

Are You Diluting the Value of Your Outsourced Recruitment Process?

*Delivering on the true promise of
Recruitment Process Outsourcing:
what buyers need to know*

Whitepaper

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Are You Diluting the Value of Your Outsourced Recruitment Process?

Executive Summary

Many enterprises have an outsourced recruitment process solution in place. But is the solution yielding the anticipated outcomes? Some service providers deliver only what TalentTrack refers to as an HR back-office solution; that is, their clients outsource only some of the functions within the recruitment process. Others (a select few) deliver end-to-end services, managing the entire recruitment process.

Both models drive a positive ROI, increase qualified candidate traffic by 50-100%, and result in more hires than are achieved by in-house services prior to outsourcing. While both approaches are outsourcing models, buyers need to be aware that there is a significant difference. One solution approach holds a major pitfall that dilutes the positive value of the outcome that can be achieved.

The pitfall causes candidates to go away; it also adds costs to the delivery

TalentTrack conducted a study reviewing achieved results where either one or the other form of Recruitment Process Outsourcing (RPO) solution was delivered over a four-year period. The study delivered a consistent, recurring theme and pinpointed a pitfall in the HR back-office model, which causes clients to realize only half as many hires as an end-to-end solution yields; it also adds costs to the process.

This paper discusses the value-diluting pitfall from the perspectives of the client, job candidates, and the service provider. It reviews how buyers decide which type of recruitment process solution they implement and emphasizes the benefits of choosing an end-to-end solution, which will naturally eliminate the value-diluting pitfall that resides in an HR back-office recruitment process solution.

The four-year study found no incidents where the pitfall did not occur

TalentTrack informs its clients of the pitfall at the outset of a new outsourcing relationship that is not an end-to-end approach. The study's data, which is applicable across all industries, reveals that clients usually react with comments such as "Oh, that won't happen here. We're uniquely different. We're going to put things in place to make sure it doesn't occur here."

However, the study found that, regardless of the client's good intentions, there was not a single incident over the four years where the pitfall scenario did not occur. The study also found that the outcomes of fewer hires and

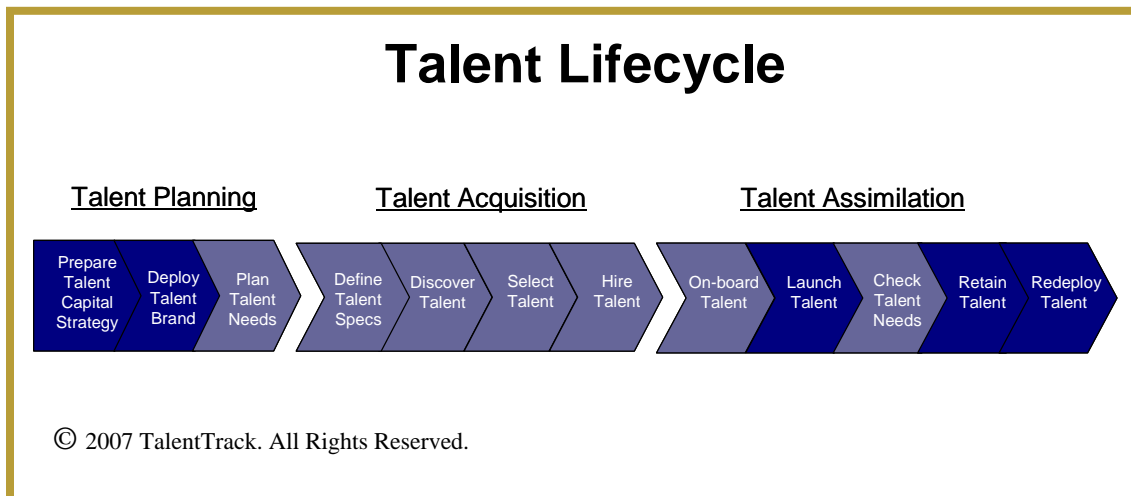
added costs (compared to an end-to-end solution) were consistent across all clients and industries.

This white paper explains how and where the value dilution occurs as well as the root causes for the pitfall. The information presented in this paper will help buyers make informed decisions about the type of Recruitment Process Outsourcing (RPO) solution they implement and avoid diluting the value in the solution.

Two Approaches to an RPO Solution

Twelve business functions, or components, comprise the entire recruitment process. As illustrated in the Talent Lifecycle in Figure 1, these components are segmented into three “buckets”—talent planning, talent acquisition, and talent assimilation.

