

**White Paper:**

## Strategic Technology Support for Contingent Staffing

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From its roots as an absence substitution and low-skill labor replacement methodology, contingent staffing has evolved into a vital workforce component for most major companies. With already challenging business environments made more complex by issues such as the risk of coemployment, geographic diversification and labor outsourcing, navigating the murky waters of talent acquisition, measurement and retention has become a full-time job for many internal human resource departments.

Like most traditional processes, one obvious approach to help a company gain control of their staffing programs is the introduction of a technological tool – usually in the form of a web-based application – to enforce business rules and measure results. And since staffing programs are so vital to the normal course of modern business, the technology used to manage those programs is equally as important.

### Staffing Program Models

Modern staffing programs exist in many forms and come in many sizes and often include much more than just hiring temporary workers. A sample of resources typically covered by a labor program might include:

- Contract Workers
- 1099 Workers
- Permanent Hires
- Specific component support for internal projects
- Outsourced Projects
- Outsourced Services

In dealing with any or all of these areas, the most direct approach is for a company to do all the related resource management themselves – to perform all the job searches, interviews, qualification and background checks, onboarding/offboarding, quality control, etc. using in-house staff. That scheme can work well if done correctly, but places an enormous burden on the company itself and is not directly related to the company's core function.

Additionally, viewing the list above with an eye toward the complexity underlying each component is likely enough to give any internal HR department cause for concern. Each of

these resources present a unique set of challenges and each requires a different approach. For example, hiring seasonal office administrative help is vastly different from outsourcing a complex, multi-year-long engineering project, and the acquisition mechanisms and control measures each requires are equally different. As such, it's asking a great deal of any internal staffing organization to manage them all, and even more to manage them all and do it well.

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As a next step, a company could rely on the services of an external staffing supplier to assist them in finding qualified candidates, project teams, etc. for their openings, shifting much of the burden onto a specialized company with expertise in the area. This approach is a natural outgrowth of the internal fill mechanism and can be sufficient for smaller companies, those with a low volume of openings or those with very common requirements.

However, as companies' hiring requirements grow in number and complexity, they often feel the need to engage more than one staffing supplier. As the number of suppliers grows, the initial problem of finding qualified workers is transformed into one of managing vendors. As a result, a third model is often employed – using a Managed Service Provider (MSP). Under the MSP model, one staffing company is selected to be responsible for all contingent labor activity, with the understanding that they will in turn engage other suppliers as required on behalf of the company. This model provides the company with one point of contact in terms of responsibility while still offering them the benefit of a diverse pool of suppliers.

The advantages along the growth path from internally managed to staffing company to staffing companies to MSP is that each step up represents an increase in acquisition

capabilities that benefits the client company. Unfortunately, with increased capabilities comes increased complexity and with that, a lack of visibility into the process. What can a company do to alleviate this issue?

### Manual Versus Automated Approaches to Staffing

No matter the staffing model, most companies begin managing their labor programs manually and a surprising number of them continue to use those manual mechanisms long past the point where they become unwieldy. One obvious solution is to use technology to help manage the flow of information.

At perhaps the simplest level, as job openings appear within a company, a member of an internal human resources department might fill out a job template and then post the results to an Internet job board. As straight forward as that is, the company now has applied a technological tool – albeit in a very rudimentary form – to assist them in managing their workforce. While this might be a step in the right direction, it is far from a complete solution.

Since labor programs have become more complex over time, a specific software category has arisen to fill the niche: the Vendor Management System (VMS). A VMS, typically an application delivered over the world wide web, automates many of the tasks associated with managing a labor force or outsourced project and may include requisitioning, time collection, worker management and much more.

As companies apply each feature of a VMS solution, the result is that they are free to grow their programs along a climbing path of sophistication. The programs expand to include governance of more requirements as new challenges arise or as old challenges grow beyond a point that existing processes can cope with them. This takes a staffing program from what might have been the initial requirement of simply making the daily routine of hiring temporary replacement workers more manageable to true strategic areas such as workforce

forecasting and planning. To provide support as business requirements increase, most vendor management systems have modules offering technological support for each need on a module-by-module basis, allowing a company to pick and choose the elements that are most beneficial for them at any point in time.

### Program Requirement Maturation and Technology

While boundaries are often blurry, in general staffing programs can be divided into four broad categories and each can benefit from the application of technology for the problems they typically face. As companies move upward from one category to the next, the amount of effort required to address areas of concern grows as the challenges facing those companies become more complex. Fortunately, the potential benefits from successfully solving those problems grow as well.

