

Is Your Staffing Excellence a VMS Liability?

How Supplemental Recruiting Resources Can Keep You on Top

Meticulous talent selection, precise assessments, innovative sourcing strategies — all attributes of a premier staffing firm, right? Right — unless you participate in a Vendor Management System (VMS). In that case, wrong. The qualities that make your staffing firm great often conflict with VMS models that are frequently designed to limit your competitive advantages.

According to a recent study by Staffing Industry Analysts, VMS buyers continue to grow and annual spend is estimated at \$125 billion globally, with \$88 billion the US alone (SIA, 2013/2014). Understanding how to maximize the traits that make your staffing company stand out, while working within the parameters of a VMS model, is key to mastering what is now established as business-as-usual.

Investment in VMS and the growth of vendor management is well documented. And what drives its popularity? On the surface, the reasons seem clear: a VMS allows companies to control vendor lists, lower costs and accelerate candidate submissions. What are not so clear to organizations are the tradeoffs: candidates who are not as well-qualified, lower submission-to-hire ratios, increased turnover of mismatched hires — the list goes on and on.

The challenges staffing firms face in a VMS environment

For an industry dedicated to matching the right candidates with the right job opportunities, VMS has been a difficult pill to swallow. Firms that pride themselves on quality searches, in-depth assessments and on-target submissions are wrestling with the downside of working with a VMS, including:

- **Demand for significantly faster turnaround times.** VMS vendors are often rated on how quickly they can turn around job requirements and the number of candidates they can submit. Responses are expected in hours, versus days. The result? The VMS is quickly inundated with unqualified candidates, leaving little time to accurately select the best candidates for each opening.
- **Lower margins and lower profits.** Competing for a spot on a VMS vendor list often means lowering rates. Coupled with the need to ramp-up recruiting resources

to meet shorter timeline requirements, staffing firms are experiencing increased margin pressures.

- **Lower submission-to-hire ratio.** Many staffing firms seek to develop relationships with hiring managers in order to better understand their clients' business goals, work cultures and team dynamics. This intimate knowledge enables them to conduct more strategic searches, limit submittals to a small number of highly qualified candidates and achieve a high submission-to-hire ratio. The VMS model virtually eliminates personal contact with the hiring manager and leaves staffing firms uncertain about the desired personal traits — such as work ethic and personality fit — that are often key factors in hiring decisions.
- **The increasing challenges of hiring and retaining VMS recruiters.** It's a catch 22: staffing firms must have strong recruiting teams in order to meet the fast turnarounds required in VMS relationships. However, many good recruiters are not willing to work on the high-pressure, low-margin requirements inherent in VMS engagements.
- **Misleading performance ratings.** Success is measured differently in VMS environments. Staffing firms are often evaluated on the quantity of submittals per open requirement instead of the quality of the candidates submitted for each opening. In fact, vendors are often contractually obligated to respond with a minimum of two submittals for more than 80 percent of open positions or risk poor scorecard ratings and even losing their contract.

What's the Solution?

In the best-case scenario, there would be a way to successfully meet the requirements of a VMS while maintaining your commitment to delivering only the most qualified candidates at favorable margins. The good news is that scenario exists today through offshore Recruitment Process Outsourcing (RPO). The offshore RPO solution benefits more than just large, corporate departments. In fact, more and more staffing firms are realizing the value of supplementing their internal recruiting team with offshore support. For staffing firms going after VMS business, the benefits are real. Here are four key points to consider:

Faster ramp-up. Working with offshore providers, staffing firms can engage recruiters who already know the intricacies of the industry in a matter of days, as opposed to the U.S. average recruiter ramp-up time of six to eight weeks. Your organization can add 20–30 recruiters to your team in the same amount of time it takes to source, interview and hire one internal recruiter! Additionally, having recruiters based offshore in countries such as India extends your recruitment efforts to 24-hours a day. The ability to quickly power recruiting teams with proven, talented recruiters who can work 24/7 enables your firm to maintain margins while meeting VMS expectations.

Improve the bottom line. Benefits such as speed to market, flexibility and ease of use all help recoup margins eroded by VMS. Plus, staffing firms save significant costs associated with hiring onshore recruiters such as budgeting for more hardware and workstations, procuring additional software licenses and assuming higher job board expenses.

Ease of use. Engaging a team of offshore recruiters keeps leadership teams focused on building the business and placing top candidates.

Time is more effectively used, as the leadership teams are not pulled away to deal with nonproduction related activities such as training new recruiters and dealing with the frustrations associated with HR issues.

Top Technology. Offshore recruiters typically have access to the latest recruitment technology.

Most offshore teams invest heavily in making sure their recruiters use advanced applications that allow them to cross-reference, collaborate and communicate with other recruiters on open requirements.

This gives staffing firms the ability to maximize their sourcing and fulfillment efforts.

Case in Point

Here's just one example of how supplementing your VMS efforts with offshore RPO can make a difference.

Background:

A staffing firm with 15 recruiters wanted to grow its revenue. This company did significant business with a VMS customer and needed to increase submittal volume to retain its relationship and preferred vendor status.

The Challenge:

Keeping pace with the number of VMS submittals required was not only challenging, but also taking time away from other client relationships. The firm needed to quickly increase its recruiting resources. However, with margins already squeezed, they didn't know how to accomplish this in the most cost-effective way.

The Solution:

The firm explored offshore partnership options and selected an 247Headhunting to supplement its U.S.-based recruiting staff. They began by adding just one offshore recruiter. Once their comfort level increased and they realized the benefits of augmenting their recruitment capabilities, they engaged four more offshore recruiters within the next eight months.

Results:

The firm was able to solidify its position as a preferred vendor, meet its client's expectations and keep costs in line. Of the firm's 20 recruiters, the five they engaged from the offshore partner accounted for 50 percent of the placements each month and cost only 8.2 percent of the total budget for recruiter expense and compensation.

The Pressure is Off

In the past, many staffing firms have shied away from VMS opportunities. Now, staffing firms come out ahead in a VMS model: by supplementing their traditional recruiting practices through partnering with an offshore RPO that shares the same quality values. Offshore partnerships can open doors for staffing companies to expand their business at new levels. By cost effectively increasing resources, staffing firms can compete— and win.