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# How commercial are contemporary recruitment functions in Australian medium to large size companies?

survey results  
& perspectives paper  
2012

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### executive summary

This paper relates the findings of recent research that examined recruitment practices in medium to large organisations in Australia. Specifically, it explores how commercial recruitment practices are viewed in the eyes of business and HR leaders. The research targeted business leaders, HR managers & HR directors in Australia and asked them a series of questions about their company's recruitment function. The research uncovered three broad themes to explore.

1. The first theme talks to the operational efficiency of a recruitment function,
2. The second addresses the recruitment model itself, and
3. The third refers to the perspective that many recruitment functions are taking, specifically not being forward-facing and strategic in their outlook.

These themes can be summarised as follows;

- On an operational level, a concerning number of leaders feel they are working with an inefficient process and that they are not getting the most out of their technology. Further to this, we were alarmed to hear that most leaders believe that their recruitment function could be better at managing a database of candidates. In this talent climate, it is essential that any recruitment function is operationally excellent.
- Half of the leaders surveyed felt that their recruitment function could be better at reporting in a commercial and meaningful manner and that they could take a longer-term view with respect to sourcing talent, and not just being reactive.
- Around the same percentage of leaders reflected that they may not have the right recruitment model and team structure for their business into the future. This highlights that there is an opportunity for many companies' recruitment functions to undergo a period of rapid transformation and evolve to become the commercial business partner that their business leaders are looking for.
- The most advanced recruitment teams are in fact critical business enablers and do not see themselves as a siloed specialist within a business. Companies in Australia are facing an acutely dynamic market-place and the need for a talented, commercial recruitment team to help navigate is more essential than ever.

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## who this report is for & contextual comment

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This challenge is about becoming more commercial, operationally excellent and being agile, strategic and able to navigate an ever changing landscape.

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Times have changed for recruitment teams, but their role and contribution becomes more important to business. Just over a decade ago, the recruitment industry was changed materially by internet advertising. Then efficiencies were gained through technology, outsourcing and streamlining the processes of recruitment. In recent times, recruitment technology has become more refined and accessible and social media has changed the landscape yet again.

The current research shows that business and HR enjoy a good relationship on the whole, and that many teams are quite efficient at their processes. There is however, a new challenge ahead of the recruitment experts in Australia. This challenge is about becoming more commercial, operationally excellent and being agile, strategic and able to navigate an ever changing landscape.

The survey draws upon some recent experience with large and medium sized organisations in Australia and is a result of collaboration between two consulting firms in Australia. The paper is a practical, real-world document that has been written for three types of readers. First, human resources professionals who are interested in recruitment. Second, for recruitment leaders and recruitment specialists who are interested in what business leaders are saying about the function of recruitment and thirdly, for business leaders who have a passion for the 'psychology' and human behaviour of management and understand that talent is the most critical differentiator in business today.

The economy is still under pressure in many regions. In Australia this pressure is more pronounced in some industry sectors than others. We are seeing the apparent paradox of an economy that is 'hiccupping', whilst we have an acutely skills-short market-place. Compounding these macro issues are the socio-demographic changes that are playing out. There is an unprecedented segment of managers and leaders approaching retirement age, presenting many industries with a knowledge management and retention challenge, the likes of which they have not seen before.

It is clear, the pressure is more acute than ever for organisations to secure and retain their talent and talent will increasingly be the differentiator for most organisations. This leaves organisations with the pressing need to identify, secure and engage high calibre staff, so the recruitment function within organisations needs to deliver.

## survey application & hypothesis

deliberate practice & incorporate psychology assert that the recruitment functions that are more commercial deliver the right sort of talented professionals for a business in a timely and efficient manner.

To be considered commercial it is not necessarily 'best of breed', 'best in class', but more likely to be 'fit for purpose' and well aligned to the requirements of the organisation. The most commercial recruitment functions have the following features:

- The hiring plan is driven by the business plan in the short, medium and long-term.
- The employment brand is well researched, strategically driven and well communicated internally as well as externally.
- The company has many different ways of sourcing passive and active candidates.
- The process is streamlined, well-suited to the business and technologically enabled.
- Some specialist functions might be outsourced to specialist suppliers.
- There is meaningful and regular business reporting on relevant facets of recruitment and business.
- Internal relationships are strong and line managers and recruitment specialists work in concert for the outcome of attracting, recruiting and retaining the best talent.
- The recruitment model and team structure is well suited to the business.

These are the hypotheses that were explored through the survey.

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## the survey method

The survey and the idea for this research came about following a string of conversations with business leaders who were asking;

- 'What are the companies with the best recruitment teams doing?'
- 'What sort of recruitment model do I need into the future?'
- 'Who are the best recruiters?'

