



Ten Factors that Influence RPO Success

July 2008

Jeanne MacDonald, RPO Leader
Futurestep, a Korn/Ferry Company

We've been hearing about 'it' coming for 10 years—since McKinsey Consulting first published the article titled “The War for Talent” in 1998. This now infamous article alarmed CEOs and Human Resources thought leaders far and wide. This caused North American businesses to begin to look at proactive workforce strategies to address our imminent diminishing labor pool, mostly due to retiring Baby Boomers combined with the shrinking demographic of the 20-year-old 'Millennial' generation.

For the first time, talent management, including talent acquisition, is a strategic issue being addressed as part of high-level, long-term growth plans. This 'perfect labor storm' has hit home in 2008, which marks the first year that the labor battle truly begins. In 2008, more than 77,000 highly talented and experienced Baby Boomers are retiring from the U.S. workforce EACH MONTH, leaving a labor shortage of approximately 20 million over the next 20 years. In Canada, the statistics are similar, with one of every two workers retiring, causing a shortage of one million workers.

As a result, the Human Resources Department has become a critically strategic organization, preparing to take on the labor issues facing the 21st century. Even the nomenclature of the Human Resources field has been redefined. The 'Personnel Department' of the 1950s and '60s gave way to 'Human Resources' from the '70s to the '90s, with another evolution, beginning in 2000 and still underway, to 'Talent Acquisition.' Another recent turn-of-the-century addition: C-level titles, such as 'CHRO' or Chief Human Resources Officer, are finally being bestowed to mark the importance of the HR seat at the executive table and talent implications to the future of business success.

Much innovation in the HR field has been incorporated into winning business strategy, particularly within the past 10 years. Companies are now actively involved in C-suite succession planning. They are applying competency assessment models to determine operational and cultural fit. They are engaging coaches to support C-suite executives, as well as high-potential

With a 20 million worker shortage, RPO will be more about investing what is necessary to win the war for talent.

senior directors and managers, and they are adopting recruiting technologies, better known as Applicant Tracking Systems (ATS), to make recruiting processes more efficient, seamless and centralized—particularly important in global organizations. Above all, a new look and value are being placed on ‘the recruiting process’ and candidate experience.

Recruiting is vital to business success as, obviously, the talent of the business IS the business. As the saying goes, “Most investment banks prefer to invest in B+ business models with A+ talent as opposed to A+ business models with B+ talent.” All businesses have some kind of recruiting programs, and most will say, “We want best-in-class talent,” so it’s often surprising when businesses admittedly do not have or have not invested in best-in-class recruiting processes. In order to have best-in-class talent, one must have a best-in-class recruiting process to attract such talent. The recruiting process is the engine that propels the business into the

future. It’s quite interesting how often recruiting is viewed as the elephant in the room, which is so necessary yet so ignored in many well-run businesses. This cannot last for long; it’s a serious matter that needs to be addressed as the businesses that are not proactive in their recruiting strategies, locally and globally, will certainly fall behind.

In 2004, the recruitment outsourcing concept was introduced within the Business Process Outsourcing, or ‘BPO,’ space: Fortune 1000, multi-billion-dollar, public and private companies and start-ups began taking a hard look at outsourcing recruitment, or what’s come to be known as Recruitment Process Outsourcing (RPO). In the early stages of RPO, recruiting was viewed as a bolt-on process within ‘Human Resources Outsourcing’ (HRO) services solutions, not with its own strategic objectives. As a result, many early RPOs were viewed, unfortunately, as initiatives with a singularly focused goal: take cost out of the business. RPOs can take A LOT of cost out of the business when done thoughtfully and when the ultimate intention of the business is to attract and retain best-in-class talent. When this notion is lost, however, so is the concept of the RPO. An RPO needs to be embraced by the C-suite as a strategic part of business success or it will fail. RPO can provide great value for the enlightened business that embraces talent acquisition as a key impetus for fiscal success, from entry-level, non-exempt through C-suite hiring. With a 20 million worker shortage, RPO will be more about investing what is necessary to win the war for talent.

Here are 10 key points to keep in mind when considering an RPO to affect a successful outcome:

1. C-Level Support: Is the C-suite engaged and embracing RPO as a critical part of business success, and do they understand and buy into it? Make sure that the C-suite supports RPO, as its ultimate outcome will most likely require a change in hiring manager behavior as it pertains to recruiting, and the CEO needs to support that change. (e.g., Hiring managers will be accountable for having scheduled interviews in order to meet an overall reduction in days that jobs are open [‘time to fill’] and for providing qualitative feedback in an equally timely manner.)

