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7 Secrets of RPO

What every buyer of recruitment process outsourcing should know.

By Andy Teng

As anyone familiar with recruitment process outsourcing (RPO) knows, it's a fast-growing, fast-evolving practice that has many customers and service providers seeing dollar signs. For buyers, engaging in RPO is an opportunity to

rein in recruitment costs while improving hiring performance. For providers, being able to leverage their proven processes, recruitment talent, and installed technology to an expanding base of clients means more revenues. It's the proverbial win-win situation. Or is it?

Buyers might hear much hype about the benefits of RPOs—and there are myriad indeed—but the reality is RPO is no instant panacea to a company's recruitment woes. Indeed, even as the sector matures, there are numerous challenges, myths, and disagreements surrounding RPO. In an industry still plagued by questions, RPO sometimes creates as many questions as it answers. For instance, what constitutes an RPO? With so many firms now transforming into or aspiring to be RPOs, how can buyers choose the right vendor? Furthermore, how do companies know the benefits of RPO when they often aren't sure of their internal costs and processes? These and other questions help muddy the picture of recruitment process outsourcing and complicate the simple question: should I outsource?

Fortunately for buyers, they don't have to go at it alone. In extensive discussions with some of the biggest RPO providers, we have compiled the Seven Secrets to successful RPOs, a list of key ingredients any outsourced deal must have or avoid on the road to success. These are tried-and-true tips providers find most valuable in steering customers to their stated goals. Reading these best practices could help you better manage your outsourcing relationship, whether you are in your first or 41st month. So keep a copy under your pillow on nights when second thoughts about your RPO are keeping you sleepless, and learn from the observations of these industry leaders.

When Houston-based Cyberonics, a small medical device manufacturer, sought approval for one of its products from the U.S. Food and Drug Administration (FDA) earlier this year, it faced a critical challenge. It needed to deploy a proportionally huge number of new field sales reps and support personnel to its 750-employee workforce as soon as the product passed regulatory scrutiny. Because of the excitement generated around its VNS neurostimulation therapy for depression, Cyberonics, over the course of a year, had to field 20,000 applications for some 200 jobs. To the north in Minneapolis, the UnitedHealthcare Group, with revenues of nearly \$40 billion, faces the same challenge just about every week. In fact, the healthcare giant needs to fill more than 10,000 positions a year to keep its operations running smoothly—no small task for any company. What do these two organizations have in common? Aside from operating in the dynamic healthcare field, they've also realized the value that a recruitment process outsourcing provider can offer to companies seeking to fill important positions. More than just a staffing firm or employment agency, RPO providers have become pivotal vendors in today's HR departments, helping to not only find talent in high demand but also fill a growing scope of client needs. With HR professionals increasingly demanding more value when they outsource, RPOs are quickly answering the calls for sourcing, screening, compensation and benefits consulting, metrics monitoring, root cause analysis, and a plethora of other services to help clients reduce fill time.

Leveraging Outside Expertise

Clearly RPO has become one of the new tools for HR professionals to quickly fill vacancies. At the same time, providers are bringing their expertise to the table to help organizations understand where the

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bottlenecks occur, how to attract and retain quality people, and save money. For companies with high-volume recruiting needs, the global reach of some providers is clearly a more attractive alternative than developing internal recruiting competencies.

“Why would I want a big cost center?” posed Tom Valerius, vice president of recruitment services at UnitedHealthcare, a client of Los Angeles-based Hyrian, a global RPO provider. Valerius said UnitedHealthcare Group gains three critical advantages by outsourcing: speed, volume, and seamless operations with the vendor.

These are indeed critical solutions to UnitedHealth's HR needs. The company requires Hyrian to place about 850 positions—both exempt and non-exempt—a month. It's easy to see why speed and capacity must be a hallmark of its vendor. In fact, UnitedHealth said its average fill time has dropped considerably now that it outsources. Previously, it averaged 40 days on non-exempt and around 55 days on exempt positions. These days, according to Hyrian, the average is 27 and 43, respectively.

Valerius' situation might not be typical, but his solution is becoming more commonplace. As HR departments around the world contemplate how to transform their business processes, outsourcing recruitment has become a pivotal focus of their strategy. That's because recruitment is undoubtedly one function that can make a difference in how successfully their companies operate. By leveraging the provider's know-how, buyers gain best practices while reducing their overhead. Additionally, they also gain from the extensive sourcing network that RPOs have developed domestically and abroad.

