

# Recruitment Process Outsourcing: Today's Challenges and Opportunities

A Research Study Conducted by the Human Capital Institute for Futurestep





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# Recruitment Process Outsourcing:

## Today's Challenges and Opportunities

By Dr. Ross Jones, Senior Researcher/Analyst, Human Capital Institute

### Executive Summary

Organizations outsource recruitment and hiring practices for many reasons. Some may lack the internal resources to address their talent acquisition needs. Others may want to focus on core competencies, or to look for a competitive advantage in competing for talent. Whatever the reasons, Recruitment Process Outsourcing (RPO) is a growing practice. Despite this growth, limited information exists on the trends in RPO use, the specific recruitment practices it includes, and how well it is being carried out.

### Survey

To gain a better understanding of today's RPO practices, we surveyed 381 business professionals who have insight about their companies' approaches to RPO.

In the survey, we explored current or planned use of RPO, the prevailing definitions of RPO, recruiting practices and employee levels covered by RPO, the business case and drivers, Return on Investment (ROI), and recruiting practices that create the most effective RPO.

## Findings

The survey results reveal several trends about the adoption of RPO today, the definition and scope of the practice, and current and future ROI opportunities.

### Adoption: More than half of companies utilize RPO.

- 59 percent of organizations surveyed currently outsource some or all of their recruiting processes.
- 50 percent say they will use RPO in the next five years. Another 20 percent are unsure.

### Scope: The majority of current RPO deals cover selective practices for tactical needs.

- Among users, the most common definition of RPO is the outsourcing of *some* recruiting activities for *some* levels of employees, with 36 percent of respondents choosing that specific definition. More generally, 73 percent of respondents accept an RPO definition that includes some form of *selected* outsourcing of recruiting services for *selected* levels of employees.
- The recruiting service considered most important to organizations' talent acquisition goals, Active Recruiting, is the second most likely service to be outsourced.
- However, RPO practices that focus on strategic talent needs (for example, talent strategy development/consulting) are outsourced less frequently.

### ROI: Strategic emphasis correlates with increased RPO value among respondents.

- Only 39 percent of organizations rate the ROI for their current RPO program as good or excellent.
- In contrast, organizations that use an RPO approach to encompass longer-term strategic needs, such as workforce planning, employment branding and competency management, are significantly more likely to report *excellent* ROI for their recruitment outsourcing.

## An Opportunity for Competitive Advantage

The results of our study indicate a widespread use of RPO to focus on tactical recruiting practices. However, they also demonstrate that those organizations using RPO as a talent acquisition approach to address strategic needs are much more likely to capture the full value of RPO, as evidenced by their significantly greater ROI. The underutilization of this strategic approach today means that there is an immediate opportunity for organizations to adopt *RPO* to achieve a holistic talent acquisition strategy, increase ROI, and improve competitiveness in today's marketplace.

*...organizations typically begin using RPO by outsourcing tactical practices first and, with growing maturity of the process, will outsource strategic practices later. Survey results show that those organizations that do move toward a more strategic approach to RPO will reap rewards for their efforts.*

## RPO in Today's Economic Environment

As of late November 2008, the economic climate is changing on a daily basis. To gauge how the ongoing economic crisis will affect RPO over the next two years, we conducted a short follow-up survey of 86 talent acquisition experts working for a wide range of organizations. We asked them the following three questions:

1. Given the current economic downturn, what trend do you predict for the outsourcing of recruiting practices in your organization over the next two years?
2. Assuming that your overall recruiting budget will decrease over the next one to two years, what will be the trend for your spending on Recruitment Process Outsourcing (RPO)?
3. Would your organization outsource strategic recruiting practices (e.g., talent strategy development, employer branding, recruitment planning) IF it resulted in an increased Return on Investment (ROI) for your talent acquisition process?

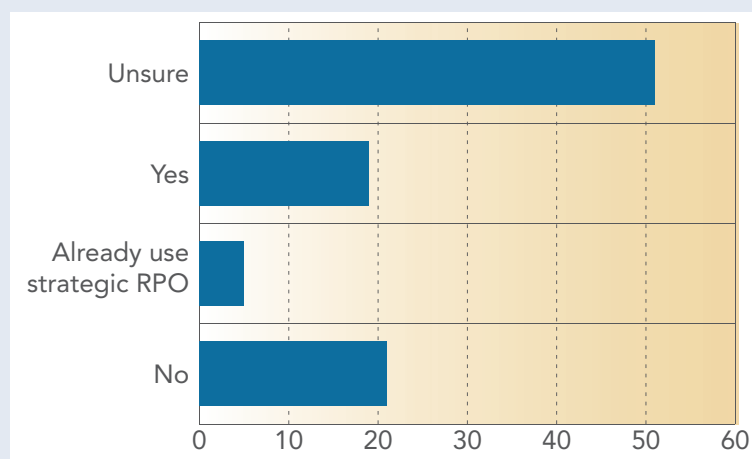
The responses to the first question point to the uncertainty gripping businesses today — both because of the range of responses and by the fact that the largest group of respondents is the uncertain one.

- ⦿ 17 percent believe that their outsourcing of recruiting practices will decrease.
- ⦿ 30 percent will not outsource recruiting practices.
- ⦿ 14 percent believe that their outsourcing will remain unchanged.
- ⦿ 6 percent believe that their outsourcing will increase.
- ⦿ 33 percent are unsure about future trends.

However, many organizations are open to the possibility that RPO, particularly if focused on strategic business needs, can be a tool to compete during difficult economic times. The first indication of this comes out of the answers to the second question above — namely that 44 percent of respondents are open to the possibility that, even if their overall recruitment budget declines, their organization's investment in RPO may increase. Specifically, while only four percent believe that their RPO budget will increase, 40 percent are unsure about the future of their organization. Again, while highlighting the current uncertainty about what can and will be done in the future, this result points out that many organizations remain open to the possibility of increasing their RPO budget in the future.

Finally, as the figure below shows, the answers to the third question indicate that *strategic* RPO may be the answer for many organizations looking to optimize their investment in talent acquisition. In fact, 78 percent of our respondents are either using a strategically focused RPO effort now, would definitely use it in the future, or, at least, have not ruled it out. The fact that 52 percent of respondents are unsure if their organizations would move to a *strategic* RPO, even if it might increase their ROI, again points to the uncertainty of today's economic environment. However, it also highlights a silver lining — that a vast majority of businesses will remain open to the idea of increasing investment in RPO in general, and strategic RPO in particular, *if* it helps them compete in the complex environmental climate of the future.

*Would you outsource strategic recruiting practices if it increased your talent acquisition ROI?*

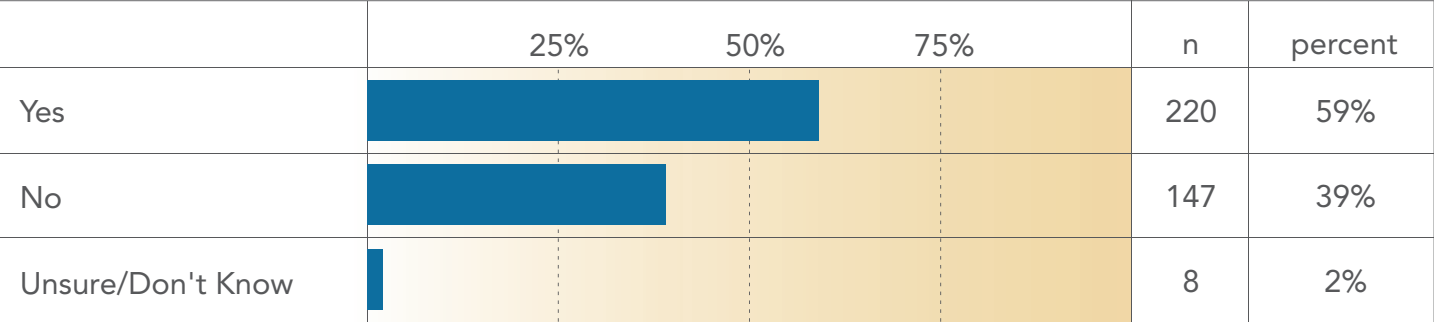


I. Talent Acquisition and RPO — The Current State

Facing increasing competition for talent and the current economic downturn, many organizations are focusing limited resources on core business needs. As a result, they are outsourcing many key recruiting processes (see **Figure 1**), fueling the growing trend for services and solutions in the market known as Recruitment Process Outsourcing (RPO). During August and September 2008, we surveyed and interviewed a wide range of HR professionals, from many types of organizations, to determine:

- The current state and successes of RPO
- The challenges and opportunities facing RPO
- The best practices and solutions for implementing a winning RPO program

