



eStaffing: E-procurement in the Staffing Industry

Summary:

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Terminology used to describe HR e-procurement is often confusing, making it difficult for the procurement newcomer to understand the players, processes, and technologies involved.

Within the industry, it seems that terminology is often redundant. For example, HR e-procurement is also referred to as vendor management, hiring management, workforce management, workforce acquisition, and sometimes by the general terms human resource management, human capital management, or even supply chain management.

At the other extreme, some areas of e-procurement have not been effectively defined. The term eRecruitment is an industry-wide and accepted term that refers to candidate sourcing using online job boards. While many parallels can be drawn to eRecruitment, the process of e-procurement in the staffing industry that we will describe is distinct. eStaffing is that subset of HR e-procurement that relates specifically to employers; web-based sourcing of temporary or permanent workers from staffing companies.

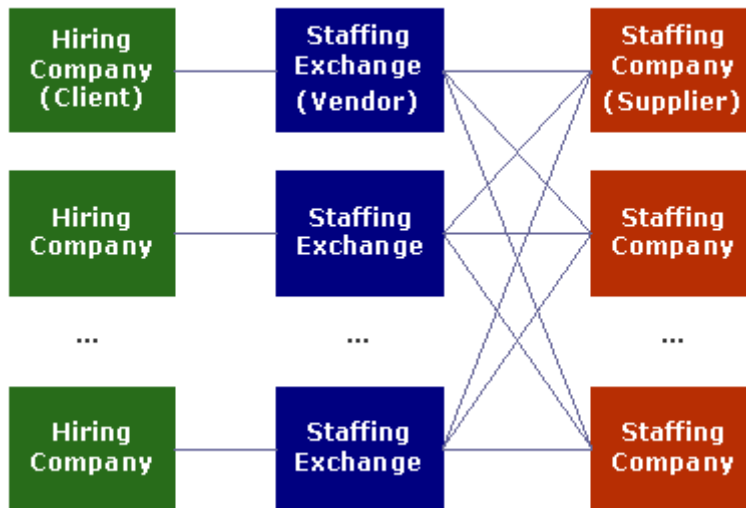
This article aims to clarify the eStaffing environment, including the key player relationships, e-procurement strategic drivers, the business process being automated, and the various applications that make-up the staffing supply chain.

eStaffing Marketplace

Staffing exchanges enable employers to make job openings available to selected staffing companies for fulfillment via web-based systems. A staffing exchange is an application service provider of a vendor management system (VMS). The VMS is the technology driving the web-based, private marketplace. Using online forms, employers post jobs and suppliers submit candidates to the staffing exchange's website.

Figure 1 illustrates typical relationships between the staffing e-procurement players: hiring companies, staffing exchanges, and staffing companies.

Figure 1: eStaffing Relationships



Hiring companies tend to use a single staffing exchange, whereas staffing companies aim to broaden their market and subscribe to several exchanges.

eStaffing Value Propositions

Employers.

Engaging multiple suppliers in a competitive bid without automation is nearly impossible since most job openings have a brief shelf life, and selecting the right candidate is time consuming. In the temporary staffing environment, where job openings are filled within minutes or hours, automation is the only cost-effective way to enable competition in a high-transaction, high volume market. Staffing exchanges have created the opportunity for supplier competition by providing employers with immediate and managed access to multiple staffing companies.

Having established a competitive marketplace, the following benefits can be realized by employers as a result of eStaffing:

- Increased quality of the candidate pool resulting from wider supplier participation
- Reduced time to fill positions due to faster access to a greater number of qualified candidates.
- Reduced costs due to competitive supplier pricing

To reap these benefits, the employer interacts in a digital, commoditized market, which prohibits suppliers from providing service in a personalized manner. Suppliers are in a greater hurry to submit candidates and direct contact between trading partners is often discouraged. Additionally, employers may need to adapt some of their enterprise processes to accommodate rules imposed by the exchange. There are certainly the tangible costs associated with subscribing to the service.

