



# **SURVEY REPORT**

## **RECRUITMENT PROCESS OUTSOURCING (RPO)**

2014

## INTRODUCTION:

The Recruitment Process Outsourcing Association defines RPO as “...a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service provider. An RPO provider can provide its own or may assume the company’s staff, technology, methodologies and reporting. In all cases, RPO differs greatly from providers such as staffing companies and contingent/ retained search providers in that it assumes ownership of the design and management of the recruitment process and the responsibility of results.”

The industry is reported as having been setup in the 1970’s, and experienced massive growth throughout the 1990’s and early this millennium.

In this time, we’ve observed the rise and fall and rise again of firms who provide a recruitment process outsourcing service.

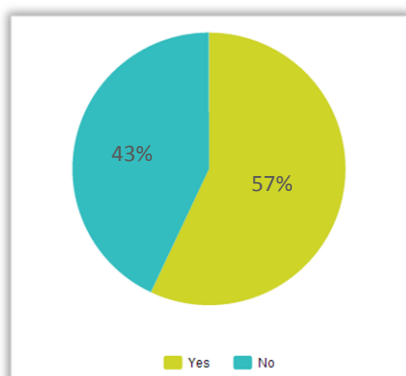
We wanted to explore the extent of RPO use within our own network community and to better understand the perceptions and realities of RPO service levels and delivery results.

## METHODOLOGY

A series of survey questions was sent to a specially targeted and internationally representative group within the Carter Morris HR leadership network. Over 320 relevant professionals shared their views. The survey was emailed to the community who had to respond on-line and in confidence. All responses were received over a three week period between June and July 2014.

## SURVEY RESULTS IN DETAIL WITH NARRATIVE

### Does your present company outsource any part of the recruitment process to a third party?



57% of respondents outsource some or all aspects of their company’s recruitment. This outsourcing ranged from services for reference checking only or management of agency PSL’s, through to complete reliance on RPO’s to effect all aspects of recruitment,

Several companies reported using RPO’s purely to clean up existing recruitment issues prior to launching their own internal recruitment functions to effect direct hiring.

### Have you personally had any experience of, or contact, with an RPO provider?

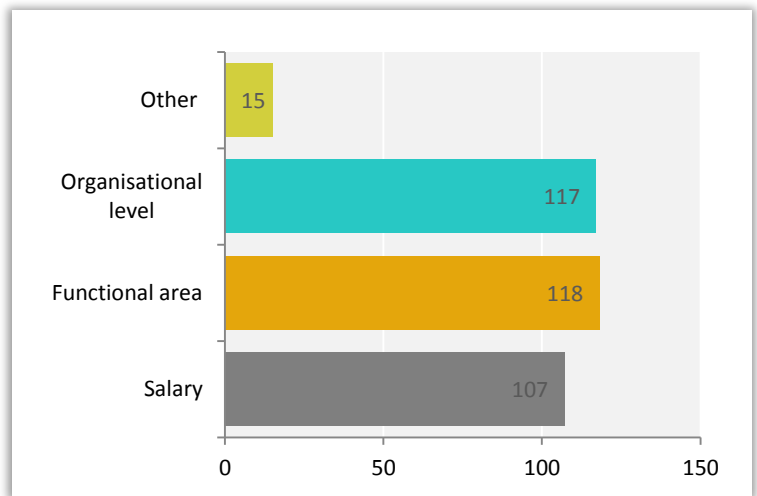
Over three quarters of the targeted HR community confirmed they had had contact with an RPO, with over 80% of those in a client capacity, 14% as an employee of an RPO and 4% as a supplier to an RPO.

### Was the range of jobs handled by the RPO limited by:

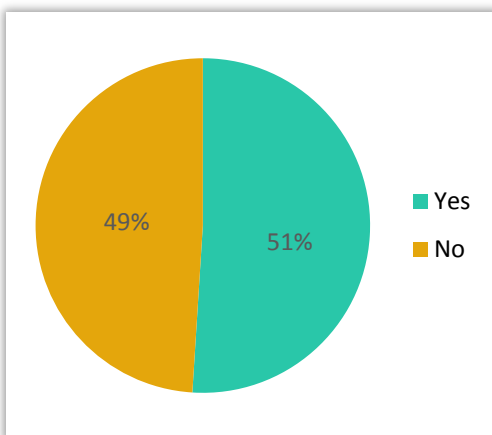
The allocation of work to RPO's was equally determined by functional area and responsibility level and then by salary level.

