Using Appraisal as a Strategy for Evaluating Recruitment Consultants

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Owing to the increasing business demands and manpower requirements, it has become evident in today's scenario that IT companies and recruitment consultants cannot be alienated because they are inevitably dependent. However, it is equally important for every IT company to ensure that the consultants who are catering to several clients (IT companies) align to their specific needs with respect to their demands. Hence, it is very essential that a suitable evaluation technique be followed in order to bridge the gaps in providing quality service and ensure that an effective feedback is given to the consultants. This will help the consultants in turn to firstly make themselves crucial to their clients (IT companies), and secondly for maintaining reference points or creating identity during their course of engagement with their clients. As it has been an accomplished fact that performance appraisal and reward systems has always been enhancing employee performance ,with the note of extending the same with the vendors (consultants), IT companies that outsource their recruitment to consultancies were identified from Chennai for the purpose of this study. This papers aims at implementing the performance appraisal model as a tool with the consultants to see whether the promises made by the consultancies to their IT Companies are just promises or they stand by what they commit.

INTRODUCTION

Software industry vs Consulting firms:

Software industry is growing at the rate of 30% annually and it is mostly built upon human capital (Bhatnagar, 2008). In the similar front, Consultancy firms which have always been looked upon by the Software Organizations and IT as a source of expertise has also drastically grown in number (83% between 1985 and 1989) in the recent years (Bryson et al., 1990) As per Labour Research (1988), the software company's spending on the consulting services is also increasing triple folds since 1980's. Bulk of the work for

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the consultancy firms is currently provided by the private sector and there is also a wide scope for the public sector market (Welch, 1991, Williams, 1991, Outram, 1992).

Significance of using Consulting services:

These Consulting services emerged as a result of outsourcing activity. Outsourcing is typically carried out as a time and money saving strategy (Jeffay et al., 1997). A 1998 survey conducted by the Outsourcing Institute lists the top 10 internal reasons companies give for contracting out various functions. They are to accelerate reengineering benefits; to gain access to world class capabilities; to benefit from an infusion of cash; to make free the resources for other purposes; because a function is difficult to manage or is out of control, to improve company focus, to make capital funds available, to reduce operating expenses, to reduce risk, and to benefit from resources not available internally. In this paper, the key parameters used to evaluate the consultants have been decided keeping in mind the above factors.

Role of recruitment Consultancy:

When a company recruits an employee it can either carry out in-house recruitment; if it has the required expertise or it can outsource the activity to a recruitment consultancy. In the case of in-house recruitment the process flows as: IT Company ? Vacancy Declaration ? Job specification ? Person specification ? Advertisement/search ? Short list ? Interview ? Job offer ? Candidate.

However, when recruitment is done through recruitment consultants, the relationship between the concerned parties is as in Figure 1 below. The client company (IT Company) buys the services of the recruitment agency; the candidate plays the vital role. Customers' assessment of quality is always given the prime importance in the literature dealing with service quality. In the context of manpower search, the client's assessment on the consultancy is very important. It serves as the basis for repeat businesses and many other services that can pave way for new businesses (Britton et al., 1992).

Figure 1
Involving recruitment consultants

Thus, 'Recruitment consultancy is a practice of advising companies about recruitment as well as providing practical solutions relating to it'. Recruitment consultancy is also called Executive Search in North America. Recruitment consultant helps the companies to identify the right individual to fill the appropriate roles/vacancies created in the organizations. There are different types of recruitment consultancies. These include: Permanent recruitment agencies and Temporary recruitment agencies.

Significance of Consultant's Performance Evaluation

Most of the software companies get tied up with several recruitment consultants for outsourcing its manpower recruitment activity and in turn most of the consultants also get tied up with several software companies. In such a scenario, it is of paramount importance that the software companies have to evaluate the consultant's performance on a continuous basis. This will help the software companies to provide regular communications to the consultants which in turn will ensure that the right person for the right job at the right time has been served as per the recruitment requirement given to the consultant. However, the two major problems identified in the process of consultant evaluation are:

1. How to Judge the overall performance of the consultants?

2. Does the feedback given to the consultant cadre to overall strengths and weaknesses of the consultants?

The above two questions undoubtedly coin on to the evaluation of performance of one consultant with respect to its competitor consultants. Since all software companies believe and practice appraisal as a powerful tool to compare the employee's performance with that of the company's benchmark and other employees in the company, this paper emphasizes on the extension of the same performance appraisal method to that of the consultants (vendors) in the company to evaluate their performances.

