

### INTRODUCTION

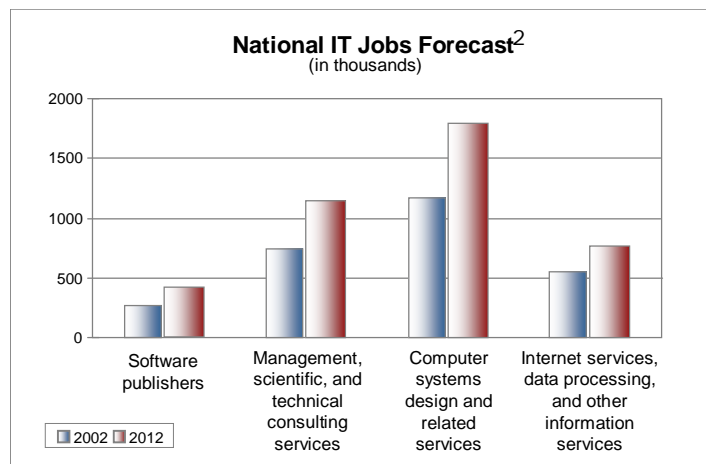
Technology has changed the nature of work, but not its underlying dynamic: work is still something done by people, and the availability of workers is still a critical factor. Technology has not altered the need for skilled resources, even if it has dramatically changed the nature of the skills needed. Finding skilled workers remains a challenge, as does managing the cost of a company's employee base.

The need for Information Technology (IT) skills is still strong, despite the dot.com crash, because IT is an integral part of every industry. Most IT workers are found in computer services companies, but many are employed in manufacturing, government, financial services and commerce. The Bureau of Labor Statistics predicts that the number of jobs for computer systems analysts, engineers and scientists will double between 1998 and 2008. Some observers feel that estimate is actually too low, and warn that the number of jobs to be filled (considering both attrition and job creation) will cause demand to outstrip supply.<sup>1</sup>

Given the accelerating scramble for resources, the unpredictable nature of the marketplace and the need for competitive agility, staffing flexibility is key. There are only a few alternatives to hiring a permanent workforce. Companies that want to balance their staffing requirements against rapidly shifting demands can turn to:

- **Supplemental Service Firms** – These include everything from temporary placement agencies through specialized consulting firms.

- **Offshore Outsourcing Firms** – The offshore outsource sector can offer extremely competitive rates thanks to lower labor costs. However, there are sometimes culture and language issues, as well as logistical complications caused by working across time zones.
- **Near Shore Outsourcing** – The “near shore” firms can also offer better rates, while exploiting cultural similarities and their proximity to the client's location. Companies in Eastern Canada, for example, are well positioned to support firms in the Eastern US.



These three modes of alternative staffing can be mixed and matched to produce many variations. Several of the largest Indian outsourcing firms have begun to open consulting companies in the US, while US consulting firms are investing in Indian outsourcing centers. The edges of IT staffing are likely to become more blurry than less, but it will continue to be a growth business. Alternative staffing will remain strong because it provides faster access to talent and lets companies adjust and evolve their resource base in a cost-effective way.

<sup>1</sup> Margaret Hilton, “Information Technology Workers in the New Economy.” *Monthly Labor Review*, June 2001. <http://www.bls.gov/opub/mlr/2001/06/ressum2.htm>. Accessed 27 March 2004.

<sup>2</sup> US Department of Labor, Bureau of Labor Statistics – Fastest Growing Industries, February 11, 2004. <http://bls.gov/emp/empfastestind.htm>. Accessed 1 June 2004.

