BUILDING A BUSINESS

CASE FOR A VMS
Business leaders are often intimidated by the overwhelming task of centralizing their external workforce management and services procurement programs after years of manual processes. Whether you have no program in place or an existing program performing below par, finding a solution can be daunting. The idea of overhauling existing processes and finding a Vendor Management System (VMS) that can accommodate your distinct business policies, processes and objectives can seem impossible. One company in the healthcare industry said, “Every business thinks that they are so unique that it can’t be done.” But it can be.

Convincing an organization to undertake a major technology initiative such as VMS implementation will pay dividends in the long run with improved quality, increased efficiency, lowered costs and ensured compliance. According to a 2012 Contingent Workforce Management study by Aberdeen Group Research, 89 percent of organizations considered “best in class” in the management of their contingent workforces have implemented VMS technology.

If your organization is considering a VMS implementation as part of your flexible workforce strategy, then you’re not alone. Staffing Industry Analysts’ 2012 Contingent Buyers Survey found VMS adoption was the most common management strategy — 73 percent of buyers are currently deploying a VMS and 22 percent are considering doing so in the next two years.

The “Contingent Workforce Checklist” below outlines five areas to consider when building a business case for a VMS. As you go through the checklist, think about how your organization would approach each item. At the end of each section, you’ll find a series of questions to help you tick items off the list. Once completed, you’ll be one step closer to presenting and winning your business case.

**Checklist Items:**

1. Perform a High-Level Assessment of Your Current Business State
2. Obtain Buy-In from Critical Stakeholders in the Organization
3. Prioritizing Objectives: Evaluate Which Factors are Most Important and Why
4. Understand the Risks if a Centralized Program is Not Implemented
5. Pursue Relationships with Potential VMS Providers
CHECKLIST ITEM #1
PERFORM A HIGH-LEVEL ASSESSMENT OF YOUR CURRENT BUSINESS STATE

Questions to Ask:

1. What is the scope of my current flexible workforce management and services procurement program?

2. How many contractors or SOWs are a part of our program?

3. What are the specific pain points in our current state?

4. How will our organization determine ROI? What are the ROI drivers?
Checklist Item #1
Perform a High-Level Assessment of Your Current Business State

Much like a doctor takes your pulse before making a diagnosis, you’ll need to take your “flexible workforce pulse” before you can move forward with any technology-related remedy for your organization. Identifying pain points for each business unit, geographic region or category of labor right away will later help you define objectives for the solution. When taking inventory of existing concerns, some issues affecting external workforce management to consider include spend under management, number of workers, supplier strategy, globalization and independent contractors.

Gain Visibility
You’ll also need visibility into non-employee workers who are not considered contingent and might fall under the Statement of Work (SOW) umbrella. A VMS is traditionally known to manage a contingent workforce, including staff augmentation, but best-class VMS tools are also equally capable of handling the SOW bidding process and managing project-based services, offshore services, independent contractors and even equipment tracking. It’s important to know how your organization is currently using different labor types and the foreseeable project scope in one year, and two years down the road.

Centralize Your Program
It’s forward-thinking organizations that are examining how to consolidate all aspects of labor under one centralized program. As part of its 2012 Contingent Workforce Management study, the Aberdeen Group reported that 64 percent of companies in the survey plan to centralize the management of its temporary labor, staff augmentation, independent contractors and SOW-based projects and services within the next two years. The report noted, “More and more organizations understand the evolution of this space and its ramifications on the greater enterprise.”

Although gathering this information can be arduous, taking a magnifying glass to current inefficiencies and shortcomings will ultimately help you formulate a strategy for improving these processes. Speaking with internal stakeholders such as the procurement team, hiring managers, IT, finance, security and human resources allows for better visibility into issues you already knew about, and those you didn’t even know existed.
Examine ROI
After assessing your current business state, you’ll next need to consider ROI drivers to understand when you can expect to see results. According to Staffing Industry Analysts, the large majority of contingent worker programs utilizing a VMS adopt the “supplier-funded” model, meaning the staffing agencies indirectly contribute toward the funding of the program in exchange for improved efficiencies, transparency and the opportunity to do more business.

