

WHITE PAPER

Changing the Conversation: Rethinking Procurement and Performance for Real RPO Value

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Changes in today's economy continue to dominate headlines, yet many of the forces that drive fundamental success for companies remain the same. Chief among these is the need for top talent. According to a recent survey and report by the Aberdeen Group, respondents cited three top business priorities for 2009. They were: "executing business strategy," followed by "reducing operating costs" and "recruiting, retaining and developing a great workforce."*

It should come as no surprise that companies are paying close attention to their options for Recruitment Process Outsourcing (RPO). Today, RPO has matured. It is seen as a means of addressing all major areas of concern for talent planners: building a better workforce, controlling operating costs, and executing business strategy. Consistent with demand, RPO providers now offer many choices for companies looking at their recruitment options. The promise is great. With the right RPO in place, a company can apply best-in-class methodologies and tools to develop its recruitment strategy, support its employment brand, and achieve a direct and positive impact on the business.

While RPO offers promising value potential, achieving true ROI on an RPO engagement requires careful planning and focus. According to a January 2009 survey and report by the Human Capital Institute and Futurestep, roughly 39 percent of respondents rated the return on their RPO investment as "good or excellent."** What's holding back ROI for the rest of the group? Many of those surveyed cited issues such as cost concerns and an inability to find providers that meet strategic recruiting needs. Meanwhile, a large proportion of organizations are achieving tremendous value through RPO. A look at their experience with RPO reveals a common theme: Cost is important, but a value-first approach is the key to choosing a

provider and achieving real returns on the RPO investment.

One of the chief challenges to RPO success is in finding a provider that meets all of an organization's needs. The issue is frequently compounded by a flawed process for evaluating potential RPO partners – a process driven by a procurement-led emphasis on cost and timing. The challenge, for HR and procurement, is to arrive at a realistic evaluation of what can be a highly complex service.

As many companies have learned, RPO is highly dependent on the proprietary knowledge and unique attributes of each provider. The provider is intimately connected with the client's business. RPO recruiters may carry the client's business card and answer the phone with that company's name. The RPO provider is often the face of the client, providing the first impression of the company to the critical talent that is so important to strategic success. RPO staff may interact with client hiring managers on a daily basis. The provider is often involved in pitching the business case or reporting progress and metrics to client decision-makers – executives who are looking for impact that goes beyond the details of HR processes. All of this takes time, careful interaction, great recruiting resources, and the ability to develop a vision that reflects the client's unique culture and needs.

Choosing the right provider for such a complex and

* Martin, K.; Saba, J.; Lombardi, M. *The 2009 HR Executive's Agenda, Driving Business Execution and Employee Engagement*; the Aberdeen Group; Dec. 2008

**Jones, Ross, *Recruitment Process Outsourcing, Today's Challenges and Opportunities*; Human Capital Institute, January 2009

Insight at a Glance:

A Look Inside the RPO Conversation

Our exploration of successful RPO draws on real-world insight in four areas, including:

Looking Beyond Cost for Strategic Impact:

The experience of global dairy exporter Fonterra reveals that broad expertise and a compelling value proposition are critical decision-drivers for an effective RPO.

Research, Evaluation and the Business Case:

Evaluating an RPO provider requires diligence in the selection process and business ownership of performance and outcomes. Commentary is drawn from the experience of a talent leader in the financial services industry.

A Seamless RPO Operation: A seamless relationship between RPO provider and client recruiting operations lies at the heart of the successful strategy for oil and gas industry services leader, Weatherford International.

A Partnership Approach: For Wind Telecomunicazioni SpA, a leading integrated fixed-mobile-Internet communications services operator in Europe, the key to effective RPO is a client/provider partnership in addressing internal performance, motivation, recruitment effectiveness and RPO results.

business-critical investment comes down to one key fact: RPO begins as a conversation. If that conversation is only about cost, the resulting choice is likely to have drawbacks in terms of service, quality of hire, and change management, and the relationship may fail. If the conversation is only about how the RPO provider can fill positions, the result may be an RPO that would have been better served by engaging traditional search firms. If the conversation is limited to HR

strategic business impact. Typically, this kind of success – the kind that RPO is uniquely suited to deliver – will not come with the lowest-cost solution. When considering RPO options, making the right choice often requires a change in the cost- and procurement-driven conversation.

