

## HOW TO MAKE MONEY FROM VMS ACCOUNTS

Staffing firms are faced with the reality that Vendor Management Systems (VMS) overseen by Managed Service Providers (MSP) will continue to represent a larger and larger share of the contingent staffing market. Not all VMS accounts are the same. "High quality" VMS accounts utilize a limited number of staffing vendors whose recruiters have access to hiring managers. High quality accounts are an excellent way for companies to better manage and track their staffing vendors at reasonable costs.

At the other end of the spectrum are the "low quality" VMS accounts. Characteristics of low quality accounts may include more than 50 approved staffing vendors, predefined markups and low margins (or low margins resulting from extreme price competition among the many vendors), no access to hiring managers (all communication is through the MSP administrator who often also does not have access to hiring managers and knows little about the job), job orders that require very fast submittals (sometimes in less than a day), and little or often no feedback on submitted candidates.

In most cases, VMS vendors receive a quarterly scorecard that includes performance measures such as number of hires, number of interviews, number of candidates shortlisted, speed of submittals, rates at which candidates are submitted, and percent of job orders covered by submittals. Vendors receiving low scores are replaced. As a result staffing firms must focus on low rates, speed of submittal, volume of submittals, and candidates whose skills are a match on paper as opposed to candidates who can do the required work. The scorecards do not measure quality of hire, which can be determined only after the candidates are hired.

Needless to say, it is very difficult for staffing firms to make much money on low quality VMS accounts. There is little point in using experienced recruiters. Experienced recruiters' advanced skills (working with hiring managers to define the ideal candidate and conducting in depth interviews to identify the candidates who will excel at the work and have the right behaviors) will be largely wasted on low quality VMS accounts. Forcing experienced recruiters to work on low quality VMS may result in high recruiter turnover. Furthermore, since the margins on low quality VMS accounts are so thin, staffing firms cannot pay the compensation expected by experienced recruiters and still make a profit.

However all is not lost. There are two ways staffing firms can still make money on low quality VMS accounts: (1) using junior in-house recruiters or (2) outsourcing the VMS account to an offshore recruiting firm. Staffing firms that decide to use junior recruiters will usually hire these recruiters fresh out of college. The VMS accounts can serve as training accounts. The more successful recruiters can be moved to higher margin non-VMS accounts or high quality VMS accounts.

Staffing firms that outsource their low quality VMS accounts should look for a firm with a proven track record of success in VMS recruiting. The goal should be to have the offshore firm handle the VMS account end-to-end with minimal involvement from the staffing firm. If the staffing firm has to provide much oversight, the cost advantage of using an offshore firm will be significantly reduced. Therefore, success requires an offshore firm with professional management and highly trained recruiters.

The table on the following page presents some of the tradeoffs of using junior in-house recruiters or an offshore recruiting firm.

CONSIDERATION	IN-HOUSE JUNIOR RECRUITER	OFFSHORE RECRUITING FIRM
TIME AND EXPENSE TO HIRE	Considerable	LOW
TIME AND EXPENSE TO TRAIN	Considerable	LOW
ABILITY TO RAMP UP OR RAMP DOWN THE TEAM AS NEEDED	Difficult	EASIER
ONGOING COSTS	Fully burdened recruiter costs should be reasonably low, but will require the higher cost of additional managerial oversight, support and training	Total recruiter cost is typically 50% to 75% less than junior recruiters
RECRUITER ACCENTS AND CULTURAL FIT	No problem	Should not be a problem if you retain a reputable and professional firm
UPSIDE POTENTIAL	High performing recruiters can be moved to better accounts	Successful business relationships can be expanded
RISK OF BAD DECISIONS	Difficult to terminate new employees	Usually very easy to terminate an offshore recruiting firm

In either case, VMS recruiters should follow a low-quality VMS account-specific recruiting process. The steps are:

- Set decision rules so that recruiters spend most of their time on the most desirable job orders. Factors to consider include bill rates, contract durations, and practice areas for which the most consultants have been hired in the past.
- Use techniques where many candidates can be contacted quickly such as web crawlers and mass mailings.
- Conduct a qualification interview that is focused on matching the candidate's skills with the required skills in the job order.
- Conduct a very aggressive rate negotiation. Submitting candidates at low rates is critical to success.
- Have candidate approve a right-to-represent form and confirm the agreed to rate.
- Submit large numbers of candidates quickly and cover as many positions as possible. Speed and quantity often trumps quality.

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Recruiting Done Right From Start to Finish

