Chain reaction

Making recruitment supply chains work

In association with:

Recruitment & Employment Confederation

CONTENTS

Executive summary	3
Introduction	5
How effective are resource models?	10
Emerging challenges	25
Future trends	32
Future scenarios and recommendations	36

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This research was done as part of the Good Recruitment Campaign (GRC). The Good Recruitment Campaign, created by businesses for businesses, exists to promote the critical importance that good recruitment practice plays in organisational success. As demand returns to the economy and businesses are looking to hire more staff, fine-tuning their resourcing strategies becomes critical. This is the right time to create a national focus on good recruitment. The campaign will help organisations to reinvigorate their recruiting strategies so they provide a better candidate experience and work more effectively with their recruitment partners.

The survey was conducted by ComRes, and in accordance with British Polling Council rules, and the data tables from the survey are available on the ComRes website www.comres.co.uk

01

EXECUTIVE SUMMARY

- This research provides a snapshot of resource supply models used by organisations. The majority of organisations use a resource model to support recruitment in their organisation. Only one in five organisations did not select any of the resource models in the survey.
- Of the four resource supply models, preferred supplier list (PSL) is the most widely used and vendor neutral is the least used. Only half of organisations use a single model, whilst three in ten use two or more models.
- Survey respondents were asked to select the three most important factors that contribute to their choice of resource model. Of the options given, 'attract the right people into the role' (67%), 'reduce the cost of recruitment' (42%) and 'reduce time to hire' (39%) had the highest proportion of responses.
- The least popular responses were 'consolidate management information', 'manage recruitment across different countries', and 'manage accountability associated with recruitment'. Surprisingly, 'communicating brand to candidates' also received a relatively low proportion of responses.
- This report uses three metrics to assess the effectiveness of the resource supply model: candidate experience, efficiencies and process management. Despite being the most widely used, the PSL was perceived to be the least effective. Master vendor was perceived to be more effective across the three metrics.
- In general, procurement and recruitment professionals agree on what factors are important when selecting a resource model. 'Attracting the right people into the role' was their priority. However, 46% of procurement professionals selected 'reduce costs of recruitment' as one of their top three drivers, compared with 34% of recruitment professionals.
- Procurement professionals were more likely than those in HR/recruitment to select 'reduce time to hire', whilst recruitment professionals were more likely than colleagues in procurement to select 'retain staff' as important in determining which resource model to use. In monitoring and reviewing suppliers, employers are more likely to use metrics which capture transactional metrics, for example cost, time to hire, conversion rates.
- The focus on cost and efficiencies has led to unintended consequences. As resource models mature and enter into a second or third generation, employers are looking for more strategic partnerships from their suppliers. However, there is too often an emphasis on cost and transactional metrics.
- Organisations would like more strategic partnerships with their suppliers. They would like to use suppliers to provide strategic insights to support workforce planning, greater innovation on sourcing and attracting candidates and support shaping their workforce strategy.
- Organisations' line of sight often only extends to the first-tier supplier. Second- and third-tier suppliers are affected by cost savings negotiated between first-tier suppliers and client organisations. Employers risk losing sight of the extent to which quality second- and third-tier suppliers are operating within the supply chain or whether they have opted to exit.
- Employers want to manage their employer brand. A more strategic partnership between suppliers and client organisations helps the employers to maintain control of brand messages and ensures they and their supplier share a common understanding of good candidate experience.

02

INTRODUCTION

There has been a remarkable shift in the way many employers recruit staff. An employer seeking to fill a job vacancy is now likely to work with at least one external supplier. The proximity between the employer and the potential job applicant is more distant, and the resource supply chain has become more complex.

This is a relatively recent phenomenon and there is little evidence on how widely used these resource models are and how they have evolved. We know that the market value is significant, for instance Recruitment Process Outsourcing alone has a market value of $1.5 billion in Europe.[1] Within this context, this report documents the extent to which resourcing models are used. It also addresses the pertinent question of what good recruitment looks like for employers, candidates and suppliers when there is a resource supply chain. Good recruitment helps organisations to acquire the talent they need in order to perform and grow. It provides great candidate experiences and helps ensure that the UK workforce is used to its full potential. In a resource supply chain, how can the employer manage both its brand and the candidate experience when there are potentially multiple parties that sit between the candidate and the employer? And, importantly, who is ultimately accountable for ensuring that the recruitment process is effective?

Good recruitment makes good business sense. Poor recruitment is costly and has an impact on the bottom line. The CIPD (Chartered Institute of Personnel and Development) estimates the cost of recruiting a senior manager as £6,000.[2] However, there are additional implicit costs, which include the loss of productivity and the cost on team morale. The cost of recruitment can be moderated by reducing hiring time, sourcing the best candidates and developing an effective process.

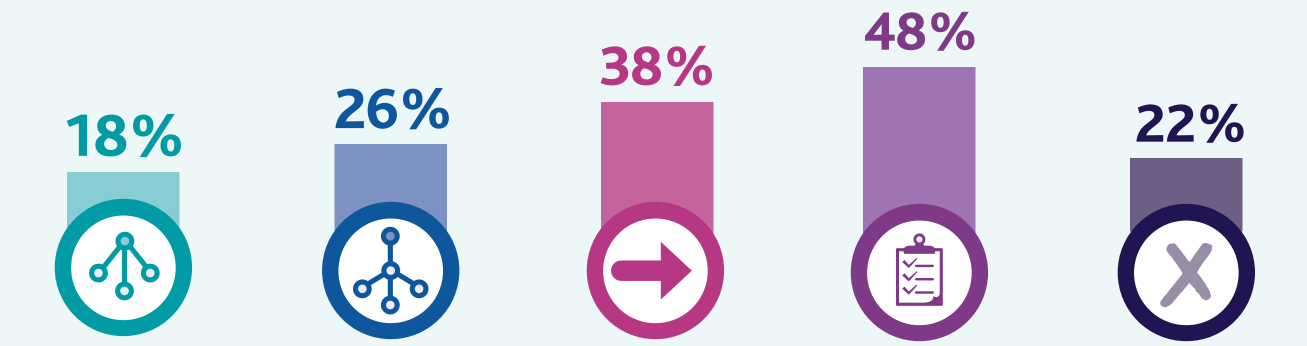
The principles of good recruitment are enshrined in the Good Recruitment Charter, developed by the REC with a coalition of business organisations.[3] Two of the aims of the Good Recruitment Campaign are to help businesses move resourcing up the corporate agenda as talent becomes more business-critical and to benchmark their current resourcing practice. At the centre of the charter is an aspiration to ensure that good practice prevails across resourcing decisions. The charter sets out nine principles which articulate good recruitment practice. One of the nine principles states 'our supply chain delivers good recruitment practice throughout, including where different resourcing models are in place'.

As labour markets tighten and skill and talent shortages persist, the extent to which a business can attract and retain talented employees is business-critical. And yet in spite of the pressure to fill roles, candidates are not satisfied with the recruitment process. Just under half (46%) of job applicants rate their current candidate experience as 'poor'.[4]

A number of parties contribute to the candidate experience. Within an organisation, human resource, resourcing, procurement professionals and hiring managers will influence good practice in the recruitment process. Third-

1 Pode, A. (2014) Recruitment process outsourcing insights, Staffing Industry Analysts
2 CIPD (2013) Resourcing and Talent Planning survey. London: CIPD
3 www.rec.uk.com/about-us/goodrecruitment
4 www.mysteryapplicant.com

RESOURCE MODELS



VENDOR NEUTRAL (VN)
An intermediary which does not supply candidates itself and sits between the employer and the recruitment agencies. The intermediary use technological platforms to manage the contracts and communication with the recruitment agencies who supply the staff.

MASTER VENDOR (MV)
A staffing agency takes overall responsibility for providing candidates. Orders go first to the master vendor to be filled or distributed to secondary recruitment agencies.

RECRUITMENT PROCESS OUTSOURCING (RPO)
Employers outsource or transfer all or part of their recruitment activities to an external service provider.

THE PREFERRED SUPPLIER LIST (PSL)
Employers select a group of recruitment agencies and arrange for all hiring managers to work with only the selected recruitment agencies.

DOES NOT USE ONE OF THE RESOURCE MODELS

party suppliers, by extension, are tasked with delivering good recruitment which meets the client's brief at the price agreed.

Each party within a supply chain has partial sight of the process and has their own priorities. This partial sight can potentially test and hinder the achievement of good recruitment. Therefore the question is, how are objectives established, managed and measured by all parties as this will have a significant impact on the performance of the contract and ultimately the quality of the people recruited. This report examines:

1. What types of resourcing supply chain models are used and why?
2. How effective are these models in achieving stated objectives?
3. What challenges are associated with each supply chain model?
4. Future trends and scenarios.

The report sets out how employers should work with their suppliers to achieve good recruitment practice and value for money. The report concludes by setting out a number of predictions on how the supply chain could evolve and be improved.

