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Intelligent Workforce Management

# RECRUITMENT PROCESS OUTSOURCING (RPO) – A NEW TREND IN RECRUITING

A first-hand report by Hays

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# RECRUITMENT PROCESS OUTSOURCING

## WHAT IS RPO?

**Recruitment Process Outsourcing (RPO) describes the partial or complete outsourcing of the processes used for recruiting permanent staff to an outsourcing partner.**

Although this concept has been well established in the USA and the UK for many years, it is currently showing a strong increase in demand in the German-speaking countries and across Europe.

This is not surprising, because taking into consideration demographic change and increasing skills shortages, recruitment is increasingly becoming the purview of specialists. In many instances, HR generalists are simply no longer up to the task. This is because in many instances they lack the resources to carry out this time consuming work and do not possess the specific know-how required. In particular, active sourcing, which entails actively approaching potential new employees and extends far beyond the traditional job advertisement, has steadily grown in importance.

Fluctuating volumes of recruitment are also proving to be a challenge: Long-term hiring freezes are often followed by extended periods of intensive recruitment – and vice versa. This volatility often leads to companies failing to invest in their own specialised recruitment teams, which would serve them well over the long term. RPO concepts enable companies to buy in recruiting expertise and capacities as they are needed, while at the same time providing the highest level of quality recruitment services.

Business needs are as individual as the company. There is no such thing as a "one size fits all" approach to recruitment. Due to their flexibility, RPO services can be the perfect solution for well-structured group HR departments as well as for small and medium-sized businesses that do not have dedicated HR and recruitment specialists.

### What are the different types of RPO?

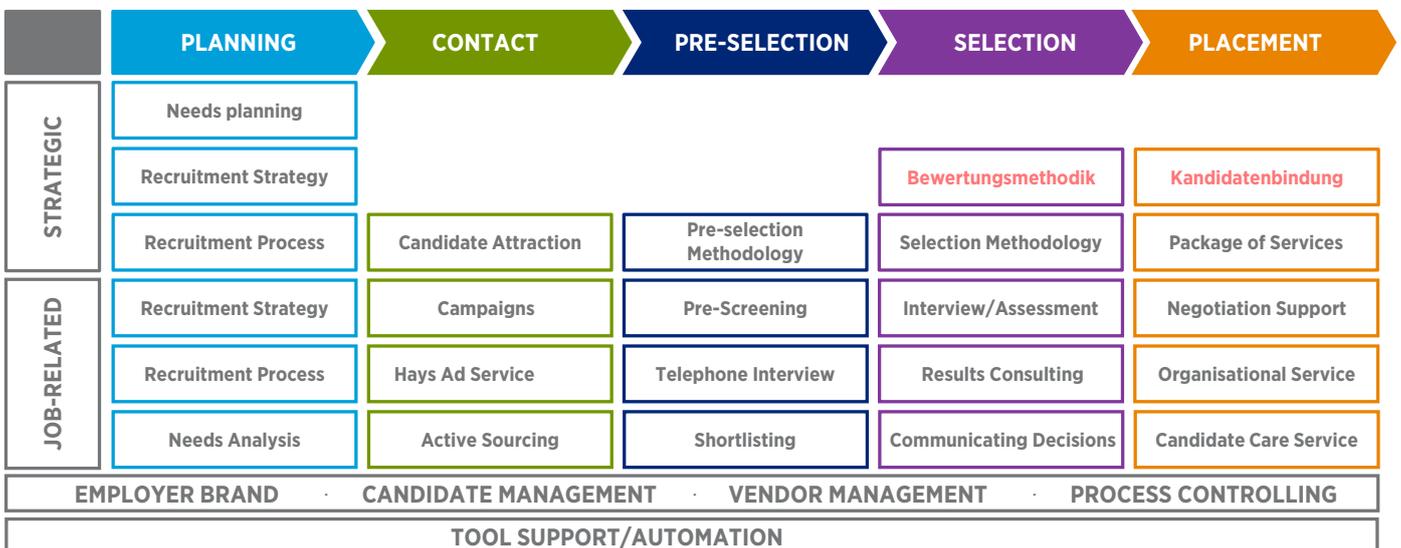
A number of parameters change depending on the different RPO models. These include:

- The content and depth of service
- The volume of recruitment to be covered
- The duration of the RPO service
- Where the service is provided

### What tasks are suitable for outsourcing?

All activities associated with the recruitment of new employees can be fully or partially outsourced as part of an RPO project. The decisions made will depend on the particular situation of the company and the objectives being pursued by using RPO.

