

## **Implementation Considerations for Managed Staffing Solutions with Vendor Management Systems**

### **Acknowledgement**

OpenProcess, Inc. thanks the people from the five large domestic staffing companies and the nine domestic Vendor Management System firms that were asked to participate in this survey. We appreciate those willing to openly share information about how Managed Staffing Programs and associated Vendor Management Systems (VMS) are implemented.

### **About OpenProcess, Inc.**

OpenProcess, Inc. provides solution architecture and project management consulting to firms wishing to create adaptable supply chains on the Internet. It uses its proprietary methodology for creating Internet ready business processes for maximum control, online learning, selective opening, and real-time performance monitoring. OpenProcess, Inc. has seven years of experience in developing workplace management solutions with Internet technology.

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### **Executive Summary**

Near the end of Q1 of 2004, OpenProcess, Inc. was requested to conduct a brief survey to document, at a very high level, how typical Managed Staffing Programs and their associated VMS technologies are implemented. Five large domestic staffing companies and the nine domestic VMS firms were asked to participate. Data was collected during Q2 of 2004. This report brief was issued during Q2 of 2004.

100% of staffing company respondents consider 100 contractors to be a unit of measurement for evaluating the business viability of Managed Staffing solutions – all business decision making revolves around this number. 60% of staffing company respondents are highly likely to devote a dedicated day-to-day manager to each Managed Staffing solution that supports 100 or more contractors, and dedicate roughly one administrative person for roughly every 100 contractors. The physical location of personnel varies significantly, due primarily to the geographic scope of the solution and the total number of contractors that must be supported.

Across both staffing companies and VMS firms, roughly 70% of respondents reported that their enterprise-wide implementation projects take between eight to 12 weeks. The other 30% of respondents said that their implementation projects often require more time. Interestingly, the former group has experienced brisk business during Q1 and Q2 of 2004, while the latter group has experienced lackluster sales.

Across both staffing companies and VMS firms, roughly 20% of respondents indicate that they sell a “technology only” solution, and that these implementations take between three to four weeks to complete. Interestingly, these firms appear to have a unique aspect to their product offering – a software architecture that enables very fast configuration. These firms also focus on capturing the low-end of the market, where customers buy and run the entire product, and perform the functions that a Managed Staffing solution would conduct.

Across both staffing companies and VMS firms, roughly 90% of the respondents described similar personnel roles and responsibilities on their implementation teams. Those in common are:

- a sales person to finalized the deal, including any master outsourcing agreement,
- a dedicated project manager (amounting to 10%-15% of total project investment),
- a technically-oriented business analyst to specify requirements and designs,
- a data entry team whose size varies depending on total number of contractors, and
- a sales person to manage the larger customer relationship after implementation.

70% of these respondents also said that, post-implementation, they also allocate a partial FTE for periodic assessment of solution quality, and allocate a partial FTE for day-to-day solution support. The number of technical developers required to implement the technology aspects of the solution varied significantly across respondents. An informal observation made during the study was that those companies who had a well-architected VMS spent less total man-hours on development.

## **Key Considerations**

Project completion time appears to be a significant factor in winning new business. Those firms who complete their implementation projects within 8-12 weeks are currently experiencing brisk business, while those requiring more time are currently demonstrating lackluster sales. One significant factor in impacting overall project completion time was technology development time, especially in the area of software configuration and integration with customer ERP and HRIS.

A highly configurable VMS appears to be a significant factor in shortening total implementation time. It also simplifies implementation effort, and thereby positively impacts total implementation cost for the VMS provider. For example, the most efficient VMS provider installs their low-end system right onto the customer’s server in 3-4 weeks. However, it should be noted that these installations do not involve complex ERP integration.

Managed staffing programs and their implementation teams are similar, especially across the very large enterprise-wide Managed Staffing solution market. Although this was not a formal survey question, a majority of respondents informally said that factors such as labor pricing and highly customized services such as resource planning were factors that positively impacted the winning of new business. Additionally, a majority of respondents informally said that the concept of vendor neutrality is a significant factor in selecting a Managed Service provider.

