

Contingent Workforce



Out of Control?

T R Y T H E N E T

At the wily pace of development today, there's little time to think about where the next hire comes from, or where the last great contractor went when the project ended. At hand is only one complex task: Complete the project. Control costs. Fill the empty seat.

More often than not, companies are realizing that the costs of a revolving workforce aren't under control at all. A continuous parade of contractors and consultants charges by, often stopping only to help with a specific project or a seasonal rush. In its wake is a complicated morass of paperwork and empty desks.

"You never have enough people on board to do all the projects you need to do," recalls former Bank of America executive John Allen. "You either have to make choices about not doing things, or you have to go external. So I ended up a lot of times hiring consulting firms to fill gaps in

my workforce." That avenue had its problems, too. "I was getting killed on the costs and I was getting inundated with resumes that didn't meet my requirements. Something had to change."

These days, Allen – now director of alliances and marketing for ePlaced.com, an online recruiting marketplace and management services firm – has another view of the industry. The Internet has revolutionized the way companies find workers and people find jobs. There are job boards and job coaches and more free agents and recruiters trolling the web for chance virtual encounters than ever before. Like several of the eRecruiting and workforce management solutions now taking center stage, ePlaced.com offers to bring the right contractor and hiring manager together faster. Clients – companies, recruiters, and contract professionals – register online to post jobs or resumes that are independently validated. Also providing workforce management solutions, ePlaced.com is in the midst of an evolving online recruit-

In the ongoing battle to gain control of a revolving workforce, corporations are turning to online services providers to help streamline the staffing process – and meet the budget.

by Jennifer Pittman



ing business model, a growing niche rising out of the changing relationship between companies and their contingent workforce.

Temp help on the rise

The average daily employment for temporary help services has increased an average of 11 percent per year over the last five years, according to the American Staffing Association. Ninety percent of U.S. companies use temporary help services, a contingent workforce of about 2.9 million. The staffing industry generated some \$72 billion in revenue in 1998, \$59 billion from temporary help services alone.

In yet another sign of the tight tech-

division predicted last year that outsourcing human relations services in the United States would grow from \$13.9 billion in that year, to \$37.7 billion in 2003. “Web-based services will come to dominate the HR outsourcing market as a result of the decentralized nature of many HR processes, according to Gartner analyst Rebecca Scholl, “As the concept of boundary-less employment expands, the Internet will become even more critical.”

Researchers at IDC, Framingham, Mass., project the eSolutions services market to grow from \$115 billion in 1999 to \$430 billion by 2004. “To deliver the kinds of solutions companies need, services firms must be able to not only deliver expertise on technology, but provide advice on developing new businesses, streamlining existing business processes, orchestrating new ventures, and creating sustainable partnerships,” says Michael Melenovsky, senior vice president of IDC’s Worldwide Services group. “We’re at the cusp of a do-or-die transition for services firms. Winning services firms must transform to reflect the needs of their clients for a broad array of business services expressly designed for the new economy.”

Reigning in the unknowns

The reality is that at most companies, the contingent workforce isn’t tracked, much less contained. One department hires workers periodically as “office supplies,” another with “project management” funds; some list their wages as miscellaneous on an expense report. More often than not, a procurement director manages the bulk of paperwork for temporary workers rather than a traditional human resources department staff. Occasionally, security departments are called

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nology labor market, Gartner Group Inc., Stamford, Conn., predicts that through 2005, market demand for relevant IT skills and know-how will outstrip supply by at least 20 percent, and by as much as 30 to 40 percent in high-demand initiatives and markets. By 2003, 60 percent of midsize and large enterprises will routinely rehire high-performing IT and business professionals to help satisfy demand, shorten recruitment time and keep the knowledge stream intact, Gartner says, adding that contractors often account for more than 25 percent of a large company’s workforce.

Analysts from Gartner’s Dataquest

with the question: How many badges are assigned? It's another way of asking, who's working here today?

According to Becky Mason, marketing manager at SkillsVillage, a Sunnyvale, Calif.-based contingent workforce provider, one of the biggest challenges is educating companies about the level of resources leaking from the contingent workforce system. Referring to some of the largest global companies, she says they are not always clear about the expenditures. "We ask them how many contractors they use on an annual basis and they say 'anywhere between 500 and 5,000 – we think.' The truth is they have no idea."

Contingent workforce represents an estimated 15 to 40 percent of a company's expenditure on non-production spending. If this new league of service providers can provide cuts of from 15 to 25 percent of current workforce expenditures as expected, it will mean enormous corporate savings.

According to Jeffrey Leach, Ariba Industry Segment manager, significant savings can be achieved throughout the organization. These include:

- ◆ increased control, visibility, and the ability to gather and analyze relevant data;
- ◆ significant process improvement;
- ◆ increased labor quality and overall productivity;
- ◆ streamlining human capital acquisition costs;
- ◆ improved relationship with vendors;
- ◆ reduction in administrative and personnel costs due to improved workflow.

