

theoutsourcinginstitute
@outsourcing.com

Is Today the Right Time to Consider an RPO Engagement for the Next Hiring Wave?

Organizations are Leveraging RPO to Gain a Competitive Advantage in Talent Acquisition

By Bob Violino

In association with



Is Today the Right Time to Consider an RPO Engagement for the Next Hiring Wave?

Encouraging signs are beginning to emerge that the economy has stabilized and will likely return to growth in the later half of 2009. As of mid-July, the New York-based Conference Board's index of leading economic indicators has increased for a third straight month. Fewer people are filing first-time claims for jobless aid and there are even reports of increase in home sales and new home building plans. Stock prices are also on the move again, upward. Even the renowned, pessimistic economist Nouriel Roubini has been reported saying, "The light at the end of the tunnel for once, is not an incoming train" as he speculated that the worst is over and the recession will be ending this year.

For companies that are working towards an uptick in the economy in late 2009 and early 2010, they are finding themselves in a good news/bad news situation. The good news is that economists are talking about a possible bottoming out and employers are growing in anticipation of an uptick in the economy and their potential business prospects. The bad news is that their human resource capabilities have taken a beating from layoffs and other reductions in force. This gap has HR and financial executives looking for new options to rebuild their staffs.

As recently as the late 1990's, employers would have had a limited number of choices. They could have quickly ramped up their HR departments or hired a traditional staffing agency. However, now, many more companies are taking advantage of a third option, Recruitment Process Outsourcing (RPO). Organizations are finding that RPO, in which all or part of a company's recruiting and hiring functions are outsourced, offers advantages that directly address contemporary economic and hiring challenges.

These challenges include continued uncertainty about the economy. It's unclear when and how the economy will grow and what the effect will be on different business segments, geographic areas and other variables. Nonetheless, key talent acquisition questions will need to be addressed, such as:

- What kind of resource and capability is required to recruit the best talent for today's market leading organization?
- What are the best recruiting practices that will cost-effectively acquire the talent that companies will need to compete in the emerging, highly competitive, global marketplace?
- Are there investment dollars available to implement recruiting technologies, methodologies and best practices that are needed to compete for today's best talent?

One thing that is clear is companies will have to remain competitive and implement a cost-effective and capable talent acquisition resource despite the ebbs and flows of the marketplace.

Effective recruitment of skilled workers is vital to success in any kind of business environment. Even in a slow economy, when hiring activity is down, organizations still need to be able to find and attract the best people available to fill job openings.

RPO provides an alternative to in-house recruitment efforts. RPO can provide both short-term, tactical gains and long-term strategic benefits to help organizations get through the difficult current market and be ahead of the curve as conditions begin to improve.

According to the Recruitment Process Outsourcing Association (RPOA), a vendor-neutral, non-profit organization serving the RPO marketplace/community, recruitment process outsourcers “act as a company’s internal recruitment function for a portion or all of its jobs. RPOs manage the entire recruiting/hiring process from job profiling through the onboarding of the new hire, including staff, technology, method and reporting.”

According to the association, a properly managed RPO engagement will enhance a company’s time to hire, increase the quality of the candidate pool, provide verifiable metrics, reduce costs and improve governmental compliance. “Providing clients with recruitment services is often the primary core competency of RPO providers,” says Larry Heckathorn, a partner at Human Capital Group LLC, a Cranberry Township, Pa. firm that helps organizations maximize their investments in human capital. “Clients gain the benefits of the latest technologies and access to qualified candidates that they are often not equipped to accomplish on their own.”

RPO is growing rapidly and has the potential to be a multi-billion dollar market, leveraging the trend toward single process deals in human resources outsourcing, according to market research firm Datamonitor in London. The firm’s report, “Opportunities for Recruitment Process Outsourcing in a Changing HRO Market,” released in 2008, estimated that the global RPO market in 2007 was \$720 million and expected it to grow by 22% in 2008 to \$880 million. The firm predicts the RPO market will reach the \$1 billion level this year. A recent 2009 NelsonHall RPO Research study also supported this multi-billion dollar market size forecast by concluding that the Global Stand-alone RPO marketplace would grow to \$3.2 billion by 2013.

Datamonitor says demand is predominately from Fortune 1000 companies in the U.S., but the market is also growing rapidly in the U.K. and continental Europe, and is beginning to gain momentum in the Asia Pacific region. While RPO vendors claim to reduce costs by up to 40% in some cases, the Datamonitor report says, it's the lure of recruiting a higher quality workforce that is driving growth.

Experts say organizations should consider recruitment process outsourcing today, even though their hiring activity might be relatively low. One reason to bring in expert help is that the recruitment process is more complex than it used to be. The labor market, particularly in the U.S., has become increasingly dynamic, with workers typically changing employers and career direction more often than in previous generations.

