Assessing the Effectiveness of Outsourcing
Human Resources Recruiting

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The wave of outsourcing indicates the willingness on the part of many organizations to contract out many business functions including those in the Human Resources area. One such common outsourced HR function is recruiting, sometimes referred to as Recruitment Processing Outsourcing (RPO). While this is a very common phenomenon, the surprising fact is that the quality of the partnership relationship seems to be taken for granted and many times with little or no assessment. This paper is an attempt to determine if outsourcing of HR recruiting functions is actually achieving the initial expectations developed when the partnership was first proposed.

INTRODUCTION

As the amount and degree of outsourcing of Human Resource functions continues to increase, the issues of value, creating competitive advantage and the support of organizational strategy constantly come up for thought and discussion. There is no doubt that HR outsourcing in and among itself is a strategic choice that most companies have decided to adopt that brings with it a whole host of possibilities when thinking about the best way to perform certain human resources functions that traditionally were always done in house. Basically, HR outsourcing in its most general form means that an organization has, for various reasons, decided to delegate some of its non-core functions to an outside partner or intermediary who can provide a degree of expertise that will support an organization's core abilities better than having all of its functions performed by in house resources (Dapper, 2013). In an ever changing environment characterized by a fluid economy, expanding intense globalization, nonstandard work arrangements and intense competition outsourcing human resource functions not only seems logical but also a necessity (Kock et al., 2013). The evidence is clear that outsourcing all kinds of organizational functions including those in human resources shows a significant shift in responsibility from inside to outside that will not only continue for decades to come but also in its scope of degree of robust and rapid growth (Hauser, 2011). The basic reasons for the continued use and the rapid growth of outsourcing are numerous. They range from supporting the organization's overall strategy, leveraging competitive advantages, emphasizing more core competencies, cost efficiencies, expanding into new markets, reducing liabilities and risk and utilizing more highly skilled expertise not found within a given organization (Green et al., 1999; Belcourt, 2006; Ee et al., 2013).

While past research indicated that most HR outsourcing was done as a time and money saving proposition as a way to pay less for certain services, the reality is that the decision was sometimes made too hastily and without adequate information to actually justify using outsourcing (Jeffay et al., 1997; Wallace, 1998). Even though outsourcing is not a new phenomenon its value is still being debated in spite

of all the in depth analysis that has been done concerning its relative advantages and disadvantages (Dapper, 2013). Table 1 shows some of the perceived positive and negative effects of outsourcing.

TABLE 1
PERCEIVED POSITIVE AND NEGATIVE EFFECTS OF OUTSOURCING

Perceived positive effects	Perceived negative effects
Freeing time for core competencies	Loss of In-house knowledge
Gaining innovative HR expertise	Gap in what is needed versus what is delivered
Networking for better HR knowledge	Risk of conflict with outside partners
Enhancing the strategic focus of in-house functions	Lack of custom made systems and processes
Use of standardized and validated methods	Lack of total accountability
Reducing the need for HR staff	Potential higher costs when results fall short

Adapted from Kock et al., 2012

Despite the growth and popularity of HR outsourcing in recent years there appears to be little empirical evidence to show how outsourcing decisions are made, how these decisions are implemented and quite surprising how the effectiveness of outsourcing is measured and its implications for the overall performance of the HR function (Cooke et al., 2005).

ASSESSING RECRUITMENT PROCESSING OUTSOURCING (RPO)

When it comes to human resources the usual question deals with which HR functions to outsource and which ones should an organization maintain control over. One way to answer that question may be to look to a study done several years ago. A survey conducted by Vernon and others (2000) of almost 4,000 organizations found that the most common HR functions that were outsourced were training and development, recruiting and selection, pay and benefits and workforce outplacement and reduction. While all these functions are extremely important, no other function directly gets to the heart of how organizations develop and maintain a competitive advantage as does the recruiting function.

The essential nature and significant strategic priority of developing and maintaining a highly competitive organization for years to come is firmly embedded in an organization's recruiting efforts. According to Taylor (2010) the necessity to attract, retain and motivate a highly qualified workforce should be a major strategic priority as achieved through the performance of HR functions based on perspectives that are military-style, alignment-focused, future-oriented and look to the employment market to achieve long-term success. The important nature of recruiting and its tie to the future continued success of the organization may lead some to wonder why this function would be so commonly delegated to an outside partner.

