRO (Human Resources Outsourcing) will go the way of RPO in 2013—from outsourcing

the entire process to more of an a la carte approach. More companies are keeping the core strengths in-house and outsourcing where strength is needed or where the task is very tactical or burdensome.

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**Elevating the expertise:** Companies count on outsourcing providers to have deep industry and functional knowledge. They ask them to source specific skills, and find cultural and technical fits expeditiously. These pressing needs have placed providers in the role of trusted advisers and require them to have more detailed insight into their clients than before. This includes understanding the company's business strategy, and the skills it needs now and in the future. It also means adding to its suite of services for finding and managing talent. Some providers even combine them with other HR services.

**Dual benefits:** cost savings and quality. Cost savings remain important but this may be a byproduct of improved quality. Lowering costs but getting bad candidates is not an option.

**Bolster employer branding:** Top RPO providers particularly help define the employer brand because they have so much direct contact with employment markets. Increased efficiency in recruiting and ongoing interaction with job candidates enhances a company's reputation as an employer of choice. This comes as power has shifted to the individual in the ongoing minuet with employers. Workers are boldly determining where and when they want to work rather than simply grabbing the first opportunity. An RPO partner capably managing the employer brand can mean the difference in securing the best or lesser talents. RPOs should maintain checklists of issues affecting the employer brand and methodically address all of them.

**RPO's growth spurt:** According to statistics, revenues from RPO rose 27 percent from \$1.1 billion in 2011 to \$1.4 billion last year. We predict that the growth rate will ease slightly to a still-robust 20-25 percent in 2013, reaching \$1.7 billion. Such optimism foresees rising usage by small and mid-sized companies, which have played a minimal role up to now, largely because providers have focused on larger organizations with thousands of employees. It also anticipates strong growth in the Asia-Pacific, where emerging markets—and even some more established ones—are developing a greater respect for RPO's usefulness. Experts also predict an increase in multinational contracts that address one company's recruiting needs in multiple locations. We found that the number of multi-country RPO deals (MCRPOs) more than tripled between 2008 and 2011. As more companies see positive results of RPO, they are

expanding the use of these services across borders. We found that the number of RPO deals involving at least two countries rose from 31 in 2011 to 48 in 2012.

Changes in outsourcing in the bifurcated Human Age: India and China have seen massive growth in outsourcing. But multinational and homegrown companies are using outsourcing differently than before in these emerging markets. They are no longer simply looking for cheaper deals on call center and service employees. Rather, they are using outsourcing to find expertise that can help them take advantage of growth opportunities.

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