Recruitment Process Outsourcing
The Good, the Bad, and the Ugly

By John Younger
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The continued economic uncertainty is fueling the upward trend in human resources outsourcing, and this seems to be particularly true for recruiting. Outsourcing of the generalist functions, including payroll, benefits administration and employee relations, has considerable momentum today. The recruiting function, however, is now leading the pack.

This white paper will explore the three principle hurdles in maximizing the impact of recruitment process outsourcing (RPO);

1. Understanding your motivators for outsourcing this function
2. Recognizing the root problems that outsourcing will and will not solve, and
3. The top 7 success factors in identifying and managing the Recruitment Process Outsourcer for your organization.
RPO - A New Recruiting Solution

Triggered, in part, by the gutting of recruitment departments over the last 2 years, many companies do not want to return to the “old” options. In fact, the current economic environment with higher volatility and lower visibility is forcing the need for an alternative. The thought of repeating the days of high fixed costs for internal recruiting staff and software, contract recruiters and the use of agencies is driving many executives to explore alternatives. One compelling option involves engaging a Recruitment Process Outsourcer. Ideally, this outsourcer would provide high quality comprehensive support for the recruiting and staffing function while being scalable, flexible and more cost effective.

Many companies, forced to slash overhead and generate more revenue from their primary products or services, now have a better understanding of what functions are core to their success and which are context. Payroll processing is context, for example, because it is a common and necessary function across all companies. No matter how well payroll is processed, it gives the company no competitive advantage. Similarly, hiring top-performers is core, but the process to find, recruit and manage the function is context. Companies use the same antiquated methods, job boards, applicant tracking systems and people. Recruitment Process Outsourcing (RPO) represents a departure from these traditional options, but finding, selecting and managing the right one for your company may be challenging.

Here’s how to look at the recruitment outsourcing decision in terms of a two-by-two matrix:

This diagram describes the outsourcing decision along two dimensions. The first, Strategic-Non Strategic, considers how important the activity is to achieving long term strategic competitive advantage. For a software firm, for example, competitive advantage is largely driven by innovation, release management and support. Code developers who understand the business need and can consistently deliver error-free code clearly are of strategic competitive importance. Outsourcing the code development function in this environment would, in effect, be handing over control of this potential source of competitive advantage to an external party. On the other hand, code development to a hospital may be of less strategic importance, and therefore could, potentially be a candidate for outsourcing.

The second dimension, Competitive-Non Competitive, relates to how competitively the function being considered for outsourcing is currently being performed compared to the external competitive marketplace. This relates primarily to quality, speed and cost.

Putting the two elements together gives four possible outcomes.

1. Functions that are of Strategic importance like the interviewing and selecting top-performers should be retained.
2. Functions that are of Strategic importance like new hire indoctrination and retention programs, but which are not currently being performed competitively with the external marketplace should not (in the long run) be outsourced. Instead, a better long-term option is to re-engineer
them to ensure that they are performed effectively and at a competitive cost. It is possible that, as an interim measure to speed the transition process, a tactical decision is made to outsource the function short term.

3. Functions that are not of Strategic importance to the company like applicant tracking and recruitment process management, and which are not currently being performed competitively with the external marketplace should be outsourced. There is little value in investing in improving this function when there are Recruitment Process Outsourcers who have this as their core business.

4. The final combination, those functions that are not of Strategic importance like hiring manager training, but which are being performed competitively with the external marketplace is more interesting. If the company can perform this recruitment related functions competitively, then a recommended path might be to transfer it to the RPO for ongoing management.

RPO Challenges

Sifting through the volumes of misinformation flooding the market about recruitment outsourcing is a formidable endeavor. It’s a buzz phrase that vendors of all types, including software companies, testing companies and job posting sites, use inappropriately and this confuses the market. For example, many recruitment agencies are attempting to capitalize on the recruitment outsourcing momentum and are claiming to provide this end-to-end support. Upon further examination, however, most of them are not incorporating all sources of candidates like employee referrals, managing the applicant tracking or insuring compliance with governmental (EEO) data collection and reporting. These agencies are simply providing the same services they have always provided, and the quality, speed and cost advantages of an RPO will not be realized.

The recruitment industry is already beginning to go through a major shift as outsourcing takes hold. Companies that provide true recruitment outsourcing services are establishing common definitions, metrics, standards and accreditations so that the market can assess vendors on an apples-to-apples basis. Right now the RPO industry is disparate, but there are unbiased, credible and central places to check if the recruitment outsourcing vendor is for real or just an agency with a façade. One resource may be the Recruitment Process Outsourcing Association (www.RPOassociation.org), a vendor neutral organization dedicated to helping companies navigate their recruitment outsourcing goals by qualifying, certifying and monitoring vendors.

