KORN FERRY Institute

Thought Leadership

Measuring Up?

What companies really think about RPO metrics and how they could be improved in the future.

Produced by Korn Ferry and HRO Today Magazine

As performance analytics become increasingly advanced, with traditional means of tracking the effectiveness and efficiency of the HR function giving way to far more sophisticated methods, the question of how we measure recruiting success is more pertinent now than ever.

To find answers to this and other questions, Korn Ferry joined forces with HRO Today Magazine to undertake a primary market research study among users of recruitment process outsourcing (RPO) services. We focused our investigation on three key areas:

- What Key Performance Indicators (KPIs) are being used in the RPO space?
- How satisfied are users with those metrics?
- What metrics do users want that they don't currently have?

We also took the opportunity to gauge feelings on other related topics including:

- How satisfied are clients with their RPO providers overall?
- Is it easy to link talent acquisition data with HRIS systems?
- How well do RPO applications meet user needs?

Methodology

Korn Ferry and HRO Today Magazine conducted a series of in-depth phone interviews with HR executives who employ an RPO service provider. We then used the results from this qualitative research to shape a survey instrument that would provide us with quantitative data on the issues covered.

The online survey was launched via HRO Today Magazine in 2014. In total, 265 readers responded to the survey invitation. Respondents were screened so that only those directly involved in working with RPO services took part.

Summary of findings.

The main finding of our study is that successful metrics go hand in hand with successful RPOs. Customers are more likely to be satisfied with their RPO if it offers metrics for reporting and decision-making – and by investing in the relationship with year-over-year improvement initiatives, they can continue to be as satisfied with their RPO in the fifth year as they were in the first.

Other key findings include:

- **Clients who are satisfied with their performance metrics are also satisfied with the performance of their RPO.** Of the customers we spoke to who were not satisfied with their performance metrics, only 35% were satisfied with their RPO. On the other hand, nearly everyone who was satisfied with their performance metrics was also satisfied with their RPO.
- **Some clients are much more sophisticated in their use of analytics than others.** The level of sophistication we encountered among clients varied widely. Interestingly, those with a more sophisticated understanding of data also tended to report higher levels of satisfaction with their RPO.
- **Quality is more important than quantity.** Much of the data currently captured is not being used. Better metrics, therefore, does not necessarily mean more metrics. The key is rather to enable HR to drill down into meaningful segments and to provide them with actionable information that can be communicated to C-level executives. In fact, actionable information appears to be a crucial factor in customer satisfaction levels: 89% of those who are happy with their metrics also feel that the information they receive is actionable.
- **Success depends on the client as well as the provider.** The way in which metrics are initially set up will determine whether the information they provide is actionable. Client involvement at this early design stage is therefore essential. The client also has an ongoing responsibility to produce normalized and fully accessible data for the RPO provider to draw on.
- **Infrastructure is important.** Meaningful metrics can only be produced if there is sufficient infrastructure in place. If talent acquisition data is not seamlessly linked into other HRIS systems, it is difficult to derive real value from it. In fact, over half (57%) of those not satisfied with their metrics complain that the data does not link with other systems.

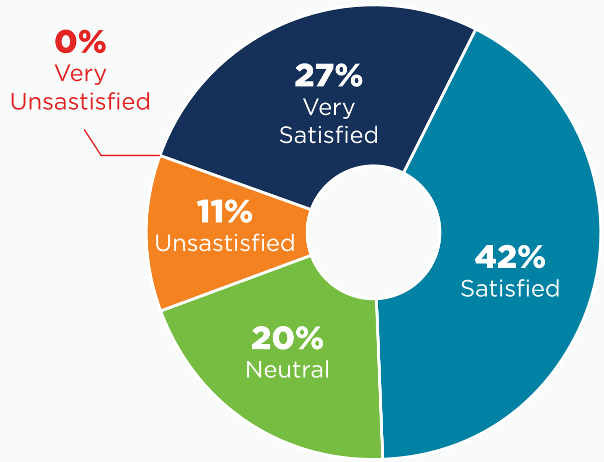
Part one: Gauging general satisfaction levels.

How satisfied are you with your RPO provider?