Other trends that have had an impact on recruiting include deregulation of labor markets, which has created a shift toward contract and part-time labor as well as shorter work tenures. And while it might seem counterintuitive to outsource recruitment when hiring is slow, experts say, that's exactly when it makes sense to do so.

"Since hiring is not top of mind, many companies are not as interested in making the investment "of change" in an RPO solution," says Hary Bottka, director at TPI, a Houston-based sourcing advisory firm. "But I think this is a great time to look at RPO as the industry is still very healthy and has high satisfaction levels. The job market will come back with a vengeance and those companies that were struggling to get talent in the door or struggling to get the right talent are going to be in the same position."

Reaping the Tactical Benefits

RPO offers tactical benefits for those companies looking for a short-term solution for hiring but not necessarily a long-term commitment to recruitment sourcing.

By outsourcing the recruitment function to experts, organizations can help solve immediate needs for personnel.

"In this highly competitive market, companies today are on a continuous search to find ways to improve their services and drive value to the organization," Heckathorn says. "Since people are a critical factor in achieving these goals, attracting and retaining the right people is quickly becoming one of the most pressing challenges for human resource departments."

Initially, with RPO, an organization can expect to see a quicker and cheaper approach to getting recruitment results, Heckathorn says. “Filling key open positions quickly helps the organization to begin focusing more of their time and efforts on activities that are critical to the success of their core business,” he says. “This can also have an immediate impact on employee morale by taking pressure off those who have to pick-up the slack. Getting it done quicker and reducing the cost to hire will have a positive impact to the bottom line.”

Because hiring volumes are down in the current market, RPO providers are well positioned to work with clients to set up a pilot program, Bottka says. If both parties agree that RPO is a good strategy for the organization, they can pursue an ongoing relationship.

“A company might have an immediate project need for the short term, and this is a way to get to know [the RPO provider] and try out the model to evaluate its benefits” Bottka says.

For example, an organization might need to fill 200 specific niche positions, Bottka says, or it might need to ramp up hiring in the fourth quarter in order to meet an anticipated uptick in business in the first quarter of the following year.

“Why not talk to an RPO provider and ask them how they would source the positions?” Bottka says. “You can enter into a short-term contract, which will enable you to get to know the RPO provider and learn about their recruiters’ capabilities. I have seen clients do this for the short term and now they have established a long-term relationship” with the RPO service provider.

RPO enables organizations to fill positions more quickly and with higher quality candidates, says Rebecca Callahan, senior vice president of the SourceRight Solution’s RPO Division of Spherion Corp., a Fort Lauderdale, Fla., recruiting and staffing services provider. With some RPO services, clients can also have increased reporting capabilities for all areas of the hiring process, so they can know what is working and what isn’t, Callahan says.

Strategic Gains from RPO

For many types of organizations, RPO can represent a longer-term strategy that helps put them in a good position to get a jump on the market when the economy rebounds.

“It is always best to be prepared for when the market has a turnaround. Such an event could immediately cause a war for talent,” Heckathorn says.

Bottka has worked with organizations that have struggled with hiring when the economy recovered from a downturn. “They really didn’t have the right recruiters in place to hire talent, so they were not able to fill revenue-generating positions quickly” when the market rebounded, he says.

In 2007, an organization Bottka worked with decided to move to an outsourcing model for recruitment, in order to have a scalable recruitment operation that would be prepared for increases and decreases in hiring activity. “The RPO model they implemented enabled them to meet their growth needs, but has also allowed them to scale back as necessary,” he says. “The key is that they’re in a position to scale back up when the market returns.”

Experts say quick scalability is a particularly important feature of RPO. “Maintaining an adequate number of skilled resources in-house that can quickly adapt to these market-driven changes can be extremely challenging,” Heckathorn says. “An RPO provider can more effectively keep the pipeline full of [high-quality] potential candidates. They can also shift their internal resources quickly to accommodate a specific client’s changes in demand.”

“Many companies scaled back their hiring significantly in light of the economic difficulties, laying off recruiters or shutting down recruiting completely,” Callahan adds. “Their employer brand may be tarnished by the reduced/stressed recruiting team left over, and they probably have not been able to invest in the most up-to-date sourcing strategies and recruiting technologies. As the economy turns around, trying to rebuild recruiting capability is costly and time consuming.”

In addition, there are particularly large numbers of job candidates in various markets. “A bit of a needle in a haystack,” Callahan says. “How do you get to the right candidate? Where are they? Are you prepared to find them? Can you sort thru masses of candidate responses cost-effectively and efficiently without damaging your employment brand or, potentially, your consumer brand?”