Methodology

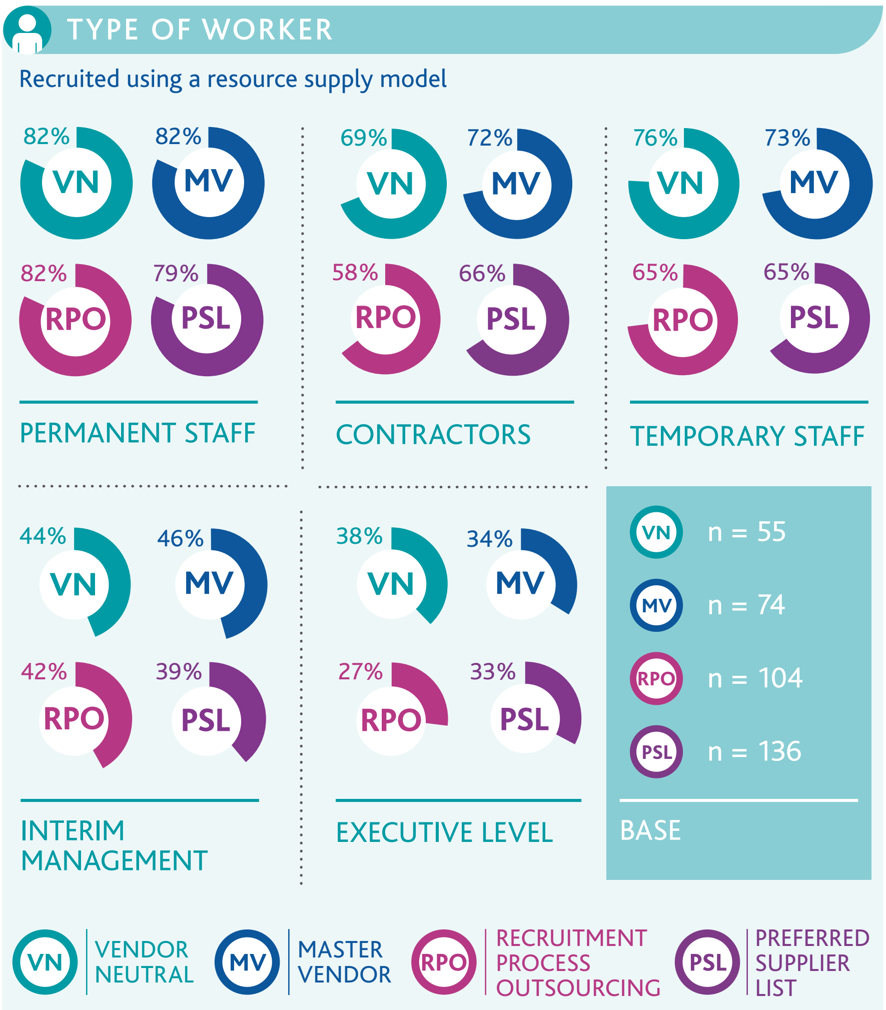
The findings from the report are based on a literature review and a survey of HR and procurement organisations. In total, 272 respondents completed the survey. Responses were from HR or procurement professionals in middle management or above who had a role in establishing and managing resourcing supply chains. All respondents work for companies with 1,000 employees or more as these are typically the types of organisations that use a supply chain approach. Survey responses were collected between 11 and 28 September 2014 via an online survey. Data were weighted to be representative of all companies with 1,000 employees or more by region. The report also features case study interviews from 10 organisations which aim to further illustrate the challenges and opportunities.

Prevalence of resource models

A useful point of departure is to discuss the extent to which different resource supply models are used and the type of staff recruited. There are a number of resource models available to organisations.

Survey respondents were invited to state which resource supply model they use to recruit staff. The survey shows that use of resource supply models is now pervasive among large employers. Most employers surveyed use a resource model to recruit workers, with only one in five (22%) not using one of the models included in the survey. Preferred supplier list (PSL) is the most widely used model, used by around half (48%) of the organisations surveyed. This is followed by recruitment process outsourcing (RPO) (38%) and master vendor (26%). Just one in five (18%) use a vendor neutral system.

Just under half (47%) use a single model. This figure is not statistically different for professionals in procurement (50%) when compared with HR (44%). Three in ten (30%) respondents use more than one model; for those that work in procurement this figure is two in five (38%). One in twenty (6%) employers surveyed use all four models as part of their recruitment strategy (but this was only procurement professionals).



Employers that use a preferred supplier list and recruitment process outsourcing are more likely to use more than one model, with 30% of employers who use these models stating that they use an additional model. Below we present the four models and the proportion that use an additional model alongside this model:

- recruitment process outsourcing: 64%
- preferred supplier list: 50%
- vendor neutral: 77%
- master vendor: 79%.

All of the models included in the survey are used to recruit a range of staff across an organisation. This is particularly evident in the recruitment of permanent staff, where four in five of those using each model make use of that model to do so. However, it appears that certain models are notably more likely to recruit certain types of more staff, for instance they are least used in executive recruitment.

Those who use RPO are the least likely to use that model to recruit contractors (58%, compared with 72% of those using a master vendor). They are also the least likely to use RPO to recruit executives (27%, compared with 38% of those using vendor neutral).

By contrast, those using vendor neutral or master vendor models are notably more likely to use these models for recruiting temporary staff (76% and 73% respectively) than those using RPO or PSL (65% for both). However, these results are not significant in difference and thus should be treated as indicative rather than definitive.

Of all the models tested, vendor neutral, on average, had been used to recruit the highest proportion of current staff, with an average of 43% of staff recruited using this model. By comparison, those using PSL on average recruited just a third (34%) of their current staff using this model.

Larger companies (with more than 10,000 staff) that use a master vendor recruit a notably smaller average proportion of their staff using this model than those from smaller companies (32% compared with 42%). Those using RPO recruit a notably higher proportion than those using this model from smaller companies (45% compared with 37% respectively).

The average proportion of staff based outside the UK recruited using the model is highest for those using vendor neutral (36%) and master vendor (35%) systems, and lowest for those using PSL (27%), suggesting that PSL recruitment is the most likely to be domestic, rather than international.

Use of vendor neutral and PSL systems to recruit overseas staff is being driven in particular by larger businesses. Those employing more than 10,000 people say that 43% of those recruited through vendor neutral and 34% of those recruited using PSL are based overseas, compared with 30% and 23% respectively among those with 10,000 or fewer employees.

The data from the survey highlights just how prevalent the use of these resourcing models have now become. The relatively recent use of these resource models suggests that not only is it important to understand the scale of use, but also how effective they are in meeting their objectives of value for money and high-quality resourcing. The next section addresses this point.

03

HOW EFFECTIVE ARE RESOURCE MODELS?

This section looks at the resource models available to organisations and seeks to identify the extent to which the resource models support good recruitment principles, as well as wider business objectives.

We first explore employer priorities in considering which resource model to use. This is a useful starting point to establish the extent to which these considerations are aligned to good recruitment principles and where the emphasis lies in selecting resource models.

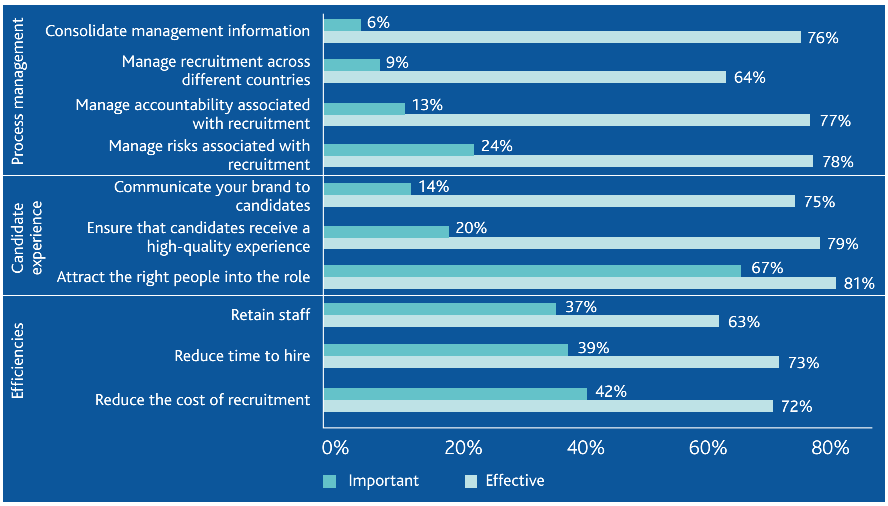
Survey respondents were invited to select the top three most important considerations when selecting a resource model. It is useful to explore these considerations through the following lenses: candidate experience; efficiencies; and process management – these being three main areas that contribute to overall recruitment effectiveness. The research then explores how effective the models are across the variables shown in Table 1.

TABLE 1 / EFFECTIVENESS METRICS

Candidate experience	Communicate your brand to candidates Attract the right people into the role Instil a quality candidate experience
Efficiencies	Reduce the cost of recruitment Reduce time to hire Retain staff
Process management	Manage risk Manage accountability Consolidate management information Manage recruitment across different countries

The results are explored below.

FIGURE 1 / IN DECIDING WHICH RECRUITMENT MODEL TO ADOPT, WHICH OF THE FOLLOWING CONSIDERATIONS ARE MOST IMPORTANT TO YOU? (SELECT UP TO THREE.) IN YOUR VIEW, HOW EFFECTIVE IS THE MODEL IN HELPING YOUR ORGANISATION TO DO THE FOLLOWING?



Base: All respondents (n=272)

Survey respondents were invited to state how effective the resource models they use are across the variables listed earlier. It is interesting to read this data in light of the variables that are considered important.

Figure 1 illustrates that the majority of respondents view the resource models as effective across each of the variables. However, some variables are clearly more important than others in deciding which resource model to use.