We asked participants to rate their satisfaction on a scale of 1 to 5, ranging from "Very Unsatisfied" to "Very Satisfied". Only 69% of respondents registered feelings of satisfaction with their RPO provider, with the remaining 31% declaring themselves neutral or unsatisfied. The average score was 3.89.

Looking at the research in more detail, we saw that satisfaction levels appear to decline over time. For RPO providers, this should highlight the importance of continuing to invest in client relationships.

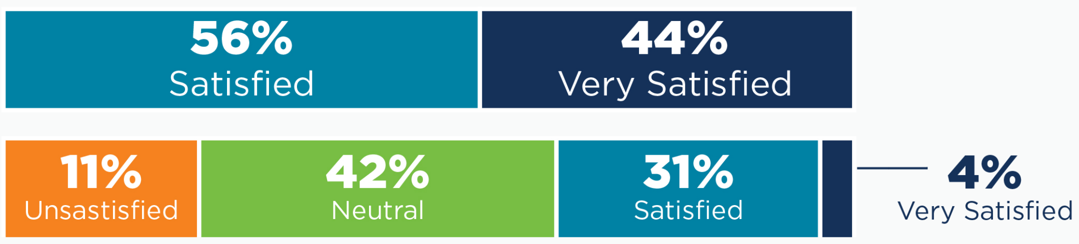
As the chart below suggests, there is also a strong correlation between overall satisfaction with an RPO and satisfaction with performance metrics in particular. Only 35% of those who are unsatisfied with performance metrics are satisfied with their RPO whereas 100% of those satisfied with their metrics are also satisfied with their RPO.



Our view on maintaining satisfaction levels.

Successful RPO vendors will often have a team dedicated to looking at year-over-year improvements for each of their clients. They will also implement innovative new tools and products for these clients at no extra cost. This enables them to continue wowing clients for the duration of the contract, ensuring that satisfaction levels do not diminish over time.

Correlation between Performance Metrics and RPO Satisfaction



How satisfied are you with your performance metrics?

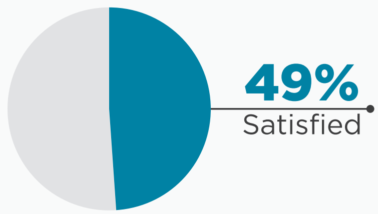
Only 52% of respondents claimed to be happy with their performance metrics. In other words, almost half the people we spoke to are not satisfied with the metrics they currently have in place. How could this be?

Let's look at the findings in more detail.

We examined satisfaction levels across five key areas: volume of data; accuracy of metrics; alignment with business outcomes; drill-down capability; and the extent to which information is actionable. Results varied between the five areas (although satisfaction levels in all of them were relatively low).

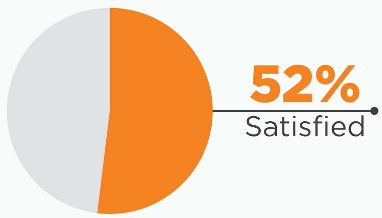
Volume of data

Less than half of the respondents were satisfied with the amount of data they receive. Lack of information can be a serious issue of HR departments. An overabundance of information can also be problematic, especially when it is unclear what the data is for.



Accuracy of metrics

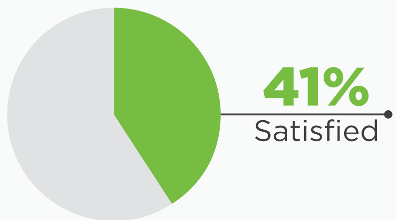
Satisfaction levels here were also low, with just half of respondents declaring themselves satisfied. A worrying 30% of respondents weren't sure if their metrics were accurate or not. This lack of confidence can have serious business implications, as HR departments are unlikely to circulate or make use of numbers they don't believe in.



Alignment with business outcomes

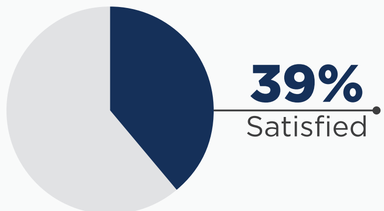
Business outcomes are typically measures like revenue generation, expense reduction, or customer satisfaction and retention – measures associated with the language of the C-suite rather than the more tactical concerns characteristic of HR recruiting reports. Of all the areas we looked at, it was the alignment of metrics with business outcomes that caused the greatest levels of dissatisfaction.

