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Recruitment Process Outsourcing

# Recruiting Strategy Metrics: From Transactional to Transformational

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# Introduction

Most hiring managers can easily recite the set of indicators used to measure recruiting efficiency: time-to-fill, cost-per-hire, applicant-to-hire rate, and so forth. A few decades ago, these were the only realistic benchmarks that could be set. Today these transactional metrics continue to be important indicators, but they are only the first step in a larger spectrum of possibilities. The ever-increasing availability and sophistication of data, along with a talent-driven economy, present an opportunity to directly align recruiting strategy benchmarks with business mission.

**Very few employers are currently in a position to gather or utilize recruitment data that yields strategic insights.** There is a clear appetite for a more robust set of measurement tools, but few resources exist to guide employers in their quest. What's more, the drivers of employers' interests vary greatly – from the practical need to justify a consulting spend, to the larger desire to connect metrics to a bigger picture. The result is a patchwork of data requests that aren't necessarily realistic to carry out or connected to broader strategic goals.

**On the supply side, recruiters struggle with being measured against things they can't control (an employee's experience post-hire is one example) and a lack of feedback loops.** Without a connection to what happens after the hire — both in terms of data and influence — recruiters are hard pressed to deliver on metrics that go beyond the transaction.

There is a mismatch between the insight-driven data employers want and the levers recruiters actually control. To close the gap, a new model is needed. All stakeholders have a vested interest in delivering on the practical side of recruitment strategy. At the same time, room for vision is a must.

Here, we propose a new model — a framework that emphasizes the practical realities of recruitment, alongside the visionary metrics that might be considered radical by today's standards.

# WHY WE FOCUS ON TRANSACTIONAL METRICS, AND WHY WE SHOULD CONTINUE TO DO SO

Transactional metrics are important. They allow employers to establish a baseline and understand where the starting line is. With an RPO strategy, transactional metrics also present an opportunity to establish early success measures, create buy-in across departments and inform early refinements to a strategy. And because they are measures by which recruiters should measure their own businesses, they are an indicator of a smooth running operation.

However, many employers and recruiters have relied exclusively on these traditional metrics, resulting in missed opportunities to raise the bar. So why the commitment to transactional measures? There are a variety of reasons:

- **The pre-digital transaction required transactional metrics:** Not all that long ago, recruiters had to do everything one candidate at a time. Targets were sourced through personal networks, meetings were held in person. Vetting was painstaking and neither employers nor candidates had a brand. Pre-digital, the process of recruiting was very much a process. And any time a labor intensive process can be done faster and cheaper, people notice. That gave transactional metrics an extremely high value.
- **Recruiting is structured as a transactional operation.** Often the recruiter's job begins with an opening and ends once the position is filled. This fill-the-req mentality lends itself quite naturally to transactional metrics. After all, with no feedback loops to track how the employee is doing, the recruiter has little more to report than "Req filled in X weeks at Y cost per hire."
- **It is common to start with the desired outcome and work backwards.** For example, an employer might be concerned about time-to-hire and therefore set benchmarks for recruiters that reduces the time-to-hire. On the surface, this seems like a fairly sensible approach, but there is a risk. The emphasis on speed over quality means anyone in the seat is considered better than a longer-horizon, quality hire. This is a kind of reverse engineering that can result in skewed incentives and skewed outcomes.

- **When new metrics are proposed, they are frequently ones recruiters can't control.**

The appetite for new performance data is high everywhere and recruiting is no different. However, recruiters are rightly reluctant to be measured against indicators they feel they can't directly influence. Retention is a perfect example. All else being equal, it is probably meaningful if one recruiter's hires have a very high retention rate while another's do not. However, this could just as easily be a function of varying job roles, a problem with onboarding or management issues. The result? Recruiters push for metrics they feel they can control.

- **Everyone is doing it.** Employers often ask about the standard KPIs. For some, it's a matter of wanting to know how their results stack up. For others, there may be an interest in utilizing methods that are tried and true. The fact is, transactional KPIs are the only standard ones and that tends to create a demand for them. With that said, longer-term KPIs should be established based on the objectives of the entire company, not just the one recruiting project. And that means they aren't likely to be "standard."

Transactional metrics have their place, but they are not enough. Transactional metrics look at efficiency, but they don't shed light on effectiveness. Most of today's metrics place emphasize how quickly a job is done, rather than on how well it is done, or whether or not the employee is aligned with corporate culture.