How should the conversation change? The answer spans several areas. First, the conversation must be inclusive: involving C-level executives, line-of-business leaders, recruiters, hiring managers, HR and procurement. Second, it must be self-analytical and strategic, beginning with the question, “What impact do we want our RPO to have on the business?” Later, as the evaluation process is under way, it must be driven by questions that have a significant impact on real-world implementation: “Which provider is best equipped to meet our needs? Which provider has the resources and

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experience to make the relationship work? What can the company best afford, and what kind of business impact will the RPO deliver?”

When it comes to changing the RPO conversation, one of the best ways to understand the real issues is to explore what works through the experience of those who have succeeded. With that in mind, we have turned to four talent strategy planners who have been on the front lines of successful RPO efforts. What they share are experiences that can help anyone change the conversation, particularly as it relates to four critical areas: (1) cost and strategic impact, (2) research, evaluation and the business case, (3) the implications and advantages of a seamless RPO provider relationship, and (4) the

and procurement, internal support from other stakeholders such as C-suite executives and hiring managers may falter before the relationship delivers real value.

From a provider’s perspective, a successful RPO is one that answers the client’s needs, meets talent deliverables and achieves measurable, positive

value of a partnership approach to successful RPO. Each of these concerns is vital to the conversation, helping to ensure that a company selects the best RPO provider to meet its particular needs.

Conversation Point #1: Looking Beyond Cost for Strategic Impact

Today, most companies understand that they are engaging RPO providers for purposes other than simply filling positions. Not only does RPO enable a company to leverage specialized expertise, dedicated

Insight at a Glance: Addressing Challenges for Strategic Impact

Based on the experience of Fonterra, several key considerations are important to launching a successful RPO, including:

Implementation Lead Time: Effective RPO may require time for development of processes, strategies and change management prior to go-live.

Key Performance Indicators (KPI): Establishing the right KPIs is essential. Examples include quality of candidate, hiring manager surveys, candidate surveys and percentage of third-party recruits.

Change Management: This is a significant consideration. It must be managed internally but strongly supported by the RPO provider.

Process Definition: Essential to the RPO effort are well-defined processes for feedback and communication among all stakeholders as well as periodic reviews of KPIs.

resources and refined processes, but it does so in a way that gives the company virtual ownership of the positive results brought about by the process. This includes an improved ability to reach critical talent, better use of technology, and an ability to apply recruiting best practices. It also includes access to the strategic input of planners who often have decades of specialized experience in

change management, building recruitment strategy, making the business case, and setting up the process for continuous improvement.

Looking beyond cost in the RPO conversation is important when considering these needs. While a provider may have a lower cost in one area, such as service fees for volume of hiring, it may entail larger

The cost is important to the RPO conversation, but it's not the decision driver.

costs in other areas, such as poor change management support, which hinders adoption and causes expensive delays in RPO time to value. Ultimately, the real value of the RPO will be determined by its ability to deliver on business strategy; therefore, a strategic perspective is essential to evaluating RPO options.

Strategic Aim Delivers RPO Value for Fonterra, a Leading Global Dairy Company

Many business leaders are finding that the RPO conversation has already begun to change. The emphasis on cost is giving way to a focus on total business value. One such leader is Heather Kean, General Manager, Talent Engagement at Fonterra. Her company, New Zealand's largest employer and one of the largest dairy exporters in the world, exemplifies the forward-thinking perspective needed to compete for talent in a global marketplace.