But, paradoxically, this is the area over which RPO customers may have greatest control. The client's willingness and ability to communicate key business outcomes is a major determining factor in whether these outcomes can be measured or not.



Drill-down capability

The more specific you can be with your data, the more meaningful your analysis and decision making can become. Unfortunately, only a minority of the people surveyed were satisfied with the level of detail they were getting.

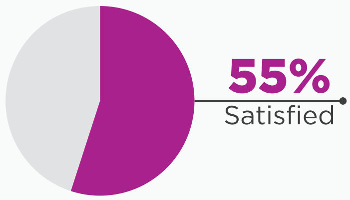


There are various tools that can provide clients with the drill-down capabilities they are looking for. The best ones will combine relevant data from multiple sources, allow the user to see meaningful cuts of data as well as overall statistics, and provide an at-a-glance summary dashboard customized to the client's needs. They should also be intuitively designed and capable of presenting information– including trending data – in easy-to-understand graphical forms.

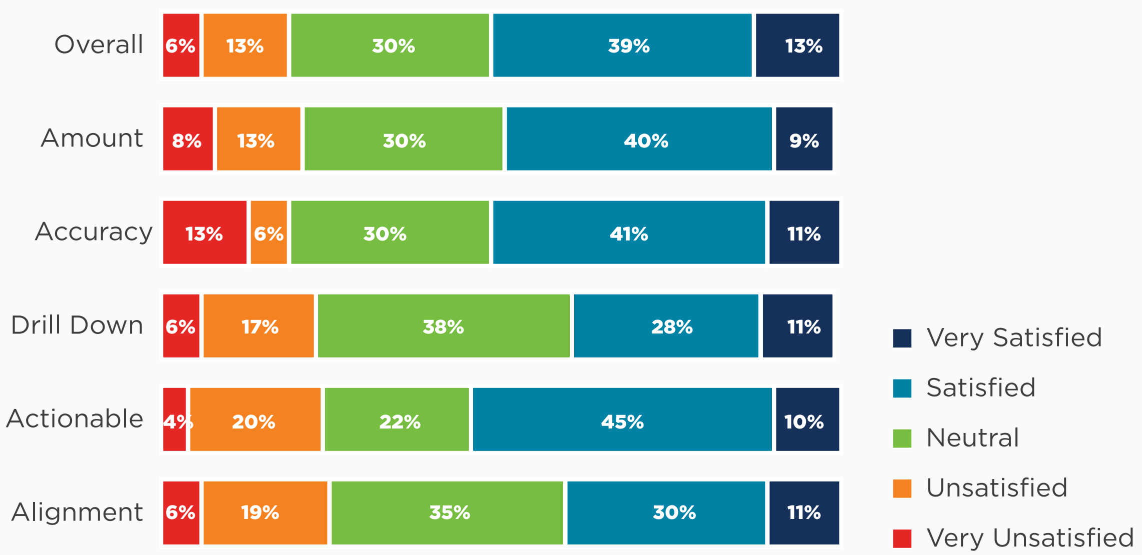
Is the information actionable?

If you can't use data to make better decisions then there is little point in having it. So the fact that only just over half of respondents felt that they were getting actionable information comes as a real surprise.

There are various things you can do to ensure findings are actionable. These include having a strong account leader (or subject matter expert working with the account team) who can help work out what implications the results have for the business and devise a strategy to address them. This process can be made even more effective if clients themselves develop a competency for data analytics within their own HR departments.



Satisfaction with Performance Metrics



Part two: Understanding how metrics are used.

What KPIs do you use?

To find out what kind of KPIs are being employed by companies and their RPO providers, we gave respondents a list of 13 possible measures and asked them to indicate whether they used each of them or not.

"Time to hire" is the only KPI that appears to be (almost) universal, with 87% of respondents indicating they used it. Of the other 12, only three were used by more than half of respondents: "Cost per hire" (67%); "Increased quality of the candidate pool" (57%); and "Number of hires" (56%).