The recruiting process, that is the process that extends from recognising a particular staffing requirement to the successful filling of that vacancy, can be divided into various process steps and modules. The Hays RPO service portfolio reflects these process steps and modules as follows:



If a company draws upon all these services, this is referred to as a **"Full-Service RPO"**.

Alternatively, individual RPO modules or combinations of modules as well as strategic and / or operational services can be purchased. These are also often referred to as **"RPOs"** or as **"Recruitment Process Services (RPS)"**.

### Strategic and operational services

- The strategic level deals primarily with consulting services. Here, the first step is determining how the respective recruiting sub-processes should be modelled and controlled. A number of factors must, of course, be taken into consideration when doing this.
- The operational level, by contrast, describes how these points are implemented / executed. Efficiency is achieved in operational processes when each step is carried out with a high degree of professionalisation and at a consistent speed.

### Modular portfolio of services

In principle, almost every process step can be individually outsourced. Some modules, however, are built on one another, so cannot be separated for quality reasons.

If, for example, an RPO provider is to assume responsibility for candidate pre-selection, it must first carry out a well-defined needs analysis with the customer's management team so that a suitable assessment can be made. The candidate should also be handled appropriately. In other words, selection and needs analysis should not be separated.

It should be noted that, when outsourcing sub-processes, greater and greater interfacing demands are automatically created in the operational process than would be the case when transferring a complete process.

In the above example, a member of the company's own HR team has posted the job advertisement and continues with the process after the pre-selection has been completed. To do this, he needs the same information regarding the recruiting department's needs as the RPO service provider who carried out the pre-selection. It is recommended, therefore, that needs analyses be carried out together with the RPO provider so that duplicated work and dissatisfaction on the part of the department looking to fill the vacancy are avoided.

However, for both the RPO provider and the company's HR department, some duplication of work will be unavoidable. For this reason, this model is only suitable for handling high numbers of applicants so that the demands at the beginning of the process are offset by a reduction of work later on.

Depending on the company's situation, it is therefore advisable to look at each section of the recruiting process separately and to weigh up each process step individually so as to determine whether outsourcing is meaningful for the intended objectives. If the company does not have the required capacity or expertise, this analysis phase can be managed by the RPO specialist.

## Customised selection of services

The different service requirements are often the result of different company sizes and HR structures. The notoriety of the employer's brand, for instance, can play a major role as this may influence the number of applications the company receives.

For example, large companies with a prominent brand often already have a very good recruitment strategy and professional recruitment departments. Consulting on processes and things such as the appropriate channels for contacting their desired applicant target groups are, for them, unnecessary. Instead, they are more likely to face the challenge of receiving such a high volume of applications that they simply cannot filter out the right candidates quickly enough. These companies often just need operational support, i.e. implementation. The complete operational portfolio, however, is not always needed. Instead, they may only need assistance with CV screening, interview management and pre-selection of applicants, all of which can be done by an RPO partner, as in the above example.

Small and medium-sized businesses, however, often lack sufficient recruitment staff and capacity. The HR generalists they employ must handle all personnel-related topics and are not able to put the appropriate focus on either the optimal recruiting strategy or its implementation. These companies often require the entire RPO portfolio: both strategic advice and implementation support.

