Talent Acquisition: Internal or RPO?

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Recruiting Systems… Strategy and choice

A natural outcome of a capability review is an evaluation of approaches to recruitment and resourcing. Typically the choices are whether to create an in house function or whether to outsource to an external partner? If the choice follows an internal model, questions arise around what kind of investment, structure and performance measures are required? If resourcing is outsourced, the questions relate to whether a purely transactional relationship with agencies is appropriate or whether a more intelligent solution is crafted?

Choosing a recruitment/resourcing model is influenced by the scale and is best based on a defined strategy identifying the organisation's hiring objectives. Without a strategy, it is unlikely either approach will deliver value. A reactive model without a strategy is time-consuming, costly, and likely to have a negative impact on your ability to source and attract good people. A recruitment strategy should encompass a quantitative cost-benefit analysis and a qualitative assessment of the beliefs and principles that the organisation values, its employment value proposition, or EVP.

The choice to outsource recruitment has different levels of intimacy and confidence.

a.   **Transactional.** On one level it can be a purely transactional service model based on vacancy-generated needs. In this choice, an agency charges a margin on the salary of the candidate.

b.   **Contractual.** At another level it may be a contractual relationship with a preferred supplier, featuring elements such as volume discounts, mutually agreed performance standards and value-added services; or

c.   **RPO.** At yet another level, it may be a recruitment process outsourced (RPO) model where a provider serves as an organisation's internal recruitment function for some or all of an organisation's jobs.

The choice of solution can be calculated to be relatively cost-neutral, however outsourcing decisions

have evolved from focusing purely on cost savings to encompass a strategic consideration of which business processes or activities provide a comparative advantage and which do not. What capabilities are unique to the organisation and are core to its success, and what is not. Core competencies are typically those which are hard to copy or replicate. The recruitment function is a case in point. Is your internal recruitment function hard to copy and replicate? Does it distinguish your organisation from others? Does your recruitment function mark your organisation out as a leader in your sector with a brand that attracts the talent you need?

Differentiation of RPO models from traditional recruitment

With RPO, providers manage the entire recruiting/hiring process from job profiling through to the on-boarding of the new hire, including staff, technology, method, and reporting. This differs from recruitment agencies and search providers in that RPO assumes ownership of the design and management of the recruitment process and accountability for results.

The key value proposition of RPO

The key value proposition is resourcing leverage where an RPO provider can provide the employer with detailed and quality information on resourcing ratios (how many people are needed to sustain ready to fill databases); by working in a hub context RPO recruiters can engage with needs across multiple sectors for multiple needs and populate the talent pool to enable reduced vacancy ratios and the costs of a long time to fill.

Value Analysis

Value is determined by the receiver. It may be defined as something we would rather have than not have. As organisational leaders, we form a view about whether we are getting value for money from the recruitment function. Do we get good people? Do we get them quickly? Do they come up to speed quickly and deliver results? Do we keep them? Being clear about how you will measure the performance of your recruiters, whether they are internal or external, enables you to define the criteria for success and then allows you to make a better choice as to whether internal or external is the way to go.

Conducting an analysis of costs and benefits requires a robust set of metrics that should include:

1. Cost

2.   Staffing Efficiency Ratio

3.   Time to start

4.   Organisational fit

5.   Hire Quality

6.   Candidate experience

How do the different models of recruitment (internal or external) measure up?

Cost. Cost is related to volume. A low volume of hiring diminishes the case for having an internal recruitment function. It also follows that if you do have an internal function then it would be wise to assess the cost-effectiveness of outsourcing relative to the cost of having an internal team and the necessary infrastructure and recruitment information system. The key cost factor here is utilization. The total cost of ownership of maintaining an underutilized capability can be significant.

For small organisations with high-volume recruitment needs, using external recruiters on a transactional basis can be expensive. There are clear cost advantages of acquiring or accessing a recruitment technology capability, complemented by a small in-sourced recruiter team on site who knows your business, your brand, and your culture.

Cost is also closely connected to speed and brand. A smooth and timely process saves money and reinforces your brand. Accessible databases of interested, qualified, and available (IQA) candidates give considerable speed and market advantages. Top candidates have choices and will not wait if decisions are delayed or processes have to be repeated.

Staffing Efficiency. The blunt measure of the cost of hire doesn't reflect the fact that some positions are more expensive to recruit than others. Staffing efficiency on the other hand is a measure of total staffing costs divided by the total cost of remuneration recruited. The data required is both fixed and variable staffing costs incurred over a period and this is then divided by the sum of the starting salaries of all the positions filled over the same period. This is a better benchmarking metric than the cost of hire and also allows you to compare external fees with internal costs.