**Figure 1.** Does your organization outsource some of its recruiting process?

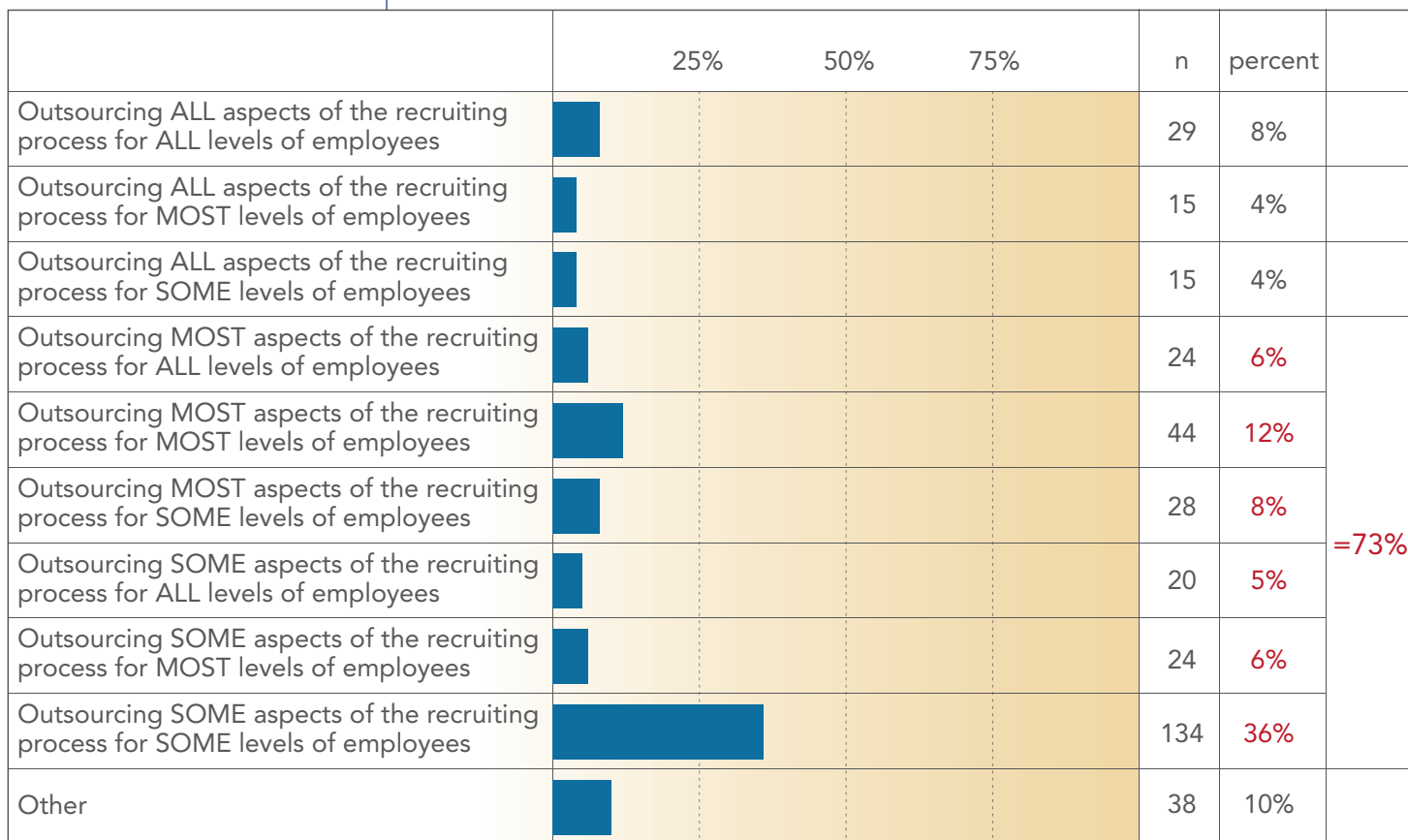


n=375

Defining RPO

What talent acquisition activities are organizations referring to when they say they use RPO? Our study found a general consensus that RPO is the selective outsourcing of some recruiting activities. Results reveal that 73 percent of responding organizations believe that RPO is the outsourcing of *some* or *most* recruiting processes, while only 16 percent define RPO as the outsourcing of *all* recruiting activities for, at least, some levels of employees<sup>1</sup> (see **Figure 2**). Clearly, there is no consensus on the scope of RPO, but the widespread application of RPO on a limited basis suggests a current emphasis on tactical considerations, even though many of our write-in responses suggest a need for a more holistic strategic approach.

**Figure 2.** What best describes your understanding of RPO?



n=371

#### What are some other definitions of RPO?

(From the 10 percent that chose "Other")

"Outsourcing ANY aspect of the recruiting process for ANY level of employees"

"RPO can be an end-to-end solution for all positions, or a service to take over part of the recruitment process, or be confined to just a certain title-type, such as a high-volume title. RPO can be as flexible as it needs to be for what the client wants."

"Outsource according to current needs of firm — could be any one of the above at different times or economic conditions. Ability to recruit for needed hires varies, depending on the current workload for in-house recruiters."

"RPO can mean any or all of the above options based on business need. Some organizations choose to keep recruiting higher-level positions within the organization, while outsourcing the candidate sourcing, screening and administrative support ... up to and some including onboarding (full life cycle)."



### Why Use RPO?

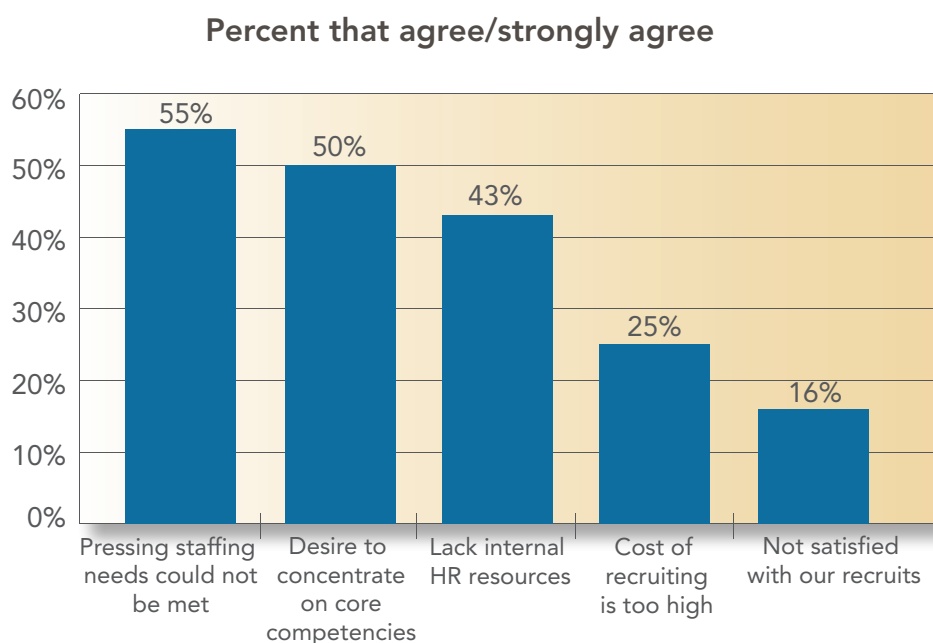
Now that we know how users define RPO, the next question is: Why do they use RPO? It is unlikely that the decision to turn over parts of such a key talent management process (recruiting) to a third-party service provider is taken lightly. To understand the reasons for this decision, we asked respondents to tell us which of the following were their organizations' reason(s) for turning to RPO:

1. The existence of pressing staffing needs that they cannot meet themselves
2. The desire to concentrate on their core competencies
3. A lack of internal HR resources
4. The high cost of attracting and recruiting new talent themselves
5. Lack of satisfaction in the new hires they recruited themselves

While many organizations chose more than one reason for using RPO, **Figure 3** shows that three stand out: 1) Pressing staffing needs that they cannot meet, 2) Desire to concentrate on core business functions, and 3) Lack of sufficient internal HR resources to do the job. The fact that "the existence of pressing staffing needs" is the most important reason for choosing RPO shows that short-term business necessities can be a powerful motivator for action. This is particularly true if those same organizations also lack the internal HR resources needed to deal with staffing needs themselves — another major reason to outsource.

The other main reason to use RPO, "the desire to concentrate on core competencies," is one example of a driver that is influenced by the organization's long-term business strategy rather than immediate responses to staffing needs. It is certainly likely that many of the organizations that initially choose to use RPO to meet short-term goals will, eventually, embrace it for its ability to solve long-term strategic problems. However, our results show that many organizations are already making business strategy a main reason for using RPO. Later in this report, we will show how those organizations may also be generating greater *benefits* as a result of this decision.

