FIELDGLASS®

Factors for Taking Your Services Procurement Program from Good to Great

Tools & Services to Enable Continuous Improvement and Best-in-Class Performance

FIELDGLASS®

Table of Contents

Background

People are differentiators - they ultimately drive business performance. As a result, companies worldwide are constantly searching for high-performing, highly skilled workers. But during times of market and economic fluctuations, many organizations have to seek alternative ways to improve their staffing practices and combat events and challenges that could negatively impact their profitability. Currently, many companies are talking about the economic downturn, difficulty in finding employees with mission-critical skills, and changing worker demographics as factors that are affecting their hiring practices. To proactively cope with these staffing challenges, more and more organizations are using contingent labor to create successful workforce management plans.

For many companies, hiring contract workers can help them:

- Control costs
- Augment knowledge gaps by staffing people with highly desirable skills
- Manage swings in demand, such as seasonal or project-oriented work, without having to hire or lay-off regular employees
- Mitigate internal and external compliance risks
- Run a lean and efficient organization

While technical jobs are typically among the hardest to fill, less highly skilled positions can also be difficult to staff due to tight labor markets in some countries.

Concerns about the economy

In a down economy, continent labor use tends to increase. With the U.S. Bureau of Labor Statistics reporting an unemployment rate of 9.1 percent, demand for contingent labor continues to be strong as companies seek ways to supplement their depleted ranks.

There are various reasons why economic considerations have caused companies to go the contingent labor route. With widespread lay-offs occurring in many industry sectors, there is a huge pool of prospective workers who possess valuable expertise and are often available as contract workers or consultants. Companies can often operate more efficiently by bringing former full-timers or retirees back onboard as contract workers after forced lay-offs or early retirement. These individuals' familiarity with the company can shorten the time to productivity. Finally, some organizations use contingent labor to establish trial hire situations and pay the contract workers through a third party for a probationary period of time. This eliminates some of the risk of bad hires and lowers recruiting function costs.

Finding employees with mission-critical skills

There is a looming skills gap facing companies in many industries today. These gaps between organizations' current capabilities and skills, qualifications, and experience can cause companies to stagnate. Their competitive edge degrades, simply because they cannot find employees with the right knowledge, skills, and abilities to fill critical jobs.

In-demand jobs are often those commanding higher salaries for individuals with needed skills, making the hiring of contingent labor a cost-effective option for many companies. Frequently, contingent labor can be acquired through employment companies specializing in providing organizations with workers with specific skills.

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Labor shortages

Labor shortages are predicted because the birth rate dropped sharply at the end of what is known as the Baby Boom era--roughly spanning the years immediately after WW II and ending in the 1960s. Because of the drop in birth rate, fewer younger workers are entering the workforce to replace employees who are nearing or entering retirement.

To address changing worker demographics, many companies offer flexible work arrangements and increase their contingent labor usage. This approach frequently appeals to older workers, many of whom want to reduce their hours yet still remain in the workforce. In 2010, the labor force participation rate (individuals working or seeking employment) for people aged 65 and older reached 17.4 percent. This was the highest level since 1965.[i]

Similarly, contingent work also tends to be attractive to younger workers, who often are interested in flexible, project-based work arrangements. In greater numbers, leading companies are reconfiguring work schedules to accommodate these workers by letting them work as contractors or temporary labor.

Automating contingent labor programs

Corresponding with companies' growing reliance upon contingent labor is the availability of processes and tools that support these types of workers. With greater frequency, ad hoc systems for managing contingent talent sourcing and spending have given way to highly automated, cloud-based Vendor Management Systems (VMSs). In 2010, VMS usage among contingent workforce managers rose to 72 percent, up from 63 percent in 2009. Furthermore, according to a recent survey of North American contingent buyers conducted by Staffing Industry Analysts, almost 75 percent of buyers (companies) use a VMS to automate how they procure contingent staff, and another 16 percent were seriously considering using a VMS by 2012[ii].

Managed Service Providers (MSPs) also help companies formalize and manage their contingent workforce and services procurement programs. Companies that depend on large pools of contingent labor face unique operational challenges due to the vast number of suppliers they use, decentralized hiring managers and departments, and constantly changing compliance factors. Experienced MSPs can help streamline day-to-day program operations by serving as a single point of contact for all suppliers, hiring managers, and contractors.

