

Summer : 2016



RPO: Is your organisation ready?



in depth

Harrier  
HUMAN CAPITAL

RPO: IS YOUR ORGANISATION READY?

“People are not your most important asset.  
The right people are”<sup>1</sup>

Jim Collins

## Organisational readiness to outsource

WE'RE OFTEN TOLD THAT THE MOST IMPORTANT ASSET IN OUR COMPANIES ISN'T SOMETHING TANGIBLE: IT ISN'T THE EQUIPMENT WE OWN, OR THE PRODUCTS WE MAKE, OUR DATA, DOCUMENTS, DESIGNS, TECHNOLOGY OR OPERATING PLANT. THE MOST VALUABLE ASSET IN YOUR ORGANISATION IS THE PEOPLE – YOUR HUMAN CAPITAL – AND ANY PLANS TO MOVE YOUR BUSINESS FORWARD HAVE TO START THERE.

Despite this, today's business leaders are often more focused on the day-to-day demands of their businesses in increasingly volatile, uncertain, complex and ambiguous (VUCA) global and domestic economies. This means that human capital, the single most important asset a company needs to take the next step in growth and innovation, is often under utilised or under developed: According to the Harvard Business Review only 32% of global leaders are confident their organisation has the necessary leadership talent and skills to achieve their strategic goals<sup>2</sup>.

Even as large global organisations speak of talent as a key differentiator and source of innovation, most do not effectively invest in the vision and infrastructure to support attracting and optimizing talent. Too many organisations are complacent, assuming that the right talent will just 'want' to work for them and that the strength of their consumer and employer brand will somehow win out over their competition's.

However, Aberdeen Research Group identified that only best-in-class organisations (the top 20% of

aggregate performers on the Fortune 500 list) are 55% more likely than all other businesses to proactively build and expand their candidate pipeline, regardless of current hiring needs. It is these organisations that maintain a resolute focus on connecting with potential talent through proactive strategic resourcing.

How can other organisations achieve the same focus and free up their leaders' time, enabling them to drive the strategic objectives of their business? Implementing recruitment process outsourcing (RPO) could be the answer.

# Organisational readiness to outsource

## What is RPO?

RPO can mean different things to different people depending on the maturity of the HR and talent landscape in their organisation (or even country), but the commonly agreed definition, as defined by the HR Outsourcing Association (HROA), is "a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service provider"<sup>3</sup>. The outsourcing of various elements of talent acquisition (TA) functions has steadily grown globally over the last five years and now accounts for annual revenues of US\$5 billion, with forecast double digit growth over the next 10 years.

Depending on a client's requirements and the solution designed, RPO can support the entire permanent staffing lifecycle from emerging talent

recruitment to executive search, from workforce and demand planning to shaping talent acquisition strategy, right through to off boarding of employees and everything in between.

An RPO provider can embed its own staff, technology, processes, methodologies and reporting, or may assume the client's. Whatever the approach, RPO differs greatly from typical recruitment service providers such as staffing agencies and contingent or retained search companies, in that it assumes ownership of the design and management of the recruitment process and the responsibility for outcomes and results.

Provision of an RPO is governed by a master service agreement (MSA) and aligned to a statement of works (SOW), ensuring definition of contractual service delivery levels

(SLAs) and key performance indicators (KPIs) which the RPO provider will work towards in partnership with its client.

RPO solutions can be applied to any number of corporate scenarios, whether its enterprise-wide recruitment, ramping up to support the launch of a new product, expansion into new markets, seasonal hiring peaks or accelerating growth in current markets. They can be implemented in a standalone context or alongside a client's existing team to complement the incumbent TA function.

The following phases can be applied by Heads of HR and TA to get their organisations ready for RPO and ensure the foundations are laid for the success of their chosen solution:



# Assessing whether RPO is right for your business



When considering any form of outsourcing, many organisations start with the same question: 'What should we outsource and what should we retain in-house?' A complex question, the answer can have a huge effect on an organisation's short and long term success.