This in turn led to discussions about what businesses needed in this climate. Almost straight away our conversations were resonating on some consistent themes. Our conclusion was that there was an opportunity for current, business-minded research that was tailored to the recruitment function in Australia.

### So how did we go about it?

The survey team ran some focus groups to establish the line of enquiry and the survey hypothesis.

This was then tested with a select number of senior contacts in the Australian market-place to ensure that our approach was relevant to business and would answer commercial questions. The team behind the research then targeted and approached leaders in business, leaders in HR and recruitment as well as senior recruitment professionals.

Just over one hundred leaders and professionals responded to the survey and the survey respondents can be described as follows;

- Typically employees of medium to large companies with operations in Australia. The split was pretty even between leaders in large companies (500+ staff) and leaders in medium sized organisations, (250 – 500 staff).
- One third of respondents described their region as Australia or 'national', approximately 40% described their role as Victorian and 10 % NSW, with the remainder being Asia or Asia Pacific or broader.
- Just over 50% were business director / executive level, or HRD level.
- Across the hundred or so respondents, there was an even distribution across a range of industry verticals, with slightly more respondents describing that they came from consumer or retail organisations.

The research was not aimed at recruiters in agencies, recruitment process outsourcing or consulting firms.

The respondents were selected based on having a 'line of sight' into the commercial requirements of their business as it relates to talent and human capital. There was only one respondent per organisation, unless there was a separate and distinct recruitment function. Approximately half of the respondents completed the survey in the context of an interview and the remainder completed the survey on-line, however all responded to the same survey.

### survey findings

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Half of respondents commented that they are working with a recruitment process that is not streamlined and is inefficient.

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#### In search of operational excellence

As touched upon earlier in this report, the recruitment industry entered a period of transformational change just over a decade ago and many would argue that this change has not stopped.

In fact, some posit that the rate and amount of change is greater in the recruitment industry than it has ever been. That may be the case, however it is not the focus of the current research, we will let this answer become clear with the privilege of hindsight. Nevertheless, recruitment in larger companies was put through the 'efficiency mill' over the past ten years, as firms sought to reduce the time to fill vacancies and minimise the cost of hire. This survey targeted a sample of leaders in business about some of the efficiency metrics. For many organisations, there is some work that still needs to be done.

The first area of the results highlighted that almost half of respondents commented that they are working with a recruitment process that is not streamlined and is inefficient. A similar number also related that the company did not use technology well to get the most out of how they recruit. This is surprising, given that the specialised recruitment technology solutions are becoming more advanced, user friendly, accessible and sophisticated. Furthermore, there appears to be more choice and users across the industry are becoming more specialised and experienced at getting the best out of their applicant tracking system. This perception may come from the fact that as this field is changing and evolving so rapidly with social media, that it is hard for a company to stay abreast of the developments and opportunities.

The second finding related to management of a database of candidates and candidate care. When asked if they believed their company was good at managing a database of candidates only 30% responded in the positive. Therefore 70% of the respondents indicated that their company was not good at managing a database of candidates. When asked for more detail, surprisingly, the results show that a number of companies do not have an applicant tracking system (ATS), use Excel or paper-based lists to manage candidate details, or have nothing in place at all. The benefits of being effective at managing a database of candidates is not the focus of this research, however it is worth noting that poor management of a database of candidates means no talent pool, a completely reactive and not strategic recruitment solution, poor candidate care and possible damage to the employment brand. One very large consumer organisation related that the business case for investing in a well implemented ATS was so obvious, as it paid for itself by removing the need to mail responses to thousands of applicants per year. So by not buying stamps, they could pay for their ATS. Imagine if that firm calculated a more commercial return on investment by looking at quality of hire, source of hire and so forth.

So it is hardly debatable that operational excellence and efficiency in the recruitment function need to be the minimum expectations. A recruitment team who is a true commercial partner to the business function will no longer report on efficiency metrics, as this needs to be assumed competence and, will report on far more commercial and strategic measures.

#### What does 'good' look like?

When leaders in an organisation are all on the same page about a plan or a business function, they tend to have shared understanding of how to talk about it and how to measure it.

This applies to the recruitment function. At the crux of this piece of research was the observation that half of the leaders surveyed felt that their recruitment function could be better at reporting in

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a commercial and meaningful manner and that they could take a longer-term view with respect to sourcing talent, and not just being reactive. Around the same percentage of leaders reflected that they may not have the right recruitment model and team structure for their business into the future.