Comments from respondents throughout the survey regularly referenced using RPO's for volume hiring typically at lower salary and responsibility levels.

Half of the client respondents used RPO's to effect hires up to GBP 100,000 equivalent, up to but not including director level, and across all corporate and operational function areas. The other half of client respondents applied RPO use for hires to GBP 50,000 equivalent, to lower management level only and in functional and operational areas of high volume hiring.



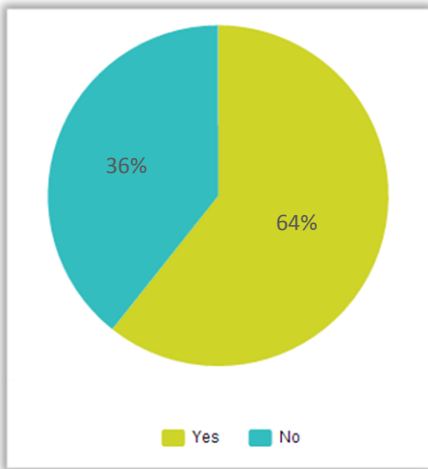
### Did the RPO provider have an account director/relationship manager on-site?



Just over half of our survey respondents confirmed that RPO leaders were either based on site and/or were actually based elsewhere, but visited the site at least weekly. These same respondents confirmed that RPO consultants were based on site also, and/or made regular site visits, and were based within the same country as the company being hired for.

High in the key concerns on RPO's, (shown later in this report) is that they fail to establish relationships within the business and fail to achieve culture matches between prospect candidates and the employer company. With half of respondents noting that RPO leaders (and consultants) were based elsewhere, we suspect this lack of presence is a key contributor to those concerns.