As employers become more comfortable with the use of data and as even more data becomes available, there is an opportunity to expand the traditional view of metrics to address much larger questions of employee performance, productivity and engagement. Ultimately, data should be used to measure alignment with corporate culture, brand and customers. In aggregate, there should be some picture of the recruiting strategy's contribution to business mission.

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1 <http://www.hrexaminer.com/from-transactional-data-to-strategic-insights/>

# THE TRANSACTION IS NO LONGER TRANSACTIONAL: A CASE FOR EVOLUTION

Recruiting used to be a fairly straightforward process designed to fill a seat with the right person. This is no longer the case. Today, recruiting plays a part, directly or indirectly, in virtually every business objective a company has. There are many reasons for this, but three stand out in particular:

## 1. The fierce competition for talent. In a highly competitive talent economy, every aspect of a recruiting strategy impacts employers' ability to attract the best candidates.

According to ManpowerGroup's 2015 Talent Shortage Survey, 38% of employers worldwide report having trouble filling open jobs due to a lack of available talent—the highest proportion in eight years. As problems go, this one is only getting worse. If we set the same goals, we can expect the same results. To win, employers must approach things differently.

## 2. A shifting discourse that gives candidates significant influence over brand-building, and places recruiters at the center of the brand experience candidates have.

Recruiting is a high stakes endeavor that influences an employer's brand from start to finish. Earlier this year, ManpowerGroup released a white paper on the critical role of trust in establishing an employer brand.<sup>2</sup> The paper pulled together some key data that suggests recruiting strategies have a direct impact on reputation, revenue and customer acquisition. Specifically:

- When it comes to applying for a job, 66% of people will share a negative experience with friends and colleagues and 34% will post information about their bad experience online.
- Negative experiences have high costs. A conservative example of a medium-sized retailer with 8% of candidates reporting a negative experience results in \$400,000 in lost revenue annually.

- One-third of candidates say they would be less inclined to purchase products and services from an employer who didn't respond to their application

The growing importance of candidate experience highlights the need for brand, messaging and marketing outcomes in recruiting strategy. Put another way, employers would be wise to begin measuring them.

## 3. Organisations and industries have varying needs. When it comes to recruiting metrics, one size fits one.

While transactional metrics are often similar from one company to another, most higher-level recruiting objectives should be tailored to a company's specific needs. For example, many mining operations throughout the world operate in regions that have high proportions of indigenous residents. Meanwhile, there is a serious shortage of talent. In these cases, diversity would be a key recruiting objective. Identifying the areas that recruiting significantly influences will involve taking a good look at internal structures, recruitment strategies, and business objectives. The concept of one size fits one also requires employers to consider their specific challenges. For example, a large company with global acquisitions might face challenges related to consistency of hiring standards, while competition for talent in certain regions might suggest that portability of talent would be a key objective. Early metrics for success in that case might relate to building the capacity of in-country managers, while longer term metrics might relate to instances and effectiveness of global mobility.

2 [http://www.manpowergroup.com/wps/wcm/connect/4b635094-1ec7-48d0-8bf1-5fef0be6ba34/MPS\\_Trust\\_Whitepaper\\_lo.pdf?MOD=AJPERES&CACHEID=4b635094-1ec7-48d0-8bf1-5fef0be6ba34](http://www.manpowergroup.com/wps/wcm/connect/4b635094-1ec7-48d0-8bf1-5fef0be6ba34/MPS_Trust_Whitepaper_lo.pdf?MOD=AJPERES&CACHEID=4b635094-1ec7-48d0-8bf1-5fef0be6ba34)

3 Orlor, E., Talent Board. Personal interview, citing research conducted for Candidate Experience 2014 by Talent Board. December 22, 2014.

4 <http://www.hireright.com/calculator>

5 CareerBuilder. (2013.) Seventy-Five Percent of Workers Who Applied to Jobs Through Various Venues in the Last Year Didn't Hear Back From Employers, CareerBuilder Survey Finds <http://www.careerbuilder.com/share/aboutus/pressreleasesdetail.aspx?sd=2%2F20%2F2013&id=pr740&ed=12%2F31%2F2013>

# A TRANSFORMATIONAL MODEL OF RECRUITMENT METRICS

It's human nature to want to jump ahead. At the same time, any new model must be realistic about establishing a baseline and understanding starting line. With that in mind, the transformational model of recruitment metrics is sequenced along the **three time horizons**:



## Horizon 1: Consolidate (Common Practice)

Transactional metrics that represent where nearly everyone is operating today. This is a critical element that provides a baseline, allows for early success and indicates the engine is running smoothly.

