

Is Recruitment Process Outsourcing Right for Your Organization?

Here's What to Consider

In a move to **control costs** as well as **plan for the future**, companies are increasingly turning to recruitment process outsourcing (RPO). Here's a look at **how the strategy works, what to expect,** and how to evaluate **what's right for your organization.**



BY ADRIENNE HEDGER

WHEN THE ECONOMY WAS STRONG AND HIRING WAS BRISK, companies turned to recruitment process outsourcing (RPO) as a strategic way to meet demand. Then the economy sank, pulling job markets down with it. But even in these difficult times, RPO remains an effective strategy—one that many companies are pursuing.

Why? Because RPO can deliver fundamental improvements to a company's recruiting function. By working with an RPO partner, companies can improve processes, establish meaningful metrics, reduce costs and show measurable progress toward goals. In short, gain a competitive advantage in recruiting.

This not only helps companies attract the right talent now, it positions them for success in the future.

THINK SOLUTIONS.

PRUNING: v. [pruning]
The art of trimming to
improve shape or growth.
Affects the size and quality
of the next year's crop.

Wherever you live, the economic situation has changed dramatically in recent times. Last year, over 70% of respondents to our Global RPO Report cited recruitment difficulties. This year, the global figure has dropped to just 54%.

When this recession passes, as it will, many HR departments around the world will have downsized significantly. And those HR departments which have been downsized in the lean times will be overwhelmed with the complexities of identifying and onboarding the quality and quantity of talent they need to fuel their company's renewed growth.

For those with recruitment needs now, or to ensure you are prepared for the future, let KellyOCG partner with you to ensure high quality candidate results through reduced costs and increased efficiency. Process review, advanced sourcing tools and capabilities, and LEAN methodologies are our everyday focus.



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"Companies are starting to think about how they'll handle recruiting once a recovery begins," says Terry Terhark, CEO of The RightThing. "Many see recruitment process outsourcing as an attractive option because it gives them the flexibility to ramp up quickly and easily."

This is especially true for HR departments that have scaled back recently. As Zachary Misko, global director, KellyOCG—RPO, points out, "A number of organizations have downsized their recruiting staffs. This means they could be overwhelmed by demand when the economy picks up."

How do you know if an RPO model is right for your organization? Start by considering the various options that are available, then make sure you know what to expect from the RPO experience and how to identify the right fit.

We begin with the options.

Scaled Solutions: The World of RPO

Because it's so broad, the term "Recruitment Process Outsourcing" means different things to different people.

"Think about the activities that go into the overall 'recruitment value stream,'" says Michael Beygelman, senior vice president, business development, recruitment process outsourcing, Adecco. "Some RPO providers excel in certain targeted areas of the recruitment lifecycle, while others focus on end-to-end solutions."

For example, some providers specialize in sourcing, and are able to deliver exceptional candidates to a company. Others service providers focus on candidate processing, and can handle the back-end processes seamlessly. Still other vendors may excel at hiring specific types of employees; hourly workers, IT professionals or senior managers, for instance.

At its most comprehensive, however, RPO encompasses all of these elements. Service providers that specialize in this area are able to deliver true end-to-end solutions.

"End-to-end RPO is about partnering with a service provider and outsourcing the recruitment function," says Randy Gulian, executive vice president, Allegis Group Services. "In

essence, the service provider becomes part of your organization, handling all recruiting, either for a business unit, a function, a location or the entire organization."

"This type of solution is seamless to candidates," adds Misko. "The recruiting team usually works under the client's name, has e-mail addresses that are provided by the client, and represents the client in all interactions."

The right level of outsourcing depends on your company's specific needs. Considerations include:

Your Current Recruiting Performance

Is your recruiting function strong in some areas, but weak in others? Where are the gaps? Or, put another way, where are your pain points?

Your Staff Size

Do you have fewer internal recruiting resources than before? Is there a plan in place to absorb increased recruiting demand once the economy begins to recover?

Your Company's Strategic Direction

Is your company planning to introduce a new product or enter a new market? If so, do your current recruiters have the skills and background to hire the right talent?

Your Ability to Outsource One Process vs. the Entire Function

Although end-to-end RPO models may not be the right fit for every company, typically these solutions enforce better ownership and accountability across all recruiting processes—and this leads to better performance against metrics.

"There are solutions to fit every need," says Beygelman. "The key is to think about what you want from an RPO. Consider what benefits you expect to see, and if an RPO firm is better positioned to help your company realize its business objectives."