Another question to consider that can help answer the first is 'why do we want to outsource and what do we want the outcome to be?' Could it be to bring fresh, specialist minds to the organisation? Drive efficiency in cost, time and process? Add innovation to vital tasks? Or

simply outsource a non-core activity through business partnering with industry experts to drive competitive advantage in talent strategy?

Figure 1 may assist in the assessment process, as it focuses on two important decisions in outsourcing, and client sponsors can apply it to all tasks that comprise their TA function, to ask themselves:

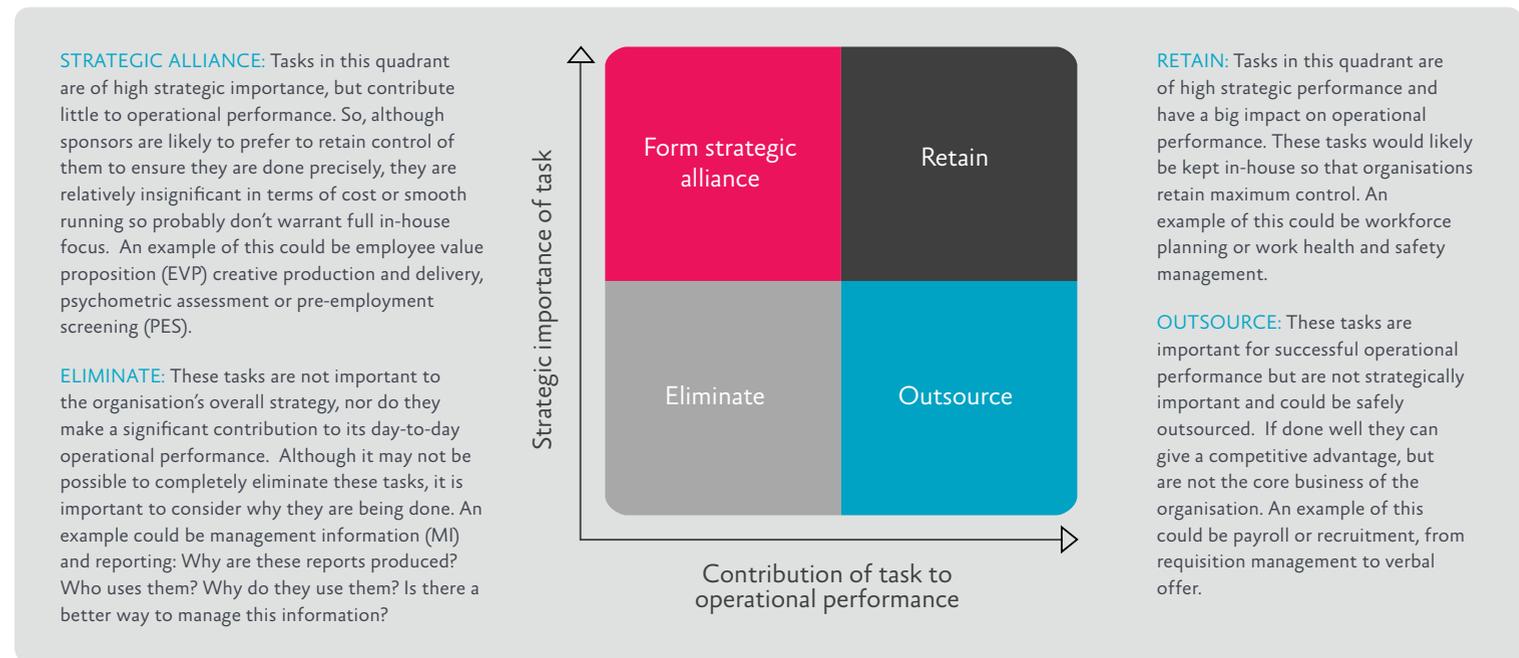
**1. HOW STRATEGICALLY IMPORTANT IS THE TASK TO THE BUSINESS?**  
Strategically important tasks can be an important source of competitive advantage.

