

The Evolved

Why biology demands that companies take control

B iologists tell us that the beauty and sophistication of the present-day ecosystem was borne out of a collection of biochemical compounds called the “primordial soup.” Through the evolutionary forces of mutation, selective mating pressures, and competition for food, a marvelous array of life forms developed.

The contingent workforce management (CWM) field seems to be emerging from its own primordial soup with present-day technologies, service models, laws and corporate objectives serving as the precursors of something magnificent. What will this evolution yield for the future of CWM? More immediately, what evolutionary forces exist to steer it?

SUPPLIERS IN CHARGE

For more than a decade, staffing suppliers have driven the form, direction and progress of CWM solutions. As a formal corporate function, CWM is still relatively new, with few veterans in a position to assert direction. As a result, many CW program owners are attempting to piecemeal program infrastructure components from a menagerie of solution providers to satisfy internal customers who would rather leave well-enough alone.

As such, buyers of CWM tools and services are in a bind. Tasked with architecting a program that can address current and future needs, they often face resistance from their constituency and quixotic directives from executive sponsors.

Unlike simpler commodities, human capital includes a wide variety of different species, ranging from employees to alliance partners, borne out of constraints of time, budget, availability and rules. Increasingly, contingent labor is a matter of course, planned from the start, rather than a last resort or temporary fix. The need for short-term and specialized talent is anything but new. However, as executives are quickly realizing, it



ILLUSTRATION BY JOHN S. DYKES

Workforce

By Jason Ezratty and Christopher Minnick

is bigger, costlier, riskier and more complicated than anyone thought.

On a per-project basis, worker-type decisions in staffing a project on budget and on time is challenge enough. However, in aggregate, financial and overall workforce vulnerability is amplified without a formalized program to manage worker classification and contingent spending behavior. Adding to the concern, a combination of demographic, economic and legal factors have positioned the contingent labor channel to be more strategically important than ever. Selecting a CWM tool or service provider is more like investing than buying, especially considering that most contracts run at least three years and switching is no easy task.

STRIVE FOR SYMBIOSIS

The situation between companies and their suppliers is akin to the symbiotic relationship between the barracuda and the remora fish. As the barracuda feeds, the remora rides on its back, picking up the scraps while keeping the gills of the barracuda clean of parasites. In order to compete in their marketplace, companies need to consider deeply their goals and whether or not their partners are a good fit. To stretch the metaphor a bit, who can maximize talent value for your business while keeping your gills clean?

Predicting the future of CWM is tricky. Trying to guess how sourcing models, technologies and legal guidelines will evolve and which will emerge dominant is difficult because many factors are escalating in parallel. Healthcare costs are skyrocketing. Unemployment is near a 30-year low. A skilled-worker gap is expected to reach crisis levels within 10 years. And, with a large degree of the Fortune 500 at the formative stages of structuring their CWM programs, it is still anyone's guess as to which existing CWM players, or perhaps which entirely new life forms, will dominate the landscape of the future.

NEW CHALLENGES

With the fundamental questions of optimal workforce mix still vexing HR and operations executives, it is hard to say if the solution set of today is even relevant to the goals and challenges buyers are likely to face in the next five to 10 years. If labor laws were written more favorably to employers or if market conditions were more predictable, would every worker be an employee? We know one executive who already believes this. On the other end of the spectrum, top executives at many companies are themselves contingent.

Apparent generational differences cloud the matter further, as incoming generation Y workers, for instance, are pre-

disposed to think contingently. And at some Fortune 500 companies, the line between employees and contingents is blurred with the advent of "fixed-term employees." These are people who are on the corporate payroll and receive benefits, but who also have a predetermined end-date on their employment contract. The contract is made directly with the individual worker — with no agency or payrolling entity in the middle.

How can program owners build a CW program if the definition and form of contingent work is still changing? We believe no one type will emerge dominant. Sourcing model variants should be merely tools, each having their own appropriate time and place. Perhaps the only universal need is the flexibility to change sourcing model components according to corporate priorities, growth/contraction and market conditions.

EVOLVING TECHNOLOGY

One critical piece of the future of CWM is tied to the future of technology — the mechanism by which one's labor needs are defined, approved, sourced and paid for. And intelligent technology is crucial to managing that information and work appropriately.

Demand for automated requisitioning, timekeeping and invoicing from CW managers was in step with the Y2K tech-hiring frenzy of the late '90s. Y2K also caused rates to skyrocket and demonstrated that technology must enable an efficient means of comparing prices for specific needs across agencies. As additional agencies were added to competition-based programs, technology was called upon to manage these relationships and their underlying contract terms and business rules. Of course, each of these technologies required integration into corporate HRIM (e.g. PeopleSoft/Oracle), ERP (e.g. SAP and Ariba), learning management (e.g. Saba), and screening (e.g. Talx) applications.