Fonterra implemented an RPO model in April 2008, based on a successful recruiting relationship with the provider that would eventually become its RPO partner. The engagement extended RPO operations across a broad part of the Fonterra organization. Rather than act as a recruiter feeding candidates

into the organization, the provider instead took on the role of a business partner, working with the line functions and across internal talent processes.

According to Kean, an effective RPO decision must extend well beyond the discussion of cost and time to hire. “The RPO conversation is about the strategic sourcing of talent, first and foremost,” she says. “The cost is important to the RPO conversation, but it’s not the decision driver. The challenge, for providers of the RPO model, is to bring a level of expertise to the table that makes the proposition compelling. For us, the question was, how do we achieve a very large and comprehensive sourcing capability?”

Fonterra’s RPO effort hinged on an ability to meet recruiting needs for critical hires across the business. “We needed an RPO that expanded across the business,” she notes. “We needed to improve

Ultimately, the change management has to be managed internally, and it has to be well supported by the RPO provider.

our proactive recruiting capability and our ability to deliver innovative sourcing solutions. We needed a direct link between recruiting and our line clients.”

In Fonterra’s case, the RPO relationship is driven by a number of Key Performance Indicators (KPIs). “We consider time to hire,” says Kean, “but we also look at quality of candidate, hiring manager surveys, candidate surveys and percentage of third party recruits. I do believe that we could improve on these KPIs to focus on strategic sourcing of critical hires.”

She points out that expectations need to fit the realities of the effort, particularly during

implementation. “A key lesson was the need to manage the implementation as you would any change program, and also the importance of accurately anticipating volumes. Higher than expected volumes impacted heavily on the time-to-hire KPI. If we were to do it again, we would have built in three months lead-in time prior to go-live.”

If you’re considering RPO, don’t aim low, and don’t concentrate on the wrong drivers. It’s very challenging to reach the critical talent out there.

Kean points out that the result – a proactive recruiting and strategic sourcing capability – was worth the effort, but the experience highlights the importance of understanding the needs that drive RPO success at the outset. “Change management is critical,” she says, “particularly when it comes to helping everyone understand what RPO means for people’s roles. This is often underestimated. Ultimately, the change management has to be managed internally, and it has to be well supported by the RPO provider.”

“You also need to have well-defined review processes,” says Kean. “The feedback loop is really critical. You will be learning along the way, and feedback must be regular – for example, a one-year formal review with the possibility of changing the KPIs. You should be able to question the KPIs. Along the same lines, establishing a recruitment user group in the business is important.”

How does successful RPO begin? Kean reflects on the evaluation process: “If you think the job of the RPO provider is to come in and do recruiting for you, that’s not enough. It would be better to do it for

yourself. It's about the IP that the RPO provider brings to the relationship. The recruiting industry hasn't done that well in the past, and it's still a challenge today."

"How do we use all our strategy and resources to bring that special expertise to bear?" she asks. "That's a question for the RPO conversation, and it's a challenge I would throw out to the recruiting industry. If you're considering RPO, don't aim low, and don't concentrate on the wrong drivers. It's very

challenging to reach the critical talent out there."

Insight at a Glance: RPO Evaluation and the Business Case

One leader's experience in a financial services RPO effort reveals several considerations for evaluation and planning, including:

Effective Procurement Support: As a partner in the process, procurement can play a key role in evaluation and due diligence. Cost is not necessarily the driving factor in total value.

Scalability: How easily can an organization ramp up to or scale down to meet talent acquisition needs? This is an important consideration in the planning discussion.

Addressing Varying Stakeholder Needs: This includes variations in business needs, cost factors and states of readiness among different internal groups and locations.

Alignment with Business Strategy: Does the talent acquisition process support core business needs? Whether outsourcing processes or not, this is the primary consideration for any successful talent acquisition effort.

Conversation Point #2: Research, Evaluation and the Business Case

The case of Fonterra is just one example of how companies have changed the conversation to shape a more effective RPO vision. The priorities in the RPO relationship extend well beyond filling positions quickly and inex-

pensively. In every RPO relationship, interaction between the client and the RPO provider will be the primary basis for success. These are the keys to rethinking the conversation.