2. The Tone of Your RFP: If engaging in an RFP process that will be distributed to RPO providers, what are its objectives? If it is simply a request for price, this is very risky ground. There are many savings that will result in a successful RPO apart from the hard dollar cost-per-hire. The RFP sets the tone for the partnership with RPO vendors, so create questions that set a tone for the goals of the business and how the recruiting process will impact those. Best-in-class RPO providers will respond to best-in-class, thoughtful RFPs. Most RPO providers won’t respond to an RFP with a tone singularly focused on cost cutting or an “our way or the highway” approach.” Also, make sure that an adequate amount of time is provided to the RPO vendor to respond so that the response will be equally thoughtful, and allow the RPO providers to ask follow-up questions. The best-intentioned RFPs will still leave good RPO providers with questions. The RFP should convey a story of why RPO is a consideration and should clearly define the organization’s problem statement, which will at least suggest that some analysis has occurred.

3. Measuring Success: How will the success of the RPO be measured? Service Level Agreements, or SLAs, need to be put in place to make certain that the company and RPO provider are both assessing performance and meeting OFTEN to discuss the SLA measurements. This needs to be done at least monthly for the first year of an RPO, then quarterly thereafter. Examples of SLAs include: Interview/Hire Ratios, Hiring Manager Satisfaction, Candidate Care, Cost-Per-Hire, and Utilization of ATS.

4. Recruitment Technology: The best time to assess your existing recruitment technology (assuming you have some in place) or Applicant Tracking System (ATS) is when you are considering RPO. Determine if it truly supports the business. You are not alone if you believe that it is only about 50% effective. This is the time to optimize and/or change the technology since it is the backbone that supports the pulse of recruiting performance. It enables businesses to measure internal performance (hiring managers and HR teams) and external performance (success of the RPO vendor in meeting SLAs). Technology, if aligned appropriately with people and processes, can make the recruiting effort significantly more efficient.

5. Global Scale: If your firm is global, are you engaging with a provider that can support your global needs on a seamless and centralized basis? While the recruiting process may be standardized, the reach to candidates should be done in local markets as much as possible, not via a centralized call center contacting

potential hires all over the world. Global research centers can effectively augment in-country recruiters, creating scale and efficiency.

6. Candidate Care: How will the RPO provider be touching your candidates and messaging your business branding and value proposition to the candidate marketplace? For every hire that you make, your RPO provider will have touched at least 10-30 individuals. What parting message has been left with the 9-29 who were not selected for the role?

7. Prepare with Immersion: Once an RPO provider is selected, the immersion process into your business culture is CRITICAL to its success. Don't rush this process. Take the needed time to go through a very carefully planned implementation and assimilation process with your RPO provider. Ninety days or more of planning and change management will likely be necessary for a proper implementation.

8. Change Management: Engaging in an RPO is an opportunity to create change in the talent mindset across the organization. Changes in the recruiting process can include: training hiring managers to be better interviewers, improved use of recruiting technology, and single messages formed around the brand to the candidate marketplace. This is the time to take the recruiting process seriously and bring attention to it internally. Your RPO partner will need to work with you to be an agent of change. Messaging the change to the organization is key to an RPO's success.

9. Business-Level Involvement:

Outsourcing the recruiting process does not mean the business is no longer involved in recruiting. Hiring managers need to engage or stay involved in the recruiting process. Just because recruiting is being outsourced does not mean that the business does not stay involved in the interview process of key hires. Not only does this send positive messages to your prospective hires, but it also provides the hiring manager with added competitive intelligence about the marketplace. A CEO of a \$6B public chemical company that engaged in an RPO told his team, who were initially eager to *get recruiting off of their plates*: "We can outsource the recruiting process, but you will need to play a bigger part than ever to engage candidates in the interview process to join our firm."

10. Competencies and Assessments:

Are competencies and assessments being included in the RPO provider's offering? Is your firm taking a close look at the makeup of "success" for key roles from an operational and cultural fit perspective?

Again, best-in-class talent requires best-in-class recruiting processes. Be smart and realistic about what it is you are trying to achieve in your organization in the way of recruitment. Finding, attracting and retaining best-in-class talent is neither low cost nor easy. Great talent begets great talent. You need great recruiters and great processes to build an organization of 'greats,' not 'averages,' whether you outsource or not. The good news is this does not mean you have to pay exorbitant fees for talent, and an RPO should enable your business to create better economies of scale overall with higher-quality hires.