The information gleaned from VMS-driven reports and analytics on contingent workforce operations can help the program office - whether that be an MSP program or self-managed by the company itself - gain valuable insight into contingent labor, make better decisions, and align daily activities with strategic direction.

Boosting program performance

Most companies typically experience a growth or acceleration period as they launch their program and begin utilizing VMS technology. During this acceleration period, initial cost savings are realized, additional business units or geographies are brought on board, and efficiencies are gained. This is followed by a stabilization phase, as a company becomes even more effective in how it manages its program, and finally leads to one of three end points where the organization can:

- Ideally, continue to grow and obtain a long-term strategic advantage through the innovative use of contingent workers and service providers
- Typically, remain in the "as is" state
- In the worst case, decline and start seeing diminished value

The Typical Program Value Curve
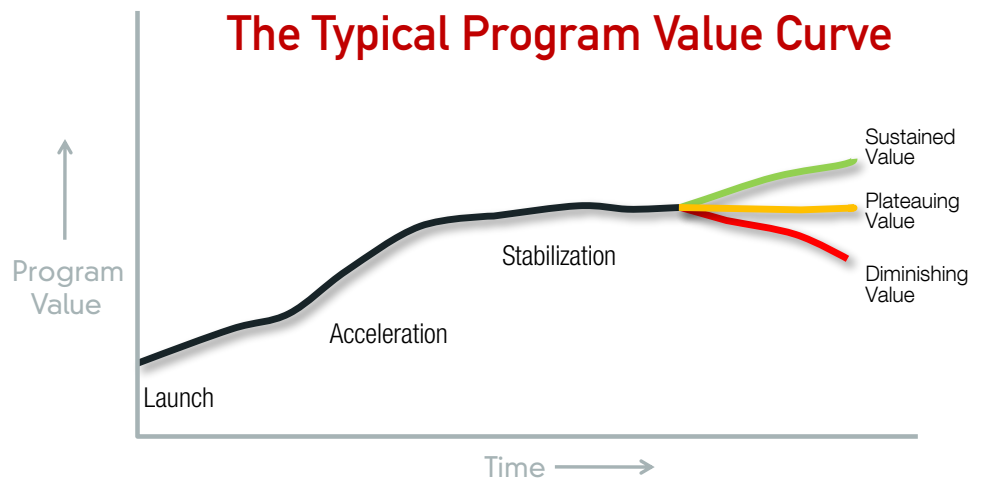
Four key factors can help companies continuously improve their contingent staffing programs:

- Program Maturity Model
- Benchmarking
- Active Guidance
- Program Management Office (PMO) Dashboards

Program Maturity Model

A Program Maturity Model helps companies fine-tune the efficiency of their contingent labor programs. The service evaluates how well companies are using VMS technology and, from the data gathered, allows VMS vendor professionals to make proactive recommendations on technology updates that could improve companies' contingent labor processes. Using the Program Maturity Model, organizations can:

- Identify goals and objectives of the program
- Determine what capabilities are needed and why
- Decide how goals and objectives can be met
- Quantify the program's value

- Identify processes that are delivering value
- Determine what processes need improvement
- Track and compare program maturity against best-in-class companies
- Identify changes in business priorities, such as gradual misalignment between operational activities and business objectives
- Stay abreast of changes in industry practices, laws, and guidelines
- Remain current on the evolution of the VMS solution, for example, the introduction of new capabilities that present more effective ways to meet business needs

After an evaluation of their program's current state, companies then receive suggestions on how to turn around declines, increase business agility, and elevate the company into a best-in-class category. The assessment covers eight key areas:

- Rate management
- Supplier management
- Procurement
- Candidate management
- Engagement
- Worker management
- Receivables and payables
- Business intelligence

Within these areas, companies are asked questions that correspond to particular program maturity levels. Based on the responses, companies are categorized based on the effectiveness of their programs, for example:

- Best-in-class/recommended usage
- Common/acceptable usage
- Below average usage

Companies receive findings, assessments, and recommendations in the form of a maturity map, which provides an overview of relative program strengths and areas of improvement.

