



“RPO Implementations and why it is Strategic to the Enterprise- Based on the It Depends Model”

Executive Summary

The recruiting and staffing industry has been in a constant flux with just about every industry in need of talent- and more so how to source this talent, better, faster, more efficient and of course more cost effective than the competition.

Organizations generally have been trying to address this situation for many years with all sorts of ATS tools and applications, behavioral screening processes, name sourcing, message boards, self-proclaimed “gurus” and the countless new “niche” job boards that keep popping daily in the marketplace, all promising candidate “nirvana” experiences.

There is one simple fact in this business is constant- there is ALWAYS a shortage of GREAT candidates (and some would say great recruiters and recruiting leaders) in the Staffing/Recruiting industry, and every company is faced with the talent shortage that even the Bureau of Labor Statistics estimates by 2010 will reach a shortage of over 10 million people.

Even more important is the level of bandwidth that BOTH the corporate recruiter and many Third Party Recruiters (TPR’s) (the lucky recipients of the “approved vendors list” and “strategic sourcing components”) in the Procure –To-Pay (P2P) initiatives going on in almost every large enterprise, driven to reduce costs per-hire (or managing “spend”) and the slew of metrics that are coming out in the RPO model.

Also there has been a “re-birth” of the Recruiting Process Outsourcing (RPO) space that actually started back in the early 90’s- and with a tremendous effort on the quality of the RPO “experience” throughout the organization, and what is needed to look at an RPO initiative.

Whether it be on a case by case “pilot program” or one that can be viewed as in the Business Process Outsourcing (BPO) space as a quasi “tactical/strategic” sell up the latter to the “C” level suite.

The HR/Recruiting department of most large organizations is viewed as a cost center and not one of driving a true profit center for the company (our congratulations to you if you are running a true P&L) although many TPR’s might dispute this when it comes to a candidate who may have been sourced by the TPR and presented to the end-user client who has been “in their database”. Of course this opens all sorts of the proverbial

“Pandora’s Box” (we think she was actually one of the first recruiters- but that is for another paper).

This paper has been written to provide the reader not with recruiting and sourcing facts and figures- because we all know there is a tremendous amount of information out each day by many of our fellow RPO brethren and industry publications surrounding this space. But this paper is designed to answer, what should be the first question when you are looking for an RPO solution provider. **Why engage in an RPO?**

WHY RPO? This is akin to asking an attorney what his/her hourly rate is. The response is usually **“It Depends!”** Certainly, with lawyers it will depend on the type of lawyer needed, the length of the engagement, and everything from A-Z where everyone is involved with a successful “project”. In the case for an RPO there should be two winners- but only after a tremendous amount of time and energy going through the proper due diligence.

In this paper, Mr. Nolan lays out the two distinct organizations; Internally and Externally that need to co-exist in a true RPO solution, if they are both going to “win” in this RPO engagement/implementation.

The reader may be struck with Mr. Nolan’s term “Implementation” because that is the world he has lived in while providing Project Management expertise in over 11 ERP Implementations as a “Functional” HR consultant (SAP, Oracle and PeopleSoft) and in the true sense of an RPO solution, it is an “Implementation”.

His background in true outsourcing started in 1990 with the largest and most respected client/server IT services firm SHL-Systemhouse and believes to not treat an RPO like an implementation (without a project plan, and stated deliverables) will doom any RPO (as many can attest). And believes this is one of the biggest reasons many of the first round of large RPO deals went bad.

To further serve as a background Mr. Nolan also started his recruiting career for one of the best organizations back in the early 90’s Source EDP where he was hired to start the IT Consulting Division (Source Consulting) for the Atlanta office- and where he cut his teeth. Even today some 15 years later he still consults for many companies in the recruiting and staffing industry, as a “full-cycle recruiter” and continues to “manage his own desk” for some of his long-standing clients (and proud of it).

With respect to having an RPO viewed as a project- where both teams sit down and assess the “project” (or what SAP terms a “green field implementation”) assign the two Internal/External Project Managers who plans, manages, and delivers the RPO solution on time, and within scope and budget. There are clearly defined Executive Sponsors who have let it be known this is an important project, Statements Of Work (SOW’s) are prepared and signed off as to who is responsible for what and when, and accountability is the word used most often to assess the success after “go-live” and “post implementation.”

The question of why RPO is one that should be first asked (and answered) by the two organizations so the groundwork is constantly viewed as to what is working and what is not. The reader should envision what VAS designed as the “traffic light” of RPO.

If all is well we continue down the street with “green lights” (the requirements are being met by both parties), and if we see a “yellow light” (caution- not enough resumes coming in-or they are missing the mark) we must slow down and prepare to stop (red light) until both parties assess the situation. As we all know who drive a vehicle more times than not- “yellow” “caution” means to many of us- SPEED UP, instead of slowing down.

If this paper is being read by “C level” executives who have been through any type of serious implementation they will know (many firsthand) of how important a clear and well-written project implementation plan is to the success of what is being implemented, and taking on an RPO implementation is no different.