Five parameters (Technology versatility, response time, resume quality, closure and probation) were short-listed after a survey conducted based on the problems faced by the software companies with the consultants and the consultants were asked to self- appraise themselves on 5 parameters. And later they were allowed to perform on a probation period followed by the performance appraisal by the IT Company based on the consultant's performance during the probation period.

REVIEW OF LITERATURE:

Setting of parameters for evaluating the consultants:

As per the Chartered Institute of Personnel and Development (CIPD) survey in 2007, 81% of respondents used recruitment agencies for hiring temporary workers and 78% contacted them for help in filling permanent jobs. Thus, Consulting services have emerged as a result of outsourcing activity and it is inevitable for most of the leading software companies. Hence, in the case of evaluating any service we must take into account two things. The output of any service known as outcome quality or technical quality, that addresses "what is delivered" can be evaluated only once the service is delivered. The process adopted for delivering the service that addresses "How the service is delivered" is called the process quality or functional quality (Parasuraman et al., 1985, Gronroos, 1988). The performance of the consultants is hence best evaluated based on 'what' the consultants deliver and 'how' the consultants deliver. The parameters to evaluate the consultant's performance were based on the above 2 key factors of what and how they provide their services compared to other consulting services.

Consultant's performance evaluation has to be viewed as a continuing process involving regular communication between the company and the consultant. Both strengths and weaknesses have to be addressed periodically. Thus a formal performance evaluation involving the client company and consultancy is very vital so that the system is being made transparent and there is an element of awareness being created and also there is no surprise to any of the parties once the results of the evaluations are announced. This will strengthen the future relations between the parties.

The CIPD survey conducted in 2007 indicated that 72% of their respondents (base of software companies) rely on recruitment consultants in order to minimize the cost. On the question asked 'what is of importance to them when assessing agencies credibility? 99% believe that the quality of candidates is very important and 94% believe that quality of the service from the consultancy's staff is important and 90% feel that value for money is very important. Also, the report by Cole Ehmke et al., (2004) suggested that the important factors for selecting any consultant include: quality of work, timeliness, industry knowledge, location, cost and services provided by the agency. Hence, it can be concluded that the quality of service plays a major role in evaluating the consultant. This paper will thus entirely focus on how to evaluate the quality of service and ensure that it is completely taken care.

As per Daryl Keeley (1991) experiences with recruitment consultancies differ widely and as in any industry, there are experts and there are some

that say they are experts. Following is a list of questions that one could ask the potential recruitment consultant to gauge which one they are: Level of experience in recruiting similar, Success rates- Resumes quality vs closures, How many placements passed probation?, Testimonials ('who are their clients', even better than that is 'who can I call to verify'?), How big is their database?, What is the average turnaround time for shortlist?, What is their recruitment process?, What is the background of recruiter managing your account? , How much backup support do they have in the office?, Is there a code of conduct they follow?, How are your fees calculated?, Is it contingency based (pay only if successful?). Out of these, some are the ones that directly impact the quality of service have been considered. These factors along with the opinion polls conducted with the software companies were set as a basis to confine on the performance parameters to be evaluated.

Deriving an appraisal model for incorporating the parameters identified:

International Federation of Consulting Engineers (FIDIC) in 2005 had made a research on "Guidelines for evaluation of consultants' performance" which had details on the evaluation criteria, process, sample evaluation form and best practices responses. It indicated that a consultant's performance has to be viewed periodically and regular communication comprising of the strengths and weaknesses should be discussed. By giving periodical feedbacks, the performance of the consultant is expected to increase.

With respect to the view of Donald J. Campbell and Cynthia Lee (1986), self-appraisal can help the employees improve their performance and also complement supervisor ratings. Self Appraisals can also be used to help employees improve their job performance. Also, Ken Lloyd (2009) stated in his book on 'Performance Appraisals and Phrases for Dummies' that one of the most powerful ways to open the employee-appraisal process is to have your employees do a self-evaluation. The advantages of self-evaluations cover a broad spectrum:

- They demystify the process. It helps the employees understand the mystery in the process if any and renders clarity to the employees

- They help employees focus on their behavior. The criteria based on which the employees are rated helps the employees to target their efforts towards improving the same.

- They send a motivational message. Works as a platform for the employees to share their inputs and ideas and also it gives a feeling to the employee that their views are considered important and valued.

- They improve communications. After the appraisal, communication and feedback becomes easy

As per Gomez-Mejia (1990), performance appraisal and reward systems enhance employee performance. Feedback has always been considered as a powerful instrument to enhance the performance. Performance appraisal should indicate on a clear note the work that must be accomplished, future expectations and feedback on the performance based on the current benchmark set. According to Landy and Farr (1980), the most popular and omnipresent method of performance appraisal is the rating. The ratings may be prone to have systematic and random errors if the cognitive characteristic of raters does not have a clear understanding of the rating process itself.