67%

HOW WELL THE RESOURCE MODELS PERFORM AT ATTRACTING THE RIGHT PEOPLE TO THE JOB (67%) RANKED IN THE TOP THREE CONSIDERATIONS IN SELECTING A RECRUITMENT MODEL

14%

JUST ONE IN SEVEN (14%) INCLUDED COMMUNICATING THEIR BRAND TO CANDIDATES WITHIN THE TOP THREE CONSIDERATIONS

Candidate experience

Right people for the job

How well the resource models perform at attracting the right people to the job (67%) ranked in the top three considerations in selecting a recruitment model. This is unsurprising in light of skill shortages facing many organisations. The Manpower Talent Shortage Survey 2014 found that one in three (36%) employers have difficulty filling roles and just over half (54%) of employers experiencing a talent shortage state that this is having a high or medium impact on their ability to meet client needs.[5] This is a key consideration for resourcing teams and reflects the concern that candidates are difficult to attract.

It is all about the candidate. Our future business is based on people. Our talent is people. The quality of hires should come first …
Director, Talent Acquisition, AECOM

Employers generally perceived the resource models to be effective in meeting this aspiration, with 82% stating that their resource model is effective in doing so.

Instil a quality candidate experience

Notably, just one in five employers (20%) identified a quality candidate experience in their top three considerations. Nonetheless, 79% of employers perceived their resource model to be effective in meeting this objective.

This is an area where there should be more focus. The CEB finds that a new hire that reports a positive candidate experience is 38% more likely to stay within the organisation.[6] One result of a poor experience is that 18% of candidates will stop using or purchasing a product or service from the organisation.[7] The CEB's research identifies a number of root causes of a poor candidate experience: organisations undervalue the business impact of candidate experience and they fail to recognise a broader set of candidate interactions.

Communicating brand to candidates

Just one in seven (14%) included communicating their brand to candidates within the top three considerations. This percentage is particularly surprising. In LinkedIn's Global Recruiting survey, 82% of employers believe that the employer brand 'has a significant impact on the ability to hire great talent'.[8] This may indicate that organisations either feel that their resource model is not sufficiently attuned to support communicating their brand or that they rely on other business functions to support brand development and dissemination.

5 www.manpowergroup.com/wps/wcm/connect/ec2b6e68-bc26-4e5a-8493-78a9b53c5ab8/2014+Talent+Shortage+Infographic-Final.pdf?MOD=AJPERES
6 www.executiveboard.com/blogs/better-business-outcomes-with-effective-candidate-care
7 www.executiveboard.com/blogs/better-business-outcomes-with-effective-candidate-care
8 LinkedIn Global Recruiting Survey 2013

Also, 75% of employers perceive their resource model as effective in communicating brand to candidates. While survey respondents generally consider their resource models to be effective in achieving this aim, a number of interviewees expressed reservations about how effective their resource model is in achieving this objective.

If we are not in the marketplace, then our name is not out there and our employer brand is not out there. We want to enhance our employee value proposition. I don't think it is possible for a supply chain to do that. Often they [suppliers] will say 'my client is looking to do this' ... rarely do they say AECOM is looking to do this.
Head of Talent Acquisition, AECOM

Having a supply chain that can translate our brand is really important. If you don't work in the energy sector, you will have a perception of what it is like. You are likely to have a perception based on consumer perception. It is critical that our supply chain can support us with influencing this perception through translating our employer brand. Delivering change is important in our organisation and having a supply chain that can articulate that is critical.
Resourcing Manager, npower

Efficiencies

Cost of recruitment

The second most selected consideration, out of three, in deciding which recruitment model to adopt is reducing the cost of recruitment (42%).

After cost it is visibility and control, real-time management information to help them to manage their own business.
Head of Screening & Compliance Services, Reed

Sourcing candidates can be costly. The more skilled the role, the more productivity suffers.[9] By way of quantifying costs, one study estimated that the average time to fill a job vacancy is 20 days.[10] The economic downturn may have exacerbated low job churn, with fewer workers willing to take the risk of leaving one role for another. Adler points out that much of the regulatory landscape is also becoming more complex, with pension reform and tax and compensation liabilities changing.[11]

9 www.brookings.edu/research/interactives/2014/job-vacancies-and-stem-skills#/M10420
10 www.brookings.edu/research/interactives/2014/job-vacancies-and-stem-skills#/M10420
11 Adler, P. Making the HR Outsourcing Decision, *MIT Sloan Management Review,* Vol. 45, No. 1, p. 53, Fall 2003

For a number of organisations in the case studies, a resource model was put in place to control cost. Prior to resource model, the cost was neither controlled nor visible. In some instances, hiring managers across an organisation would contract a recruitment agency to support recruitment activity. Hiring managers would use the skills of recruiters who could quickly and effectively find candidates, but for the organisation this is often fragmented and pragmatic. If many agencies are involved, this approach can lead to non-standardisation in the hiring process and a reliance by hiring managers on subjective indicators with little evidence on what the cost is and how it translates to hiring. And, importantly, there is little visibility in how the costs translate at different stages of the recruitment process.

Therefore, a number of interviewees noted that the decision to adopt different resource models was triggered by the need to harness cost. This was often followed by the need to access expertise, have greater flexibility of the workforce and focus internal resources[12] as well as expert technology platforms which help minimise costs, but the initial trigger for the board-level intervention is often how to rein in costs.

HR can be viewed as a cost centre rather than a profit centre and so there is an imperative to have in place metrics and performance data to show improvement.[13]

One of the key underlying prompts is visibility on the spend. It is very difficult and challenging to work without visibility. This is one of the reasons why corporations implement VMS [vendor management system]. How much lead time in the talent sourcing cycle, how long does it take suppliers to complete orders, what job profiles are employed where, where are the main cost drivers of the programmes? Once visibility is available, companies can drive compliance, programme efficiencies and ultimately drive costs down.
SVP EMEA Markets and Operations, Beeline

72%

JUST OVER SEVEN IN TEN (72%) OF THE EMPLOYERS SURVEYED STATED THAT THEIR RESOURCE MODEL HELPED THEM TO REDUCE THE COST OF HIRE

There is a widely held belief that supplier-based resource models are cost-effective. Just over seven in ten (72%) of the employers surveyed stated that their resource model helped them to reduce the cost of hire. As interviewees noted, cost savings are secured relatively quickly once a supplier-based resource model is put in place. This is summarised below:

Vendor management system case studies show 5–20% costs savings to the hiring company in the first year a VMS programme is implemented. Much of this cost saving is attributed to the consolidation, tiering and more consistent management of suppliers, and the levelling of bill rates.[14]

But this is often visibility of costs. As one interviewee noted, the cost savings can be attributed purely to visibility as well as putting in place fixed contractual costs. Visibility simply brings spend to the fore and highlights that recruitment and agency spend is a cost.

12 www.visusgroup.com/articles/outsourcing.pdf
13 Giehill, T. Moss, S. (2009) *Human capital supply chains*, Mill City Press
14 Ibid.

Having a PSL is more effective than not having one. But it is not effective when compared with the direct source model. We would be more cost-effective having zero agency spend. But having a PSL, organising it as much as possible means that we are pushing in the right direction.
Director, Talent Acquisition, AECOM

Reducing time to hire

Just under four in ten (39%) employers surveyed stated that reducing time to hire was one of three considerations. The resource models were deemed to be effective in achieving this objective, with 74% of employers stating this was the case.

“RECRUITING SOMEONE THROUGH A QUICK PROCESS ONLY TO FIND THAT THE CANDIDATE IS NOT RIGHT, IS NOT OK. IT IS ABSOLUTELY ABOUT HAVING THE RIGHT PEOPLE”

Speed is a driver. But for me although the business talks about speed being important, threading through that is the quality of the candidate. Recruiting someone through a quick process only to find that the candidate is not right, is not ok. It is absolutely about having the right people.
Resourcing team leader, npower

Reducing time to hire is important for a number of reasons. Firstly, hiring managers will want to respond quickly to a vacancy. As mentioned earlier, a protracted hiring process can be costly. Secondly, organisations often recruit a large number of contingent or temporary labour. This can be particularly time-consuming for a small resourcing team. And lastly, recruiting niche skills can be labour- and time-intensive. An employer can exploit the supplier networks to access niche skills at speed.

Organisations are getting slimmer and slimmer. ... Managers are asked to do more with less. The internal teams are getting downsized, there are fewer internal colleagues but a more flexible workforce as the downsizing is partially compensated by flex workforce. This means that fewer internal colleagues have to manage bigger contingent workforces. There is therefore a need to find productivity gains through process optimisation. Managed service providers (MSP) leveraging powerful localised VMS technology are bringing those efficiency gains in the management of the contingent labour of companies.
SVP EMEA Markets and Operations, Beeline, supplier

Retaining staff

Similar to ‘reduce time to hire’, just under four in ten (37%) employers stated that retaining staff is one of the top three considerations to take into account when selecting a resource model. In total, 63% stated that the resource model is effective in achieving this objective, the lowest effectiveness score.

RESOURCING MANAGER AND RESOURCING TEAM LEADER, NPOWER

We didn't have a resourcing team three years ago. If a hiring manager had a recruitment need, they would resource it themselves. They would go out and hire, typically through their black book of agencies. Or they would use a PSL, which was unwieldy at the time.

In late 2010, there was a board decision about a number of cost challenges and recruitment was one area we needed to look at. In 2011, we appointed our first head of resourcing and his role was to scope out the resourcing function to deliver the cost saving. The driver was around cost and proving that it is possible to have a cost saving, which it was. Once the cost saving had been recognised, the main driver shifted to quality – this is the overarching piece. The cost reduction is still important, but for me it is far more about quality.

So, therefore, we have gone from 98% of people being hired through an agency and 2% being hired directly. In 2012, when the resourcing team was established we moved from 70% hired directly. This year we are going to have around 80%. We have reduced our supply chain to something that is fit for purpose

Quality is the overarching consideration. This is about the quality of candidates that we recruit and quality of the experience delivered to the hiring manager. The metric in year one was to save money. Then we introduced metrics around quality, which is the hiring manager's experience, did we find the right candidate for you? We also measure the quality of the individual. We survey the hiring manager at six months and then at 12 months. We also survey every direct applicant that interviews with us to measure candidate experience. They may have been rejected or they may be awaiting a decision. We ask everyone.