Companies, he says, really have to look at how they're handling their flexible workforce. They also have to be able to adapt to a new way of doing

things. It's not an easy 15 percent, he says. It requires business process re-engineering to hook requesters to preferred suppliers for a refined hiring and tracking strategy, and more work up front for hiring managers who may be used to just calling over to a procurement director for a temp worker.

Leach explains that for many buyer companies, this is the first time they've seriously explored using technology systems for procuring a temporary workforce. "Ariba is now working with over 20 workforce suppliers to provide integrated workforce solutions," adds Leach. "And, while these adopter buyer companies are optimistic, they also are realizing that in order to achieve the desired benefits, they must redesign existing processes and change the way their people obtain workers. Importantly, Ariba's solutions provide the impetus for companies to start getting better controls over their spending, and this is especially true for temporary workforce procurement," says Leach.

End-to-end solutions

Meanwhile, providers are offering to be online human resources departments, overseeing temporary workers, helping executives articulate staffing needs, recruiting workers from preferred suppliers, and conducting background checks and verifying credentials. Rather than inundate hiring managers with semi-related resumes, they promise to forward, via the Internet, only pre-screened resumes of candidates with a skill set matching requisition orders. Team integration concerns can be handled online with a few intelligent profile searches. These companies promise to get workers on board faster than by traditional means and, once they do, to track their hours and costs,

Workforce Suppliers Featured in this Article

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maintain company personnel folders on them, and notify a manager when their contracts are just about to expire.

“Companies are quickly realizing that buying and selling online is not enough,” says Traci Gere, IDC group vice president for services research. “Instead, they are exploring new sales channels and marketplaces, creating holistic customer experiences, sharing knowledge in new ways to increase productivity and retain intellectual capital, and linking back-end processes to gain efficiencies. We are finally moving from eCommerce to what is truly eBusiness.”

Last fall, Bank of America signed up with Mirronex Technologies, an eCommerce solutions provider that automates staffing suppliers and contractor management. Mirronex’s mxConnect evaluates and handles

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worker requisitions, monitors job length and hours submitted, and provides billing and payment. Like several of the new hosted application providers online now, mxConnect can be customized to a client’s internal workflow process and integrated into back-office systems. The plan is to reduce administrative costs and strengthen relationships with core services providers.

Market set to explode

Most companies will be doing hands-free procurement through eMarketplaces by 2002, according to Cambridge, Mass.-based Forrester Research Inc. More than half of those companies expect to use purchasing systems integrated with online resellers, vendors, and business-to-business exchanges to avoid time-consuming manual processes and duplication of buying efforts.

These days, the same is being said of procuring a contingent workforce. Forrester estimates that by 2005, online recruitment advertising will total \$4 billion; human resource applications will generate \$1 billion; online assessment and training will net \$2 billion; and 55 percent of all revenues will go to something they call “career networks,” sites that provide training, assessment and placement services.

At the heart of the career network Forrester talks about are three components: a profile database, a jobs database, and a matching engine. A wide range of career- and even non-career-related services will be available, so these large sites will aggregate not just a résumé database, but a profile database consisting of detailed information about users gleaned from online behavior. Aggregating jobs from numerous sources, the jobs database will store data on companies and job demand, as well as the types of positions filled online. Finally, the database engine will not only match candidates with jobs, but also will learn preferences, saving time for job seekers and recruiters.

Long-term winners in the online recruitment race must have the scale, ongoing user relationships, and technology to be career networks, according to Forrester.

Recruiting is only the beginning of the relationship with a new hire, says Christopher Boone, an analyst with IDC's eRecruiting research program. "Retention of human capital through training and career development has created opportunities for eRecruiting vendors to expand their service offerings and partnerships."

Some of the providers are more focused on matching skills to a project while others focus on streamlining the vendor relationship. Typically those relationships account for 85 percent of the overall spend on contingent relationships, according to Diana Jovin, president and chief executive officer of San Francisco, Calif.-based CascadeWorks, a hosted application provider in the space.

Pioneers

Manpower, a 52-year-old \$11.5 billion international placement agency that has been utilizing online job boards for years, rolled out its own workforce management software late last year. The Milwaukee, Wis.-based company doesn't see the Internet as replacing traditional placement methods, but with its management services product UltraSource, hopes to help larger companies handle contingent workforce needs. "We have such a vast scale or spectrum of customers, we're not taking a monolithic approach," says Mark Bunke, Manpower's director of B2B marketing. "We're working a broad front to enable not only transaction capabilities but, over time, a broader portal to enable customized content as well." There are still many issues, Bunke says, surrounding the efficacy of Internet worker procurement. "It's one thing to get supplies," he says. The procurement of individuals

through a catalog, which is being discussed at some companies, is clearly a dicey proposition."

Significant savings

Estimates of about \$1.2 million in company-wide cost savings gave San Rafael, Calif.-based Autodesk the push to implement a new eRecruitment and management solution created by CascadeWorks. The global design resource company launched the program in its small, light manufacturing division in Fremont, and expects to roll out the program in its larger IT and customer service departments early

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this year. Autodesk, which has already outsourced print procurement and workflow, learning and training management systems and business objects for reporting, aims to have its company's contingent workforce online as early as mid-year.