Some other factors affecting ROI include the complexity of the implementation, spend going through the system and ramp-up rate, hard savings, soft benefits and resource reallocation. Once the methodology for determining the program’s ROI is defined, the relevant transactional metrics can be tracked in the application. Using specific dates, percentage increases and decreases, or dollar amounts, you can apply common metrics to calculate ROI across a variety of areas.

Questions to Ask:
1. What is the scope of my current contingent workforce program? How many contingent workers are currently being utilized?
2. How many contractors or SOWs are a part of our program?
3. What are the specific pain points in our current state?
4. How will our organization determine ROI? What are the ROI drivers?
CHECKLIST ITEM #2

OBTAIN BUY-IN FROM CRITICAL STAKEHOLDERS IN THE ORGANIZATION

Questions to Ask:

1. Do the key stakeholders have a full understanding of how a VMS will help solve everyday problems in managing the flexible workforce?

2. How will the VMS implementation specifically benefit each of these groups?

3. Who are the executive leaders who will champion a VMS and endorse organization-wide adoption?

4. Where does VMS implementation fit in the hierarchy of other business-wide initiatives?
Checklist Item #2
Obtain Buy-In from Critical Stakeholders in the Organization

You’ve taken the pulse of your business but now you need the internal support of stakeholders who can champion the VMS and promote its adoption throughout the organization. The same people who helped identify your pain points including the procurement team, hiring managers, human resources, legal, IT and finance are potential program ambassadors.

Keep in mind that according to SIA’s Buyer Survey, “The most common primary motivation of executive champions was cost savings” with 50 percent of respondents naming it as their main focus.

**Fortune 500 Leaders Rely on VMS**

Both Campbell’s Soup Co. and Hewlett-Packard are among those companies whose executives mention VMS implementation, using SAP Fieldglass specifically, as a top CIO initiative. According to a recent Wall Street Journal article, Campbell’s CIO said, “The goal is to get the best outcome, for the lowest cost at the fastest speed, with the least amount of risk.” He noted that SAP Fieldglass is one of the tools Campbell’s is using to achieve that goal.

Likewise, HP has implemented SAP Fieldglass in an effort to better manage its service procurement program under an initiative led by its executive vice president of technology and operations.

Critical stakeholders are more likely to support the program when they know how a VMS will benefit them specifically and improve their current processes.

**HIRING MANAGERS**
- Simple, easy-to-use and intuitive
- Streamlined process

**PROCUREMENT & ACCOUNTING**
- Cost savings, rate rationalization, vendor consolidation
- Accurate billing/invoicing, and seamless integration with AP

**IT & SECURITY**
- Standardized system integration capabilities
- Secure systems & processes

**LEGAL & RISK**
- Management of co-employment risk
- Process control

**PROGRAM MANAGEMENT OFFICE**
- Self-sufficiency
- Reporting/business intelligence to analyze workforce and supply base
For example, hiring managers might be frustrated by long cycle times or the finance team could be slowed down by inconsistent invoices and a lengthy reconciliation process. The procurement team might be struggling with poor visibility into their external workforce spend and the legal team is potentially grappling with misclassification and intellectual property control.

**How Stakeholders Benefit**

By explaining to these key stakeholders how the specific tactical and strategic issues would be resolved by a VMS, they will be important allies as you build your business case.

Support from executive-level leadership might also hinge on other planned technology initiatives. Any technology implementation impacts resources, bandwidth and process changes, so it’s imperative for executive leadership to understand how a VMS deployment will affect those initiatives and where it fits in that framework.

**WHO IS THE CHAMPION FOR YOUR CONTINGENT WORKER PROGRAM?**

- SVP/HR Talent: 34%
- CPO (Chief Procurement Officer): 13%
- CFO (Chief Financial Officer): 6%
- CIO (Chief Information Officer): 3%
- CEO: 3%
- Other: 15%
- No executive champion: 27%

**Questions to Ask:**

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2. How will the VMS implementation specifically benefit each of these groups?
3. Who are the executive leaders who will champion a VMS and endorse organization-wide adoption?
4. Where does VMS implementation fit in the hierarchy of other business-wide initiatives?