Why has RPO caught on like wildfire in today's market? By realigning their hiring practices through a third party, companies realize real benefits aside from cost savings. Standardizing their processes adds consistency and predictability. Often times, when they outsource, these companies are forced to examine a whole new set of metrics. Helped by their partners, this leads to not only transactional improvements but quality ones as well. As a result, they are empowered to look at their internal structures in a new way.

“Very often companies don't have the tools they need,” said Elliot Clark, the COO of Kenexa, an RPO provider in Wayne, PA. “If they don't have data, they can't start to think outsourcing. When we ask ‘What's your data?’ and they say they don't have good data, that's a big indicator they need support.”

He added that not only do some companies lack the tools they need to measure metrics—time to hire, cost of hire, etc.—they also underutilize the data collection tools they do have. Further hampering their efforts is a lack of a robust, enterprise-wide IT platform. All of these factors play a part in how effectively organizations examine their processes.

Fortunately, the provider community has stepped in to fill many gaps. Some have developed their own set of metrics in addition to the common ones that every HR professional uses to gauge recruitment effectiveness. They contend that having a deeper comprehension of the workflow enables them to better diagnose problems. For instance, buyers all want compliance data, cycle times, and cost of hire information. Beyond that, they also look to identify issues with specific hiring managers, applicant tracking, and other concerns. And when the client is struggling to identify metrics, providers can sometimes be more effective at rooting out the cause.

Additionally, vendors have developed tools such as dashboards to keep clients updated about filling positions. That means when it needs to fill 200 positions within 90 days, the client can periodically track whether it will be able to meet the deadline. These additional measures are increasingly being demanded by customers trying to wring as much value as they can from outsourcing.

“In a corporate environment, [HR professionals] use a very passive method to figure out what it costs to go out and talk to someone,” said Dave Hoppe, president and CEO of cors, an RPO research and service provider group based in Itasca, IL. “In a process-centric environment, it's all measurable and tracked.”

Indeed, RPO providers take a more systemic approach to recruitment process alignment. For instance, many are incorporating Six Sigma discipline in their efforts. Some observers point out that such an approach leads to a smoother on-boarding and engagement experience. At the same time, it also ensures that continuous improvements are part of the outsourcing journey.

Some buyers are quick to point out that this is the difference between an RPO provider and a recruiter. While the traditional recruiter is focused on finding the right candidates, RPO providers go well beyond that. They participate in the sourcing process, the candidate screening, training in some instances, and even post-employment follow-up. Recruiting firms are typically paid by each position filled, but RPO providers bill according to the value they bring to the table.

These differentiations are important to buyers, said George E. Parker, vice president of human resources at Cyberonics. A client of RPO provider The Right Thing in Findlay, OH, Cyberonics used its vendor to quickly ramp up the sales and support team for its VNS product. Not only did The Right Thing help the company meet its volume needs but it also provided many additional services such as screening and logistics coordination for recruitment events. It also provided systems capabilities that enabled Cyberonics to check on fill progress.

Parker said the company's decision to use an RPO provider instead of a traditional staffing firm was key to meeting its deadlines. “The Right Thing is a process outsourcer and not necessarily a [traditional] recruiter,”

he said, noting that the company was able to attract a large number of high-quality candidates. “I don’t know if they [recruiters] are as well-trained in the process and are as familiar with the interviews we wanted to do.”

Defining an RPO Provider

While Parker said he endorses the use of an RPO provider, HR professionals looking to outsource recruitment are faced with the question: What defines an RPO provider? Many traditional staffing agencies these days are labeling themselves as RPO experts; others focus only on a specific component of recruitment services. Clearly, there is no definitive answer to the question.

As a buyer, Valerius is critical of how so many companies are now calling themselves an RPO provider. “There are so many firms that use that vernacular that it’s ridiculous,” he commented. “There are a lot of temp agencies in drag.”

Ask a dozen providers and buyers about what is characteristic of true RPO providers, and chances are you’ll get a dozen different answers. However, a broad, common definition is shared by some: An RPO must address process changes and not just fill openings. Steve Lindner, the CEO of the Workplace Group in Florham Park, NJ, said one telltale sign is that the provider has control over some of the client’s resources. Without that control, it’s not a true process outsourcing relationship. Furthermore, he added, the provider’s core business should be in RPO and not focused on contingency, temp, or contractor hiring.

“The [provider] has to have control over resources and manage to deliver against those ultimate objectives,” he added. Another measure, although more contentious, is the reach and scope of RPO providers. Some industry participants insist that providers should offer a wide spectrum of services while others say those with a process-oriented approach, even if it is limited, qualify as process outsourcers.