Chow and Thomas (2005) developed a model to evaluate the performance of the consultants, subjective elements that associates to the qualitative indicators have to be considered. These parameters are known as assessors which are used to compare the client's expectation and actual service rendered.

Loeb and Hartmann (2006) in their research paper on "Assessing individual respondents' quality - An innovative scoring system "indicated two types of scoring : (i) Direct score: the respective weights of the elements comprising the score are derived from certain normative a priori criteria based on the threshold of acceptable response behaviour and have been optimized over time, building on empirical evidence. (ii) Longitudinal score: The score is affected negatively if the panelist is excluded during data cleaning due to inconsistent answers or an implausible completion time. Martin C. Johnson (2000) from Business Continuity Services on Scoring Model for Consultants indicated that a proper weight in terms of distribution of scores must be given to each parameter.

Thus a performance appraisal form followed by a scoring model was derived for rating the consultant's performance using performance appraisal method taking into account the above literature reviews.

METHODOLOGY:

The aim of this paper is to implement appraisal as a technique to evaluate the recruitment consultancies and use the same as a tool to render effective feedback to the consultants. For this purpose, software companies that outsource their recruitment to consultancies were identified from Chennai. Companies with a base of at least 10 or more consultancies in their working pool were identified and from them 15 companies were selected based on area sampling, making the sample size for the study to be 150. The methodology hence focuses on Identification of the benchmark parameters that can be used for appraising the consultants, Designing a Model to be used for Appraisal, Conducting the self appraisal before they are allowed to perform, Maintaining internal records for accessing their performance and Conducting the performance

appraisal after they perform and sharing of the feedback based on the internal records and the appraisal result. Internal records were maintained for each of the parameters after each requirement given to the consultants and the results of the self - appraisal and performance appraisal were evaluated to arrive at results.

Initially 8 parameters were set and then an opinion poll was conducted among the members in the recruitment departments and based on the results 5 parameters [Time, Reliability (meeting probation period or not), Technology versatility, Resume quality and Closures] were short listed and Evaluation questionnaire was designed in order to appraise the consultants. The questions were framed based on 5 parameters. The following explains the nature and description of questions under each of the parameter.

Time: Two questions were set under the parameter time. The first question checks the response time of the consultant. The second question checks to find the time required to schedule the selection processes.

Reliability: This parameter checks whether if the associates stay till their probation period is complete or leaves the company before that. This is an important factor because, the company invests on the associate for hiring and training and hence expects the associate to stay for a considerable period of time. And, if the associate plans to leave the company before that, it will be a loss for the company.

Technology: The various platforms dealt by the companies for recruitment are listed and the consultants will have to choose the technologies/platforms applicable for them. This was drafted to check the versatility in technology. The more versatile a consultant is the more dependent the consultant can be considered for any requirement.

Resume quality: This is the most important parameter because the software company needs to invest time in scanning the filtered resumes and conduct selection processes in order to finalize the candidates. If the consultants send bulk resumes without any filtration, then the time and money invested by the software company will become more and hence the real purpose of outsourcing itself will get diluted.

Closure: This parameter has more to do with the software company as it implies the number of selected candidates who join after fixing up of the roles, designations and compensation packages with the candidates. However, the consultants do play a minor role with respect to making the negotiation process with the associates successful.

Internal Evaluation Registry:

An internal evaluation register was maintained in order to track the performances of the consultants. Under internal evaluation the above 5 parameters were maintained and checked. A scoring and grading model was developed for evaluating the consultants.

A questionnaire was initially circulated, to the consultants, for a self appraisal (on the 5 parameters) and then the same was used after recording their performances to see whether the promises made by the recruitment consultancies to the Software Companies were just promises or they stand by what they committed. Performance is measured as their actual output after they are engaged by the software companies to recruit people on behalf of them was measured on time, resume quality, technology versatility, closure and probation (as discussed above). Promises are measured before a manpower consultancy is engaged by the software company, based on their past tract record in the industry on the above discussed parameters. The match between the promise and performance is assessed by correlation analysis and perceptual mapping was done on the same to study the matching at an advanced multivariate level.