### Were line managers permitted to contact the RPO provider directly?

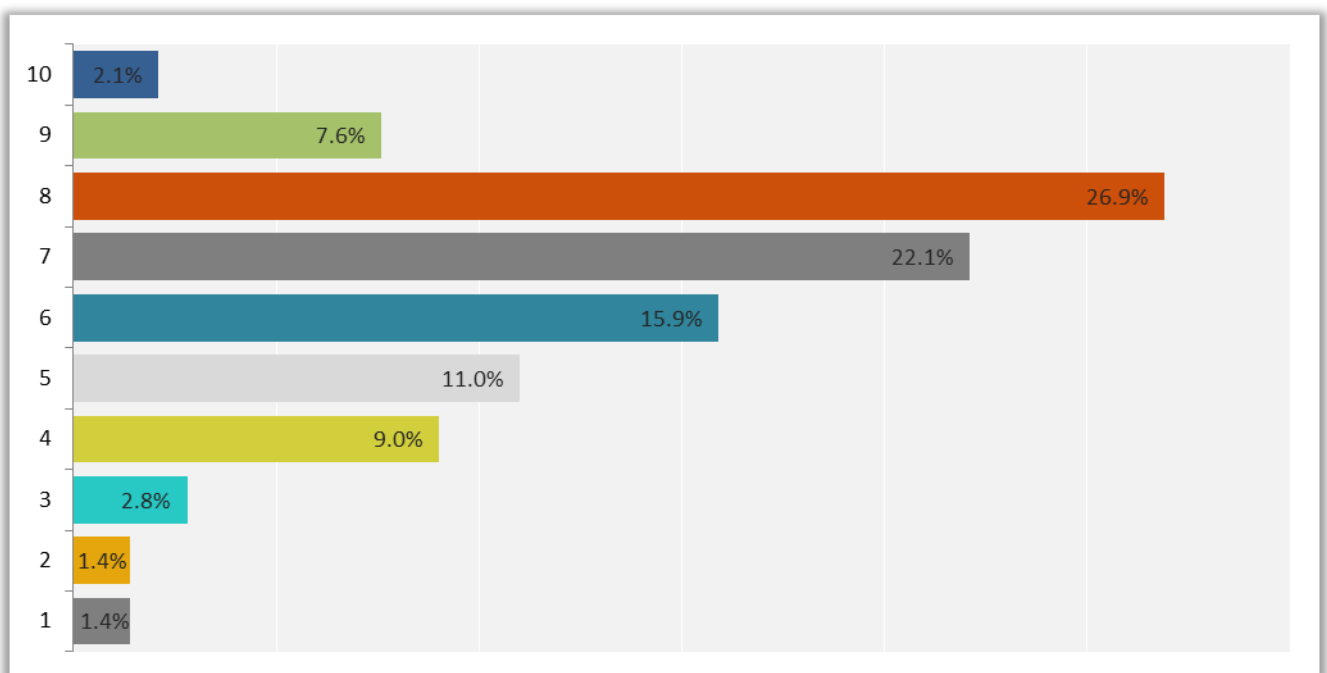


Comments for both yes and no permissions overwhelmingly referenced that contact had to be made in conjunction with the HR team, and in many instances, only via the HR team. Very few respondents noted that the RPO needed simply to consult with and keep HR informed only.

High in the key concerns on RPO's, (shown later in this report) is they are slow on delivery, and we wonder whether waiting for HR involvement and HR liaison with line managers contributes to this delay.

Certainly, these comments raise many questions over why HR needs this level of control in a process that is supposed to free up their workload. Is the insistence on HR involvement due to the RPO being viewed only a service provider rather than a trusted business partner? Is this restriction on interaction with line managers a contributor to mis-matches between candidates and culture/hiring briefs; and an inhibitor to RPO relationships with line management? Does HR really want to let go of hiring responsibilities? Or if the RPO service is so poor that HR needs to intervene, is there not a simpler solution by way of simply changing providers or adopting another hiring model?

### On a scale of 1-10 where 10 is excellent, please rate the overall level of service you received from your RPO provider:

