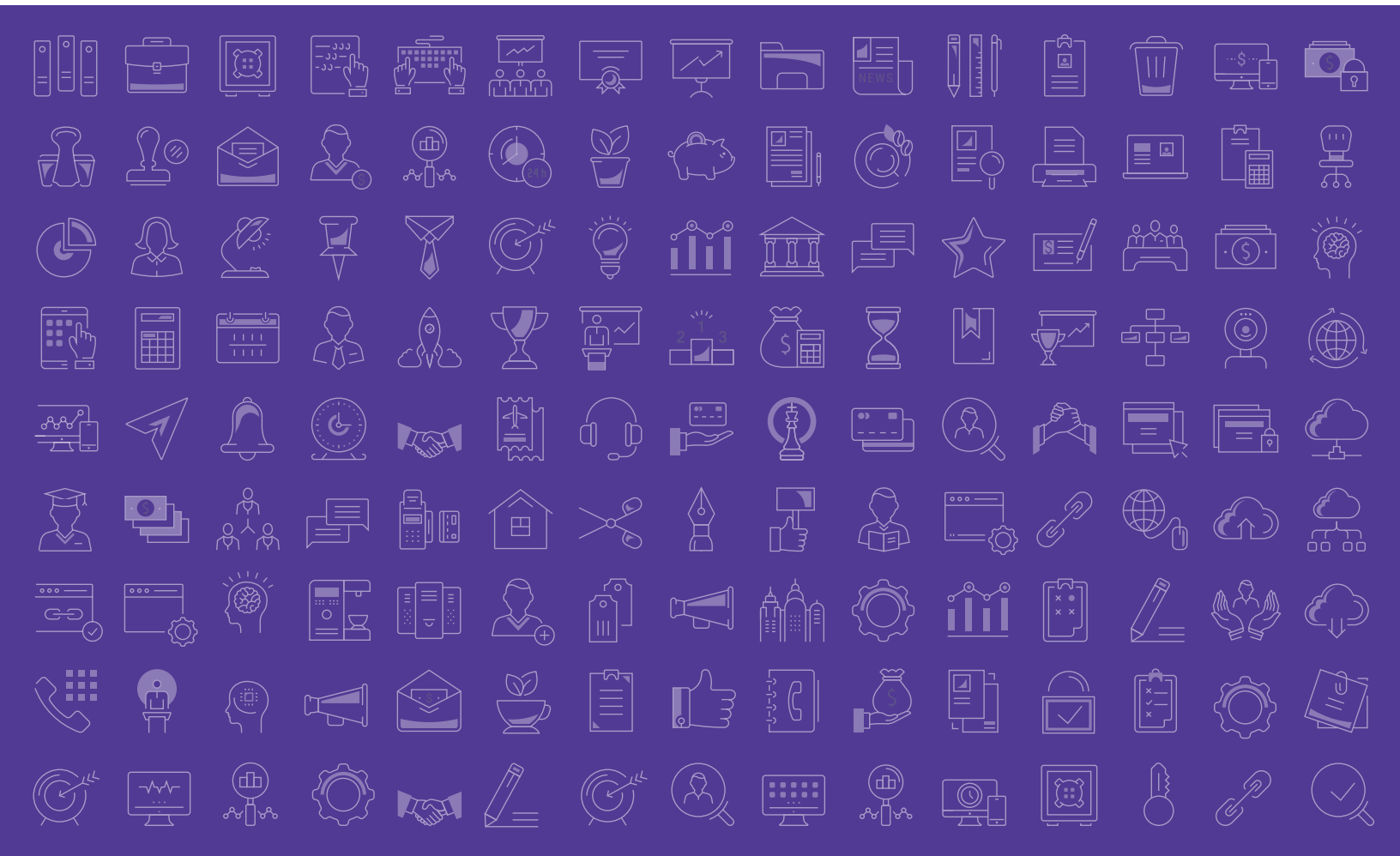


RECRUITMENT PROCESS OUTSOURCING (RPO) FACTOR OR FAD?



Recruitment Process Outsourcing (RPO) Factor or Fad?

by Bob Cohen and Sam Sacco

Giving RPO Meaning

According to Wikipedia, the free encyclopedia, Recruitment Process Outsourcing (RPO) is a form of business process outsourcing (BPO) when an employer outsources or transfers all or part of the recruiting process to an external service provider.

