

Recruitment Process Outsourcing – The Right Talent Strategy for your Organization?

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What is Recruitment Process Outsourcing?

Recruitment Process Outsourcing is a type of business process outsourcing (BPO). Business Process Outsourcing is defined as the contracting of a specific business task to a third-party service provider. Cost savings is usually the primary driver for business process outsourcing.

RPO is the outsourcing of all or part of the recruiting process to an external business provider. The service provider may act as a virtual recruiting department for the company by providing all of the skills, technologies and activities needed for recruiting or may provide only select components and processes within the recruiting cycle.

Full-service RPO runs the gamut—from finding the candidate to hiring a new employee and almost everything in between. HRO Today defines recruitment process outsourcing services to include:

- Sourcing
- Screening
 - Testing
 - Interviewing
 - Background checks and drug testing
- Hiring
 - Coordinating the offer letter
 - On-boarding
 - Maintaining applicant tracking logs, requisition, and candidate files
 - Reporting
 - Training¹

This white paper explores the history of RPO, the industry and market trends driving RPO, the challenges and benefits of RPO and guidelines for planning and implementing a successful RPO program.

¹ Denise Doig. "The Baker's Dozen-Recruitment Process Outsourcing." HRO Today. July / August 2006.

The History of RPO

Traditionally, recruiting has included the use of internal recruiters, external recruiting agencies and other external resources such as newspapers and internet sites. Companies have been utilizing temporary placement and executive search firms to supplement their recruiting efforts for decades, but the concept of true recruitment process outsourcing did not emerge until the mid 1990s. Many believe that the creation of recruitment process outsourcing was the result of the shortage of skilled labor created by the dot-com boom combined with the proven cost savings of other forms of business process outsourcing.

The first RPO programs were primarily project based. RPO providers demonstrated their value proposition by focusing on attracting more talent per recruiter than their client's in-house recruiting staff. This led to annual contracts for all recruiting. These one year contracts led to three year contracts. Today, seven to ten year RPO contracts are not uncommon.

In 2006, the Recruiting Roundtable polled 163 recruiting executives from large organizations to determine how many recruitment processes were outsourced to a third-party. Although just 4.3 percent of responding organizations reported that the vast majority of their recruitment processes were outsourced and roughly 20 percent reported that they do not outsource at all, nearly three-quarters of organizations reported a portion of their processes were outsourced.²

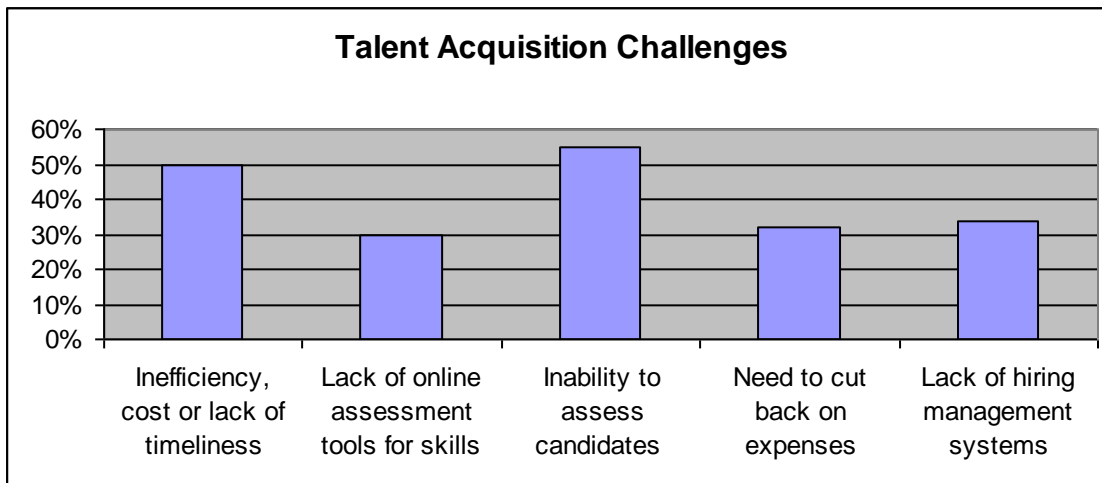
² HROA. "Recruitment Process Outsourcing Trends." <http://www.hroassociation.org/file/3547/rpo-study-reveals-recruitment-process-outsourcing-trends.html>