Figure 1: Recruitment Process Lifecycle



Only an end-to-end approach delivers all 12 components of the recruitment process

In today's marketplace, buyers have two RPO solution options from which to choose: an HR back-office solution (which is much like staff augmentation services), or an end-to-end solution. An end-to-end solution includes all 12 components of the lifecycle. An HR back-office solution provider delivers either the components in one of the three buckets or delivers multiple components across the buckets in the lifecycle but does not deliver all 12 process components.

As with any outsourcing arrangement where an entire process is outsourced (the RPO end-to-end solution), rather than just some of the functions within the process, an end-to-end solution produces synergies that yield more value in the outcome. In an HR back-office RPO solution, not only does the client not achieve the synergies, but there is a significant pitfall that adds costs to the process and decreases the number of expected hires in comparison to that of an end-to-end solution.

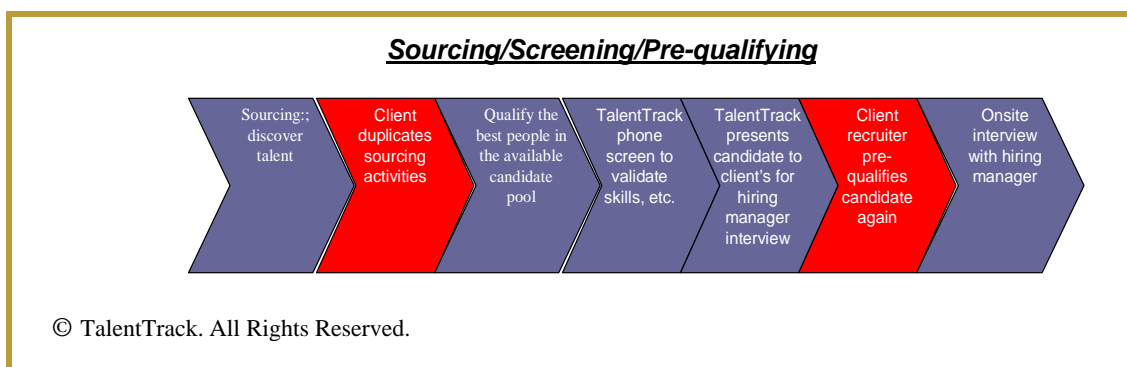
The Pitfall that Dilutes Value

An HR back-office solution combines the service provider's resources with the internal recruiting resources of the client organization. Each party owns responsibility for specific components. For this model to be successful, it is essential that neither party replicates what the other is doing. Therein lies the pitfall. This model also falsely assumes the client possesses adequate resources to handle the increased qualified candidate flow; if not, it will only magnify process problems.

Talent Track conducted a study of all its client engagements over the past four years. The study found that in every case of an HR back-office solution, the client naturally gravitates back to replicating components of the service delivery model that were already completed by the provider, even though the Statement of Work, Service and Operating Level Agreements, and the roles/responsibilities matrix clearly state that the client will not replicate the work.

The process steps that clients consistently replicate are sourcing and pre-screening/qualifying job candidates. The red components in Figure 2 illustrate the replicated steps in the process.

Figure 2: Replicated Steps/Pitfall in an HR Back-Office RPO Solution



One of the reasons clients outsource the recruitment process is to eliminate internal recruiting resources from having to spend time and energy sourcing and pre-qualifying candidates that do not fit the job specifications. Yet, clients invariably replicate the work the provider does by duplicating sourcing and pre-qualifying candidates a second time. There is no reason for an internal recruiting group to again pre-qualify a candidate that has already been screened, assessed, and pre-qualified by the RPO provider. This replication problem is magnified when the client lacks internal resources to process the increased qualified candidate flow.

How the Value Dilution Occurs

In addition to added costs (in comparison to an end-to-end solution), replicating the sourcing and pre-qualifying steps adds unnecessary time to the process—anywhere from a few days to three weeks. The extra time causes candidates to lose interest and look at other opportunities, especially in markets where there are scarce resources of talent.

Surveys of candidates that exited the process revealed they were confused by the replicated step and also lost interest because of the amount of time the extra step took

TalentTrack conducted follow-up surveys with candidates that exited the recruitment process in an HR back-office RPO model. The surveys consistently found that in addition to the time delays, candidates were confused at having to go through a second pre-qualification interview.

