

February 10.....

# Inside Outsourcing™



INTERVIEWED BY LARRY JANIS

Inside with:

## Mike Ettling, Chief Executive Officer, NorthgateArinso

NorthgateArinso is a leading global Human Resources software & services provider offering innovative HR business solutions to employers of all sizes, including Global Fortune 500 companies and many Public Sector organizations. We help HR executives optimize their HR service delivery through smarter process and more efficient technology, supporting key HR areas like workforce administration, payroll, benefits, recruitment, learning, and talent management.

Our 5,000 employees are dedicated to HR excellence through strategic business consulting, outsourcing services, systems integration and best-of-breed software solutions. We are one of the 5 largest HR service providers worldwide and have offices in 31 countries on 5 continents.



**LJ:** *As the Chief Executive Officer of NorthgateArinso, what are your responsibilities?*

**ME:** As the Chief Executive of NorthgateArinso, I'm responsible for the overall health of the business, achieving our growth targets across all regions and creating superior value to our customers by ensuring the delivery of high-quality HR solutions. Much of my career has been spent working for global businesses, especially in the BPO industry throughout the world. These elements of my background all contribute to my work at NorthgateArinso.

FROM THE EDITOR

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Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.

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***LJ: Given the current economic environment, do you see companies approaching outsourcing any differently? Please elaborate.***

**ME:** Following the current economic climate, many companies have become more open to various forms of outsourcing, including HR outsourcing. IT outsourcing is probably the most popular form of outsourcing today, but I sincerely believe that in ten years HR outsourcing will reach the popularity levels of IT outsourcing. It will be a common practice for many global companies.

HR outsourcing offers a number of key advantages that are very attractive to companies today. It allows companies to focus on their core business and leave some of the non-core operations such as payroll, workforce administration and maintaining HR/IT systems to specialist providers. By creating synergies and economies of scale, providers such as NorthgateArinso can offer a rich set of HR services globally that are delivered at a lower cost and a consistent quality. As a result, our customers only have to deal with one provider for all things HR.

HR outsourcing also allows companies to become more agile and demonstrate superior flexibility when entering new markets or going through M&A as they can focus on their core markets and customers. HR outsourcing offers a more flexible cost base where a company only pays for HR services on a per-employee basis, effectively turning the fixed costs of running HR operations (CAPEX) into a variable cost (OPEX), and at the same time offering great potential for additional cost reductions. Finally, HR outsourcing allows HR professionals to leave a lot of the administrative burden to specialists, so they can focus on strategic HR, including acquiring and nurturing talent, measuring and improving performance, and managing and developing the workforce.

***LJ: Are there geographic regions and/or vertical industry segments that seem to be moving forward faster than others?***

**ME:** NorthgateArinso is a truly global company. We have a dominant presence in the UK and EMEA, a strongly growing presence in the Americas, and an important offshore HR delivery operation in Asia-Pacific. Different regions have different drivers. Clearly the Americas are further along the maturity curve in HR outsourcing with a strong track record of successful HRO deals.

***“I sincerely believe that ten years HR outsourcing will reach the popularity levels of IT outsourcing.”***



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Key drivers for HRO in the Americas are focus on the core business, the search for improvements in HR service quality and the need to reduce fixed operating costs, such as those for HR technology. In the UK and EMEA, drivers for HR outsourcing are similar, but HR outsourcing is particularly appealing in this part of the world as it helps reduce the complexity of delivering HR services in many countries from a single technology backbone. Europe is very diverse and delivering HR services in many languages, across many legislations and ‘people cultures’ is a constant challenge for many global companies. We can take a lot of that complexity out of the hands of our customers and replace it with a consistent level of HR services including legal updates, monitoring of regulations, maintenance of systems, etc.

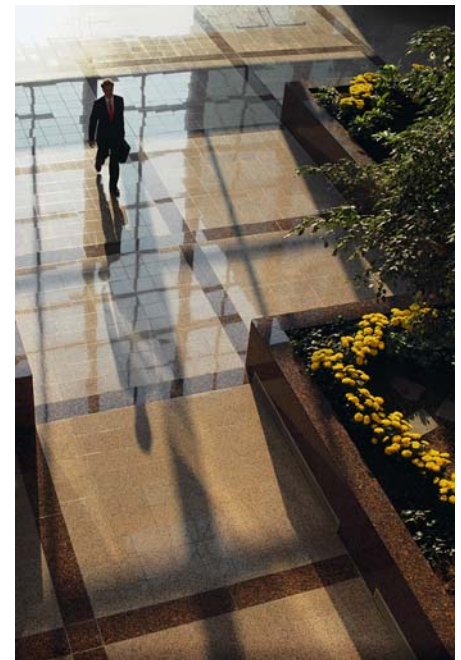
Finally, APAC demonstrates great opportunities. It’s a market with a volume that is similar to the Americas and with a level of complexity that is similar to Europe – and one of our strengths is our mastery of this kind of complexity. APAC is a pivotal region for our HR delivery centers organizations, with hubs in India, Malaysia and on the Philip-pines. In the future, we expect to see great things in Asia.