Frustrated by the complexity and cost of building and managing these interfaces, a growing number of companies are internalizing these functions. Extensions of existing and heavily invested HRIS and/or ERP platforms are seen as better solutions to asking a niche VMS provider to expand their scope of influence. As programs continue to grow into the hundreds of millions and billions of dollars in spending, even small margins of error become costly. With the majority, if not all, of the VMS software suppliers grossing less than \$100 million per year, it is difficult to imagine that they will be able to keep up with enterprise-class and internally developed technology alternatives. How long can the niche-design argument last

when more formidable alternatives and internal resources are growing their services experience and education?

While the volatility of the space may be the best argument for VMS providers to assert continued importance, until quality improves, companies are likely to keep an eye on internalizing the function. This requires extending existing (and sizeable) ERP portfolios.

But perhaps we've gotten ahead of ourselves. Are buyers looking for bleeding-edge technology when perhaps the biggest challenge still is setting the foundation (e.g. establishing worker-type definitions and standardizing job titles, descriptions and associated skills)? It is increasingly apparent that feature complexity doesn't make the difference between success and failure.

REACHING MATURITY

However, despite the evolutionary leaps accomplished, CWM technologies do not appear to have achieved their destined state of art and maturity. Consider the reality of the modern-day vendor-neutral program — agency recruiters are all searching the same job boards to find the same candidates to place in the same openings available to everyone. This flattening of the field provides new opportunity to some but does more to dilute differentiation between agencies. Accordingly, speed equates to strength, as fueled by applicant tracking system (ATS) efficacy. ATS leaders, including Vurv, Bullhorn, and JobDiva, have automated many of the manual tasks associated with recruiting.

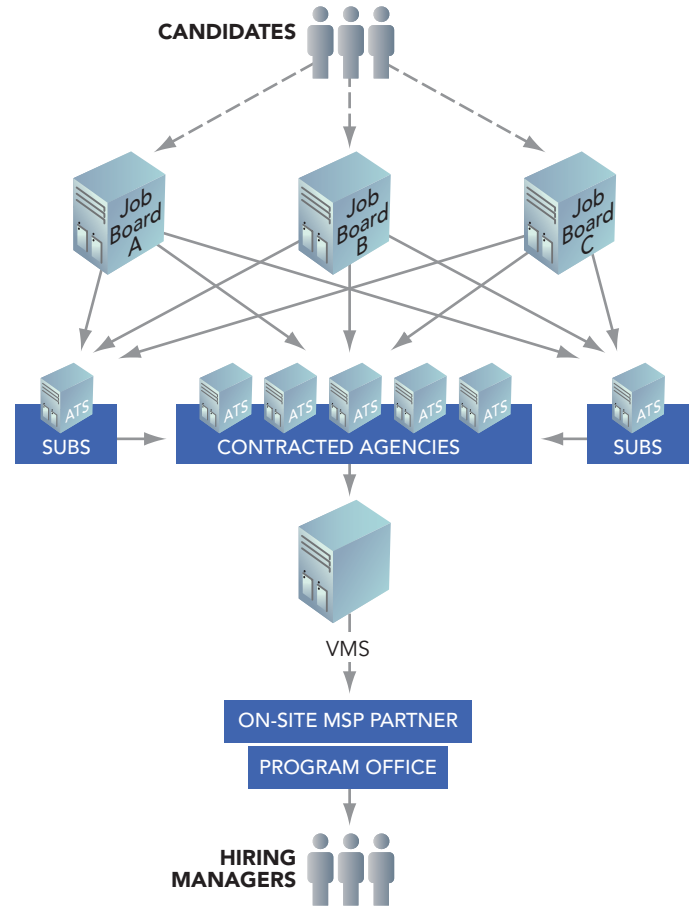
Of course, this begs the question: If agency recruiters can implement ATS technology that harvests and down-selects relevant candidates, why can't internal recruiter teams — or even hiring managers themselves? It's not hard to imagine the day when all the layers of different technologies and middlemen will be replaced by one direct link between companies and qualified candidates.

REFOCUS ON CANDIDATES

Natural selection refers to an organism's ability to survive and reproduce. In the world of CWM, selection has more to do with identifying best-fit candidates. If job boards and ATS technology provide all recruiters with equal access to the same candidates, which agency serving which client is most likely to land the winning candidate? If candidate sourcing has simply become a function of technology investment, what non-commoditized core function are staffing agencies providing?