#### Program/VMS Requirement Maturation



- **Beginning** programs are in many ways the most exciting because of the possibility for dramatic improvement across the entire scope of the program. A company at this stage may be doing business entirely on paper or at best through email with the exchange of spreadsheets. Management responsible for a beginning program may not have an easy way to determine the number of outstanding requisitions they have, or the number of suppliers with whom they do business, or even the number of workers on assignment.

Beginning programs can greatly benefit from the introduction of basic automation, in some cases immediately seeing a reduction in effort of up to 80% over traditional manual programs. Some obvious areas for automation include web-based requisition submission, approval and distribution as well as web-based time and expense capture and approval. Those

#### VMS at the Center of the Staffing Cycle



functions are included in the baseline functionality of most vendor management systems and can be deployed rapidly and at low risk of failure while still providing immense benefits to their users. Vendor management systems ought to offer the ability for end users to perform these activities themselves or delegate them to other trusted users and provide tracking and notification of all activity along the way.

- **Emerging** programs have typically crossed the electronic frontier in a basic way but now that they have gotten a handle on the basic day-to-day mechanics of searching for qualified people and time entry, they find their attention moving to more abstract issues. The company may want to start measuring performance of various pieces of its program or capture more information in the system of record that its VMS is slowly becoming. Technologies deployed at this stage of growth are highlighted by reporting and metrics. Perhaps the most significant advantage of a technologically-enabled program over a manual one is the ability to produce meaningful, timely, actionable measurements that peer deep into each facet of the program.

A company at this phase will want to define specific activities to track and set overall targets, perhaps reinforced by contractual requirements or SLAs with their suppliers. Since the VMS is already capturing events and time stamps for requisition activity, it is a natural point to measure things like overall time to fill, supplier response time, percentage of successful submissions and even track whether a company's own managers and approvers are performing their tasks in a timely manner. It is at this phase that the focus of the program can begin to shift from simple operations to a goal of process improvement. A VMS should offer the ability for client end users to run reports at will, delivering a common-sense set of metrics without waiting for suppliers or other middlemen. Those reports should be able to be run with a variety of filters and be available in a range of formats to suit a client's needs. Most vendor management systems will offer a number of standard reports, but it is also important to confirm the system's ability to support any custom reports that a client requires and investigate the difficulty and expense of getting those reports developed.

- **Mature** programs are well on their way to full automation. They electronically process most types of transactions and have begun to measure their suppliers and users and to search for opportunities for improvement. As a result of that search, a number of

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new areas of focus become apparent. Typically these include assignment duration tracking, spend control, supplier profiling, compliance and integration with client systems.

VMS software can provide support in all of those areas. A good VMS will tie together the original job order, a list of the worker's submitted timesheets, any invoices resulting from those timesheets and the worker's historic rates as well as any target rate for the worker's job title. It will then use that information to offer instant access to reports of current spend versus the original budget for all positions and will also provide threshold-based warnings as workers approach given limits. Similarly with duration, the VMS will track the number of hours left on a worker's assignment and pro-actively warn client managers of upcoming expirations.

A VMS should also provide the ability to identify suppliers with a number of client-defined data elements such as whether the supplier company is a small business or expiration dates for key criteria such as insurance expiration or other items that may affect a supplier's eligibility to participate in the staffing program. Likewise for compliance, the VMS ought to offer the ability to present NDAs, policy documents and other items for approval and restrict users from further use until those documents are accepted.

One final area that provides significant advantages in efficiency and program quality is VMS integration with client back-office systems. This integration can include control data such as lists of users or cost elements as well as onboarding, electronic invoicing, etc. In terms of integration, the VMS vendor can either provide an API for a client company to interface with, or alternatively, they may take the burden of integration on themselves and perform the work necessary to exchange data without modification of client systems. Either way, it is important for a client to determine the strategy they wish to employ and seek a vendor with the appropriate experience.

- **Advanced** programs have significant experience with a technologically-supported staffing program. They have solved most operational challenges, are generally happy with the processes they have in place and now seek to move their program from one that is merely successful to one that is truly world class. Advanced

programs will either seek to use the latest functionality vendor management systems have to offer or define their own requirements and seek a VMS vendor to implement them in software.

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VMS features that are useful for advanced programs include customized dashboards that provide real-time snapshots of any relevant data. These dashboards ought to be able to be tailored for each type of user, so for example, a hiring manager might see a dashboard representing spend against his cost centers while a program-level user might see time to fill for the overall program for the last six months. Hand-in-hand with the dashboards include development of custom metrics beyond those typically captured by a VMS as well as the ability to run ad-hoc reports (as opposed to the pre-written reports in use by an emerging program) to allow users to investigate scenarios outside the normal course of operation as the need becomes apparent.