In terms of the candidate, we ask about their interaction with the resourcing specialist and about the interview, the environment, their engagement in the process and their view on the type of questions that were asked. We also ask the hiring manager what the interaction with the resourcing specialist was like, the quality of the campaign, the quality of the candidates in relation to the job spec and communication with the resourcing specialist.

When we look at our suppliers, it is about adding value. It is about finding the right candidate, and it is also about a partner who can give us an understanding of the market. Rather than the 'what is the brief and what fee rate' being the first question, we want information such as have these people recruited for this role before, 'you may struggle with this role in this geographical area because of' etc. We want someone who has a good understanding of the role that you are recruiting for.

We need some real understanding of the market and a much more proactive relationship.

“WHEN WE LOOK AT OUR SUPPLIERS, IT IS ABOUT ADDING VALUE. IT IS ABOUT FINDING THE RIGHT CANDIDATE, AND IT IS ALSO ABOUT A PARTNER WHO CAN GIVE US AN UNDERSTANDING OF THE MARKET”

Process management

The considerations in this category are less likely to be selected when thinking about which recruitment model to adopt.

The following considerations were the least likely to be chosen as a top three concern:

- manage risks associated with recruitment (24%)
- manage accountability associated with recruitment (13%)
- manage recruitment across different countries (9%)
- consolidate management information (6%).

But the resource models were deemed to be effective in achieving these objectives, with at least three-quarters of employers stating that their resource model achieves these aims, with the exception of 'managing recruitment across different countries', in which 64% deemed the resource model effective.

The interviewees raised several areas in which resource models do lend themselves to tighter process management. Firstly, HR resourcing teams are tasked with sourcing highly sought-after expertise and skill, and at scale. This can sit alongside a need to source a high volume of low-skilled workers. This is particularly onerous where a slim administration function is sourcing contingent workers at volume.

What is also apparent is that a resource model helps ascertain a clearer division of labour between direct resource teams and their suppliers. This is particularly evident where there has been an organic evolution in meeting resource demands. A resource model can establish clear demarcation and guidance on whether the in-house team or the supplier responds to the resource needs.

However, it is fair to state that process management considerations are less important when compared with other considerations such as attracting the right candidate and securing a resource model that is cost-effective. The emphasis on these considerations may reflect on the way in which resources are performance-managed. It is useful to understand how the different considerations are viewed by human resources and procurement professionals, who will have different performance management metrics.

“

CONSOLIDATING MANAGEMENT INFORMATION HAS REAPED BENEFITS

”

Consolidating management information has reaped benefits. We have a global recruitment and talent management system. We have global metrics. Anyone that makes a purchase order on a recruitment code gets routed to me so that we have compliance. We have a headcount approval system. We also know that people can't go around the system.

Head of Talent and Resourcing for Europe and GB, Xerox

“I WOULD LIKE TO SEE THE SHAPE OF AGENCIES CHANGING AND THAT THEY WORK WITH US DIFFERENTLY. FOR INSTANCE, THEY CAN HELP WITH RESEARCH-MAPPING AND ROLE-MAPPING. WE WANT TO KNOW WHAT OTHER PROPOSITIONS THEY CAN GIVE AND THAT THEY ARE MINDFUL OF HOW TO RECRUIT ETHICALLY”

DIRECTOR OF TALENT ACQUISITION ACROSS EUROPE, AFRICA AND THE MIDDLE EAST AND HEAD OF TALENT ACQUISITION, AECOM

We have 45,000 working at AECOM. Following a recent acquisition, this will double. We have quite a strong direct sourcing model, so we have an in-house team. We also use suppliers through a PSL, which accounts for approximately 15% agency reliance across EMEA.

The main priority is the candidate. Our future business is based on people. Our talent is people. The quality of the hires should come first. Our main issue is getting the right person. We are competitive in the market and we have good terms and benefits.

It works well; having a PSL helps us to use the right suppliers in the right roles. Suppliers can help talk through the role with candidates. Candidates often get a good personalised experience that we sometimes can’t provide in-house. We give them a good candidate experience, but not always a good personal one.

Our relationship with suppliers has evolved a lot. We are looking at a more direct sourcing model with limited use and fewer agencies. Direct sourcing brings the cost down and helps us invest in our in-house resourcing. If we do it right, our time to hire should also be faster.

We need to further develop our direct hiring. I would like to build stronger relationships with fewer agencies. I am on a journey and if they can help me, make my life easier and build a relationship with my recruitment team, they can come with me. There will be fewer vacancies, but fewer agencies for them to compete with as well. I am a firm believer that if you give a vacancy to 20 agencies, no one will work on it. But if you give it to a maximum of two or three, the agents will put the effort in. It makes sense to build relationships with our agencies. I think the market has changed for agencies. The market is tighter. They should look to partner with the in-house recruitment team, rather than competing with them.

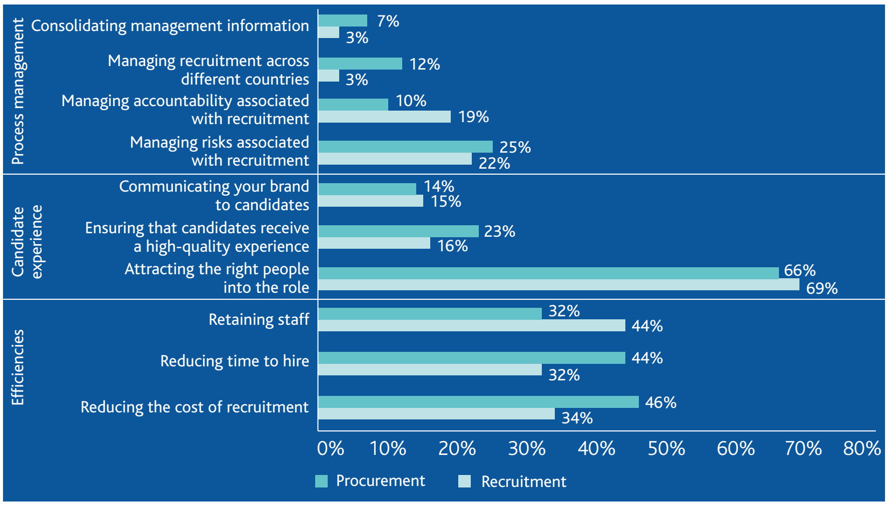
In time we will have five or six key agencies. I would like to see the shape of agencies changing and that they work with us differently. For instance, they can help with research-mapping and role-mapping. We want to know what other propositions they can give and that they are mindful of how to recruit ethically.

The industry is changing and is moving towards a more knowledge-based economy. Often the right candidate will not be an exact fit anymore. And I would hope that agencies would see this. It is not the way it has been in the past. A few agencies are doing this but there are others not doing it enough at the moment.

Procurement and human resources

The proportions discussed above do mask the different preferences and priorities from the professionals and some clear differences emerge between recruitment and procurement professionals.

FIGURE 2 / IN DECIDING WHICH RECRUITMENT MODEL TO ADOPT, WHICH OF THE FOLLOWING CONSIDERATIONS ARE MOST IMPORTANT TO YOU? (SELECT UP TO THREE.)



Base: HR/Recruitment (n=93) and procurement (n=179)

Those working in procurement are clearly more focused on cost-effectiveness than recruitment professionals, as those working in procurement are significantly more likely to say that reducing cost (46% compared with 34%) or reducing time to hire (44% compared with 32%) are important in deciding which recruitment model to adopt. By contrast, those working in recruitment are more likely to be concerned about retaining staff (44% compared with 32% of those working in procurement).

Comparison of resource models

What is apparent is that organisations have to balance a number of considerations when opting for a particular resource model. Kosnik et al[15] write, 'The balance of power and control over managing the contract workers differ within each model.' It is useful also to consider how important particular considerations are in light of the model that is used and to see the extent to which priorities change across the different models and how effective the models are across the variables identified above.

Differences do emerge when looking at the type of resource model in place. This may indicate that employers who favour particular considerations have preferences for particular models.

46%

PROCUREMENT PROFESSIONALS ARE SIGNIFICANTLY MORE LIKELY THAN RECRUITMENT PROFESSIONALS TO SAY THAT REDUCING COST (46% COMPARED WITH 34%) IS IMPORTANT IN DECIDING WHICH RECRUITMENT MODEL TO ADOPT

44%

PROCUREMENT PROFESSIONALS ARE SIGNIFICANTLY MORE LIKELY THAN RECRUITMENT PROFESSIONALS TO SAY THAT REDUCING TIME TO HIRE (44% COMPARED WITH 32%) IS IMPORTANT IN DECIDING WHICH RECRUITMENT MODEL TO ADOPT

15 Kosnik, T. MingJi, W. Hoover, T. Outsourcing vs insourcing in the human resource supply chain: a comparison of five generic models. Personnel Review, Vol. 35 No. 6, 2006 pp. 671–683

> THE PSL NEEDS TO CREATE A TIGHT SYNERGY TO GIVE VISIBILITY TO THE KELLOGG'S BRAND IN THE MARKET

EUROPEAN TALENT DIRECTOR, KELLOGG'S

Kellogg's tends to typically use a direct sourcing model. Outside of this, Kellogg's typically operates a PSL model for between 5% and 15% of resource needs for professional workers. Kellogg's also has a resource model for workers that are paid hourly.