## THE MARKETPLACE

There are many variations in the resource delivery space, but there are also common organizational elements which occur across industries and geographies. For the sake of this document, they are defined as:

- **In-House Recruiting** – Most companies have some permanent internal Human Resources (HR) function which is the front line for resourcing. This is the department to which managers turn first when a resourcing need is recognized.
- **Employment Agencies** – Companies may also employ outside employment agencies to find resources. These companies do not have technical resources on staff, but will find them on demand. Executive search firms and other “head hunters” fall into this category.
- **Managed Staffing** – Some companies use an outside firm as a kind of gatekeeper to interface with other staffing vendors, perhaps working with an in-house recruiting group or replacing the internal group in a kind of functional outsourcing.
- **Outsourcing** – Outsourcing companies take on managerial responsibility as well as technical responsibility, either on a project basis or in the context of a particular business function (such as Help Desks or Customer Contact Centers). Outsourcers generally provide facilities, hardware and software, as well as personnel, although in some cases they may staff and manage a team at a client’s facility.

- **Consulting Services** – Consulting companies offer specialized talent on a flexible basis, and generally provide resources to work at a client’s site in close cooperation with the client’s own personnel. Consulting firms may provide resources for key project phases (Design, Definition of Scope, Testing, etc.), but may also provide technology expertise on an ongoing basis.

Some of the larger IT service firms support more than one mode of delivery, but most tend to specialize in a particular type. Within the Consulting Services sector especially, companies will define a niche based on their knowledge base, their industry experience or other forms of market differentiators.

## FINDING THE RIGHT SOLUTION

Technology is on the critical path for virtually every business enterprise, so it is critically important for all companies to find a staffing solution that works for them. Failure to find that solution can have serious consequences, as recognized by the Computing Research Association:

- A lack of skilled workers slows innovation and product development, which can have dire consequences for both the individual firms and the economy as a whole. Without an adequate supply of IT resources, American firms could become less competitive internationally.
- Since technology is behind the improved productivity in many sectors, a lack of IT resources can lead directly to a fall-off in productivity, or an inability to match the productivity gains of a company’s competitors.
- The churn that characterizes a tight labor market significantly increases recruiting and training costs, and also means that an employer’s technical, management and HR staff spends more time on the process of recruiting, retaining and retraining than it does on activities that are productive for the business.

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<sup>3</sup> The Supply of Information Technology Workers in the United States; Chapter 3. May 1999. [http://www.cra.org/reports/wits/chapter\\_3.html](http://www.cra.org/reports/wits/chapter_3.html). Accessed on 27 March 2004.

In addition to these macro-economic risks, companies must deal with certain factors that are inescapable in any alternative staffing scenario. These factors include cultural mismatches, immigration issues and problems with resource morale.

Although hard to define, and perhaps impossible to articulate, all organizations have a culture comprised of established but undocumented ways of doing business. A company's culture may often be at odds with its professed mode of operations, but the cultural fabric is what determines whether outside resources can understand particular objectives and work effectively to attain them.

Many of the best resources available today are working in the US under H1 visa regulations. It is essential that alternative staffing vendors are well versed in the details of the immigration process, to ensure a continuity of resource availability.

Technical resources who work for alternative suppliers can sometimes feel like orphans, belonging neither to their end client, nor to the firm that prints their paycheck. If not managed effectively, low morale can lead to poor performance, just as it can for permanent employees.

An effective partner will therefore have certain characteristics, which companies should look for when considering alternative staffing firms. These characteristics include:

- **Cultural fit** – Perhaps the most important characteristic is an ability to get things done in whatever environment is defined by the client's culture. That may mean an ability to cut red tape, or an ability to work well within a bureaucratic framework. At the end of the day, it means the staffing partner will be able to deliver the resources needed with minimal administrative oversight.
- **Varied experience** – An effective staffing partner should be able to deliver resources where and when they are needed, for long or short term engagements, in various modes of delivery (Time & Materials, Project-Based, Deliverable-Based, etc.)
- **Focused skill set** – Staffing firms that have identified a particular area of expertise are able to exploit the informal networks of their own practitioners to identify, recruit and retain quality personnel. Firms with such a practice focus will be able to outperform firms with a more generic approach.
- **Flexibility** – Staffing partners must accept that what appear to be excellent matches on paper are not always successful in practice. A willingness to make staffing changes quickly and painlessly is an important success factor.
- **Understanding of legal requirements** – Staffing providers must be well versed in HR legislation, for both immigration and in areas such as sexual harassment, discrimination and security. The staffing partner should be able to insulate the client from HR issues, and mitigate risks of legal action.