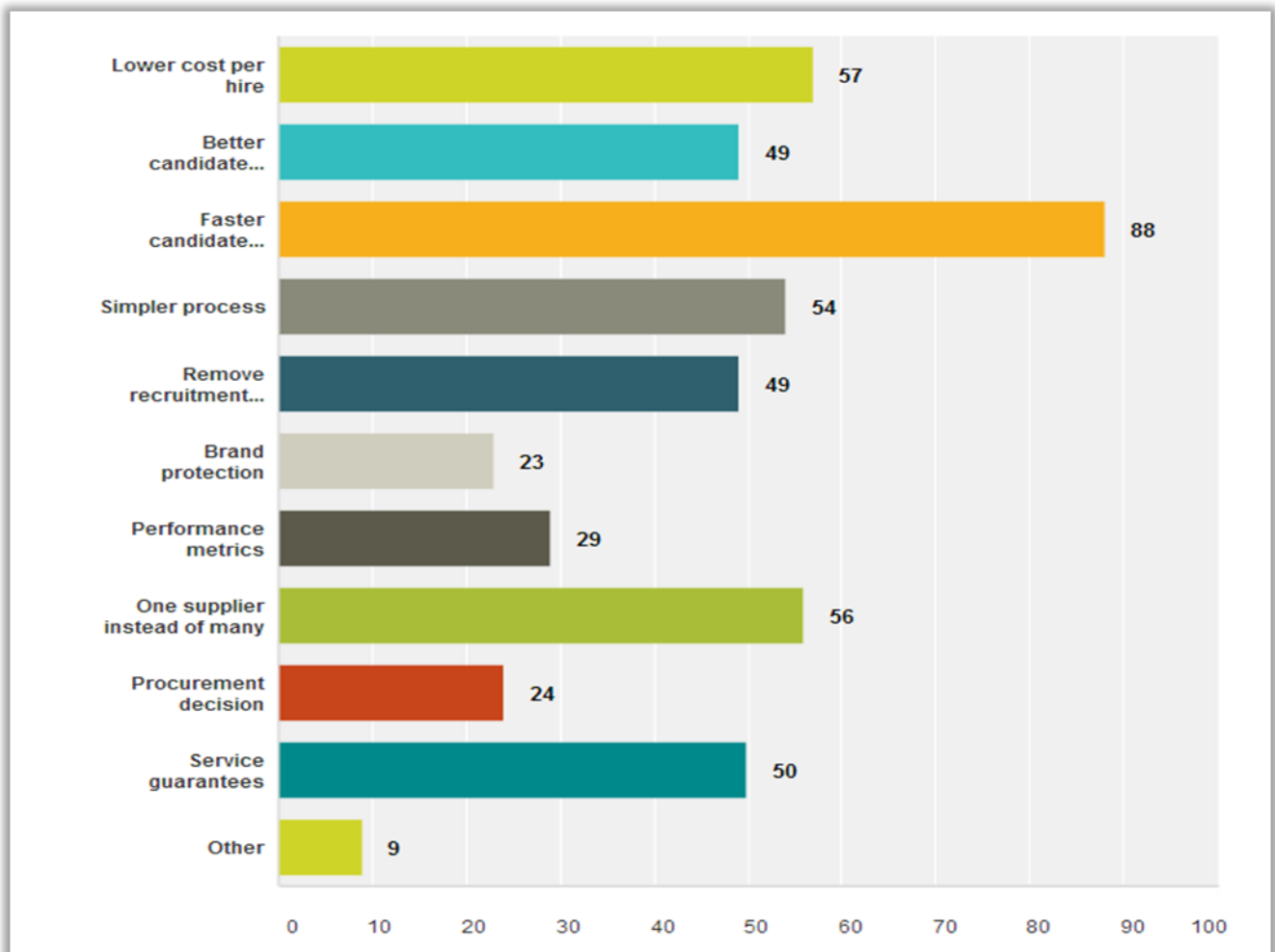


Interestingly, the majority of respondents rated service levels at 7 and 8 which is positive. However with 25% of respondents rating service at 5 or below, it would appear that some RPO providers need to effect significant improvements. Multiple comments from this group of respondents indicated they were in the process of or had just ended the RPO relationship and this was representative of the comments:

*“...provider focused more on quantity/volume and speed, rather than hearing the quality concern. Candidates came for interview with line manager very badly prepared and often gave negative feedback on their contact with the RPO. We ended the agreement prematurely, as it was damaging our employer brand.”*

It would be interesting to analyse the contract terms and scope of works for these failed RPO engagements, to see whether any quality and branding expectations were factored in with the pricing demands of the employer company.

### What were the principal reasons why your business chose to use an RPO?



### **If you had any criticisms of, or concerns about the RPO service what would they be?**

We received an avalanche of input for this question. The repeating themes referred to RPO's being slow with delivery, not understanding of the business or company culture, expensive, focussed on quantity over quality, not establishing relationships with line managers.

Again, this then begs a question over what if any performance and quality metrics are in place and what emphasis these have in any contract and pricing structure.

### **Would you consider using an RPO model for executive level and senior hires?**

Respondents were equally split in opinion with these comments being representative of both camps:

*"...the service I have seen to date and the volume of hires would not warrant the opportunity and cost..." and "...in my experience so far RPOs lack the cultural understanding of the business to hire at a senior level."*

*"...we'd use an RPO for executive hires if the financials were compelling and if we had the volume to make it worthwhile for an RPO to do the work."*

### **Do you have any other thoughts/comments to share on RPO's?**

Again, we were inundated with the opinions of respondents, and this cross selection of comments below is indicative of the recurring themes that arose.

*"...there is a strong need for RPOs in any market, and many could focus additionally on the senior/executive recruitment. However, there seems to be a circle of mistrust from the companies seeking RPOs. Meaning that they lack the confidence of outsourcing executive roles, so they start off with entry-mid levels roles. In turn, the RPOs deliver quantity instead of quality for this level of the organization, therefore never managing to close the gap on the company's lack of confidence in the RPOs ability to deliver at executive level."*

*"...in order to get RPO right, you have to offer a service that treats clients (whether the company or candidates) professionally, and that the process is seamless, expedited by experienced professionals. Otherwise, the brands of both the RPO provider and the end client could be impacted immensely."*