CHECKLIST ITEM #3

PRIORITIZING OBJECTIVES: EVALUATE WHICH FACTORS ARE MOST IMPORTANT AND WHY

Questions to Ask:

1. Which factors are most important to managing your flexible workforce successfully (cost, quality, efficiency and compliance)?

2. What are the specific goals for the program?

3. What are some of the hard and soft cost savings you’re hoping to achieve with the program?

4. Who are the other types of workers outside of your flexible workforce program such as independent contractors and project workers?
Checklist Item #3
Prioritizing Objectives: Evaluate Which Factors are Most Important and Why

After securing stakeholder support, it’s now time to hone in on the issues most important to them. A VMS implementation usually addresses four key areas: cost, compliance, efficiency and quality. It would be difficult to tackle all four issues at once, therefore, your organization needs to prioritize and pinpoint which of these factors are most critical to achieving business objectives.

One Customer’s Focus
A company in the travel industry prioritized external workforce management program efficiency as its top objective. After implementing a VMS, the organization reduced the time to review and select candidates by 50 percent, eliminated contractor review emails by 15,000 and lessened the time to provision a worker by 15 days.

“We wanted to receive all the necessary applications and resumes in a shorter time period. It was taking, on average, nine or 10 days — and it’s on average now 2.5 days,” the company said. “We’ve achieved those milestones of immediacy that everybody had and allowed the system to expedite what we were hoping to accomplish.”

Establish Goals
As you identify the elements essential to making your organization’s flexible workforce management program a success, you can start pinpointing specific goals and the benefits that achieving those goals will provide. Among the benefits:

**EFFICIENCY**
- Time to hire
- Internal bottlenecks
- MSP responsiveness
- Supplier submittals
- Cycle engagements
- Co-employment

**QUALITY**
- Candidate scoring
- Supplier evaluations
- RFP evaluations
- SLA adherence
- Requisition & work order

**COST**
- Local governance
- Co-employment
- Misclassification
- Corporate governance
- Transparent & accountability

**COMPLIANCE**
- Budget forecast vs. actual
- Engaged rate vs. rate card
- Rate trends
- Transparency
- Spend per supplier
- Diversity spend
Understand Costs

According to the 2012 Buyer Survey, “Contingent workforce buyers who have not implemented a VMS greatly underestimate the savings to be achieved by it.” A significant hurdle is convincing non-VMS users that savings is not only possible but substantial.

“Among such non-VMS users, the median projected savings from implementation was five percent — half the savings reported by those who had actually implemented VMS.” The SIA survey also noted buyers reported that in the first year of implementation, the VMS saved a median of 10 percent of contingent workforce spend.

Hard cost savings through a VMS can be attributed to measures such as centralized bill rate management and tiered suppliers, volume discounts, early pay discounts, overtime discounts, replacing high-priced contractors with full-time employees and streamlined payment processes.

One of the most common areas of soft dollar cost savings is faster hiring cycle times. As an example, the same travel industry company that streamlined its resume submittal process shortened the fulfillment time from one month to just 10 days. Other soft cost savings opportunities may derive from a reduction in legal liabilities and on/offboarding risks, improved supplier contracts, consolidated buying power and reduction of maverick spend.

Questions to Ask:
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3. What are some of the hard and soft cost savings you’re hoping to achieve with the program?
4. Who are the other types of workers outside of your contingent workforce program such as independent contractors and project workers?
CHECKLIST ITEM #4

UNDERSTAND THE RISKS IF A CENTRALIZED PROGRAM IS NOT IMPLEMENTED

Questions to Ask:

1. What is your alternate model for flexible workforce management if a VMS is not implemented?

2. What are the risks associated with cost, efficiency, quality and compliance without a centralized program in place?

3. How will you maintain your relationships with suppliers and perform tasks such as benchmarking and tracking?

4. What is the contingency plan for dealing with compliance issues such as IRS audits, legal challenges, health and safety, certification, etc.?
Checklist Item #4
Understand the Risks if a Centralized Program is Not Implemented

Without a centralized program, organizations can suffer from unrealized savings, decreased efficiencies, lower quality and compliance exposure. Although it’s possible, a “Do It Yourself” approach means industry expertise will be missed and additional headcount is necessary. Quite simply, a VMS automates processes and eliminates manual work and if one isn’t implemented, it means someone else (or many others) in your organization will be performing these operations.