While it is important to look beyond cost when considering RPO options, it is just as important to know that procurement can play a critical role as a

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source of expertise and support in the planning process. The experience of a talent leader in a major financial services RPO provides an example.

Relationships with Procurement and Lines of Business Prove Critical to Successful Planning

As a leader of talent operations in multiple organizations in the financial services industry, Donna Sinnery has seen firsthand the value of a well-planned RPO effort. She was the senior vice president of Global Staffing at Fidelity, and she provided strategic leadership for State Street Corporation's worldwide staffing services. Her experience with RPO at State Street yielded insight that applies across all industries.

At State Street, she notes, "the procurement organization was the greatest partner in the process. It wasn't just about the funds. It was about taking us through due diligence. We could say to the procurement group, *Here are our business needs. Based on that, and based on what you've seen in the marketplace, give us your insight.* They were not there to erect a roadblock, but to help us succeed."

She points out that the procurement group provided guidance in selecting a provider, as well as in “helping us through the contract phase.”

A significant part of the RPO relationship, according to Sinnery, was what became known as the “joint services committee.” In this relationship, the RPO provider, procurement and HR met each month to review progress. This was a constructive communication effort, and she credits this relationship for supporting the success of the RPO. “We came together to review where we were, find out what the issues were, and ensure that we were in sync with the strategy. It really did become our governance model, so procurement was integral to our success.”

One of the key components of a successful RPO is making sure that your talent acquisition strategy is aligned with your business strategy. If not, the rest of this doesn't really matter.

Sinnery's organization made a notable shift in putting the RPO into effect – and that change concerned budgeting. “HR originally owned the recruitment budget,” she noted, “but we shifted that to say *recruitment is a function of running your business. You, the business, need to own the budget, because you own the business drivers.* The focus on budget made the case for a scalable RPO all the more important for everyone involved.

“Our business case was predicated on the fact that we needed scalability, so we could ramp up but then scale back when the volume and activity wasn't there. If you're a board member, you would be in agreement with this approach, because you see that if the activity goes down, then the cost goes down too.”

In addition to the collaborative relationship with RPO and procurement, the relationship to the lines of business was also important to the RPO effort. “The business case needs to be solid,” she says. “You have to recognize that the needs in different geographical locations may be different. The cost factors may be different, and the state of readiness may be different. If, as an internal service provider, we dictated that they had to do it one way, the only thing that we were going to see were walls.”

What are the keys to effective RPO? Sinnery points to strategy and communication. “One of the key components of a successful RPO is making sure that your talent acquisition strategy is aligned with your business strategy,” she says. “If not, the rest of this doesn't really matter, whether you are outsourcing a process or not. The consistency of the messaging and the employment branding are vital. You have to deliver what you committed to in the recruitment cycle? The communication and strategy pieces often override other factors in the overall success of an RPO.”

Conversation Point #3: A Seamless RPO Operation

Companies may assume that every provider will deliver the level of seamless communication or relationship transparency needed to make the engagement work. This is not the case. No two RPO providers offer the same level of input on the implementation phase, nor do they necessarily have the same client relationships.

One important point to consider in evaluating RPO options is the type of interaction that will best suit the company. In some cases, providers work offsite, in others, the RPO recruiters may operate in client

facilities. In either situation, it is important to understand that the engagement will blur the boundaries between client and provider. The impact, in terms of interaction with internal resources and candidate experience, will be positive if the

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relationship is carefully planned and developed. Is an RPO provider suited to support that seamless relationship? This is a critical question to consider during planning and evaluation.

Seamless RPO and Weatherford International

A great example of an effective, seamless RPO

Insight at a Glance:

Effective Recruiting In a Demanding Industry

Successful RPO in a specialized industry is driven by critical operational needs and factors, including:

Avoiding "Bidding Wars" Over Specialized Talent: With the right approach, a provider can help a company find new places to seek talent and reduce the need to compete directly with competitors for hard-to-find specialist skills.

