

RPO

The Fundamentals

By  inTalent Consulting Group

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Every HR leader has likely grappled with the complexities of understanding and executing an effective human capital strategy. How do we find quality employees? How can we be sure a potential employee is an organizational match? How can we effectively source, screen and onboard while maintaining our bottom line? As a result, most organizations, aware or not, have involved some degree of RPO (Recruitment Process Outsourcing) in their hiring process.

While there are many facets and aspects of RPO, at its most basic, it's the process in which an employer outsources or transfers all or part of its recruitment activities to a third-party vendor. Before the economic downturn, RPO providers were a distinctive industry segment offering organizations recruiting services generally not covered by staffing and executive search firms. Today, the RPO business has become more muddled, because like most businesses, the recruiting and staffing industry evolved.

Why the fragmentation?

Smaller staffing firms, struggling to stay afloat as the economy tanked, shifted their service offerings to include more RPO functions as a means to hold on to business; a sort of adaptation to the new economy. These firms began sourcing, screening, interviewing and onboarding activities for clients.

What happened on the client side?

Organizations laid off recruiting staff as a means to streamline and reduce overhead. The number of requisitions (openings) changed causing management to jump through hoops to get a job opening approved. As a result, these organizations have HR departments serving both the internally-focused role of handling compliance, compensation/benefits, on-boarding activities, etc., as well as the recruiting role. Or their recruiting staff is being asked to do HR or administrative tasks. The problem with that—recruiting is a sales and marketing role focused externally; HR is focused internally. Typically professionals wired for one aren't proficient in the other. And where are the funds for training? **Likely gone.**

Organizations knew they needed outside help and often reached for the companies they knew—staffing firms. And the circle is complete.

Where are we today?

KellyOCG's most recent Global RPO Report found that a full 45 percent of companies with 500 or more employees have "either a vague or no knowledge of RPO." As an advocate for the process who has managed RPO as an internal corporate professional and as a consultant assisting clients, I find this statistic staggering.

The same report notes that recruitment outsourcing is "the most frequently outsourced HR function, ahead of payroll, training, benefits, compensation, performance management and HRIS." So, companies are familiar with the concept of RPO since most use varying degrees of it in the candidate sourcing or hiring process. What does this tell me? That the disconnect here isn't allowing organizations to use RPO to its most functional advantage, understand what a true RPO firm can do for them, or realize that they are actually using RPO because of a confused understanding of what it is. If you have hired a third-party vendor to conduct some element of your recruiting work, you are participating in RPO.

RPO: A process we can't undervalue

RPO deals with the most important aspect of business. Human capital. Organizations who consider recruitment an afterthought, or don't understand their options and how to leverage them, will suffer competitively. Turnover is too expensive for the recruitment process to not be fully understood.

Smart organizations follow a general formula; here are three steps to the successful launching of the RPO process.

1. The Analysis:

Launch a review of how the current hiring processes are working. Are candidates being identified effectively? Do you lose some candidates during the recruiting process? Why? Do you need to reevaluate how the work is being done and assess requisition workload by HR or recruiter? Are you structured organizationally to be successful? Do you need to reevaluate the vendors you work with now? How do you keep candidates engaged? Are their demographic/location issues? Are you capturing and retaining the employees you need? If you answered no to any of these, it is likely time to consider an RPO solution.

2. Implement an RFP process:

When outsourcing such an important function as recruiting, it is considered best practice to go through a request for proposal (RFP) process. Discussing RPO in his recent ERE.net piece, Brennan German said the following about the importance of requesting proposals from RPO providers: “The proposal and subsequent information gathered from the RFP process allows an organization to better outline their requirements in evaluating and comparing RPO providers. The results will offer a clearer picture in selecting the right RPO provider while setting performance expectations.”

3. Launch a pilot:

After an RPO partner has been chosen, another best practice is to implement a pilot program. It's a good idea to start small with RPO. Launching a trial prevents over-committing to a provider that may not be a good organizational fit. Start by outsourcing one function that isn't being successfully managed in-house. A good RPO provider won't try to force your organization into a full-scale program but will work with you to provide services that are most needed.

To conclude, it is worth noting the extent to which RPO is shifting back into its true form. Here is an example: A national RPO company recently secured a five-year RPO contract with a large military organization worth \$400 million that includes such functions as recruitment marketing, job assessments, extending offers and more. This organization handles about 20,000-40,000 candidates annually out of 16 national recruiting centers; everyone from sailors to pilots to admin to leadership. There are RPOs that can do it all or you can tailor your own outsourcing agreement to reflect more specific needs.

As progressive organizations increasingly see the value in RPO to holistic and forward-moving business strategy, it is likely time your company considers RPO options for propelling forward with intention.
