

## What the heck is Recruitment Process Outsourcing (RPO)? (and why should all techie companies know about it...)

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Finding the right people to hire, with the right skills to develop and grow your company is a constant challenge – even for organisations who are just replacing leavers? In technical businesses the people responsible for recruiting often have limited knowledge of the roles they are hiring for. And likewise, those with the knowledge and experience are busy, busy with no time to add their expertise to the search. They just want it to be done! Traditionally, companies have relied on third party recruitment agencies, offering a useful but expensive and less than complete recruitment service.

There is another way! If you're paying out for recruitment agencies and not getting the quality of candidates you need, you need to know about Recruitment Process Outsourcing (RPO).

The rise of RPO (also known as Managed Recruitment Services) provides an effective alternative to traditional recruiting methods. Before RPO, there were three main options:

1. Employ recruiters internally and supplement with external resources (e.g. print/online advertising)
2. Rely on third party recruitment agencies
3. Use a combination of these two strategies

None of the above are ideal or complete solutions. Each has the potential to create reams of internal administration, waste and expense or more fundamentally the wrong candidates for the job.

## RPO as part of the Outsourcing revolution

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Increasingly, outsourcing services to other companies is used as a lever to decrease costs and increase efficiency. Ambitious companies focus on their core competence and trust experts to deliver non-core business. By outsourcing functional support, such as recruitment,

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facilities management and customer care, businesses benefit from the expertise of external companies whilst eliminating the need for internal investment so they can focus on their core business.

RPO is evolving in a similar way to other forms of outsourcing. Essentially, it is a two step process:

1. Activities that were originally performed internally are gradually being outsourced to external providers with specialised skills, based on benefits such as lower cost, improved efficiency, and transfer of risk.
2. Activities that were provided by external providers (e.g. recruiting agencies) on an as-needed basis are gradually being consolidated into one RPO contact. Single vendors recruiting on behalf of their clients with lower costs, a single point of control and improved use of technology.

Rather than managing multiple contracts and multiple agency relationships, businesses can now engage a single RPO service provider, reducing complexity and allowing them to enjoy the benefits of economies of scale, scope and specialisation.

## What's different about RPO? Almost everything...

Like what you've read so far? Want to know more about how RPO works? The RPO agreements normally consist of four key components:

1. Responsibility - the RPO provider assumes all the responsibilities and duties of the client's recruitment department or function
2. Cost - the cost of the service is based on a fixed price with a whole range of services included in this regular payment
3. Contract - the contract has measurable service levels to manage time, quality and efficiency, holding the RPO provider (and customer) accountable for meeting objectives
4. Scalability - the service is scalable; the RPO provider can scale or down rapidly, based on how many people you need to hire.

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## What does an RPO do for their money?

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Although all the above are common components of RPO agreements, the details of the agreement including the services offered can vary significantly.

In addition to the above components, an RPO agreement can also include any of the following service offerings:

- Role creation, approval and posting
- Applicant tracking
- Vendor Management
- Candidate Testing
- Workplace planning
- Service level reporting
- Candidate references

Therefore, in most cases you have the ability to tailor your agreement exactly to your own needs.

## 50-500 employees? The sweet spot for RPO

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If you have 50-500 employees, you might not have previously considered the possibility of outsourcing recruitment? Perhaps you felt it was only viable for larger companies recruiting in the thousands. It doesn't matter how many employees you have, RPO is now a real option for the SME sector also. And it's a powerful competitor to traditional recruitment agencies who find it difficult to provide great service for smaller businesses.

The FTSE100 has largely been the testing ground for growing outsourcing practices. This has certainly been true for RPO where the volumes of hires needed in these larger companies made it the ideal ground to test the technology and the service that makes up an RPO solution.

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Through trial and error, and huge investments by large corporations to generate value from RPO, the process has been perfected. This means that SMEs can benefit from the systems and processes honed by larger organisations and enjoy the new economies of scale.

As RPO becomes more established in the large corporate arena, focus has started to shift to companies that sit in the SME / Mid Tier market. However, these companies have a slightly different need than the large corporations, so the RPO model has become more flexible to take these needs into account. For example companies which don't have a well recognised brand need to focus heavily on candidate attraction to recruit the best talent at the right price. RPO for SMEs / Mid Tiers has moved on from pure candidate management.