Jill Zoromski, managing director at RPO provider Capital H Group’s Milwaukee office, said ultimately it’s up to each buyer to define the RPO proposition. “This is a service and not a commodity, so a lot of variation is normal,” she added. “From a buyer’s standpoint, it needs to be defined by what your company needs, wants and what works,” she added.

Expanded Services

Undoubtedly, customization will be the key to a successful RPO relationship. Considering each client’s needs, core competencies, infrastructure, and IT platform, the provider must tailor its services even as it standardizes practices and processes.

In addition to expanded offerings, buyers also want flexibility such as being able to buy services as a package or a la carte. Some vendors report that a growing number of clients want the flexibility to change their RPO deal if their market has changed. For instance, having an international reach is especially important to buyers today.

Ladd Richland, the CEO of Torrance, CA-based CRI, said overseas hires are on the rise because many corporations are shifting production to lower-cost locations, forcing them to seek recruitment help in markets such as China, India, and elsewhere in Asia. “Right now we’re seeing a large trend toward international help,” he pointed out, adding that demand has spilled over from technical positions to non-technical jobs such as data entry, copy writing, and research.

With demand for international hires on the rise, the RPO market is evolving to meet shifting needs. Sourcing has emerged as the most important function for overseas markets because clients simply lack the network that some outsourcers have built.

“Most RPOs today have to have the ability to globally source,” said Ranjan Sinha, chairman of Summit HR Worldwide, an international RPO based in San Jose, CA with offices in India. “More and more companies are looking at recruiting across a global footprint.”

Sinha noted that global RPOs have become particularly attractive to buyers who need to fill positions in numerous markets. Because most international companies have staffing needs distributed across a number of countries, they require the provider to source and recruit in just about every corner of the globe. Of course this can be particularly thorny because these needs are never uniform from market to market; instead, the provider must be capable of recruiting, for example, 200 positions in the U.S., 20 in France, and two in Poland. This is the exact reason why many buyers are turning to external providers instead of tackling the problem on their own.

As more HR professionals consider the outsourcing question, they will undoubtedly have to make a case for or against it. There are many benefits to be gained, but at the same time, numerous pitfalls exist if they fail to clearly think through about which functions are needed internally and which are best left to third parties. There will always be “sacred cow” senior positions filled only by internal hiring managers, but recruiting for the highest-volume jobs can be made more efficiently through an outsourcer—freeing up more resources in HR for strategic functions.

“The whole field is moving itself to partnering with business leaders and becoming more strategic and less day-to-day firefighting,” added Daniel Solomons, the CEO of Hyrian, who pointed out that HR leaders are becoming more aware of the strategic value of HR to the organization.

So by shifting non-core recruitment functions to those who can leverage better processes in a

wider-reaching network manned by seasoned recruiters, the HR department may indeed achieve its strategy goal. And along the way, it may also save a wad of cash at the same time.

1. Build a Solid Case for Change.

Adopting RPO in your organization is no small task, so you must convince senior management the value of outsourcing. To build a case for it, know what your costs and cycle times are under the existing internal infrastructure and compare this with expected performance and costs when employing a third party. Sound easy? Hardly, considering that many HR departments either underestimate or have no good data of their internal performance, according to Sue Marks, the CEO of Brookfield, WI-based service provider Pinstripe.

"It's important to go through to gather some information, such as a survey of constituency groups. It doesn't have to take a long time or be a bureaucratic process," said Marks. "You should ask 'Where are we today, and where do we need to be in our business plan?'"

She noted that by checking with all stakeholders, gathering data, and setting sights on goals, HR professionals can make a compelling case of RPO.

In some cases, the support of the chief operating officer or the CEO may be needed to ensure executive buy-in. Also, internal champions of outsourcing must take a long-term view of the strategy.

2. Ensure a Culture Match.

Perhaps the most difficult to achieve, finding a provider with similar philosophies and practices can help avoid many unpleasant conflicts later on. Without that match, the parties have to resort to numerous rules and SLAs to define their relationship.

Some indicators buyers should look for are if both sides agree on similar approaches for achieving common goals, whether they share similar priorities, and if management from both sides is on the same page on how best to implement the outsourcing strategy. Often times, a clarity of missions exists even without specific SLAs.

Flexibility also plays a role in culture match, said Jason Berkowitz of Hyrian. "When the client needs change and the requirements are not addressed in the SLA, you need to make change for it," he added.

Also, RPOs should be technology "agnostic," he pointed out. Being able to work with a number of platforms brings flexibility to the process as well.

