Re-engineering Recruitment Strategies with RPO Model for Recruitment Challenges in IT and ITES Industry

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Abstract: Talent management is extremely important in such dynamic business world today and to do so it is essential to have an intense understanding of the recruitment pattern for the specific business line and how the key positions holders are moving in the job market. Recruitment and its challenges form a major part of talent management process especially in IT industry where huge capital investments are been made in the recruitment process for vacant jobs promotions and candidate screening, but still the process fall short in terms of its performance and delivery, leaving many pitfalls behind. Even if the company has the capacity to increase their scalability to large volumes of recruitment due to new or existing project deadline, which is quite common in this industry, the other issues like attrition, effective profile mapping, compensation management; cost cutting etc spoils the whole scenario. All such challenges needs an effective recruitment model where the quality of recruitment function improves with an impact on recruitment metrics of an organization. Recruitment Process Outsourcing (RPO) Model is a model which reduces employers’ recruitment costs with a flexible “pay-for-performance” facility that deploys recruitment more efficiently when undertaking volume recruitment project or when an organization wants to control attrition and retain talent. It offers the entire gamut of tasks performed under recruitment function. In this direction, this paper is an effort to highlight the recruitment challenges faced by HR professionals especially in IT industry. Further it has showcased how RPO Model is an effective solution to overcome recruitment challenges in the said industry.

Keywords: Recruitment Challenges, Talent Management, Attrition, Information Technology Industry.

I. Introduction

IT and ITES industry is an industry where employee attrition rate is always high in comparison to other industries and has been affected by the global economic crisis and has been forced to rethink its strategy to remain competitive. In addition to cost reduction this industry professional are keener to focus on employee retention strategies. According to a study conducted by MyHiringClub.com, the IT and ITES sectors saw the highest attrition rate of 23 per cent in the year 2010-11. The main reason for switching a job is pay packages (21 per cent), followed by career level growth (16 per cent), dissatisfaction with supervisors (15 per cent) and work pressure (14 per cent). Attrition can be witnessed highest at junior management level (0-3 years), and least at top management level (20 years). Following survey showcase IT and ITES industry as one of the industries with highest attrition rate.

Overall Industry Analysis

Attrition Analysis

Source: Deloitte- Compensation trends survey 2012

Following are the top attrition challenges in IT and ITES industry:

Compensation Management: The said industry is of the most competitive and high paying industry in India. Employers even give 100% salary growth to talented employees. Under such situation employees walk away with multiple job offers in hand.
● **Reallocation of the candidate:** Seven most popular IT hubs namely Hyderabad, Bangalore, Pune, Delhi, Mumbai, Kolkata, Chennai makes employees from other part of India, work away from family. This later becomes the major stability issue.

● **Rapid change in technology used in IT industry.**

● **Work life balance still difficult to achieve for employees working in IT sector** - long duty hours, night’s shifts due to foreign clients.

● **High female staff attrition rate due to Personal/ family commitments.**

● **Pursue further studies.**

● **Maintaining year over year increase in customer satisfaction ratio,** in case the company is providing IT outsourcing service.

● **Slowdown in product development firms** - Research and development centres at **Yahoo Inc., Microsoft Corp., Adobe Systems Inc.** and other multinational software product firms are facing a slowdown in growth and product development work in India as they battle double-digit attrition rates with key personnel quitting to join start-ups or launch their own ventures. Source - Live Mint March 13, 2013.

Frequent job change is a disadvantage for both the parties, as the companies’ pays higher wages for the same skill set to an individual and for individuals benefiting from higher wages in the short-run does not means rise in knowledge and skill levels. Therefore in order to control the above said challenges, the companies in the domains of IT, ITeS and BPO have now started shifting their focus on enhancing individuals' performance, and are providing adequate training and work experience to employees. Besides, they have also been doling out large salary hikes and promotions to put a check on the rising attrition rate.

### II. Literature Review

Recruitment Process Outsourcing as a concept was first realized in 1970’s in US with the demand of technical skills going up with high tech companies, mainly information technology and manufacturing firms. Hiring cost was growing up in terms of tracking external experts and that time RPO service was only used to add more value to the technical jobs Later in 1980’s and 1990’s companies started realizing the fact of reducing the fixed cost of HR, which was primarily related to recruitments. James Caan from U.K. was the first person to develop RPO in the 1990s. Early 2000 registered a major change in RPO scenario. With the introduction of HRO today magazine- “The Baker’s Dozen Survey of top RPO vendors in the world” in the year 2002, RPO became a big time business solution to talent management. In a prominent study by Future Step (RPO Service Provider) in the year 2005, it was stated that those recruitment models which just focus on cost-reduction and process have failed to integrate talent acquisition and management with the strategic imperatives for talent demanded by the business and organizations should realize that leveraging talent as a competitive advantage is paramount.