Our view on time-to-hire metrics.

Our research shows that almost everyone is using time-to-hire metrics. But how many companies are using them to their full potential? The key is to take a systematic approach, dividing the types of positions you recruit for into separate categories. This is because hiring time expectations vary from job type to job type.

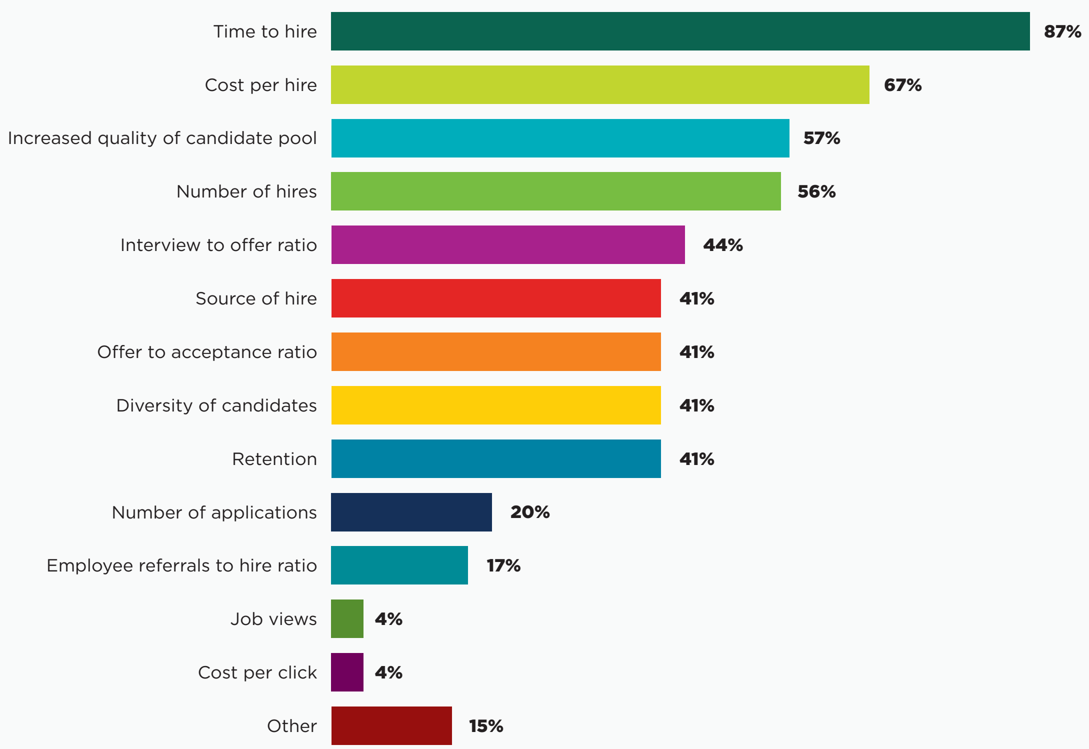
For example, you would expect the hiring time for high-volume or junior roles to be relatively short; passive candidates, on the other hand, are likely to take longer to recruit. It is essential that time-to-hire metrics reflect these variations if they are to yield meaningful results.

Even then, time-to-hire metrics may not be as valuable as you think, especially if you are not factoring in quality of hire and retention rates. While information on time to hire is certainly worth having, it's important to ask yourself why you are measuring it and just how much emphasis you should place on the results.

Two KPIs we might have expected to score higher are "Retention" and "Source of hire" (both cited by 41% of respondents). Retention data can provide you with real insight, helping you to understand not just whether positions have been filled but whether they have been filled successfully in the long term. In this sense, it can be an excellent measure of quality of hire. Sourceof-hire data also has many useful applications. It shows you where new hires originate, which can help you target candidates more successfully in the future. Crucially, it can also help you to calculate and understand costs, assuming that different sources require different levels of investment.

