



Creating a recruitment preferred supplier list (PSL)

Why create a preferred supplier list?

A preferred supplier list is normally considered when an employer has a reasonably high reliance on third party recruitment providers for staffing. In theory a PSL provides a company with the ability to centrally control recruitment through third parties more effectively in some key areas:

- Cost control
- Quality control
- Process control

Establishing a centralised control process in hiring through third parties offers significant opportunity to drive greater efficiencies. Managing spend on recruitment suppliers is perhaps the most obvious example. If you know how much you're spending you can then exercise better control over that, both from rationalised contract management and decision making around the use of third parties. This is also a means to grasp stronger control over how a company conducts hiring, to permit the implementation of more consistent processes and establishing service level expectations with suppliers. With a mechanism in place, it then also becomes possible to reliably measure and improve the quality of service received from your suppliers to bring stronger outcomes for your business, ideally reducing time spent and enhancing the quality level of hires made.

It is always worth being clear on what your priorities are for installing a more formal PSL to ensure it delivers what it is supposed to. Reducing cost may not necessarily deliver higher quality results for example. To build an effective partnership, it's key to take the right steps to find the right suppliers, and then enable them to deliver at optimal levels.

This is our simple guide on steps to take to create an effective recruitment PSL.

Establish your priorities

- Be clear on why you need a PSL and set measurable objectives on what you expect from this process
- Hiring plans for the next 12 months





Analyse the current position on third party usage

- How much do you spend per annum?
- Which suppliers do you work with currently?
- Do you have contractual terms agreed with all suppliers?
- How many hires do you make through third parties p.a.?
- What proportion of you hiring is through third parties p.a.?
- Which areas of your business have particular frequency for using third parties (business function, location, level)?
- What is the average rate/fee you pay to recruitment firms?
- What is your current process to select recruitment suppliers?
- Do you have recruitment supplier metrics (success rates, CV to interview ratios)

Create a PSL structure

- Determine the framework upon which you will manage recruitment suppliers in the future (function, location, level, tiering). Do you want a single primary supplier, a range of suppliers for different areas of the business? Will it cover permanent and temporary hiring?
- Map existing supplier capability to the framework and assess (gaps in coverage, too many suppliers)
- How will the PSL work? Will it go through HR, will hiring managers work directly with suppliers, who will feed into the final PSL decision (HR, Procurement, Line Managers)?





Decide on the suppliers to include in your review

- Survey your internal market (which firms do hiring managers have good and bad experiences with)
- Evaluate and prioritise past performance (who delivers results)
- Seek recommendations from your external network
- Identify new suppliers to consider where gaps in supply exist

Begin a review process with recruitment suppliers

- Notify suppliers, state your reasons for the review and verify their interest to participate
- Obtain relevant supplier information to assess their capability (RFP/RFI or more informal questionnaire as appropriate). See supplier review questionnaire template
- Schedule supplier meetings and include relevant internal stakeholders
- Conduct background research into the suppliers (check website, what roles do they advertise, which locations do they cover etc)
- Request proposals for commercial terms





Conduct supplier review process

- Create a consistent supplier meeting review template against which to assess capability and performance criteria (see Conducting Supplier Review Meetings template)
- Evaluate the returned questionnaires and identify any key areas of discussion
- Discuss past performance with your company
- Discuss commercial term proposals as appropriate
- Validate their areas of 'expertise' with discussions around the specified market, relevant track record, emerging trends/challenges

Evaluate suppliers

- Evaluate comparable KPI's (average fill rates, CV to interview/placement rates, past placement record)
- Correlate quantitative and qualitative data to assess areas of capability
- Plot preferences to the PSL framework in priority status
- Take up any references as required





Finalise PSL

- Negotiate and agree commercial terms of supply with preferred partners
- Create a Service Level Agreement between both parties to establish codes of conduct, service delivery KPI's and mutual expectations (see SLA Template)

Mandate PSL

- Notify outcomes to recruitment suppliers
- Set expectations with PSL suppliers
- Communicate PSL internally accompanied by any requirement for process compliance
- Provide suppliers with key employer brand collateral to use with candidates (e.g. presentational packs, media links etc)
- Work with preferred suppliers to equip them to supply at optimal levels (organise access to hiring managers, run an employer event to promote the company etc)
- Establish a timeline for service reviews





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