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IN TIMES OF TALENT READINESS, RPO IS A NEW HERO

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Zachary Chertok
Research Analyst, Human Capital Management

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Market disruption is a problem for organizations built on predictability and risk aversion. The current state of talent acquisition is not fluid enough to handle fluctuations in the pendulum between supply and demand of labor. The good news is that RPO can drastically improve the odds of readiness.

Setting the Stage

The last 40+ years have seen a lot of ups and downs in the market that have psychologically pushed organizational leaders to be more risk averse. In *Best-in-Class Companies Build Resilience with Learning & Development,* Aberdeen called attention to the fact that as the market trudged through these whipsaws, trends in the chosen model for globalization encouraged less corporate risk-taking leading to a profound lack of long-term investment in talent.

Today, talent acquisition (TA) teams are starved of the resources, tools, and actionable insights they need to respond properly to market shifts that impact the way they strategize to attract and retain top talent.

A Faulty TA Setup

Best-in-Class TA teams are 61% more likely than All Others (50% vs. 31%) to find that a lack of data unity significantly hinders their ability to strategize around employee engagement, growth, and retention.

Table 1: Top 6 Talent Pressures

	Best-in-Class	All Others
Corporate culture does not meet candidate expectations	39%	32%
Time-to-hire is too long, increasing the cost of vacancy	39%	32%
Inability to attract high quality talent	36%	44%
The market for talent is too competitive for key roles	36%	22%
Low employee engagement	32%	28%
Low candidate engagement	30%	30%

Best-in-Class companies are 61% more likely than All Others to find that a lack of data unity significantly hinders their ability to strategize around employee engagement, growth, and retention.

While 81% of TA teams find that they have substantial resources to automate recruitment, vetting, and hiring, 66% recognize a need to retool their strategy for candidate engagement and recruitment process management. Top of mind is a need to shorten hiring times, reduce decision-timing, and improve the likelihood of retention from the point of hire. In the context of the pressures in Table 1 and the shifting attitude toward talent engagement cycles, while TA teams want to do more to shore up engagement and retention, they face a uphill battle against a business strategy that sees talent as more dependent on the firm than the firm is on talent. Despite calls from TA teams to improve hiring practices and better manage engagement with the resources at hand, more than 50% of HR departments face calls to reduce labor costs. Lower labor costs translate to TA teams through reduced headcount and compensation bandwidths to compete for the same quality of talent and the same caliber of skills delivery.

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In the lead up to COVID19 — which continues to produce the biggest market disruption since the Great Depression — Aberdeen found that for 51% of firms, downward pressure on labor costs coupled with shortened labor investment timelines shifted more than 10% of the workforce to be hired as contingent, temp, hourly, or contracted employees (term employees). At the same time, employers across the board expected term employment to expand by a median of 6% year-over-year for the foreseeable future.

Aberdeen has found that while 59% of firms reported being more profitable amidst increased term hiring, there actually is no significant relationship between increased term employment and increased profitability. There is, however, a direct relationship between increases in term employment and increased turnover: For every 1% that firms are more likely to increase term employment above 15% of the workforce, they are 2.8x more likely to increase turnover and reduce average tenure. While term employment may not directly correlate to profitability, for every 1% that firms are more likely to increase turnover, they are 2.2x more likely to decrease both profitability and productivity.

COVID19 did a number on employment; but worst of all for employers and employees alike, it exposed the cracks in the foundation of the talent strategy that above all prevents firms from attracting and retaining quality talent in a way that plugs employees into the organizational mission and vision. In fact, all the data points to companies being more focused on profits than building a good business — rendering a mission and vision without a clear business strategy.

In terms of the talent strategy, by the time COVID19 came around, many organizations were in no position to pivot quickly and develop or invoke a resilience strategy that could otherwise depend on a good community of adaptable talent.