## Strongly in demand – Active sourcing

In the past few months, the active sourcing module has seen a strong increase in demand – either as an integrated part of the overall RPO process or as a single service. Often, there is little recruitment expertise available in companies. Active sourcing, however, is becoming increasingly important as a recruiting tool. Whereas previously traditional RPO models were primarily focused on the professional and speedy processing of incoming applications (something the original RPO service providers were specialised in), today customers are now increasingly choosing RPO partners that also count active sourcing as a core competency. It is no longer just a question of finding the right person for individual vacancies by using traditional personnel consultancy services, but also of applying active sourcing for nearly all candidate target groups as part of a company's overall recruitment strategy.

The advantages:

- Candidates who specifically match a department's requirements are approached in a targeted manner. This increases the quality of applicants while decreasing the effort required for processing unsuitable applications.
- Working in this way ensures even latent (i.e. non-actively seeking) candidates are reached. These candidates are rarely involved in the application process with more than one company at a time and do not end up being spoiled for choice among several job offers.
- By having personal interaction right from the beginning of the process, a sense of buy-in or loyalty between the applicant and the new company is greatly strengthened. This increases the likelihood that the candidate will ultimately sign the employment contract.

Through targeted sourcing by the RPO service provider, the number of applicant matches per job is increased while the costs for personnel consulting can be reduced by bundling volumes with the RPO partner.

## How does the employment volume affect the RPO model?

Depending on the volume of positions to be covered (e.g. per year), the number of specialist staff employed by the RPO provider will vary. An RPO service can also be performed by a single individual, who takes over all recruiting activities and is "implanted" in the framework of a so-called "implant" model for the customer (i.e. the individual is "implanted" in the company's HR structure).

The higher the volume to be covered and the more extensive the service portfolio, the more individuals the RPO provider will likely deploy. This also results in the processes being shared amongst multiple individuals. In a full service RPO, where, for example, several hundred employees per year may be employed, an entire RPO team with various core qualifications consisting of recruitment specialists, sourcing specialists and assistants may be used.

The volume of recruitment also influences pricing. As a general rule, for high volumes the RPO service provider can achieve economies of scale and automate processes. If the prerequisites are met, the price per commissioned service unit will decrease as the volume increases.

## The duration of the RPO service

Not every company chooses to use long-term over even permanent outsourcing for all or some of its recruiting activities. If it is clear in advance that external support will only be needed temporarily (for example, to deal with a spike in recruitment or a current lack of internal resources), the required RPO service is usually just requested for this period from the outset. This sort of arrangement is typically referred to as a **"Project RPO"**.

Here is typical sort of example: A company was planning on changing from its current HR structure to that of an HR business partner model with support from specialised centres of excellence (CoEs). Even before the new structures were put in place, an extremely urgent need to recruit several hundred new employees in production and research arose due to the company winning a new contract. As a result, the company enlisted Hays as its RPO partner: They temporarily provided a recruitment team, recruited the new employees that were needed while at the same time supporting the company in establishing best practice recruitment processes. As soon as the customer's own recruitment team was available, Hays gradually handed over the operations to these employees. This particular project lasted for a year and a half.

It should be noted as a general rule that the more services are required of the RPO provider, the more comprehensive the needs of the customer and, consequently, the longer it will take to complete the implementation. However, it is not advisable to implement a full-service RPO for just a few months.