The fact that employee referrals were tracked by only 17% of respondents is perhaps less surprising. Nevertheless, we feel it is a KPI that deserves to be more commonly used. Apart from anything else, it can be a very good way of measuring the strength of your employer value proposition (EVP). Employees won't refer people to a company they themselves are not happy working for. So number of referrals can be a good indication of how positively your employer brand is viewed. It is also worth measuring because it is such a valuable recruitment source. The fact that these candidates are being recommended by your own employees – who are familiar both with your company and with the candidates themselves – increases the likelihood of a good cultural fit.

KPIs Used to Evaluate Success



Which KPIs help you evaluate RPO effectiveness?

Perhaps surprisingly, there was a not a single KPI that was universally deemed to be useful for evaluating RPO effectiveness.

Our survey respondents considered "Source of hire" to be the most useful, with "Time to hire" coming a close second. But even these were only deemed to be useful by 75% of respondents or less.

Only 57% of respondents thought that "Retention" helped with evaluating effectiveness, making it the lowest rated of all our KPIs. One reason for this may be that an RPO's impact on retention is often considered to be indirect at best. This is despite the fact that there is significant evidence for correlation (if not causation) between RPO-led initiatives and the retention of employees. Another reason may be a reluctance among clients to share retention data with their providers. On this point, it is worth remembering that the most successful RPOs are those in which the client and provider see each others partners and are comfortable sharing potentially sensitive data with each other.

How Well KPIs Evaluate RPO Effectiveness

	Total
Source of hire	75%
Offer to acceptance ratio	73%
Time to hire	73%
Interview to offer ratio	67%
Number of hires	64%
Cost per hire	62%
Increased quality of candidate pool	62%
Diversity of candidates	57%
Retention	57%

What filters do you use with your metrics?

The more you are able to segment your metrics, the more powerful the data can become. So we were interested to see what "drill-downs" respondents used for the metrics they have in place. "Time period", we found, was the most commonly used (72%), closely followed by "Type of job" (70%).

It is unsurprising, perhaps, to see "Type of job" score so high, given the degree of variance between different roles. Nobody would expect, for example, to be able to fill a finance director role as quickly as they would that of a customer service representative.

Geographical variations can also be significant (it should be much easier to fill a technical role near Silicon Valley, for example, than in Nebraska) and yet only a third of respondents segmented according to region.

Even more alarmingly, 16% of respondents do not segment or filter the metrics they measure at all.

Filters/Drill-Downs Used with Metrics

	Total
Time period	72%
Type of job	70%
Department	66%
Region	33%
Source	24%
Other	7%
Do not summarize or filter metrics	16%

Do your current KPIs meet your needs?

Our findings suggest that a surprisingly large number of clients have KPIs that are not currently meeting their needs. We asked respondents to rate their KPIs on a scale of 1 to 10, from "does not meet needs" to "completely meet needs." Only 16% rated theirs very positively (a 9 or 10) while over half (54%) rated them 6 or below.

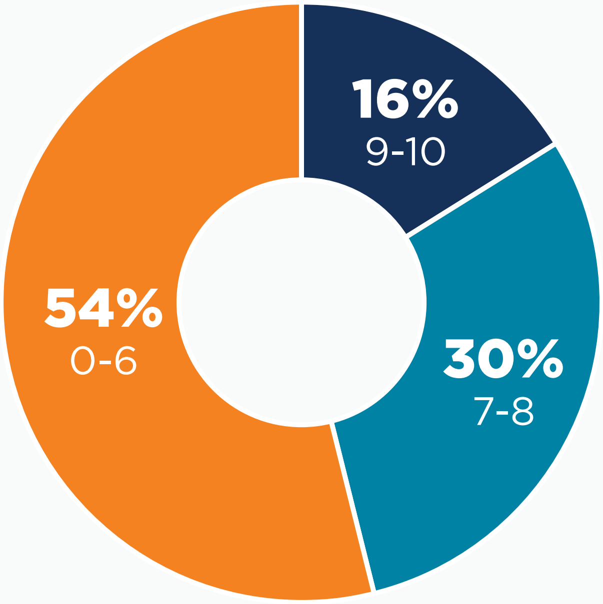
What measures could be taken to improve the usefulness of KPIs?

One key step you can take is to ensure the results of your metrics are actionable, so that anyone receiving the information is able to make a decision about what to do next. The best way to do this, for C-level decision-making, is to tie KPIs to revenue or, at least, to quantify them as a way to reduce expenses. For example, you could highlight the link between hiring delays and lost revenue or between above average staff retention and increasing customer satisfaction levels.