It's Time to Hire an Expert

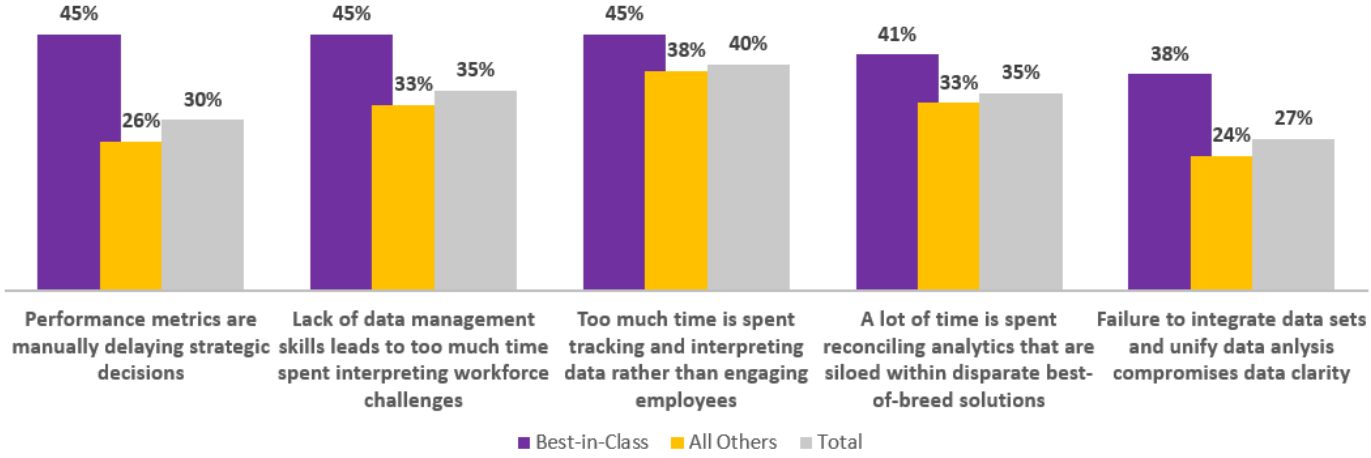
HR is in a once-in-one-hundred-years moment to influence how the business strategy retools to be ready for when the market opens up for business again. With 15M+ people out of work from COVID19, TA teams have a chance to seize on good, qualified talent. Furthermore, TA teams will need to be ready to absorb that talent into the workforce again in a meaningful way to reduce the risk of losing good employees to more lucrative offers.

Aberdeen found that more than 80% of Best-in-Class HR departments went into COVID19 knowing that short-term talent engagements to fill immediate skills gaps were not good in the long-term. With finance teams scrambling to figure out how to navigate through the market shutdown, HR needs to put pressure on business leaders to restructure the operational strategy for a longer outlook that rethinks of talent as an investment in future potential versus something that exists for what the firm needs today.

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How can HR develop and emphasize a new strategy if 40% spend too much time tracking internal performance data such that they cannot possibly respond to external market changes quick enough? The reality is that HR professionals cannot build strategic resilience by themselves just as the c-suite cannot be expected to develop the firm's competitive advantage without having resources to gain some understanding of the market need the company fulfills. While TA teams could internalize market expertise to drive talent direction, it would require added FTEs at a time when finance is tightening the belt and talent in other parts of the firm are being furloughed or laid off. Aberdeen has found that when HR internalizes market data, a lack of data analysis training leads to biases and more questions than answers in strategic decision-making.

Figure 1: Top HR Data Analysis Pressures



n = 250, Source: Aberdeen, February 2020

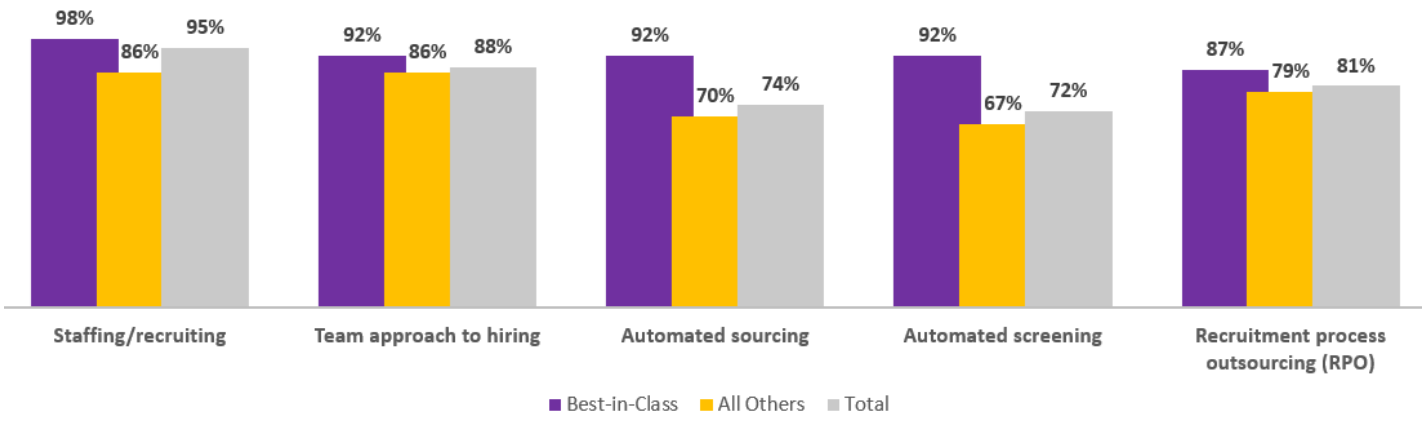
As Figure 1 indicates, data is not the problem when it comes to HR's ability to develop a competitive HR strategy that extends to the TA strategy. The big issue is in how the data is interpreted to support certain strategies over others and to defend the acquisition of new resources. When data is fully internalized, HR finds itself in one of three scenarios, all of which lead to delays in decision-making along the lines of the pressures in Table 1:

- Dependence on an evangelist that the company follows blindly but faces big risks in departure.
- Emphasis on collaborative decision-making that lengthens the timeline on strategy and hiring, resulting in broader policies that are not as open to change.
- Biased decision-making that limits the potential of the workforce to what decision-makers know at the time of hire.