The development of RPO solutions for SME and Mid Tiers exploit the advantages of both internal and external recruitment resources whilst minimising the disadvantages.

## Benefits of RPO include:

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- Dramatic reduction in costs per hire
- Significant reduction in time spent administering the recruitment lifecycle
- Enhancement of quality candidates in the hiring process
- Single point of entry to the candidate market place
- Standardisation of recruitment process across entire business
- Vastly improved communication both internally and externally through software and account management services.
- Management of 3rd party vendors
- Allows HR departments to focus on other strategic issues.

## Issues with traditional methods of recruiting

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Hiring the right candidates typically requires a combination of three inputs - internal recruiters, external recruitment agencies and other external resources such as newspapers, trade press, or internet sites. In each case there are trade-offs in terms of cost, quality and time-lines for choosing one option over another.

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## Internal recruiters

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While it may prove an important component to attract top tier candidates, the investment needed to form an internal recruiting function is significant and there is no guarantee the individual or team will be successful.

In addition, technology solutions are often needed to help internal recruiters track, assess and screen candidates and can represent a significant cost with no indication of the payback timescale.

Hiring and retaining a recruitment specialist, however, can also be expensive considering the volume and unpredictability of an individual company's recruitment needs.

Finally, hiring recruitment administrators who only interface with traditional third party agencies, can also have its drawbacks. Due to their inexperience in recruitment, they simply act as an intermediary between the hiring manager and the recruitment agencies, adding expense to the process without adding quantifiable value.

## Third Party Recruitment Agencies

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The use of third party agencies can achieve better results based on the use of best-in-class processes, technologies and people. These companies also provide an effective screening mechanism and produce qualified shortlists for the customer. However, at 15 – 35% of salary per hire, this is an expensive route. And as a smaller business with a lower volume of hires, the level of attention and service often fails to meet expectations.

## Other external resources

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As the audience for print media is potentially very large, the cost per response can be equally large. Likewise print media can also suffer from some of the same issues as internet advertising; with so many different options available, how does the hiring business keep track

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of where the best quality of response will come from? Internet sites normally generate a high volume of response, but not necessarily the quality that is desired.

The two key issues with direct advertising are:

1. Deciding which of the many print and online media locations will offer the highest ROI
2. Deciding how best to handle the large volumes of response

## Where next for RPO?

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As more and more companies are tapping into the benefits of outsourced recruiting, many now consider RPO to represent a paradigm shift in the hiring process, transforming human resources, the recruiting industry and how companies source and hire employees. Companies embracing RPO are able to spend less time tackling hiring administration and management whilst reducing their recruitment budgets significantly. RPO is a highly customisable service; this is not an 'off the shelf' solution and most RPO providers will work with customers to ensure their individual needs are met.

RPO will take time to become the industry standard as recruitment is still seen as a non-strategic issue by most organisations, when in fact building a skilled workforce can become a powerful competitive advantage. As the battle for talent intensifies more companies will want to have a proven, resilient and cost effective recruitment solution in place, to give them a competitive edge over those using traditional recruitment methods.

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## Who is BlueGlue?

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BlueGlue is a leading RPO provider to companies with 50-500 staff. We believe we are the pioneers of bringing the tailored RPO model to smaller 50-500 employee companies we service.

BlueGlue identified that the benefits that were being afforded to large corporations, could be deliverable to companies that do not have the budgets or time to invest heavily in the technology and service that makes RPO tick.

By wrapping up the main components that make up an RPO deal, we are able to set up clients to use the service in a matter of days, not weeks or months.

If you are interested in meeting with BlueGlue to learn more about how we can truly benefit your company, please do not hesitate to contact Bill Ingram on 01 18 9637514 or [bill.ingram@blueglue.co.uk](mailto:bill.ingram@blueglue.co.uk). Our online brochure can be found by clicking on the following link: <http://blueglue.co.uk/ebrochure>

## RPO - Find out more

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For more information on RPO look on the RPO Association website on <http://www.rpoassociation.org/index.php>  
<http://www.emediawire.com/releases/2009/8/prweb2781024.htm>

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