Vendor management systems

How VMS can help you standardize and control spending on contingent employees **Interviewed by Sue Ostrowski**

The ability to attract, hire and retain talent remains a top concern for chief executive officers worldwide. While we experienced significant layoffs and cutbacks during the recession, talent and skill shortages are still very apparent. Companies need to be creative and expeditious in their search for talent. This has increased the prevalence of flexible labor and contingent workers.

Contingent labor is a growing expense on global operating statements. The ability to expertly manage, control and extract maximum value from this expense can be critical to a company's competitive positioning. Vendor management technology continues to be an effective way to better manage contingent labor. VMS, paired with an outsourcing partner or managed service provider (MSP), enables companies to obtain visibility into this complex spend category, creating a framework to more easily develop, implement and manage a competitive sourcing program. This puts the current supply chain under scrutiny and expands the supply chain to attract and retain best in class suppliers.

"Many companies simply use the same suppliers without ever looking at whether they could do better," says Bradley. "VMS allows you better data visibility and a standardized service platform to enable controls, checks and balances. Once the data is aggregated and easily accessible customized reports can be generated to better manage budgets and project expenditures through growth periods."

Smart Business spoke with Bradley about how VMS can help standardize your contingent hiring and potentially lower your costs.

What companies are ideal candidates for VMS?

VMS is software as a service and does not require a huge capital outlay, so it is affordable to even smaller users of contingent labor. It requires time and training to install and deploy, so companies with expenditures in excess of $15 million should consider it. It is ideal for those with multiple locations and can be effective across multiple currencies. It aggregates all spend points and enables users to examine usage, cost, performance and labor trends.

Most companies that undertake this process are surprised at how much they are spending on contingent labor because there is typically not one line item identifying contingency spending. Generally, every office and plant is doing things differently. In times of recession and rapid growth, contingent users can become very creative in how they get the talent they need in spite of a hiring freeze.

Laurie Bradly
President
ASG Renaissance

How can a company get started on the process?

First, do your homework. Consider skill classifications and the types of contingent expenditures to include. This may cover temporary workers, contract workers, independent contractors and outsourced services. Due diligence should include discussions with human resources, facility managers and executives.

Once you understand what you're spending, you'll likely see there are pockets everywhere. Then the question becomes, how efficient is the current state? Are you getting the best value for dollars spent and can you quantify your return on investment to include the quality of your current service providers? Is there consistency and fairness in the pricing model?

Identify your suppliers. Are there benefits to leveraging business with a smaller supply chain? If you have 100 suppliers and can reduce to 50, giving each the opportunity for more business, could you negotiate better pricing? Until you know what you're spending, it's hard to have those conversations.

How do you begin to get your arms around it?

Start with line items where it's clear there are contingent dollars in temporary help. You might have 300 engineers at six facilities, and you're paying some $36 an hour and others $48 because the company has never put a full service request out for competitive bids. When you put it together, all of those little pockets add up to very significant spending.

Where do you start to standardize spending?

Many times, an MSP is selected by the company to operate and manage the VMS application on behalf of the company. The MSP institutes rate cards for job classifications and selects a supply base. Sometimes agencies that have supplied a company for years don't make that cut. Most MSPs encourage the customer to onboard all suppliers. Then you can systematically see where you can save money.

It can be a challenge when you start rationalizing the supply base. When tenured suppliers for price or quality reasons no longer fit the contingency staffing model, they may be eliminated. This requires a well-planned communication strategy so hiring managers understand the benefits of the new process. In addition to a learning curve on technology, they now have to deal with changes in their supplier pool.

How can companies present VMS to current suppliers?

Two biggest benefits to the supply chain: access to more orders and faster payment terms. Suppliers compete on a level playing field with access to more orders, and standardized quality and performance metrics help drive out nonperforming participants.

Who should be involved in the process?

It typically starts at the purchasing level with involvement from human resources. IT also plays a critical role as system integration is a key component of success.

How can VMS benefit businesses?

The technology of VMS, with a vendor-neutral MSP, helps companies better manage contingency labor expenditures on a standardized platform. It helps suppliers gain greater access to client requirements and provides an easy way to transmit, record and manage the lifecycle of talent. Vendor neutrality reassures suppliers they are not in competition with the MSP for staffing, breeding trust and fostering a collaborative work environment. This ensures talent requests are broadcast across a diverse supply base and ensures suppliers meet client-specific quality, performance and price guidelines. <<

LAURIE BRADLEY is president of ASG Renaissance. Reach her at (248) 477-5321 or lbradley@asgren.com.