Benchmarking

Benchmarking - comparing a current contingent workforce program against best-in-class industry standards - is key to continuous improvement. Defining meaningful metrics that support critical business concerns and effectively assessing and measuring the state of the program highlight opportunities to strengthen a program's value proposition. Some common metrics used are:

- Contingent labor spend
- Return on workforce investment or quality
- Time spent procuring and managing the workforce and process
- Contingent labor cost as a percentage of revenue

After establishing program goals, companies determine how to measure and track results in a systematic and meaningful way. They then tie specific metrics and key performance indicators (KPIs) to each objective. Common goals and objectives might be:

- Mitigating risk by better managing compliance with tenure regulations and on- and off-boarding processes

- Improving the quality of the workforce by using a scorecarding system and supplier/candidate evaluations

- Ensuring the adoption of the VMS so more spend is controlled under management, thus decreasing the time-to-hire and shortening on-boarding times

It is important to note that even when a contingent workforce program's goals and objectives are initially aligned with the corporate goals and objectives, changes in corporate culture, structure, and processes are inevitable. Revisiting these goals and objectives as well as associated KPIs will ensure processes and procedures still align with industry bests and corporate vision. The VMS system can provide information, data, reports, and graphs that will track these important metrics and measure performance.

To be truly effective, benchmarking must be presented in a broader context that allows for more meaningful, market-driven decisions across rates, suppliers, and candidates. Fieldglass' software allows companies to benchmark their program against aggregated, normalized data in the VMS customer base along with external market data elements from other industry sources. This allows program offices, hiring managers, and business executives to review and monitor contingent labor trends in the previous month and year, helping them to analyze patterns and giving them insight into hiring patterns, spend levels, and productivity levels across the organization. For example, during a quarterly business review (QBR), a client's worker assignment cycle time (the time a request is initiated until the time a worker begins an assignment) was 14 days, nearly twice the Fieldglass client average. The review also uncovered other instances where the process had slowed down, so Fieldglass conducted a detailed root cause analysis and helped identify a specific bottleneck in the approval process flow. Subsequently, the client's approval flows were reconfigured, and the worker acquisition cycle time was reduced by nearly two days.
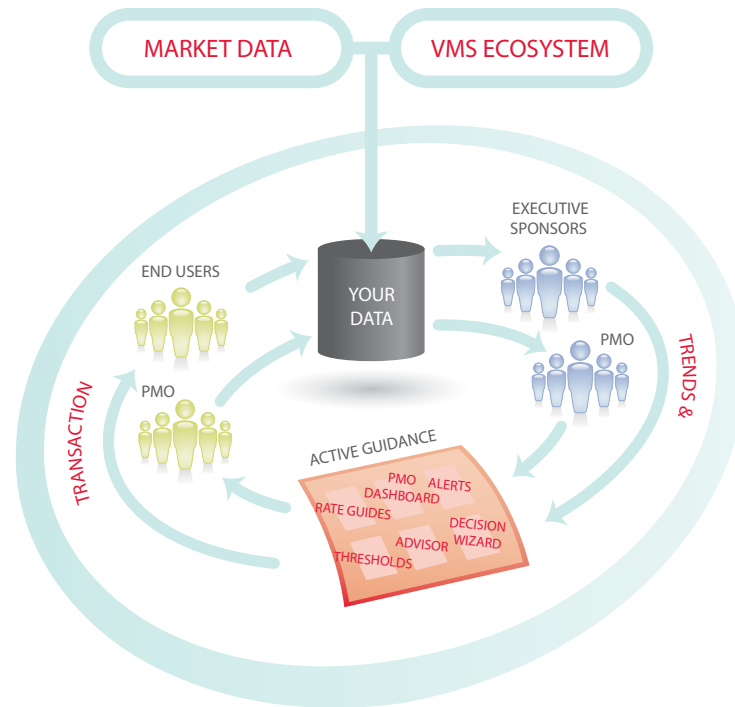
Active Guidance

For program managers, Active Guidance tools allow them to access real-time data on spend, cost, and quality. In essence, Active Guidance is a real-time snapshot of potential issues that could negatively impact program performance. It serves as a strategic guide to the program office and business leaders who oversee contingent labor and services procurement as well as to hiring managers who are the ultimate end users.

