

Why Outsource Recruitment?



Written by Kevin Stoddart

Most people in management positions have either been contacted (or "Head-hunted") by a recruiter or have used one to fill a position at some point. Therefore most people have some opinion as to the value in using a third-party recruitment company. This opinion is probably based on the experience, be it positive or negative, the last time you were exposed to the industry. The simple truth is (like every other business on earth) there are good recruiters and not so good recruiters, good recruitment companies, and those not so good. So if you are considering utilizing recruitment services either on behalf of your employer or for your own personal requirements, it's important for you to make an informed decision. That being said, why use one?

Recruitment services are no different than any other outsourced professional service. If you are in need of legal advice, accounting service, payroll services, marketing, or IT support you have the option of outsourcing these requirements. It's no different with recruitment services, you either have the resources internally to accommodate these requirements or you contract the services externally.

The trend towards outsourcing worldwide is enormous and gaining momentum every day. More and more companies realize that their core competencies (the things they are best at) do not include many of these more occasional business needs. For example, you don't hire an internal IT department if you have only sporadic use for this competency. Few organizations hire legal council in-house as this service is readily available when the need arises. Not only that, but in the example of legal services, what type of lawyer would you hire if you had to bring one on staff? Would he/she be a labor expert, or someone well-versed in corporate law, perhaps an expert litigator? The point here is you can't predict your future needs, and that is why it's important to hire the subject-matter expert only when the need arises and otherwise avoid the cost.

The same holds true for recruitment. Most successful recruitment companies have practice leaders within their firms who specialize in key areas such as; sales & marketing, finance & accounting, IT, or operations and production. As a result these practice leaders develop expert knowledge of both the specific disciplines and the skills necessary for success, along with knowledge pertaining to who are the best people employed in these areas today. These functional experts are well-versed in qualifying the specific skills and abilities of individual candidates. They are able to ask relevant questions with an understanding of the topic at hand. Interviewing IT professionals is a common problem for people who have not specialized in this area of recruitment. It would be impossible for one person to develop expert knowledge across all the various departments within their organizations; however, this is exactly what employers ask of their HR Manager or Recruiter on staff. The expectation is often that this person be able to instantaneously produce a short-list of only the best candidates for a very specific requirement, even though she/he has spent almost no time recently in this functional area.

Most often the same HR Manager is responsible for benefits administration, payroll, employee relations, training and development, and the list goes on. How can this person be expected to develop expertise in every functional area of the organization along with these other responsibilities? Recruitment in all areas might represent less than 20% of this person's total responsibilities. Break that down by functional area, and you might be looking at less than 5% of this individual's time spent in the relevant area! How can this individual be expected to have the functional and market knowledge necessary to ensure a successful hire?





Why Outsource Recruitment (continued)

Now contrast that against a third-party recruiter who by way of example spends all of his or her time recruiting finance professionals. The specialized training and market knowledge cannot be ignored. This person not only knows who has the skills necessary to do the job, but also who best fits the culture, who has been successful in the past, why did he/she leave the last employer, what do their references say, what are the salary expectations, career aspirations, etc, etc.

The reality is that employers today demand ever increasing levels of specialization from their new employees. This is their right as the party doing the hiring. The recruitment industry survives by bringing highly qualified people to positions where they flourish. The goal should never be to simply "place a candidate", but rather to have that individual contribute significantly to the new organization and have a lasting impact. That is how the recruitment industry sustains itself and how it should be measured.

Another compelling argument in support of outsourcing is in the numbers game. The enormity of the costs that would otherwise be incurred internally can often be substantial. Sometimes the assumption is made that since an HR Manager or Recruiter is already on staff, no hard costs are incurred by handling the requirement internally. Of course this is not the case because of the time and resources needed relative to the wages paid to these people and the resources involved including; advertising, screening, interviewing, referencing, and negotiating with potential candidates. If all of these costs are added up, typically an organization is looking at several thousands of dollars spent recruiting one new employee.

As mentioned previously, typically the people responsible for recruitment have additional duties in other HR-related areas. Not only are hard costs being incurred by not outsourcing recruitment, but the other areas including training and development, employee relations, and succession planning can often be neglected. This can cost the employer greatly in the long-run.

I'm not suggesting that every recruitment assignment should be handled externally. There are times that a position can be filled through employee referral, word of mouth, and even targeted advertising. However the positions your company deems as vital to success of the organization, or specialized enough that the project will be both involved and complicated; a strong case can be made to seek outside assistance. The determinant is often how important the role is to the company, and can you afford to have it remain vacant while you undertake the necessary steps internally? And ultimately, are you certain you will find the right person who will not only meet the position requirements, but truly contribute to the organization?

In closing, the arguments for outsourcing are strong. The value is quite easily demonstrated and costs justified whether you're outsourcing legal services or recruitment. The only question in my mind is when the need arises who do you use? My advice: the company that demonstrates an understanding of your business, both in terms of culture and objectives; and the one that you can trust to professionally represent you.

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