**2. WHAT IS THE TASK IMPACT ON THE ORGANISATION'S OPERATIONAL PERFORMANCE?** Tasks that have a high impact on operational performance are those which, if done well, contribute greatly to the smooth running of an organisation or, if done badly, disrupt it<sup>4</sup>.

It is important to acknowledge that implementing an RPO solution, or any kind of business outsourcing, should not be licence to pass an organisation's ongoing problems to a third party. The well-known saying 'you can't outsource a problem' is vital to consider – an organisation will need to get its own affairs

in order to fairly and accurately engage an RPO provider and set up the solution for ongoing success. A successful RPO will improve, enhance and drive a TA function, but the client organisation itself will need to take a hands on approach to working through its issues with the RPO partner.

What should we outsource and what should we retain in-house?



# Working out what you want to achieve and how you will measure success

What does success look like and how will it be measured?

Assess business needs

Build business case

Tender

Review and award

Implement

It's no coincidence that the global best in class companies are 61% more likely than all others to rate outsourcing recruitment as effective, indicating that:

- "Their hiring is more efficient and cost effective
- They have a higher quality of hire (based on first year performance namely)
- Their hiring managers are more satisfied with their new employees"<sup>5</sup>

Once an assessment of which HR or recruitment tasks to outsource has been completed, the next step is usually to build the business case and address the question 'what does success look like and how will it be measured?'

Measures of success can be broken down into strategic, performance and financial benefits – some of them will be realised in the short term, and others will only be achieved in years two or three of the contract. It is important to link these back to the overarching people and culture strategy, as that in turn should have a direct correlation to the business strategy.

## EXAMPLE MEASURES OF SUCCESS

A **strategic** priority could be to increase diversity and inclusion in the workforce or to boost staff retention.

A **performance** priority could be to improve quality of hire or to reduce time to hire.

A **financial** priority could be to reduce agency spend or to lower cost per hire.



Working out  
what you want  
to achieve and  
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measure success

## Benefits of RPO

The business case is an ideal forum in which to explore the key benefits that an RPO solution can bring. Figure 2 outlines some of the benefits that RPO clients can expect to realise through an outsourced solution.

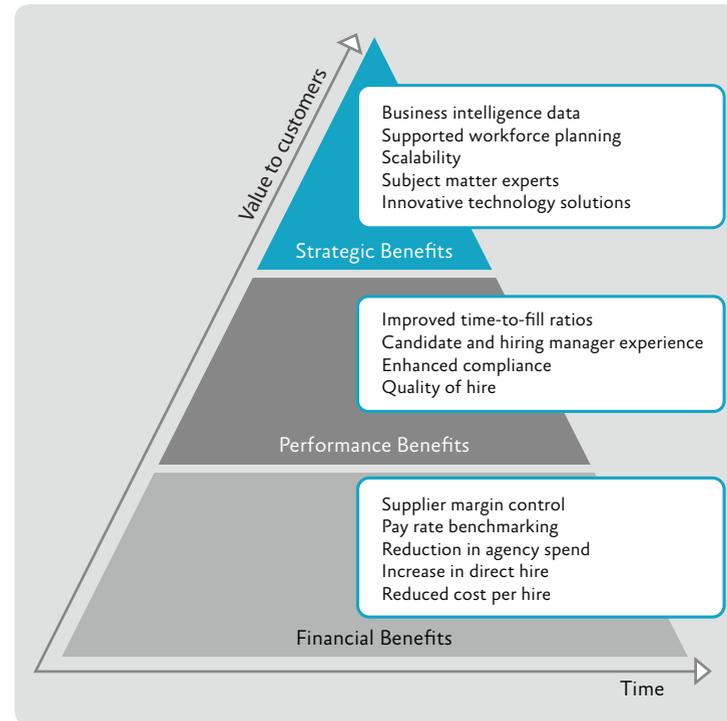


FIGURE 2

Other typical benefits from an RPO include:

- Measurable improvements – SLA & KPI driven metrics
- Reduced costs – cost per hire and agency spend
- Reduced time to hire
- Shared risk
- Increased efficiency, hiring manager and candidate satisfaction
- Increased quality of hire
- Increased compliance and process consistency
- Improved supplier engagement and management
- Harmonised contracts and margin control
- Increased and focused diversity and inclusion strategy
- Technology consulting and optimisation leading to best in class outcomes
- Flexible and scalable delivery model to meet changing business needs
- Industry experts with deep knowledge, specialisation and experience
- Increased innovation
- Continuous improvement, transformation and evolution of recruitment function.

# Working out what you want to achieve and how you will measure success

## Identifying stakeholders

Once the tasks to be outsourced have been defined and the measurements of success considered, the next essential element is to engage with key stakeholders and gain support for the business case. Implementing any outsourcing solution involves a significant change management process which cannot be underestimated. When business

units and stakeholders feel they have been consulted and have had an opportunity to influence process, change tends to happen more smoothly.

In identifying key stakeholders, a simple RACI (responsible, accountable, consulted and informed) model should suffice for the business case, although a more in-depth analysis of affected individuals will be needed before the implementation of a new solution. At this stage though,

stakeholders typically include HR, procurement, executive leaders and key members of the organisation's hiring communities. By taking time to consider the main drivers behind each of these functions, the business case can be tailored to effectively and proactively address their chief concerns or objections.

Figure 3 summarises some of the concerns these main stakeholder functions often raise when considering an outsourced solution:



FIGURE 3

Engaging stakeholders and managing change will need to be driven internally by the client sponsor, whether it is the Head of TA or HR. Although in the longer term it often becomes easier for RPO providers to have difficult conversations with stakeholders, and use data and benchmarking to drive decision making in their client organisation,

in the early stages the client sponsor needs to own this piece to set up the solution for success. Clearly identifying the correct stakeholders, building relationships with them, and consistently and clearly communicating, consulting and engaging are all critical to successfully managing the change.

# Tendering your business

Assess business needs

Build business case

**Tender**

Review and award

Implement

The next step in outsourcing recruitment is to find out more about potential solutions and suppliers. Depending on the organisation, undertaking a tender process can be mandatory, a recommendation or non-compulsory. When it comes to enterprise solutions, or indeed contract spend in excess of \$2million, most organisations elect to run a structured tendering process via their procurement team as such spend typically requires executive committee sign off.

## TYPES OF TENDER

**EOI** (Expression of interest) – to shortlist potential suppliers

**RFI** (Request for information) – not used to shortlist providers, but to gain information that may help with the definition of the business case

**RFP** (Request for proposal) – to ask suppliers to provide their suggested solution to the defined requirements. This may be through the submission of a tender document and/or presentation

**RFQ** (Request for quotation) – to generate quotes for services required

**RFT** (Request for tender) – an invitation to tender, open to all suppliers.

## Why go to tender?

Buyers may already have an idea of their preferred provider(s) but a tender process drives a competitive process that allows an organisation to:

- Undertake due diligence on potential suppliers
- Comply with corporate or legislative requirements
- Contribute to the competitiveness of a marketplace
- Benchmark their current solution or model
- Calibrate other options that are available
- Generate internal buy-in for a new solution among key stakeholders
- Ensure value for money.

How can we find out what solutions are available?

# Tendering your business

## How to tender for RPO

There are a number of third-party procurement and buying organisations that run bid processes on behalf of companies, and many of these are managed through online portals. These provide an advantage to the buyer through the automation of process and standardisation of supplier responses. However, they can be seen to depersonalise the process somewhat and make it appear highly commoditised and price-driven to the external market.