Is RPO for You?

RPO is not for everyone. Here are a few things to consider when evaluating an RPO solution for your company:
Understand why you are outsourcing the recruiting function.
The key to a successful outsourcing relationship is having a clear understanding from the beginning about the current company pain related to recruiting. Once clarified, this sets the stage for the selection and management of an RPO, in addition to setting internal human resources, hiring manager and executive expectations. At the simplest level, the current infrastructure and people cannot adequately support the recruitment function with issues related to quality, speed and/or cost or the company would not be exploring RPO. The key is to explore the specific reasons and rank them in priority order. Examples include:

- Internal resources are minimal or non-existent.
- There is an anticipated increase in hiring activity.
- The use of recruitment agencies is excessive.
- The cost for infrastructure upgrades is significant, (e.g. need a new ATS or significant ATS upgrade, failed EEOC or OFCCP audit due to poor record keeping, etc.).
- Hiring Manager dissatisfaction is reaching the executive ranks and a meaningful change is needed to address this issue.
- Executives want a more accountable and/or consistent option than the traditional internal recruiters, contract recruiters and agencies.
- Executives recognize that hiring the right people is essential to the company’s success, but the process of recruiting these top performers is non-core.
- Metrics related to recruiting quality, speed and cost are unknown.
- There is no single point of accountability and management for the recruiting function.
- Increased pressure to reduce recruitment expenses, even if the actual expenses may not be known.

Fully understanding your company’s issues is an essential first step. This sets the stage for measurable objectives and areas of focus for the RPO relationship. As the Service Level Agreement is crafted, these points will be the central theme.

Recognize the root problems that outsourcing will and will not solve.
As one of the RPO leaders states, “Don’t expect us to manage your mess for less.” Commonly, companies jump to reducing cost as the primary reason for considering an RPO, and proceed down the path of finding a “cheaper” way to meet their recruiting needs. What is often missed, however, is that RPO is not a commodity. It is a highly consultative function with vast differences in structure, focus, technology, and cost. It may be that your company has a culture that necessitates a higher degree of hiring manager handholding throughout the process, or that periodic bursts to hire large numbers of similar people, like customer service representatives, is essential.

Fundamentally, your quest to find an RPO is driven by the need to improve candidate quality, increase recruitment responsiveness and decrease cost, probably in that order. Cost is often at the forefront because it’s one of the few, if not the only, metric reasonably known by your company. The lack of more essential metrics, surprisingly, is often undervalued and one of the essential problems to be solved. But don’t expect the RPO to solve it with the same or fewer resources than you are currently
allocating. If a company has a recruiting metrics issue, and most do, focus on the quantifiable desired end results and resist the urge to jump to reducing cost as the primary objective. In the end, hiring employees who perform at a high level and retaining them could dramatically improve the company’s bottom line.

Be prepared to let go of your traditional and inefficient processes and infrastructure. One of the biggest challenges facing the recruitment outsourcing industry is that many clients are defining or demanding how recruiting must be done. That flies in the face of where the expertise actually resides. If the RPO brings the domain expertise and they allow the company to dictate something other than recruiting best practices, then there is a fundamental problem. It would be like hiring a professional to build your house, and then dictating to the builder what size pipes to use in the plumbing or how the wiring should be done.

Look critically at the obstacles currently hindering the achievement of your company’s recruitment goals. If the reasons revolve around the need for greater expertise, improved processes and better technology, then an RPO will probably make an immediate and measurable positive impact. If the issues relate to a culture of minimal hiring manager accountability, lack of executive team support or unrealistic expectations, then the RPO’s impact will be greatly diminished.

Top 7 success factors to identify and manage the Recruitment Outsourcer for your organization. Recruitment Outsourcers, by definition, must be able to execute, manage and measure recruitment activities significantly better than any corresponding internal function. The following steps will help guide you in the selection and management of the right one for your company.

1. **Get executive support.** The move to outsource your recruitment function will impact every part of your company, and executive buy-in is essential. The quickest way to derail an RPO relationship is to have an executive who does not want it to work. The RPO must be accepted as a part of your company’s internal Human Resource function.

2. **Set realistic expectations.** Understand that there is no perfect or magic solution. So, rather than compare Recruitment Outsourcers to an unrealistic ideal, compare them to your existing options. Most companies are starting from little or no data from the existing internal function. Be careful not to make broad assumptions about your company’s current quality, speed or cost unless you can back it up with actual data. Begin by listing the pain your company is experiencing in the recruiting area in priority order. Include stakeholders, brief description of the issue, what is the adverse impact to the company (quantitatively if possible) and how it’s currently being addressed.

