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TURN DATA INTO EXPERTISE TO IMPROVE HIRING

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ABERDEEN

Organizations are consistently failing to drive successful talent acquisition that closes ongoing skills gaps. These same companies are rigidly following internal data metrics, often missing out on how to properly match those metrics to the goals of the potential workforce. Many firms have turned to external subject-matter experts as proven assets that need help manage large applicant loads and develop new strategies to draw in and hire top talent.

New Era but Same Old Challenge

We may be in a new age where the tools of digital transformation are present and accessible, but when it comes to talent acquisition, the same old challenges persist.

Table 1: Top Challenges Directing Focus in Talent Acquisition

	Best-in-Class	All Others
Failure to recruit top-quality talent	59%	80%
Low candidate engagement	49%	49%
Inability to construct a talent pipeline	26%	58%
Low match between candidate goals and the employer brand	24%	39%
Inability to define top talent	22%	36%

Source: Aberdeen (June 2017) n = 273

Table 1 shows the top pressures affecting the focus of talent acquisition efforts among the Best-in-Class as compared to All Others (see sidebar). Even though HCM technology is fueling a rapidly growing candidate and employee data set, the top challenge facing companies continues to be the failure to recruit top-quality talent.

The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- Best-in-Class: Top 20% of respondents based on performance
- Industry Average: Middle 50% of respondents based on performance
- Laggard: Bottom 30% of respondents based on performance

Sometimes we refer to a fourth category, All Others, which is Industry Average and Laggard combined.

Looking at the remaining top pressures, low candidate engagement follows, which correlates to organizations' failure to attract and hire top talent. Low engagement is fueled by management's inability to match candidate goals to the employer brand — a missing link between employee work objectives and how the company wants to be viewed by its employees. Taking this back one step further, Table 1 shows that companies are ultimately in a dangerous, self-fulfilling prophecy: An inability to define top talent is the fourth and final pressure.

These four factors are cyclical in nature when combined. If companies cannot define top talent, then they cannot hope to understand how the goals of said top talent connect to the company. Without that connection, the company cannot create a marketable need for employees to want to work there, causing a breakdown in employer branding. Without a strong employer brand, early candidate engagement will be remarkably low, leading to a failure to acquire top-quality talent. Lacking incoming or emerging top-quality talent, the company will never be able to define top talent based on internal metrics alone, resulting in a never-ending cycle of self-induced talent mediocrity.

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To put it simply, employers are systematically failing to read the workforce in a way that allows them to strategize for hiring top-quality talent. Furthermore, Aberdeen has found that 74% of HR departments are still under directives to reduce labor costs as the C-suite focuses on quarter-to-quarter cost evaluation rather than viewing labor as a strategic investment.

Piecing together the big picture

In *Pre-Applicant Management: A Crucial Resource to Driving the Right Candidate to Your Roles* (November 2017), Aberdeen found that while Best-in-Class HR organizations are strategizing around the need to identify and hire top talent, all companies are still missing crucial facts about the new workforce dynamics resulting from the 2008 – 09 financial crisis.

For example, Best-in-Class companies are 10% more likely than All Others (78% vs. 71%) to identify low innovation rates as a top pressure facing their organizations — what they miss is *why* this is so. In 2009, the *Harvard Business Review* pointed to a fundamental need for the C-suite to understand and over-analyze organizational data. This renewed focus on organizational data led to low risk-taking measures. While these low-risk tendencies can be preventative against "black swan" events, they also prevent opportunities to generate positive returns on investment by wantonly quantifying risk.

In *Is Proactive Hiring More than a Mindset?* (August 2016), Aberdeen found that investors are taking fewer risks, thereby slowing down the creation of new markets for products and services. The reduction in risk-taking is also shrinking the likelihood that management will take a chance on employee-led initiatives. For 68% of employees, this can be a determine for whom they work, as innovation opportunities are tightly linked to the ability to grow a career.

In 2003, *The MIT Sloan Management Review* pointed to what ultimately is the cause of these modern management woes: Keynesian economics were on the way out while Friedman's theories were advancing, placing shareholder interests at the center of organizational management. In 2018, the lack of returns on labor investment has resulted in a bifurcation of wealth that is increasingly pressuring HR to reduce labor costs so that senior management can justify short-term profitability. As private equity continues to amass wealth, and as publicly traded companies buy back shares to drive up their price per share, labor investments continue to shrink — even as big employers continue to feel a proverbial brain drain when it comes to hiring top talent.

