

The Myth of Recruitment Outsourcing

Today, outsourcing of the generalist functions, such as payroll, benefits administration and employee relations, has considerable momentum but the recruiting function is just beginning to be seriously considered.

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There are three predominant hurdles in navigating the recruitment outsourcing landscape:

1. Understanding your motivators for outsourcing this function;
2. Recognizing the root problems that outsourcing will and will not solve; and
3. Identifying and managing the recruitment process outsourcer for your organization.

Triggered, in part, by the gutting of recruitment departments over the last four years, many companies do not want to return to the “old” options. The thought of repeating the days of large 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 which 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.

Figure 1 highlights 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 and 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 technical support. Code developers who understand the business need and can consistently deliver error-free code 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 be a candidate for outsourcing.

The second dimension, competitive and 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.

- Functions that are of strategic importance, like interviewing and selecting top performers, should be retained.
- 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.
- 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.
- Those functions that are not of strategic importance, like hiring manager training – but which are being performed competitively with the external marketplace – are more interesting. If the company can perform this recruitment-related function competitively, then a recommended path might be to transfer it to the RPO for ongoing management.

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

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Figure 1 The Recruitment Outsourcing Decision: A Two-by-Two Matrix



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 ensuring compliance with governmental (EEO) data collection and reporting. These agencies are simply

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; and
- 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.

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.

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

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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, are 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.

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Cost is often at the forefront because it's one of the few metrics, if not the only one, 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 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

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



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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 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.

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:

- Quality of hire and process as determined by hiring manager surveys taken at the time of hire.
- Quality of process as determined by new hire surveys taken at the time of hire.
- Time to present the person who is ultimately hired. This metric divides each recruiting effort into two important parts: recruiting effectiveness vs. the efficiency of the interviewing and selection process.
- Cost. The Staffing.org recruiting efficiency index 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 (No. 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 process, including approvals, assessments, drug testing and on-boarding;
- Average cycle times (time to present the person hired, time to accept, time to start);
- Average cost per hire and specifically how those numbers were derived;
- 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;
- Any other existing relationships with human resources outsourcing vendors (e.g., payroll and benefits are outsourced to ...);
- Existing service level agreements with hiring managers;
- Hiring manager and candidate quality survey responses;
- Diversity objectives;
- Retention data;
- Areas of hiring difficulty;
- Employment branding activities and budget; and
- Describe the company culture.

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 trend in human resource outsourcing continues, the recruitment function will move toward the center stage. It's a function that, while largely context, can dramatically influence a company's success and competitive advantage. Navigating the RPO landscape requires a detailed understanding of your company's recruiting pain and the recognition that there is no single best option, only the one that best aligns with your company. ■