The benefits of eStaffing to employers are clear. A large percentage of the Fortune 500 has invested in e-procurement services and solutions that automate the staffing supply chain. Clearly, employers are the driving force behind the adoption of staffing exchanges.

Staffing Company.

Supplier benefits are not so clear-cut. Staffing companies have to interact with exchanges because their customers demand that they provide this procurement channel. Staffing companies end-up interacting with numerous exchanges in order to support their existing customer base or to increase their market size.

While most staffing companies will focus on minimizing the costs associated with eStaffing, a proactive supplier will be able to increase revenues by exploiting this channel. Focused on providing the best possible customer

support in this newly automated fulfillment channel, suppliers may need to adjust their "value-added" to derive benefit from this commodity-oriented channel.

Minimally, the costs of eStaffing to suppliers are:

- Market share erosion due to increased competition
- Reduced profit margin due to competitive pricing pressures
- Reduced profit margin resulting from paying an intermediary
- Additional costs associated with training personnel on each exchange's system are not trivial.

Staffing companies who choose to focus on the eStaffing environment will need to foot the bill for custom e-procurement applications in order to reduce these costs and maximize channel revenues. Since the e-procurement system must interface with the wide variety of staffing exchanges and customer proprietary VMS's in the marketplace, staffing firms have invested in the HR-XML SIDES standard.

Staffing companies can take a reactive or proactive approach to eStaffing, but they simply cannot afford not to participate.

Staffing Exchange.

Exchanges provide value-added services along with hosted access to a VMS. For this service, staffing exchanges take a percentage of supplier revenues on orders fulfilled by their marketplace.

Aiming to improve short-term revenues, staffing exchanges seem to be concentrating on extending employer-oriented features. The general belief seems to be that the exchange with the longest list of the largest companies will take and keep the lead.

For longer-term success, staffing exchanges need committed participation from both employers and suppliers. Staffing exchanges that develop supplier-oriented services will mitigate the risk of disintermediation. While staffing exchanges may be weary of enhancing supplier features, they will want to add functionality when it either reduces the threat of being removed from the value chain or when it gives them a strategic advantage over their competitors.

eStaffing Process

Before launching into a deeper discussion on enabling technologies, it is critical to understand the core business process being automated by staffing e-procurement. The business process defines the scope of the automation effort, as well as the data and messages to be exchanged by each trading partner.

Staffing exchanges embed their e-procurement process with separate employer-facing and supplier-facing websites. The high-level business process is described in the following steps:

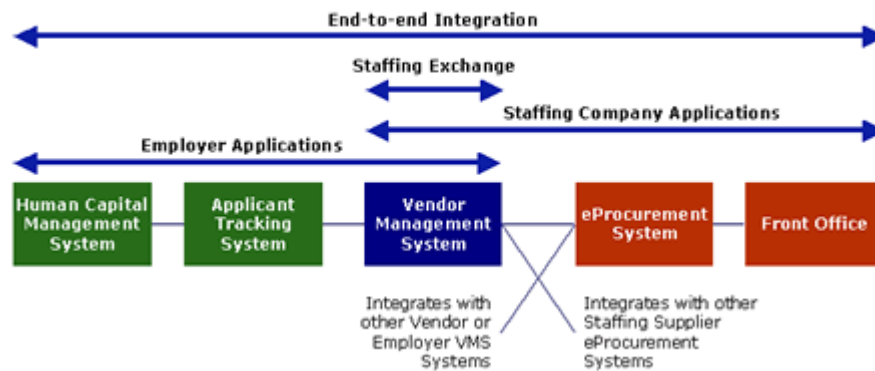
1. *Employer selects suppliers.*
Once an offline contractual relationship has been established with the staffing company, the employer can make online orders available to that staffing company via the exchange. This is referred to as supplier selection.
2. *Employer creates order.* The employing company completes an online form within the staffing exchange's website. The order entry form includes basic information about the position, such as job title, number of open positions, work location, and job description. Once the order has been entered, it is submitted to the selected suppliers.
3. *Supplier submits candidates.* Having received the new order via the exchange, the staffing company completes an online form for each candidate they wish to submit for the position. There may be vendor or customer business rules that drive supplier behavior. For example, a business rule may define the maximum number of candidates that can be submitted by each supplier for each order.
4. *Employer selects candidates.* The employer reviews each candidate and renders a decision to accept or reject. Most exchanges offer other options, such as the ability to negotiate rates and to request interviews.
5. *Employer and supplier agree on terms.* Once a candidate has been accepted for a position, the staffing exchange establishes an assignment, which is specific for the position and the worker. Additional screening information, such as background check results may need to be exchanged as part of the process.