<b>What it is:</b> This is a planning and preparation phase that focuses on establishing baselines and setting a company up for success. Metrics are the basic, common practice metrics that ensure the operation is running smoothly.	<b>When it Happens:</b> Day 1	<b>Why We Need It:</b> Understand the baseline, prepare the org for organisation, cultivate quick wins/early successes, establish mission-focused metrics.	<b>Non-Negotiables:</b> Recruiters need access to all relevant data, as well as feedback loops to begin to understand longer-term implications.	<b>Sample Metrics:</b> Metrics fall into the transactional category and tend to be similar across companies. For example: <ul style="list-style-type: none"> <li>• Time to fill</li> <li>• Time to hire</li> <li>• Cost per hire</li> <li>• Interview to offer ratio</li> <li>• Time to offer</li> </ul>
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## Horizon 2: Optimize (Best Practice)

A more advanced stage that occurs once all the building blocks are in place. The most sophisticated and mature recruitment strategies operate in this space.

<b>What it is:</b> When recruiting strategy moves beyond the transaction and starts to look at issues that impact engagement, productivity and brand.	<b>When it Happens:</b> Once all of the Horizon 1 metrics are in place and flowing smoothly. It occurs when all of the building blocks are in place and a culture of evolution is embraced. Timing will vary by company and in many cases it will vary by business unit.	<b>Why We Need It:</b> This is a critical period of transition that takes recruiting metrics to the next level.	<b>Non-Negotiables:</b> Recruiters need visibility into where the company is going. They need to be included in strategy sessions and treated as a strategic partner.	<b>Sample Metrics:</b> Metrics are both quantitative and qualitative, and are linked to specific business objectives. <ul style="list-style-type: none"> <li>• Candidate and employee NPS</li> <li>• Candidate satisfaction</li> <li>• Recruitment spend reductions</li> <li>• Diversity</li> <li>• Internal/global mobility</li> </ul>
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## Horizon 3: Transform (Next Practice)

A vision for the future. There are signs that this is starting to take shape, but it is not a place most companies are operating in. Creativity is a must.

<b>What it is:</b> This is the place for vision. Anything in this category would be customized to the needs of a specific company. It's radical, it's bold and it's a chance to test and refine. Everyone wants the crystal ball. This is where you look for it.	<b>When it Happens:</b> It is highly unlikely that a company will be ready for this at the start of a recruiting strategy. Actual timing is dependent on the organisation, the industry and market context. Typically, this would be 1-3 years out.	<b>Why We Need It:</b> The competition for talent is fierce and it is becoming increasingly difficult for brands to break through the noise.	<b>Non-Negotiables:</b> Complete buy-in and participation. Reaching this point means moving past measuring a person or a strategy. It requires complete collaboration across departments and commitment to the strategy.	<b>Sample Metrics:</b> <ul style="list-style-type: none"> <li>• Improved perception of employer brand</li> <li>• Awareness of employer brand</li> <li>• Improved perception of the industry</li> </ul>
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This new model doesn't throw out transactional metrics. In fact, it can't exist without them. But it also separates the floor from the ceiling. This model aligns the current practice with what we can realistically plan for today, along with a vision for tomorrow.

# What's Great (and Not So Great) About Transactional Metrics

Transactional measures are essential. They provide a baseline and key starting point for a recruitment strategy. That's why recruiters want to know things like how long it took and how much it cost to fill the role before.

At the same time, transactional measures reveal quantity, not quality. They tell us a number, but not the meaning behind the number. They are often easily accepted because they provide an indisputable figure—e.g., “time-to-hire has been cut by 30% as compared to the same quarter last year.” They sound good, but it gives an incomplete picture without an understanding of the more complicated dynamics associated with labor market trends, the quality and productivity of those new hires or hiring manager satisfaction. As is usually the case with numbers, there is far more to the story.



## CONSIDER THE FOLLOWING COMMON METRICS



**Time-to-Fill:** This can be a worthwhile baseline measure, although it doesn't account for changes in required skill-sets such as the growing technical needs that manufacturing companies have today. While these evolutions impact the time-to-fill metric, simply doing the job faster does not address the bigger problem at play.