As for vertical segmentation, we see that all industries are currently demonstrating a healthy appetite for HR outsourcing and HR technology, which helps them operate more efficiently. We have no particular vertical focus, but we do notice some industries adopting HR outsourcing more quickly than others. These sectors include finance, insurance, chemicals and pharmaceuticals. These are typically organizations that face huge competitive pressures and, therefore, are constantly on the lookout for better performance, lower costs and improved agility.

**LJ:** *Which service offerings will become or remain the leading segments of NorthgateArinso’s business model?*

**ME:** Clearly we see great appetite and potential for HR outsourcing across the globe. But since its inception around a decade ago, HR outsourcing has been transformed quite a bit, to the point that many companies are now familiar with the concept and are no longer looking for all-or-nothing HR outsourcing. Many companies actually start using HR outsourcing as an integral part of their strategy.

*“We can take a lot of that complexity out of the hands of our customers and re-place it with a consistent level of HR services .”*



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Companies can choose to outsource the IT side of HR, in full or in part, or they can choose to combine it with functional areas such as payroll, benefits or workforce administration – this is what we call HR Business Process Outsourcing or HR BPO. Also, companies can choose to start small – either in a number of countries, or in terms of employee population – gain experience, and grow their HR outsourcing operation over time.

**LJ:** *You recently made an acquisition of CIAN, a division of Randstad HR Services. How will this impact your business model? Do you anticipate additional acquisitions?*

**ME:** The acquisition of CIAN will not fundamentally impact our business model. It does, however, impact our market position in Benelux and more particular in the Netherlands where CIAN’s main customers and headquarters are located. It makes us the de facto market leader in HR and payroll outsourcing in the Dutch market. This position illustrates our company strategy, which is focused around being the number one or two player in the markets where we operate. We were already in that position in the UK, Ireland and a number of Asian markets, the CIAN acquisition brings us in a leading position in the Benelux.

As for additional acquisitions, we do have a clear and strong objective to grow this business globally. Growth can be obtained organically, and with the market’s current appetite for HRO we see some good potential for continued growth. In markets where we want to grow quicker or that are more challenging to enter, acquisitions are a valid option. Obviously, the context and situation must be sound. Our acquisition of the SAP HCM unit of HP/EDS in Germany is a clear example of our acquisition strategy, as well as our recent acquisition of Neller in Australia.

**LJ:** *How would you define NorthgateArinso’s competitive advantage in the marketplace?*

**ME:** NorthgateArinso occupies a unique place in the market. Our business model is centered around HR, and as such we can help HR leaders control costs, deliver higher quality services, and become more agile through four solution lines: HR outsourcing, systems integration, HR software and business consulting. All of these solution lines leverage our unique Intellectual Property (IP) in human resources services.

***“As for additional acquisitions, we do have a clear and strong objective to grow this business globally.”***





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In reality, there's only a handful of companies HR leaders can talk to in order to effectively address their needs around HR service delivery, especially if you consider the global scale of HR services. We are clearly one of these players, and our objective is to be the leading player in this marketplace.

Finally, we're also very proud of our sense for innovation. This spirit of innovation is an absolute necessity when it comes to delivering value to customers, not only through HR technology, but also through smart and efficient strategies around HR service delivery. An example of this innovation can be found in how we conceived a solution for global companies to combine HR technology delivery in-house, OnDemand (Saas) and through BPO. By leveraging our unique IP, we managed to create an HR solution that our customers can use transparently and in a smart, hybrid way.

***LJ: What has enabled you to be successful?***

***ME:*** Two things really, first, there are the people I work with. Working with a team of top performers keeps you sharp and is a key asset in a services business such as ours. Secondly, there's the continued focus on customer value. Our customers are our greatest asset and creating superior customer value is both my personal objective and the objective of everyone at NorthgateArinso.

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