Our resource strategy has evolved and Kellogg's has shifted towards greater utilisation of a direct sourcing model. This was driven largely by a desire to have direct contact with our candidates and to retain control of the candidate experience. Nonetheless, cost was also a consideration.

A direct resource model allows us to move quickly. And who better to represent Kellogg's than the people that work for Kellogg's? The cost benefit is helpful but it is not the sole priority. To operate an in-house model takes considerable investment, both monetary and time. But we say the candidate experience, the speed at which we can move and the cost are key. We can use our existing employees and their networks to find the talented people we need.

We use our PSL for a small portion of resourcing. The main challenge for us with using an external supplier is how well they understand our organisation and how well they represent us in the external market.

Looking ahead, the direct sourcing model will become more prevalent. This raises challenges if competition between organisations intensifies. One way to manage this is to retain some element of PSL resource function. Then the question is, what is the best blended approach to optimal hiring and what does the PSL offer look like? The candidate mapping and sourcing tools are now available to in-house resource teams, which means that the PSL offer will need to accommodate and shift in response. Ultimately, the PSL needs to create a tight synergy to give visibility to the Kellogg's brand in the market.

TABLE 2 / HIGHEST RATED CONSIDERATIONS IN DECIDING WHICH MODEL TO ADOPT

	Vendor neutral	Master vendor	Recruitment process outsourcing	None
1st	Reducing time to hire	Reducing the cost of recruitment	Attracting the right people into the role	Attracting the right people into the role
2nd	Attracting the right people into the role	Reducing time to hire	Reducing the cost of recruitment	Retaining staff
3rd	Reducing the cost of recruitment	Retaining staff	Reducing time to hire	Reducing the cost of recruitment / Reducing time to hire

Base: Vendor neutral (n=55), master vendor (n=74), RPO (n=104), PSL (n=136), none (n=56)

Attracting the right people to the job is particularly important to those who do not use a resource supply model (75%). Organisations using a preferred supplier list (66%) or RPO (59%) also consider this of importance. Little more than two in five of those using vendor neutral (46%) or master vendor (41%) place this in their top three, implying that those using these models are being driven by other factors.

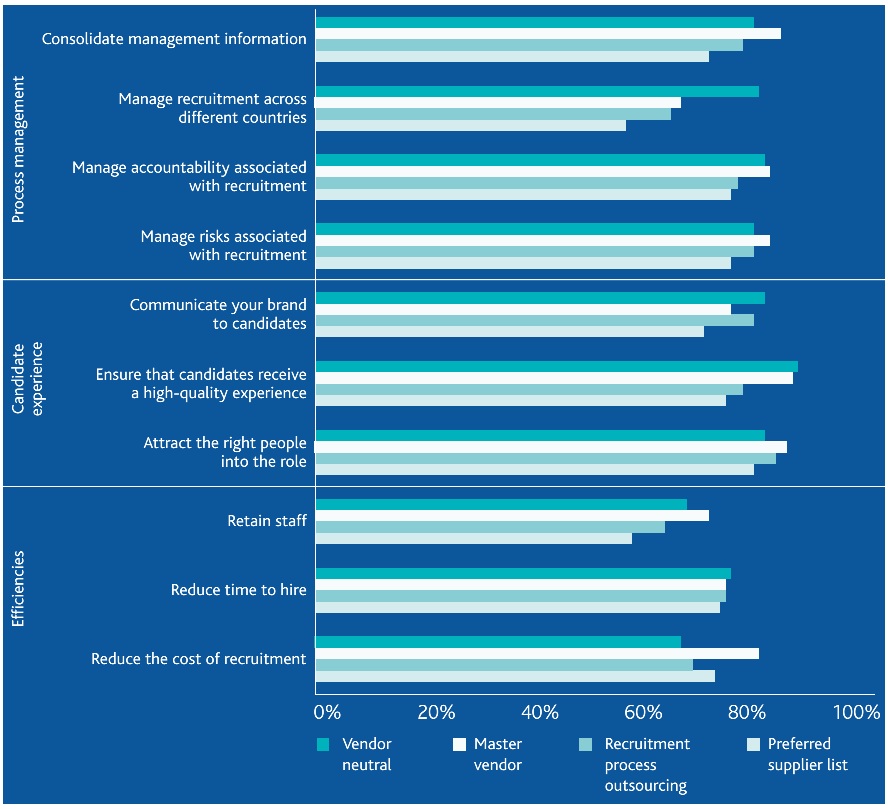
Speed is a particular priority for those using vendor neutral, with more than half (53%) saying that this is important to them – the highest proportion of any subgroup. This reflects how the vendor neutral model is especially effective at sourcing high numbers of temporary/contract staff with a frequent turnover, where speed of placement is crucial.

A high-quality candidate experience and communicating a brand to candidates are both most important to those using a master vendor (29% and 20% respectively). While this might imply that those using this model are more concerned about how their organisation is perceived by candidates, they are the least likely to say that attracting the right people into the role is important to them (41%), suggesting a greater focus on the journey, rather than the destination.

This may be because the master vendor model is an effective structure for decentralised organisations, in which case ensuring consistent brand communications and a good candidate experience across business units could be particularly important. Less than one in ten (8%) of those not using any of the models tested say that communicating their brand to candidates is important in choosing a model. Since these businesses likely conduct all their recruitment in-house, this may not indicate that communicating their brand to candidates is not important to them, but rather that they do not need to worry about it in the same way that an outsourcer would, as they already have a strong connection with the brand.

There is some variation in how effective the different models are deemed to be. Figure 3 sets out how the different models compare. It is clear from Figure 3 that there are a few areas of variation between the different resource models. Namely, 'reduce the cost of recruitment', 'retain staff' and 'manage recruitment across different countries' show greater levels of variability.

FIGURE 3 / IN YOUR VIEW, HOW EFFECTIVE IS THE MODEL IN HELPING YOUR ORGANISATION TO DO THE FOLLOWING?



Base: Vendor neutral (n=55), master vendor (n=74), RPO (n=104), PSL (n=136)

Another way of looking at the data above is to group it according to the overarching metric. Below, we have created a metric against which the resource models can be compared using the three main considerations. Each recruitment model is assigned a score out of three for its effectiveness on three key metrics, with 3 = very effective and 0 = not at all effective. The metrics are:

- **efficiency:** incorporating reducing the cost of recruitment, reducing time to hire and retaining staff
- **the candidate experience:** incorporating attracting the right people into the role, communicating your brand to candidates and ensuring that candidates receive a high-quality experience
- **process management:** incorporating managing risks associated with recruitment, managing accountability associated with recruitment, managing recruitment across different countries and consolidating management information.

The purpose behind this approach is not to rank the different resource models but to examine perceptions of effectiveness.

FIGURE 4 /
EFFECTIVENESS METRIC

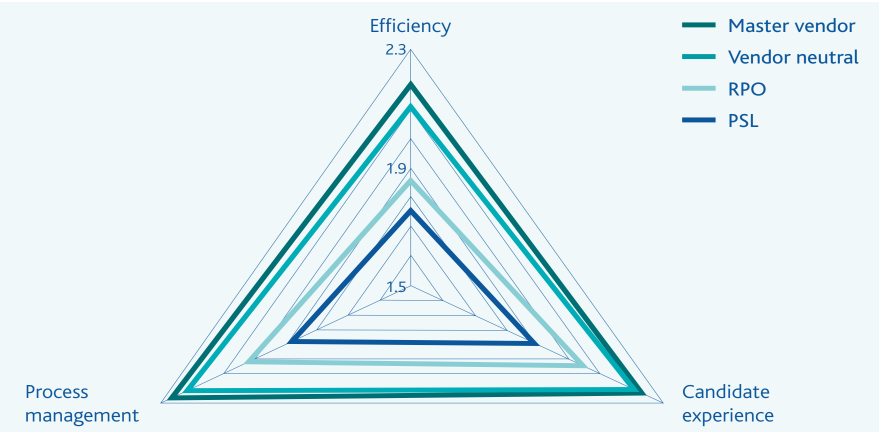


TABLE 3 /
EFFECTIVENESS SCORES

	Master vendor	RPO	Vendor neutral	PSL
Efficiency	2.18	1.85	2.10	1.76
Candidate experience	2.22	2.05	2.22	1.89
Process management	2.27	2.02	2.22	1.88

Base: Vendor neutral (n=55), master vendor (n=74), RPO (n=104), PSL (n=136)

What is clearly demonstrated is that resource models maintain a balance between all three metrics and possible trade-offs. The commodification of the resourcing process, with emphasis on strict application of filling vacancies with speed, at low margins, can risk the human interaction between employer and candidate and may also pressure suppliers to put forward less able candidates for low margins. Similarly, too much emphasis on the candidate experience could come at the expense of efficiencies, such as time to hire.

But what is interesting is that the models consistently maintain their relative position across all three indicators, with a higher score in one metric consistent across other metrics. Master vendor model has the highest average score for efficiency (2.18) and process management (2.27), and the joint highest average score for the candidate experience (2.22, tied with vendor neutral). Vendor neutral comes a close second on both efficiency (2.10) and process management (2.22). RPO comes third on each metric. PSL last on each. Interestingly, the PSL scores the lowest despite it being the most commonly used of the four models tested. This suggests that there is no trade-off, but it is worth exploring what the particular challenges are for resourcing in organisations.

DIRECTOR, BT

We have a PSL which we use for senior appointments of permanent staff. The PSL brings some benefits, you establish good relationships with the agencies, they understand your business and you exploit economies of scale. This is used for a proportion of senior appointments and we also use other more direct routes.