It's also very useful to look beyond internal KPIs and to benchmark data across top competitors or sectors. This brings an invaluable sense of perspective to your endeavors and allows you establish goals that are realistic and informed.

The most important thing, however, is for KPIs to be aligned with business strategy – and, to achieve this, it is crucial that talent acquisition and HR leaders are seen as strategic players within the organization. In our experience, one of the main reasons HR departments fail to set KPIs aligned with business goals is because they don't have enough visibility to the overall business goals and therefore have a hard time realizing the impact their department can make.

KPI Rating for Meeting Needs



What metrics would you like to have that you don't have now?

As we have seen, many clients are dissatisfied with the status quo. So what metrics would they ideally like to have that they are not capturing right now?

We got a wide spread of responses to this question, with no single metric being cited by more than 50% of respondents. The most commonly chosen metric was "Increased quality of candidate pool" (44%), followed by "Retention" (42%). It's worth looking at each of these metrics in turn and seeing how they can be achieved.

Wanted Metrics Not Currently Being Used

	Total
Increased quality of candidate pool	44%
Retention	42%
Job views	36%
Diversity of candidates	33%
Interview to offer ratio	33%
Employee referrals to hire ratio	31%
Cost per hire	24%
Offer to acceptance ratio	24%
Cost per Click	22%
Source of hire	22%
Number of applications	16%
Time to hire	11%
Number of hires	11%

Increased quality of candidate pool

This is all about understanding where candidates "live". Which associations do they belong to? What social media are they actively participating in? What online forums do they use? There are now various tools available to help you answer these questions, by tracking, prioritizing and ranking data associated with the talent pool.

Retention

Given how straightforward it should be to measure retention levels, it is amazing to see how many respondents want this metric but do not currently have it. It is especially surprising when you consider how valuable the information can be, particularly at C-level. Retention data ultimately needs to come from the client and depends on the integration of HRIS systems and ATS or RPO applications. It can be categorized by voluntary and involuntary, level, job type and business unit, to name a few.

Predictive analysis is certainly an exciting prospect. It could potentially enable you to do everything from forecasting when an employee is about to leave to knowing when potential candidates from competitors are likely to become available through acquisitions or layoffs.

Our view on the metrics of the future.

We did not ask our respondents about the long-term outlook for recruiting metrics. But a 2013 Harvard Business Review report did. 48 percent of respondents in their survey on analytics services expected to be using predictive analytics in the near future. Predictive analytics are designed to integrate workforce and financial data to align talent needs with business results. This alignment is then used to predict things like turnover, reduce new hire failure rates, and manage persistent poor performers.

Part three: Examining the details of RPO provision.

What key services do you receive from your RPO provider?

All of our respondents get Sourcing services from their RPO provider and almost all of them get Screening services. Metrics for reporting and decision making makes it into the next most commonly used group of services, coming just below Interviewing and significantly higher than Advertisement creation and placement.

How satisfied are you with each of your RPO services?

Interestingly, the service that was least widely used – Recruitment technology consulting – was also the service that respondents were most satisfied with. This finding may well be skewed by the small base size but nevertheless suggests that subject matter experts can potentially bring great value to an RPO engagement.

Flexibility and scalability also scored highly. A provider's ability to adapt to a client's dynamic needs appears to be greatly valued. It is easy to see why. RPOs that can respond to changing priorities, strategies and technologies are able to play a more active role in company growth.

Satisfaction with Employer branding services comes in at a relatively low 69%. Employer branding is, admittedly, something that can be difficult to get right. It involves the deliberate positioning of a company as a place to work among employees and should ideally encompass brand strategy, talent strategy acquisition, market perception, and company leadership views. While the application of employer branding can vary greatly, depending on the sophistication of the company involved, it is an area where we are seeing increasing levels of investment, particularly where a global solution is required.