This presents an opportunity for many recruitment teams and recruitment functions to undergo a period of rapid transformation and evolve to become the commercial business partner that their business leaders are looking for. This would see them reporting with a simple and commercial dash-board that makes sense to the business. In the course of completing the survey, we were asked on several occasions, 'What sort of metrics should we use to report on recruitment?' The answer to this is not likely to be the same for different organisations; however it is not too hard to arrive at the right metrics for a company. We recommend starting with discussing the business metrics used every day across the business and then working out the best metrics from there.

One chief operating officer who participated in the survey related a recent and relevant experience with his company's recruitment function that highlights the appetite for a commercial recruitment team. He explained that recruitment was not working and he had lots of 'consultants sniffing around wanting to fix it'. When asked what was not working about it, he said he 'did not understand it, it was reactive and was not meeting the needs' (of a changing business plan). He went on to say;

*'...so we assembled a cross-functional team to review what we were doing, from "go to wo". We picked up the hiring managers as well and what they were doing; I think it is fair to say that nothing was off the table. This team had some of our brightest hi-po's, and anyhow, they reviewed the lot and came back looking for an increased investment on a few fronts. Essentially we ended up with something that was much closer to the business, more agile and could pace the commercial requirements of the business plan.'*

They now know what good looks like to them, and it is likely that good for their business looks a little different from other companies.

Another important piece of information that came from the research related to how pro-active versus reactive recruitment was in relation to the business plan. When asked if 'The hiring plan takes into account the medium and long-term business plan and is not just reactive', over one third of leaders surveyed responded in the negative. This appears to be a critical piece of feedback on recruitment functions in Australian medium to large sized organisations. Leaders can see an opportunity for their recruitment specialists to take a longer-term view and link recruitment to the business plan and the workforce plan beyond the immediate operational hiring plan.

This may be easier said than done and recruitment leaders as well as their teams in firms would love the same outcome. There is no 'silver bullet' here, but perhaps a way to resolve this is to use this research and similar questions to jointly work towards a solution.

The current climate shows there is certainly appetite for change and examining a new way of operating. Similar to the statistic related above, just over a third of those leaders surveyed also commented that they felt that they may not have the right recruitment model and team structure for business into the future. Further to this, almost half of the leaders in the survey did NOT think that their organisation has '... invested time and energy into understanding what we want the employment brand to be and are communicating that well'. So there might be some real opportunities for some organisations to be much more deliberate and strategic in how they communicate the overt and more subtle reasons for employees to work for them and remain committed and engaged. After all, every company has an employment brand; it can be heard every day in how employees talk about working for their company. Not every company has taken the time to analyse and understand what they actually offer employees and what they would like that offer to be. Without this piece of analysis, organisations might be leaving the development of their employment brand to chance and the whim of whoever is representing them in the market-place.



## considerations for business

One definition of insanity is to keep doing the same thing that has failed in the past, and to expect a different result. The same applies to finding, attracting and engaging talent that is needed for your organisation into the future. If the traditional approach of advertising vacancies when they come up on the web and in the paper is not working, what can you do that is different?

Referring back to the questions from the clients that prompted the research, those companies that are doing this really well, what are they doing and what is the secret for their success? Our observation is that there are some conceptual similarities across all of the firms, but each firm operationalizes their strategic recruitment solution in a way that suits them. Some considerations can be summarised as follows;

- Where does recruitment sit in regards to strategic and operational business planning? Is your hiring plan reactive and only aligned to the approved head-count? Or does your hiring plan take into account more strategic interpretations of the business plan?
- Do you really know what is good about working for your organisation when compared to your competitors? Are you communicating that well and are you differentiating that from other companies that are after the same talent?
- Does your recruitment function have an effective and truly multiple-sourcing strategy? Some of the more advanced 'strategic sourcing' initiatives broadcast the employment value proposition (EVP) through many and variable channels to build a talent pool, as well as use targeted sourcing when there is a vacancy or forecast on a hiring plan.
- Where does the 'buck' stop with delivering real recruitment results? Some of the more commercial recruitment functions describe their recruitment business partners as 'talent coaches' and they work very closely with the business leaders through all stages of sourcing, screening, assessing and on-boarding. Their hiring managers see themselves as 'talent spotters' and work very hard to network, communicate the message and bring people closer to the talent pool. How do your hiring managers see their role in finding top-talent?



Figure 1 – the interdependent cycle of talent & business

The figure shown at left summarises how the different aspects of a commercial recruitment function are interdependent and cannot really be considered in isolation.

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## basic recommendations for any business leader with an interest in talent

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There are three broad steps that business leaders can take to increase the commercial alignment and performance of the recruitment function.