We have seen that using some indirect methods to employ people is a good way of getting people getting more people into the labour market and that is important for us as an ethical employer. We want to provide as many opportunities as we can to get people into the labour market.

Summary

Resource supply chains are a relatively new and pragmatic response from organisations and they are evolving. As the resource models shift from first- to second- and third-generation models, there is less of a focus on cost. Cost savings are quickly secured when a resourcing model is established. Visibility of spend allows resource teams to accurately estimate spend across the organisation. In response, a resource model is established as a way to harness and co-ordinate resourcing from a central point in the organisation. Many of the employers we interviewed go on to second- and third-generation supply chains. The objective now is to continue to secure cost savings while developing a more sophisticated relationship with suppliers. Employers see costs as an ongoing concern but also see evolution as the relationship enters its second or third generation.

Similarly, employers considered resource models to be effective in process management.

Discussions with employers suggest that while the initial gains are quick, particularly in securing cost savings, employers seek more out of their relationship with suppliers as they enter second- and third-generation contracts. There is a greater focus on candidate experience, the brand and innovation. This means that the terms of engagement between employer and supplier will need to shift, the type of resource model used may change and the way in which the supplier is performance-managed will have to adapt.

> “WE WANT TO USE TECHNOLOGY AND ALGORITHMS TO SOURCE CANDIDATES. BUT THERE WILL STILL BE A COMMON-SENSE APPROACH; THERE WILL STILL BE SOMEONE PICKING UP THE PHONE”

RECRUITMENT TRANSFORMATION LEAD, JAGUAR LAND ROVER

We currently have a recruitment team in-house. We also use a third-party RPO. The bulk of the activity is done by the RPO partner. The RPO provider runs the recruitment drive and works with hiring managers. The current in-house recruitment team supports by developing the job description and administration.

We now need a new approach. In the past we were recruiting between 200 and 400 new hires. We are now at an extreme level of growth and have 1,000 hires a year. We have a greater volume of and complexity of roles. For instance, we now need systems engineers; Google are fighting for talent in the same space with driverless cars.

We are reviewing our RPO providers. We need to think through who are the suppliers that can give us solutions that work for us. We have a good brand and the product is right; we need to make sure that we get the right model. We want a maturity about how we approach talent. We want to use technology and algorithms to source candidates. But there will still be a common-sense approach; there will still be someone picking up the phone. We are future-proofing.

We will adopt an in-house hybrid approach. We want to maintain control in-house but we need the expertise. I want to be able to scale up and down as well as a 24-hour sourcing model. An in-house team would be too expensive. The market is uncertain.

We want to attract the right people into the role. We keep rolling campaigns to open the potential pool wider. We have good awareness campaigns but we are not targeting the right people. We need to shift the focus to targeting people.

The business is evolving at such a rate. We are investing in our own ATS [applicant tracking system] system. We have bought the enterprise which will give us the ability to get meaningful data. We want meaningful data so that we can make decisions. We are getting an RPO partner, with a new HR function, and a new system. We are building the model from scratch rather than parachuting an RPO in. We will have a JLR system that we will roll out globally. The model will bend and flex but not break.

04

EMERGING CHALLENGES

The report highlights the increasingly pervasive use of resource models. Many of the case study organisations have resource models that are relatively immature models which are in the process of evolving to create a better fit between the employer and the supplier.

This section explores the identified challenges. This will give an insight into how the resource supply chain will evolve, what the emerging priorities will be for employers and, importantly, what this means for achieving good recruitment.

Underpinning the discussion below is the main finding that an integrated approach between supplier and employer will address many of the issues faced. How well the resource models bend to these challenges is in part about the structure of the particular resource model but also the appetite of suppliers to evolve alongside employers and negotiate the right balance of control between the two parties. We borrow from Giehill and Moss, who use evidence from the manufacturing supply chain and state: 'Organisations that form, develop, manage, and mature their supply chains reap the highest quality results at the best possible price.' This is in part about how an employer organises its relationship with an external supplier, but also about finding and articulating common cause between procurement and human resource professionals.[16]

Candidate experience

Resource models are generally considered to be effective in attracting the right people to the role and ensuring that candidates receive a high-quality experience. Four in five (82%) state that their resource model helps attract the right people into the role and 79% state that they ensure that candidates receive a high-quality experience. And three-quarters (75%) felt that resource models are effective in communicating brand to candidates. Interviewees had some concerns about how effective resource models are in communicating brand.

It is equally notable that some of the main challenges focus on how effectively the suppliers can represent the agencies in the employment market. This is most evident around questions on managing brand.

One interviewee provided the following insight:

We have greater proximity with our provider on the MSP. There is a lot of alignment and they have the ability to provide innovation. They have a good set of benchmarking data and they have a seat at the table. We appreciate their advice and their strategic thinking.

The PSL is a more reactive relationship. We do send them the key messages but this is not as intimate. We communicate with them but it is not a strategic relationship.

16 Giehill, T, Moss, S. (2009) *Human capital supply chains*, Mill City Press

The case studies suggest that employer brand is not effectively communicated by third-party suppliers.

Some employers resolved this concern by reducing the number of suppliers and bringing responsibility on brand matters in-house.

RESOURCING MANAGER, NPOWER

In the energy market, the customer piece is massively visible. We made a structural change in our organisation to manage our generating portfolio separately from our retail portfolio. Now what that means is that we put the customer at the heart of our retail business and focus our generation business on generating power. In the energy sector, we understand that we need to put more focus on the customer than ever before. This is critical. But what that means in terms of people that we recruit is that in some cases it is not just about the technical skills to do a role, it is also about customer focus. Why is that complex? It is translating what they have done in a different customer-focused environment and applying that in the energy industry. This means the right people are harder to find.

A PSL helps us to meet the needs of the changing sector. Brand for us is important. The challenge of having a supply chain of 150 agencies a few years ago was that control of brand and messaging was harder to control. And then in terms of the complexity of skills shortages, that message is hard to translate across a big supply chain. What we have for the most part today is a supply chain that gets the challenges and gets the brand.

Efficiencies

The data and the interviews suggest that the main consideration informing which resource model to adopt is attracting the right people to the role. But, for the most part, cost has triggered action on what resource supply chain to adopt.

This leads to the first question: to what extent has the focus on cost influenced the nature of the supply chain? And, if so, what are the implications for attracting candidates? There are two possible outcomes: an over-reliance on metrics that measure cost and transactional indicators, above other indicators of performance, and, secondly, quality suppliers choose to operate outside of the resource models.

We are always accountable in terms of spend. We have monthly reporting. We have certain autonomy to deliver. We have to deliver talent to fulfil roles. We are driven more on goals and on the time to fill, and how long requisitions have been open. We work around those goals and those targets within the budgets that we set ourselves at the end of the year.
Head of Talent Acquisition, AECOM

Employers are aware that cost savings can come at a price. There is a risk that shaving supplier margins may discourage good suppliers from meeting the brief. This is a particular risk for models in which suppliers were not party to negotiations, for instance vendor neutral and master vendor. As one interviewee noted, 'This can have a negative impact on the sector and it doesn't bring about service improvement. Quality-led recruiters will move to a quality market.' The extent to which this is happening will not be within the line of sight of employers, who will often not engage with second- or third-tier suppliers.

But measuring quality provision is problematic in itself. Employers use a series of metrics to measure and monitor provision. The most common measures are conversion rates, time to fill and number of appointments. How effectively these metrics are collected and monitored varies. In some instances employers collected the data routinely and in others there is less data availability.

We use the standard metrics, for instance percentage of external hires directly, average cost of external hires, average time to fill for junior roles, CV to placement ratio, quality of hire. We track the cost of the service, carry out customer satisfaction surveys with managers and sometimes with hires. We have review sessions. We get their input to get a pulse on frustrations and we engage procurement in the review.
Head of Talent and Resourcing for Europe and GB, Xerox

There is greater variability in data captured on staff retention. How effective the resource models are in ensuring that staff stay with the company is often harder to track, particularly for those models that are in first generation. This is potentially problematic if the data focuses purely on transactional aspects of the relationship between supplier and employer, when what is also needed is assessment of strategic insights.

Secondly, and more importantly, where data is captured, there is a question as to whether the full insights can be gleaned on the quality of provision. As the resource supply chain evolves, there is increasing need to demonstrate added value and work with clients upstream. Employers often suggest that they want a more strategic relationship with their suppliers, but often the metrics used rely on a view of a commodified process. The metrics will need to move beyond the transactional to a predictive assessment of workforce dynamics. This will allow organisations to have a clearer sense of how effective their model is in responding to emerging ebbs and flows in resource need.

Process management

Employers generally judged the variables within process management as effective. However, the discussions highlight that each party in the supply chain will have a partial line of sight. This can obscure certain aspects of the supply chain and limit aspects of good recruitment.

There is an assumption that the relationship can be problematic. As Giehill and Moss state, 'HR uses terms such as talent, recruiting, compensation, and benefits. Whereas procurement uses terms such as services procurement, labour based categories, labour related spend, spend under management and cost containment'.[17]

17 Giehill, T, Moss, S. (2009) *Human capital supply chains*, Mill City Press

HEAD OF TALENT AND RESOURCING FOR EUROPE AND GB, XEROX EUROPE

We have an on-site managed service provider. Previously we had a PSL. But at the time, recruitment costs were increasing a lot. We explored the status quo. We now have an on-site MSP for permanent staff. They provide consultancy rather than just processing vacancies. They build relationships with the hiring managers and they understand the business need.

