

Recruitment Process Outsourcing: TRANSFORMING END-TO-END TALENT ACQUISITION

By Tim Nelson and Brett Gerard

Regardless of company size, location or industry, one thing is certain – recruiting has become enormously challenging and complex. This applies for all levels of positions that a company needs, whether for a start-up requiring a dozen veteran engineers or for a multi-national firm with hundreds of vacancies spanning a wide mix of titles, functions and geographic locations. Despite their differences, it is conceivable that companies on all ends of the spectrum might have a human resources department that is not equipped to handle such demands at a moment's notice in concert with their core responsibilities. The trend to outsource those recruiting needs to a qualified, proven and capable partner is quickly becoming a standard practice around the world.

Business process outsourcing (BPO) and its subsets, notably including human resource outsourcing (HRO), are widely accepted strategic

services that swiftly reduce a company's costs and improve its competitiveness. In fact, the Yankee Group estimates that the worldwide HRO market will total US\$80 billion by 2008, increasing at a compounded annual growth rate of 12 percent during the 2003-08 period. With the predicted shortages of qualified workers driving this demand in general, one HRO sub-specialty in particular – recruitment process outsourcing (RPO) – is offering companies a proven way to attract the best talent and, ultimately, ensure the highest possible level of customer satisfaction.

RPO is quickly evolving, from transaction- and cost-based saving agendas to best-in-class talent management models. RPO enables organizations to efficiently meet their escalating enterprise-wide needs for high-performance talent while simultaneously and dramatically improving recruiting efficiencies. These current models are more strategic in their recruitment pursuits,

RPO Defined

RPO IS A SPECIALIZED SERVICE THAT ALLOWS CLIENTS TO OUTSOURCE SOME OR ALL OF THE RECRUITMENT FUNCTION. AN RPO PROVIDER LEVERAGES THE COMBINATION OF STRATEGY, TECHNOLOGY, RESOURCES AND VENDOR MANAGEMENT TO IMPROVE THE RECRUITMENT PROCESS. OPERATING AS THE CLIENT'S INTERNAL RECRUITMENT FUNCTION AND STRATEGIC PARTNER, THE RPO PROVIDER WILL WORK CLOSELY WITH THE CLIENT TO IMPROVE THE RECRUITMENT EFFICIENCIES OF QUALITY OF HIRE, SPEED OF DELIVERY AND COST CONTAINMENT. IMPROVEMENTS MEASURED AND MONITORED THROUGH REAL-TIME METRICS ARE THEN TIED TO STRICT SERVICE LEVEL AGREEMENTS. THE CLIENT'S GOAL IS TO SELECT A WORLD-CLASS RPO PARTNER THAT CONTINUOUSLY RECOGNIZES AND DELIVERS BEST PRACTICES TO TACTICALLY ELEVATE THE CLIENT COMPANY'S INTERNAL PROCESSES AND TO PROMOTE THE COMPANY AS AN EMPLOYER OF CHOICE.

and are driven by demographic change, the increasing value placed on intangible assets, and the realization that models which simply offer cost and process efficiencies do not provide organizations with the fundamental transformational changes that will give them a true competitive advantage.

In the Winter 2004 issue of MIT Sloan Management Review, Jane C. Linder writes: "When executives began outsourcing substantial portions of their operations more than a decade ago, they did it to offload activities they declared to be non-core in order to cut costs and improve strategic focus. Today, however, companies are looking outside for help for more fundamental reasons – to facilitate rapid organizational change, to launch new strategies and to reshape company boundaries. In doing so, they are engaging in transformational outsourcing; partnering with another company to achieve a rapid, substantial, and sustainable improvement in enterprise-level performance."

Clearing the "Transactional Decks"

Human resource management, with its many transaction-based functions, is a logical place to look for cost savings and productivity improvements through outsourcing, and many companies are doing just that.

