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Connections Newsletter

Adecco acquires TalentTrack: What happens when the world's fifth largest employer strengthens its RPO offering?

Excerpts from an interview with Michael Beygelman, Adecco North America SVP Business Development, and Kim Davis, former CEO of TalentTrack and now head of Adecco's RPO service offering.

We here at *HROA Connections* watched with deep interest as Adecco, one of the largest overall employers in the U.S. (eclipsed only by the likes of the U.S. Postal Service and Wal-Mart), decided to bolster their RPO market presence by acquiring TalentTrack. Therefore, we couldn't resist the opportunity to sit down with two of our long-time colleagues, Mike Beygelman and Kim Davis to hear directly from them how this acquisition will shape the future of the RPO industry. Some of you may recall Mike formerly graced us as the HROA's own executive director before going onto bigger things with Adecco. Kim, of course, has been a leader in the RPO Alliance and served on its board in addition to his role as CEO of TalentTrack.

Adecco's acquisition of TalentTrack marks a high point in a quarter filled with RPO consolidation. Last month we brought you an interview with the new Kenexa RPO leadership team after its acquisition of StraightSource. We've also tracked a series of subsequent deals with Spherion, Kenexa, and now, of course, Adecco. With all these bigger players entering the space, we are clearly getting validation of the model.

These new entrants, though, will bring a new and renewed sense of competition as the existing players adjust to their presence. How will such a big player reshape the landscape? Read on.

***HC:* What attracted the two companies to each other?**

Kim Davis: We [TalentTrack] were contacted a lot about M&A in our short lifespan and we've always turned away the suitors. But, when Adecco made contact we felt we needed take a serious look at it. I personally knew Mike [Beygelman] very well and we knew how Adecco is positioned as a leader in the Human Capital space. Given that knowledge, we felt we needed to give their offer much attention.

Michael Beygelman: I've been in this space for quite a while and I knew a lot about the players. This allowed Adecco to be more selective about the acquisition target. We already did tens of thousands direct hires in North America prior to the acquisition, so we had to ask ourselves: what is the best approach to developing necessary infrastructure to support that kind of growth? We felt that time to market was important, so when we went to market to look for a partner we were looking for a proven, scalable infrastructure, a low cost to serve and a high level of customer satisfaction. The ideal partner for us needed to have a number of customers, not just a handful, with a proven track record of delivering service in a consistent manner. In other words, a company that could validate that their model worked.

Second, because we're a large company cultural fit was a priority. Historically Adecco has been an acquirer of businesses and we know from experience that cultural affinity needs to exist for the relationship to succeed.

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In the end, those two factors significantly narrowed the field for our consideration. TalentTrack has the validated service model and across the board our team agreed we had a good cultural alignment.

KD: For us, we knew we would look a lot different under the Adecco brand than we did under TalentTrack because of Adecco's size, name recognition and reputation.

MB: The given for us was that we'd be able to significantly drive new business. We touch 30,000 customers every day. Of all the RPO players out there, more than 50% of their customer base is also our customer base. Therefore we can not only reclaim some of existing market share but we can actually create new business opportunities.

HC: **What do you mean by that? Do you mean you can create new markets for RPO?**

KD: Adecco has a large existing client base of global companies some which have RPO-related needs. We're leveraging those relationships right out of the gate. What the TalentTrack infrastructure brings is a proven, scalable solution with a training certification program and the ability to deliver at low cost. We're already calling on some of the existing Adecco clients and have had immediate success in selling them on the benefits of an RPO approach.

We've also had a chance to look at second generation business. We've been recognized as one of the top five RPO companies in *HRO Today's* Bakers Dozen. In that report we're specifically cited as having some of the best customer satisfaction in the industry. With that plus Adecco's size, infrastructure, and greater financial resources, we can go after more deals than we could have independently.

MB: We see the world as divided between G1 [Generation One] vs. G2 [Generation Two] deals and clients. G1 deals were either re-badging exercises, or smaller deals that started out as pilots and went on to be multi-process RPO, or they were embedded within other types of BPO, while today's G2 deals are being taken out of a broader BPO scope, or going back out to bid because the initial contract term is coming to an end, and so they are bigger and more complex deals right from the get go. Expectations in service delivery and flexibility are vastly different. What we bring to the table for G2 clients is that we have the flexibility and wherewithal to accommodate their desire to make RPO look like BPO. To date, a good number of RPO deals have looked like contract recruiting, or off-shore data processing, or consulting services and technology, or managing perm vendors to reduce fees. With G2 deals it's becoming more BPO-like, and as Adecco we are probably in a better position to digest more of these kinds of deals – a real challenge for the smaller companies. We can also give customers pricing models more aligned to BPO-type relationships.

New customers entering the market are more referential. They want to see players they know and trust. They ask themselves, "Do I want to work with someone who has to tap their line of credit to meet operating expenses or should I work with a player like Adecco who has significant financial wherewithal?"

As a combined company we can go after both types of deals: G1 pilots and G2 bigger deals.

***HC:* What's it been like to work together?**

MB: We're already at implementation with 3 RPO clients, so we've already had a chance to validate our deal assumptions.