The answer likely lies in agencies finding ways to differentiate their services. However, this differentiation may not be exclusively for services offered directly to client companies, but increasingly to the candidates as a method to attract the talent

The anatomy of a typical VMS-supported CW organism



There are many redundant layers between candidates and companies

that companies ultimately need. How can their loyalty be won? How can these individuals be further developed? How can they get hands-on, real-world experience? These are important questions for agencies, MSPs and companies, alike.

In one example of what the future may hold, a large semiconductor manufacturer has engaged in a unique MSP relationship with other area corporations to form a contingent resource-swap apprenticeship program. The contingent workers benefit from getting hands-on education from well-respected companies as well as an ability to stretch overall tenure from a single placement. The obvious benefit is a source of workers whose compensation is based solely on ability, not seniority. Furthermore, by taking responsibility for the development of non-employee resources, the participating corporations' reputation appreciates within the community and promotes worker loyalty.

DIAGRAM BY STEVEN CARAMITA

CWM solution provider nextSource also sees the role of the candidate as playing a bigger part in the supply chain. Its innovative Registry of Certified Consultants (ROCC) enables candidates to take responsibility for certain onboarding tasks and expenses, such as checking references and background and drug screening. By doing so, a contingent worker increases his value by reducing onboarding cycles by one to two weeks. This is evidence of how serious candidates are about the contingent employment channel — such a scenario would be unheard of only 10 years ago. In addition, by giving “ROCC Raises” to contingent workers with exemplary performance ratings, nextSource stands a greater chance of garnering precious candidate loyalty.

And, there’s plenty of room for other value-adds to the candidates. Ultimately, staffing agencies may find their value once again in their relationship to workers — their workers, not just the guy they were lucky enough to call before someone else did. Development of candidates and assigned workers through coaching and mentoring should help with loyalty as well as to clarify the worker’s intended employer. Agencies could provide work templates, methodology, and even access to technology. Training for licenses and certifications is sometimes seen as a profit center — could it also work as a loyalty program? The demise of the dinosaurs taught the world to adapt to new conditions or face extinction. To fight commoditization and ensure their survival, staffing agencies will need new methods to add value and justify their mark-up rates.

SURVIVAL OF THE FITTEST

Adapting to a changing landscape is the key to survival. With the breaching of the \$100 billion annual spending mark just in the United States, everyone seems to agree that the contingent labor channel is a reality worthy of serious attention. What seems to garner less agreement is whether CW program administration should be outsourced, despite acknowledgment that it is now core to operating strategy.

Staffing industry suppliers adapted to environmental changes and created the CWM solution space. Companies have taken more of a passive stance. Considering the number of recruiters required to support a Fortune 500 account and the decreased importance of physical location — both for recruiting workers and performing the work itself — why aren’t more of these activities being taken in-house?

As it turns out, in some cases they are. In the summer of 2005, a large pharmaceutical services company had call centers hiring 25 contingent workers a week in an effort to keep up with volume and replace workers lost to attrition. In this case, company management felt the model was broken, not the efforts of individual suppliers. As a result, recruiters were internalized and contingent positions were converted to direct-hire positions. Since implementation, turnover significantly decreased and employee morale increased — not just for the call center workers

To ensure their survival, staffing agencies will need new methods to add value and justify their mark-up rates.

(now employees) but also their trainers and managers. This is an example of a host organism realizing it can do a better job serving its own needs, like a barracuda able to clean its own gills.

In some instances, program outsourcing, as with contingent utilization itself, is a response to resource constraints. In other cases, it is a function of least resistance. Vendor-funded programs often make it easier to win a business case with executives. In addition to the absence of capital budget requirements, outsourced MSPs can mean employee headcount reductions. But, is that at a sacrifice to the big picture? By focusing on these factors, many companies may have skipped steps in developing their CWM strategy and overlooked the importance of driving required solution components tailored to their specific needs.

The decision to outsource an internal function is sometimes made in haste, but its effects can be long-term. Firms attempting to respond to rapid changes on a global scale often lack in the type of expertise required to plan, source, implement and manage CW programs. The role of the contingent workforce recruiter should be elevated in parallel with the cost and stature of contingent positions. Those who learn to do this the best stand to have better-qualified workers, both in their CW and among those who ultimately convert to traditional roles. If it’s true that talent is a company’s most valuable asset, CWM could be the area in which competitiveness is won.

It’s hard to say how the CWM field will evolve. It is certain that companies, with their spending leverage, priorities, and employer brand recognition, can drive a direct connection to candidates — whatever type of worker they may choose to source. Companies need to take ownership of the direction and ultimate evolution of CWM service models and technology.

CWM suppliers have taken the field as far as they can without deeper customer input, commitment and leadership. After a decade of relative dissatisfaction in parallel with appreciating importance, perhaps contingent channel buyers can learn from solution shortcomings and build a better system themselves. As the adage goes, “If you want a job done right...” 🌟

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