The beginnings of recruitment processing outsourcing (RPO) seem to date back to the early 2000s based on the idea that it was awash with low-value, high administrative work that made it best suited for outsourcing (Leggett, 2007). It was and is generally thought by many that using consultants, outside recruiters and placement organizations is desirable because of the vast amount of routine work required to deal with the early stages of identifying an applicant pool for potential hiring (Armstrong, 2003). However, while it is generally true that many of the basic HR recruiting functions may be outsourced to a partner organization, many of the higher level recruiting and selection final decisions are still retained in-house therefore achieving a separation between administrative and strategic human resource management (Ume-Amen, 2010).

Administrative human resources performed by business partners is focused more on day-to-day operational HR functions while strategic HR performed by the organization's in-house HR professionals

is more concerned with how well the performance of human resources functions aligns with the overall organizational success. This evolving HR model relies on the separation of the performance of HR functions where the measurement of administrative duties is based on cost factors such as cost per hire and turnover rates while strategic HR is measured on how far HR outcomes support overall organization strategy (Ulrich, Younger & Brockbank, 2008).

MEASURING AND EVALUATING RPO PERFORMANCE

Obviously, for RPO to work well the outcomes and expectations for both parties need to be well defined, effectively communicated and mutually agreed to. As a result of a great deal of deliberation and analysis of the RPO option organizations expect better recruiting results in a more efficient manner. The interesting fact is that organizations, to some degree, may have more leverage in gaining these results based on the idea that, unlike an organization's own HR recruiting staff, outsourcing partners do not need to be compensated until the contracted services have been provided at a level of quality and quantity as initially agreed to by the two parties (Green et al., 1999). According to Lever (1997) the monitoring and the evaluating of outsourcing vendors should include factors such as clearly stated recruiting expectations and targets up front based on agreed to measures, accurate and frequent status reporting, vendor notifications if goals are not being met and some type of satisfaction surveys of the people being recruited to determine their perceptions of the recruiting process as handled by the vendor.

Of all the HR functions, recruitment may be argued as the most important one in terms of its implications for the organization when it comes to current and future employees (Heikkonen, 2012). Recruitment is such a vital process related to the organization's core functions because it's not only the most likely source of developing and maintaining a competitive advantage but it's an important way to support organizational strategy, promote corporate culture and the way to insure success for decades to come. Whether outsourced or not, recruitment deals with the high quest of promoting and supporting organizational success through the acquiring of talent and talent management when combined with enlightened or knowledge management (Whelan and Carcary, 2011).

While talent management is extremely important factor behind HR outsourcing and RPO, a significant primary driving force is also cost, cost savings and time efficiency (Chartered Institute of Personnel and Development, 2009; Bentley, 2007). However, while cost benefit discussions are important they are sometimes tempered by nonfinancial factors that deal with the outcomes and consequences of RPO related to the levels of satisfaction and quality (Cooke et al., 2005; Belcourt, 2006). Factors related to enhanced quality of candidates achieved through RPO along with expertise availability are key success indicators that organizations seek (Chartered Institute of Personnel and Development, 2009; Chiang et al., 2010).

According to research, areas where internal organizational recruiting managers were highly satisfied deals with the creation and communication of a hiring plan, the skills, expertise and advice of the vendor recruiter and offer management (Johnson et al., 2014). In addition, it is important to note that a great deal of the evaluation of the results achieved through RPO are as much about various costs as it is about the fundamental perceived recruiting outcomes. Cost advantages can be argued as a driving force of any outsourcing activity. As one study indicated, about two-thirds of those surveyed agreed that the fundamental reason for recruiting outsourcing was the need to cut costs (Heikknon, 2012).