In a 2004 study by The Conference Board, 76 percent of executives at large North American and European companies (US\$1 billion+ annual revenues) said their organizations currently outsource one or more major HR functions. Seventy-one percent of the responding companies that currently outsource HR plan to extend or renegotiate contracts with their current HRO provider, with the remainder saying they will issue requests for proposals. No survey participant expected to return outsourced HR services in-house.

It is fortuitous that the outsourcing of HR's transaction-based functions (i.e., payroll, benefits administration, employee records management and

travel/expense reimbursement) has freed HR professionals from routine tasks, giving them more opportunity to focus on developing the requisite human capital strategies needed to achieve business goals. This could not be occurring at a more appropriate time, as the continued pace of worldwide mergers and acquisitions, the demands of the “new” economy, globalization, and other socioeconomic trends are forcing companies to manage change continuously. Managers are thus realizing that HRO can be about more than cost and process; there is growing recognition that it can be a highly effective change management tool.

The First Wave of RPO - Cost and Process

The first of many approaches to talent acquisition and management merely addressed the cost and process efficiency issues. Many global enterprises approached the issue as a procurement exercise – consolidating suppliers, driving down costs, looking for process efficiencies and utilizing technology solutions, while at the same time squeezing much of the strategic value out of third-party relationships. These cost-reduction and process-focus models have failed to integrate talent acquisition and management with the strategic imperatives for talent demanded by the business. In many cases, while driving some efficiency into previously ineffective models and realizing some cost savings, the talent problems have persisted.

The Second Wave of RPO - Value & Innovation

Today, we are witnessing the migration of recruitment and talent initiatives back to the HR function, in conjunction with greater senior management interest and oversight. In many organizations there is increasingly a strategic and shared approach to talent problems. A recent Conference Board report supports this idea, noting that board directors and other senior management are taking notice of talent management integration or, as they call it, “the fitting together of different talent management programs to create a single, coherent system.” The report cites the major components of talent management as recruitment, retention, professional development, leadership/high potential development, performance management, feedback/measurement, workforce planning and culture.

While cost and process efficiencies are still a priority, organizations are now realizing that leveraging talent as a competitive advantage is paramount. HR functions in partnership with their service provider must be more outwardly oriented – i.e., in closely managing and evaluating the various human capital vendors and partners with whom they work and through innovative strategies and tactics that create value while simultaneously driving down cost. An effective RPO provider will work in collaboration to set the talent agenda and then execute by integrating people, process and technology to drive competitive advantage through

the appropriate talent solutions. This focus of the talent function shifts from internal to external, bringing a new dimension and a fresh perspective.

Benefits of RPO

In general, companies do not determine the true costs of hiring, which should include the overhead costs of the recruiter, time spent interviewing, the productivity lost while the position is vacant and similar factors. An RPO provider can collect, refine and analyze a broad set of information that most companies either have not considered, or do not have the tools required to adequately assess and utilize. This analysis is then used as the foundation on which to build a customized outsourced model.

Effective talent management requires the coordination of multiple data points, which are often maintained in separate areas of the business are geographically inconsistent and difficult, if not impossible, to quickly access. An RPO provider's talent management platform can respond to these challenges by combining all critical talent management functions in an integrated, Web-based process. This automates the talent management lifecycle, provides real-time data and statistics as well as workforce planning information to better meet the needs of a changing business.

In addition, an RPO provider can offer a client a market analysis that evaluates its overall

competitiveness, compensation scales and other factors such as the strength of its brand relative to other industry employers. This enables the RPO provider to develop company-specific employment proposition and tailored strategies to attract and retain better quality talent.

An RPO provider also generally has stringent quality controls and metrics and can provide clients with information about how many candidates meet the hiring criteria, best sources for qualified candidates for existing and future hiring needs, and other timely information that ultimately yields better, faster results than traditional in-house methods.

In short, the benefits of working strategically with a quality RPO provider transcend traditional recruitment best practices by providing an integrated managed service supported by technological innovation and standardized processes to optimize cost and mitigate inefficiencies and drive superior quality. As companies look to centralize and/or improve their recruiting efforts across the globe, gaining access to worldwide market and process expertise along with a network of experienced recruiters with specific vertical and functional market knowledge – provides a true competitive advantage.

