White Paper

RPO Demystified

Background

It's not just the human resources vernacular for its various disciplines that has shifted from recruitment and employment services to "talent acquisition." The strategic direction of recruitment also has shifted, forcing organizations and their human resources leaders to re-evaluate the return on investment in employing in-house recruiters versus outsourcing all of part of their companies' recruiting functions.

The development of strategic recruitment practices has greatly influenced the manner in which many organizations source and hire talent. This is due partly in response to economic pressures to scale back on cost-per-hire, whether the impetus is economic downturn or simply efforts to reduce operating costs due to business demands. In addition, because HR is not a revenue-generating department, all eyes are on HR to minimize its burden on the organization through selecting the right candidates who add value to the organization. Selecting the right candidates often requires replacing in-house recruiters with outsourcers, which for some businesses, can be a very difficult decision.

That being said, developing successful strategic recruitment models, policies and practices requires assessing the advantages and disadvantages of several options after the organization finally makes the decision to depart from what usually is an ineffective method for acquiring the best talent possible. Granted, cost is a serious consideration in many business decisions, not the least of which is talent acquisition. Reducing the cost-per-hire by reconfiguration of the recruitment model can result in vast improvements in the quality of candidates and the HR department's credibility among some of the highest-ranking executives who connect high-quality hires with increased profitability.

The traditional model for outsourcing recruiting functions is similar to – or, even identical to – the old-school staffing agencies that send candidates to potential employers after a mere cursory screening for skills assessment and job knowledge. These recruiters typically are interested only in the quantity instead of quality by sending as many choices as possible to the employer, which is one of the most ineffective methods for recruiting talent. Referring scores of minimally qualified candidates to employers does not benefit either party, and especially not the employer whose hiring managers still must devote a significant amount of time to interviewing applicants to determine who fits the organizational culture.

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Questions to Ask

Employers must carefully examine the reasons they are unable to sustain an effective recruitment function in-house. Return on investment is the buzzword for determining why HR outsources any of its functions, and ROI is, indeed a serious consideration. That said, numerous other reasons dictate whether RPO is suitable for the organization's needs. A few of the questions that employers and HR leaders must ask before they select a recruitment process outsourcing agency are:

- Our company may have recruitment staff in place to process job requisitions, place ads, and eliminate candidates who do not meet our staffing needs, but do those recruiters really grasp the meaning of building a top-tier workforce or creating an employer of choice?

- How much has the organization invested in state-of-the-art technology, presumably, for the purpose of enhancing our capability of attracting qualified applicants and creating an employment process that will result in lower cost-per-hire? Do we have technologically astute staff who know how to maximize our investment in technology solutions for recruitment and onboarding?

- Are we continuously improving our workforce by attracting the best and the brightest? The key to organizational success is attracting the "best and the brightest" that enables the organizational to gain higher market share, improve the quality of its products or services and increase employee morale and job satisfaction by creating a fully engaged workforce.

- Are leadership goals – meaning, the goals of executive decision makers – being met or are they often unattainable because of decisions that hiring managers make? Conversely, are hiring managers becoming disillusioned with the candidate pools from which they have to make selections, thereby limiting their hiring decisions to the lesser of two evils?

- How quickly can the organization pinpoint its recruitment and staffing metrics? Are these measurements accessible and easy-to-understand to determine what areas deserve specific attention for improvement? Alternatively, are recruitment metrics accounted for in a haphazard fashion, such as HR scrambling to pull together numbers when questions like, "How many recruiters' hours are devoted to sourcing candidates and what does that translate into for a precise figure?"

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What Exactly is RPO?

Once an organization has decided to move forward with the more progressive approach to recruiting talent vis-e-vis outsourcing its requirements, the next step is deciding which alternative best suits the organization. There exist two viable alternatives concerning Recruitment Process Outsourcing, or RPO: Enterprise RPO and On-Demand RPO.

Enterprise RPO outsources staffing, administrative and recruitment processes, at a significant savings over hiring staff to perform the same tasks. Obviously, the attraction for businesses is minimal cash outlay compared to the time and expertise required to hire qualified recruiters, plus the salaries and benefits for those qualified recruiters. Consequently, Enterprise RPO essentially eliminates the need for a full in-house HR recruitment team to be on the payroll. Enterprise RPO also is referred to as Full-Scale RPO or simply RPO.

A simpler and more flexible variation is On-Demand RPO, which meets the unique requirements of the organization, according to its current staffing levels and workforce goals. In this manner of recruitment, the company collaborates with a reputable team of seasoned recruiters who become an extension of the existing HR or recruitment department. On-Demand RPO is also known as Limited RPO, Partial RPO, Sourcing RPO, or Project RPO. A Full-Scale RPO replaces an organization's Recruitment function, whereas an On-Demand RPO merely supplements it.

Decision Factors

There are two elements involved in the decision to outsource the recruitment functions: strategic/non-strategic and competitive/noncompetitive.