To put the Staffing Efficiency ratio into perspective, it is interesting to compare an internal staffing function to third-party agencies. A typical agency fee might be in the range of 20 - 25 percent of the first-year salary of the position being filled. By comparison, the Staffing Efficiency ratio represents the 'fee' that an average internal staffing function or RPO approach would chargeback on a cost-recovery basis. Considering it this way makes clear the premium one pays for an external service.

When analyzed by industry, size, and region, substantial differences in Staffing Efficiency ratios emerge. One pattern appears to be that larger organisations have a lower Staffing Efficient ratio than smaller organisations. Large companies enjoy higher volumes, with greater repeatability among hires, and possibly enjoy certain economies of scale with respect to recruiting overhead and infrastructure.

Time to start. Time to fill in a common metric, and it can be even more meaningful when expressed as a time to start. For line managers concerned with productivity, the key recruiting result is when a new employee or contractor starts to work. Effective recruiters will always have a pool of potential candidate and jobs can often be filled faster by using agencies (particularly within specialised sectors) because they have large applicant pools. This is only part of the equation. Managing the process and ensuring effective orientation and onboarding is a key to business continuity and productivity.

When recruiters are shortlisting and presenting candidates, internal processes can delay selection and appointment. Priorities change and requirements are sometimes revised. Managing these changes so that relationships with candidates are not compromised is a core challenge. In a competitive market, there are two customers… the candidate or the hiring manager. Everyone who experiences your recruitment process becomes by default a brand manager for your organization.

Even though a vacancy may be budgeted, conflicting schedules, agendas, or priorities can cause either delay in interviews, and/or extend the number of interviews or assessments beyond what was originally planned. This increases the cost and time to start and alienates candidates. When organisations use an RPO model, they have pre-screened IQA candidates that can be channeled through the internal process and have decisions made about them. This enables rapid follow up and in a competitive labor market, this is simply a ticket to the game.

Organisational Fit. Internal recruiters are often best placed to answer questions about what it's like to

work in your organisation and as a result, some organisations think that recruitment is best managed by an internal team who know the culture and understand stakeholders' interests. However in the model where external recruiters are placed on-site, working with business units on a day-to-day basis this advantage is soon diminished.

One way to measure results in this area is to assess organisational or cultural fit. This is best done by comparing success rates between internal and external recruiters to identify who is making better assessments of organisational fit. The most valuable metric here is voluntary turnover within 12 months. The one caveat with this is that line managers also play a part in 'fit' outcomes and patterns of turnover in business units need to be considered to avoid attributing poor recruitment to what in fact might be poor orientation and incompetent engagement by the hiring manager.

Hire Quality. Related to fit is quality of hire. Nowadays most internal recruiters in medium to large-sized companies rely on web-based systems to do the initial screening of applicants. There are usually no incentives or penalties for how well they recruit. With external recruiters, there may be no metrics in place at all, other than time to fill. If metrics for hire quality are clearly tracked and compared between internal and external recruiters, it can help identify the best recruitment model for your business because you will be able to tell who is providing the highest-quality candidates.

Linking recruiter rewards to quality of hire is a critical step in ensuring that recruiters make solid recommendations to line managers. It is the line manager who manages the employment relationship and as such carries the recruitment risk. Agency recruiters can be measured based on client feedback and the number of times roles have to be re-filled at no charge to the client, which can happen if the wrong hire is made and if the client organisation does not have a means of measuring its recruitment suppliers on this metric.

In a hybrid model, measuring and comparing both internal and external recruiters on the quality of new hires offers some potential value as it enables comparison of placements at say six and twelve weeks, again at six months, and then at regular intervals.

Candidate Experience. Every time you go to the market you send messages about your organisation to potential candidates. How you do this can impact the way your offering is perceived by candidates, so understanding the impact of what you do is important. Blind advertisements by internal recruiters through an agency do not build or add to your own brand recognition. Any efforts to co-brand or

represent your organisation must be handled correctly or the brand can be damaged. If external recruiters are compromised in any way; don't respond to candidates, or respond slowly, people will link that response to your brand, leaving a negative impression about your organisation.

Communicating with potential employees through your website also makes an impression on candidates about your organisation, good or bad. An employment website serves four key purposes:

1. **Brand**: It is one of the first places that a potential employee encounters your organisation and is the source of lasting first impressions.
2. **Screen**: It is a filter that encourages some candidates while frustrating and discouraging others.
3. **Data Integrity**: It is the place from which most data enters the applicant tracking system. Data is the basis of quality in your talent acquisition process.
4. **Engagement**: It is the best place to engage the people you want.

While the conversion of print advertising to online has delivered cost savings, the results from both print advertising and online services have declined over time. The actual cost rose as early adopter advantages ebbed away. Online advertising by itself does not make a comprehensive e-Recruiting proposition; the site must be 'sticky' and compelling, with a design that makes it easy for people to join your talent community. Public platforms like Linked In and other job boards have also democratised the talent market. The internet has meant reference checking is now a mutual activity.

