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ONLINE EXCLUSIVE FEATURE: Managing Human Capital

E-procurement works for more than paper clips and bolts of cloth. It's also helping some companies with their temporary staffing needs.

By Karen D. Schwartz

E-procurement technologies can do more than help companies add cost-savings and efficiencies to tasks such as purchasing office supplies or buying materials to be used in manufactured products. Now, they're being put to work to help businesses acquire and manage temporary personnel.

In March, Avis Group Holdings Inc. said that it had realized a 37% year-over-year cost savings on temporary staffing procurement costs since implementing Workforce Procurement and Management software from application service provider White Amber. The Garden City, N.Y., car rental company uses the software throughout its corporate headquarters to help procure contingent workers in the administrative, finance, and insurance areas. It's now rolling the application out to other regions. Eventually, Avis plans to expand the system's use to include personnel such as shuttlers (people who move vehicles from one location to another) and service technicians, at more than 400 major U.S. locations.

The system's ability to prenegotiate rates and provide automated billing and approval accounts for both time and cost savings, says Lisa Burkart, an Avis human-resources specialist. The system, which lets the company's hiring managers start the hiring process, takes a major burden off the human-resources department, too. Managers can point-and-click on the jobs they need filled and the agencies they prefer to use. Because the system keeps a history of all workers, the manager can even specify a specific worker who did a good job on a previous assignment, or find someone the company used three months ago.

"The time it takes to process an order for a contingent worker takes less than 30 seconds now," says Burkart. Under the old manual system, it took at least an hour for Avis personnel to call suppliers and explain the order and the fee.

White Amber isn't alone in servicing companies' temporary personnel needs. CascadeWorks, Chimes, IQNavigator, Itiliti, SkillsVillage, and Vivant have offerings, too. Although each vendor has its own take on the technology and process, all these Web-based tools try to centralize the hiring process, keep track of which suppliers are providing the employees, and determine where the hiring company can get the most leverage in terms of cost reduction and services. Most offer back-end integration to companies' financial and HR systems, browser-based access, and a tiered supplier approach. Some provide their tools through an application service provider (ASP) model, while others prefer the traditional licensing model. Some offer both options.

Yet the market is consolidating, says Kazim Isfahani, senior industry analyst for Giga Information Group Inc., thanks to the recent economic slowdown that's affected vendors in the high-tech sector as well as their customers' hiring needs. Personnel procurement vendor Nitorum Corp. closed its doors on March 19, while Opus360 Corp., another human capital management vendor, recently purchased Mirronex Technologies Inc. for pennies on the dollar. "We've seen vendors experiencing a lengthening of the sell cycle, and in a couple of cases, a halting of existing implementations," Isfahani says.

Still, company executives--and battle-weary vendors--insist there's a real need for technology in this arena. Typically, a hiring manager initiates a request by writing a job description or choosing from a menu of prewritten descriptions and sending it to his or her hiring manager, who approves it. The requisition is then released to all approved suppliers or the company's designated first-tier suppliers, which submit candidates. If the first-tier suppliers don't come up with an acceptable entry, the request automatically is routed to the next tier of suppliers, and so on. (For another view of personnel management, read [Automating Internal Project Management And Staffing](#).)

Some tools, like the Workforce Procurement and Management Solution, let hiring managers rate the contingent workers, which not only provides feedback to suppliers but also lets other hiring managers within the same company determine whether a contingent employee should be rehired in another area of the firm. Others, like Chimes' Consolidated Hiring Internet Management Efficiency System, also provide an onsite staffing specialist at a company's headquarters to manage requisitions and prescreen resumes sent by suppliers.

Such tools have benefits not just for the businesses doing the hiring, but also for the suppliers. That's because once a hiring manager requests an engagement for a particular person in the system and enters tentative rates and a contract end date, all other potential candidates are released from the system in real time. That way a supplier knows immediately that a job's been filled, and that it's no longer worth their effort and expense to offer staffing suggestions.

Most of the software can be tailored to a company's needs and can accommodate contingent hires of all types of employees. Pay structures, however, can differ wildly. Some companies, like White Amber, offer their system and setup for free with a three-year contract, preferring to make their money by charging 2% of the cost of each contingent employee, a cost that is often paid by the supplier. Others charge a one-time set-up fee of roughly \$300,000, depending on the amount of integration required, plus a fee for hires. Still other vendors, like Itiliti, charge a flat fee; Chimes charges a transaction fee averaging \$1.50 per hour the contingent worker works.



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Many organizations are turning to automated human capital management tools to keep track of which contingent workers and which suppliers provide quality service, how much each division is spending on contingent workers, and how many contingent workers are on the job. That information is more critical than ever for companies keeping a watchful eye on their budgets in today's economy.

Company executives like these systems because their automated checks and balances prevent hiring managers from circumventing the company's hiring rules. "There's a lot of rogue hiring that happens within organizations, especially large organizations," says Isfahani. "For example, the hiring manager of one department might bring someone in to work on a specific project because he wants to get him a job or he's a friend of a friend." And he might sign him on at a higher-than-usual going rate.

But often, the first impetus for looking into an automated system is simply frustration with the chaotic and manual way contingent workers generally are hired, managed, and paid.

For Merrill Lynch & Co. Inc., which hires between 2,000 and 3,000 contingent systems consultants at a cost of \$200 to \$300 million annually, the manual process of requisitioning its suppliers and controlling the invoicing was causing significant internal headaches. By mid-1998, "we had total chaos," recalls Neil Ostrower, vice president of global procurement and services at Merrill Lynch's New York office. "Finding a way to provide information to hiring managers, the finance organization, the purchasing organization, and senior management on the thousands of people and hundreds of suppliers we do business with on a daily basis was almost undoable."

When chief technology officer John McKinley came on board later that year and was unable to understand how he was spending funds within the technology organization, it was the last straw. The company helped develop the Intelli-Gage system with Nitorum Corp. Now Merrill Lynch saves \$20 to \$25 million per year in both soft and hard costs by speeding up the process, which lets the company take advantage of quick-pay discounts offered by suppliers.

"With the old system, getting the invoice, reconciling it, and getting the suppliers paid took forever. It required 15 different signatures and a reconciliation of time sheets. We couldn't possibly turn it around in 30 days," Ostrower says. These days, Ostrower says Merrill Lynch can take advantage of quick-pay discounts nearly 98% of the time. With the demise of Nitorum, Merrill Lynch is entertaining options from other service providers. ▶

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Illustration by Jennifer Krumholz



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