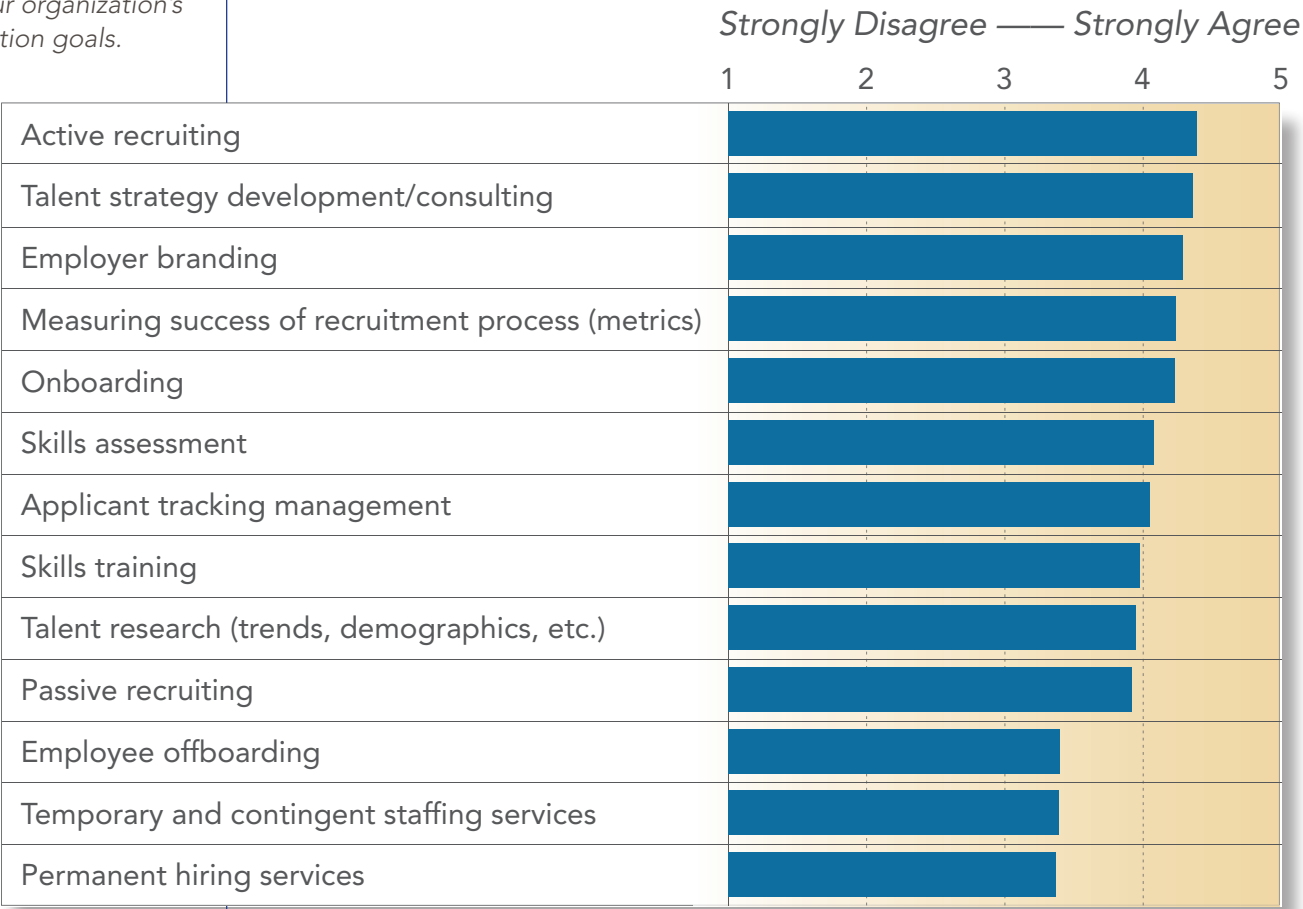
**Figure 3:** Reasons why organizations turn to RPO



### What Recruiting Practices Drive RPO Today?












Before determining the specific recruiting practices included in most RPO programs today, we sought to discover which practices organizations viewed as most critical. **Figure 4** clearly shows that most organizations agree or strongly agree that all of the major practices presented are important. Even the lowest-ranked practice — permanent hiring services — was viewed by most respondents as a critical part of their talent acquisition program. However, our results do indicate that two specific practices, *active recruiting* and *talent strategy development/consulting*, are particularly critical to most organizations' talent acquisition processes — see **Figures 6 and 7**. These two practices represent the tactical and strategic aspects of recruiting practices, respectively, and they represent the prime components of an effective RPO program.

Figure 4: The following activities are critical to achieving your organization's talent acquisition goals.



Some Other Critical Activities Related to Organizational Talent Acquisition Goals - As noted by our Survey Respondents
"Alignment with corporate objectives and business strategy"
"Adopting and maintaining a model of continuous sourcing is not only best practice but critical in achieving effective proactive talent acquisition."
"Employee referrals—good source of applicants"
"Ensuring our Applicant Tracking System is best in class and competitive"
"Market tracking and employment forecasting"

**Figure 5: Recruitment practices most likely to be outsourced** (ranking of importance in talent acquisition in parenthesis — from Figure 4)

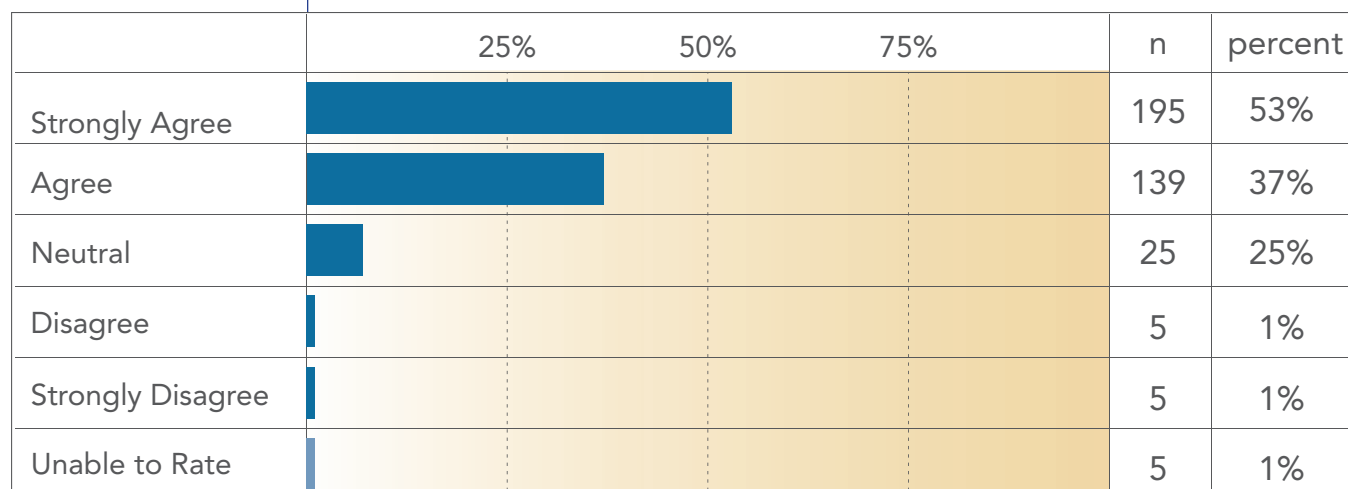
	25%	50%	75%	n	percent
Temporary and contingent staffing services (12)				166	61%
Active and passive recruiting (1)				135	49%
Applicant tracking management (7)				84	31%
Permanent hiring services (13)				67	25%
Skills training and assessment (6, 8)				51	19%
Talent research (trends, demographics, etc.) (9)				51	19%
Employer branding (3)				50	18%
Measuring success of recruitment process (metrics) (4)				29	11%
Talent strategy development/consulting (2)				26	10%
Employee offboarding (11)				24	9%
Onboarding (5)				19	7%

n=273

In **Figure 5**, the talent acquisition practice that ranks second in its likelihood of being outsourced, *active and passive recruiting*, was deemed *most critical* to the success of a talent acquisition program (see **Figures 4 and 6**). The practice that ranks third in its likelihood to be outsourced, *applicant tracking management*, is also one of the three practices (along with active and passive recruiting) that makes up the Tactical Recruiting group of practices identified by our analysis (see next page: *Linking Strategic Priorities and Recruiting Practices*). Finally, the practice that is most likely to be outsourced, *temporary and contingent staffing services*, is also another type of tactical recruiting practice. These results highlight the important fact that RPO today is focused mostly on outsourcing a range of tactical practices, some of which are considered critical components of talent acquisition.