Conversely, not having an understanding of the two implementation partners up-front and the Internal and External “It Depends Model” further will cause the “deliverables” not to be met, and is similar in nature to another widely read paper published by Mr. Nolan, entitled “**ERP Implementations based on The Dating Game, The Newlywed Game, and Divorce Court**” where IT end-users, software professional services vendors and System Integrators struggled through some very rough times (and court battles) when not having a deeper understanding of the implementation process and each other’s capabilities (or shortcomings).

The Internal IT Depends Model

Internally, the **It Depends Model** is how the recruiting process is viewed by the organization (back to the earlier point of a cost vs. profit center) and why there is a need to “peel back the onion” and see what is working and might need some improvements. This many times comes in the form of a “recruiting audit” where VAS reviews the current processes and see how they might be able to increase or improve the in-house recruiting efforts.

From a cost vs. profit center, it is important for the HR leadership to convince (from a business case) the “C” level person they report to, that with an RPO you will be able to show not just the ROI- but that you deserve a larger seat at the table when it comes to your team.

Since recruiting runs across the entire enterprise (from Retained to Contingency or whatever term you like) the point is that if you have an opportunity to be viewed as a profit center where “CapX” “shared services” and “Ops Budget” terms are used, you have a deeper stake in the ground. Convincing the CFO to agree on this is another matter, especially if you have never presented this before, This is why executives on the HR Talent Management side need to view their roles as a true “business” like some of the counter-parts in the organization.

To further prove this point, HR executives need to ask the question, “How many CEO’s of major (or mid-sized) companies have come from the ranks of HR?”

One suggestion is to ensure that the internal staff is more aligned with the hiring managers needs by responding to the staff personal that are going to be critical to the hiring manager.

For instance, if your company is a System Integrator or Professional Services firm and the hiring manager is in need of personnel- understanding that the hires are going to be BILLABLE day one on a project- producing revenue to the company and the manager’s bonus “pool” it is probably best to focus on making them “happier” than filling personnel that might be considered another “cost center”. Having all kinds of metrics in place are nice- but they don’t trump revenue in the hiring mangers’ view and certainly not to the senior stakeholders and shareholders.

It depends, on the traditional HR and in-house corporate staff of recruiters and how they view an RPO company assisting the team. If the view is one of a partnership, with each partner trying to ensure a successful implementation to a “go live” as opposed to “they want to fire us all”, then this will set-up a very adversary relationship, where there are no winners. In this case, having an effective change management role integrated within the company will set the proper stage during this implementation.

It depends on how large of a recruiting staff (to include your TPR’s) and what full-life cycle recruiting methodology they use, how the company is viewed in the current marketplace (how the recruiting teams are viewed by candidates) and of course the tools used to recruit the staff.

It depends on the sales presentation or elevator pitch- (yes each recruiter should have one) so that the RPO Company can clearly articulate the value proposition to the candidates (if that is part of the RPO project scope).

It depends on the true role of the internal resource team. Are they tasked each day to “source” the job boards, mine the internal database of candidates and see who has been interested in the past? “Do they like many who started long before the Internet, have to actually “cold call” candidates- and even more importantly know how to make a cold call and turn it into a warm call?”

This one might be a bit “touchy”- “but is the staff really hard-core recruiting professionals with a vertical level of expertise in the field they are recruiting, who attend user group meetings, network meetings or if they preferred would they more than likely want to provide the standard HR functions of the team?”

It depends on the technology being (or has been) deployed in-house by the team and who actually measures the success rate in the Applicant Tracking System (ATS)? We read daily on ERE and other sites dedicated to the recruiting functions on what applications are best and which ones are not. Regardless of the on-going views of each, having an in-house solution is better than not having one in the long run especially if you are being asked to provide benchmarks.

It depends, on whether from a strategic (corporate view) the RPO initiative is important to the “C level”. If so, then just like any other “implementation” has there been a proper RFP written (and more importantly by who) or “requirements definition” and have you as the leader of the team, solicited questions from your “users” as to what they want? Case in point; when your organization was selecting an ERP platform, there must have been several internal meetings to see what each group needed in their “requirements” (from the HRMS organization it was probably around gathering information concerning work structures, schedules, HR rules etc...)

So taking this thought- why not meet with the “users” you support and ask what they are looking for in an RPO provider?

Finally, **It depends** on how you have viewed these statements and questions? HR for years has been a mixed bag of people and job responsibilities that takes an old school vs. new school mentality. If you have been around a corporate HR environment for more than 30 minutes we all know that in just about every organization the HR team is viewed differently. So the answer, may come from, “how can you continue to provide and add value?”

By extending what Mr. Nolan coined back in 2002 as “**RPO is the next progression of BPO**” the recruiting functions of tomorrow will be more focused on what can be outsourced to a team, allowing you to build a true knowledge garden within your organization that includes marketing the services you can “deliver” thereby building your own brand across the enterprise.

