Editorial: Recruiting Process Outsourcing: Using a well-defined SLA's and KPI's to engage the right vendor and set correct expectations.

Shrinking workforce, work-visa caps, recent expansion of economy coupled with general frustration with the results and costs associated with traditional recruiting models on the part HR leadership prompted demand for innovative ideas when it comes to talent acquisition and retention. Attracting and retaining talent is undoubtedly one of the top items on any executive's priority list. One the most talked-about answers to this challenge is Recruiting Process Outsourcing (RPO). It has become one of the hottest buzz words and fastest growing areas of Human Resource Outsourcing (HRO), with HRO in turn representing as a sub-set of outsourcing initiatives within the broader Business Process Outsourcing (BPO) industry.

In a recent corporate buyer survey, close to 75% of respondents indicated that they have either recently engaged a talent acquisition provider or are actively involved in sourcing.   This tremendous acceptance rate is clearly indicative of the next phase in RPO maturity.   While there is still lack of commonly-shared definitions and standards, most decision-makers no longer need to be sold on the benefits of outsourcing the recruitment function as a concept.   Despite some differences with traditional transaction-focused outsourcing models, recruiting outsourcing has been gaining ground not only in executive board rooms but also in the minds of hiring managers as a way to let their organizations concentrate on expanding the core competencies while outsourcing such resource-intensive and often difficult tasks as finding and retaining the right people.

Nowadays, some of the key challenges are in selecting the right vendor to partner with amongst a sea of companies claiming to be RPO providers as well as in coming up with common definitions for RPO and figuring out the standards and expectations.   How do you navigate the RPO field full of providers claiming to be the most efficient, cost-effective and reliable partner?

Reviewing a potential vendor holistically is crucial. You have to look at their delivery capabilities, scalability, experience with requirements similar to yours, cultural fit and check references. Luckily some of the methods and lessons can be derived from other, slightly more mature BPO disciplines. As with any other outsourcing engagements, a successful RPO initiative is characterized by clear rules of engagement and consistent quantitative assessment of objectives and delivered results. Although most of the companies realize that need, often RPO engagements fail to establish a well-defined Service Level Agreements (SLA's).

If you want to succeed in implementing an RPO, **you must define Key Performance Indicators (KPI) in accordance to the scope of services being outsourced, establish a Service Level Agreement that would spell out the expected results for each KPI, and then monitor execution of the SLA on a frequent basis.**

While the classic definition of Recruitment Process Outsourcing implies transferring the entire talent acquisition and retention function to an outside provider, some organizations choose to only outsource a sub-set of recruiting processes. Each company defines what a successful RPO engagement is based upon their unique needs. However, some common metrics such as "time-to–hire", "cost per hire", "Recruiting Cost as % of Revenue" are used across the board. Although all of these measurements are examples of KPI's applied to track the HR function, they can not always be directly used to measure the success of PRO initiatives. A company entering in an RPO engagement should have clear objectives that are in line with the degree of control that company is willing to release to an outside party.

Applying the "end-goal" per-placement/per-hire KPI's is absolutely fair when a provider has full control over the entire lifecycle, but other, more granular indicators should be used when you engage a RPO shop for something like phone screening prospective candidates or data cleansing. Let's review some examples of applying appropriate metrics to track RPO progress depending on the degree of control given to an outside vendor. As an example, Workforce Source acts as

full-function recruiting department for a rapidly growing DC-based provider of electronic prescribing services designed to meet the needs of the physicians. "Time-to-hire", "Cost per Hire" indicators are being used along with other KPI's to see how Workforce Source stacks up against the other recruiting options: internal and contingency staffing agencies.

However, Workforce Source often gets engaged by organizations seeking help in sourcing and phone-screening candidates either for major staff expansion initiatives or for more tactical reasons. Once a candidate has been qualified as a fit by a WFS recruiter, he or she gets submitted to the client's internal recruiter, and that recruiter is responsible for taking the candidate through all the remaining phases of the recruitment lifecycle (hiring manager interviews, reference background checks, offer negotiation, acceptance and on-boarding). Is reasonable to apply the "time-to-hire" and other end-goal measurements access the RPO provider's performance? The answer is not really. **Since the RPO provider in this case has no control over the entire lifecycle, a better set of indicators of their performance would be "Time-to-Qualified submission", "Cost per Qualified Submission", "Number of Qualified Submission per a Period of Time".** Internal recruiters definitely play a key role in providing prompt and objective feedback on all presented candidates, and are expected to render an objective judgment in such subjective area as candidate qualification assessment. It's definitely a challenge. Therefore, it's extremely important to define specific assessment criteria and allowable deviations, such as experience, education, pay range, location/relocation requirement, citizenship limited, etc. It's also important to measure internal recruiter's buy-in and performance by introducing another KPI – "Time-to-Feedback", which is usually the average amount of time elapsed between the time of candidate submission by the RPO vendor and fully-completed feedback submission returned to the vendor by the internal assessor.