**Figure 6: Tactical Practice — Active Recruiting**

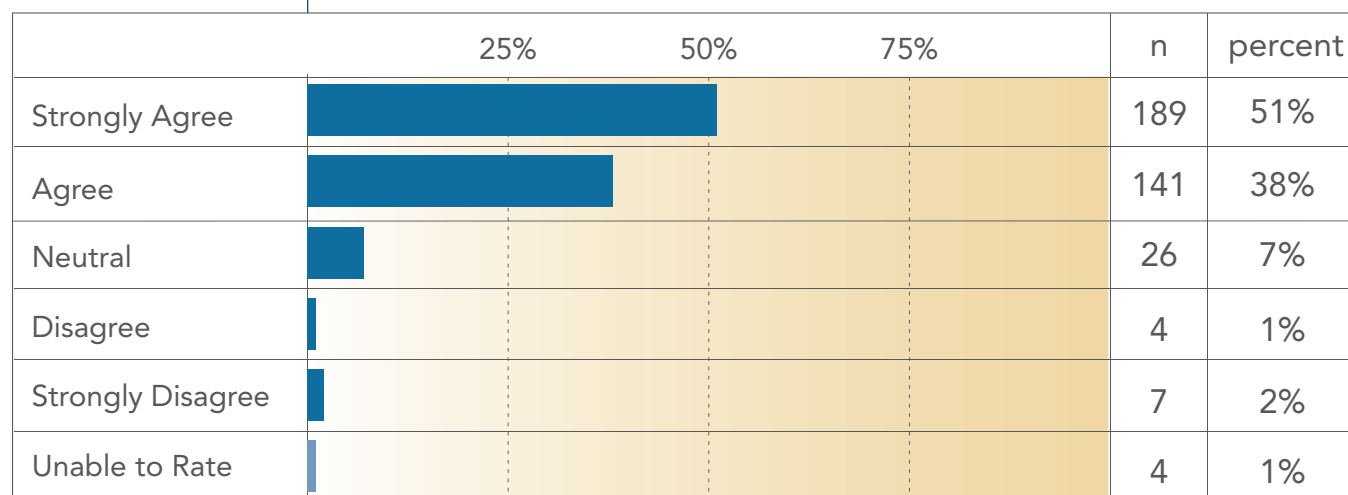
90 percent of respondents agree/strongly agree that this practice is critical to their organization's talent acquisition process.



n=371

**Figure 7: Strategic Practice — Talent Strategy Development/Consulting**

89 percent of respondents cite this practice as critical to their organization's talent acquisition process.



n=371

Linking Strategic Priorities and Recruiting Practices

Not surprisingly, our analysis showed a high degree of correlation in the value placed on similar types of recruiting practices. For example, organizations that believe *talent strategy development/consulting* is very critical also tend to choose *employer branding* as a very critical recruiting practice. To determine if the 13 recruiting practices could be reduced to a smaller number of key “practice types,” we used a statistical method called factor analysis to assess the pattern of responses from multiple respondents (organizations) to combine various responses into natural groups or components<sup>2</sup>. The analysis showed that the 13 recruiting practices belong to the following groups:

*Strategy & Analysis:* Talent strategy development/consulting, employer branding, talent research, and measuring success of recruitment process (metrics)

*Tactical Recruiting:* Active recruiting, passive recruiting, and applicant tracking management

*Skill-based:* Skill training and skill assessment

*Staffing Services:* Permanent hiring services and temporary and contingent staffing services

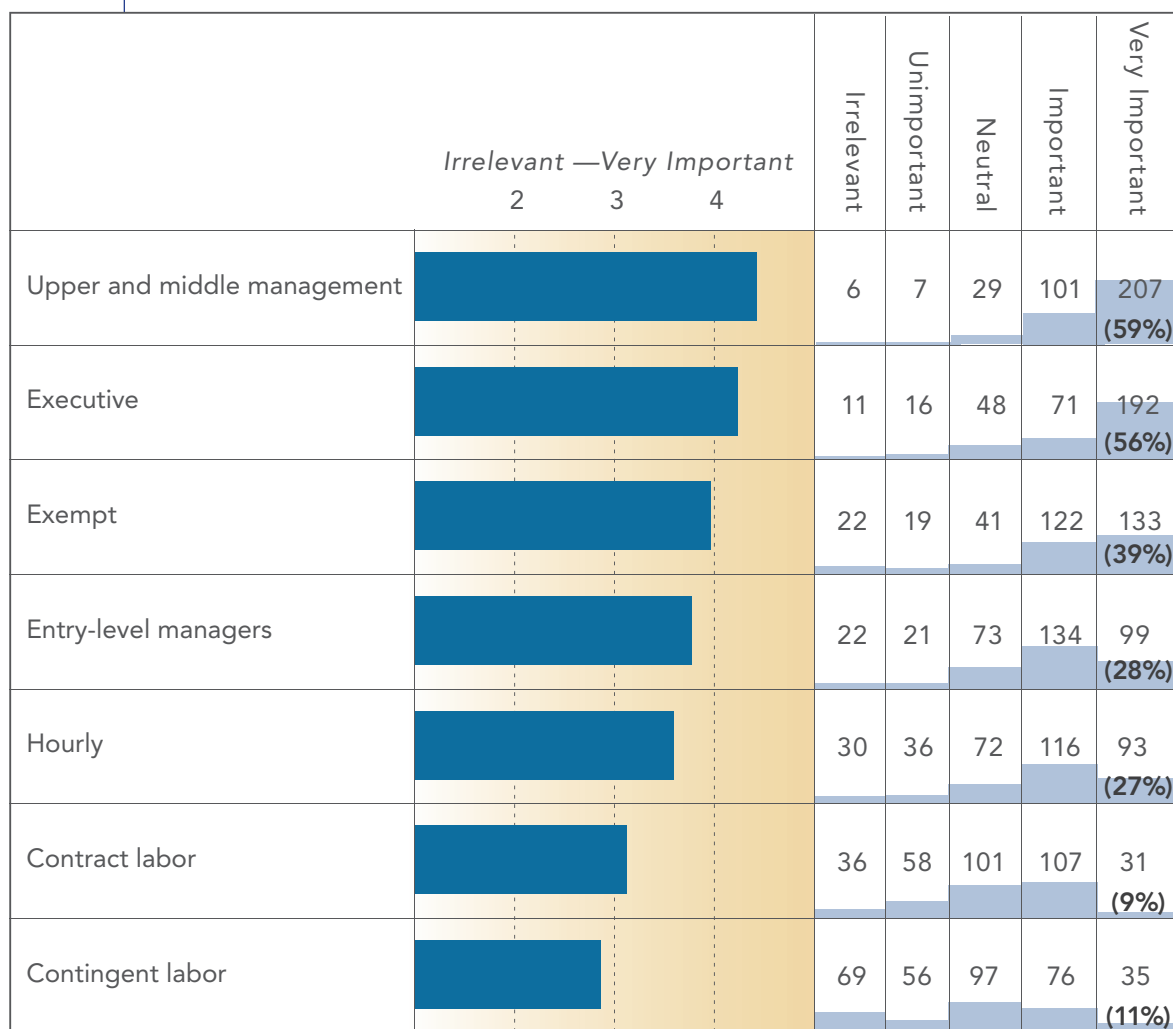
*Miscellaneous:* Onboarding is part of both the *Strategy & Analysis* and *Skill-based* groups, while offboarding is unrelated to the other practices. Most organizations treat it independently from the more recruitment-focused practices.

As our definitions in **Figure 2** describe, most organizations view RPO not only as a selective process when it comes to which recruiting practices to outsource, but also when it comes to which level of employees to include in an RPO program. Similarly, as with critical recruiting practices, an initial goal of our research was to determine if the recruitment of certain levels of

<sup>2</sup>See Appendix 2 for a complete description of the factor analysis method and results.

**Figure 8:** Which levels of employees will be most critical to your organization's talent acquisition effort over the next year?

employees is considered more critical in order to understand how well RPO is meeting the needs of organizations today. As **Figure 8** shows, 59 percent of respondents say that recruitment of upper and middle managers is a very important part of their talent acquisition process — closely followed by executive recruitment (56 percent). Clearly, if an RPO program is to be fully integrated into the talent acquisition process, it needs to be used in the recruitment of these critical employee levels.



59 percent of respondents = 207 out of 381 total respondents calling "Upper and middle management" very important to talent acquisition efforts.

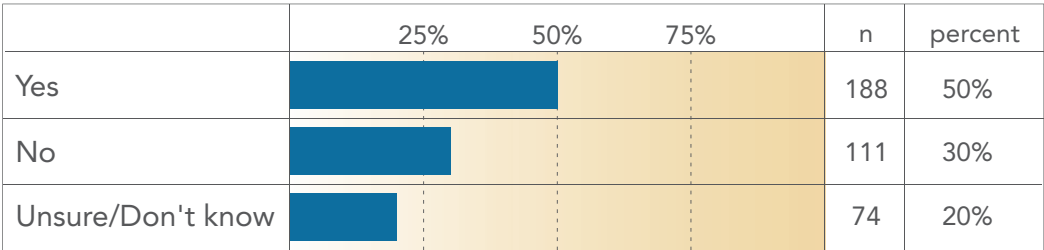
56 percent = 192 out of 381 total respondents calling the "Executive" level very important to talent acquisition efforts.