Finally, inherent in becoming a world class program is a company’s ability to measure itself against others. In support of this, vendor management systems can offer competitive analysis of market rates, metrics for other similar programs and other data that allows a company to compare their results with the results of their peers. Likewise, VMS or MSP partners should be able to offer their clients best-practice advice based on industry standards and experience.

### VMS Purchase Options

As a company begins to select a VMS, at least three approaches present themselves:

1. Do it yourself
2. License software directly from a VMS vendor
3. Partner with a supplier/MSP that includes a VMS offering

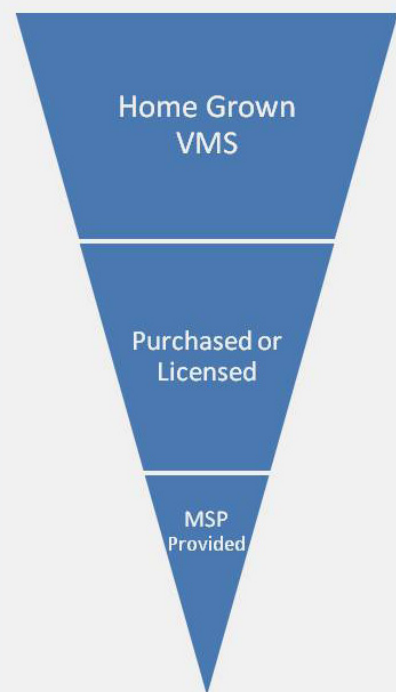
While writing one’s own VMS may be a simple task, particularly for IT-centric companies, it is a more complex process than it seems. The VMS software industry has continually increased the functionality of its offerings over the course of the last decade or more and the prospect of success for a company seeking to duplicate those efforts is daunting at best. Industry surveys show only 9% of users are satisfied with home-grown systems.

The second possible option is for a company to acquire a system from one of the many VMS vendors in the market. This is an attractive option, providing a company with full control of the software installation, operation, etc. The potential downsides to this approach include the expense of licensing the software and associated support costs (hardware, the development of internal expertise, IT and end user support requirements, development cost, etc.) as well as the prospect that even after deployment, the company will still likely be spending more time than is desirable on managing the day-to-day details of a staffing program.

Lastly, a company may choose to partner with a supplier or MSP who brings their own VMS solution (whether proprietary or third party) to the relationship. This approach has many of the advantages of directly licensing a VMS while freeing the company from the operational details of the software. It also potentially provides some cost savings as the price of the VMS can be partially absorbed by the MSP itself.

Regardless of the model chosen, it is vital that a company considering deploying a VMS thoroughly investigate VMS vendors. While it is important to analyze the technology directly, it is at least as important to select a software vendor that has experience in applying the technology in a wide range of situations and tailoring their solution to diverse

### Decreasing Effort with Commercial VMS



business requirements. Rather than solely being a source of software, the chosen vendor will also ideally have the ability to provide best practice consulting and industry benchmarks to help a company improve their program. After all, applying technology to a sub-optimal process only means you can now perform a bad process in a very efficient way.

Finally, to realize the largest benefits, the client company should be able to rely on the vendor as a true strategic partner with a mission of helping the client achieve its own business goals rather than just maintaining the relationship at the level of buying/selling software.

### Conclusion

The development of a staffing program and the related purchase of a VMS is a major undertaking for any company. As such, it must be approached with the same cautious eye that any large project demands, with adequate commitments of time, money and resources from senior management and buy-in from stakeholders at all levels. It is important that a company spend sufficient time up front to determine the immediate and long term goals for its staffing program and then select the suppliers and software that can help them best achieve their goals.

The opportunity of deploying a VMS is one rich with possibility and significant benefit can result from proper implementation in a best-practices program. However, while technology is a key component of most successful large programs, technology itself is never a panacea. The proper focus is on the maturation of the staffing program itself and ensuring that the particular technology chosen is adaptable enough to support the companies business objectives.

### Definitions

- LiquidMedium – LiquidMedium is CDI's Vendor Management System, providing a full range of features allowing clients to efficiently manage all facets of a contingent labor program across the entire staffing life cycle.
- MSP – Managed Service Provider. A company typically enters into a contract with a staffing supplier to be responsible for all activity within its contingent labor program; that supplier is called the MSP. The MSP can engage other subsuppliers in the process of servicing the client, but the MSP is ultimately responsible for program results. This model has the benefit of freeing the client of managing multiple vendor relationships while still providing them with a broad base of recruiting support.

*"The opportunity of deploying a VMS is one rich with possibility and significant benefit can result from proper implementation in a best-practices program."*

- VMS – Vendor Management System. A VMS is a piece of software, typically a web application, that provides support for one or more of the activities that take place within a staffing program.

### Sources

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