*"....Companies don't take recruitment seriously enough. Too many HR functions don't understand or like recruitment. Outsourcing is only a short term solution, all aspects of talent should be dealt with by capable HR functions. You would not infill a senior role with rolling interims from another office, so why compromise the recruitment of vitally important talent (and thus the success of your whole organisation) in a similar way."*

*“.....I think that the big providers are too focussed on numbers rather than quality. However, I am sure the cost model for RPO's and the way they are procured make it difficult for them to behave in any other way. The on-site consultants seem to only focus on delivering volumes and transacting quickly rather than partnering with their client and offering expert advice...line managers don't feel they are dealing with a member of their company's team and they rarely rate the service provided.”*

*“.....there will always be a number of providers who over promise in order to win a competitive bidding process and then have to cut corners in order to make a profit. However, in a lot of situations the client has a strategic resourcing problem that they need to overcome and instead of looking at resolving the problem and deploying the right tactical tool to overcome it, they decide to outsource the problem to somebody else. This very conveniently provides a different person to shout at but very rarely resolves the matter at hand and is a major contributory factor to the mismatch between expectation and delivery.”*

*“.....when you have a clear business case for an RPO, I would consider this avenue to help organizations achieve best-in-class talent acquisition results. What we often forget that the recruiter is the beginning of the brand to the company. If you cannot track KPIs like satisfaction, number of applicants, etc., then it would not make sense. A good RPO will implement systems and technologies that will track the best metrics most vital to your company.”*

## CONCLUSIONS

The Recruitment Process Outsourcing Association (RPOA) defines an RPO being different to other third party recruitment services because the RPO offers “...ownership of the design and management of the recruitment process and the responsibility of results”.

This preliminary survey however, shows a definite disconnect between the HR and RPO definitions, given that our relevant HR respondents viewed RPO's as being anything from full service providers through to merely reference checkers, or managers only of recruitment agency PSL's.

Understanding the actual purpose and contractual scope for any RPO arrangement is vital, since this contributes to the differences in perceptions and realities of RPO service levels and delivery results. We suspect that even the RPOA is unclear of the provider's role as they separately define RPO's as “....acting as a company's internal recruitment function for a portion or all of its jobs” which is vastly different to “ownership of the design and management....”

Regardless, only 2% our survey respondents gave a perfect satisfaction rating to their RPO with all others having concerns about RPO capability for quality results whilst providing a value for money, partnership service. Consistent feedback was that RPO's are purely about quantity, and not quality; and without emphasis on trusted relationships and protection of the employer brand.

The RPOA clearly states that “...engaging with an RPO provider is a relationship and a partnership, not a transaction or a simple business service...” However we wonder how often this well intentioned aim for an RPO is scuppered by employers during contract negotiations to appoint a provider. We suspect the failure of any RPO is more often a shared responsibility with the employer company, especially when considering how many respondents repeatedly referenced the appointment of RPO’s for the purpose of cutting hiring costs and as a means only to fix existing hiring problems.

Amazingly, many respondents don’t even allow direct RPO and line manager access. Additionally, a high proportion of respondents noted that RPO representatives needed to liaise and coordinate and communicate through HR teams instead of directly through line managers. From this alone it is hard to see how an RPO could effectively partner with the people who actually experience the hiring pain, let alone understand the company’s unique culture and challenges specific to each hiring assignment. This certainly doesn’t signify any trust in the RPO, nor does it instil confidence in a company’s commitment to really improving the recruiting process in the longer term.

There are plenty of examples today where a properly managed RPO can improve a company’s time to hire, increase the quality of the candidate pool, provide useful metrics, reduce cost and improve compliance. But If employers focus purely on price and process metrics in the appointment of an RPO, and put barriers in the way of a genuine partnership, then they should not be surprised when quality is absent.

Although an RPO solution can replace a company's need for internal sourcing and recruiting services and achieve a more robust hiring process, RPO is not a way to offload deeper underlying issues that result in recruiting problems. Recruitment process outsourcing is about improving the entire recruiting process. Done well, it should dovetail with multiple aspects of the overall talent strategy. If the company doesn't have a desire to improve the recruiting process beyond cutting short term costs, then perhaps an RPO solution isn't the right solution.

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