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## Is Recruitment Outsourcing Right For You?

November, 2010

Ranger  
Your BirdDog

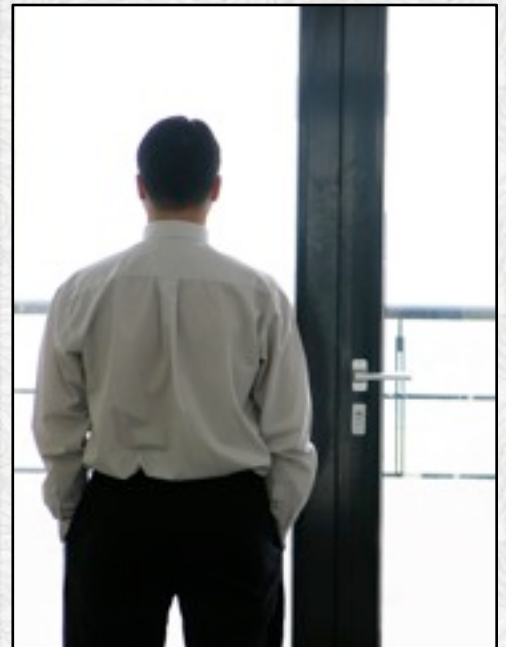


# Is recruitment outsourcing right for you?

## What is Recruitment Outsourcing?

In an increasingly competitive marketplace, specialized organizations often discover that focusing on their core business is difficult. Why? Demands outside of the core business, such as accounting, recruiting, procurement, and so on, can divert staff from revenue-producing activities. Business outsourcing can provide an answer. By outsourcing functions that are not part of the skill and expertise of the business, organizations can save time AND elevate results.

Over 32 percent of respondents to a recent survey of HR executives are currently outsourcing part or all of their professional level recruitment activities to a third-party provider. Among those users, about 60 percent are planning to further expand their use of outsourced recruiting services.



*HRO Today* defines recruitment outsourcing (RO) services to include: sourcing; screening; testing; interviewing; background checks and



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drug testing; hiring; coordinating the offer letter; on-boarding; maintaining applicant tracking logs, requisition, and candidate files; reporting; and training. The remainder of this paper will discuss why companies utilize RO, what types of RO exist, and how to obtain the most effective outcomes from a RO vendor.

## Why outsource recruitment functions?

Why do organizations turn to either partial or full RO?

- Internal recruiting resources are minimal or non-existent.
- Managers anticipate a growth in business and related increase in hiring.
- Current recruiting activity is not cost nor time effective.
- The cost for infrastructure upgrades is significant, (e.g. need a new ATS (applicant tracking system) or significant ATS upgrade, failed EEOC or OFCCP audit due to poor record keeping).
- Hiring managers are dissatisfied with the current recruitment options.
- Management wants a more accountable and/or consistent option than the traditional internal recruiters, contract recruiters, and staffing agencies.
- Management recognizes that hiring the right people is essential to the company's success, but the process of recruiting these top performers is not part of the core business.

RO services can range from doing everything internally, to a hybrid model, to outsourcing everything via a RPO (recruitment process outsourcer). The recruitment cycle consists of multiple stages, which can be outsourced individually, in groups, or as a whole.

RO's value proposition has always been based on the service provider's ability to leverage economies of scale. By definition, recruitment in part or whole is the core business of a RO company.



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As a specialist, the RO vendor should be able to provide:

- lower costs overall
- higher efficiency
- elevated levels of subject-matter expertise

Of course, as with all business services, you are advised 'buyer beware.' A RO provider should have ample references and a solid track record.

Most firms discover that they benefit from other positive effects when working with a RO provider:

- Recruitment processes become more defined.
- The costs of recruitment become more predictable.
- The organization's internal HR resources are freed up for other tasks.
- Documentation of the recruitment process becomes more standardized.
- More candidates that might have been missed using the company's current methods.

### **The parts of the recruitment process**

Most recruitment projects can be broken into the following steps:

- Plan for recruitment needs (long- and short-term).
- Assess immediate needs.
- Requisition the job.
- Profile the job qualifications.
- Assign recruiter, HR personnel, or hiring manager.
  
- Advertise (online and offline).
- Source resumes.
- Track applicants.
- Screen applicants.
- Interview applicants.
- Check applicant references, credentials.
- Make offer.
- Hire.
- Bring new employee on-board.



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Each of these steps can be provided by a RO vendor, or the entire process can be provided by a RPO company. As with any business activity, it makes sense to look at your internal resources first. Do you have the financial capacity to outsource all steps? If not, which steps are most critical? Which steps do you lack the most expertise or have the least amount of time to handle?

Typically, most specialized organizations will keep the first three steps 'in house':

- a) plan for recruiting needs (most often on a quarterly or semi-annual basis);
- b) assess the immediate need for new or replacement hires;
- c) and authorize the hiring (the 'requisition').