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In place of internalizing data on the quest to develop the best internal hiring practices, TA organizations have an unsung resource to tap whose job it is to know the ins-and-outs of market shifting forces and how best to match the external workforce to the internal organization.

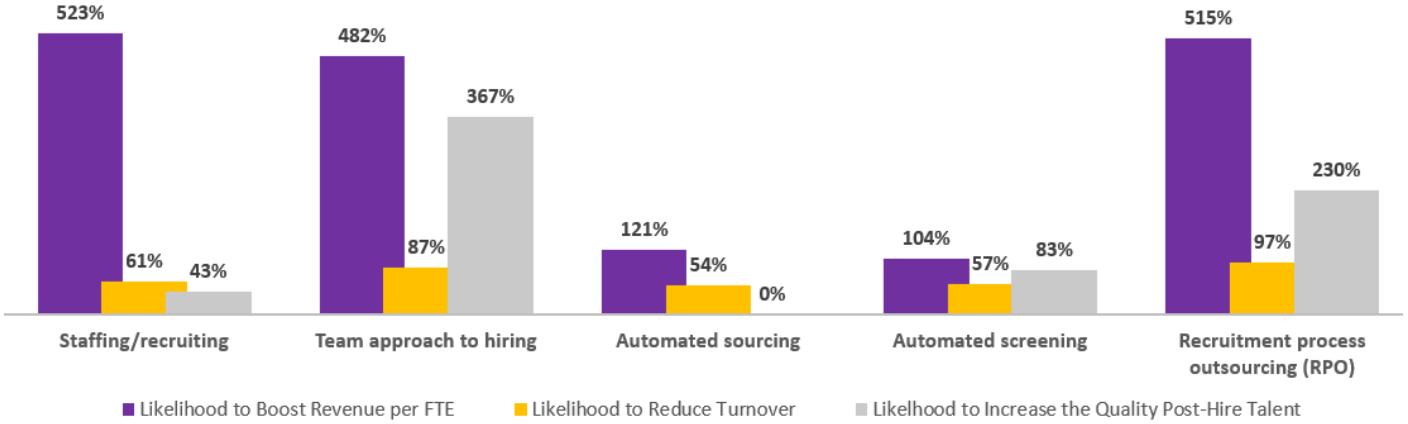
Figure 2: Use Case for Top Value-Add TA Tools



n = 250, Source: Aberdeen, February 2020

The most common practices in TA candidate sourcing and vetting rely on organizational procurement of external resources that extend or automate the efforts of the existing organizational TA strategy. As noted earlier, the existing TA strategy is not living up to the promise of talent as a value-add to the organization. Instead, employee commitments are growing shorter in response to market mechanics while employers respond by increasing dependence on lower-risk term employment that values today's skills instead of tomorrow's talent development promise.

Figure 3: Value Basis for Top Value-Add TA Tools



n = 250, Source: Aberdeen, February 2020

Where RPO lags the other value-add TA tools in Figure 2, Figure 3 shows that RPO has the best composite value-add across all the tools shown. For every 1% that firms are more likely to invest in RPO, they are upwards of 515% more likely to realize an increase in engagement-based revenue per FTE, 97% more likely to realize a reduction in turnover, and 230% more likely to chart an increase in the quality of post-hire talent as tenure increases.

RPO breaks the cycle of consequences associated with internalized development of a responsive TA strategy, foregoing the internal evangelist to bring in a qualified set of subject-matter-experts (SMEs) to evaluate and retool the TA strategy according to external market knowledge. The RPO's position is to know and adapt to changes in the labor market such that more qualified candidates enter the TA cycle based on how well the candidate's market position and interests match the cultural, strategic, and skills needs of the organization.

Partnering with an SME to build adaptability into the TA strategy increases the likelihood that the firm is in the best position to respond to external shifting forces so that internal TA professionals can focus on engaging the talent itself as candidates enter talent pipelines for various positions. In this way, TA teams remain nimble toward positioning the firm to be more attractive to top talent, while building the profile of what that talent should be.

With RPO, the TA team focuses on aggregating internal firm requirements while the RPO focuses on mapping market changes and forecasts for talent availability. Both then come together in real time to position the firm to constantly pivot to attract top talent that Figure 3 shows is more likely to build a longer-term relationship with the firm.

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18129