

Alternative Staffing Alliance
Summary Notes from Regional Meetups:
ASO Practices, Tools and Ideas
Spring 2008

Sales and Marketing

Skills and characteristics of job candidate base often drives customer targeting. Ask oneself, “who needs people with skills we can offer?”

Another successful approach is using personal connections, mining contacts available through local partners, Board members, alumni and congregations. Other potential sources of leads include local business organizations (Chamber, trade associations), existing customers, and retail store bulletin boards.

Goodwill El Paso gives prospective clients a 30-minute tour of their operation to demonstrate their full range of services.

Building your market identity involves delivering a clear, recurring message. It’s beneficial to distill what you do to two or three phrases that everyone in the organization consistently uses.

Regarding the perpetual ASO sales question of mission vs. product, “it depends on the room you’re in.” With some prospects it’s effective to lead with mission, with others, the business product, and sometimes both. Community investment can be a good selling point.

Harborquest uses the Miller-Heiman strategic selling method for sales (and fundraising), which involves high upfront customer research to help salespeople broaden their approach, sell a solution and understand where they are in the sales cycle.

Managed Work Services of New York uses “cost of turnover calculation” in selling its job matching and retention services. Prospective customers can tally their own cost of turnover using a tool on MWSny’s web site (www.mwsny.com/employers.htm ... scroll down to Tools and download Excel spreadsheet).

Texas Goodwills’ focus is on placing people with disabilities, and employers often have concerns about accommodations. When potential customers ask, “what kind of people will you send?” a response is, “many of your own employees would qualify for our services.”

Rule of thumb: it takes 5 to 8 “calls” (e.g., phone, post card, visit, etc.) to get an order. Goodwill Austin finds it takes 6 to 12 months to build one-on-one relationships (and achieve vendor status) with key personnel at larger companies.

With potentially large accounts, managers advise starting small and providing excellent service, then building volume according to your capacity. If you accept a large contract and can’t service it satisfactorily, you may not get a second chance with that customer.

The reported staffing sales mark-up (on wages) ranges from 25-40%.

In addition to hourly placements, some ASOs contract with customers to staff a particular function and negotiate a flat monthly rate. Earned revenues are fixed, based on service delivery rather than the number of people and hours worked. Thus, profit margins can fluctuate according to the ease or difficulty in placing and managing the workforce over the length of the contract. MWS St. Louis and Emerge have negotiated such contracts to manage a hospital's housekeeping function, landscaping crews and an IKEA food service outlet, for example.

Most ASOs do not charge a placement fee to convert temporary employees to a customer's payroll. Harborquest, for example, views this as an incentive for employers to hire their jobseekers (who tend to be black, less educated, lower-skilled and have criminal records).

As the economy softens, employers are increasing the minimum qualifications for entry-level jobs. As a result, the ASO "sell" can be more challenging. Sometimes, the sales task is convincing the employer to consider the candidate who lacks a specific educational or experience requirement.

Texas Goodwills (which do 50 to 100% of their staffing business through government set-aside contracts) are noting a slowdown in state business. (See related article: *As the Economy Falters, So Do State Budgets*, New York Times, March 17, 2008 www.nytimes.com/2008/03/17/us/17fiscal.html)

Sales Incentives

Goodwill Austin pays a quarterly commission, 1% on state business and 2% on commercial business for new business only (considered new if no sales for 3-6 months). Commission is paid only on collected business (i.e., paid invoices).

MWS St. Louis pays job developers 1% of gross billings they generate.

FirstSource Staffing offers a financial incentive for sales and referrals to everyone on staff (even the recruiter and office administrator), reasoning that people answering the phone may make the sale. The formula is a percentage of gross margin.

Goodwill Ft. Worth tried commission sales but found this brought in high-risk, high-workers' comp rate business. Staff participate in a year-end, agency-wide bonus system based on performance of the (1) agency, (2) program/department and (3) individual.

Emerge thanks its staff with flowers to recognize extra efforts. Some Goodwills use food. Both are low-cost but highly appreciated.

MWS New York is considering what might be incentives for job developers, related to meeting strategic goals.

