



Staffing Files

Summary:

-VMS providers: Be nice to the suppliers!

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VMS providers can make a variety of strategic, process, organizational and technology improvements to improve the level of service and support offered to their supplier constituency. This section aims to describe some supplier-friendly approaches that have been successful for leading VMS providers.

Services Procurement as a Supply Chain

Since the shift in the economy, the VMS sell has become increasingly procurement focused and less human capital management oriented. With greater emphasis on savings (time and cost per hire) and perhaps less on quality of hire, HR professionals have so far taken a back seat in contingent workforce acquisition. Enterprise procurement professionals understand that services account for a substantial portion of overall spend. Many have incorporated VMS into their services supply chain and successfully reduced costs. They are also able to apply their goods procurement experience and discipline to the contingent workforce spend and to services in general.

High-level lessons learned by optimizing the goods supply chain can be leveraged to improve the services supply chain. "The durable goods supply chain is about 15 years ahead of services procurement and many best practices and lessons learned can be leveraged from this experience," says Elance VP of Product Strategy, Tim Reed. He continues, "Elance understands that 'you can't procure people like you procure paper clips', however we've learned from goods supply chain management that a reliable, healthy supply chain benefits everyone in the process by enabling the lowest total costs." John Martin of IQNavigator adds that "Procurement Officers and sourcing experts are able to apply supply chain best practices to services e-procurement. For example, vendor qualification, vendor report cards, and volume discounts can be applied."

Streamlining and automating the services supply chain is more complex than managing the goods supply chain. Goods procurement is dependent on unique product numbers from catalogues. The procurement of contingent workers requires a complex evaluation process where skills, experience, location, worker preferences are all balanced in a qualitative buy process. Goods procurement tends to be a quantitative buy process.

Sean Chou, CTO of Fieldglass elaborates, "For goods procurement, the hardest part of the process is getting the goods in the door." He continues, "In services procurement, not only does the order have to be fulfilled as in services procurement, but once the worker is in the door, managing time and expenses, term limits, and compliance takes all the effort." Further, services invoicing billing and reporting is much more complex than goods procurement. For example, a good is purchased by an enterprise at a specific price, to arrive at a specific time, at which the purchase order will reflect receipt of the good and zero the balance due for that item. Discounting and taxes may complicate matters, but they also apply to services procurement. Sean Chou explains "For services

procurement, purchase orders cannot be established with accurate amounts until fulfillment, and rarely does an invoice deplete the entire purchase amount.” Staffing contracts are frequently extended, and workers replaced, adding further complexity.

Savvy VMS providers aim to increase quality and reduce costs across the complex, end-to-end services supply chain, aiming to improve business for suppliers, VMS providers, and employers alike. “Reducing the cost of the HR supply chain helps everyone, it’s not about beating up on the suppliers. Elance’s overall goal is to ensure the end-to-end services procurement process is as efficient as possible, which will result in suppliers’ having the lowest possible cost model,” adds Tim Reed. This message resonates well with suppliers since their worst fear is that VMS providers may oversimplify the process, and position VMS software as technology that facilitates the reduction of staffing company bill rates.

Examples of Supplier-Friendly Best Practices

Most VMS vendors are not practiced in answering to the needs of the supplier community. This may be because it is not frequently an issue between hiring companies and VMS providers. However, VMS companies must strive to understand both sides of their customer base and look at all parts of the supply chain. This type of balanced focused is critical in maximizing staffing firm benefits.

Gleaned from leading VMS players, the following are examples of how providers are currently working to improve the level of service they extend to staffing firms:

1. Vendor neutrality. The most critical supplier-side functionality is vendor neutrality since it forms the basis of a competitive marketplace. Providers must be able to demonstrate that their technologies and processes do not implement any supplier bias.
2. Understand supplier issues. VMS providers can reflect their understanding and commitment to suppliers by being able to recount their unique issues and communicate using staffing terminology. Being aware of how staffing companies perceive that they add value and appreciating their cost structures will go a long way.
3. Develop a supplier-side strategy and marketing plan. Establishing and communicating the process and actions that the VMS intends to take to support suppliers is an important signal that the supplier commitment is valued. Fieldglass’ internal term for their supplier strategy is “supplier embracing”, which guides policy and practice toward suppliers.
4. Build long-term relationships with suppliers. While it’s understood that customers dictate supplier’s usage of VMS, developing long-term relationships with suppliers is the VMS provider’s primary defense to any supplier-initiated disintermediation effort.
5. Gather feedback and share best practices on a routine basis via product reviews, supplier-oriented conferences, focus group sessions, and surveys. Several VMS providers facilitate annual brainstorming sessions between customers and their preferred providers.
6. Include suppliers in product design. Elance suggests that this is best accomplished by capturing their feature requests and prioritizing them into product plans based on their positive impact to the services supply chain. Listening to suppliers and incorporating their feedback into the product design and even implementing supplier-desired features will go a long way to making the VMS platform supplier-friendly. When the VMS provider’s business case does not support financing the build-out of supplier-desired features, provide the opportunity for suppliers to pay for the build-out of custom features.
7. Implement technology that enables suppliers to compete on qualities and services, not just price. Most VMS providers offer reverse-auctioning functionality, which pressures suppliers to compete aggressively on price. VMS functionality that enables suppliers to describe and highlight the quality of their candidates and their service will be highly valued.
8. Encourage contact between suppliers and hiring managers. Staffing firm’s believe that their greatest strategic advantage and value-add is their ability to best service their clients. Michael Cruz of White Amber states, “We want to encourage competitive behaviour, not cutting off the sales force because there is a good flow of information

there that helps both customer and suppliers.” Facilitating supplier and vendor contact through features, workflow, and policy enables suppliers to deliver the highest quality candidates and leverage their client relationships.

9. Supplier configured workflow and terminology. VMS systems automate business process for the procurement process. Often VMS vendors focus on enabling and configuring the business process to support the enterprise customer. VMS providers that enable suppliers to configure the workflow and terminology, whenever possible, will help manage supplier’s training costs and increase supplier preference for the tool.

10. Easy to user web interface. Since large suppliers are known to use over a dozen different VMS systems to service their customers, an easy to use user interface is a key feature for suppliers. A user experience that offers intuitive navigation and terminology will help staffing firms minimize training costs and ramp-up time in high-turnover positions.

11. VMS providers should show suppliers the same reports they show customers. Staffing is a highly competitive industry. Providing suppliers with detailed information about their performance will help them to improve their service and increase their market share.

12. Support the automation of the exchange of requisition, candidate, and assignment data. Suppliers have developed the SIDES standard to facilitate data exchange. Implementing this standard enables suppliers to automate data exchange rather than keying data into both the VMS system and the supplier’s system-of-record. (Refer to the SIDES section of this paper).

13. Provide robust, reliable, and secure service. The VMS process requires suppliers to provide core data about their best candidate pool along with pricing information. Therefore, suppliers want to be assured that their data is secure, and will not be shared with their competitors. Additionally, due to related privacy issues, suppliers will not favour VMS providers that require the data exchange of personal candidate data, such as the candidate’s social security number.

Sara Moss is a contributing author of HR.com’s [Buyers’ Guide to Vendor Management Systems](#) that is available now. The Buyer’s Guide covers pricing, strengths, challenges, risks, competitiveness and the results of tests on 20 components of the software, our comments on 9 key business components and our assessment of 5 strategic risk areas on twelve of the leading technology vendors in the industry. The buyer’s guide will be updated quarterly. If you are interested in purchasing the guide please e-mail aschweyer@hr.com.