Vendor neutrality appears to be a significant factor in winning new business. Many buyers of Managed Staffing solutions require the Managed Service Provider (MSP) to not be allowed to do fulfillment activities. Although this was not a formal survey question, a majority of respondents

informally said that end customers were very likely to not select staffing companies who said that they could ensure vendor neutrality even though they would also participate as a labor supplier. It is interesting to note that this buying criteria goes counter to the fact that a VMS can automatically distribute orders and automatically keep workflow metrics to ensure the MSP does not put itself in a position where they have unfair advantage over the other suppliers.

Some VMS products have unique features or services that markedly distinguish themselves from their competition. The companies with these features or services are poised to remain longest in the VMS market. However, OpenProcess, Inc. expects that, in the long run, very large ERP firms will take over this market by embedding VMS functions and features into their portfolios – similar to the market takeover that happened with groupware and workflow technologies in the 1990s. The unique features or services mentioned during survey interviews are:

- a low-end product offering at \$200,
- a product offering range of small, medium, and large,
- a customer receives a VMS configuration workbook or a report selection checklist,
- a developer configures the VMS using tables of rules,
- an automated pricing benchmark tool in the product suite,
- an automatic skill matching function in the order creation step,
- the user interface language is selected when the user first starts up the product, and
- an experienced and dedicated development team for ERP and HRIS integration.

### **Implementation Cost Analysis**

No respondent was intentionally interviewed regarding product pricing, implementation costs or financial information of any kind. Instead, project implementation costs were estimated based on project duration and personnel data provided by respondents. It was assumed that project personnel worked for the duration of the project. Whenever a data range was given (e.g. duration of 10-12 weeks), then the average value (e.g. 10 weeks) was used in the calculation. Current market rates were assumed for project personnel: Sales at \$60/hr, Management at \$50/hr, Development at \$45/hr and Administration at \$30/hr. The table below summarizes the estimates.

Duration	Approximate Cost	Enterprise-wide?	Development Staff	Quality / Support
1 month	\$100K	No	Small	0
3 months	\$200K	Yes	Medium	<1
4 months	\$300K - \$400K	Yes	Large	1

Those staffing companies and VMS firms with short project durations and low cost create viable solutions, but cannot scale to large enterprises. Staffing companies and VMS firms that implement within 3 months are in the cost “sweet spot.” Their relatively fast implementations are due to a standardized product-service offering coupled with a highly configurable VMS platform. Less quality assurance and support is provided after implementation because standardization has reduced operational errors (i.e. in the procedures and in the systems). Those staffing companies and VMS firms with long project durations have larger development staff and quality/support staff as well. VMS configuration takes longer for these firms, and the overall product-service offering is less standardized. The more “hand built” nature of these solutions causes more operational errors after implementation, and hence the need for dedicated quality assurance and support personnel.

**Survey Questions**

The following is the set of questions that were asked of staffing companies and VMS firms. These questions were asked verbally over the telephone during an informal interview. Sometimes, upon request, they were sent to the company representative via email:

I. What is the minimum number of contractors you need to see in a Program?

II. Please answer the following questions based on a typical 100-contractor Program:

1. On Site Program Team

- A. Do you establish one?
- B. Does it have a Program Manager?
- C. Is the Program Manager on site?
- D. How many support staff are there?
- E. How many are on site? Off site?

III. Please answer the following questions based on a typical 100-contractor Program that requires an automated solution (i.e. a VMS component). Assume the VMS component is your standard, out-of-the-box variety:

2. Implementation Project

- A. What is the typical project duration (weeks)?
- B. Do you assign a project manager to the effort?
- C. How many people (FTEs) are needed to:
  - i. Manage the outsourcing (e.g. master service agreement, supplier subcontract)?
  - ii. Implement the VMS (i.e. specify, design, implement, test)?
  - iii. Conduct quality management after the implementation is over?
  - iv. Manage the customer relationship after the implementation is over?