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ONLINE EXCLUSIVE FEATURE:
Managing Human Capital

continued...page 2 of 2

By Karen D. Schwartz

For Best Buy Co. of Eden Prairie, Minn., instituting a human capital management system helped avoid the chaos that ensues when providing information to hiring managers, the finance and purchasing departments, and senior management on the thousands of people and scores of suppliers the company does business with daily. That chaos, combined with the company's decision to have 10% of its more-than 10,000 employee workforce consist of contingent employees, led to its decision to turn to Itiliti's Global Resource Interchange. And Best Buy truly put its money where its mouth was by hiring a contingent employee to oversee the installation of its human capital-management system.

"We didn't know how many contingent workers we had, what their status was, or who they worked for," says Bob Bartikoski, who recently wrapped up an 18-month tour of duty at Best Buy, setting up its Itiliti system and implementing new hiring and approval processes. "We had a fairly chaotic way of paying invoices and we didn't know how much we were spending."

In an era of downsizing, Bartikoski is going back to the contingent workforce. Permanent Best Buy employees are now taking over running the Itiliti system, which went live in the second half of last year.

In most cases, saving money is a major driver in implementing such a system. In fact, it's not unheard of for large companies to save several million dollars each year in contingent workforce salaries and administration by implementing these tools.

Isfahani says companies that spend at least $50 million annually on contingent workers will get the most value out of this type of automated system. It can help save a company at least 10% to 15% in hard dollars on the contractor cost and an additional 10% to 20% in soft-dollar improvements, such as streamlining processes, reducing administration, direct billing, and quick-pay discounts.

The systems' efficient methods of dealing with suppliers also let companies take advantage of volume discounts by virtue of dealing with fewer suppliers more often and more efficiently. Best Buy, for example, has saved about 5% by using volume discounts. That's something Best Buy couldn't do before implementing the Itiliti system because it couldn't track what it was spending, how fast it was paying, who it was hiring, or where they came from, Bartikoski says.

And because of these systems' ability to track who has been hired over time and what the company has paid for each person, companies can avoid being overcharged, something that can add up to real savings. "We had somebody presented recently at $85 per hour from one supplier and $145 an hour from a different supplier," Bartikoski notes. "But this system lets us check what we paid for that person last time and gives us leverage to go back to them and get the person at the lower price. In some cases, we have saved $60 to $70 per person per hour."

For Avis, overpaying for contingent workers was getting out of hand, and it's something the system has largely eliminated. The company says negotiation hadn't always been practical--if a vice president needed an administrative assistant at the last minute, under its manual system, Avis had to pay what they asked. After going over the details, analysts from Avis and White Amber came up with 20 job titles and wrote job specifications for each. They sent the information to each Avis supplier, asking them what they would pay for each position, and they're holding the agency to those rates.

Although many personnel procurement vendors don't offer a staffing consultant onsite, Kevin McCloughan, vice president for corporate systems at UnitedHealth Group, says that by making that feature available, Chimes saves the organization significant time. About 300 contingent IT staff at any one time work in the Minnetonka, Minn., company.

After the Chimes system performs an automated screening of candidates submitted by suppliers, the onsite staffing specialist reviews them, rejecting as many as 40% of the resumes before passing them onto the hiring manager. "That way, I don't get resumes that don't have five years experience if the hiring manager asks for five," McCloughan says. "Whereas the supplier, even if I ask for five years' experience, will often give us someone with four. Then they will try to call me and talk me into why I should consider this person. It wastes everybody's time."

Hiring managers also aren't worrying much about the loss of face-to-face contact, because interviews are still part of the process. After hiring managers choose potential candidates, they can interview them either in person or by phone. The next version of Chimes' system, due out in this quarter, also will offer the option of pretaped streaming video interviews of candidates. Hiring managers will simply click on a button marked "video" to see the candidate answer five to 10 questions. Because the resident Chimes representative prescreens hiring managers and asks them what they would like to ask candidates, the questions will tend to be on target, says Charles Halash, a vice president at Chimes.

But even though most companies notice impressive savings and other efficiencies, it's often difficult to get hiring managers and other company personnel to embrace the system because it involves a significant culture change.

When the Itiliti system was first implemented, "it wasn't universally loved," Bartikoski admits. "More than a resistance to the system itself, we've seen a resistance to

ONLINE EXCLUSIVE FEATURE:

- *sidebar:*Automating Internal Project Management And Staffing

the vendor-management concept. They tend to ask why they can't use Joe's consulting service anymore." But over time, hiring managers have come to rely on the system, even preferring it to traditional processes because of its efficiencies, he says.

Suppliers initially also have resisted the change, fearing losing control and potential income. "A few vendors fought against it, but in the end, there was only one vendor that refused to join the system," says McCloughan of UnitedHealth Group. "But once we explained how it worked, even they eventually decided to join."

For some human capital management vendors, the next step is to expand the system to include benefits administration, training, validation of the skill sets potential employees purport to have, and human-resources consulting, says Steve Vesce, CEO of White Amber. Doing so will further streamline the hiring process, he says.

For other vendors, like Chimes and White Amber, expanding the system to include E-procurement of full-time workers is a logical next step. Chimes, for example, already has installed the system for full-time employees at Lehman Brothers of New York.

Avis' Burkart says that over time it may consider using White Amber's system to place full-time employees, too. "As with the contingency personnel system, the goal is to provide the company with a more efficient and faster way to handle all facets of the hiring process," she says.

But these vendors should tread carefully and companies should be wary of using a system like this to procure full-time employees, Isfahani warns, because the requirements are vastly different. Pay structures, insurance and benefits issues, and the hiring process are very different, he says.

Although human capital management systems in their current form are serving their customers well, Isfahani believes they are still evolving and will look quite different two years from now. "Companies are now beginning to ask why they can't get their people through Ariba or Commerce One if they can get their staplers through those methods," he notes. The next step is for the procurement engines to be put in place in large firms to handle both processes through one system, Isfahani says, something that will be achieved through technology and alliances or mergers between business-to-business exchanges and human capital management vendors. ■

return to page 1

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