Alternatively, organisations with their own internal procurement functions are likely to prefer to follow their own structured process which can include EOIs, RFIs and RFPs. Depending on the complexity and comprehensiveness of the tender process, the client sponsor will usually be heavily involved in the activities shown in Figure 4.



FIGURE 4

When preparing proposal documentation to elicit responses from potential providers, it is important to:

- State clearly what the organisation wishes to achieve from outsourcing and how this is aligned to their people, culture and business strategies
- Provide as much information on the scope of the opportunity as possible, including volume of hires, job families, pay grades, work locations, systems in use and solution objectives
- Share legacy data: Even if this data lacks integrity it will give suppliers a benchmark which can be further clarified during the discovery phase in implementation

- Outline key stakeholders and detail at what stages they are to be engaged throughout the process
- Outline expected timelines for the various stages of tender assessment and award, perhaps providing a proposed procurement timetable. Timeframes and milestones do sometimes change along the way and, should this occur, open communication with all suppliers will be appreciated.

Additionally, when undertaking a centralised tender process that covers different countries or regions, organisations may need to display cultural sensitivities, be aware of particular local nuances and consider how the tone, content and language

of the documentation will be understood in each region. In some instances, a one-size-fits-all approach may not be appropriate, especially as the maturity of the RPO market varies across the world.

Clarity in any tender released to market is essential as a poorly constructed document may cause confusion in supplier responses. This can lead to additional questions, responses that do not provide the information required, or suppliers declining to participate in the tender process.

## What happens supplier-side when a tender is released

Suppliers invest a lot of time and money in developing tenders for potential clients and tend to have clear qualification criteria to refer to when considering whether to bid for an opportunity. A supplier with a strong brand and plenty of resources does not automatically mean they will submit a response. When considering whether to enter a bid process, a supplier will typically run through their bid/no-bid checklist, which is likely to include criteria similar to the following:

Question	Yes	No
1 Do we have an existing relationship with key stakeholders ?		
2 Do we meet the RFP minimum requirements?		
3 Is the opportunity strategically important to our organisation?		
4 Does the work align to our core business?		
5 Is the opportunity financially viable?		
6 Are the tender timelines realistic?		
7 Do we have available resources to produce a credible bid?		
8 Does the stakeholder have mandate for change in the organisation?		
9 Is there a conflict of interest with our other clients?		
10 Do we understand the client's reasons for going to market?		
11 Is this a genuine opportunity or benchmarking exercise?		
12 Do we have case studies to demonstrate success in these areas?		
13 Do we have the resources and working capital to deliver the work, if successful?		

It is important that organisations are clear and concise in any tender documentation, allow suppliers the opportunity to ask questions and are as open and transparent as possible in clarification responses. Organisations should provide enough notice for suppliers to respond to the volume of questions asked, acknowledging that abbreviated timelines will dilute the quality of the answers.

# Reviewing tender submissions and selecting a RPO provider

Assess business needs

Build business case

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Providing all appropriate internal stakeholders with the opportunity to review and participate in supplier selection is likely to obtain their buy-in, but may involve them in a time consuming and detailed process. Their involvement typically adds most value at tender submission reviews, provider presentations and initial supplier briefings.

The client sponsor and/or procurement team may wish to provide clear ranking criteria for discussion in advance of the tender going to market, to ensure that relevant internal stakeholders have time to agree how the responses

will be shortlisted and selected. Such participation ensures the final decision has buy-in from all parties and raises the level of support for the chosen provider when implementation takes place.

After tender review, it is common to shortlist a small number of preferred suppliers and invite them to present to a panel of the most relevant stakeholders, ensuring they have been previously briefed and are suitable decision makers. This presentation stage is often used to understand the suppliers' organisational capability and proposed solutions at a high level. The client usually provides the

agenda, which outlines the points to be discussed and allocates realistic time slots. Following on from this stage, a second presentation may be held with just one or two preferred suppliers, most often to strategically discuss points of clarification before progressing to selection. Upon selection it is customary to negotiate terms with one preferred bidder.