Industry Drivers for RPO

Recent research by Aberdeen's HR Executive's Agenda found that 86% of HR executives surveyed identified their greatest challenge as maintaining their company's ability to compete for top talent.³ The ability to hire the right people at the right time is a key factor in the success of any organization. In today's market, workers are fluid, the use of contract and part-time labor is on the rise, and unemployment is low. These factors have led to a war for talent. Companies are feeling pressure to find faster and easier ways to attract secure and keep talent.

According to a survey of HR and senior executives conducted by Aberdeen Group in 2006, many companies are finding that their current recruiting processes are not sufficient for meeting their talent goals. The top five challenges in talent acquisition were listed as:

- Inefficiency, cost or lack of timeliness in managing the sourcing process
- The lack of online assessment tools for skills
- The inability to assess candidates for skills and attitudes
- The need to cut back on expenses
- The lack of a hiring management system



The industry trends that have led to a war for talent and the lack of adequate resources for recruiting are leading organizations to ask if someone else can do it better, cheaper and faster.

³ Aberdeen Group. "Recruiting Process Outsourcing: The Next New Thing." December 5, 2005.

Benefits of RPO

A recruitment process outsourcing program that is properly planned and managed will provide several benefits. First, it will increase the efficiency of the recruiting process and the quality of the talent found while simultaneously decrease recruitment costs. It will also reduce the risks associated with recruiting while freeing resources to focus on strategic HR functions.

Recruitment Process Efficiency

As recruitment process experts, RPO providers use their infrastructure, technology, and expertise to reduce hiring cycle times.

Talent Quality

A strong RPO provider utilizes proven talent attraction and screening strategies and tools in order to provide quality talent. Many RPO providers are experts in talent acquisition. They have years of experience in quickly reducing a large list of candidates to the top three to five, and then to the best possible candidate for a given position. Using a rigorous selection and screening process, an RPO partner can screen out potentially low-performing candidates.

Recruiting Costs

RPO providers are able to lower the costs associated with recruiting through the use of technology, process improvement, and by leveraging their recruiting dollars across clients. Current data suggests an RPO partner can help organizations reduce overall hiring costs by 10 to 30 percent.⁴

Recruiting Risk

There are a number of federal laws that employers must follow when hiring employees. Generally speaking, these laws prohibit discrimination in employment decisions based on race, color, religion, sex, age, ethnic/national origin, disability, or veteran status. The increase in the use of internet recruiting has led to the new OFCCP Internet Applicant Recordkeeping Rule which requires companies that work with government contracts to solicit race, ethnicity, and gender data from all individuals who are “applicants” for employment and to maintain records for all applicants. A worthy RPO provider monitors the legal environment in order to stay in compliance with all of the regulations that relate to recruiting by following standard and compliant recruiting processes.

⁴ AON. “In War for Talent Recruitment, Process Outsourcing Helps Build Hiring Advantage.” [HR Outsourcing Article](#). September 2006

Is RPO Right for Your Company?

Earlier adopters of RPO were typically organizations that were unable to find employees for positions that directly contributed to revenues. Today, the decision to outsource is more widely accepted by and is driven by business conditions that typically incent companies to outsource other functions that are not core to their business.

In today's challenging talent market, the idea of outsourcing recruiting is appealing. Outsourcing recruiting is a significant undertaking. When evaluating your organization's readiness for RPO, consider the culture of the organization, the effectiveness of your current recruiting practices, and your organization's recruiting goals. Answering the following questions is helpful in determining your readiness for a RPO solution.