Interestingly, the areas of perceived dissatisfaction with RPO were with process components dealing with advertising and candidate sourcing, quality of candidates supplied, pre-screening assessment and employer branding (Johnson et al., 2014; Heikknon, 2012). As might be imagined the inability to consistently deliver on cost control in a significant way was a major area of concern in the review of RPO arrangements (Hauser, 2011). In addition, the ability of RPO to deliver in the area of organizational value, recruiting expertise and being fit for purpose also indicates needed areas of improvement (Johnson et al., 2014).

DEVELOPING A TRUE PARTNERSHIP

With all the assessments and evaluations of the performance of RPO providers one thing seems very clear. The need for greater recruiter assimilation with its client organization from a cultural perspective is essential (Johnson et al., 2014). Selecting a partner who is compatible in terms of an organization's vision, values, goals and culture is very important and can save resources, time and effort in the need to educate a partner on these elements (Rafter, 2006). Contrary to this felt need and view is the reality that the partnership aspects of HR recruiting may be lacking. Existing literature on partnership seems to suggest that the relationship between partnership quality and successful outsourcing outcomes are being taken for granted (Abdul-Halim et al., 2014). Partnership quality that relies on mutually shared values among the parties is very important in the achieving high HR outsourcing outcomes (Ren et al., 2010). However, there seems to be a fear that HR practitioners lack the knowledge in selecting their outsourcing partners and even how this outsourcing relationship should be managed (Ates, 2013).

Since the partnership concept is not new those in HR recruiting considering RPO should look to the successes achieved by those in marketing and organizational systems research that promote sustained social connections in business (Raman et el., 2013; Ren et al., 2010). In light of this, there are two different views that may be considered in developing a successful HR recruiting outsourcing relationship based either on a transactional approach or a true working partnership style (Abdul-Halim et al., 2014). The transactional style RPO is based on formal contracts that dictate specific exchange processes that involves some risk as well as benefits gained while the true partnership promotes the achievement of mutually agreed to organizational objectives and the building of competitive advantage in their respective industries (Ates, 2013). While both seem viable options it appears that the partnership concept may yield the better results when it comes to HR recruiting being outsourced through RPO which promotes partnership quality based on trust, commitment, benefit and risk sharing, controllable conflict, business understanding and effective communication (Swar et al., 2012).

CONCLUSIONS AND IMPLICATIONS

For successful RPO relationships to take place the roles of the internal HR manager and external recruiter need to be well defined and executed to facilitate a seamless, high quality recruiting experience that is fit for purpose based on high capabilities, solid advice and expert skills (Johnson et al., 2014). The key to it all seems to be that each organization considering to outsource for the first time or those who wish to continue to outsource HR recruiting needs to know what the real purpose actually is as far as why it is done. The main advantage may well come from what organizational customers want from the RPO experience, be it expertise, process excellence, cost considerations or some specific accommodation of a recruiting scenario (Heikknon, 2012). To some extent one measure of RPO success may be the willingness of organizations to provide positive levels of RPO endorsements of the process and an overall willingness to recommend that others do it (Johnson et al., 2014).

With the complexity of recruiting and selection it may be wise to prioritize what specific dimensions may be achieved through a hybrid approach based on a mix of internal-external expertise (Heikknon, 2012). The partnership relationship in RPO may then best determine recruiting responsibilities based on respective structures, abilities and market awareness (Gospel and Sako, 2010). The ultimate assessment of RPO may well come down to the evaluation and the assessment that needs to be done in comparing RPO to traditional recruitment efforts. Instead of electing to do RPO because it seems to be the thing to do as a current overwhelming wave, the real reason may come down to the balance achieved through successful RPO that allows organizations to concentrate on other important core competencies and strategies. No doubt somewhere in all this review and assessment the cost and cost savings achieved of RPO are not going to be forgotten or minimized. Therefore, post-process evaluations of RPO will most likely include measurements such as cost per hire or quality of hire (Heikknon, 2012). Overall, most organizations realize that recruiting needs are rapidly evolving and changing. Future effective partnerships in RPO may well depend on the providers ability to quickly adapt to the customer demands such their continuing

priority to concentrate on their own core business competencies and the need for new and improved recruiting innovations that can be delivered in a cost efficient manner (Hauser, 2011). Regardless of the reasons of exactly why RPO is done, it definitely continues to grow and appears to be a long-term strategy for organizations that employ it.

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