Listening to RPO User Needs

Quality, speed and service are the most important qualities of an RPO provider, according to a

survey published in the July/August 2004 issue of HRO Today Magazine. Additionally, this survey

identified the subject of outsourced recruitment as the number one marketplace trend.

CASE STUDY

AT TELECOM NEW ZEALAND, RECRUITMENT OUTSOURCING IMPROVES QUALITY AND PROCESS

Employing approximately 8,000 in its New Zealand division and its Australian subsidiary, AAPT, Telecom New Zealand is the largest provider of telecommunications services in the New Zealand market and one of the region's major employers. Yet, for years it was recruiting employees more like a small business than an industry leader.

"We had a very dispersed recruitment process across our organization," explains Su Duffey, Head of Employment Brand and Communications for Telecom. "It was transactional – not strategic – recruitment, and it was costly to do it this way."

Attempting to remedy this piecemeal approach, Telecom first hired a team of in-house recruiters. Then it turned to an off-site vendor. Neither tactic brought the desired results. "The in-house team became too disconnected from the external market," Duffey explains. "And, when we put the whole process outside, the vendor was not really able to get to know us well enough."

For Telecom, the solution was to tap into the expertise of a specialized recruitment firm, but have those experts work on site. Since 2002, recruiters from Korn/Ferry International's recruitment outsourcing subsidiary, Futurestep, have been working at Telecom's offices, with a team of twenty now managing the recruitment of all permanent employees.

"By having these outside experts working in-house, we get a link to the external market, to the trends and changes that are happening there, and they get to know our business the same way our employees do," Duffey says. She notes that Telecom also now has access to Futurestep's database, considered to be one of the world's largest private databases of mid- to senior-level professionals.

The recruitment team has also worked with Telecom's HR team to deliver a key HR strategy, to build talent capability. As Duffey explains it, "While the recruitment team does extensive recruitment in the external market, it has increasingly sourced candidates internally and where they have displayed the required capabilities, assisted Telecom to place them in roles as part of their career progression. Recruiter expertise based on-site has assisted to drive this strategy."

The on-site presence of experienced recruiters has also allowed the development of excellent relationships with hiring managers, who appreciate the access to specialized recruitment expertise, as opposed to it being one of a number of competing priorities for the HR team.

Another advantage of the approach is particularly relevant in the current market. As Duffey explains, "With the labor market tightening in recent times, the need for specialized recruitment resource is increased further. Experienced recruiters can access

a number of sourcing channels to deliver quality candidates."

Trust and Results

Cooperation and good communication ensure that the relationship between client and service provider runs smoothly. "We meet weekly to discuss how things are going," Telecom's Duffey explains. "We treat the recruiters like they're part of us. There is no loss of control. When we've felt it necessary, we've just modified our relationship to make it work well for all."

Recruitment outsourcing has provided consistent recruitment organization-wide and has helped identify industry best practices to improve Telecom's talent acquisition process. "The quality and type of hire is better as a result," Duffey says. "The process-side of things is so key to long-term success." Telecom has also relied on Futurestep to design recruitment processes for specific business units. For example, a full-cycle recruitment model – from defining strategies through to employee assessment – was designed for Telecom's call center business and implemented in early 2004.

Duffey says she now receives inquiries from fellow HR professionals in other companies asking about the outsourcing relationship. "People are moving away from transactional recruitment. The talent market is so tight that you have to look at your strategies."