In assessing the fit of an alternative staffing provider, there are several lines of inquiry that companies should consider. No single factor is all important, but considered together, the answers to these questions will provide a good sense of a firm's operational nature:

- **How long, on average, does it take to fill a requirement?** A firm that can provide many candidates quickly is not necessarily serving the client's best interests. That may only add to the total placement cost by requiring more client time to review resumes and schedule interviews. The longer a requirement remains open, the less effective the partner; the time required to close it is the most meaningful metric.
- **What level of screening is performed?** Some firms only process resumes, and do no actual screening of the candidates themselves. Others will assess technical skills, interpersonal skills and perform background checks.
- **What is the staffing firm's own employee retention rate?** A good sense of the staffing provider's ability to manage its resources can be seen in its own turnover. Firms that have long-term relationships with their technical resources (whether employees or subcontractors) are obviously doing that part of the job well. Firms with good retention rates can be counted on to provide good continuity of support.
- **What processes and tools are in play to support recruiting?** The process of mapping technical resources to client requirements can be greatly enhanced with the right technology. The more effective firms will be able to accept requirements electronically, and present resources the same way, integrating with the client's systems in an "extended enterprise" model.
- **What metrics are used to assess performance?** The most effective firms will have a defined process for gauging customer satisfaction with individual placements, gathering useful feedback and making improvements in a pro-active way.

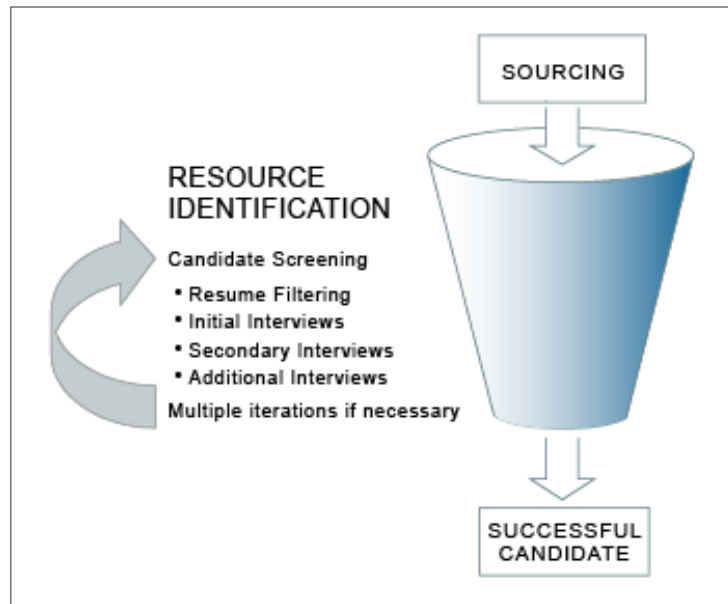
## THE BIG PICTURE VIEW

To the people involved, staffing often seems an "event:" a need is recognized and a resource is found. However, staffing is really a chain of events, and should be considered as a process. Like any process, it has a life cycle, and can be considered in eight discrete stages:

1. **Requirements Definition** – The stage in which a resource requirement is recognized and defined to the degree necessary for resourcing.
2. **Procurement** – The stage in which the client manager with an open requirement obtains approval for resourcing, and perhaps some direction for fulfillment.
3. **Sourcing** – The first stage of the search process, in which procurement agents open a requirement; this could be done via Internet postings, release to employment agencies or notification of staffing vendors.
4. **Resource Identification** – The stage in which potential candidates are identified, qualified and credentials gathered in the form of resumes and/or cover letters.
5. **Candidate Screening** – The stage in which potential candidates are interviewed for technical skills, interpersonal skills and overall fit with the defined requirement; candidate screening continues until the right resource is located and placed.
6. **Orientation** – The stage in which the successful candidate is briefed on the project requirements, client security regulations, non-disclosure standards, dress codes and anything else pertinent to the situation.
7. **Performance Monitoring** – The stage during which the engagement is under way, when it is important to monitor satisfaction (on both sides) and ensure that the client and the practitioner are working well together.