Recruiters like it because they're getting more accurate information from their client companies. They're also expecting to get paid faster. "So far so good," says Gregg Spratto, Autodesk corporate procurement manager. "The human factor is still there; it just means the very first part is replaced by doing some front-end work. It's never going to be able to replace getting on the phone and calling up the vendor and asking, 'What's happening with my req?'"

Implementation of new technology is not always easy. "There's not a single

ASP out there giving us absolutely what we want,” Spratto says. The company signed up with CascadeWorks, a small, new company where, as an early customer, Autodesk could help drive the product. “In theory it’s great. In reality it’s required a bit more work to implement,” Spratto admits. “People are getting bombarded by a lot of the

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bolt-on applications we’re adding. People are getting a little bit overwhelmed by being in training.”

Shifting responsibilities

One of the challenges has been initially shifting responsibility to hiring managers. They can’t call up the human resources staff or a procurement director and say they need a Java programmer or a secretary. The manager has to articulate what is needed on a particular project, so that the software can properly screen applicants. “At the beginning they’re saying, ‘This is not easy for me. This is more difficult.’” Spratto says. But he is optimistic, banking on a time savings the second time around, when managers can copy previous requisition orders and have been through the training. An easy-to-monitor feedback system improves corporate communication. “It gives the requesters a feeling that they’re part of the requisition process,” Spratto says. “It gives them more of a sense of

ownership.”

One of the features of solutions like CascadeWorks is access to historical information on workers’ performance, which can prevent the rehiring of problem workers, or the loss of precious talent in situations where contractors could be transferred to other divisions rather than dropped from a company at the end of a project.

What these solutions offer is speed. “In today’s world the shelf life of candidates is minutes,” says John Zwiig, director of staffing at Internet software provider Inktomi Corp. in Foster City, Calif. About 10 percent of its 950-person workforce is made up of contractors. “It isn’t that it kills the relationship, but everything is done through the black box. That’s the way of the world. We’re putting all of our processes on line. It’s speed.”

One step at a time

For companies considering the new solutions, the key is a piecemeal and careful implementation. “This is a complex area,” Ariba’s Leach cautions. “To wean people from being able to use the telephone, and transition them to use a process that requires approval, is a big change for a lot of customers. There are easier areas to work on for [companies], but they don’t cover the amount of spend that this one does.”

One company that has adopted this piecemeal approach is SkillsVillage. The company promises to save companies millions of dollars with its XML-based workforce applications and services. At this point, customers have piloted pieces of the solution, selected à la carte for trial.

“Really the goal is not to completely rearrange the way companies are doing things. It’s to add efficiencies,”

explains Becky Mason, SkillsVillage marketing manager. “Initially it’s going to be sold in pieces. It’s from there that we basically prove ourselves.”

In October, SkillsVillage announced a partnership with CDI Corp., a global staffing company based in Philadelphia, Pa., to provide what they call “Internet enabled human capital supply chain management.” The three-year agreement gives the staffing company technology to help track temporary workers. The plan is to eventually implement the end-to-end solution, so that CDI can handle the process from requisition through payment.

“Going to market using the SkillsVillage applications allows us to blend their technology with our services to more effectively capture our customers’ staffing requirements, communicate with suppliers and manage our contract staff,” says Ray Barratt, CDI chief information officer.

What lies ahead?

IDC says that it has been hard-pressed to find a vendor that didn’t stumble when trying to explain how fully integrated their solutions were with the tools that they leveraged from partners. Providers need to improve on the ability to handle online change orders and draw-downs, and work with different currencies and accommodate international legal requirements. CascadeWorks’ Jovin predicts global capability by the end of the year.

In addition, there will most likely be a push among workforce providers to differentiate themselves through specialization and collaboration. Vivant! Corporation, Oakland, Calif., for example, describes itself as a “superaggregator” for sourcing and managing contract workers, aggregating skilled labor

from traditional staffing firms and job boards.

Last summer, Vivant! was one of the first workforce suppliers to earn the Ariba Ready distinction as a technology partner integrating with Ariba. “This alliance allows customers to leverage their investment in Ariba while expanding the breadth of services that they can acquire and manage through the system,” says Cindy Padnos, Vivant! president and CEO.

Vivant!’s browser-based technology allows Ariba customers to define jobs, seek candidates, negotiate contracts, manage contractors and analyze



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results. Jennifer Callison, vice president of project management at Vivant!, predicts that since companies now have an effective way to monitor employment procurement, there will be more creative ways for an organization to decide what they do internally and what they outsource. “The focus today is on cost containment,” Callison says. “This is a really good place to start. But over time there will be more options for CFOs to move things off the balance sheet. Over time this will be a critical piece of an organization’s strategy.”

Jennifer Pittman is a Santa Cruz, Calif.-based business and technology writer.