Seamless Operation: An RPO provider can act as an integral part of the client's recruiting operations. This is important to the client's internal function and to the candidate experience.

Industry Experience: This is particularly relevant in specialized areas with a limited talent pool and a high level of competition.

relationship in a challenging industry is that of Weatherford International, one of the world's largest providers of products and services for the drilling and operation of oil and natural gas wells. In a highly competitive industry, the company finds itself competing for specialized talent regardless of economic

conditions. As recruiting manager at Weatherford, Raquel Olsen has played an instrumental role in the establishment and function of a productive RPO.

According to Olsen, Weatherford's conversation about RPO began with a need for a dedicated recruitment process and resources that would reach both active and passive talent. "With the shift in the economy, our industry is very competitive for specialized talent," she says. "The talent we seek is very unique to oil and gas, but we don't want to go into bidding wars with our competitors over that talent and drive up costs. Our RPO provider is helping us find candidates where we typically hadn't looked in the past."

To make the effort deliver results within the company culture, a transparent relationship was also important. "On the front end, we definitely worked together as a team to create a business case and a strategy," Olsen says. "It's important to work with your RPO partner to make sure you put that strategy in place. What we decided to do was create

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what we call the Weatherford Recruiting Team. We didn't use the name of the RPO provider. This created a seamless extension within our organization. They use our email address. They're in our tracking system. They answer the phone as 'Weatherford Recruiting.' It helps with the interaction with our internal organization, and it helps us maintain our employment brand and the candidate experience."

Insight at a Glance:

Driving a Successful RPO Relationship

The experience of a major European fixed-mobile-Internet communications services operator highlights RPO as an effective working relationship. Ingredients of that success include:

Establishing the Relationship: This involves commitment from the provider in developing the business case, winning internal support and understanding the business needs and culture of the client.

The Motivation Factor: An experienced RPO team provides a high level of motivation that can prove crucial to effective recruiting in high-volume or time-constrained hiring situations.

Partner vs. Vendor Approach: Ownership of process and outcome is driven by a partnership approach between RPO provider and client. This includes provider involvement in understanding the business, communicating to leadership and working with in-house teams.

A clear view of results and an understanding of the desired business impact continue to drive Weatherford's close relationship with its RPO provider. What determines RPO success? "You get feedback from the voice of your customer, which is your hiring manager," says Olsen. "And your feedback will be a successful quality hire and a cost-contained method."

embarking on an RPO is to be open and honest with your communication," says Olsen. "Be honest not only internally within your organization, but with your RPO provider. That's what made it seamless for us."

**Conversation Point #4:
A Partnership Approach**

As mentioned earlier, the real RPO conversation begins with a careful look at the needs of the business, followed by an examination of the capabilities of the RPO provider for meeting those needs. Finally, it is the partnership between the provider and client that will ultimately drive the success of the RPO. The partnership has a very tangible impact on delivery. A notable case in point is the experience of Wind Telecomunicazioni SpA, a leading integrated fixed-mobile-Internet communications services operator in Europe.

RPO Partnership Helps European Telecom Provider Overcome Relocation Recruitment Challenges

As head of recruiting, training and development at Wind, Emanuele Mangiacotti was faced with the prospect of trying to move an intensive employee operation from Milan to Rome. "The move would

In its RPO conversation, Weatherford did consider both the cost implication and total value. "We were spending an inordinate amount of money on staffing firms, advertising and other efforts," she notes. "So for us the cost improved. There was a savings. We looked at what we would need for a maximum ROI: cultural fit, global reach and industry experience. You have to weigh these things, and then apply the cost perspective."