Obviously, an experienced recruiter instinctively uses most of the above-described criteria anyway; however including them all explicitly in well formulated Service Level Agreement will help avoid unpleasant surprises and negative perceptions on both sides In recent years, SLA's have become the standard in most of the IT outsourcing engagements. However, HRO still lags behind when it comes to putting firm service level expectations in place. Oftentimes, it seems the HR managers are more focused on the immediate cost savings and run a risk of a wrong sourcing selection by going after a vendor who can offer the cheapest rate for a full-time equivalent basis. While trying to reduce costs, the buyers actually often overpay even compared to all the payroll and infrastructure overheads associated with the in-house option. **SLA's are meant to capture and summarize productivity and performance expectations, escalation and response procedures, communications and negotiation process which leads to openness, understanding between customer and RPO provider and effectively used to constantly monitor the overall success.**

RPO Service level agreements are **very simple in concept**: they are agreements between an outsourcer and customer on numbers and often on the quality of the people to be hired. They are developed before the RPO engagement starts and may also contain incentives for the provider. They are almost always negotiated, rather than simply imposed by either party.

For example, an SLA might say that the RPO provider will present 15 pre-screened candidates matching client's open job orders per week for each full-timer recruiter assigned to the account, or that standard turnaround time should not exceed 48 hours from the time of receiving a completed job requisition. It is important to understand that an SLA is a two-way agreement, and the client certainly carries some responsibilities as well. As an example, the assigned recruiter or hiring manager might be required to provide feedback in a particular format and within a certain timeframe. While the SLA's are meant to be very quantitative documents, they need to be flexible enough to allow for a certain degree of adjustment given that each assessor is characterized by his or her own personal style and standards.

SLA's guide the planning and sourcing efforts and help HR leaders establish processes to create robust talent agency. By knowing where growth will occur and what types of people organization is looking for, RPO provider can focus sourcing efforts and competitive intelligence activities to get the optimal results. For example, one client collected and analyzed the SLA's from across the company and saw a clear trend toward hiring more SAP functional analysts. In partnership with a training outsourcer, they proposed instituting an intensive training program for their current business analysts who were familiar with legacy systems. This was highly successful and led to a reduction in recruiting costs, as well as helped avoid some planned layoffs. Only a handful of SAP analysts needed to be recruited from outside.

SLA's outline customer satisfaction. If the agreements are properly negotiated, they, in effect, contain the ingredients of satisfaction. RPO provider and HR manager who have decided what success and quality look like will most likely find that they can quickly determine if things have worked well or not and where improvements need to happen.

SLA's can be used as a way to compensate and manage RPO Providers. When a portion of RPO provider's compensation is based on meeting the goals of the SLA, the day-to-day management of RPO provider becomes one of coaching them to success rather than that of monitoring activity. RPO providers will do the best they can to excel to maximize their margins. This approach ensures that providers focus on delivering results that clients see as the priority in their business. An SLA typically contains multiple sections or sub-documents designed to fully describe the entire PRO engagement via a set measurable objectives and goals. Below is a list of sections comprising a typical RPO SLA's:

      a. Objectives and needs assessment
      b. Scope Statement
      c. Pricing and Cost Estimates
      d. Organization Chart
      e. KPI's, measurements and metrics
      f. Work schedules and communication
      g. Response and Escalation Procedures

- The Objectives section is really meant to be a roadmap for the engagement. It is very helpful when it comes to discussing Provider scalability.

- The Scope Statement outlines the general areas of responsibility granted to the provider. It also typically spells out methods and sources to be used, sourcing and screening processes and candidate submission procedures.

- The Pricing and Cost Estimates related the cost or services to the cost per KPI. Depending on the scope of work, this could be either cost per resume, cost per qualified submission, or cost per hire.

- The Organization Chart shows the key players on each side, with their respective responsibilities and roles clearly defined and assigned.

The sections on KPI's, measurements and metrics contain non-monetary performance measurements, such as the expected volume of submissions from a single resource per a period of time, and turnaround times on both ends. It also establishes the frequency and protocol for on-going performance monitoring.

The Work Schedules section describes expected hours of operation and cross-team communication procedures. The Response and Escalation section is a logical extension of the communication plan. Its objective is to establish a process for issue.

Given that the RPO market is getting saturated with providers whose claims can not be validated immediately, time spent in ascertaining, negotiating and monitoring a solution is definitely time well-spent. If not done correctly, an outsourcing solution can not only be a costly proposition, but more importantly, can lead a lot of missed opportunities to acquire key human resources. "War for Talent" is definitely on and no organization can afford not to have a battle plan.

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