## II. RPO — Challenges and Opportunities

Results from the survey point to key challenges in the use of RPO in the future. The first challenge is the need to address strategic, rather than tactical, priorities with RPO. Three recruiting practices that comprise the core of a strategic approach to talent acquisition — *talent strategy development/consulting, employer branding, and measuring success of recruitment process (metrics)* — currently are the least likely practices to be outsourced. For most organizations, the strategic side of talent acquisition remains in-house. This may simply be an artifact of the still-early stages of RPO implementation: organizations typically begin using RPO by outsourcing tactical practices first and, with growing maturity of the process, will outsource strategic practices later. Our survey results show that those organizations that do move toward a more strategic approach to RPO will reap rewards for their efforts.

A second major challenge facing RPO is the apparent uncertainty about how to use and benefit from it in the future. This uncertainty is evident in the responses we received when we asked people to tell us if their organizations would be using RPO in the next five years. As **Figure 9** shows, 30 percent of respondents told us that their organizations will not be using RPO in the future, and another 20 percent are unsure. This last number, in particular, points to some uncertainty — as well as potential opportunity — for the future of RPO.

**Figure 9.** Does your organization plan to outsource some of your recruiting process within the next 5 years?

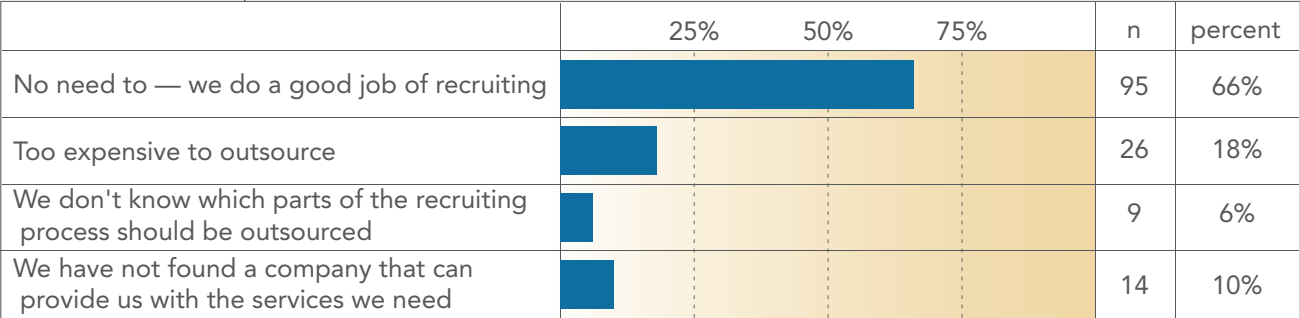


n=373

Why this uncertainty about the future use of RPO? The main reasons for this reluctance are highlighted in **Figure 10**. It is important to note that these particular results combine both current users and non-users of RPO who say they will not be using RPO in the future. Therefore, most of the 39 percent of organizations that are not using RPO now (see **Figure 1**) presumably chose



**Figure 10.** Why will your organization not consider outsourcing some or all of its recruiting processes in the next five years? Results only include the respondents who state that their organizations will not be using RPO in the next five years.



n=144

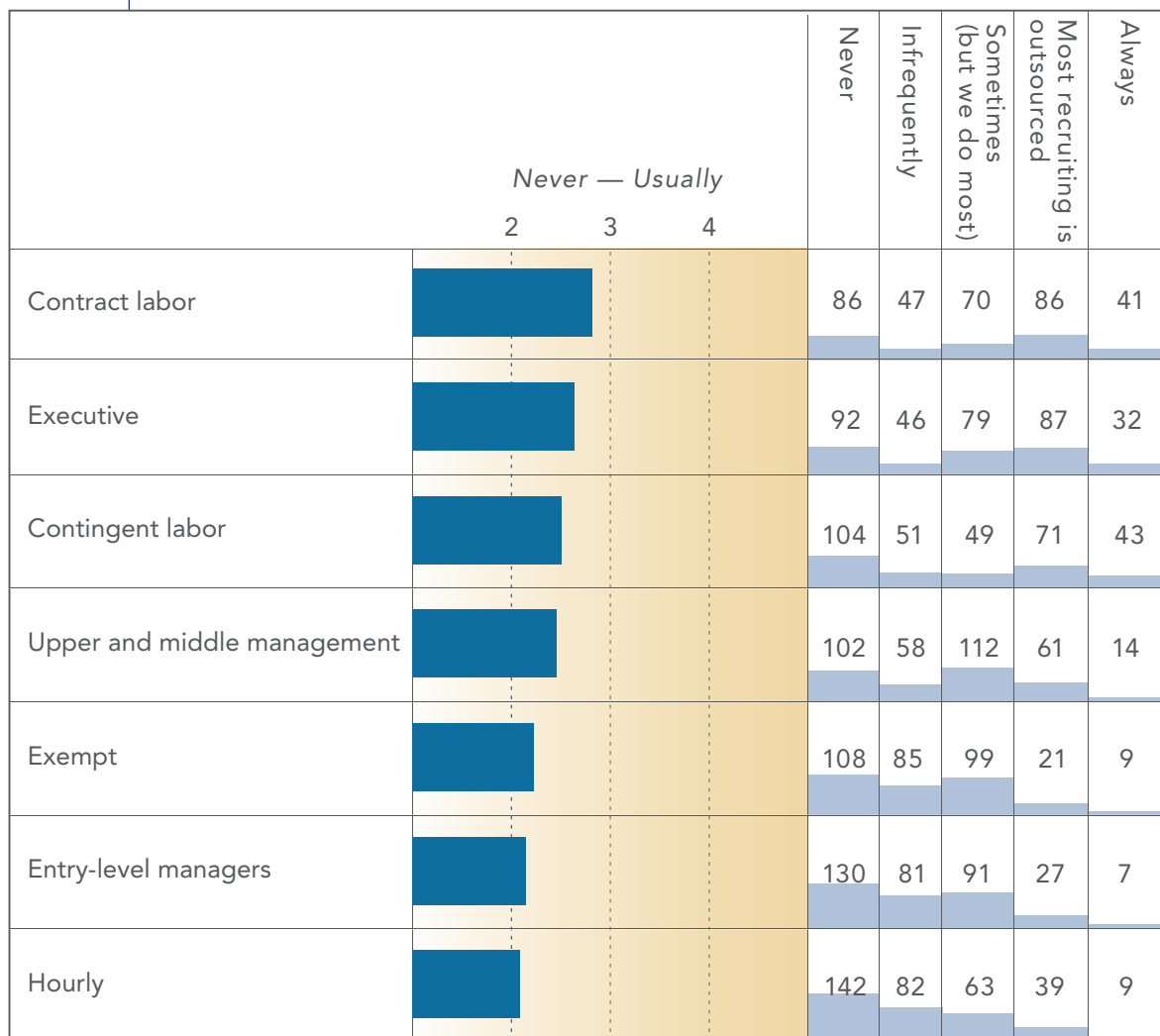
the “No need to” reason for why they won’t in the future. However, two other reasons — “too expensive” and “we have not found a company that can provide us with the services we need” — are likely to be key reasons why some potential users of RPO may remain wary.

At the same time, it is important to note that 50 percent of respondents say they will use RPO in the future — indicating that many companies are satisfied with their current RPO services. At the end of this report, we will identify the “best practices” that create satisfaction and value between organizations and their RPO service providers. When it comes to turning those “unsure” organizations into RPO users, the challenge, for RPO providers, will be to provide them with those best practices in a cost-effective manner.

The third challenge for RPO is one of focus and priority. Organizations consider upper and middle managers, as well as executives, as the levels for which recruiting is most important — see **Figure 8**. While executive recruitment is the second most likely employee level to be outsourced, turning to a third-party provider for the recruitment of upper and middle managers occurs less frequently than does the outsourcing of contingent and contract workers — two levels of employees for which recruitment is considered a relatively low priority (see **Figure 11**). These results indicate that RPO today tends to be used most for the recruitment of employees on two opposite ends of the spectrum — temporary workers and executives.