What Benefits Can You Expect from RPO?

While the most dramatic results typically come with end-to-end solutions, other targeted strategies can deliver measurable benefits as well. In general, a company that partners with an RPO provider can expect to see:

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Better Processes

Recruiting processes can be inefficient, redundant and overly complex. But since they have evolved over time, they seem like “business as usual,” and it can be hard to identify the problems. One of the first ways an RPO partner can add value is by helping a company examine the way it works.

“An RPO partner can help you greatly simplify and improve your processes,” says Misko, who has helped Kelly OCG’s clients embrace LEAN process-improvement principles. “Going forward, the RPO team can take ownership for the process, integrate best practices, and ensure that everything is consistent and centralized.”

Improved Quality of Hire

It’s no secret that a bad hire can cost a company hard dollars. By improving candidate quality—and cultural fit—RPO models can reduce attrition and secure the right talent for critical jobs.

“In today’s marketplace too many providers place far too much emphasis on process,” says Gulian. “They don’t understand that the ‘R’ in RPO is the most important component.”

Indeed, identifying and hiring the best candidates is the heart of the recruitment function. But in order to improve, companies need to be able to measure their performance in this area, which can be difficult.

“Many companies don’t measure the quality of hire,” says The RightThing’s Terhark. “We use sophisticated reporting to measure how well recruiting is doing. As a provider, we are held to a higher standard; we know we need to move the needle on candidate quality, cost of hire and time to hire.”

At Allegis Group Services, candidate quality is measured in several ways. “We develop surveys to allow our clients to evaluate the quality of the hire, both immediately and over time,” says Gulian. “But in addition, we look at the percentage of candidates that come from competitors. We also look at promotion rates, meaning what percent of candidates are promoted within two years, and at candidate retention. Finally, we also include diversity as a measure of candidate quality. These are just some of the ways to gauge quality and make sure it’s moving in the right direction.”

Protected Intellectual Property

Workforce reductions are always difficult—and the effects on a company can be further magnified by the loss of intellectual property.

“You’ve spent time and money training someone and helping them become a productive recruiter for you,” says Misko. “If you end up having to let them go, you can’t get that knowledge back.”

This is one reason companies see a benefit in RPO: they have a steady core team of recruitment-focused professionals that is dedicated to their organization. “They know they have a team of professionals who completely understand their company and can tell a compelling story to job candidates,” says Gulian. “And they know this team isn’t going away.”

As Misko adds, “You also don’t need to worry about ongoing training or skill-building because the RPO provider takes care of that.”

Better Compliance

No matter which compliance regulations apply, an RPO provider should be able to create a consistent and thorough process—one that ensures your company follows the right guidelines. If an audit occurs, you should be able to quickly and easily access the right documentation.

Cost Control

Scalability is one of the biggest advantages of RPO. The team can increase during busy times and decrease during slower times—so your company only pays for the services it needs.

“You get away from the issues of having too many internal recruiters or not enough, and having to hire contractors as a bridge-gap,” says Beygelman. “Instead, your RPO partner can flex recruitment support staff up and down as needed—always with a team of people who understand your core values and have the skills and experience necessary to recruit the right people for your company.”

Meaningful Measurement

Few organizations do a good job of establishing and tracking recruiting metrics internally. And even companies that do capture metrics may not understand the true story behind the numbers.

“A company may think it has a blended time-to-hire of 25 days, and HR has a ‘green’ scorecard, but one should consider that eight of those ‘hires’ could have been self-fills, where recruiters opened requisitions and closed them on the same day,” says Beygelman. “On paper the number could look good, but in actuality you might have a host of jobs open for 60, 90, 120 days and a good portion of your hiring managers are being underserved.”

As part of an RPO partnership, recruiting metrics are examined and updated—and this helps the company continuously improve.

“We were recently in a meeting with a customer who said, ‘The scorecard is green like before, but our internal customers are so much happier,’” says Beygelman. “That’s because we began addressing the issues that the metrics were hiding pre-RPO.”

Thought Leadership and Expertise

A good RPO provider should also

serve as a thought leader, advising your company on what other organizations are doing and what’s new in the recruiting world. “They should be able to produce competitive intelligence and give you ideas for how to become even more strategic with your recruiting activities,” says Terhark.

