

EMBEDDED CELLS CREATE DIRECT LIAISON BENEFITS

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In a candidate short market, and within the context of what is referred to as the talent war, HR directors are looking for recruitment alternatives which fulfill end-to-end staffing needs rather than those which simply plug holes in the staffing chart. David Mason-Jones studies how recruitment process outsourcing differs from standard recruitment outsourcing.

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The end-to-end needs of a company go a long way further than just the need for an efficient recruitment process. They extend to the full range of current HR concerns including retention and engagement – both major battlegrounds in the talent war.

Several major corporations in Australia have started to take back a higher degree of in-house control over recruitment than may have appeared the trend just five a few years ago. Among these are Westpac, ANZ, Suncorp Metway and Coca Cola Amatil.

Peter Achison, Ambit Recruitment Group’s CEO says: “RPO is still a very new phenomenon to Australia. Some large employers in Australia have adopted managed services agreements for recruitment. These are RPO-like and involve replacing a fee for placement model with a monthly managed services fee and commitments on behalf of the client to recruitment volumes.”

For these companies the recruitment process outsourcing (RPO) option is forming a part of their solution. Properly bedded down, this arrangement has the potential to generate collateral benefits apart from the narrow aim of finding talented people. One benefit is the restoration of the concept of career and the reduction in attrition that this can bring.

Heather Miles, general manager environment and capabilities, people and performance, at Westpac says: “Recruitment itself is just one end in the entire employee engagement

chain. If you disconnect the chain too much, by treating functions like recruitment in isolation, then you can break the whole chain.”

An RPO solution may help HR directors of large or complex companies to keep control of the chain and keep it intact. It offers the ability to continue outsourcing the purely ‘process’ parts of recruiting but to keep the actual human contact part of the process in-house. For these HR directors, the adoption of an RPO also has the benefit that it retains maximum flexibility without closing off any doors to the services offered by specialist recruiting companies.

Recruitment – core or non-core?

The question at the heart of an RPO decision, and the question HR directors need to ask themselves, is: “Is recruiting a core HR function of this business or not?” If the answer is ‘yes’, the next question should be: “Are there are parts of the function I must do myself and are there components that can still be outsourced to others?”

HR outsourcing is most effective where the function outsourced is transactional in nature and not a core function of the company. Thus payroll outsourcing, for example, has become widespread and successful.

Recruitment, however, is different. It really forms a shade of gray between what is clearly a transactional and non-core function suitable for outsourcing, and what is clearly a core function of the business. Some parts of recruitment, such as screening a bulk number of job applicants to see who meet the specifications, are clearly a ‘process’ – a transactional function. Other parts, such as securing an in-depth management succession plan, are clearly core.

No chairman, managing director, CEO or head of HR would consider the concept of outsourcing the succession plan itself. The RPO option allows outsourcing of the transactional aspects of, say, the succession plan but keeps the core aspects of the plan in-house in the hands of the HR director and others in the executive team.

What is an RPO arrangement?

Very simply, the concept is for the recruiting firm to establish a permanent cell within the hiring company. The staff in the cell are employees of the recruitment firm but they are located within the host company in the same way that journalists can be embedded in a military unit on operations. This enables direct liaison between the two sets of people.

It also allows the staff in the recruitment cell to become fully imbued with the culture and values in the hiring company. The cell members become fully conversant with the hiring company’s employer brand. The recruiting activities of the cell are, however, not branded under the recruiter’s branding but, rather, under the hiring company’s. This enables the hiring company to keep close control of its employer brand.

Tracey Cooper, managing director of Alexander Mann Solutions, a company active as an RPO facilitator, says: “We get closer to the client. There is the real situation that we can fully integrate with the client.

“This integration enables us to start deeply examining the real drivers for the client and, once we have researched this in more detail than can be achieved with an arms length recruiting outsourcer, we can help build on the client’s employment value proposition. This can be achieved both internally and externally.

Why restore the career concept?

The work of the cell goes much further than supporting the HR team in its external search for skills and talent. And here is where its role differs markedly from the standard role of a recruitment firm. The cell enables a thorough process of internal recruitment and, in this way, assists with the restoration of the concept of career.

The concept of a single company career has taken a beating in the past decade as managers and employees alike have thrown out the cradle to the grave idea of job security. There is a widespread acceptance of the idea that you may have to shift between companies to gain a promotion and, through the course of your career, you may have to shift many times to climb to the top of the career ladder.

This mindset, however, is now coming back to bite employers because it is a part root cause of high attrition rates.

Recruitment process outsourcing allows the employer to reverse the erosion of ‘career’. The embedded cell surveys employees as if they were candidates within their own, separate, candidate data base and looks for internal promotion placements or new position placements from the employee and talent pool. Each internal promotion that can be achieved, may trigger a sequence of further promotions as other employees step up to fill the vacancies.

