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Assessing the RPO sourcing cycle

A buyer calls the service provider selection process an RFx, sourcing cycle, market analysis, preliminary fact finding, discovery and a host of other colorful names that essentially mean the same thing to a service provider: the sales cycle. Lengthy sourcing cycles are more costly to buyers and service providers alike. Yet, by no means are these concerns new to outsourcing, so historical lessons learned and common sense should be employed in governing the sourcing cycle timeline.

Some recruitment process outsourcing (RPO) initiatives, particularly smaller ones, have more exposure to lengthy sourcing cycles that could potentially erode cost savings or make some service level agreements (SLAs) nearly unattainable. Perhaps this helps to partially explain a low level of satisfaction some customers experience after outsourcing recruitment.

In a 2006 buyer survey, only 36 percent of the surveyed HR BPO buyers were either very or somewhat satisfied with staffing/recruitment outsourcing; 7 percent were neutral, and 57 percent were either somewhat or very dissatisfied. In the same survey, nearly 18 percent of respondents — the highest single concentration — viewed the service provider's ability to meet financial terms of a contract as critical to realizing the desired results of a partnership.

Interestingly, the next highest concentration of respondents was at nearly 16 percent, with those saying service providers are able to meet SLA expectations consistently over time.

As an example, consider an anonymous multinational company looking to hire more than 80 finance staffers in three different countries. Initially the RFI comes out as "XYZ, Inc. Global RPO Initiative." It takes the would-be buyer months to go through the proposal response process, orchestrate site visits in three countries, and schedule an in-person presentation from four different service providers. Think about how much money the buyer spent on hundreds of internal staff man hours as well as travel expenses, all to select a service provider to fill fewer than 100 jobs.

There are no universal reasons why one sourcing cycle would be longer than another, but one could generalize some commonality: cycles are likely to be lengthy when a buyer lacks an internal base case with executive sponsorship and accurate market analyses including benchmark data and best practices. Also, some buyers initiate a sourcing process without actually having made the decision to outsource. They do so in hopes of developing a business case. This would be a fine strategy if the buyer approached one service provider, fully disclosed his intention, and exclusively partnered with that provider to jointly develop a business case. But working with 4-6 RPO providers could be very costly to both parties and often without any positive outcome.

Service providers are just as guilty of elongating the sourcing cycle but for very different reasons. Some of these might not be popular with the service provider constituency, but they are nevertheless true. For example:

- Fear of early de-selection by the buyer (“Don’t tell them everything up front; otherwise they’ll have no reason to ask us back to the discussion table”).
- Inexperienced solutions architecture and implementation staffers. Incidentally, nearly 13 percent of the survey’s respondents (the third largest concentration) stated that quality of the service provider’s staff/expertise is critical.
- The service provider may not have the ability to deliver the buyer-envisioned solution at the time of proposal, so they will elongate the sourcing cycle to buy time for the build-out.

Lastly, both parties categorically seem to make a very simple judgment error by not getting lawyers involved early on in the sourcing process. All business issues have the ability to quickly become legal issues, which have an uncanny ability to quickly morph back into business issues. The lesson learned here is that neither party should differentiate between business issues and legal issues. Both parties should look to involve lawyers at the outset of the sourcing initiative so the letter of intent, term sheet, or final contract process doesn’t require both parties to go back to the drawing board and start from square one.

Both parties should view the sourcing cycle just like a project, have a mutually acceptable project plan, and hold each party accountable for deliverables and timelines.

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