When considering an RPO, the importance of implementation cannot be underestimated, and the process for handling that implementation should be part of the conversation. "My advice to anyone

The RPO provider invested time and resources into establishing the RPO, making the business case and gaining buy-in. That was important, and it took time and commitment.

involve senior expert talent in marketing and product development, IT, network engineering or sales," says Mangiacotti. "We knew that not all of these people would take on such a transfer, so we expected that we would have extra hiring needs. In addition, we needed a new institutional campaign to hire young graduates and to cover the normal turnover."

“In a short time, recruiting became a big challenge, but at the same time, adding recruiting staff wasn’t an option,” he adds. “We had to find a better way to achieve our goal. We sought a dedicated team that would work inside our company, understand the best path to success, and take on the activity to attract and retain talent for the new location.”

“Flexibility, scalability and cost made RPO the right option, but we needed the right company to make it work,” he says. “Fortunately, we engaged a provider that could do this, and do it right. The RPO team invested time and resources into establishing the relationship, making the business case and gaining buy-in. That was important, and it took time and commitment. Then there are the actual recruiters who are part of the RPO. The right reach, the right processes and the right strategy are great, but the actual people who are involved in the process on a daily basis are what makes it work. Their

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competence and the relationship with the managers is important, and they excelled in both areas. Our environment is dynamic and complicated. They understood that.”

“It comes down to the motivation and relationships of the people involved,” he says. “That’s important to understand. When you have a handful of internal recruiters involved in a high-volume or time-constrained hiring situation, it takes management effort to sustain that performance and motivation. With the

right external team, if they have the experience and are dedicated to the task at hand, the level of motivation and performance is much higher.”

What does the competence of the recruiter and the preparation of the provider have to do with the RPO conversation? Everything, according to Mangiacotti.

In today’s economy, there is no room for error when it comes to making an investment in any initiative – and talent acquisition is no exception.

“You have to make the case for RPO to business leadership, but it is how you treat the provider and how they treat you that will determine the outcome. You have to ask, *how will this provider be a partner to us?* RPO providers have great capabilities. But the one that will help you succeed is the one that best understands your needs. That, in my opinion, is the difference between a vendor and a partner.”

“Great recruiters can help you make great hires,” he says, “but to put a real strategy into place that fits your business is something else entirely. That requires a partnership approach. It may take time and resources. It may involve cost, but it’s an honest approach. You need a partner to succeed, and that should be reflected in the conversation.”

Moving Forward: Perspective on RPO Value

The experience of those involved in RPO reflects a common theme: Cost is important, but success is determined by relationships and business impact. When considering RPO choices, companies have learned that if they rely solely on cost in their evaluation, they are likely comparing apples and oranges.

How can organizations put the right perspective into play? Consider the direction of the conversation. A traditional evaluation may focus on very outward-looking questions: “What does the RPO provider do? How well does the provider do it, and how much does it cost?”

Changing the conversation begins by adjusting that line of questioning to: “What are our goals? What is the RPO provider offering to help us meet those goals, and, finally, who provides the best value when it comes to making an impact?” Listen to what those who would provide RPO services have to say,

and you may find that their offerings have great variety. There is no single correct answer, and although cost is a factor, it is important to ensure that the qualities and capabilities being offered are aimed at meeting near-term needs and supporting long-term strategic goals.

In today’s economy, there is no room for error when it comes to making an investment in any initiative – and talent acquisition is no exception. When evaluating RPO options, the right conversation is more than a nice-to-have activity; it is essential to success of your RPO investment.

About Futurestep

Futurestep, a Korn/Ferry Company, is the industry leader in strategic talent acquisition, offering fully customized, flexible solutions to help organizations meet specific workforce needs. Our full-spectrum portfolio of services includes: Strategic Recruitment Process Outsourcing (RPO), Project-Based Recruitment, Mid-Level Recruitment, Interim Professionals and Consulting Services. With locations on four continents and a record of success in securing top talent around the world, Futurestep provides the experience and global reach to identify, attract and retain the people who drive business success. To learn more, visit futurestep.com or call 866-776-4671.