Candidate responses to follow-up surveys include:

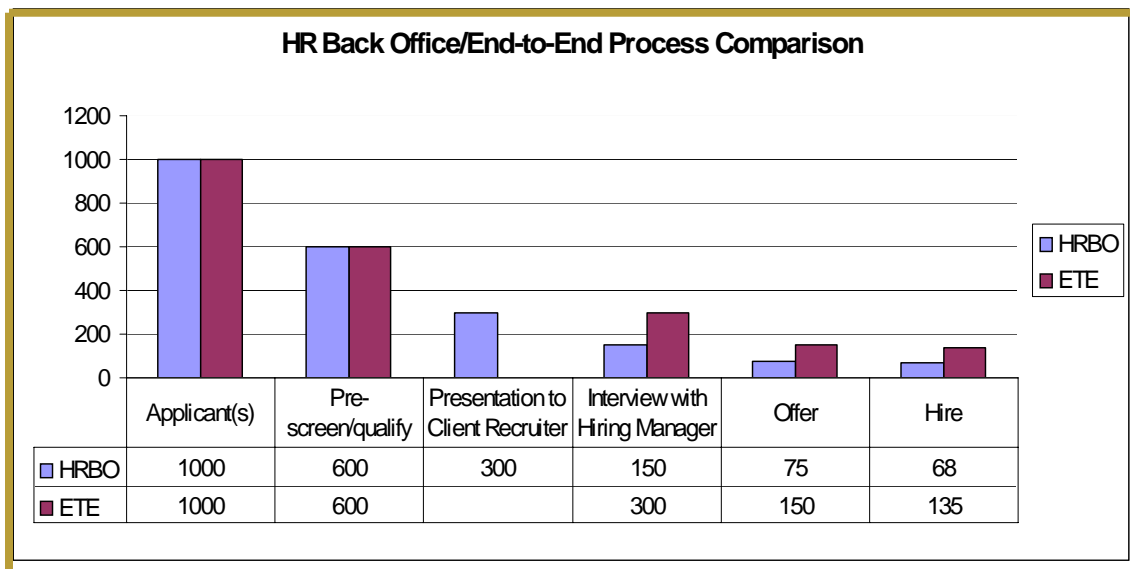
- Why is the company's recruiter taking me back through the same steps again?
- They must think I'm not the right person for the position since they are repeating this step that I've already gone through.
- Why is it taking the company so long to get back in touch with me?

Because an outsourced solution deploys a seamless approach, candidates do not realize the person pre-qualifying them is from an outsourcing firm rather than the company with the job opportunity. At the end of the pre-qualifying process, the outsourced recruiter often states to candidates that they are ready to be moved on in the process. When candidates do not hear from the company for days or weeks; or once they do hear from the company, they're confused at having to be pre-qualified again, they then look at other opportunities in the market.

Essential to success in an RPO solution is selling the organization as an employer of choice. Both RPO models focus on the client brand along with the strategic sourcing techniques that can greatly improve qualified candidate traffic flow. However, replicating steps and causing delays erodes the ability to effectively sell the organization as an attractive employer to a candidate. All of that translates to added costs and fewer hires.

In fact, as illustrated in Figure 3, TalentTrack’s study of outcomes over the past four years consistently reveals 50% more exempt hires resulting in an end-to-end solution compared to an HR back-office solution. The study pinpointed where the difference in outcomes occurs.

Figure 3: Comparison of Outcomes in HR Back-Office and End-to-End RPO Solutions



Numbers represent averages across all industries.
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The findings in the study were consistent in every case. Despite the provider sourcing and screening the same number of candidates on the front end, converting them to hires on the back end produced dramatically different results.

With an end-to-end solution in place, the outcome was double the hires to that of an HR back-office solution where the provider hands a pre-qualified candidate over to the client’s internal recruiter to arrange for an interview with a hiring

manager. Rather than managing the interview logistics and the hiring process according to the Statement of Work, the recruiter elects to pre-qualify the candidate again and also source additional candidates. The length of time to do this is magnified due to the large increase in qualified candidate traffic.

The client lacks internal resources to again pre-qualify the large increase in qualified candidate traffic supplied by the outsourcing provider

In both cases (HR back-office and end-to-end models), qualified candidate traffic increased by 50-100%. In order to convert these candidates to hires, the broken process cannot be delivered in the same way, and process steps cannot be replicated by internal staff.

The problem is then compounded by the client lacking internal resources to replicate these new processes and manage the significant volume of qualified candidate flow.

Root Cause for the Pitfall

The client's internal recruiter mind-set is the root cause for the replicated step despite initial agreement not to replicate the work. The mind-set manifests itself in the following thought progression of internal recruiters:

- I fear I might lose my job because of outsourcing, so I need to make sure I continue to provide value to the process so I can justify my existence at this company
- My perceived value to the company before outsourcing was in sourcing and pre-qualifying candidates and only submitting for interviews the candidates that fit the specified qualifications
- I haven't worked with the outsourcing provider long enough to trust their work
- I cannot forward this candidate on for an interview because I haven't touched and put my stamp of approval on the qualifications of the individual
- I gravitate back to activities with which I am most comfortable

In addition, HR managers are slow to react when they realize that the replicated step is taking place, despite the parties' agreement in the Statement of Work to ensure replication does not occur. The following case study is a typical example.