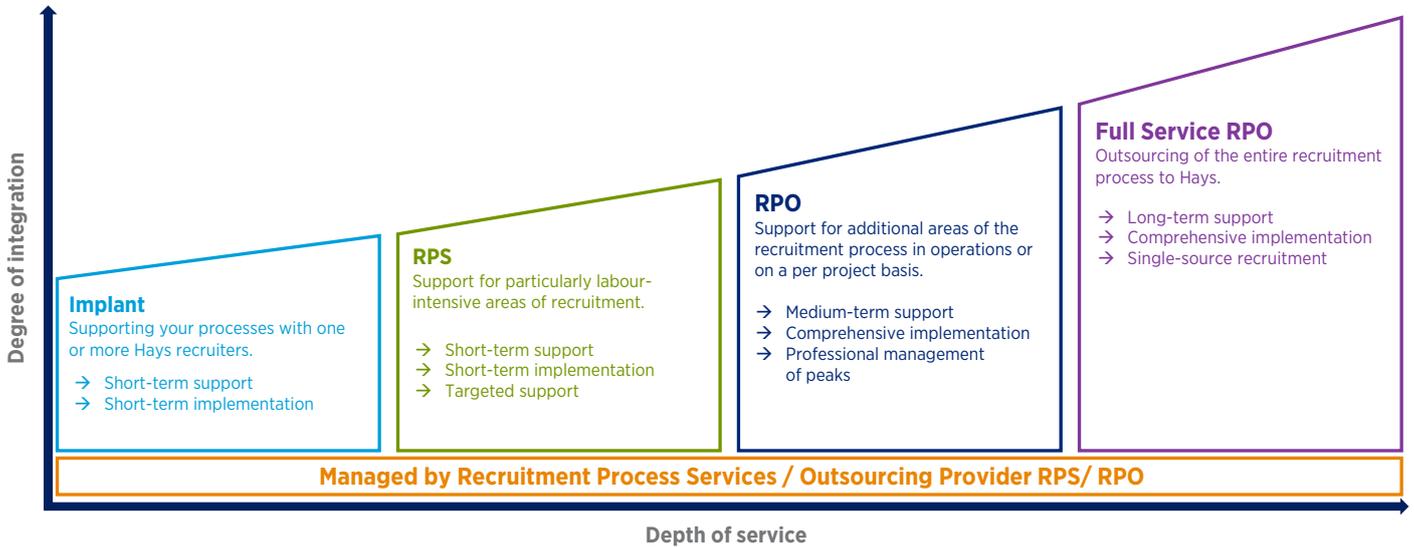
## Location of systems and service provision

RPO services do not necessarily have to be provided "onsite" (i.e. customer's premises). The RPO provider can be more flexible – and that includes pricing – if he himself can determine where the service is delivered. Of course, that doesn't work for all services. If, for example, in-person support during interviews or being present at a works council hearing are part of the contracted portfolio of services, then RPO staff members will have to be on site for at least these functions. Other tasks, such as the CV screening, administrative issues and active sourcing can also be done very well "offsite" (i.e. beyond the customer's premises).

A prerequisite, however, for offsite work is that the designated RPO staff have access to all required systems, because for most RPO projects, work is carried out using the customer's applicant management system. The reason for this is that these systems are often already interfaced with other HR systems, are intended to receive historical data or, last but not least, they were purchased at a substantial price and have been heavily customised for the company's own particular use. The RPO service provider's systems or new third-party systems are usually only used if the customer himself does not yet have any of these sorts of systems in place or has planned a change in systems.

## Overview of RPO types

To summarise, RPO models must offer solutions that take into account different levels of involvement in the company and various levels of service.



## What is important to note to ensure an RPO project works properly?

Hays has been active in the RPO business for 20 years. During this time, we have gained a great deal of practical experience in projects of different sizes and durations. Recruitment requires interfaces with all company areas and departments that hire new employees and, in view of the current market situation, is a topic that is receiving a lot of attention from management. How an RPO project plays out is dependent on many factors. Making these as predictable and controllable as possible is, as with any outsourcing project, the responsibility of the management team, which needs to be composed of members of the RPO service provider and the company commissioning the service.

To make an RPO project successful, a variety of criteria must be fulfilled. Here is an excerpt of the practical experience Hays has gained in a wide range of RPO projects:

### ✔ Clarity about individual objectives

From the outset, both parties must be in agreement about exactly what the RPO project is supposed to achieve. In the current market situation, success is mostly considered to be filling all open vacancies with the right people as quickly as possible. For some companies or for some stakeholder groups, other topics such as savings targets and process optimisation have a greater importance. The important thing is that the objectives and expectations are transparent for all parties. Only in this way can the feasibility of the project be assessed and then later the degree of success in completing the project be reported on.