However, the next several steps, which can collectively be viewed as 'sourcing,' or locating potential candidates, are frequently sent to a RO vendor. Sourcing vendors can include:

- contract recruiters
- temp/contract agencies
- name-generation services
- retained agencies
- contingency agencies

RO vendors are not strictly limited to 'high touch' offerings, such as those from a recruiter. Businesses can also purchase specific tools and technologies, such as:

- HRIS or ERP systems
- applicant tracking systems (ATS)
- screening tools
- posting resources
- assessment tools
- candidate sourcing tools
- vendor management systems
- job boards
- social networks



In fact, many RO vendors may combine a 'high touch' offering, such as a recruiter, with a technology solution, such as a job board or screening tool. Again, ask yourself if the



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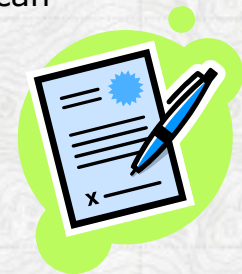
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RO vendor is providing the most valuable parts of what your organization needs from the recruitment cycle. Each business situation is different, and thus calls for a different solution.

Finally, determine when your business should reenter the recruitment cycle. Will you screen applicants? Or would you prefer to begin at the interview stage only? Perhaps you only wish to see the 'finalists' for a position, thus keeping your participation to the actual hire. Some RO vendors resume their service after the hire, during the critical process of bringing your new hire on-board. Again, this may be a good fit if you lack internal resources to complete this task.

### **Costs—upfront and hidden**

Whether your recruitment activities are 100 percent internal or 100 percent outsourced, your company incurs costs. These can be **direct** (out-of-pocket) or **indirect** (time). Utilizing a RO vendor will involve both, but ideally you will be trading direct costs (the vendor's fee) for a reduction in indirect costs (your time). Each situation will be unique, but the more you are able to quantify the existing time costs of your recruitment efforts, the better able you will be to judge the value of the RO vendor's deliverables.



Time investment in the recruitment process usually falls into the following areas:

- specification of the position – what is entailed, responsibilities, requirements
- writing the job ad
- determining where the ad should be posted, and then posting it (include time for purchasing ad space from newspapers, job boards, etc.)
- reviewing job applications/resumes
- screening candidates by phone
- interviewing candidates in person
- assessment testing for finalists
- reference checks for finalists
- training for newly hired employees



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Each of the above areas should have a time/cost assigned to them. Some companies also weight the areas in terms of importance—for example, perhaps phone screening is less important than the actual face-to-face interview, and can thus be outsourced.

By spending the extra time to quantify the costs involved in your recruitment process, you can make more informed decisions about whether or not RO will help.

### **Getting the most out of your outsourcing provider**

As mentioned before, 'buyer beware.' As with all relationships with outside vendors, getting the best results from your RO provider will require a certain level of engagement and commitment on your part. After all, you want to ensure top return on your outsourcing dollar.

- Actively manage the process: communicate.
- Use metrics that make sense – and then follow them.
- Validate the provider's claims – check references.
- Make sure you're comfortable with the outsourcing company's philosophy/approach.
- Know the limits of your financial and time resources, and make sure the provider does, as well.
- Remember – stay involved, it's your recruitment process.

The first step in ensuring good results from your RO vendor is the service level agreement. Clarify exactly what you are asking for and what you expect to receive. For certain projects this will include a timetable; others are open-ended. The agreement should also include sections on what your organization is expected to provide to the RO vendor in order to make the project a success. After all, the RO vendor cannot work in a vacuum—they need your participation. At a more practical level, make certain you can take the deliverables provided by



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the RO vendor. After all, if they give you a database file and you can't read it with your software, you'll be up the proverbial creek.

A RO vendor's knowledge of the specialized industry should be considered, particularly if the services include sourcing or screening candidates. Although a firm with no experience in the skilled trades can produce a good result, the time to 'ramp up' as they learn the industry will inevitably slow the project down.

Also, step beyond simply evaluating the RO vendor on the basis of direct cost. Does the vendor produce candidates or resumes that match your requirements? Is the work done in a timely fashion? Does the work produce a lasting positive change in your recruitment processes? All of these may justify paying more for a particular service.

### **The final outcome**

Whether you use RO for a single, discrete portion or every step of your recruitment process, your organization should end up with more time to spend on your core business, a better selection of candidates, and a more efficient hiring experience.

At the end of a project, you should be able to see a demonstrated understanding of your business in the RO vendor's output, whether it be resumes, candidates, or hires. You should also see a more explicit and timely recruitment process inside your business, whether you choose to continue with your RO vendor or prefer to bring the work in-house. Finally, you should see increased flexibility in your recruitment process—a flexibility that allows you to focus on the areas of most concern without necessarily adding internal staff.

The end result? Your company can focus on its core business, yet reap the benefits of an equally focused recruitment effort through the RO vendor's work. As with other business outsourcing, such as payroll, you may find that your use of RO vendors moves from a one-time purchase to an ongoing relationship.



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## Appendix: Other Resources

- **HROA** (Human Resources Outsourcing Assoc.): Web resource focused on HR outsourcing ([www.hroassociation.org](http://www.hroassociation.org))
- **HRO Today**: magazine and Web site devoted to HR outsourcing issues ([www.hrotoday.com](http://www.hrotoday.com))
- **HR.com**: Web resource with extensive area on outsourcing (requires registration) ([www.hr.com](http://www.hr.com))
- **RPOA** (Recruitment Process Outsourcing Assn.): provides some basic background on RPOs (<http://www.rpoassociation.org/index.php>)
- **SHRM** (Society for Human Resource Management): a wealth of material on all HR topics ([www.shrm.org](http://www.shrm.org))



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