Another potential long-term benefit of RPO is cost reductions. With the scalability and variable cost model of RPO, outsourcing recruitment can generate savings compared with internal recruitment efforts, Bottka says.

“A healthy financial arrangement is essential to a successful RPO,” he says. “The service provider needs a consistent revenue stream in the form of a monthly management fee or minimum guaranteed hiring volumes, to maintain the program. But that steady revenue stream is typically less than what it would cost to maintain an internal recruitment organization.” That means organizations in general can expect to spend less on RPO providers than they would on building and maintaining their own recruitment staff.

Cost reductions can be “both in real dollars as well as [in] improved bottom-line results by getting the candidates in place more quickly,” Callahan says. “In addition, hiring manager and candidate satisfaction continue to improve, as the process improves and best practices are instituted.”

By outsourcing recruiting, organizations will have immediate access to the right candidates as the market turns around, Callahan says. Processes and procedures will already be implemented, she says, and most important, skilled recruiters will understand the company culture and already have a sourcing strategy in place.

Among the long-term enhancements RPO can provide, Heckathorn says, are the re-engineering of roles and responsibilities, streamlining processes, restructuring the organization as needed, eliminating unnecessary work activities and enhancing employer brand.

From a strategic workforce standpoint, the current economic downturn is forcing many organizations to rethink their business model and marketplace niche. To stay competitive during this difficult period, businesses have had to adapt and change. With many companies enmeshed in this process, they simply may not have a clear understanding of their hiring needs. The workforce they are seeking in the next 6-18 months may be very different than the prior workforce. If they focus on rebuilding their internal capabilities, they may have to guess what skills and industry knowledge their recruiters should have, not just candidates. In other words, if hiring needs are expected to change continually for the foreseeable future, it's hard to put in place a structure flexible enough to meet those evolving needs.

Callahan observes, “In a clear sign that innovation driven by top talent will be a vital component of economic recovery, many RPO providers are seeing an increase in requisitions for new positions, not just replacement positions. That indicates that companies are thinking strategically about their direction and the role employees will play in advancing their overall objectives.”

The RPO Advantage

RPO offers some compelling short-term and long-term benefits for organizations. For that reason, businesses of all sizes should consider evaluating offerings from experienced service providers.

To help ensure success, organizations should follow a few best practices. For one thing, RPO should be a component of a well-defined and well-planned staffing strategy. Just hiring a firm to take over recruitment outside of the context of corporate goals is an invitation for trouble.

Also, companies need to closely manage the relationship with the RPO provider as they would any outsourcing engagement. That includes providing initial direction as well as ongoing monitoring of services to make sure the desired results are being obtained.

With a well-managed outsourcing relationship, an organization can benefit greatly from RPO—and be out in front when the economy rebounds.

“If it’s really thinking strategically, a company is going to look beyond the current economic [environment] and look beyond this quarter’s revenue and the fact that they’re not hiring as many people,” Bottka says. With RPO, “when the market comes back, they will be well positioned to meet their talent needs.”

About The Outsourcing Institute

Founded in 1993, The Outsourcing Institute (OI), located at outsourcing.com, is a neutral professional association dedicated solely to outsourcing, providing information, research, networking opportunities and customized outsourcing services and solutions to the outsourcing industry. OI is recognized worldwide for its intellectual capital, outsourcing practice expertise and unbiased thought leadership. OI’s commitment to innovation, along with its mission to advance the skills and knowledge of its membership, has made it the most respected and relied upon brand for the outsourcing marketplace. OI’s executive network, which is comprised of more than 70,000 professionals worldwide, looks to OI as the go-to source for outsourcing thought leadership, information and advice.

About SourceRight Solutions

SourceRight Solutions is a market leader in recruitment process outsourcing, offering end-to-end delivery of services that streamline a client's talent acquisition process. In partnership with an organization's HR leadership, SourceRight's RPO offering continuously improves the hiring process through a scalable recruiting solution that results in higher-quality talent, reduced time-to-fill, enhanced business performance and substantial bottom-line savings. A team of more than 500 experienced SourceRight recruiters uses the company's proprietary sourcing methodology to rapidly source talent across a broad range of skills, including administrative, contact center, engineering, finance and accounting, healthcare, IT, and sales and marketing. As a comprehensive global workforce solutions partner, SourceRight is also able to manage an organization's contingent workforce and contractor compliance programs.

SourceRight Solutions is a division of Spherion Corporation (NYSE:SFN). For more information, please visit www.sourcerightsolutions.com



SourceRight Solutions is a division of
Spherion Corporation (NYSE:SFN).
For more information, please visit
www.sourcerightsolutions.com

theoutsourcinginstitute
@outsourcing.com