A study by the Yankee Group in 2008 stated “RPO can provide companies with cost savings, increased candidate quality, effective screening processes/tools, metrics, and new technology without major capital investments. Companies can focus their internal HR resources on the strategic core business of the company.” The study revealed that due to RPO Model flexibility, innovative recruitment strategies and technologies, its end-to-end hiring programs, and dedicated program teams the companies are able to achieve its strategic target well on time in comparison to their competitors, by concentrating on their core business commitment and value-added services in their specific industry. In a study, RPO in 2009, it was revealed that 62% of organizations that fully or partially outsourced recruitment was able to reduce cost per hire and organization are yielding significant performance gains across the board. The findings also introduced key performances areas of RPO such as time to fill positions, hiring manager satisfaction, new hire retentions. Aberdeen Group research study 2010 was able to build a long time waited business case for RPO. It was stated in the report that “If an organization is challenged by uncertainty, legacy processes, and resource constraints, RPO can provide the flexibility it needs to compete for key talent by innovating its processes and allowing resources to focus on core business competencies. Rather, organizations must identify the major holes and work with the provider to plug them. It was stated that when implemented successfully, RPO Model can yield great gains in business outcomes and other metrics.

### III. Objectives of the Study

The research paper was undertaken with the following objectives:

- To analyze the recruitment challenges faced by an organizations in the IT and ITES industry.
- To analyze the effectiveness of RPO MODEL adoption in overcoming recruitment challenges in IT and ITES industry.

### IV. Research Methodology

The parameters of the study were finalized and a structured questionnaire was designed to be used as a primary data collection tool. Interviews of Senior HR managers and HR Heads were also conducted to understand the recruitment challenges and the benefits of RPO Model adoption as a solution. The response received from all participants was validated and checked for accuracy and intended interpretation. The data than was collated and analyzed to get detailed insight on industry recruitment challenges. Secondary data was studied from books, magazines, various surveys and research papers.
V. RPO Model Adoption: Need of the Hour
Recruitment Process Outsourcing (RPO) is one of the major services offered by HRO firms today. Human Resource Outsourcing (HRO) is a process where a company outsources some or all of its HR activities to an external service provider. Some of the major HRO services are Recruitment Process Outsourcing (RPO), payroll and benefits, HRIS, Compensation, Performance Management, Mentoring and Coaching forms a part of HRO services. In RPO setup, an employer transfers all or a part of its recruitment activities to an external third party entity. The strategic framework for recruitment policy will be developed and remain in-house and only the implementation of these policies will be transferred to the RPO provider. RPO model leverages the combination of strategy, technology, resources and vendor management to improve the recruitment process. Improvements measured and monitored through real-time metrics are then tied to strict service level agreements. The model works primarily on employee retention services, workforce analytics and supply planning, talent acquisition designing, applicant tracking system (ATS), employee performance management, compensation solutions etc. It provides a global solution to optimize candidate quality, control costs, and deliver measurable results in performance and business impact. Instant scalability, speed, quality results, technology and precise hiring processes are the benefits to an IT company engaged in an RPO solution. The IT companies must research and choose an RPO provider that matches with the company’s culture and has the experience to back up its claims.

RPO Model is mainly adopted under the following business situations in an organization:
- To control attrition
- Expansion in Pipeline/Large Scale Hiring.
- Demands for Niche Skills.
- A movement for organizations to outsource the entire recruiting functions.
- Implementation of centralized hubs to drive optimal performance.

Major Services Offered under Recruitment Process Outsourcing Model are:
- Strategic Consulting
- ‘Vacancy Gap Identification in Various Organizational Departments.
- Formation of Job Description/Job role.
- Sourcing and Applicant Tracking Platform.
- Pre Hire Assessments.
- Recruitment Process set up: Employment Verification, Phone Screens and Interviewing.
- Employee data management and Build talent communities.
- Social Media Networking.
- Offer Salary Negotiation/Compensation/Reward Planning
- Analysis of partnership of RPO vendor with the client to monitor performance.