- Step one is to plan to be more successful. Strategic & operational workforce planning should talk directly to recruitment. Take some time to analyse your EVP and employ a true multiple sourcing approach.
- Operational excellence is the minimum requirement. It needs attention early and always. There is no point sourcing great talent, to then take them through a broken process. Refine / re-engineer the process and put in place an applicant tracking system that suits your business. Embrace technology and outsource to good partners. (For example good recruitment / search partners as well as firms who are specialists in assessment, overseas sourcing and project management or special project recruitment).
- Build a recruitment function based on the model that best suits your business. Treat the recruitment team as part of the business and not an internal supplier; hold them to account with meaningful business metrics. The talent strategy needs to be directly linked with your business strategy and then the team (organisational) design of your recruitment function becomes the embodiment of your talent strategy.

## summary of the survey findings at a snapshot

The following table is a first stage interpretation of the objective data from the survey.

The responses are organised into two categories. One category that seems more relevant to operational or 'efficiency' metrics and the second category has those responses that talk more to the strategic issues, or those that are related to making the recruitment function more 'effective'. The responses are also related in a manner that makes the statistics less 'dry' and more likely to tell a story.

### Strategic and forward facing - effectiveness issues

Half of the respondents surveyed think that their recruitment teams do not report in a meaningful and commercial manner

40% of the respondents surveyed think their recruitment teams are just reactive and don't even take the medium term requirements into account, let alone the longer term business needs

ALMOST HALF (45% ) of the respondents think that their company has not invested enough time into understanding what the employment brand is and how best to communicate it

15% of respondents have no confidence that their recruitment teams will find the talent they require into the future

Almost 40% of the respondents think that they don't have the right sort of recruitment model and team structure for their business into the future

ONE IN FIVE business and HR leaders don't think they get value for money from their company's recruitment function

### Operational - efficiency issues

70% of the respondents think their recruitment teams are NOT GOOD at managing a database of candidates

ALMOST ONE IN FIVE (18%) of respondents don't think that their recruitment function tries enough different and innovative ways to source candidates

40% (almost half) of survey respondents are working with a recruitment process that is not streamlined and is inefficient

OVER HALF the survey respondents (52%) think that their firms do not use technology well to get the most out of how they recruit

The survey indicates that almost 30% of companies think that they do not outsource wisely

19% of the survey respondents don't think that their relationships (between HR and the line) are operating as a partnership

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## conclusion

Our research indicates that medium and large business in Australia are relatively confident in their recruitment functions, but far from complacent. Almost half of businesses surveyed need to become more strategic and more commercial.

This research acknowledges that recruitment teams in medium and large sized Australian companies have, by in large, a good relationship internally with their business. Most recruitment teams are seen as delivering value by leaders in HR & business, and a slightly higher percentage of leaders are confident that their recruitment teams will find the talent.

That being said, there are some teams that need to achieve the operational and process excellence that is required, and what will be of most interest to those with a passion for this fast evolving and ever-changing discipline, is a real appetite from business to evolve to be more strategic, more agile and increasingly future-focussed. As one executive remarked in the open-ended segment of the survey;

'I want my head of recruitment to not try to steer his part of the business by looking at the wake. I want him to join me in the helm and help me navigate'.

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## about the authors & acknowledgement

This report is the result of collaborative research by deliberatepractice and incorporate psychology. Both consulting firms are deeply indebted to our clients who gave us the ideas, spurred us on to do the research and then helped us by completing surveys and interviews.

deliberatepractice and incorporate psychology have expertise and methodology that strengthens organisations' recruitment practices and recruitment functions. The two firms have combined expertise of many decades offering consulting solutions to organisations that helps make the recruitment function as commercial as it needs to be and helps 'future-proof' your company. The consulting solutions deliver a return on investment many times the fees of the services.

### Co-authors

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Matt is principal & psychologist with incorporate psychology. He is a registered psychologist and has over two decades experience in that field. He has previously held principal and consulting leadership roles with practices in global human capital consulting firms and he has a real passion for the dynamic field of recruitment. Greg is co-founder of deliberatepractice, has two decades of experience in human capital consulting, and further to that has two decades experience in business, having held senior executive and chief executive roles in large Australian businesses.

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### Peer review of survey design, report and survey execution

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Gillian has an extensive background as a senior HR professional and manager and has a broad range of strategic, managerial and functional expertise. She has held senior management HR roles for global and national firms in construction, IT and other industries. She has a executive MBA and a Bachelor of Business in IR, HR & management. Tanya is a registered psychologist with significant experience in organisational psychology and related research.

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