

# Streamlining your RPO RFP process with an effective business case



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### Executive summary

The pressure is on. There is a race for top talent in your industry, and your business leaders are counting on you to bring that talent into your organization. You examined your recruiting functions and have come up with ambitious goals for transforming talent acquisition. Perhaps you want to harmonize recruiting technology, consolidate hiring processes and use best practices. You might have issued a request for proposals (RFPs) to some of the most respected recruiting service providers. But beneath the hum of meetings and conference calls and megabytes of documents, do you and your team have a clear understanding of exactly what transformation you're trying to achieve? For example, what would "harmonizing technology" actually look like and how would this be measured across your organization? Is outsourcing your recruiting the right answer? If so, what tasks within recruiting should be outsourced for your organization? How do you create and evaluate a business case to answer these decisions?

The RFP process is expensive, not only in fees, but also in the enormous time commitment required of your human resource (HR) leadership. Still, interest in recruitment process outsourcing (RPO) continues to expand, with a growth rate of more than 25 percent.<sup>1</sup> That growth rate could be even higher but unfortunately, it's not uncommon for RPO RFP processes to derail without ever engaging a provider, or experience

inordinate, expensive delays. In the rush to engage, some organizations realize at midpoint that they haven't considered key ramifications, such as implications for their retained recruiting staff, or impacts on diverse business and geographical units. Perhaps, through lack of communication or planning, the outcomes they're seeking do not align with executive goals.

Before making the substantial time and financial investments required for the RFP process, be sure that your organization has developed a detailed business case, and understand that creating a business case for RPO is more complex than creating a business case for a technology-only purchase. Although technology is an important component of recruiting, it is not a driver for transformation—that comes from your people and processes. Factors to consider include employment branding, candidate experience, workforce planning metrics, hiring manager satisfaction and others.

Research shows that many organizations face challenges in creating a holistic business case for RPO.<sup>2</sup> This paper will explore key concepts and an innovative recruiting cost modeler that can help you overcome those challenges and develop a scenario that both meets the approval of senior-level executives and serves as a useful roadmap for prospective providers in developing their proposed solutions. After all, the end goal of an RFP is to obtain the best recruiting option, which may include RPO services, for your organization. More upfront detail translates into more robust proposals from your prospective providers and early adoption toward the transformation of your recruiting organization.

### The elusive finish line: Why do some recruitment transformation processes fail?

What can take six to nine months, consume 1500 to 2100 person-hours of your organization's time, and produce 4200 to 5500 sheets of paper? You guessed it—an outsourcing RFP.<sup>3</sup> That's understandable, given the complexities of

## Developing your business case: Ten factors to consider

|  |  |   |   |   |
|--|--|---|---|---|
| Set realistic expectations around the time and budget commitments needed to develop a business case. | Identify an executive sponsor for the project. | Recruiting is more than just technology.  | Understand how your retained organization's role will evolve.                                       | Consider the impact of RPO across multiple business units and geographies.                                |
| 1  | 2  | 3   | 4   | 5   |
| Ask yourself detailed questions to arrive at detailed objectives.                                    | Utilize an RPO cost analysis modeler.          | Use industry best practices to help you evaluate what processes to retain versus what processes to outsource. | Be sure that the ultimate goals of your business case align with the C-suite's business objectives. | Internal support for your business case increases the likelihood for a successful conclusion to your RFP. |
| 6  | 7  | 8   | 9   | 10  |

Figure 1: Top ten considerations when developing an RPO business case

recruitment transformation and the detailed procurement regulations enforced by most companies. Yet after all that effort, RFPs can fail to produce the desired results, with poorly defined or unclear requirements cited as the number one reason why. The consequences can include revising requirements, requesting rebids and prolonging an already lengthy RFP process.<sup>4</sup>

Unfortunately, once outsourcing becomes a viable option, many organizations succumb to the pressure to take action—any action—without full consideration of desired, measurable outcomes or reflecting those outcomes thoroughly and thoughtfully in a business case. In one case, a global RPO provider responded to an RFP from one division of a large international corporation. The RFP would impact numerous other divisions, yet stakeholders from these other groups had not been consulted. In such a situation, it's only a matter of time before the RFP process grinds to a halt while ramifications to the other business units are belatedly examined.