Allegis Group Services’s Gulian shares an example. “One of our clients involved us when they were considering an acquisition—because they wanted to understand the availability of talent in a certain area. We were able to gather that information, and it gave the company key strategic information that they used in their decision making. It’s all about value-add in addition to the recruitment work. What can a provider bring to the table that makes them a true strategic partner?”

What to Consider

Companies that are thinking about a move toward an RPO model should ask themselves the following questions.

Snapshot: The State of Recruiting in 2009

What trends are unfolding in the recruiting market globally? The Global RPO Report 2009 from Kelly Outsourcing and Consulting Group (KellyOCG) and the Human Resources Outsourcing Association sheds some light.

The study surveyed 614 companies worldwide, ranging in size from fewer than 1,000 employees to more than 50,000 employees, and representing a wide range of industries.

Some of the key findings:

- 54% of respondents reported difficulty with recruiting. This was down from 70% in 2008, which reflects the slowing job market. The European, Middle East and Africa (EMEA) region is experiencing the most difficulty, with 67% reporting hiring troubles.
- A shortage of skilled staff was the largest challenge for most companies (82% cited this as their number one challenge). Uncompetitive salary followed in second place (35%).
- The majority of respondents (66%) said they are currently using recruitment firms, down from 78% in 2008.
- The largest employers (those with more than 50,000 employees) were much more likely (85%) to use recruiting firms.
- The most common use of recruiting firms is for sourcing, screening and testing, with over 90% of respondents relying on these services.
- The three main priorities of RPO are reducing time to hire, lowering cost of recruitment, and integrating multiple sourcing channels.

Copies of the report are available at www.kellyocg.com. Click on Recruitment Process Outsourcing and look for the image on the home page.

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What Level of Outsourcing Will Work Best?

"We mainly provide end-to-end outsourcing, but we have clients who have opted to outsource just a portion of the hiring process," says Terhark. "This can be a good start for some companies, and often they will expand their outsourcing over time."

But while companies can find success with targeted approaches, there are potential drawbacks. A mix of outsourced ownership and internal ownership can undermine some of the process benefits—and limit the true value of the RPO. As a result, companies may feel that an RPO solution is not right for them, when in actuality an end-to-end approach would work well.

Does the RPO Provider Understand My Company?

Before you outsource recruiting, you need to trust that the service provider truly understands your company's culture, environment and needs.

"You want a partner who will live and breathe your culture," says Terhark. "Our employees have ridden on bottling trucks, sat in on call centers and more—so we can truly understand the job and the environment, and recruit the best people."

"Be very clear about your expectations and find out exactly what the vendor's capabilities are," says Gulian. "For example, if you want them to recruit middle and senior level professionals, make sure this is where they have a high level of expertise. You want the best fit."

How is Business for the RPO?

Each RPO provider is a business unto itself. So ask yourself what kind of example they are setting. How is turnover at the RPO? How long have they been in business? How many long-term clients do they have?

What Kind of Technology Will Be Used?

Some providers are able to offer their own proprietary technology that can speed and improve the recruiting process—and this can deliver tangible benefits to your company. No matter what technology is offered, find out if the service provider is able to "own" and maintain the technology, or if that responsibility falls to your company.

Is the RPO Provider Global?

If you are planning to hire employees in numerous different countries, it will help to have a service provider who can meet your needs. Find out whether the RPO manages its own offices worldwide, or whether it contracts with third-party organizations in other countries. If your global hiring is limited, it's likely that you can get your needs met by a U.S.-based team.

Final Thoughts

One of the most important factors for making an RPO work: view the service provider as a partner, instead than a vendor. "If HR, the executive team and the RPO provider have established a strong partnership, this will allow the company to see results," says Misko. "HR and leadership will be able to focus on other strategic goals within the business as the RPO partner is focused and committed to driving the recruitment component."

The result: your company will be able to recruit and hire the talent it needs to achieve its goals. And it will be positioned to make seamless increase in capacity once the economy—and the job market—begin to recover. ■

Signs of a Recovery?

While no one knows when the economy will begin recovering, Tig Gilliam, CEO of Adecco Group North America, reviewed some promising signs when he spoke with CNBC's "Squawk on the Street" on June 5.

"The trend shows that the job market is beginning to move in a better direction," he noted. "This month's statistics do show jobs gained in finance and accounting; education and healthcare; as well as the leisure and hospitality industries."

But, he added, "It will continue to take time for the overall labor market to stabilize."

To watch a video of Tig Gilliam discussing the latest economic trends, visit The June Workplace Economy at www.adeccousa.com.