We used this model because we wanted flexibility to manoeuvre. As we went through the recession, we had fewer people in the resource team. Because we had a reduced number in the team, we could pick up again when needed. We wanted to cut down on the time spent sourcing candidates by the recruiters, so this has been outsourced to an international sourcing centre in Johannesburg. The recruiters focus on working with hiring managers.

In terms of what we see as success, cost has to be taken into account. We have to manage our cost base carefully. We have to make sure that we have value for money. There is a certain formality of relationship with our provider which makes things easier to manage because it is a more formal relationship than with our own in-house team. As part of the commercial arrangement we have, we can decide who is in the team. We get people in that are the right fit in our culture and in our team.

The reality is that discussions are often less polarised between the different camps and there are common themes that surface amongst different types of professionals. And in fact, the case studies in this research reveal a set of clear principles that are common across the different parties.

There is an implicit assumption that HR centres on strategic activities while relying on suppliers to focus on all transactional activity.[18] This can mean that some of the factors that HR will focus on, such as candidate experience and staff retention, are downplayed in the supply chain. In addition, as noted earlier, HR also has to focus on cost and there is the possibility that cost, as a much more visible and manageable variable, can supersede other considerations.

I actually think that within our sector there is already an integrated approach between procurement and staffing functions. The NHS has definitely adopted an integrated approach to procurement, engaging stakeholders from procurement, staffing, operational and clinical departments. We often see panels being led jointly by both procurement and staffing functions.

Even when processes are finance- or procurement-led, we see an integrated approach with good staffing function involvement and well-structured handovers to operational functions during implementation and mobilisation

18 www-bcf.usc.edu/~padler/research/HR-BPO(SMR)-1.pdf

Involvement, integration and partnership with service lines and operational managers is key. These individuals will know what is happening in their services and are able to more effectively workforce plan and forecast.

We see an increasing need for efficiencies to be delivered but also there is a need to maintain a quality-led supply chain and an integrated partnership leading to engagement with all departments – staffing, finance, operational and clinical – is key.
Managing director, Psychiatry People

GLOBAL CATEGORY LEADER, NOVARTIS

Procurement and HR have complimentary skillsets and objectives. Both functions can and do deliver great results at a strategic and operational level.

I would like to see a more broad definition of 'talent', in particular to include contingent labour. At an operational level, we want to identify the right resourcing models (for perm and contingent), good processes, right hiring channels, metrics, and reporting. At a strategic level, we need to support the business needs in securing the right skillsets/competencies that are fit for today and fit for future.

I believe the collaboration of procurement and HR can and should be the functions that lead the business towards strategic workforce planning. Total workforce analytics (perm and contingent) provide the business data to make informed decisions on their people assets.

The supply base is mature, products are mature, what is difficult is finding the differentiators in the market and the supply base. Closer collaboration with a few key suppliers will lead to more innovation and improved performance. There is a rich supply of experience and know how in our suppliers, we should create commercial relationships that benefit both sides.

This suggests that the resource models have led to unintended consequences. The terms of engagement between the supplier and employer have often focused on tangible outcomes, led by cost reduction. However, what employers are often seeking is a more strategic and less transactional relationship between them and their employer.

A further unintended consequence is that spend and cost savings are more pervasive, while the more intangible and harder to measure metrics feature less in the relationship between the supplier and the employer.

In response, employers are reducing the number of suppliers to enable them to better manage and communicate with partners. However, the real step-change is when the terms of the discussion shift to one in which the partnership is less commoditised and more strategic.

A particular good example is when they have the right people involved. Having a broad spectrum of people involved is the key to success. There is a need for joint understanding of the end-to-end goals.
Managing Director, Psychiatry People

HEAD OF TALENT ACQUISITION, AECOM

With suppliers it is about having the right business relationship, with the right suppliers. We need to go to them with the right roles that they can fill. It doesn't always have to be loads of suppliers, and it doesn't always have to be purely about volume or cost.

If you work with too many agencies, it will dilute the brand. It can be harder to build relationships with the key agencies who are working effectively with you.

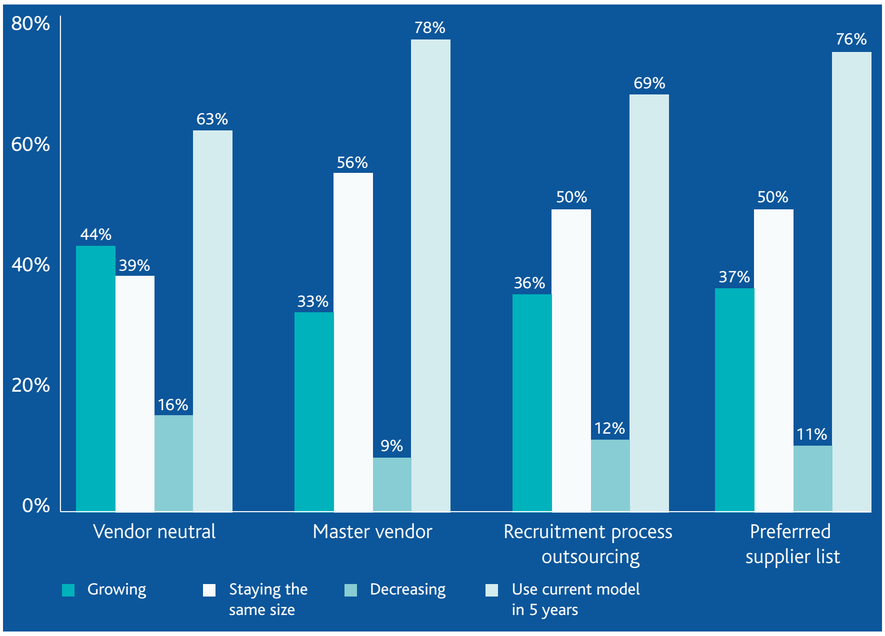
I would like to see the shape of agencies changing so that they work differently with their clients. How do the agencies work with their clients and how will they pay their staff? Do they work the candidate or do they work to fill the job?

05

FUTURE TRENDS

I think some of the trends will remain the same. In that what we are looking for is someone that generally works with us, will uphold our standards of delivery and just deliver in a responsive way. This will mean good-quality people in short timeframes at an effective cost. The piece that we look for and explore is, what are the real innovations, what are people doing differently?
Head of Talent and Resourcing for Europe and GB, Xerox

FIGURE 5 / IN THE NEXT 12 MONTHS, DO YOU FORESEE YOUR IN-HOUSE RECRUITMENT TEAM GROWING OR REDUCING IN SIZE, OR REMAINING THE SAME? IN THE NEXT FIVE YEARS, WHICH OF THE FOLLOWING RECRUITMENT MODELS DO YOU INTEND TO USE?



In the next 12 months, do you foresee your in-house recruitment team growing or reducing in size, or remaining the same size? Base: Vendor neutral (n=54), master vendor (n=72), RPO (n=102), PSL (n=136). Base: Vendor neutral (n=55), master vendor (n=74), RPO (n=104), PSL (n=136)

Respondents were asked to comment on whether they think their in-house recruitment team would grow or remain the same in the next 12 months. Most (42%) of the HR professionals surveyed do not anticipate any change in the size of their in-house recruitment team. Half (52%) of in-house recruitment teams are

RECRUITMENT TRANSFORMATION LEAD, JAGUAR LAND ROVER

We know that in 2020, 80% of people will be on a 4G network. How people apply for jobs will change. You have to do something that will engage potential candidates. Rapid information will follow on from technology. We will be using algorithms to track people down; this will blend all candidates' social media channels into one and we will be able to communicate directly with candidates based on this information. Information such as your fitness patterns will potentially be used. This is already used in the military; it will be interesting to see if we can blend this into the recruitment market. It will be very intelligence-led.

predicted to remain the same size in the next 12 months, while three in ten (31%) expect their in-house team to increase in size and one in seven (14%) to decrease.

Predicted trends for future recruitment model use mirror those in the present, with PSL the most intended to be used and vendor neutral the least. Vendor neutral and RPO are the models most likely to see respondents intending to move away from them, with at least three in ten of those currently using each model (37% and 31% respectively) not intending to use that model in the future. These models may have underlying flaws that put off HR teams, despite the fact that vendor neutral in particular was the second most effective model for each of the metrics tested.

Notably, it is the most effective (master vendor) and least effective (PSL) models that are the least likely to see respondents intending to stop using them in the next five years (22% and 24% respectively). This suggests that these models simply suit employers the best. As with the models currently used, those working in procurement are more likely than those working in recruitment to say that they intend to use each of the models tested.

Anticipated growth of in-house recruitment teams would generally sit alongside an inverse relationship with anticipated use of current model (as well as other resource models). This holds in the case of organisations that use vendor neutral, with just under four in ten (44%) of organisations anticipating growth of in-house recruitment teams and only 63% of organisations anticipating continued use. This pattern holds for organisations that use the master vendor models. Only one in three (33%) of organisations anticipate growth of in-house resource teams and there is relatively high continued use of the existing model, with just under four in five (78%) employers stating continued use of this model.

The inverse relationship unravels somewhat for those organisations that use preferred supplier lists. A comparatively high anticipated growth of the in-house resource co-exists alongside high continued use of the PSL resource list.

Interestingly, also, procurement professionals are more likely to assume that the in-house resourcing teams will stay the same size.

FIGURE 6 / IN THE NEXT 12 MONTHS, DO YOU FORESEE YOUR IN-HOUSE RECRUITMENT TEAM GROWING OR REDUCING IN SIZE, OR REMAINING THE SAME?