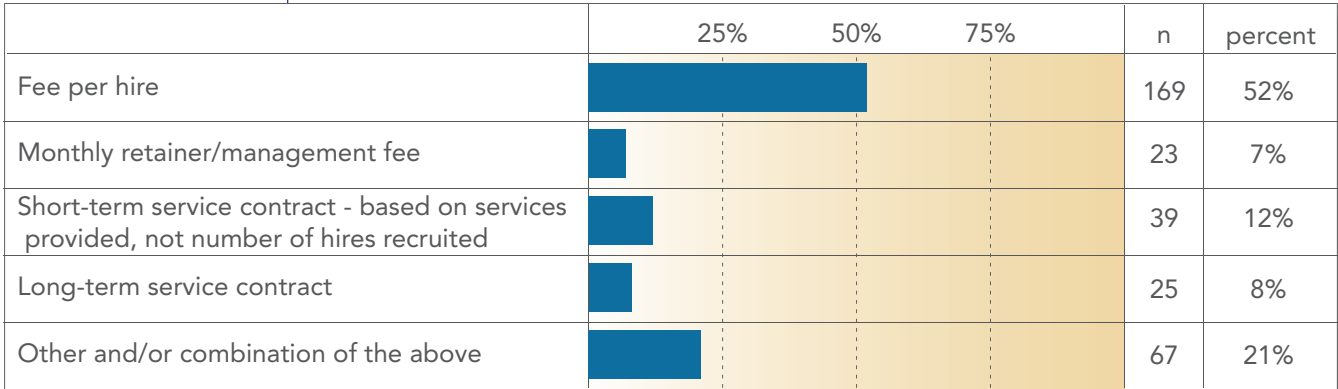
The final RPO challenge may also be the greatest opportunity — maximizing the Return on Investment (ROI). As with every other business decision, the success of RPO can be measured by its ROI. While organizations use various payment models to invest in their RPO programs, the “fee per hire” model

Figure 11: How often do you outsource the recruiting of each level of employee?



dominates (see **Figure 12**). This is not surprising given the fact that RPO is largely viewed by our survey respondents as a solution to address pressing staffing needs (**Figure 3**). Organizations that are initially turning to RPO to deal with *immediate* recruiting problems will likely look for a short-term payment model, given the uncertainty of their future RPO needs. However, as those same organizations become aware of the long-term value of RPO (in other tactical and strategic recruiting areas), they will likely move towards longer-term contractual arrangements with RPO service providers, or a combination of payment models (see **Figure 12**).

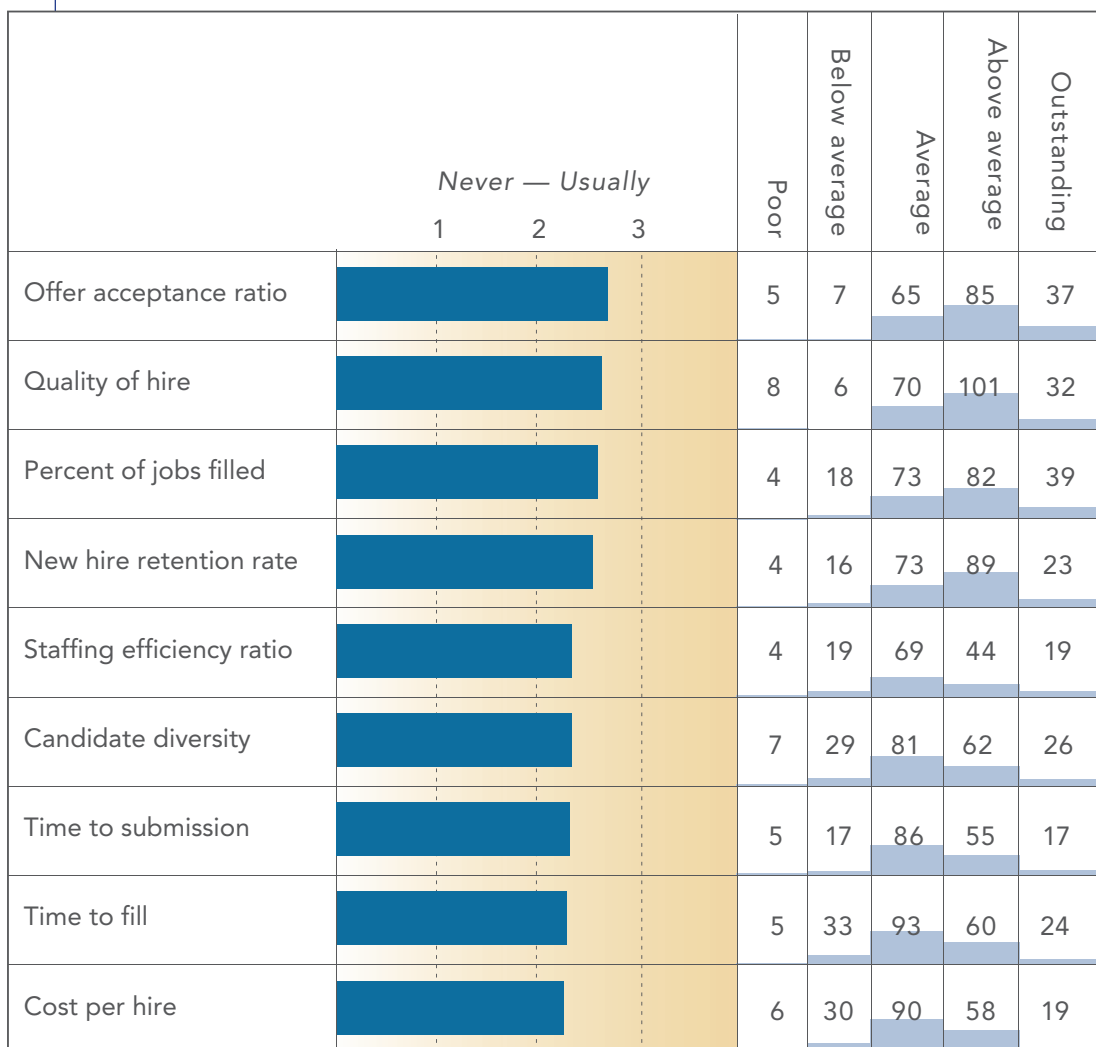
**Figure 12.** What payment model does your organization use when recruiting is outsourced? Note: the majority of respondents who chose “Other and/or combination of the above” indicated that they used a combination of fee per hire and short- or long-term contracts for specific levels of employees (e.g., Contingent and/or Executives).



n=323

Regardless of how recruiting is financed, measuring the success of the process is critical to determining ROI — whether for in-house or outsourced recruiting programs. Sixty-four percent of respondents say that they know that their organizations measure some aspects of recruiting success (another 10 percent are unsure). **Figure 13** summarizes the results for RPO effectiveness, broken down by specific recruiting metrics. Overall, the results display a moderate level of satisfaction with RPO. The vast majority rank their process as “average” or “above average” for each metric, with only a few citing “poor” or “below average” satisfaction. However, it is also true that relatively few organizations believe that their RPO is doing an *outstanding* job as measured by any metric. This means that there are definite opportunities for improving RPO effectiveness.

**Figure 13.** How effective is your organization's current RPO for each of the following measures of recruitment success?



As a bottom-line question, we asked respondents to rate RPO impact: is there positive ROI, or is RPO a drain on the organization? As **Figure 14** highlights, the current level of satisfaction with RPO programs leaves room for improvement. In fact, almost two-thirds of all organizations (61 percent) rank their current RPO program as being only break-even or worse. In contrast, only 39 percent of organizations currently using RPO think their program is providing a good or excellent ROI.

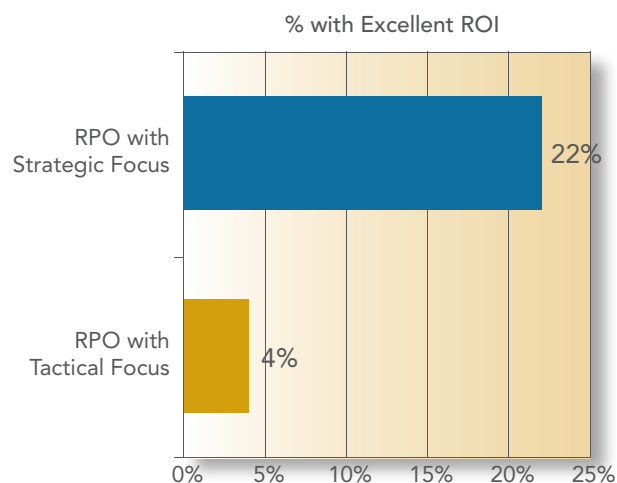
**Figure 14.** How would you rank the current Return on Investment for your organization's RPO? Note — only results from organizations currently using RPO.