A true or total RPO solution involves the outsourcing of the entire recruiting function or process to an external service provider. This provider serves to provide the necessary skills, tools, technologies, and activities to serve as their client's virtual "recruiting department" in some cases and in others the customer is engaging the RPO service provider to handle specific parts of the hiring cycle.

Therefore true RPO involves a comprehensive transfer (outsourcing) of all recruiting activities and processes to a third party provider.

RPO can be utilized to address all ongoing recruiting needs or it can be event or project driven such as to gear up to open new a facility or to open a new division to launch a new product line.

RPO engagements are often tailored to provide a group of selected services offered by the provider to match each customer's specific needs. The list of services is like a menu, creating a cafeteria approach to meet the outcomes desired by the customer for that assignment.

However RPO is not Executive Search nor is it Staffing, market place confusion has caused some colossal failures in the formative years of RPO. It seems that both corporate customers and the sellers of these services underestimated the complexity of achieving successful RPO execution.

RPO may involve: Recruitment planning, 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; and training. Full-service (true) RPO runs the gamut—from finding the candidate to hiring a new employee and almost everything in between.

This definition differs from occasional recruiting support often provided by many temporary/contingency staffing firms and executive search firms and often also differs from Contract Project Recruiters. While these organizations do provide an invaluable service, they do not qualify as an RPO as it does not involve the outsourcing of the recruiting process.

An RPO solution may involve outsourcing certain steps in the recruitment process that can be more efficiently handled by an outside, specialist provider. Many Search and Staffing firms have always performed a portion of the services offered by a true RPO provider and this has added to some of the marketplace confusion.

Part of the challenge of understanding RPO is that it is often defined in various ways by its providers. Until RPO practitioners clearly define what it is and what it isn't RPO, the above definition is a good starting point.

True RPO services can vary from assignment to assignment with each RPO contract having its own nuances. An RPO provider that does a great job on an IT assignment may not be able to handle call center hiring or hiring a large sales team.

There are organizations that offer some of the services offered by true RPO providers, such as:

- A) Large Consulting firms may have an area of their Human Resource Outsourcing business that handles some RPO functions;
- B) Staffing/Search and Contract Project Recruiter firms that provide recruiting functions sometimes with add-on services;
- C) Firms that process any number of the administrative tasks, such as: 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; orientation and training.
- D) Some more sophisticated firms offer Recruitment Planning, Needs Assessment and Training in these areas;
- E) True RPO providers that combine recruitment talent and expertise with Business Processing expertise to take ownership of the recruitment function for their customer.

Many mature Staffing and Search firms have been attracted to the RPO model as a way to protect their strong customer base and to provide those customers with higher margin services.

The key driver for employers to seek out an RPO is to maximize their resources to attract every business's most important asset—top quality people. Every organization needs great talent to grow.

There are four major reasons Organizational Employers outsource these functions, they are:

1. To address skill and expertise shortfalls;
2. To shed non-strategic, non-core functions;
3. To reduce management costs; and
4. To avoid large capital investments in non-core areas.

RPO is a more specific and narrow arena than Human Resources Outsourcing (HRO), Managed Services or BPO. However, RPO is not merely discounted or unbundled Direct Hire Services. Attention to the recruitment process is a key differentiator.

Generally, but not in all cases, with an RPO solution, the provider takes ownership of the process and is responsible for the results.

RPO has attracted corporate customers when those organizations realize they cannot recruit effectively so they bring in the (RPO) experts to address their recruitment needs.

However, one of the major challenges for RPO providers is that they have unwittingly allowed their customers to outsource “a broken recruitment process” to them that often has resulted in great frustration on both sides.

Much of the early RPO efforts involved the Employer firm outsourcing its internal corporate dysfunction to the RPO provider and being disappointed when better results were not obtained by the RPO.

Sometimes, these challenges are caused when corporate hiring authorities are strapped with an outdated set of hiring policies and procedures’ that are slow, cumbersome and uncompetitive in today’s fast paced, fast acting search for hard to locate talent and then they expect their RPO to be more effective working with the same flawed processes and restrictions that have stifled their own efforts.

When the RPO provider has to adhere to the same business and hiring process procedures and interface with the same number of corporate departments as their internal hiring authorities’ do; why are they surprised when results do not dramatically improve?