Evaluating the business case and RFP process synergistically, from an internal, end-to-end perspective, can give prospective providers appropriate levels of information on how business needs are connected to the broader strategic vision. Many RFPs simply do not provide this level of detail. And when objectives lack specificity, RFP responses are not as refined as they should be. Providers resort to submitting basic answers with generic lessons learned, as opposed to more dynamic solutions tailored to your business needs. Even when the RFP process concludes with securing a provider, this lack of detail can at minimum create a more cumbersome start-up period—or worst case, a less than perfect fit with the selected provider. Research shows that notwithstanding a healthy renewal rate, increase in the number of terminations and nonrenewals is a cause for concern in the market.<sup>5</sup>

## Developing your business case: Ten factors to consider

### 1) Set realistic expectations around the time and budget commitments needed to develop a business case.

Executives in functional areas such as technology or operations often have extensive backgrounds in developing business cases. But for HR leadership, developing a business case can be, if not a new experience, a challenging one. This is all the more reason to carefully plan the endeavor. What is a realistic schedule? How much will it cost in terms of time and budget? What resources will you need, both in staff and intellectual capital? Understand that the first step in creating an effective, metrics-based business case is to conduct a thorough review of your current-state recruiting operations. Then, create a timeline and budget for writing the business case itself.

### 2) Identify an executive sponsor for the project.

This executive does not need to be involved in the day-to-day development of the business case. But you do need a representative to provide high-level direction and, equally as important, to be an advocate for your business case in the C-suite.

### 3) Recruiting is more than just technology.

A common misconception is that recruiting is synonymous with technology such as Applicant Tracking Systems. Although technology is a key enabler for an RPO solution, you are really partnering with an RPO provider to create an experience for prospective employees, hiring managers and your recruiting organization—everything from initial encounters over social media to interactions around drug testing and medical exams. The impact of “soft” qualitative dimensions of this experience can be difficult to discern, but they are vitally important.

### 4) Understand how your retained organization's role will evolve.

Inevitably, outsourcing a business process means changes for the internal organization. Will their job roles shift toward strategy? Will certain staff members be redeployed or retrained in other areas? Is reduction of full-time employees (FTEs) a goal? You need to factor such developments into your business case.

And don't hesitate to consult with prospective RPO providers on various scenarios. Your organization could be engaging in this thought process for the first time, but a seasoned provider has experience gleaned from numerous engagements. In fact, research shows that many organizations benefit from this expertise while developing their business case.<sup>6</sup>

### 5) Consider the impact of RPO across multiple business units and geographies.

When developing the business case for the recruiting and onboarding experience, you will need a keen awareness of differences in strategies, desired candidate experiences, and even branding throughout your company. For example, organizations are experiencing an increased interest in and adoption of multi-country RPO.<sup>7</sup> But does manager involvement vary depending on geography? Will legal and cultural complexities in various countries have an impact? Will the experience and branding be consistent from division to division? Be sure to engage the appropriate stakeholders early on to reduce challenges down the road.

### 6) Ask yourself detailed questions to arrive at detailed objectives.

Goals such as “standardization of business processes” and “embracing innovation” are admirable, but way too broad. What are the real goals? Do you want to save 25 percent from your recruiting budget? Do you want 30 percent of your candidate pool to flow in through social media? Do you want to decrease your rate of compliance issues in various geographies? Additional metrics could include:

- Quality of hire and process as determined by hiring manager surveys.
- Quality of process as determined by new hire surveys.
- Recruiting effectiveness and the efficiency of the interviewing and selection process.
- Cost. The Staffing.org Recruiting Efficiency Index (REI) is highly recommended.<sup>8</sup>

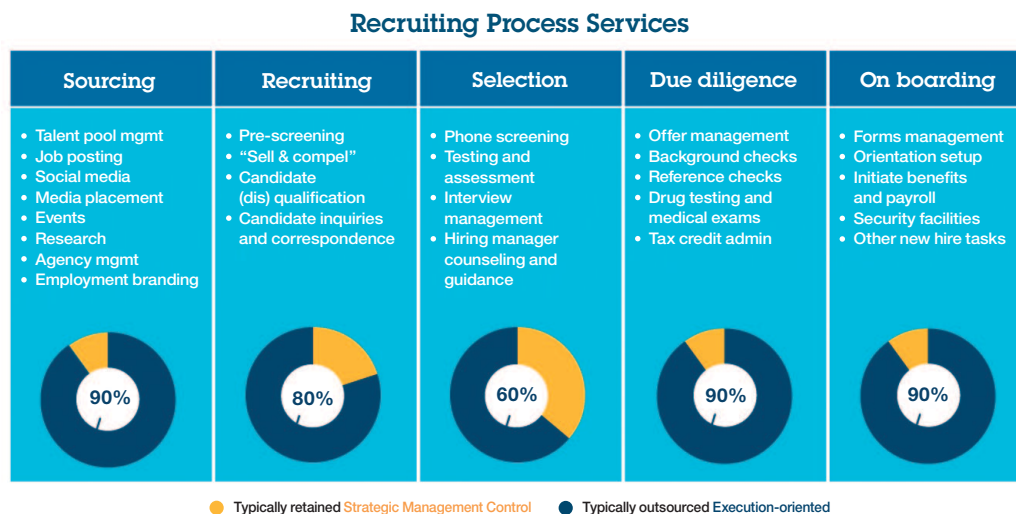


Figure 2: Typically retained vs. typically outsourced recruiting functions<sup>9</sup>

Using a detailed business case with highly specific metrics helps you to develop more targeted questions for the RFP. This in turn gives your prospective providers the data they need to finely hone their responses.