Following the tender process it is best practice to offer supplier feedback sessions, to provide unsuccessful providers with the reasons for their non-selection.

Who can help us achieve our objectives?



# What to expect next from your RPO provider



Upon the notification of preferred bidder status, a chosen supplier will start to prepare for implementation. Some of the early steps will include:

- Contract negotiation
- Work through MSA and SLAs
- Plan for implementation, which is likely to include a discovery phase, and can take up to three months depending on what is agreed
- Validate that the solution and delivery model design are fit for purpose
- Hire the delivery team, reassign from other accounts or transfer any existing client employees if agreed

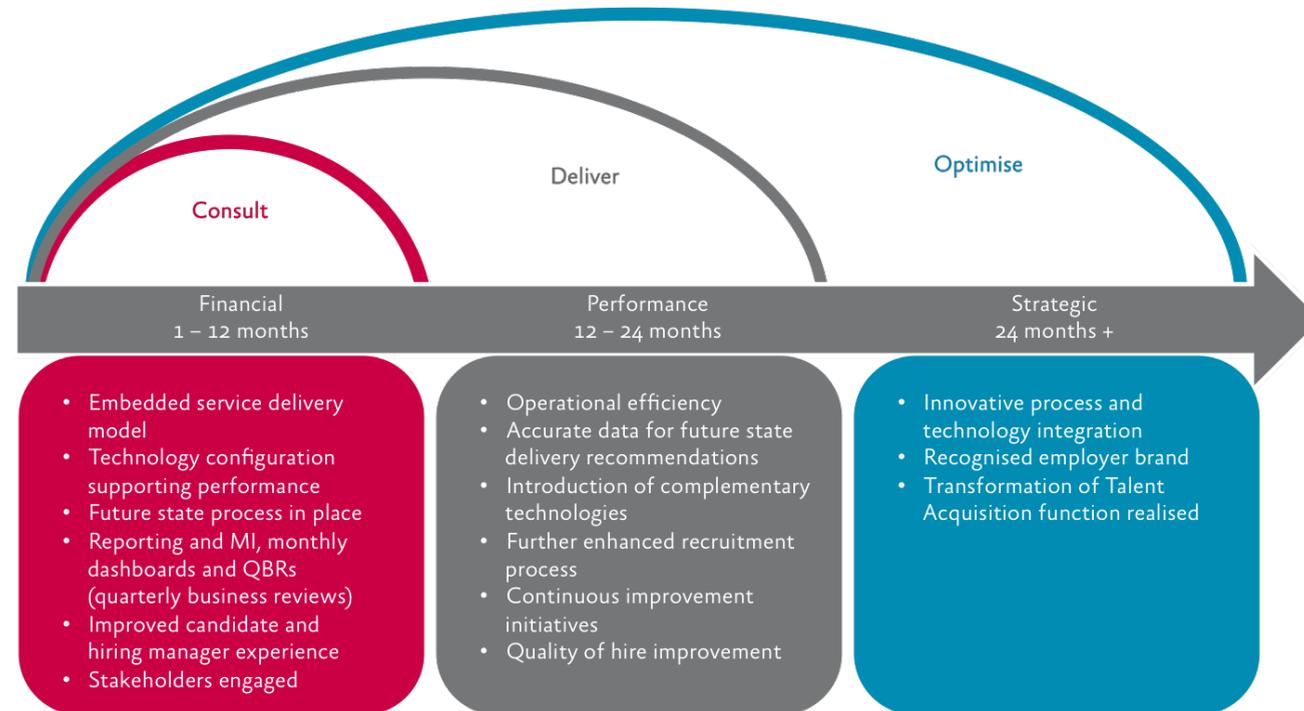
Not one of these steps will happen in isolation or be achievable by the RPO provider alone: From the point of contract award, the partnership approach should take effect. Without working together, supporting the delivery model and taking joint responsibility for its overall success, the client organisation and the RPO provider cannot expect an easy or effective implementation.