This alone will transform not only who you are- but what “value” you bring to the bottom line- that in the past at times has eluded the HR and recruiting staff.

Internally, there are many “**It depends**” questions that should be answered before selecting an RPO implementation partner, and similar to any other “project” that is being undertaken in the enterprise, these It Depends questions (and answers) will help you ascertain the partners for this implementation.

The External It Depends Model

There are several It depends roles that a true RPO prospect/client needs to access as well as the “implementation partner” if this project will succeed- as they move downstream through the sales process to actual delivery.

The **first It depends** relates to the partners experience and expertise in taking on an initiative and have they properly built-in the right fully burdened cost when seeking an RPO contract? The costs vs. opportunity is usually tied to the “sales” side of the house and operations is left to scramble as to how they will meet the demand- while supporting the revenue of the company (which many times is lower than expected) and does not add real value when the requirements are not being met.

The **second It depends**, is in developing a proper Service Level Agreement (SLA) and the accompanying Statement of Work (SOW) which should not be confused with the standard contract which is designed by lawyers in the event of a lawsuit so they can recoup monies (or not pay) based on what was (or was not) delivered. Certainly the external organization should have enough experience to also seek out from the client- what Key Performance Indicators (KPI's) currently are in place- and if they understand Operating Level Agreements (OLA's) and what are they based upon?

Thirdly, It depends on the real core competencies of the RPO organization and what it can deliver for the client, and the methodology associated with the team. For instance, some RPO companies believe they can deliver every aspect of an end user client's recruiting needs.

Here, it will be wise to recruit as many suggest "what you do well" instead of telling them (mostly this is a "sales issue" and just like in the software industry) that of course, you can source and provide full life cycle recruiting in "X" even though you may not have done so in the past. Case in point, try this exercise (this is for both the RPO company and end-user).

RPO company boasts of being able to supply "salespeople" for a client- and then when you visit their website, they have all sorts of sales openings that are internal to the company. So thus the question begs, "if you state you have a working database of "X" amount of salespeople you can recruit-then why are you posting on your internal website (and probably the external job boards) to find them?"

In the professional services "game" (which is really what the RPO companies should be moving towards) during the "sell" prospective clients ask for "representative resumes" during the RFP (and even during the sales cycle) to see who will be on the "implementation team".

This should also take place on the RPO side- where if the client is looking for IT Functional and Technical personnel, the RPO company should be able to bring to the table people on the team who have come from that side of the industry to recruit for (and yes it does matter) or "best practices personnel".

Too many times we hear about "best practices" but rarely do each of the parties know what they mean. Certainly, in some vertical industries there exist a "best practices" set of rules (some even have best practices consortiums) but as of this writing- there is not one "best practices" in the RPO space.

Fourth, **it depends** on not just the recruiting methodology deployed, but the ATS system being used by your firm. Each of the 132 (and growing as this paper is written) ATS companies all have their strengths and weaknesses, and provide the RPO company with what is needed- and again should be part of the "sell" to the client. The client should also insist during the due diligence phase to ask what ATS system is being used- and the ATS company contact to ensure they are still on support (or have been recently).

If the RPO company boasts of a “customized and proprietary ATS that they have- “in-house” then ask to see a working version of this.

Lastly, there are some RPO companies that state they will just use the end-users ATS application tool. On the surface, this may not seem that much of an issue, but caution should be used to ensure that in the contract very specific language is spelled out as to who retains the database and log-in criteria AFTER the contract has ended, and a non-solicitation of the stated candidates for a specific period.

Conclusion

Throughout this paper, the author has tried to provide all the parties in this growing industry with some thoughts about the need to ask more questions on the front-end of an RPO “engagement” and to seek out a deeper undertaking of where RPO is currently, and where it is headed over the next several years. The market for skilled labor has now more than ever increased the demand on the RPO marketplace, and the service offerings that are being sold to the end user are reaching higher into the organization.

What both organizations will need to ensure is that when called upon to actually “deliver” these services in a RPO model, each has the ability to provide the information and expertise to have a successful RPO implementation. Then and only then will a real “win-win” situation have taken place.

About the Author

Marc Nolan: President/COO VAS International, Inc.

Marc Nolan brings more than 20 years of RPO Sales, Executive and Operations Management and IT consulting experience to VAS International, Inc. in the areas of software, professional services and sales. Marc adds significant RPO sales and ERP project management experience managing services, solutions and recruiting and National sales teams during the deployment of SAP, Oracle, PeopleSoft and ADP applications. He has held senior management positions with Oracle Corporation, Aris Corporation, Cotelligent Corporation, Optio Software, SHL SystemHouse and Executone Information Systems.

He has consulted to over 100 staffing/consulting firms in the United States, The UK, India, The Netherlands, Ireland, The Philippines, and Canada.

He published what many believe to be the best short-book written for the IT industry, *“The Top Ten Money-Making Survival Tips For Information Technology Consultants”* and has authored over 20 functional and sales papers related to the Information Technology area.