For 68% of employees, corporate risk aversion can be a breaking point in the decision for whom to work.

In other words, big industry is putting data between upper management and the workforce. Normally, this wouldn't be an issue, but upper management is using the data to quantify risk rather than to identify good strategic investments in workforce initiatives that are likely to yield new business and revenue. When prospective employees begin to suspect such a strategy, it is the ultimate turnoff and hampers HR's ability to motivate, engage, and hire top-quality talent.

Helping HR to breathe new life into the workforce

If the C-suite is blinded by data, and managers are persistently pushed to do more with less, how can HR invest in the workforce while satisfying the calls of senior management? First, let's look beyond what candidates desire in an employer to understand which characteristics influence the decision to join the company

Table 2: Top Reasons Employees Join the Organization

	Best-in-Class	All Others
Comprehensive benefits	68%	68%
Ability to see an opportunity for career growth and development	68%	65%
Strong understanding of relevance to the organization	68%	51%
Company recognizes and invests in the potential for new ideas	67%	67%
Mission and vision resonate well with employee goals	67%	65%

Source: Aberdeen (June 2017) n = 273

Table 2 shows the reasons why employees choose their employers at the point of offer. As a compensation factor, comprehensive benefits offerings are still the leading reason across the entire workforce. Looking at the Best-in-Class figures for this table, however, employees are shifting their focus to look for employers that offer competitive growth and development opportunities while providing employees with a strong sense of relevance to the organization. In other words, while employees are still concerned about their initial financial well-being, they are taking a long-term outlook beyond joining the organization. Employees are seeking employers that will invest in them for the work they do in exchange for their tenure, and whose goals align with their personal goals for career advancement.

It should come as no surprise that the final two reasons employees choose to join an organization reflect employee goals from the company perspective. Across the general workforce, employees first want confirmation that the company has an investment strategy in the workforce that recognizes and finances the potential for new ideas. Beyond a commitment in the hiring process, prospective employees then look to the company's mission and vision as a statement of corporate culture and all that it entails. Overall, growth opportunities, relevance to the organization, noticeable encouragement for internal innovation, and a well-defined mission and vision that mesh with employee goals are the leading reasons employees choose between prospective employers.

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Identifying these factors is the first step in strategically reworking the talent acquisition process to define what matters to top-qualified talent. Noting these factors, the next step is to create two strategies: A promotional strategy that sources prospective skills from the existing workforce, and a talent acquisition strategy that sources skills from the talent pipeline.

In *Bridging the Skills Gap: Taking the Internal Approach* (November 2016), Aberdeen found that the current model for hiring really pressures candidates to exceed expectations set by a company that builds its talent acquisition according to supply and demand. Fifty-eight percent of organizations feel that the skills gap is depreciating workforce quality, forcing them to arbitrarily raise the bar without truly assessing workforce potential. From a resource standpoint, companies can employ all the technology they want. Without a defined strategy to match employee goals to the goals of the organization, however, they will continue to sputter and stall when it comes to achieving top-talent acquisition goals.

In *Revisiting the Value of Strategic Partnerships in Hiring* (February 2018), Aberdeen found that by the end of 2017, Best-in-Class companies were 2.1 times more likely than All Others (39% vs. 19%) to centralize the talent pipeline while optimizing their efforts in recruitment marketing and candidate sourcing to populate the pipeline.