With manual processes, there is no audit trail and organizations run the risk of violating various compliance standards such as IRS or health and safety regulations. Organizations will also face the reality of longer hiring cycle times, frustrated hiring managers, inconsistent onboarding and money left on the table.

Outside of the cumbersome administrative tasks associated with a manual program, there are additional issues related to supplier management and quality. According to the SIA Buyer Survey, “Buyers who use a VMS or MSP gave a higher average grade to their primary staffing suppliers than buyers who did not use these services.”

Without a VMS, organizations are at a bigger risk for being dissatisfied with suppliers and the SIA survey indicates that those without one complain about worker quality (42%), cost (12%), breadth of services (12%) and skills breadth (11%). Forgoing a VMS in favor of manual management doesn’t necessarily mean the program cannot be successful, however VMS-led programs have proven industry achievements including:

- 2% invoice error rate for best-in-class VMS programs
- 13% industry-wide median savings
- 48% reduction in worker acquisition time
- 78% of transactions at or below the negotiated rate card

Questions to Ask:
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CHECKLIST ITEM #5

PURSUE RELATIONSHIPS WITH POTENTIAL VMS PROVIDERS

Questions to Ask:

1. Do you know the questions you’d like to ask during the RFP process with potential VMS providers? Have all of your stakeholders included questions addressing their specific needs and pain points?

2. Is there an implementation plan and team in place who can help steer the project and make sure objectives are met?

3. Do you know how your program will be structured including its benefits, challenges and risks?

4. How will the VMS be integrated with other systems?
Checklist Item #5
Pursue Relationships with Potential VMS Providers

After defining your specific priorities and identifying the factors most important to your success, you should engage VMS providers. Because your organization has unique business needs, you’ll want to choose a VMS provider that is best equipped to solve those problems. But where do you start?

Know How a Program Works

First, you must understand how an external workforce management program workflow typically operates. From sourcing to payment, there are many steps along the way and examining this workflow can help you start mapping your organization’s workflow to this cycle. Once you know how your program might work, it’s time to reach out to VMS providers. The Request for Proposal (RFP) process is when your internal stakeholders can ask specific questions about VMS provider capabilities. During this process, you’ll want to conduct a thorough review of each vendor’s business model, core VMS functionality and differentiating offerings such as business intelligence and customer service.

Some other areas you’ll want to address are the company’s background, program structure, product information (as it relates to both contingent workforce and services procurement), reporting, technology and consultative services.
Understand the Complexities of Integration
Integration is a topic you’ll need to discuss at length both internally and with the selected VMS provider. Organizations might overestimate or undershoot the amount of time and resources required for a successful integration so a VMS provider should offer guidance into which systems are truly needed during this process.

Continue Program Excellence
Whether your implementation is executed slowly or quickly, your VMS provider should have the expertise to design your program around your specific business objectives. They can also help you determine the program model that best fits your company, resources required to manage it, key elements for being effective, and methods for measuring the program’s successes, challenges and risks. Lastly, your VMS provider should be able to help maximize the application long after implementation is completed.

Once your program is in place and your organization is using the VMS on a day-to-day basis, it’s likely you’ll want to connect with other users to share experiences, challenges and successes. Engaging with a community of users will give you access to evaluate your program against others and get ideas for pushing your program to the next level of achievement. You’ll also want to inquire about customer service and experience with each VMS provider.

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3. Do you know how your program will be structured including its benefits, challenges and risks?
4. How will the VMS be integrated with other systems?
Learn More

If you are interested, you can learn more about the SAP Fieldglass Program Design Workshop, such as how to identify the “best fit” model for your organization, avoid common pitfalls and focus on critical success factors.

Related Resources

- Whitepaper: 5 Must-Dos to Prepare for a Successful Vendor Management System Implementation
- Report: The Managed Services Connection — The Evolving Roles of MSPs in Services Procurement

Contact

To learn more about SAP Fieldglass or how to build a better business case for your Vendor Management System, please don’t hesitate to contact us at fieldglassinfo@sap.com or visit www.fieldglass.com.