Key Services from RPO Provider

	Total
Sourcing	100%
Screening	91%
Interviewing	64%
Metrics for reporting and decision making	61%
Advertisement creation and placement	52%
Flexibility and scalability	48%
Requisition management	46%
Assessing candidates against best in class profiles	43%
Offer management	43%
Employer branding	32%
Talent acquisition strategy consulting	30%
Talent pools/communities	23%
Recruitment technology consulting	18%

Satisfaction with Key RPO Services

	Top 2-Box	AVG.
Recruitment technology consulting	86%	4.3
Flexibility and scalability	85%	4.1
Requisition management	71%	4.1
Employer branding	69%	3.9
Screening	68%	3.9
Metrics for reporting and decision making	67%	3.9
Talent acquisition strategy consulting	67%	3.8
Talent pools/communities	67%	3.8
Interviewing	65%	3.9
Offer management	65%	3.9
Advertisement creation and placement	64%	3.9
Sourcing	63%	3.9
Assessing candidates against best in class profiles	50%	3.6

One of the most alarming results is the low satisfaction score for sourcing. This, as we have seen, is the only service every client uses and therefore represents the most basic element of any RPO. If, as an RPO provider, you are failing to do an adequate job of sourcing candidates then you are failing as an RPO provider period.

Our view on self-service applications.

Self-service applications can be of enormous value. The best ones not only summarize recruiting data from the RPO but also serve as an online dashboard of KPIs from multiple systems such as the ATS, CRM and internal surveys. Some applications even allow you to benchmark your performance against that of your peers, using anonymized client data.

How does your talent acquisition data link with other HRIS systems?

In the in-depth interviews we conducted, many people expressed frustration with the way data was transferred from one HRIS application to another. To gauge the true extent of this concern, we asked study participants how their acquisition data linked with other HRIS systems.

Less than one in five (17%) said that data flowed easily into other systems, with 47% admitting their data did not link at all with other systems and an additional 19% stating that it had to be re-keyed.

Why is the smooth flow of data so apparently difficult to achieve?

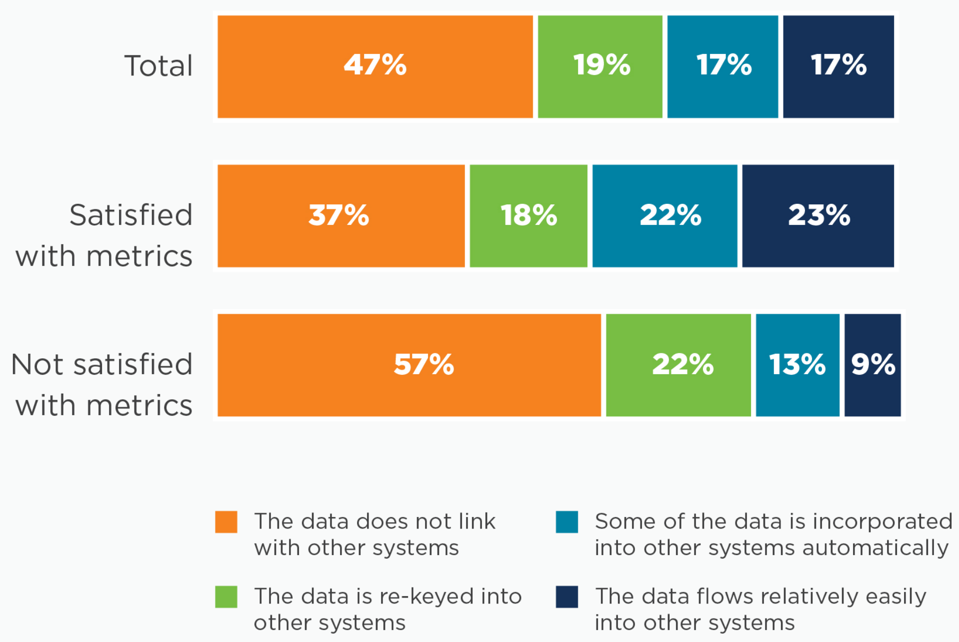
Typical issues include: legacy data systems not being able to talk to each other; missing links between ATS and HRIS systems; and no systematic approach to integrating disparate systems within the organization. Also, there may be elements of recruitment activity that the RPO provider is not involved in, which can limit the relevance of the data obtained.