### ✔ Sustainable project and change management

The success of any project – even an RPO project – begins by having a structured implementation and is highly dependent on its acceptance and support by all stakeholders. Particularly in recruitment, there are a number of interfaces to corporate divisions and sectors. For the different stakeholder groups, communication guidelines must be set out and stringently implemented. Project and change management will only succeed if both the outsourcing partner and the outsourcing company have competent and decisive managers.

### ✔ **Centralised, single-source applicant management**

Some companies are hesitant about delegating the management of all candidates to an outsourcing partner and would prefer to handle applicants themselves. This approach, however, substantially increases the amount of effort required to reach a consensus on applicants, reduces the goal of taking pressure off their own HR departments and, not infrequently, results in an emphasis being put on the wrong things. If, for example, the RPO partner is not made aware in good time that there are already promising internal candidates or recommendations for important vacancies, the partner will (unnecessarily) waste capacity planning for these vacancies and will miss out on filling other vacancies. Often data protection and privacy concerns or a lack of access to HR master data are the reasons why companies continue to internally manage these tasks. However, by ensuring that corresponding supplementary privacy agreements are in place these problems can easily be solved.

### ✔ **International standardisation**

More and more companies are pursuing the goal of achieving an international standard for recruitment processes. The catchphrase here is: „Think global, act local“. Although a uniformly global rough structuring processes is possible, this is different in each country due to different markets, legislation or company infrastructures. For example, a local system interface can accelerate processes immensely. This results in differing amounts of time and expense for recruitment. Multi-country agreements for RPOs should therefore include a local pricing model as well as local KPIs and SLAs.

### ✔ **Reporting**

In almost every RPO project, the RPO partner works with a candidate management system already in use by the company. As a rule, these systems do not provide the reporting functionality necessary for capturing sufficient information on departments, such as the progress of recruitment activities or for making prognoses. The RPO service provider provides real added value, when it employs its own tools, adapts itself to the company's needs, looks after day-to-day activities and provides meaningful evaluations.

### ✔ **Price and fluctuations in volume**

In an on-going RPO project there are almost always unexpected deviations from the originally planned volumes, upon which the service provider has based his price and resource calculations.

The required flexibility is achieved when the assumptions that were used for these calculations are clearly documented. The model must also show how variations affect the price. Only when the project managers involved in the current project regularly coordinate their activities to meet the expected volume of recruitment (for example, for the next 3 months), can the RPO service provider adapt the resources being provided (and the associated price model) so that the customer benefits from the service provider's flexibility.

## RECRUITMENT PROCESS OUTSOURCING: A SUMMARY

RPO models should provide solutions for a range of very different recruitment problems or objectives. No need is exactly like another. It is, therefore, important that the RPO partner's RPO portfolio is as flexible as possible. Here is an excerpt from a list of situations in which customers often find themselves when they decide to work with Hays:

When companies

- do not have their own HR department (yet) or their existing department is too small
- temporarily have large recruitment volumes to deal with and neither can nor want to increase new headcounts for recruitment
- have a very good recruiting strategy, but need more recruiter capacity in order to quickly filter appropriate candidates from a flood of applications
- are not satisfied with their current recruitment results and want to find out where they can optimise their recruitment processes or tools
- want to include active sourcing within their recruitment repertoire, but are lacking the internal expertise and / or the time to do so
- need to reduce recruitment-related service provider costs by leveraging the fact that the RPO vendor directly offers active sourcing
- want optimise their vendor structure and bundle all HR consultants under a „master vendor“

## YOUR CONTACT AT HAYS TALENT SOLUTIONS

If you would like to discuss which solutions will be most suitable for your company and its challenges, please contact:



**Barbara Lang**

Senior Department Manager  
Recruitment Process Services

**Hays Talent Solutions  
Intelligent Workforce Management**

Willy-Brandt-Platz 1-3  
68161 Mannheim

T: + 49 621 1788 1412  
M: + 49 151 42246192  
E: [barbara.lang@hays.de](mailto:barbara.lang@hays.de)