Base: Procurement (n=176), HR/recruitment (n=88)

COUNTRY RECRUITMENT MANAGER, CATERPILLAR

For permanent hires, we principally operate a direct delivery model. We use careers sites, Linkedin and job boards to recruit within each skill set.

Previously we had 84% of external hires through an agency. This has been reduced to 10%. We have a PSL arrangement with standard terms and conditions. They support us with niche roles, engineering and finance roles.

In the past, we found too many recruitment agencies on various arrangements. This was costly and there was a lack of control and rigour in the process. There was limited awareness of customer delivery. We worked with so many agencies and they didn't know the brand or the heart of the company, they had a warped view of Caterpillar.

In truth, it was too long and consistency was poor. The quality wasn't good. We made a saving from recruiting more directly and using channels ourselves. I inherited 11 recruiters and now have 6 today. I have a leaner operation.

06

FUTURE SCENARIOS AND RECOMMENDATIONS

To conclude we define some future scenarios on how the resource supply chain will evolve.

Scenario 1: Shift towards in-house resourcing

For some organisations, creating transparency around recruitment processes and cost leads to greater clarity about what organisations can do more cost-efficiently and where external support is needed. Clearly some of the tools and techniques that external suppliers use are also available to in-house resourcing teams, with some interviewees noting that they have invested in some of the management information systems. In-house teams believe they can attract and recruit people with the same skills and capabilities available to external suppliers. Several of the in-house resource interviewees who participated in the case studies had previously worked in recruitment agencies

The perceived advantage of in-house resourcing is the idea that they can better manage the candidate process. And some organisations also believe it will allow them to better manage and promote their employer brand.

One risk of this scenario is that the relationship between supplier agencies and organisation becomes transactional, with organisations still relying on external suppliers to support resourcing of a few niche or specialist roles. It is with these particular roles, where candidates are hard to find, that agencies are seen to provide additional value. External agencies work with, and gain insight from, multiple businesses on resourcing issues. In-house resourcing therefore does not solve the underlying challenge for supplier or organisation. Both parties desire greater synergy and integration in the recruitment process.

Recommendation 1

Employers should seek to integrate suppliers within their overall workforce planning and talent acquisition activities. This approach is mutually beneficial to suppliers and employer organisations and enables both sides to plan and forecast effectively. This partnership approach should influence not only the management of the contract but also the way in which suppliers are performance-managed. Organisations should broaden the performance metrics beyond transactional measures (for example time to hire) to include performance assessment on strategic outcomes such as the quality of hire, the 'stickiness' of hires and innovative approaches to sourcing candidates.

Whoever that outsourced partner is and how they represent you, that synergy should be really close. The benefit needs to be seen end to end. The visibility of the organisation needs to be important and they need to position the employer brand.
European Talent Director, Kellogg's

As an organisation and industry, we are facing a real skills shortage. This may be where the partners will come into their own. Recruiters always talk of the passive candidate. We want them to engage with candidates and to think more proactively about our talent pipeline. Rather than thinking, we have a vacancy, we need to fill it, my team should be thinking about the succession talent pipeline and our partners should be thinking that this person may not be ready for npower now but perhaps in the future they will be. And be highlighting them to us as a person for the future.
Resourcing team leader, npower

Scenario 2: Divergence between HR and procurement

As the survey data suggests, HR/recruitment and procurement are often in agreement on the factors to consider when choosing to use a new resource model. Note, however, that in the survey, whilst HR/recruitment and procurement professionals were equally likely to choose 'attracting the right people into the role' as one of their three most important considerations when choosing a resource model, procurement professionals are more likely to choose reducing the cost of recruitment, and recruitment professionals to choose 'retaining staff'.

What the case studies reveal is different modes of working between HR/recruitment and procurement. For procurement professionals thinking about the resource supply chain, the priorities are clearer and performance indicators are tangible. Human resource departments have traditionally focused much more on the quality of the hire and getting the right people. This leads them to focus much more on the recruitment process itself and outcomes such as the candidate experience and retention, which do not translate so readily into performance management of the supply chain.

HR Magazine described the relationship as, 'The procurement delusion: a frustrated relationship with values driven HR, masked with a smile.'[19] What is clear is that the HR function has acquired or is acquiring different functions and needs the skills that are needed to carry out those functions. Managing commercial arrangements and looking for efficiencies sits more comfortably in procurement. The use of resource models to carry out the transactional and administrative tasks provides the space for HR to shift focus on strategic activities, and work with suppliers to deliver on innovation.[20]

Recommendation 2

HR functions need to be more assertive about quality of the hire and define the process that will deliver the talent solution. Procurement should run the tendering exercise and hold the supplier accountable for delivering against cost and quality criteria. How to discern and measure talent acquisition and some of the broader functions, and how to interpret this in a commercial sense, will require joint contribution from both HR and procurement specialists.

19 www.hrmagazine.co.uk/hr/features/1074201/price-driven-procurement-strategy-led-hr-widely-overlap-neatly
20 Adler, P. (2003)Making the HR outsourcing decision, *MIT Sloan Management Review*

Scenario 3: Over-emphasis on efficiencies

Resource supply chains can reduce the cost of resourcing. As some of the case studies suggest, external resourcing mechanisms were introduced to curb spending on resourcing and bring about visibility of spend.

The main risk of this approach is that those resource models which have a first-tier supplier (neutral vendor, master vendor and RPOs) often pass on cost reductions to second- and third-tier suppliers. Quality suppliers may then choose to exit from the resource supply chain if they can't supply at low cost and absorb low margins.

The employer's line of sight is often only focused on the first-tier supplier. The extent to which quality second- and third-tier suppliers (who are often small and medium-sized agencies) are participating is hard for organisations to measure and monitor.

Recommendation 3

Organisations should extend their line of sight beyond the first-tier suppliers. Having a robust view of second- and third-tier suppliers ensures that supply chains have quality suppliers and will deliver business objectives and be sustainable. One way of ensuring that supply chains are sustainable is to embed good practice within the terms of contracts with tier-one suppliers. For example, the REC's VMS Code of Practice – which enshrines good practice such as prompt payment and non-poaching of staff – is embedded with Crown Commercial Service contracts and means that VMS providers are held accountable for the way they work with second-tier suppliers and promote compliance through the supply chain.

The Wales procurement policy encourages the use of local suppliers and reducing barriers for SMEs. Suppliers also have to demonstrate community benefits as part of their bids to ensure that money is re-invested in the Welsh economy through public sector contracts.

Sue Moffatt, Director, National Procurement Service, Welsh Government

Scenario 4: Resource models become more prevalent

The use of resource models is now prevalent amongst large public and private sector organisations. As the survey results suggest, resource models are considered to be effective across all variables including cost efficiencies, management information and time to hire. Given this state of affairs, there is a strong likelihood that the use of resource models will grow.

As these models become more mature, new ways of evolving the cost efficiencies of suppliers and the quality of outputs is becoming more important. Yet the ability of HR and procurement professionals to assess suppliers will be a core competency. Contracts will need to be more explicit on how performance will be measured. This is more evident as organisations increasingly will not only be looking for savings on cost and time to hire, but also innovation around candidate attraction, world-class candidate experience and retention of talent.

Suppliers who challenge their client organisations, who are prepared to share some of the risk, will become the winners in this outsourced world. As Adler notes: 'Outsourcing is facilitated by trust between the two parties, particularly when both organisations are keen on maintaining their reputation as trustworthy partners.'[21]

Recommendation 4

Organisations, and specifically resourcing teams, need a method by which to review, evaluate and test suppliers. Those suppliers who can demonstrate they are highly effective at managing second- and third-tier suppliers will have an advantage. Suppliers that are signed up to a code of practice, for instance the REC's VMS Code of Practice, are finding a way to signal their commitment to good practice and ethical standards. The use of analytics to measure effectiveness and quality of supplier performance will become the cornerstone of these new partnership models of working.

Recommendation 5

Organisations are rightly conscious of their employer brand and their corporate reputation. Initiatives like the CBI's 'The Great Business Debate' campaign include a focus on effective and ethical supply chain management. The REC's Good Recruitment charter sets out nine principles, one of which states 'our supply chain delivers good recruitment practice throughout, including where different resourcing models are in place'. Organisations who sign up to the charter are specifically saying they will ensure good recruitment practice along the whole of the supply chain. There is space for organisations to position candidate experience and satisfaction as a central contractual obligation between them and their supplier. This could include identifying suitable metrics to measure candidate satisfaction and staff retention.

21 Adler, P. (2003) Making the HR outsourcing decision, *MIT Sloan Management Review*

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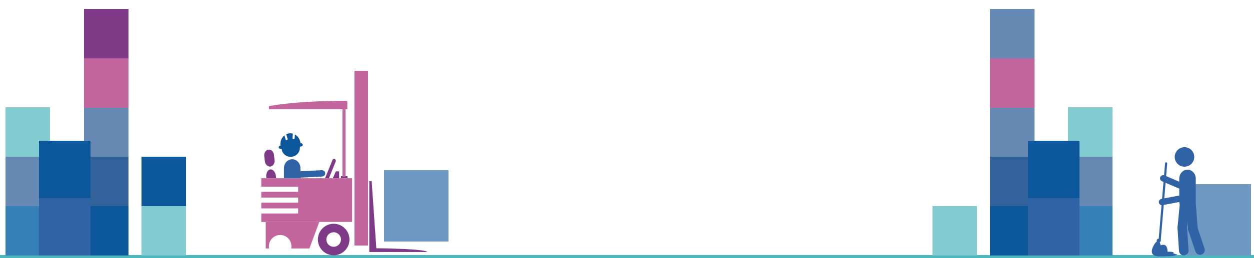

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