	25%	50%	75%	n	percent
Poor — the quality of hires and services does not justify the cost of the process				13	5%
Fair — We want the quality and/or cost of the services to improve to continue with RPO provider				60	24%
Neutral — it is a break-even process at the current time				82	32%
Good — RPO has measurably increased the quality of hires and cost effectiveness of recruiting				80	31%
Excellent — RPO is a critical factor in our organization's current and future success				19	8%

n=254

However, to end the story, we took a deeper look at specific organizations that are experiencing the greatest ROI from their Recruitment Process Outsourcing program. To do this, we differentiated between those organizations that are currently using an RPO approach that outsources *talent strategy development/consulting* practices (along with other practices that our analysis identified as strategic recruiting practices) and those that aren't — and looked for how their ROIs differ. The results are striking — see **Figure 15**. Clearly, those organizations that apply RPO to addressing strategic needs in their talent acquisition process are the organizations that are capturing the full value of RPO.

**Figure 15.** Organizations that apply RPO to addressing strategic needs are significantly more likely to achieve an "Excellent" ROI from outsourced recruiting practices.



### III. Conclusion

Our study confirms the findings of other recent reports on RPO. For most organizations, RPO means the outsourcing of *selected* recruiting activities for *selected* levels of employees — the definition used by 73 percent of our survey's respondents. Given that definition, we found that RPO is an important component of most talent acquisition processes today, with 59 percent of organizations currently outsourcing some or all of their recruiting services.

We identified several important reasons for using RPO. However, the two major ones are distinguishable by their focus on *tactical* goals — the need to meet pressing staffing needs — and on *strategic* goals — the desire to focus on core competencies. Clearly, most organizations using RPO today are using it for tactical reasons. However, equally evident is the fact that those organizations that have adopted a *strategic* RPO approach are the ones that are capturing the most value from the process.

With 50 percent of our respondents saying that they will use RPO in the future and another 20 percent open to the idea, the future of RPO is positive. For those organizations that want to leverage the full potential of RPO to improve the talent acquisition process, and their overall business strategy, it is critical that they consider making RPO a larger part of their talent management strategy. Then, they may be able to join that group of respondents who manage to more fully benefit from RPO — see *RPO Best Practices*.

#### What our respondents have to say about *RPO Best Practices*

*"Any organization moving to an RPO should expect to invest its own time in ensuring hiring managers are adequately trained on how to best work with a new system, process, recruiter, etc. in order to make the relationship work effectively."* — Manager in a mid-size retail company

*"Knowledge and experience in our industry [are important] because we are so niched. Standard approaches just don't work for us. Our providers must exhibit competence in many different industries ..."* — HR Director for a large healthcare company with offices in seven countries

*"I can buy supplemental recruitment services a la carte to supplement my internal team's capabilities. RPOs give me an alternative to the traditional outsource contingency and temporary staffing firms."* — Vice President of HR of a mid-size Financial Services company

*"[A best-practice RPO provides] good utilization of HR and company resources, good-quality hiring processes, and good metrics on a timely basis. Consistency in processes is important."* — Vice President of HR for a large automotive company

*"My providers have an understanding of my specific needs and qualifications ... [and the] more personality- and attitude-driven qualities that I would like to see in employees. Will the employee fit in with our corporate atmosphere? My providers can key in to attributes that they have learned from doing business with me for so long."* — HR Director for a small high-tech company

*"Great communication!"* — Recruiter for a mid-size bank holding company

## Appendix 1: Methodology and Demographics

### Methodology

We surveyed 381 people, of which more than 50 percent are Director/Vice President or higher, and over 75 percent work in some area of HR or talent management — see demographic breakdown below. The online survey consisted of 33 questions concerning issues related to RPO use, definition, practices outsourced, payment models used, and overall (and practice-specific) effectiveness. The survey took respondents, on average, about 15 to 20 minutes to complete. The 33 questions on talent branding were divided into six main parts:

1. Current or planned use of Recruitment Process Outsourcing (RPO)
2. User definition of RPO
3. Recruiting practices and employee levels included in RPO services
4. Drivers for organizations to use RPO
5. The Return on Investment for RPO
6. Best/worst practices in RPO

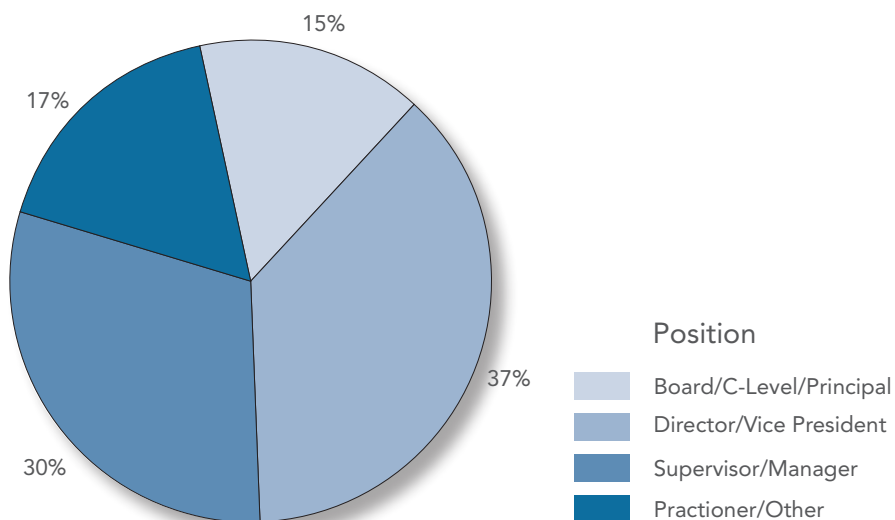
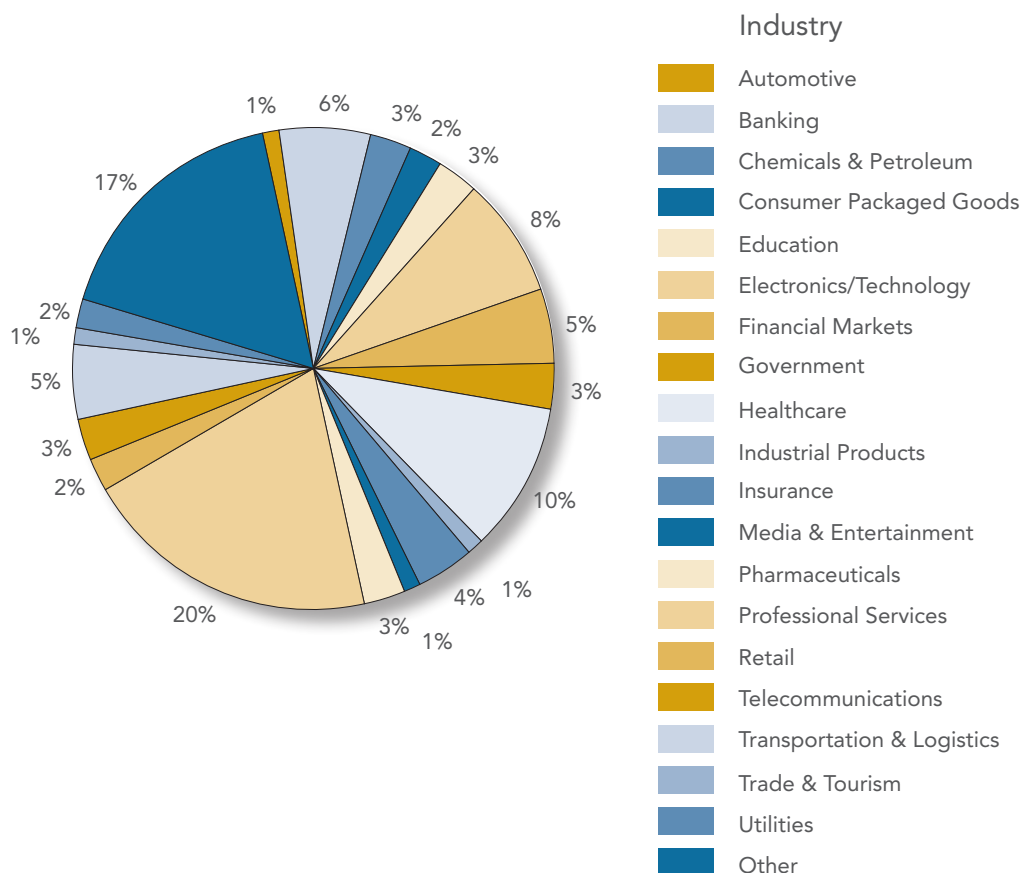
For part 6 above, we also conducted nine in-depth telephone interviews with selected survey respondents to gain more information on the success and failure of specific RPO practices.