Figure 1: Simplified Centralized Candidate Pipeline Model

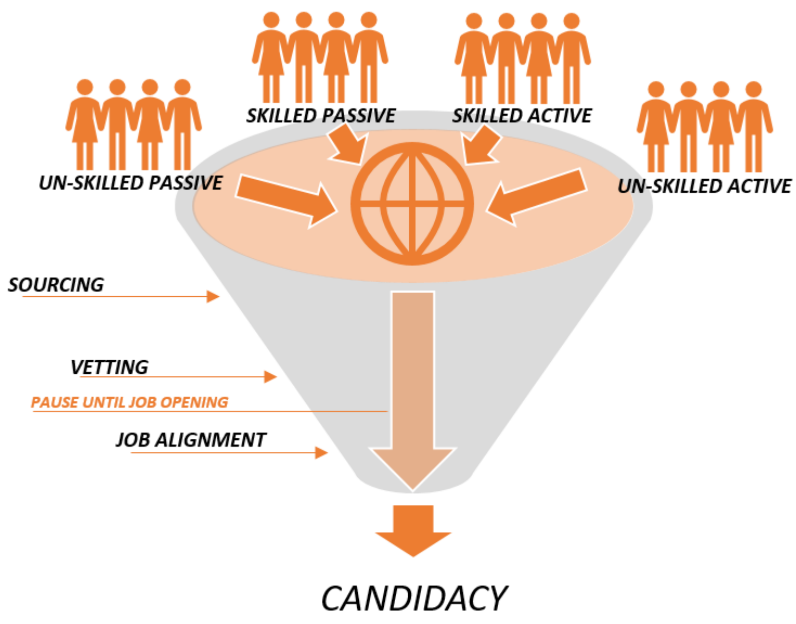


Figure 1 shows a simplified version of the centralized talent pipeline model that incorporates the four emerging workforces as defined in the report. In *Revisiting the Value of Strategic Partnerships in Hiring* (February 2018), Aberdeen noted that the centralized talent pipeline model reduces hiring time by establishing a pipeline of vetted, prioritized talent *before* a role becomes available. By automating the job-match criteria, employers can target larger portions of the workforce while focusing more intently on what about individual employees matches them to the organization.

As a structure for candidate engagement, the pipeline model reduces the amount of time candidates spend in automated vetting for a role. This, in turn, increases the timing and frequency at which the hiring team directly communicates with top candidates. To that end, Best-in-Class companies are 56% more likely than All Others (56% vs. 36%) to find that a centralized recruitment strategy that automates internal match criteria leads to better, faster candidate matches. The Best-in-Class are also 2.1 times more likely than All Others (41% vs. 20%) to have increased the amount of top-quality talent available for their roles. In *Revisiting the Value of Strategic Partnerships in Hiring* (February 2018), Aberdeen found that the Best-in-Class are also 2% more confident than they were in the fourth quarter of 2017 (42% vs. 41%) that they will resolve their candidate quality problem.

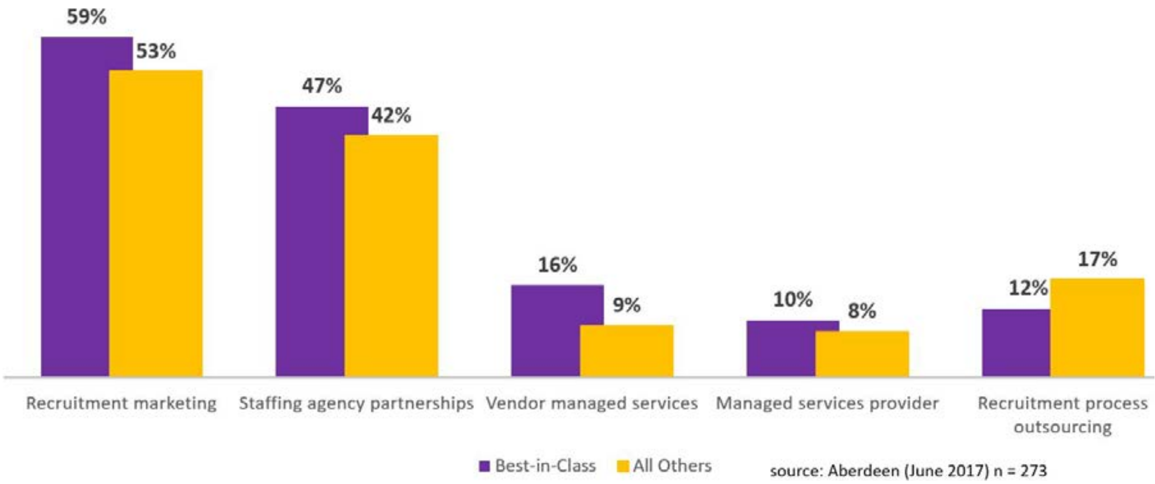
Best-in-Class companies are 56% more likely than All Others to find that better, faster candidate matches result from a centralized recruitment strategy that automates internal match criteria.