This creates a bottle neck – when the RPO is successful at what they do they sometimes have a much larger stream of candidates than the hiring process on the corporate side can handle. This is particularly frustrating to the RPO when some aspect of their compensation has been established on number of hires not just submittal of qualified candidates.

RPO providers have had to learn that merely getting better talent, faster will not ultimately improve results if they have to go through the same numerous, outdated hiring hoops their customer has to endure.

Consequently many early RPO contracts did not get renewed, often due to confusion about who was to do what and how the function was to be performed.

Many early RPO practitioners promised more than they could effectively deliver however there were challenges created by both the corporate customers and their RPO.

Many large Staffing firms and other RPO providers learned that performing the functions better and quicker was the easy part since they could control that part of the process however translating their expertise toward getting the desired results for their corporate customers involved a much more complex job than originally anticipated as they often had little influence or control over those corporate processes.

One successful RPO practitioner described it as wanting to get rid of the 4,000 pound elephant in the room when they ought to be shining the light on the elephant so they can deal with it.

While RPO has become a catchy buzz term for all sorts of recruiting activities, presently, there may be no more than about 50 companies that are true RPO providers however this is a growing number and RPO will be an important factor in the broader staffing industry as more and more corporate employers seek better, more efficient and more cost effective solutions to attract talent to their organization.

There are challenges working with an RPO for some Employers as they now have another important supplier to manage. These challenges can multiply if the provider is overseas. Outsourcing across geographic, linguistic and cultural boundaries can result in lost potential savings spent on additional management costs.

Experts suggest seeking an RPO provider who is experienced in operating as a partner and who understands how important communication and coordination are to a successful relationship. Be wary of a one-size fits all RPO approach.

Clearly an Employer is looking for expertise and/or infrastructure they lack to produce optimum results however as with most business matters a majority of the challenges with a successful RPO relationship are people-related.

It is important to understand the values and recruiting policies of the RPO provider and that they have the bandwidth and quality of people needed to deliver the required results in a timely fashion.

It is vitally important to spell out in writing who has responsibility and accountability for each step in the process. However, be aware that you won't always discover all of them until the first few months of work. That is why some RPO's insist on terming the contract a pilot at the onset.

Clearly even with its challenges, corporate employers continue to support this function. Overall, companies and their RPO providers have learned from their earlier efforts and mistakes and the advantages far out weigh the challenges.

This is not a fad; it is more an example of the staffing industry's remarkable ability to re-invent itself by finding and perfecting new solutions to customer's challenges.

RPO providers from the Staffing sector have found a whole new set of competitors aside from their usual challengers for business and market share; now they face firms such as Accenture, AON, Hewitt, IBM, Fidelity Insurance and others who want their share of this booming market place. These firms can process and consult but can they effectively recruit?

Staffing firms need to bring their "A" game to stay afloat in these deeper waters. They know recruitment but can they process large numbers of candidates and can they consult with their clients?

We expect to see mergers and joint ventures between firms who may have one or more but perhaps not all of the needed components to be strong enough to succeed in this space:

All RPO firms have each of the needed elements to a certain degree; few have all the needed components operating at top efficiency.

The major component elements needed for successful RPO growth are:

1. An excellent end-to-end process, with technology to create a proven methodology to deliver results;
2. A well established distribution channel, many strong customer relationships;
3. An offshoring or onshore capacity to lower transactional costs for certain parts of the recruitment process;
4. The discipline, credibility and determination to only accept assignments where they can influence the clients' hiring process when needed, to obtain positive results on the hiring decisions.

Creating a true RPO can require a significant investment of resources. One possible future trend is for local and regional staffing firms to partner with a qualified RPO to provide these services to their existing clients. The local staffing firm has the relationships with its customers and the RPO has the expertise and staff to deliver the solutions.

However to reap the potential benefits from RPO, corporate customers may need to examine each step of their hiring process and relax whatever they can to give themselves a fighting chance in the war for talent. Their future will depend on attracting and retaining talent. ■

RPO is a trend that will only grow larger as Employers and RPO's get better at clearly identifying their respective roles in the process.

Sam Sacco and Brian Kennedy operate R.A. Cohen Consulting, a trusted M&A Advisory service that caters exclusively to the staffing industry. Since 1991, we have advised on hundreds of successful transactions.

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