Case Study

Before the client outsourced its recruitment function, the company believed its problem was that it could not drive enough candidates through the recruitment process to result in hires. It outsourced to TalentTrack, using an HR back-office solution to source, screen, and pre-qualify candidates, driving increased qualified candidate traffic through the process.

The company mandated that its internal staff would adhere to the procedures (Statement of Work, roles/responsibilities matrix) in the outsourced solution.

Within 30 days after implementing the outsourced HR back-office solution, the client recognized its internal recruiters were replicating the sourcing and pre-qualification process. For the next four months, the company came to realize it could not convert enough of the increased qualified candidate traffic to hires because replication of process added three weeks to the hiring cycle time. It became a huge bottleneck. The problem was compounded by having a decentralized internal recruitment organization.

After four months, the client switched to an end-to-end solution, removing the internal recruiters from the process. TalentTrack then delivered the candidates directly to the hiring authorities, taking time out of the process and eliminating the replication. Hires went up by 60 percent within two months.

Every client has good intentions. It really comes down to accountability. In an end-to-end solution, the provider can hold everybody accountable. In an HR back-office solution, accountability is a bigger challenge. It becomes incumbent upon the client to do the right thing. Change and transformation are difficult at best. Change is complicated enough when one party is responsible to make it happen, let alone two.

Conclusion

As was the situation with the client in the case study, organizations that opt for an HR back-office solution instead of an end-to-end solution fit a particular profile. Their mind-set includes the following beliefs and attitudes:

- Recruitment is a core piece of the HR process
- We are uniquely different from everybody else in our marketplace, and a third party cannot sell our business to candidates as well as we can

- The outsourcer might not deliver as promised; what impact will that have on the HR department and the business?
- We can make the HR back-office model work; we will eliminate bottlenecks, change the process, not replicate services and hold everyone accountable

In contrast, the profile of buyers of end-to-end solutions includes these beliefs and attitudes:

- Recruitment is not our core competency, so we do not need to own this process
- We can drive a better outcome through a third party that is an expert in this process

Bottom Line:
Without an end-to-end solution, the client will not be able to maximize the benefits of outsourcing and will not achieve the anticipated number of hires out of the pool of pre-qualified talent

There is value in both types of solutions, but there is a different outcome between the two. It is important to note that, even if the service provider delivers only an HR back-office solution, it will still achieve better results than the client can achieve with an in-house process. Typically, hires and time to fill improve by 10-20% in an HR back-office solution compared to an in-house model.

Even so, an HR back-office RPO solution will encounter the pitfall and the full expected value (number of hires) will not be achieved. An end-to-end solution, however, will maximize the number of hires out of the pool of pre-qualified talent.

About TalentTrack

TalentTrack is a national provider of end-to-end Recruitment Process Outsourcing solutions. We partner with our clients to create a customized solution to fill high-volume/difficult-to-fill positions in healthcare, financial services, and other industries. TalentTrack combines people and technology to deliver a seamless approach. The entire recruitment process is managed from planning through on-boarding and retention, with guaranteed results.

TalentTrack* offers flexibility through three distinct RPO versions based on size, scope, complexity, and cultural fit including: 1) HR Back Office, a staff augmentation solution that bolts on easily to clients' current resources. Pieces and parts of the recruitment process are offloaded to TalentTrack either short term, as needed, or on an ongoing basis; 2) Event/Pilot-Based Outsourcing, an engagement with a defined beginning and end that meets a client's need to acquire a significant amount of talent within a specified time period. Event/Pilot-Based outsourcing can be a short-term solution that leads to an ongoing/long-term opportunity; and 3) Long-Term /Ongoing Outsourcing, a trusted advisor relationship between two organizations, in which both operate a total solution that is best for all involved, meeting the short- and long-term goals of the organization.

TalentTrack delivers the Right Solution . . . Right Talent . . . Right Time . . . Every Time

* One of the top RPO firms in the country based on HRO Today's Baker's Dozen, largest in healthcare

For more information on how TalentTrack can assist your organization in achieving its recruitment objectives, contact Lisa Ovenden at 419-720-1416 or loviden@talenttrack.com.



About the Author

Kim R. Davis is a co-founder, officer, board member, and president of TalentTrack. Kim is also a Certified Personnel Consultant and a Certified Career Management Practitioner. He received the Ernst & Young Entrepreneur of the Year® Award in 2006.