



The Staffing Files - October 20, 2003

Summary:

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Author(s):	Moss, Sara
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Editors Note: Sara Moss, occasional contributor to the staffing vertical of HR.com and a partner at The Code Works Inc., attended this year's VMS Decision conference in Chicago two weeks ago. I would have loved to attend myself but the organizers timed the event to coincide with the HR Technology show in Philadelphia. Next year both shows will take place in Chicago, we can only hope that they won't be at the same time (unless they hold them in the same place ...)
- Allan Schweyer

The theme of VMS Decision 2003 was "addressing technology investment and integration decisions." The 2-day conference was organized around panel discussions, keynotes, roundtables, and vendor one-on-ones. There were about 200 attendees (slightly down from last year), primarily senior level executives from all sizes and segments of staffing firms. Here are some of the conference take aways:

- **VMS is here to stay.** Most notably, there was general acceptance that VMS will continue to have a role in staffing industry supply chain because hiring companies perceive that they add value. I had heard that there was a lot of lively, if not argumentative, discussion last year about the viability and role of VMS, and I was expecting to see more professional arm wrestling this year. It seems that most attendees had acquiesced to the reality that VMS is here to stay (at least in the short-term).
- **Mid-market offerings key focus for VMS players.** Most VMS are building their marketing story and software capabilities to target mid-market price points and needs. There were many smaller firms in attendance looking to clarify their VMS strategy and options. It was noted that some view VMS as having overly rich feature sets and being difficult to use. Rumors around which vendors actually have viable mid-market alternatives in place were shared.
- **Large firms seek ways to reduce the costs associated with VMS.** Large staffing firms acknowledged interest in integrating front office systems with VMS to reduce manual data entry. Additionally, several speakers, panelists, and vendors mentioned the HR-XML SIDES standard in their talks. Momentum seems to be shifting from back office implementation and integration projects to front office automation once again. Along those lines, large staffing firms are questioning VMS transaction-pricing models, weighing them against a more traditional licensing model. We may see large firms opting for other VMS pricing models now that they see VMS in the longer-term picture and want to reduce the VMS chunk of their razor-thin margins.
- **Customers focus on leveraging procurement best practices.** A panel of clients including Sears, Roebuck and Co., McDonald's Corp., Trans Union LLC, and Aon Corp represented the customer perspective. The panel expressed their desire to streamline business processes and to translate procurement lessons into HR fulfillment process improvements.

Most mentioned that VMS could be a tool to reduce the number of suppliers to a preferred few, but noted that VMS was not required to do so. Internally driven mandates to procure staff from offshore sources was noted several times as a customer concern.

Some of the customers were sensitive to the impact VMS had on preferred suppliers in terms of margins. It was particularly interesting that two customers chose to wait on implementing VMS until their preferred suppliers were identified and their processes were streamlined.

All customers were looking to their staffing firms and their VMS providers to add value to the HR procurement process.

- **Avoid building your own.** There was very wide acceptance that staffing companies should not build their own proprietary VMS. Speakers made it clear that VMS is a software business, and clearly not the core competency of a staffing company. Even though building a VMS may minimize short-term costs and risks, panelists assured the audience that VMS providers are focused and skilled in software development, and will be a better value option to suppliers over the long-term.
- **Watch for VMS consolidation.** In his keynote, John Nurthen of Vedior suggested that the staffing industry could only support 4 to 5 VMS providers, not all of the 70+ options available today. Consolidation in the VMS space seemed to be accepted, but the debate about which VMS are best positioned to emerge in the lead was not discussed widely.

Chimes, eWork, Workcard, and WorkforceLogic sponsored the conference. An interesting mix, not really the list of sponsors I would expect. Elance was in attendance, but did not have a booth, nor did they speak at the conference.

- **Track the longer-term ERP plays.** There was some talk about the role that ERP vendors, like Peoplesoft, will play in the market. Whether they will purchase leading VMS and incorporate their software and customer base into their offering, or build out their own solution. The general tone of the audience seemed to be that "one day in the next year or two, we won't have to deal with the VMS mess we have today, things will be much more simple". There is definitely a consensus that the ERP's VMS strategies are just ramping up.
- **Internationalization a growing concern.** Some wonder if there are any conditions that will eliminate VMS from the staffing picture, such as margins being whittled down so far that VMS fees cannot be supported. John Nurthen mentioned that the VMS is not pervasive in some other countries, such as the UK, because the margins to pay for their services are insufficient.

We know that internationalization is a hot issue for many VMS as their US-based customers are taking them to Europe and Asia.

We'll hear more about internationalization in the next twelve months.

- **Coopetition in the French market.** The Adecco, Vedior, Manpower announcement that they are jointly building and operating a VMS for the French market was also highlighted by John Nurthen. Much of the following attendee conversation was about how similar collaborations are not likely to happen in the U.S. or anywhere but France. The fact that the trio owns a 70% share of the French contingent worker market seemed to play a role in why attendees thought this type of arrangement was limited. No doubt, the French implementation is being used as a trial, so we'll see if the U.S. players are on the mark, or whether they should start to prepare for the staffing industry run VMS model, of which Vedior has been a long-time proponent.
- **The healthcare anomaly.** Healthcare staffing companies were well represented at the conference. Being the latest industry to be faced with VMS issues, healthcare staffing firms look to benefit from the painful lessons learned from their IT staffing counterparts, but recognize that their needs are quite unique.

Being a demand-driven industry changes the dynamics since healthcare professionals are more likely to circumvent systems and processes to gain better rates. Additionally, health care needs must be filled in minutes rather than days, since the need may have a life and death impact. Certifications and licenses play a bigger role than in IT, and the skills sought are completely unique to healthcare.

Clearly health care staffing firms have more leverage in a supply shortage such as this, but suppliers still take the need to develop a VMS strategy quite seriously. They so seem to recognize that they may have more success with aggressive strategies than their IT colleagues.

Healthcare staffing will be an interesting space to monitor over the next twelve months, especially as we see VMS providers target this niche.