The real cost of fully implementing an e-Recruiting methodology is essentially the cost of changing the process from reactive to proactive. Forecasting is the central feature of a well-planned recruiting framework, and this involves planning, outreach, and data collection. Staffing participation in these activities is not enough. The development must reconcile the various needs of the organisation and this can be a significant challenge. The tracking systems, sourcing inventories, and communications systems required to implement a proactive approach are considerable and for many organisations, external expertise is needed to deliver a competitive online presence.

A strengths-based choice

Measurement is critical to cost and value accountability. Y*ou cannot manage that which you cannot measure* and it is inherently easier to manage suppliers than it is to manage staff. The RPO approach to service delivery is that it brings dedicated recruiter expertise into the organisation with its own infrastructure and information systems that enable economies of scale and scope. Database tools and networks enable the organisation to rapidly access IQA candidates. RPO changes fixed underutilization

costs to a variable but actual utilized costs and working in-house with managers on a day-to-day basis mitigates the organisational fit risk.

The RPO Value proposition

1.   Proactive Recruitment Implementation

a.   Improved hiring decisions

b.   Reduced turnover / increased retention

c.   Reduced management time & stress

d.   Reduced time to hire/fill

e.   Reduced cost per hire

Consolidated Invoicing

a.   Consolidated invoice for all recruitment activity

Reduced time managing the recruitment process

a.   Reduced Hiring Manager time spent on recruitment process

Talent Acquisition strategy

a.   Improved ability to create and manage workforce planning

b.   Enables creation of workforce pipeline for future hiring

c.   Enables better management of internal workforce

d.   Improves quality of organisation's talent pool

e.   Reduces time to fill

Supported by Technology

a.   Enables re-engineering of process

b.   Enables scale

c.   Allows easy reporting

d.   Allows measurement of performance

Capability development

a.   Knowledge transfer to senior Managers, Hiring Managers, and HR practitioners from specialist expertise

Internal recruiters have the advantage of resident organisational and cultural knowledge. However, unless managed around results, there is a risk that they do not have the same service delivery and results in accountabilities. Maintaining an effective internal function also requires an investment in purchasing and maintaining information systems if the organisation is to remain competitive in a labour market that is now virtual.

Depending on recruitment volumes, internal functions carry a cost risk around underutilisation. Multi-tasking in broader HR tasks to mitigate this utilisation risk threatens the focus and development of recruiter competence. In today's labour market, your recruiters need a competitive sourcing strategy, networks, and the capacity for speed. Three compelling reasons stand out in support of an RPO model:

1.   Gaining outside expertise, that is not available internally in concentration;

2.   Resourcing leverage that improves systems quality; and

3. Focusing on the core business of the organisation

The post "Talent Acquisition: Internal or RPO?" was first published by Crispin Garden-Webster **here** https://www.linkedin.com/pulse/talent-acquisition-internal-rpo-crispin-garden-webster/

About Crispin Garden-Webster

I work with senior leaders to select, develop and retain talent, enable team effectiveness, facilitate change and shape organisational design. I mentor early and mid career HR Professionals. I am a Registered Psychologist, a Fellow of the New Zealand Psychological Society and a Distinguished Fellow of the Human Resources Institute of New Zealand.

I have deep expertise in Executive selection, assessment design and developing talent management processes. I have worked with Chief Executives assisting them build their leadership teams and also large scale delivery of staffing and talent solutions associated with integration of large businesses. I work closely with leaders developing good practice in human capital management and have worked effectively as a change agent for organisations seeking to optimise their human resources practices. With a strong assessment background, I have been instrumental in developing Assessment Centre capability with stakeholders in building their talent management practices.

After graduating from Massey University with Honours in Industrial and Organisational Psychology. I served as a Field Psychologist in the New Zealand Army in a range of assignments in New Zealand and tours of duty in Asia, Europe, the Pacific and the Middle East.

As an HR Development Manager in the Telecommunications sector, I led the design and deployment of organisational development frameworks, talent management and online processes.

As an independent consultant I have been sought out by the Asian Development Bank, where I worked on a review of the Bank's HR Strategy, recruitment and selection processes and career management frameworks. I also worked on capacity building projects in Indonesia, Pakistan and Vietnam. In New Zealand, my consulting practice served State sector and Defence industry development projects and capability development in Science, Banking and Security.

In April 2013, I moved to Muscat, Sultanate of Oman to establish the Assessment Centre practice within Takatuf Oman LLC. I lead the Talent Management and Assessment practice, delivering talent solutions, leadership learning and assessment for selection and development.

I have recently led the executive assessment process for staffing a major national integration project in the Oil and Gas sector including shaping the organisational and process design of the people and culture function and developing theirr talent managment framework. I am currently engaged in projects to develop the capability of the state owned enterprise (SoE) sector in Oman.

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