The strategic/nonstrategic decision views the organization's long-term goals, industry trends, staffing challenges and even the academic paths to certain fields. For example, the health care industry has long been aware that a nursing shortage may influence the standard care. However, the median age of nurses, which is about mid-40s, the growing patient population due to the number of baby boomers and traditionalists who are living longer, and the diminishing number of nursing educators and limited number of seats available in nursing schools present particular challenges for recruiters who work for hospitals, long-term care facilities, nursing homes, and hospice organizations. Employers who find themselves in various layers of conundrum must think about more than merely attracting applicants. A holistically sound recruitment strategy requires developing current staff, providing incentives for clinical staff to consider shared duties in patient care and education, and attracting new talent through cultivating partnerships with nursing schools.

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The second element is competitive/noncompetitive, and the focus is almost solely on developing a cost-efficient solution to staffing and workforce development. Organizations that do not have the capital to spend on staff, naturally, would be drawn to this model because of the cost factor. In addition, companies that are in the growth stage may be inclined to favor the competitive/noncompetitive model, particularly if they must staff up quickly to meet sudden business demand, such as skyrocketing growth in sales or the launching of a new product or service. The primary goals of the competitive/noncompetitive element include cost, quality and time to hire. For example, a casino ready to launch its grand opening must be fully staffed and operational. Therefore, recruiting for personnel in casino operations, administrative, regulatory and hospitality fields must be sourced, interviewed, vetted, and trained come Day One. One issue with the competitive/noncompetitive element is that there are disadvantages when two or more employers are competing for talent, such as a new industry development in the same commuting distance where more than one company is competing for the best talent. For example, if state regulations have just opened up the opportunity for several casinos that will be competing for the highest market share encounter the initial challenges of competing for the best talent to launch their grand opening events.

Strategic-Competitive Blend

The strategic/nonstrategic and competitive/noncompetitive are rarely standalone recruitment concepts or the sole focus on recruitment efforts for employers. Therefore, blending the two produces several scenarios:

- During the final selection phase of recruitment, the strategic/nonstrategic model, employers retain the ability to interview shortlisted candidates. Making wise hiring decisions required that hiring managers interview and select the candidates they believe best fit the organizational culture. The recruitment outsourcer has already determined the candidates' functional expertise and job know. Hiring managers much play an integral role in the decision-making process.

- Employer-specific and other workplace culture activities, such as orientation and onboarding, retention and succession planning remain in-house, not outsourced. Creating training programs for new employees and onboarding activities for newly hired supervisors and managers must be an in-house function, not something that an outsider can reasonably be expected to perform.

- Tactical processes, such as posting job advertisements, monitoring applications, conducting skills assessments and preliminary screening are activities that are ideally suited to outsourcing. It makes good business sense to outsource these functions for a higher return on investment, which is a far more effective solution for employers.

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- The most challenging aspect of the strategic/competitive blend is deciding how to empower hiring managers to develop interview techniques and make wise hiring decisions. Newly hired and long-time current hiring managers all need training in this area. But, determining whether the outsourcer can provide it or if the training can be developed and conducted in-house depends on how receptive hiring managers are to learning recruitment and selection theory and whether they are more inclined to be fully engaged with an in-house leader conducting the training or a recruitment outsourcer providing this component of leadership training.

RPOs Capitalizing the Market

RPO outsourcing is not without its challenges. Providers of recruitment-related services offer a variety of services, usually single-focus activities based on expediting hires and not realistically tapping into their clients' needs to determine the best plan for acquiring new talent. For example, one such company (we'll call it ABC Services), known for decades as simply a payroll processing company has branched out into providing services that meet additional recruitment and employment functions for small-business employers, such as job posting, sourcing and applicant screening, background checks and what ABC refers to as "full-service recruitment." But, even its full-service recruitment services fail to address the strategic component that many of its competitors also do not provide, thereby missing essential aspects of talent acquisition, such as developing strategy, implementation and carrying out the functional activities to reach organizational goals.

As mentioned earlier in this report, there are, however, certain benefits to using the Enterprise RPO method as your organization's sole source of managing recruitment functions: Minimized cost-per-hire and time-to-fill, as well as improving the quality of new hires and hiring against core and professional competencies. Concerning the latter, the recruiting agency is likely to render outstanding results through screening, observation and assessment because job knowledge and professional competencies are not the most subjective matters in the hiring process.

Conversely, there are disadvantages to Enterprise RPO. Organizations that do not have any level of in-house expertise can become too dependent on recruiting, which leads to contacting the recruiting agency for numerous items or second-guessing the recruiting agency's decisions based on the employer's lack of trust. The other side of the coin is that the recruiting agency takes over complete – and, in some cases, unauthorized or unnecessary – control of the employer's recruiting functions and essentially creates a workforce that does not meet the needs of the employer. Moreover, contractual agreements with recruiting agencies create binding agreements before either party is actually sure that the business relationship actually will be an effective one.

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While not as grandiose in its mission, an On-Demand RPO can be equally effective but without the added weight and risks of a full-scale RPO. As mentioned above, in this manner of recruitment, the company collaborates with a reputable team of seasoned recruiters who become an extension of the existing HR or recruitment department.