#### 7) Utilize an RPO cost analysis modeler.

When developing your business case, it is crucial that you capture accurate costs for recruiting. Guesstimating or benchmarking without adequate comparisons often results in faulty data that can take you off track. An RPO modeler, combined with input from a seasoned recruiting consultant, helps you measure and predict costs for hiring.

#### 8) Use industry best practices to help you evaluate what processes to retain vs. what processes to outsource.

Each company is different and there is no one-size-fits-all answer, however, you may find it useful to understand how other organizations typically structure their retained-to-outsourced ratio. (See Figure 2.) An effective provider should have the depth of resources and flexibility to achieve your ideal balance.

#### 9) Be sure that the ultimate goals of your business case align with the C-suite’s business objectives.

This is a key area in which your executive sponsor can help to keep you on track. Increasingly, organizations are being asked to demonstrate a broader business impact in their RPO scenarios.<sup>10</sup> As an interesting exercise, study your most recent annual report. Does your business case support the high-level goals that your company is promoting to its shareholders—and stakeholders? If not, it should. In effect, you are mapping measurable goals, metrics and key performance indicators (KPIs) to specific business outcomes as stated in your business case, and in turn these outcomes should support the broader strategy of your organization.

#### 10) Internal support for your business case increases the likelihood for a successful conclusion to your RFP.

Developing a business case in this fashion requires considerable thought and systematic deliberation. Yet if you consider the time and expense involved in the RFP process, it’s a worthwhile

investment. With proper due diligence and executive support for your RPO business case, your RFP is more likely to conclude favorably: with an external provider who fully understands your requirements and has the experience, technical infrastructure and global presence to deliver them at appropriate service levels.

### Using a systematic tool to help you create a robust RPO business case

At IBM, we understand that evaluating your internal recruiting organization and expense structure involves more than a cursory summary of basic costs. Recruiting expenses often lurk undetected behind agency fees, technology expenditures and costs incurred by other departments across the organization. Using intellectual capital gained over numerous engagements, we've created a systematic tool, the Recruiting Cost Modeler. This tool uses an inclusive approach to collect all cost elements for talent acquisition. Using a cost modeler can be an enlightening

experience. It takes the guesswork out of measuring recruiting costs and can be a key success factor in the development of your RPO business case.

Using this tool, we can help you develop a crisp snapshot that illuminates internal inefficiencies and the difference between core strategic activities versus activities that could be more effectively outsourced. The Recruiting Cost Modeler helps you understand not just your costs, but the elements of those costs. This data, along with insights from our experienced recruiting consultants, helps lay a solid foundation for your talent acquisition strategy.

Because the Recruiting Cost Modeler process involves a holistic analysis of your current-state recruiting program, you may need to use historical data, and you will definitely need input from departments and organizations throughout your company. (See Figure 3.)

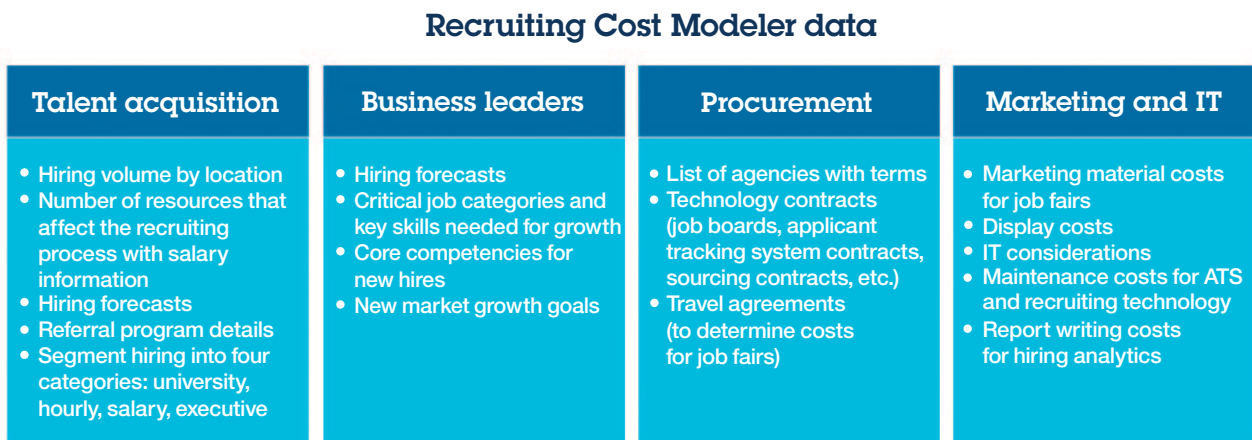


Figure 3: Recruiting Cost Modeler data

Your IBM RPO consultant will then help you complete a series of four worksheets in the Recruiting Cost Modeler:

**Hiring Data.** This worksheet captures the different cost elements of each hiring segment (university, hourly, salary, executive). Based on our intellectual capital, we've provided benchmark ratios to guide calculations.