**Turnover Rate:** Recruiters struggle with this because they have little to no control once the candidate has been onboarded. A challenging corporate culture or problematic line manager has more influence at this point than the recruiter does. So, while the measure itself can be informative, it needs to be viewed within the context of a much bigger picture.



**Applicant-to-Hire Ratio:** As a quarter-over-quarter metric, this is important as significant changes could be indicators of market shifts or increased/decreased efficiency. However, on its own, the applicant-to-hire ratio is skewed in that it incentivizes the recruiter to supply fewer applicants.



**Offer-to-Acceptance Ratio:** Similar to applicant-to-hire, this results in skewed incentives. If offer-to-acceptance ratio is held up as a key metric, there is an incentive to extend offers only to the so-called sure thing.



**Cost-Per-Hire:** This is important to understand over time, but it falls short of shedding light on how long the new hire takes to get up to speed or what the costs are after the hire. Companies can't yield strategic insights from time-to-hire alone.

**THE BOTTOM LINE:** transactional metrics are important metrics. They just aren't the only important metrics.



# WHAT TO LOOK FOR IN A TRANSFORMATIONAL RECRUITING STRATEGY

**Flexibility:** It's not always going to be the same. Every initiative should have different metrics. Depends entirely on the pain points for the company or department.

**Innovation:** There are brand-building exercises that RPO can uniquely contribute to; in addition, they should be at the cutting edge of thinking about how they can impact mission.

**Agility:** The recruiting team should have the ability to pivot – if they're unable or unwilling, they probably aren't the right provider.

**Multi-Speed Readiness:** Solutions need to align with readiness in different areas of the business.

**Feedback Loops:** Any effective strategy should build in feedback loops, ensuring that recruiting teams have the information they need to evolve their approach as necessary.

**Governance:** A transformational recruiting solution needs to have support and guidance from the top. This includes executives from the supply side (the recruiting team) and the demand side (employers), who drive every aspect of the strategy and set expectations for the delivery on the vision.

To get a general sense of how employers' challenges relate to recruiting strategy and indicators, the table below examples using the top five reasons employers have difficulty filling open jobs as reported in ManpowerGroup's 2015 Talent Shortage Survey.<sup>6</sup>

Top 5 Reasons Employers Have Difficulty Filling Open Jobs	Examples of What to Look For in a Recruiting Strategy	Possible Indicators of Recruiting Effectiveness
Lack of Applicants/No Applicants	<ul style="list-style-type: none"> <li>Tailored marketing strategy</li> <li>Expansion of sourcing strategy</li> </ul>	<ul style="list-style-type: none"> <li>Increased brand awareness among candidates</li> </ul>
Lack of Technical Competencies (Hard Skills)	<ul style="list-style-type: none"> <li>Strategy for building and maintaining a pipeline of future candidates</li> <li>Targeted marketing to/sourcing of candidates with the right skills</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of candidate pool</li> </ul>
Lack of Experience	<ul style="list-style-type: none"> <li>Plan to identify high-potential candidates for training (aka teachable fit)</li> <li>Targeted marketing/sourcing to experienced candidates</li> </ul>	<ul style="list-style-type: none"> <li>Increased candidate quality</li> <li>Increased time to value</li> </ul>
Lack of Workplace Competencies (Soft Skills)	<ul style="list-style-type: none"> <li>Plan to identify high-potential candidates for training (aka teachable fit)</li> <li>Tailored assessment tools</li> </ul>	<ul style="list-style-type: none"> <li>Plan to identify high-potential candidates for training (aka teachable fit)</li> </ul>
Looking For More Pay Than is Offered	<ul style="list-style-type: none"> <li>Market analysis</li> <li>Knowledge of local context</li> <li>Strategy for alternate incentives if necessary</li> </ul>	<ul style="list-style-type: none"> <li>Improved candidate experience</li> <li>Increased employee satisfaction</li> </ul>

<sup>6</sup> [http://www.manpowergroup.com/talent-shortage-explorer/#.VdpKo\\_IViko](http://www.manpowergroup.com/talent-shortage-explorer/#.VdpKo_IViko)



## Case Study

# Australian Government RPO – A Study in Innovation

ManpowerGroup Solutions has had a relationship with a major national Australian government organisation since 1999. This Recruitment Process Outsourcing (RPO) program is considered to be one of the largest and most complex RPOs in the world, involving the **recruitment of over 330 different job types and up to 10,000 placements each year**. While most RPOs involve parts of the recruiting service spectrum, this RPO extends itself to management of facilities, responsibility for assets and vehicles and the strategic planning, implementation and upgrade of bespoke ICT. The recruiting requirements for every job role included psychometric testing, medical screening, face-to-face career counselling, medical and psychological assessment, security and fitness testing and medical pathology.

