

May 2005: Drake Webinar Series – Volume 8

Corporate Hide and Seek: Finding Hidden Profits
By Centralizing Contingent Staffing Management

Up to 60% of a company's budget is based on costs associated to its workforce yet, most organizations do not apply the same level of rigour to the investments made in this component as they do when scrutinizing the investments made in capital equipment and major acquisitions of business. Understanding the makeup of a company's workforce, the associated costs, and the ability to maximize a return on this investment is critical to the success of any organization. Because the majority of companies have many different types of employees, secured and managed from multiple sources, it has become increasingly difficult to monitor and control this cost while managing an acceptable return on investment.

According to an article written by Chris Alfe, Controlling Costs through Human Management Solutions: VMS Eases Burdens Associated with Managing Contingency Staffing, the employment of contingent workers is rising rapidly, estimated to increase nearly 53% – 1.4 million jobs – from 1996 to 2006.

The cost of a contingent workforce represents one of the single biggest expenses to a company. In large organizations, it has been difficult if not impossible for the CEO, CFO and CIO to be aware of their total contingent workforce costs.

Subsequently, the larger the organization, the more difficult it seems to obtain a holistic view of contingent workforce resources and costs. However, it has been discovered that organizations with as few as 100 employees are also unaware of the costs associated with the use of a contingent workforce.

Managing a contingent workforce in any size organization is typically fraught with costly hazards and process bottlenecks, some of which include high turnover rates, unauthorized expenditures, massive administrative burdens, and non-compliance with supplier contracts. However, looking on the bright side, all of these challenges mean that opportunity for improvement exists!

The concept of Vendor Management Solutions (VMS) addresses a number of the inefficiencies inherent in the traditional procurement process. A VMS is an automated "rules-based" process that ensures the organization deals with one contact point. With direct cost savings averaging 10 – 15%, plus additional soft-dollar savings from improved workflow, VMS has become increasingly popular.

According to the Gartner Group, it is predicted that by 2007, one third of Fortune 1000 companies will use an e-procurement application.

Generally speaking, e-procurement for basic materials saves time, costs and is more efficient than traditional procurement methods. Since so many organizations are already using a form of e-procurement for purchasing other business materials, an obvious next step is to consider using these applications for managing the procurement of contingent staffing.

The ideal VMS system combines the best of traditional e-procurement systems while embedding all the nuances of contingent staffing buying and delivery processes. The objective is to streamline and automate the hiring and management of the company's contingent workforce, eliminating the costly hazards and process bottlenecks that exist in a manual, fragmented model.

Customizable systems enable a company to determine what features are relevant to their needs. Drake's VMS system, "Drake Online", was built to make the system intuitive to the end-user. This leading-edge VMS solution integrates procurement of multiple orders and utilizes multiple suppliers to help fill those orders. It is unique when compared to traditional systems in that it was designed to meet the needs of companies managing their contingent workforce. Some of the savings gained through the Drake Managed Services Platform include integration into sub-vendors, reporting and information visibility, batched invoicing and eBilling, electronic order processing and timesheet processing, candidate onboarding, placement, selection and role profiling.

Any company who uses contingent staffing on a regular basis would find a VMS helpful. Not only does it centralize the entire management process of contingent staffing, but it also dramatically reduces transaction costs, improves instant key performance indicator reporting and centralizes supplier management. Overall staffing spend will be more efficient, visible and optimized. With so many organizations not knowing who makes up their contingent workforce, what the associated costs are, and most importantly who is ultimately accountable for this on an enterprise-wide level, the implementation of a VMS is something that should be closely evaluated. Organizations can greatly improve their bottom line and find hidden profits by centralizing contingent staffing management through a Vendor Management Solution.

To learn more about Drake's Web-Based Managed Services which offer real-time visibility to staffing levels and expenditures, please call Paul Hindle, V.P. of Sales and/or Louisa Jewell, Consultant - Drake Solutions Team at 416-216-1000.