While the steps described above clarify the key e-procurement workflow, it does not reflect the level of detail required to implement or automate a functioning process. The complexity of the process is due to the fact that each of the three players has their own market differentiators, workflows, business rules, and terminology that must be addressed as part of any automation effort. It can be difficult to accept that implementing a process we all know well iV applying for and getting a job iV can be so complex.

eStaffing Technologies

The ultimate goal of the eStaffing players is to automate the eStaffing process, and this will require integration across several enterprise applications.

Figure 2: End-to-end eStaffing Integration



In a fully integrated environment, the employer's Applicant Tracking System (ATS) or Talent Management System (TMS) and the Supplier's e-procurement System interfaces with the VMS. By connecting e-procurement systems with Front Office (FO) applications, suppliers can make order, candidate and assignment data available at every step in the end-to-end data exchange. Similarly, employers can benefit from exchanging data with their enterprise human capital management systems.

Vendor Management System.

Within the eStaffing landscape, employers, suppliers and staffing exchanges offer VMS functionality. A small subset of employers have built or purchased VMS solutions with which they require their staffing partners to utilize. Several major staffing firms have acquired VMS software companies and announced both software and ASP (application service provider) solutions. However, vendor-neutral 3rd party solutions are more common.

VMS software aims to web-enable the both the supplier and employer portions of the process described earlier. Common features include: supplier selection, order entry, candidate tracking, order and assignment management, customizable workflows, email notifications, branded user interface, reports, online time and expense management, billing and invoicing.

Staffing exchange vendors offer unique value-adding features to their service offering. Some examples include: candidate comparisons, support for supplier selection, customizable business rules, online rate negotiations, competitor information, and supplier performance reports.

Major VMS service providers include Chimes Inc., eWork, Fieldglass Inc., Itiliti, IQNavigator Inc., and White Amber.

E-procurement Systems.

An e-procurement System automates the eStaffing process from the supplier's point-of-view. Based on the process described above, an e-procurement system's core functionality enables integration with multiple trading partners along with the ability to review new orders, submit and track candidates, and manage assignments. Time and expense management, invoice management, and reporting may also be incorporated.

Facilitating the exchange of order and candidate data by integrating the Front Office application with the e-procurement system, automates the manual process of retyping each candidate's data into the relevant exchange

web form. Conversely, each order can be automatically entered into the FO. Advanced features such as auto-submitting a supplier's best candidates based on order information can further build the supplier's strategic advantage in this channel.

Currently, there are no off-the-shelf e-procurement products available. E-procurement Systems are custom software development efforts since they involve the automation of a unique combination of exchanges and integration with a complex FO application and data.

To simplify data exchange within the enterprise and between trading partners, the industry has adopted the HR-XML Consortium's Staffing Industry Data Exchange Standard (SIDES) to define the data exchange format between the supplier's e-procurement system and the VMS.

In summary, eStaffing terminology, processes, and technologies are still evolving. What is clear is that a competitive marketplace is extremely attractive to employers, and they will continue to drive the evolution of this automated procurement channel. Staffing companies will offer e-procurement to maintain their existing customer base and are likely to build e-procurement systems to reduce the costs associated with managing the new channel. The unknown: which player or team of players will make the strategic maneuver to rule VMS functionality? Various staffing exchanges, employers and suppliers are in the process of making different strategic plays, and the individual or group that successfully controls the VMS functionality, will control the market by definition.