Expectations, timeframes, volumes, stakeholders, structures, processes, systems: Any number of these things may change from the original tender as more information is uncovered

throughout implementation and in the early phases of delivery. This is common and can be overcome if the client and supplier work together to understand the change, what the implications are on the solution and any subsequent commercial impacts.

The go-live of a solution will rarely be perfect: Modifications and changes will occur post-implementation while the solution gains its operating rhythm. Transformation and innovation will take time, but the solution should be continuously evolving.

How do we work together to implement and embed our new solution?



# What to expect next from your RPO provider

## Why do RPOs fail?

Despite everyone's best efforts, there are circumstances when RPOs do not achieve the desired outcomes. Figure 6 highlights some of the potential issues RPO providers and their clients can face, with some strategies to mitigate the risk of failure.

ISSUE	MITIGATION
Sponsorship	<ul style="list-style-type: none"> <li>• Identification of key sponsor(s)</li> <li>• Authority to drive, shape and mandate the business transformation</li> </ul>
Stakeholder management	<ul style="list-style-type: none"> <li>• Identification of joint key stakeholders</li> <li>• Project team</li> <li>• Stakeholder buy in</li> </ul>
Clearly defined project team roles and responsibilities	<ul style="list-style-type: none"> <li>• Agreeing the project roles</li> <li>• Assigning the right people into the right roles</li> <li>• Clearly defined escalation procedure</li> </ul>
Project implementation timeline	<ul style="list-style-type: none"> <li>• Agreeing the project and stage plan</li> <li>• Defining critical milestone and success points</li> <li>• Go-live attained only on sign off</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• Clearly defined communications strategy and plan</li> <li>• Ensuring the communication plan is appropriate for the audience</li> <li>• Project status and updates</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Understanding training requirements</li> <li>• Having a clearly defined training programme</li> <li>• Tailoring the training approach to each user group</li> </ul>
Third party engagement and management	<ul style="list-style-type: none"> <li>• Identification of key supplying agencies</li> <li>• Management and engagement of hiring community and service delivery team</li> <li>• Harmonisation of terms and panel management</li> <li>• Relationship and issues management with technology providers, job boards and advertising agencies etc</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Identification of key risks and ranking those risks (high, medium and low)</li> <li>• Using tools and project management methodology to identify, track and escalate risks and mitigating actions</li> </ul>
Workforce planning and resource data	<ul style="list-style-type: none"> <li>• Business partnering with hiring community and Head of TA to obtain weekly forecast/ rostering data and work package information to produce predictive analytics</li> </ul>

## A final thought

RPO solutions are typically contracted for three to five years to allow time for the evolution and transformation of the TA function, and it's likely that organisational needs will change during this time as businesses and markets shift. The ability for client and supplier to work together, through the ups and downs that any business relationship can have, is integral for the ongoing success of the solution.

It's important to be clear and realistic about what can be achieved with the selected solution, articulating the desired evolution for the function and working with the chosen partner to identify how and when key strategic elements can be achieved. Many organisations try to do everything all at once, but it is important to get the basics right first. For example, embedding the new team and processes, while obtaining

organisational buy-in, is critical before driving further innovation and change. The inclusion of QBRs, ABRs (annual business reviews), regular reporting and MI in a new RPO solution will, over time, provide the data and insights needed to identify and validate opportunities for innovation and transformation.

The outsourcing of TA functions has been proven to provide organisations with a distinct competitive advantage from their human capital, and by following the steps outlined in this paper, you can work towards ensuring your organisation achieves maximum benefits from an RPO solution: Become a best in class organisation that manages its most valuable asset strategically to gain competitive advantage.





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