On-Demand RPO also is known as Limited RPO, Partial RPO, Sourcing RPO, or Project RPO. On-Demand, by any other name, is simply recruitment process outsourcing when you need it, how long you need it, and how much you need it.

There are benefits to the On-Demand RPO model, as espoused by RPO providers such as ContractRecruiter. The breadth and depth of ContractRecruiter's staff expertise is virtually unmatched; however, you establish the parameters of your relationship and the outcomes that you want to achieve with ContractRecruiter. With ContractRecruiter, RPO is never an all-or-nothing proposition. Your organization's decision makers are in control of the RPO solutions you choose.

First, On-Demand RPO is not a replacement for the employer's existing human resources or recruitment staff, which means the company must still have at least one staff member with expertise in staffing, workforce development, or talent acquisition who can participate in the selection of an On-Demand RPO provider and monitor the activities of that provider.

As the brand "On-Demand RPO" implies, the recruitment services that ContractRecruiter supplies are available at any time, without binding or restrictive contracts that usually aren't necessary for short-term projects or mass hiring events that require assistance from an outsource provider for an indefinite period. Long-term contracts can be unforgiving and too rigid for many employers who simply want the expertise of a recruiter or recruitment team for a limited time. The client employer determines the length of time On-Demand RPO will benefit the organization, whether it's three months or three calendar quarters.

Clients can predict the exact cost of On-Demand RPO services because of the transparency of ContractRecruiter's fee schedule, which it bases on the expertise levels of its sourcers and recruiters. With the number of seasoned talent acquisition specialists on ContractRecruiter's staff, employers, On-Demand RPO creates a seamless transition from sourcing to onboarding, all of which can be scaled up or down to adapt to the employer's business demands, staffing needs and organizational culture and structure.

On-Demand RPO presents only minimal risks – if you can even call them risks. Because of its unique approach to meeting the specific recruitment needs of different size employers in a number of industries, it requires quick work to understand the system. It is not difficult to understand, though. It simply

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takes learning how the hourly, on-demand service meets employers' needs from a holistic perspective rather than from a cafeteria-style approach that may not fully address an employer's goal of creating a productive and engaged workforce. The only other risk, which is easily resolved in all cases, is the communication path. An on-demand system requires in-house expertise for minimal assistance to ContractRecruiter's staff so that a viable communication path ensures that ContractRecruiter is providing the optimum level of recruitment and onboarding services.

Helpful Hints

After deciphering the RPO model and how it benefits the organization, the model you choose is only as good as how your organization puts it to use. The analogy being, a cutting-edge applicant tracking system only benefits your organization if you have staff with knowledge of how best to utilize all of the ATS features.

The onus is on the employer organization to manage the selection of an RPO and the management of RPO interaction with the HR staff.

- The trickle-down effect happens in all organizations. Without executive leadership support for change and initiatives, they will fail because employees, supervisors, hiring managers, and anyone else who counts on recruiting the most qualified talent will refuse to accept the RPO decision. Therefore, executive leadership must be vocal about not just the decision to outsource recruitment functions, but leadership must be supportive of the vast improvements that outsourcing can have on the organization.

- Avoid anticipating miracles just because your company has selected one of the top-ranked RPOs. On-Demand RPO, in particular, is such a fluid and effective brand of RPO that you can adjust your needs up or down and still get the recruitment expertise you need to build a world-class workforce. That said, do not just hand over your wish list to an On-Demand RPO, such as ContractRecruiter, and expect your organization to miraculously and suddenly become an employer of choice. Perfection takes time, but with the right On-Demand RPO, an excellent workforce is closer than it is without an RPO.

- Establish SMART goals for your organization and the RPO you select. SMART goals are specific, measurable, attainable, relevant, and time-based. Accountability plays an integral role in the RPO-employer relationship. Develop SMART goals to the relationship between your organization and the RPO you select in matters such as communication frequency, metrics reporting, level of authority and latitude.

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- Devote time to selecting the right RPO and be transparent in all of your dealings with the RPO. Duplicate materials about your recruitment processes, organizational structure, employee census, reporting relationships, job analyses and job descriptions; challenges and successes using your current system; federal, state and local jurisdiction reporting, such as EEO-1 and AAP applicant flow data.
- Give the RPO an assessment of your organizational culture, from more than one perspective. Communicate your intangible goals – you have already confirmed the quantitative goals you intend to reach through engaging an RPO. Describe the more subjective goals you have for the workforce in your initial dealings with the RPO you select and ensuing communication with the RPO.

Final Words

Embark upon your selection and engagement of an RPO with a positive attitude – which is entirely possible, given the economical choice you are making to build and sustain a remarkable workforce. In light of economic shifts, RPO engagements are no longer out of the ordinary and they aren't just staffing agencies that provide the same level of service to all clients, regardless of industry, size or short- and long-term goals. RPO elevates not just the quality of your workforce, but your organization's industry standing through cultivating relationships with potential employees that will result in positive and progressive change for the organization.

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