**Recruiting Costs.** Here the tool provides a detailed list of recruiting costs that are typical for most organizations, yet are commonly overlooked. This step in the process helps these items receive their proper focus—they are critical when determining your company's true cost per hire and establishing your cost baseline for your business case.

**Staffing.** Understanding the time and resources required to meet your organization's hiring needs is vital. This worksheet breaks down the time spent on each recruiting activity. (If you do not have access to this information, you can once again benefit from our benchmarking experience based on numerous engagements.)

**Summary.** Your due diligence pays off here. This worksheet aggregates all of the input from the previous worksheets into a summary of succinct information that helps you build an accurate business case.

In developing the Recruiting Cost Modeler, IBM draws upon its extensive background in business process outsourcing (BPO). This broader perspective enables us to understand how recruiting interrelates with other business processes. As a result, the Recruiting Cost Modeler can compel you to think more strategically about your recruitment transformation business case. You will not only discover hidden recruiting costs and factors throughout your organization, but you'll also see how they all weave together.

Although the data derived from the modeler is extremely valuable, the interpretation of that data and the consultative input of an experienced partner is where organizations can truly transform. Recruiting impacts all aspects of a thriving company. Although reducing costs can provide an immediate impact to the bottom line, using expertise to build an efficient recruiting organization will help the company position itself for future growth. Your recruiting operation needs to be flexible, scalable and evolving so that your organization is seen as the employer of choice.

## Conclusion

Research shows that many organizations are challenged to create a quantifiable business case for RPO that demonstrates gains beyond operational cost reduction, and that executive sponsorship can be weakened as a result. At times, a business case based solely on cost can lead to a less-than-ideal partnership.<sup>11</sup> Of those who wrestle with creating a holistic business case, many may require proactive help from service providers.<sup>12</sup>

With seasoned recruiting consultants and a robust Recruiting Cost Modeler, IBM has the experience and intellectual capital to help you develop a successful RPO business case. Developing a winning business case is just the beginning of our end-to-end support for your recruiting processes.

Today's economy demands flexibility and rewards experience. IBM uses both qualities to tailor an innovative RPO solution to your exact requirements, all with the variable cost structure you need. At IBM, we are dedicated to transforming your recruiting efforts, so you are a step ahead of an ever-changing marketplace. We welcome the opportunity to share our successes and team with you to build a world-class recruiting process.



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## IBM's team-based recruiting approach results in high quality talent

- High productivity driven by our globally integrated, Lean delivery model
  - Typical reduction in clients' recruiting operating costs of 25 percent to 35 percent
  - Typical reduction of source-to-onboard timeline by 25 percent
  - Industry-leading alliances and technology ecosystem
  - Deep commitment to quality data underscored with analytics capabilities and innovative Recruiting Cost Modeler
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## For more information

To obtain a copy of the Recruiting Cost Modeler, and to learn more about how IBM RPO can engage with you to transform your recruiting efforts, please contact your IBM representative via [hro@us.ibm.com](mailto:hro@us.ibm.com). For more information on IBM RPO you can also visit the following website:

[ibm.com/services/hroutsourcing](http://ibm.com/services/hroutsourcing)

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<sup>9</sup> IBM HR, Learning and Recruitment practice, internal benchmarking, 2011.

<sup>10</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 58.

<sup>11</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 22.

<sup>12</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 58.



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<sup>1</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Group, February 2012. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). Page 13.

<sup>2</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Group, February 2012. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). Page 17.

<sup>3</sup> Outsourcing RFPs Do's and Don'ts. Sylvan Advisory & Restructuring in conjunction with The Outsourcing Institute. May 2011. Page 7.

<sup>4</sup> Outsourcing RFPs Do's and Don'ts. Sylvan Advisory & Restructuring in conjunction with The Outsourcing Institute. May 2011. Page 14.

<sup>5</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 17.

<sup>6</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 58.

<sup>7</sup> Recruitment Process Outsourcing (RPO) Annual Report 2012 - Raising the Bar to Sustain Momentum. Everest Global, Inc. [Shruti Agrawal, Arkadev Basak, Rajesh Ranjan](#). February 2012. Page 13.

<sup>8</sup> Recruitment Process Outsourcing The Good, the Bad, and the Ugly. John Younger, Accolo, [www.accolo.com](http://www.accolo.com), 2010. Page 6. Accolo is a member of the Recruitment Process Outsourcing Association ([www.rpoassociation.org](http://www.rpoassociation.org)).



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