Table 1. **Correlation results**

Variables	Performance
Promise	0.450
Sig. (2-tailed)	0.000
N	150

From the above table, which is the result of correlation analysis between promise made by the consultancies and their performance after they are engaged by the companies, it can be seen that the relation is 0.45 and it is significant at less than 1% implying that there exists a good relationship between the promise and performance of the consultancies in delivering their services. As the quantum of promise increases their performance will also increase.
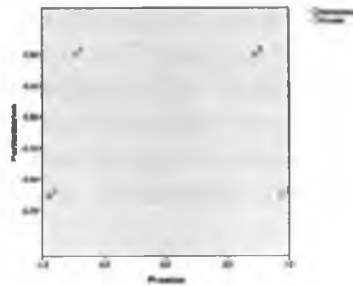
Figure 1: **Perceptual Mapping**

Table 2: **Centroid Coordinates**

	Frequency	Promise Dimension		Frequency	Performance Dimension	
		Performance	Promise		Performance	Promise
Small/Less (1)	85	-0.727	0.496	65	-0.939	-0.641
Big/ More (2)	65	0.939	-0.641	85	0.727	0.496

Perceptual mapping was carried out to cross verify the correlation analysis and understand the relationship better. Perceptual mapping is graphical representation of the relationship of two categorical variables. In this case promise and performance have been grouped into two categories each, consultancies that do not make big promise and those that make big promise as one variable and less performance and more performance as the other variable. From the results of the perceptual mapping and centroid table it can be seen that consultancies which do not make big promises seem to underperform (from one negative quadrant to both negative quadrants) whereas consultancies that make big promises seem to perform much better (from one negative quadrant to both positive quadrant). From this one can conclude that it is always better to engage those consultancies that make big promises as they are more likely to perform better may be in order to accomplish their commitment and safeguard their reputation.

DISCUSSION:

Based on our analysis, several inferences/fmdings were made. Self-appraisal as an initial assignment to consultants based on their industry performance has helped us to know what to expect and what not to expect from the consultants and where to bridge the short-comings. This re-iterates the fact stated by Campbell and Lee (1986) that self-appraisal can be used to help employees improve their job performance. This has also helped the software companies to set a benchmark of expectations based on the industry standards. Secondly, using the questionnaire to execute the self-appraisal, has helped the consultants to understand the parameters that the software company is looking for and set focus on those aspects. The usage of appraisal forms for capturing the self appraisal is one aspect discussed by Ken Lloyd (2009) in his book on performance appraisal. Thus it was found that the consultants who had obtained high score in the self-appraisal (set high promises) had pushed themselves to perform more and maintain their standard. Thus the same consultants who had scored well in the self-appraisal had also ultimately managed to score well in the performance evaluation done by the software company.

The benchmark for employer expectations is set by the employee performance standards. It is with the help of this standard set, that the supervisors grade the employee's performance and also identify the gap that has to be filled to achieve the goals set by the organization (Ruth Mayhew, 1985). The performance appraisal scores had helped the software company to compare the performances of one consultant with that of the other. Also the ratings derived by setting the benchmark with the help of the performance appraisal scores have helped the software company clearly distinguish and grade the consultants. Thus using appraisal as a tool to evaluate consultants helps the software company to reject the consultants who are inefficient providing valid feedbacks. By doing this, the cost to the company in involving more consultants is reduced and also time factor can be reduced by having only efficient consultants serve the requirements.

One advantage of using appraisal as a method of evaluating consultants is that the rating of the consultant can help in fixing the cost for the consultants. This eliminates the consultant's unreasonable demand of costs owing to brand name or other factors. The software companies can use the appraisal rating as a tool to fix the cost for high, medium and low grade consultants instead of letting the consultants having an upper edge over the software companies in fixing up the cost. In addition to fixing costs for the consultants based on their rating, it will motivate the medium and low rated consultants to move up to the high rating and also sets the high rated consultants to retain their rating as the cost factor is involved.

CONCLUSION:

Using appraisal as a mechanism to evaluate the performance of consultants not only ensures quality service by the consultants but also helps the software companies to provide effective and constructive feedback to the consultants. Moreover, it helps the software company to have an upper hand on the consultants in fixing costs too. Thus this system will ensure to address the important factors that were considered to be difficult to manage and negotiate with respect to the consultants. Secondly, by keeping the consultants well informed on their performance and expectation of the company,, with motivation for better performance being on one end, on the other end, there will be no last minute surprises for the consultants as well as the clients when hard decisions for rejection/removal of the consultant is made. Though this study is made with reference to selected IT companies in India, it can be applicable for the other companies on a Global basis too because, the nature of the tasks of the consultant and the criteria for evaluation will be the same. Also this study on evaluation of consultant can be extended to other sectors like

Manufacturing, Education, NGO etc. wherever consultants are being relied upon to execute recruitment activities.

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