Each successful internal promotion achieved negates the need for an external search and boosts the probability of better engagement by the promoted person. By enhancing engagement, the turnover rate is also likely to be reduced.

In the simplest case the trickle-down effect of these promotions will mean that the task for external recruitment may shift from the high competition, high volatility, elite talent market to the lower competition market for well credentialed point of entry candidates.

While the concept of career will never be restored to a rigid time based seniority system as in the past, it is likely to make a substantial come back in the mid term.

Alexander Mann’s Cooper says: “We try to raise engagement and to improve the career path. We do everything possible to look at the internal possibilities before going externally.”

The need for a threshold

One note of caution is that the RPO idea involves a definite threshold below which the numbers do not stack up to make it commercially viable. If a permanent cell is to be set up in the hiring company, then the savings must be greater than the cost of its operation.

Threshold can be determined by either the volume of workers the complexity of the business.

Take volume as a threshold indicator. A company with 10,000 employees and a 15% attrition rate needs to recruit 1500 employees annually just to stay in the same position – that's 30 per week. Company growth plans usually imply a greater recruitment task.

If this entire task is outsourced to recruitment firms, the volume is so large that huge opportunities open for poor communications between the hiring company and the recruitment company. On the other hand, if the company's HR department is to recruit 1500 annually, then the plan could become bogged down in the vast amount of process work involved with the finding and screening.

A company with 100 employees and an attrition rate of 15% would probably not be at the volume threshold to justify an RPO.

If complexity is the threshold indicator, the threshold may cut in at a lower volume. Complex appointments include those for sophisticated roles in banking or investment or a field like bio tech.

Cooper says: "The threshold in a complex work environment may be as low as 150-200 appointments per year."

HR directors need to address their recruitment volume and complexity to determine the point at which a threshold exists for the adoption of an RPO solution.

The Westpac experience

Less than three years ago Westpac was seeing huge recruitment and retrenchment turnover as the nature of continuous change meant that the company was always looking for new people to fill new roles and, at the same time, retrenching people from superseded roles.

Westpac reached the stage where it was hiring around 4000 people per year and was retrenching about the same number annually. This was a huge load on the HR function of the business and had the potential to create negative effects on the employer brand because of what the candidate market might have perceived as churn.

Westpac's Miles says: "One of the factors that was appealing to us about the RPO solution was the fact that we needed to reduce the pure volume of our appointments and retrenchments. We saw the idea of giving 'career' a more prominent position as a partial solution for this.

“Since our RPO concept went live in October 2004 we have successfully placed over 1000 people internally. This means that we have been able to reduce our recruitment intake level as well as our retrenchment level,” she says.

The ANZ experience

After many years of significant outsourcing of the recruitment function, ANZ has also moved to take back a large part of the responsibility in-house.

Shane Freeman, ANZ’s head of people capital says: “We decided we needed to have a much greater degree of control over recruiting and we recognised the relationship between well conducted recruiting and other factors such as staff engagement.

“Our ANZ Careers initiative commenced in 2003. Within this structure we established a shared service around recruiting and partnered with an external firm to establish the concept of recruitment process outsourcing. The overall strategy is run within our organisation.

“A measure of our success has been in our superb staff engagement levels with surveys showing us to have the highest staff engagement scores,” he says.

“We have not closed off our options as we still use external recruiting firms apart from the one involved with the RPO. This is mainly for specialist recruiting searches. This external recruitment function is coordinated through ANZ Careers and not by the line managers.”

Measuring success

Full success is about trying to create opportunities for people to have two or three in a row at a single corporation instead of just one. Success measurement for this strategy will take some years.

Westpac’s Miles says: “We are measuring success in the performance of our appointees – both the external ones and the internal ones.

“Our success with placing over 1000 internal moves since the adoption of our RPO solution is one hard statistic we can point to. We will measure the full cost/benefit ratio when the system is further bedded down. It is early days yet,” she says.

What this means for recruitment companies

RPO’s will have some varied impact on how recruitment company’s work. Ambit’s Acheson says: “Certainly they will drive recruitment companies to measure their recruitment performance with the client in both an RPO environment and a non RPO environment.”

For the directors of recruiting firms, the adoption of RPO as a component of the firm’s market offer may be a way of enhancing the value add the firm can provide its larger

clients. For client hiring companies which do not meet an RPO threshold, the pressure on recruitment companies will be to find ways of getting closer to their client to correctly convey the employer brand to candidate market.

The advent of RPO will not make the role of specialist recruitment companies redundant. Westpac's Miles says: "We have not closed off our options with recruiting companies not involved with the RPO because there are specialist areas where the recruiting companies have better market access than we do."

Conclusion

With regard to taking more control of the end-to-end functions of HR – of which recruiting is just a link in the chain – it seems that the time has come for the idea of recruitment process outsourcing. Things certainly seem on the move.

Cooper affirms: "With regard to the growth of the market "I have seen more activity in Australia in the past six months than I have seen in the past three years."

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