3. **Include your entire recruitment need.** Most medium to large companies have needs for contractors and full-time staff. Delivery of these two services is closely related, and your company may get a bigger bang for the buck if the same provider supports both types of hiring. Other benefits may include simplicity for the hiring managers with a single point of request, contract to hire opportunities where potential employees can be reviewed on a temporary
assignment, consolidated finance and accounting information and more accurate management controls and oversight. This may also benefit applicants because they will have greater opportunity and access to full-time, contract and contract to hire opportunities.

4. **Establish a small number of key outcomes with metrics that relate to hiring quality, speed and cost.** Focus of the metrics and be careful not to impose your existing processes and technology on the recruitment outsourcer. If you are committed to outsourcing the recruitment function, understand that companies that specialize in this should be able to far exceed your current internal delivery in a measurable way. As with any new process, the change management approach should include ample communication, training and follow-up. Here are some examples of these key metrics:
   a. Quality of hire and process as determined by hiring manager surveys taken at the time of hire.
   b. Quality of process as determined by new hire surveys taken at the time of hire.
   c. Time to present the person who is ultimately hired. This metric divides the each recruiting effort into two important parts: recruiting effectiveness vs. the efficiency of the interviewing and selection process.
   d. Cost. The Staffing.org Recruiting Efficiency Index (REI) is highly recommended.

5. **Compile a list of true recruitment outsourcers.** This may be a little tricky, but there are a few valuable articles from HRO Today (www.hrotoday.com) and resources through the Recruitment Process Outsourcing Association (www.rpoassociation.org). The initial identification and validation of possible RPO partners will save considerable time later.

6. **Communicate your points of recruiting pain** and draft a list of key outcomes (#3 above) to the RPO providers you identify, along with answers to the following questions. Ask them to address each point specifically. If you do not know the information, provide as much detail as possible. The more information provided, the higher the probability of a successful RPO relationship.
   - Describe why you are outsourcing the recruiting function
   - Outline your current process, including approvals, assessments, drug testing and on-boarding
   - Average cycle times currently (time to present the person hired, time to accept, time to start)
   - Average cost-per hire-currently and specifically how those numbers were derived
   - Current recruitment infrastructure that the RPO will replace (i.e. how many recruiters, administrative staff members, types of technology, technology support staff, etc.)
   - Number of hiring managers to be supported and their locations
   - Job detail - Job titles, brief description of responsibilities, salary levels, exempt/non-exempt, locations, number of hires for each in the previous year and expected number of hires in the upcoming year
   - Actual hires by source for the previous year, including internal transfers, employee referrals, job boards and agencies
   - Employee referral programs
7. **Select and manage the right RPO.** Recruitment Process Outsourcers have significant differences in technology, processes, staff and approach. This is a highly consultative function, so be sure to select the one that best aligns with your company’s culture, management style and goals. Some will refine your current process, use your existing technology and incorporate your staff in conjunction with their own, and others will have a more complete end-to-end solution. Align the Service Level Agreement with the key outcomes, and avoid linking it to processes and procedures that cannot be measured.

**Conclusion**

As the economic turmoil continues, it’s essential for companies to find recruiting options that provide consistency, elasticity and impact. Not only will the right recruitment process outsourcing firm provide a measurable economic benefit, it will also give the company a strategic advantage by hiring people who are a better fit in less time.

**About the Author**

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**About Recruitment Process Outsourcing Association**

Recruitment Process Outsourcing Association’s mission is to educate the market about Recruitment Process Outsourcing (RPO), incorporate common metrics and comparative information as defined by staffing.org, develop and enforce certifications and promote RPO benefits. We recognize that RPO is a unique industry requiring a common set of requirements and standards.
The RPOA service provider members benefit by being certified and rated, included in the organized RFP process, and participating in related industry events. These members serve employers by becoming an integral part of their internal recruiting function, lowering recruiting costs, reducing time to hire, and improving hiring results. By providing a full service outsourced recruitment process, member companies turn a job requisition into a desired, measurable outcome. Member

Companies benefit by better understanding the benefits and risks of recruitment process outsourcing, having access to a variety of tools to support the decision to consider RPO, access to certified service providers through an organized RFP process, and direct connection to other members to learn from their experiences.

To learn more about Recruitment Process Outsourcing Association, visit us at www.rpoassociation.org. Follow us on Twitter @rpoassociation and join our LinkedIn Group “Recruitment Process Outsourcing Association”.

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