But however hard it may be to achieve a smooth flow of data, it certainly seems to be worth it, as there is a clear correlation between those dissatisfied with HRIS system linkage and those dissatisfied with their metrics as a whole. We would recommend using HR technology experts to help you find a solution that works.

Does your RPO provide a self-service application?

Only 30% of our respondents get a self-service application or interface from their provider that they can use to track and review recruiting data. Why is the figure so low? Smaller RPO providers are less likely to offer this kind of application and, in any case, not every client will choose to take advantage of it. As we have seen, the data handoff between ATS and HRIS systems is generally considered to be problematic.

Ease of Data Transfer

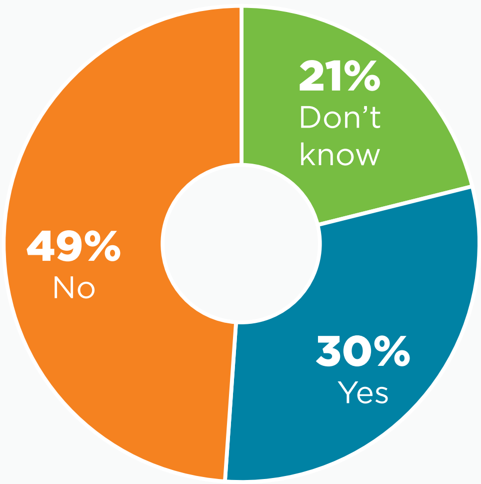


How satisfied are you with your self-service application?

Many of those who are using a self-service application are not altogether happy with it. In terms of overall usability, 75% of respondents rated the application “good” or “very good”, meaning that a quarter of them (25%) had feelings that were neutral or worse.

Where applications rated lowest was in terms of training, flexibility and intuitiveness of design. With each being rated “good” or “very good” by just 58% of respondents, there is clearly considerable room for improvement in these areas.

RPO Provides User Application



Our view on why self-service applications need to be flexible.

It is disappointing to see applications score so low for flexibility when flexibility is a vital component of any application’s success. Before any such system is implemented, the client should be able to provide input on what they feel is important to measure and on how the data can be presented to them in ways they find meaningful.

The system also needs to be flexible enough to integrate data from ATS systems and, ideally, full HRIS systems. The ability to integrate HRIS data is what potentially separates a system that merely tracks data from one that provides you with true analytic intelligence.

Rating of RPO Application Components

Conclusion and recommendations.

We began this report by highlighting one of the key findings of our research: that good metrics go hand in hand with a good RPO. But what exactly do we mean by good metrics?

One very surprising result of our survey was that more than half (54%) of our respondents claimed not to be satisfied that their current KPIs were meeting their needs. Metrics often fail to meet clients' needs when they are not driving actionable business outcomes. The whole point of metrics, after all, is to enable better decision-making.

As such, we believe that there are 5 key considerations in order for metrics to be able to perform in this way:

- There needs to be a clear understanding of how HR aligns with the business objectives. Talent acquisition leaders must have visibility to the overall business goals, an understanding of the impact their function can make, and the ability to make decisions armed with the relevant metrics.
- No matter what metrics are employed by clients and their RPO providers, the key is to take a systematic approach for each. They need to ask why they are measuring it, what it value it provides and how much emphasis should be placed on the results.
- The data and the input from the RPO need to exist within a single integrated information system that serves as an online dashboard. It should be integrated with the client ATS, at a minimum, and should present data in a way that is meaningful for decision making.
- Continuous innovation and improvement based on the information and insight that metrics provide is imperative. We saw earlier how client satisfaction levels tended to decrease over time. Only if a provider can continually to provide value can they ensure that satisfaction levels do not diminish.
- Success is dependent on the quality of the relationship between client and provider and the extent to which sensitive data is shared and examined. While the necessary level of trust might not be possible at the beginning of the RPO, it is definitely something that should evolve over time, especially if both client and provider are committed to working in true partnership.

The benefits of a true partnership can be felt way beyond the realm of metrics. This may be the real key to long-term satisfaction, ensuring clients have a well-rounded talent acquisition strategy that helps them not only find the best talent but also nurture it for growth.

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