- Has your organization successfully outsourced other functions?
 - Some organizations are more open to partnerships than others. Talent recruitment touches every hiring manager and HR staff person in the organization. Assess your organization's willingness to accept counsel and best practice processes from a RPO. If key resources are not ready to work with a partner, create and implement a plan for changing attitudes towards partnerships before outsourcing.
- Are recruiting tasks preventing key HR staff members from focusing on strategic projects?
 - If recruiting tasks are affecting the ability of HR staff members to contribute to the overall goals of your organization, consider outsourcing.
- Is recruiting a core competency of your organization?
 - If your organization does not have the staff, resources, and tools to effectively and efficiently recruit the right talent, you are losing talent to your competition and should consider RPO.
- Has your organization defined goals for RPO?
 - Failure to define goals will lead to failure of any outsourcing endeavor. A clear understanding of the problem that you are trying to solve by outsourcing as well as metrics to determine your success in solving that problem will aid you in your decision to outsource recruiting or keep it in-house.

Obstacles to RPO Success

A HRO Today webcast on RPO in February revealed seven factors that may lead to dissatisfaction in RPO. We have added our thoughts to those seven factors below.

The Wrong Approach

Companies often make the mistake of including only the most senior stakeholder in RPO planning because they view RPO as traditional recruiting done by a third party. This can lead to change management issues. Those that are a part of the recruiting process but were not included in the planning process may resist the change. This decreases the commitment of those affected by recruitment decisions - those who ultimately work with or manage new hires. Including all who will be affected by the change in the goal setting and decision making processes will help to ensure their commitment to the project.

Lack of Commitment

A successful RPO engagement requires a great deal of discovery, analysis, process definition, and planning. A lack of commitment may result in a plan that does not include steps for optimizing the recruiting process, shifting risk to the provider or change management. The plan must include the project goals, the steps to reach those goals, the recruiting process, an internal marketing plan that includes communication and training as well as guideline for measuring success,

Poor Communication

When communication is lacking, those employees who are actually charged with making the RPO process work create their own plans that may not be consistent with the company's recruitment outsourcing goals. Communication needs to be frequent, clear and driven from the top down.

We vs. They Mentality

In order to be successful, the relationship with the provider needs to be a true partnership not a competition. In-house recruiters and HR staff members may feel threatened or believe that their jobs are in jeopardy. Others may feel that the new process will add to their workload rather than reduce it. Competition between the HR staff and the RPO provider leads to a competitive disadvantage in talent acquisition. Including everyone who will be affected by the change in the planning will help set the stage for a true partnership.

Process Bottlenecks

The primary goal of RPO is to increase the number of qualified candidates available to the client. Internal processes that are inefficient or outdated will prevent the organization from

achieving its goal of a more efficient, cost effective recruiting process. A successful RPO plan includes not only those recruiting processes that will be outsourced, but every process in the recruiting lifecycle.

Poor Selling and Branding

In order to win today's talent war; an organization must develop a strong employment brand. Today's candidates consider more than just the position when looking for employment. They look at employee retention rates, the social responsibility of the company and reputation of the organization. In order to be successful, the RPO provider needs to have the knowledge and tools to sell the company's employment brand.

Lack of Baseline Data

In order to set service levels and measure the success of your RPO program, you need to know where you started. Most organizations lack meaningful data about the cost of their recruiting efforts and consider RPO an additional cost.

Without reasonably accurate data tied to common benchmarks, it's extremely difficult to determine the cost of an organization's recruitment effort.⁵

Overcoming These Obstacles

An organization can overcome these obstacles or avoid them all together by knowing their current state and creating a solid plan for RPO. The current state includes the level of executive support and commitment, the business case for RPO, areas of internal resistance and solid baseline data. The plan for RPO starts with the goals of the program and includes the effort required to meet those goals and the metrics for measuring success.

⁵ Webcast. "Recruitment Process Outsourcing: Seven Fatal Practices." Human Capital Institute. February 25, 2007

RPO Providers

Recent buyer sentiment surveys rank recruitment as an HR function high on the list of likely functions to outsource, yet of all the outsourced HR services, it has the lowest customer satisfaction. Less than 40 percent of survey respondents said that they were satisfied with their RPO.⁶ Much of this dissatisfaction can be attributed to unclear goals for the outsourcing program.