A two-step analysis of all quantitative data was carried out:

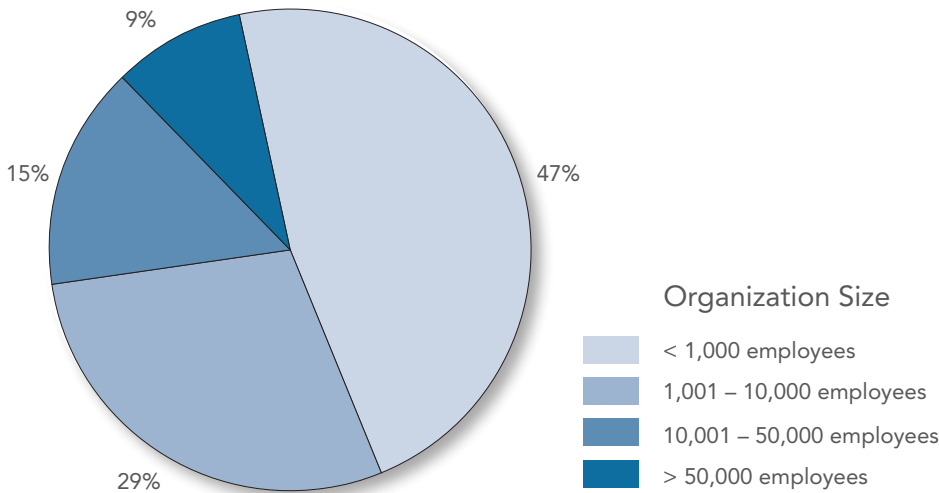
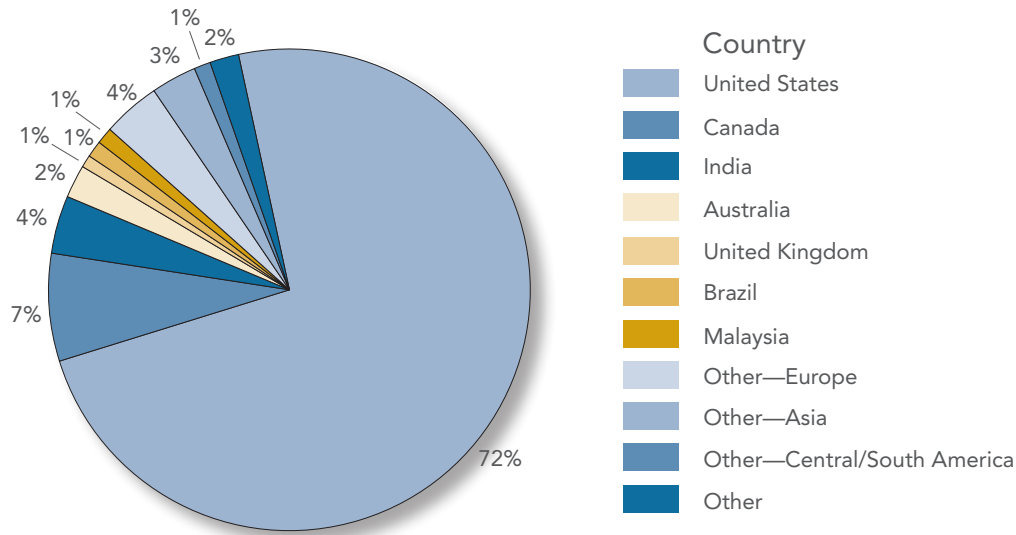
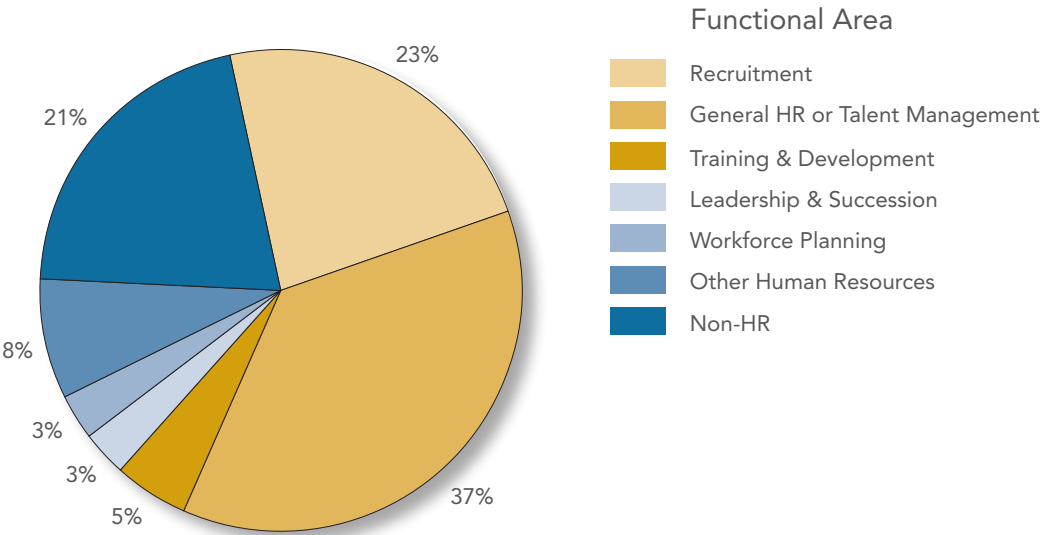
- 1) Standard **descriptive statistical methods** were used to determine the frequencies and/or means (and standard errors) of the current state and future trends in RPO, as well as variation among organizations in RPO practices, payment models and program effectiveness.
- 2) Various **inferential statistical methods** (i.e., ANOVA and z-tests) were used to determine whether there are statistically significant differences in the responses for the various groups of respondents, as identified by the demographic shown on the next pages<sup>3</sup>.

<sup>3</sup> The only significant findings in this part of the analysis were the not surprising results that larger organizations were more likely to use RPO, as well as the fact that larger organizations place more emphasis on certain recruitment practices—e.g., employer branding.

## Demographic Information







## Appendix 2: Factor Analysis of Critical Talent Acquisition Practices

As discussed in the main text, we performed a factor analysis of the 13 talent acquisition practices in order to determine:

1. If the practices could be grouped into logical functional groups
2. Which groups are most used by RPO today, as well as which groups are underutilized and provide the most opportunity for the future of RPO

These factor components are a very powerful method to shrink the number of variables to a more manageable level and provide insights unavailable with the analysis of individual variables (e.g., specific talent acquisition practices). More importantly, these groupings often allow us to see patterns in the results that are obscured by the sheer number of original variables. In other words, they allow us to identify new, previously unnamed variables that underlie and drive the variables in our survey.

We were able to group all 13 of the original questions into one of five factors (groups) that explained 70.8 percent of the variation in responses — a very high level of explanation. The results are summarized in **Table 2, Appendix Two**, which shows how much the original questions contribute to each of the groups.

The results of the factor analysis are striking:

- 1) **Factor 1** is made up of all the talent acquisition practices associated with talent strategy, metrics and analysis (**numbers in red**) that are major parts of a **strategic RPO**. In addition, onboarding is partially included in this group, indicating that onboarding programs play a role in talent strategy, although not as great as the four practices in red. The clear implication is that there is an underlying variable focusing on talent *strategy and analysis*, of which the four specific practices are parts.
- 2) **Factor 2** is made up primarily of the two *skill-based* practices—skills training and skills assessment (**numbers in green**), with a significant contribution from onboarding. This should not come as a surprise since while onboarding includes other important purposes, skill training for new recruits is certainly a major one.
- 3) **Factor 3** covers the *general recruitment practices*. They include the major parts of any tactically driven RPO program and consist of the active and passive recruiting practices, as well as the associated applicant tracking management practice (**numbers in blue**).
- 4) **Factor 4** includes the two specific *hiring services*—permanent hiring and temporary/contingent staffing (**numbers in pink**). This provides evidence that organizations tend to deal with their permanent and temporary hiring needs in a coordinated fashion—a positive approach to take!
- 5) **Factor 5** consists entirely of the employee *offboarding* practice (**in orange**) and indicates that most organizations do not integrate this practice with their more recruiting-specific practices.

**Appendix 2: Table 1.** Factor Analysis of 13 talent acquisition practices to determine recruitment practice groups. The larger the absolute value of the number in each box (the closer it is to 1 or -1), the more important it is to the creation of each group.

	Factor				
	1	2	3	4	5
Talent strategy development/consulting	.753	.241	.138	-.015	-.095
Employer branding	.736	.172	.185	.003	.189
Talent research (trends, demographics, etc.)	.770	.139	.167	.197	-.023
Measuring success of recruitment process (metrics)	.641	.244	.350	.052	.224
Skills training	.220	.858	.107	.003	.174
Skills assessment	.254	.868	.088	.062	-.017
Onboarding	.446	.513	.195	.021	.316
Active recruiting	.208	.190	.743	.133	-.051
Passive recruiting	.165	-.072	.811	-.016	.048
Applicant tracking management	.228	.240	.661	.118	.224
Permanent hiring services	.225	.002	.011	.804	.154
Temporary and contingent staffing services	-.073	.051	.141	.850	.016
Employee offboarding	.071	.147	.092	.152	.916

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in six iterations