3. Build Strong Governance.

One of the biggest problems with HRO today is the disparity between client expectations and provider delivery. SLAs are important tools for ensuring satisfactory delivery of services, but the parties must have strong governance mechanisms in place to oversee that delivery.

Dedicated teams from both the buyer and the provider companies are needed to oversee that the contract is carried out to the letter. These teams can comprise of as few as four members and as many as 15, said Terry Terhark, president of the The Right Thing, an RPO provider. The larger the teams, he said, the less risk is involved.

Buyers need to recognize that good governance also provides flexibility in the on-boarding period. A rigid approach that discounts the expertise of the provider could curtail continuous improvement efforts, said Elliot Clark, the COO of Kenexa. "They [buyers] have to be open to the knowledge, expertise, and experience of who they use as a provider," he said, adding that in the first 90 to 180 days, there will be challenges to the relationship. "When you hit rough spots, you are going to listen more and work your way through."

4. Establish Regular and Solid Communication Channels.

The analogy of outsourcing relationships are like marriages may be overused, but it still has merit. The client and provider must remain in constant contact to keep both sides apprised of changes in needs and capabilities, said Berkowitz. More importantly, he noted, ongoing dialog helps the parties avoid an expectation gap.

"It is not unusual to set up an SLA [service-level agreement], and six months into it the provider hits every metric, but the client may still not be happy," Berkowitz said. "The way we avoid this is by having very strong communication on both levels. It's a marriage, and you have to make it work."

Ensuring robust communications between the two sides is especially important in the early stages of the relationship, Clark added. "During the program design, you can't over-analyze, you can't over-plan and you can't over-communicate," he said.

5. Don't Underestimate Change Management.

Once the negotiations are completed and the ink on contract has dried, the hard work begins. Outsourcing can be culturally jolting to any organization, so it's important for buyers to take extra care in the

change-management process. Don't underestimate how much hand-holding both sides will need. "I think it's impossible to over-communicate and impossible to over-estimate the attention needed to communications and change management. Without that [attention], customers can tend to do things the old way," said Marks.

Part of that effort includes customizing RPO programs so employees will be more accepting of the outsourcing program, said Steve Lindner, CEO of The Workplace Group. "One of the things we think is really important is to have a change-management strategy in place. Things are going to change. People need to adapt," he said, pointing out that the company evaluates the client's structure knowledge and conducts skills assessments as part of that process.

An effective change management strategy will also help bolster internal support for the outsourcing deal. Educating employees about what to expect minimizes surprises and, hopefully, discontent.

6. RPOs Come in Different Flavors.

Choose wisely. Outsourcing is certainly a way to save money and reduce cycle times, but this is only possible when choosing the right partner. Unfortunately for buyers these days, the RPO space is chock full of wannabes who might be good recruiters but lousy process outsourcers. As a result, it can be difficult to separate the wheat from the chaff.

Also, some providers are very competent in their core competencies but miserable when asked to move beyond their comfort zone. For instance, if the RPO provider can only recruit in the U.S. or North America, it might not make much sense to engage it in filling positions in South America or Europe.

Ranjan Sinha, chairman of Summit HR Worldwide, said a defining characteristic of an RPO company is that it "takes a strategic plan and translates it into a meaningful plan for governance. That's what I see as the fundamental difference between an RPO approach and a non-RPO approach. Without this, you have an unstructured group that does recruiting."

Often, true RPO providers have their employees working from the client's site. "Our hiring managers don't even know they are [from] an RPO," Tom Valerius, VP of recruitment services at UnitedHealthcare, said of vendors based at his company's facilities.

7. Get Comfortable with Metrics.

How do you realize the true benefits of outsourcing? The only way HR departments can reap them is to measure before and after results, and there are many metrics to consider.

What's the time to fill for exempt and non-exempt positions? How many resumes must be processed before a hiring manager is involved in the final interview? What is the cost per hire? These might seem simple metrics to measure, but often the true costs are hidden because not all components are identified. Moreover, the HR department may be so short-handed that there just isn't time to compile the data.

Even more challenging are soft metrics—indicators of not only how quickly or how costly it is to hire, but also the quality of the employees. According to Jill Zoromski of the Capital H Group, both the provider and buyer communities have failed to comprehensively measure and analyze important metrics. "It's easy to measure cost-per-hire and time to fill. That can be really misleading," she said. "I'm trying to push for softer measurements that are more important—that's quality of hire."

To do this, for instance, Capital H Group conducts surveys of clients a month after an employee is hired as well as follow-up interviews with employees six months and a year after hire.

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