8. **Close Out** – The final stage of resourcing, in which the resource is de-briefed, the client is given an opportunity to comment on performance, and the potential for future work is discussed.

The first five stages of the resourcing process can be thought of as an exercise in narrowing the field. This exercise begins with a large number of resumes, filtering them through a series of resource checks and interviews in order to bring the best possible match to the foreground. It can be visualized as a kind of funnel, as shown here.



The shape of this funnel will vary according to organizational culture. Some organizations will review large numbers of resumes, but do relatively few interviews, producing a broad, flat funnel. Others will look at fewer resumes, but have a long interviewing process, leading to a relatively long and narrow funnel.

Whatever shape the funnel takes, it represents only part of the overall staffing process. However, it is the part of the process that can most readily be handed off to a staffing partner firm, and the area in which a great deal of cost savings can be obtained.

### THE RESOURCE COST INDEX

The Resource Cost Index (RCI) is a metric developed by InSys Consulting to help model the full life-cycle cost of staffing, with the bigger picture in mind. The costs of staffing are culturally dependent, as noted above. They can be managed, and they can be transferred, but they cannot be eliminated. Different staffing models simply move the costs to different places, as described below.

The RCI's core assumption is that an average cost/placement can be determined, based on the loaded salaries of the personnel involved in the resourcing process, and the amount of time required to perform related tasks. That is, assume a typical placement involves the review of 100 resumes, 12 initial interviews, 6 secondary interviews, and 3 final interviews. The average time to screen a resume and conduct an interview can be estimated, and the number of interviews and resumes can be adjusted to match the typical process at a given company.

While the details will vary organization-to-organization, the principle remains the same. Any hiring organization should consider its typical cost/placement as a starting point. When that is understood they can develop a better understanding of where the cost would reside under different business models.

For example:

- **In-House Recruiting** – With the In-House model, the entire life cycle is managed by the hiring organization, and all costs are borne internally. Those costs include the salaries, benefits and facilities expense of professional recruiters, as well as the ancillary costs of the process itself, in telephone, postage, file space and so forth.
- **Employment Agency** – With an Employment Agency model, the resume collection cost can be transferred to a vendor, but most of the funnel costs remain with the hiring company. Given the power of the web as a recruiting tool, resume collection is actually the least expensive part of the job.
- **Consulting Service** – With a Consulting Service model, the costs of resume collection and candidate screening can be transferred to the vendor, as can a portion of the cost for orientation, performance monitoring and close-out. This is the model that offers the greatest cost savings from a life cycle perspective.

## CONCLUSIONS

Given the need for flexibility, alternative staffing solutions are a necessary part of today's business environment. The most effective staffing partner will be chosen based on the level of service delivered, the variety of experience, cultural match, speed of response and price.

However, it is important to consider the hidden costs of staffing, represented by the embedded expense in the hiring company. It is also important to recognize that the lowest-price provider is probably not the least-cost provider. An employment agency that delivers dozens of unqualified resumes is not as cost-effective as a consulting firm that delivers a few well-qualified resumes.

## ABOUT INSYS CONSULTING

InSys Consulting Services was founded in April 2000. It has been included in Entrepreneur Magazine's Hot 100 every year since its inception, thereby being recognized as one of America's fastest growing new businesses.

In addition to being a solid Systems Integration company with over 20 years of management experience, InSys is a certified Women's Business Enterprise National Council Member, and holds state-level WBE certifications in New York and New Jersey.

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