From Strategy to Implementation

While the talent pipeline model improves strategic sourcing, Aberdeen has found that Best-in-Class companies are 19% more likely than All Others (38% vs. 32%) to recognize that improving their internal use case cannot resolve their top-talent conundrum. While the pipeline is improving candidate engagement, Best-in-Class companies are finding that they still have a problem strategically approaching talent as it enters the pipeline. In fact, 77% of companies still find that they lack a strategic understanding of how their employer brand resonates with their prospective workforce.

The centralized talent pipeline model is freeing up hiring time spent on front-end sourcing and screening.

Figure 2 Top Strategic Hiring Partnerships



As shown in Figure 2, companies still rely on staffing agency partnerships to maintain their handle on a workforce that is increasingly varied in terms of diversity, employment type, and age. In fact, the only partnership advancing faster than staffing partnerships is recruitment marketing, as employers seek to optimize their employer brand awareness beyond developing and promoting it. The problem with the traditional staffing partnership, however, is that employers still internally develop their optimal hiring plan based on the company's historical best practices.

32% of Best-in-Class companies find that developing a hiring strategy based on internal knowledge and the external expertise of the RPO provider improves the quality of recruited candidates.

Among the hiring partnerships that outsource part of the internal organization, RPO is in the lead. In *Recruitment Process Outsourcing: A Lifeline in the War for Top Talent* (August 2017), Aberdeen found that RPO partnerships deliver strategic value to the organizations that use them and that go beyond the traditional benefits of outsourced staffing. For example, 32% of Best-in-Class companies find that developing a hiring strategy based on internal knowledge and the external expertise of the RPO provider improves the quality of recruited candidates. RPO partnerships have also enabled 31% of Best-in-Class companies to build and execute a successful sourcing strategy to target formerly unreachable areas of the workforce.

At a market level at the end of 2017, Aberdeen analyzed its survey data to understand the use case for talent acquisition solutions and services. Data sets for 2017 were statistically mapped together to understand how the market size for each talent acquisition solution space measured up to the market size for talent acquisition. Figure 2 shows staffing and recruiting partnerships to be 3.9 times more prevalent than RPO partnerships among the Best-in-Class (47% vs. 12%). Market sizing across 2017, however, shows the general staffing market to be only 40% larger than the RPO market (7% vs. 5%). Furthermore, while Figure 2 shows the Best-in-Class gap between recruitment marketing and staffing partnerships to be 26% (59% vs. 47%), market sizing shows a 14% gap (8% vs. 7%).

What this means is that within the general market for talent acquisition, the gap between RPO and traditional staffing is shrinking as RPO partnerships advance into a mainstream best practice. What it also shows is that while the market size for recruitment marketing lags behind the Best-in-Class spread, recruitment marketing is continuing to advance as a Best-in-Class practice for optimizing, deploying, and tracking a successful employer brand.

Benefits of a strategic RPO partnership

RPO partnerships are growing faster than other outsourcing options in talent acquisition because they constitute a strategic partnership more than an outsourcing effort. As the Best-in-Class warm up to external advice for the development of their hiring strategy, they are 33% more likely than All Others (76% vs. 57%) to be able to hire one of the top-three candidates more than 50% of the time. The Best-in-Class are also 44% more likely than All Others (49% vs. 34%) to directly and personally communicate with top candidates at least once weekly. Finally, Best-in-Class companies are 28% more likely than All Others (73% vs. 57%) to find that they can fill open positions on time per expectation more than 50% of the time.

Perhaps the biggest benefit of choosing an RPO provider over a traditional staffing or recruitment house is the strategy component. With staffing and recruitment, employers only get the advantage of improving strategic sourcing. Once a vetted candidate is passed on to the hiring team, it is up to the company to implement an internal strategy that they've devised. With an RPO partnership, the provider can offer strategy development to best match the employer and its brand to where top-quality talent is most likely to be sourced.

Related Research

Hiring Tomorrow's Workforce Today: The Talent Pipeline; January 2018

Recruitment Process Outsourcing: A Lifeline in the War for Top Talent; August 2017

Revisiting the Value of Strategic Partnerships in Hiring; February 2018

Is Proactive Hiring More than a Mindset?; August 2016

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