The first step in selecting a RPO provider is defining your RPO needs. Keep in mind that RPO is defined as the outsourcing of some or all recruiting tasks. The services provided by RPO companies range from strategic to administrative and almost always include the sourcing of candidates. Few providers excel in all areas of the recruiting process. When checking references for potential providers, ask about their performance in each of the areas that you are planning to outsource. When evaluating RPO companies, ask the following questions:

- How did your company begin?
 - What services were included in your initial offering?
 - What services have been added and how were they added?
- How many clients are using each of your services and how large are those clients?
- What will you do to help us meet the goals outlined in our plan?
- How will you adjust your services as our organization grows and changes?
- How will you track and report on KPIs?
- What level of experience will the resources dedicated to our organization have?
- What can I expect in terms of ROI?
- Can you provide references for clients with solutions similar to the solution you will provide for our organization?
- What service level guarantees will you give us? Will you agree to financial penalties for not reaching service levels?
- What technology do you use? How is it supported? Will you allow us to evaluate your technology?

⁶ Michael Beygelman. "Recruiting as a Service." HRO Today. March 2007.

Each year, HRO Today provides a list of the top thirteen RPO providers. Providers are ranked based on the overall breadth of the services provided, the average number of hires managed per year and the quality of service. The services used by survey respondents and the top thirteen providers are shown in the tables below.

Percentage of buyers surveyed receiving the following RPO services:	
Requisition development with hiring management	55%
Sourcing	92%
Screening	96%
Interview scheduling	78%
Requisition management (direct responsibility to hiring managers and direct communication with hiring managers)	71%
Management of offer processes including offer presentation to prospective candidates	51%
Management of onboarding processes (i.e. I-9 form collection, benefit enrollment, provisioning coordination)	18%
Reporting and metrics for staffing operations	70%
Workforce planning support	18%
Staffing department budgeting support	9%
Employment brand development consulting and program management	24%
Employment advertising budget coordination and advertisement strategy development	32%
Advertisement creation and placement	45%
Provides contingent or temporary staffing	26%

Rankings Indices for the Baker's Dozen						
Rank	Provider	Breadth of Service	Deal Size Index	Quality of Service	Overall Index	Comments
1	Kenexa	14.33	1.33	12.17	47.17	
2	Spherion	11.80	3.20	12.80	46.50	
3	Alexander Mann	14.20	1.75	10.60	44.25	
4	The Right Thing	10.56	2.00	13.00	43.84	
5	TalentTrack	9.75	1.00	13.75	43.13	
6	Capital Consulting	13.00	1.17	10.17	41.00	
7	PeopleScout	10.29	2.50	11.05	40.03	Survey responses suggested non-exempt and limited breadth of scope
8	Kelly HRfirst	12.00	2.20	9.20	38.60	
9	Manpower	12.56	1.50	8.52	37.38	Survey responses suggested non-exempt and limited breadth of scope
10	Momentum	7.00	3.00	8.45	30.40	Survey responses suggested non-exempt and limited breadth of scope
11	TalentFusion	6.11	1.00	8.16	26.4	Many surveys suggested programs are contracted for less than one year, unlike others who sell multi-year.
12	Hyrian	n/a	n/a	n/a	n/a	**
13	CRI	n/a	n/a	n/a	n/a	***

⁷ HRO Today Staff. "The Baker's Dozen: RPO." *HRO Today*. July / August 2007

Conclusion

In order to remain competitive in the talent war, companies must continuously strive to improve their talent acquisition and talent management processes. Working with the right RPO provider can help an organization acquire quality talent quickly while managing recruiting costs. A successful RPO program requires a comprehensive plan, executive level support, commitment from the HR staff and hiring managers, a worthy partner, and the flexibility to change with changes in the talent market.

About WorkforceLogic

WorkforceLogic is an innovative workforce management company focused on risk mitigation, talent acquisition management and contingent workforce planning. As a professional advisor, we help our clients strategically manage their workforce acquisition process while managing costs and mitigating risk.

We help our clients create and execute an innovative strategy for managing the acquisition of their workforce that fits their budget, specific business goals and market response requirements. Some of WorkforceLogic premier clients include Yahoo!, Brocade, Bank of the West and Hitachi Data Systems.