One of the most common roadblocks to running a successful program is getting hiring managers to think past their immediate, tactical needs and recognize broader business strategy and goals. Active Guidance bridges that gap by serving up insights on the transactional level that automatically steer the hiring manger to make decisions that are in line with the top line objectives. One example is the way in which Active Guidance helps hiring managers make more cost effective pay rate decisions. The rate guidance tool gives hiring managers a view into past rates paid for a particular position as they source similar workers or project teams. Another example of how Active Guidance aligns tactical work to strategic objectives is the Decision Wizard's guided question and answer process. Bridging resource, cost, and strategic objectives, the tool helps hiring managers select the right engagement type for a project (contingent worker, consultant or team through a Statement of Work, contract to hire, etc).

As the diagram below illustrates, Active Guidance draws its information from the business intelligence system that continuously collects and analyzes the company's own transactional data in combination with industry market data and the vast data stored within the

VMS ecosystem (the customer database). Using that expanded universe of information, program managers and executives establish business objectives that set the course for the Active Guidance engine. Active Guidance then provides users with updates and alerts in order to steer them towards more efficient, productive contingent workforce and services procurement management.

Using Active Guidance, companies become and act smarter when it comes to utilizing their contingent labor force. From the input users receive from Active Alert, companies can take actions that:

- Reduce excessive bill rates
- Keep project budgets in check
- Address outstanding approvals that can trigger a backlog
- Ensure workers are off-boarded on time or a work order is revised before experiencing tenure compliance issues

Ultimately, companies end up with better contingent workforce operations, services, performance, and efficiency.

Program Management Office (PMO) Dashboard

The program management office, whether run internally or outsourced to a MSP, has many tactical items that need to be performed daily to ensure workflow continues with minimal interruptions. The PMO Dashboard allows users to manage these items by giving them a snapshot of what is happening and identifying projects that require additional attention. The PMO Dashboard can provide valuable information about the program to senior management and key program stakeholders.

The PMO Dashboard helps companies manage tactical items by:

- Providing a focused view into items needing attention
- Setting acceptable thresholds before an intervention is required
- Logging notes or sending reminder emails to applicable users

For example, companies can set any number of thresholds for various documents, including such as timesheets or expense sheets that are rejected, awaiting approval, or not yet invoiced. Other examples of transactional activities requiring immediate attention that can appear in the PMO Dashboard include:

- Statements of Work (SOWs) that have been awaiting approval for a longer-than-normal timeframe
- SOWs that have been in the collaboration state longer than average
- Job postings with few or no candidates

From the efficiencies gained by using the PMO Dashboard, companies can free up valuable program office resources to focus on more strategic initiatives. This ultimately improves the efficiency of the services procurement program overall.

VMS Account Services – Enabling the Program through Strategic Guidance and Support

A state-of-the-art VMS support organization, such as Fieldglass' Account Services, is well-positioned to direct program offices and sponsors towards a path of continuous improvement. The team, designed with scalability in mind, is fully equipped to help customers realize results from strategic services such as the program maturity model and benchmarking analysis, as well as take advantage of proactive resources in the VMS application like Active Guidance and PMO dashboards.

This experienced team helps customers identify their program's goals and objectives and adapt to support those goals as they evolve over time. Fieldglass Account Services knows its customers' programs will undoubtedly expand in scope and size--for example, introducing multiple MSPs, expanding globally, or requiring additional functionality within the application.

Fieldglass Account Services provides guidance and consulting services to maximize the use of the VMS, for example, by proactively recommending what functionality to activate or offering in-depth analysis to a customer bringing a new business unit into the program or working with a new supplier.