RPO firms only enter an agreement with the organization when at least two of the above mentioned main services under RPO model are adopted. The service legal agreement is being processed once the deal is finalized with client. This also includes the key performance areas and with expected outcome, keeping in mind the recruitment challenges the organization is facing.

Recruitment Process Outsourcing Model has the following three main stages:
Stage One. Discovery of Requirement: The objective of this phase is to understand the client needs better and map a process or a model that helps RPO to hire “on time, every time for either one hire or more at a time. Below figure 1.1 showcases the designing of stage one.

Stage Two. Engagement with the Client: - The objective of this phase is to engage with the client and the candidates to attract and hire the most apt resources for the client in a cost effective and timely manner. Below figure 1.2 showcase the designing of stage two.
Stage Three. Delivery of Services: - This phase is the culmination of the search process. Suitable candidates are interviewed in depth on technical and soft skills. References and other background information are thoroughly checked. At times, RPO vendor also assist its clients in creating and executing detailed, customized on-boarding, familiarization with the corporate culture, and induction training. Below figure 1.3 showcase the designing of stage three.

Some of the IT giants which top the client list of RPO firms are Apple Inc. with Futurestep – A korn/Ferry company, Quantum Technologies with Hyrian, Microsoft Inc., and Sun Microsystems with Kenexa. Outsourcing the recruitment processes for an industry like IT and ITES, which faces an attrition of almost 50-60 per cent, can help the companies in this industry to save costs tremendously and focus on other issues like retention. The job seekers are also availing the services of the third parties (consultants) for accessing the latest job opportunities. This gives the mutual benefit to both the parties. RPO Model works best on employee expectation in terms of benefits, compensation and work polices. Working with a RPO provider can foster the innovation needed in legacy sourcing and hiring processes to fill requisitions with top quality hires. Below survey report by Aberdeen Group, November 2010 showcase drivers behind RPO Model adoption. The survey was conducted for nearly 200 organizations to determine the viability of RPO Model. Out of which 80 organizations were taken into consideration that were using fully or partially RPO services.
Operational Benefits of RPO Model to IT Company:
- **Reduced costs**: By managing end-to-end recruitment process with managed recruitment budget.
- **Enhance core competencies of** internal HR management to allow them to focus on other core HR strategies.
- **Highly skilled, culturally aligned recruiters** – RPO are not just recruitment consultants rather they are experts in talent acquisition within the client’s industry and are well versed with the organizational culture.
- **Quality pool of candidate engagement** for all key positions of an organization and provides a highly responsive, direct point of contact for all candidates, ensuring best career opportunities are identified for the most suitable candidates, managing business and candidate expectations carefully.
- **Better support for hiring managers** and factual advice to Line Management, saving them time and enabling them to structure and resource their business successfully.
- **Turnaround time** to close any open roles is reduced by putting in place the people, processes and technology correctly.
- **Clear accountability for recruitment activities** with clear state of outcome expected.
- **Proactive, creative, well planned and structured approach** makes RPO a successful model for talent hiring, management and retention.

Strategic Benefits of RPO Model to IT Company

- **Brand awareness** – Dramatically improving candidate awareness of companies existence.
- **Improve resource planning** – RPO helps in understanding short, mid and long term business strategies to facilitate quality based talent pools in line with current and future demands.
- **Develop Hiring Manager Skills** – Continuous interview coaching and training is provided to line Management on both a structured and ad hoc basis to enhance candidate engagement.
- **Employee engagement** – RPO continuously hire managers to identify high performing and high potential internal talent and ensure they are considered for open roles, positively impacting employee engagement in the process.

VI. Conclusion

According to the latest report by Everest Research Group, the global RPO market had estimated growth of 25% in the year 2012. Cost cutting factor remains the main catalyst driving the RPO market. The Indian RPO market is estimated to be $ 2.5 billion and is expected to grow at 35-40%. Companies which has adopted RPO model are capable to save at least 40% to 45% of recruitment cost and in addition internal HR personals get the time and opportunity to involve themselves with core HR strategic issues. Further, in RPO adopted companies, employees have become extremely cautious before making any job move since the model adopts the latest technology, be it for applicant tracking system or connecting to social network to best of their advantage. This gives an absolute track record of the candidate’s movement between the jobs and otherwise. The model includes all those additional processes and systems to hire only stringent and need base employees to their clients. RPO is the next level solution for all recruitment challenges specifically for IT industry where pool of talent with no time gap is readily available with quality hiring and improved productivity.

VII. References

7. A brief report on ITES and software industry in India, August 2012, by ASA and Associates.