The right partner will provide the organization with:

- A COMPREHENSIVE COMPANY-WIDE VIEW OF ALL RECRUITMENT
- THE ABILITY TO LEVERAGE AND MAXIMIZE THE EMPLOYMENT BRAND AND PROPOSITION
- TALENT POOLS OF POTENTIAL HIRES IN ADVANCE OF NEED
 - STRATEGIES TO IMPROVE HIRING MANAGERS' ABILITY TO HIRE WELL
- THE ABILITY TO OPERATIONALIZE WORKFORCE PLANS
 - STRATEGIES TO REDUCE TIME TO HIRE
 - A SCALABLE, FLEXIBLE AND EFFICIENT APPROACH TO ADAPT TO HIRING CYCLES WITH A VARIABLE COST MODEL DEPENDING ON ACTUAL NEEDS
 - IMPROVED LEVELS OF COMMUNICATION ACROSS THE BUSINESS
- THE ABILITY TO MOBILIZE THE INTERNAL TALENT MARKET
 - THE SKILLS TO BUILD PARTNERSHIPS AND TRUST WITH OTHER VENDORS
 - THE ABILITY TO HOLD THE RPO PROVIDER TO A STRICT, MEASURABLE SERVICE LEVEL
 - STRONGER TEAMS BRING ABOUT AN INCREASE IN CUSTOMER SATISFACTION AND, ULTIMATELY, IMPROVED BUSINESS RESULTS

Further underscoring that point, the July/August 2005 issue of that same publication reported on a remarkable explosion in the industry citing that even more companies are “taking the plunge and outsourcing some or all of their recruitment processes.”

Upon exploring the drive for this RPO growth, they noted “with U.S. job unemployment at its lowest point in four years, many of the hiring freezes and downsizings that were instituted due to the economy are being rolled back. Companies large, small and in between are desperate to find the right people as quickly as possible. Many of these companies are seeking relief from the headaches associated with finding qualified candidates, scheduling the interview process, screening potential hires, assembling offer packages, bringing new employees on board and simultaneously keeping record of the entire process. They are turning to RPO, which has been shown to save time, money, and aggravation.”

Summary

Today, the fear of losing control – expressed by many HR professionals during the early days of outsourcing – has been greatly diminished. The improved quality of reporting supplied by strategic staffing partners has given HR managers new and powerful tools with which to assume their enhanced strategic roles. Over time, this, combined with the high level of service that BPO sub-specialties such as recruitment outsourcing have delivered, has shown companies that expert service providers can manage critical functions well and without compromising a company's control over the process.

Despite the sensitive nature of talent and recruitment, more companies are realizing that specialists may be able to deliver better results through integrating and managing all aspects of the talent attraction and hiring process lifecycle. Hence, HRO and

RPO are fast becoming adopted as strategically important sub-sets of BPO. In fact, RPO may just be this decade's most powerful, yet best kept, "secret weapon" in the war for talent.

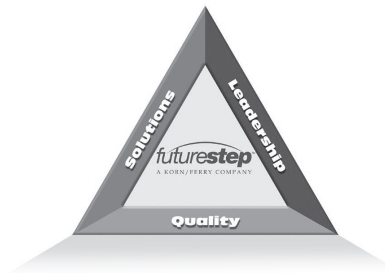
The RPO market is evolving quickly from merely a process and cost focus to a strategic transformational change process designed to fast track organizations' ability not only to compete more efficiently for talent at an enterprise-wide level, but to secure a competitive advantage at the industry-wide level.



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About Korn/Ferry International

Korn/Ferry International, with more than 70 offices in 35 countries, is the premier provider of executive search, outsourced recruiting and leadership development solutions. Based in Los Angeles, the firm partners with clients worldwide to deliver unparalleled senior-level search, management assessment, coaching and development and recruitment outsourcing services through its Futurestep subsidiary.

About Futurestep

Founded in 1998, Futurestep serves as Korn/Ferry International's recruitment outsourcing subsidiary, focusing on the creation of successful recruitment strategies based on clients' individual workforce needs. Futurestep has locations in 17 countries across North America, Asia/Pacific and Europe. In addition to recruitment process outsourcing, the company's portfolio of services includes managed services, project-based recruitment and middle management search.

For more information, visit the Korn/Ferry International Web site at www.kornferry.com or the Futurestep Web site at www.futurestep.com.

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