Such a robust program comes with many challenges. First, the organisation actually represents three well-known, but widely different 'brands' all with a unique culture and set of traditions. Secondly, the recruiting is a far more stringent and complicated process for even the entry-level roles than most candidates are used to, and the process takes far longer to recruit and fill than the private-sector would expect. On average ManpowerGroup have to **manage a recruitment pipeline ranging from 18,000 to 45,000 candidates**, with widely varying contact cycles that are candidate-specific. Third, public perceptions of working for the organisation are often based on limited information and the benefits appeal to those willing to serve national interests rather than satisfy extrinsic motivations such as salary, career progression or personal security. Finally, recruiters are operating within the context of a talent shortage where 42% of Australian employers report having difficulty filling open jobs.

The complexity of the ManpowerGroup's strategy required a solution that would emphasize marketing and innovative design as much as traditional recruiting methods. This is organized around an **'attraction funnel'** that first focuses on broad awareness and then becomes more targeted throughout the engagement.

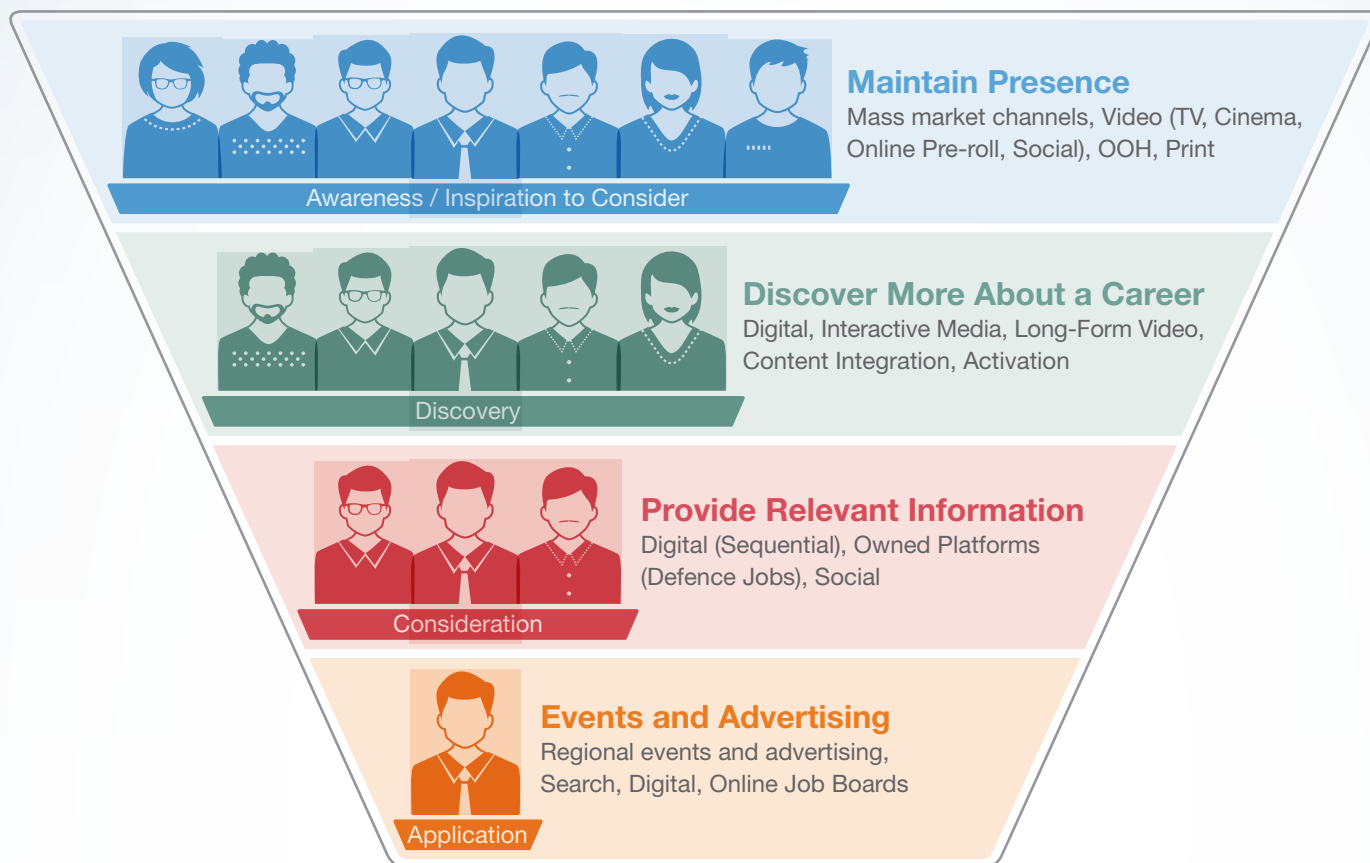
To identify relevant metrics, the RPO team looked at questions that addressed the organisation's unique needs. For example:

- Are the candidates mentally and physically ready for an extensive induction and training period?
- Is the right balance of investment (time and money) being achieved related to the level of difficulty filling specific roles?
- Do the people being recruited for specific roles perform well once they have undertaken initial training?
- Are candidates aware of and well suited to the culture of the organisation?
- How can ManpowerGroup harness the strong awareness of the organisation to achieve some of the professional roles (such as doctors, lawyers and engineers) that might not traditionally consider the organisation?
- How can ManpowerGroup move the organisation from their traditional sourcing activities of television advertisements and career fairs to a blended strategy incorporating social media and a strong online presence?

From a top-line perspective, it was important to ask: What's the strategy to source and recruit the best talent with the right aptitude and skills? And from there, how do we measure and validate that recruited talent are culturally, mentally and physically suited to life in the organisation? How do we promote innovation and change in recruiting into a very traditional and conservative organisation, while acknowledging the strength of the organisation's brand and presence within the Australian community.



## THE ATTRACTION FUNNEL



## KEY NEEDLE MOVERS FOR A NATIONAL AUSTRALIAN RPO ENGAGEMENT



**Marketing as a priority.** This RPO features a sophisticated, consumer-facing marketing strategy aimed at changing the conversation around the organisation's jobs and the benefits of a career providing service to Australia. Targeted marketing addresses specific recruiting challenges – such as a program focused on hyper-realistic, yet simulated traumas that were sent to medical specialists for emergency treatment.



**Market segmentation** identifies the different drivers and motivations that are associated with success in the organisation and aligns them with value-driven marketing messages.



**Cultural relevance** highlights the organisations authentic commitment to diversity that is driven from the top to drive recruiting efforts as well as to establish clear expectations from the outset.

# ON THE SUBJECT OF PRINCIPLES, ONE SIZE REALLY DOES FIT ALL

It's time for radical thinking. By and large, recruiting metrics have looked the same for 40 years. We can do better. At the same time, there are some things that don't need to change. For example, ManpowerGroup Solutions uses the following guiding principles across its RPO strategies:

## Quality

- Quality of service, ensuring alignment to core contractual objectives
- Quality of talent derived from the market
- Quality of assessments conducted
- Brand advocacy / EVP measures

## Process Efficiency

- Centralization & standardization of process
- Reducing time to hire and speed of response
- Adding commercial value
- Providing visibility and control

## Cost

- Reduce expenditure and deliver tangible savings
  - Cost Reduction
  - Cost Avoidance
- Provide return on investment

## Risk Mitigation

- Mitigating exposure to risk through regular auditing and technology enabled process efficiencies
- Compliance & background framework

Regardless of the time horizon an organisation is operating in, these principles should drive every action and KPI. And to this, add one more: organisational mission. If the strategy, tactic or metric doesn't align with mission, then something is amiss.



# The Outcome

## A More Strategic and Impactful RPO Strategy

The competition for talent is real, and so is the battle for brand recognition. With companies searching high and low to capture their share, organisations are looking to experienced RPO organizations to add value and raise the bar.

Transactional metrics will always have value, but in today's data-driven world, they represent the floor, not the ceiling. The real opportunity now is to take metrics to the next level and align them with employee engagement and productivity—now and in the future.

# About ManpowerGroup Solutions

**ManpowerGroup Solutions** is a global leader in outsourcing services for large-scale recruiting and workforce-intensive initiatives. Our offerings include Recruitment Process Outsourcing, TAPFIN-Managed Service Provider, and Talent Based Outsourcing. Facing increasingly complex challenges, our clients rely upon our innovative workforce models and outsourcing solutions to deliver measurable results and business success.

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