Fieldglass provides a range of services to help its global clients manage their contingent labor needs. Our experience and expertise help our clients:
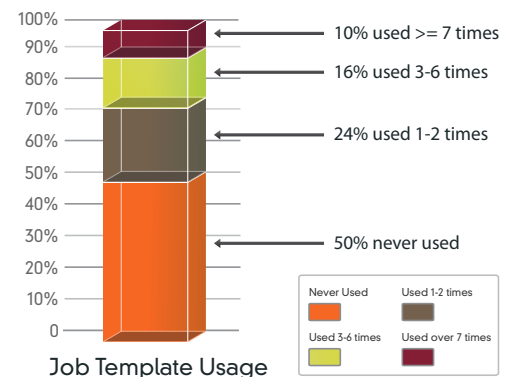
- Continually find creative ways to reduce the cost of their contingent labor programs
- Evaluate their suppliers' performance
- Leverage the application to maintain consistency and compliance with government regulations
- Plan and execute major projects such as category expansions, geographic roll-outs, mergers, and acquisitions

Lessons learned from Fieldglass clients

Case 1: Effective use of job templates

Most programs err on the side of configuring an exhaustive list of job templates in order to accommodate all possible needs. However, after analyzing clients' usage data, our results indicated that the actual usage is very different from what was envisioned at launch.

For example, analysis revealed that Customer A (*see data to the right side*) either never or rarely used nearly 75 percent of its configured job templates in a calendar year. In this case, Fieldglass helped the client rationalize their job templates and also improve the process efficiency for the most frequently used job templates.

10% used >= 7 times
16% used 3-6 times
24% used 1-2 times
50% never used

Never Used
Used 1-2 times
Used 3-6 times
Used over 7 times

Job Template Usage

Case 2: Implementing budget approvals

As each financial year end approaches, program owners often realize that their annual spend will exceed the committed budget. This unexpected shortfall can lead to hasty decisions that disrupt ongoing projects. Company B's program office came under pressure from its top management to cut spending across the board. As a result they asked Fieldglass to conduct a comprehensive analysis to determine areas where cost savings could be realized. The analysis revealed that all upfront approvals were done on headcount only and budget approvals were done at the invoicing stage. This resulted in a large percentage of overspend that was not being identified early in the process, and by the time it came to light, it was too late to curb the spending without significantly disrupting business operations.

By implementing upfront budget approvals, as well as accounting for some overspend beforehand, the client was able to provide a more accurate budget at the start of the year, and reduced annual overspend by almost 20 percent.

Case 3: Vendor neutrality

Most companies spend many hours each quarter analyzing and auditing their operations to ensure that the program office remains vendor neutral. This happens because the program office opens up its distribution list to provide their distributors more flexibility than actually needed.

Take for example Company C, where approximately 25 percent of its workforce was identified as pre-selected by the hiring manager. To accommodate this subsegment of pre-selected workers, the program erroneously configured its standard distribution list to be open and editable. This was done to allow the distributor to select the appropriate supplier when the worker was pre-identified as opposed to a standard requisition which would be broadcast to all suppliers on the distribution list.

Fieldglass assisted the client in creating a flag on the requisition, which when toggled indicated that the requisition was for a pre-selected candidate. The resulting process automatically routed the requisition to a special distribution list for pre-selected workers, separate from the standard workflow. This ensured that the program's standard list of suppliers was not alterable when the requisition was for a competitive bid position and there were no audits required to ensure vendor neutrality.

This change saved the program office more than 16 hours per quarter by allowing the tool to enforce vendor neutrality and eliminating the need to self-audit.

About Fieldglass, Inc.

Fieldglass, Inc. provides the leading SaaS platform to procure and manage contingent workers, services such as Statement of Work projects, independent contractors, and specialized talent pools. The highly-configurable product suite provides transparency into the entire workforce and helps companies optimize program performance and make more strategic labor decisions.

Backed by proven experience and the industry's largest customer base, Fieldglass serves Global 2000 firms in nearly 70 countries. Customers such as Johnson & Johnson, Monsanto, salesforce.com and GlaxoSmithKline realize greater efficiencies, control spend, improve quality and enforce compliance. For more information, visit www.fieldglass.com.

[i]"Benchmarks/Factoids: Older Workers," Staffing Industry Analysts, CWS 30: March 29, 2011 - Vol.3.8.

[ii]"Benchmarks: VMS Usage," Staffing Industry Analysts, CWS 30: February 22, 2011, Vol. 3.5