***HC:* If I'm a current TalentTrack client what does this mean for me?**

KD: For the current TalentTrack clients, first and foremost, the merger means they now have access to other related human capital services. Second, we're recognized as a player who will be around for the long term. Obviously, Adecco isn't going away and my team isn't going anywhere either. Third, it gives them the assurance that we're going to invest in best-in-class resources in order to maximize solution outcomes. One feedback instance from a TalentTrack customer with over 350 national locations was that the Adecco infrastructure now allows for more of a local presence in difficult markets. We simply were not able to offer that in the past.

Everyone needs to know that I am staying with the business. That we're operating within Adecco as an independent business unit and that our delivery model will remain as the foundation for all our RPO solutions. You as a current customer are not going to get lost, because there's no fundamental difference in the way we conduct business.

The other good news is that I report up through Michael. He's a world class thought leader in this space and he's going to make sure that we don't lose focus. This includes current customers.

MB: Kim raises an important point about how we're organized. We made a decision that RPO should not get lost in our general staffing business, nor should it service contingent staffing needs. That means existing TalentTrack customers can be assured they won't get lost or forgotten. We may be a big company, but we keep things focused.

I'd also say that the old adage might be that the early bird gets the worm, but history proves that the second mouse always gets the cheese. We've learned a lot from very early entrants, and as a result have a better understanding of the real key levers to this business. From watching them we know the points of risk, the points of value. Interestingly enough, we probably have the advantage of being the second mover in this instance. While people might perceive that a big company like Adecco doesn't move fast enough, , I can assure you that when we do move, we are very committed behind the decisions we make.

***HC:* There's a lot of jargon floating around out there: human capital management, talent management, talent acquisition, RPO, etc. How does Adecco define these terms and why should we care?**

MB: There is a lot of noise out there with respect to what RPO is and isn't. I don't want to attempt to define it here, but I will say that in our minds our RPO service offering will focus on the universe of candidate acquisition approaches and recruitment process management. Adecco is structured as a global business organized around professional business lines. One of those lines is Adecco Human Capital Solutions: a high touch, white glove business offering services such as career transition, leadership consulting, talent management, retention and mobility, and workforce planning. Adecco HCS is a perfect complement to our RPO service offering.

Because Adecco is a more mature business, we're much more defined. We understand the real terms of art and how to address them. Adecco can offer real, full-lifecycle talent acquisition and management: how you get them in the door and keep them. We complete the circle of life. We can get the people, we can keep the people, we can develop the people, we can move them around the world and between and even out of jobs, and we can offer succession planning for them.

KD: Part of Adecco we are now a single entity that can offer the full spectrum. As the scope grows to include employment branding, temp staffing, career transition, change management, etc., we can offer all that in house.

MB: We're seeing a real call for single-source providers. We're looking at solutions that can provide continuous visibility of all global human capital regardless of tax or employment status: full time, temps, exempt, non-exempt, etc. There's a global trend to move towards a truly, globally integrated view of the entire workforce. The Global 2000 have a really long wish list, and a company like Adecco is probably in the best position to deliver.

KD: We wanted to be acquired by Adecco because we know the world is flat. More and more buyers are looking for global, integrated solutions.

***HC:* TalentTrack has always been a leading voice for advancing the state of RPO. Will Adecco continue this tradition?**

MB: We amplify that tradition. That's one of the reasons we were interested in TalentTrack. We are a Swiss company, so our European heritage enables us to do this on a much bigger playing field now. Our global CEO instills a unique corporate culture: experts talking to experts, and this philosophy cascades down through all of our business lines and services offerings. We're going to take the practice of RPO beyond how do you define it and push it out beyond serving just the employer to also serving the candidate.

Adecco places several hundred people every single hour, every single day. Without touching the candidate, we know our business isn't leveraging our full potential. We'll continue with TalentTrack's existing tradition and amplify it to include the dual customer model: serving the employer and the candidate.

KD: We plan to stay very active in the RPO Alliance and in leadership positions, but also through greater speaking and publishing. We'll continue to make significant contributions to this field.

MB: Kim's exactly right. And we're going to help take this industry to another level. As an example, and there a host of others, we have a program with the military to help military spouses find work. We can leverage our knowledge of the military space into service offerings like RPO. This is valuable as we all know that the [US] government is very exposed to the Baby Boomer retirement. We can take RPO into places where it hasn't gone yet.

HC: Predictions? Where do you see RPO is headed?

KD: RPO as an industry has really picked up. There are more and more investigating this as a strategic solution. Receptivity is up. We're seeing a lot more real decision makers – not just casual shoppers kicking the tires and we're seeing more and more G2 customers. This is going to be a whole new dynamic the industry needs to deal with. The early entrants need to look carefully at where their clients' needs are going.

MB: Where I sit, I don't think it matters what we call it, but fundamentally the market defines the solutions. As the market matures, its understanding of what it wants to buy will determine the solutions. That's changing quite a bit in the last three years and will change again over the next three years. We're in the human capital solutions business. Those solutions could manifest differently over time. Providers need to be sensitive to the fact that this isn't cookie cutter. At the end of the day, we're in the people business and what we're here to do is to help employers attract and keep people.

We have to set aside our ideologies.

KD: Michael's right: the market defines the solution. We have to configure to meet the defined need of the client. You cannot offer a static solution and then force fit the customer to that one application. This has been one of the problems with the industry in the past.

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