Technology / Information Management Systems

“Tech needs to be friendly. It’s part of the sales pitch, because ASOs are competing with others who have the systems.”

Customer Relationship Management

Harborquest uses Salesforce.com, a leading provider of on-demand (web-based) customer relationship management (CRM) services. As part of its philanthropy, the Salesforce Foundation donates product licenses to qualified nonprofits to help them improve their efficiency. Harborquest has tapped into this resource and is using Salesforce to manage its sales and case management activities. www.salesforce.com/products/.

Emerge uses Goldmine (www.goldmine.com) to address their CRM needs.

Job Matching and Back Office

FirstSource uses C-Biz (www.cbiz.com/) for candidate information and job match.

Emerge has switched to COATS (www.coatssql.com/) for front end and back office after concluding that another product, myTTrax, was too cumbersome to use.

Employ America plans to introduce eTIME, an automated time and attendance system integrated with ADP Payroll Services. www.majoraccounts.adp.com/time/etexec.htm With this system, everyone – case workers, employees, supervisors, etc. – can access time and activity records. Goodwill Lubbock also uses ADP.

Goodwill Fort Worth uses eEmpACT. www.eempact.com/

A caution regarding web-based information systems is that you may not own the data.

Texas Goodwills note that confidentiality of worker records is vital. Unless the staffing service is structured as a separate entity, organizing and accessing employee records can be limited by the parent organization’s information systems and policies.

Management and Staff Training

The manager/president is a tough position to fill. Succession planning is an issue for long-time ASO leaders looking to retire or move on.

MWS New York takes advantage of its parent organization’s (VIP Community Services) training and development resources. Supervisory skills and conflict resolution training has been very helpful for job developers and other program staff.

Goodwill agencies typically offer team building and diversity training for all staff.

A/R Financing

“Cash flow is big issue ... have to be prepared to fund gap, which can become substantial.”

Employ America finances A/R as a service for its customer organizations but doesn't use as a profit center.

Emerge factors receivables – factor (Advance) charges 3.5% of sale and does billing, A/R, payroll taxes and workers comp reports. (Former company TriCom charged 5% of sale.)
www.advancepayroll.com/content/about/about_us.htm

Harborquest uses a line of credit (prime + 2%).

Some customer companies use temporary staffing services and pay vendors slowly (or never) as a way to finance their own business. Always ask customer prospects who the previous staffing agency was and what happened.

Goodwill Houston uses a credit application to qualify new customers.

Goodwill Austin uses Dun & Bradstreet for credit checks on new customers and asks slow paying customers to pay by credit card.

Workforce Screening

Skills Assessment

FirstSource and some Texas Goodwills use QUIZ, not expensive

MWS New York and some Texas Goodwills use Prove It to test candidates on Microsoft programs, keyboarding, field specific tests (e.g., call centers)

In-house Drug Testing

MWS St Louis uses Quest www.questdiagnostics.com/employersolutions/index.html

Emerge uses GEN-Diagnostics' drug test Oraline, a 4 panel oral drug test which takes 2 minutes and costs \$12 per person. <http://gen-instant.com/index.php> Emerge reports “good luck so far” with this system.

Drug testing vendor for Goodwill El Paso is Concentra www.concentra.com/Employer-Services/

Background Checks

Austin is transitioning to ADP for background checks.

Payroll Cards

Employ America uses Chase payroll card with VISA logo, \$2 per month bank charge to employee, transferable to other employers, reduces check fraud and lost checks; financial literacy classes also offered.

Emerge uses the rapid! PayCard with MasterCard logo. www.rapidpaycard.com/

Goodwill Austin pays via direct deposit or Compass Bank debit cards
www.compassbank.com/business/merchant_services/debit_card_processing.html

Employee Benefits

Employ America partners with not-for-profits and mainly functions as a Professional Employer Organization (PEO). As the employer of record, Employ America does payrolling and provides low or no-cost benefits to workers including:

- Aetna mini-med limited benefit health insurance, designed to encourage preventive care, especially to monitor and treat high blood pressure and diabetes - \$10,000 maximum coverage @ \$89 per month per individual (some nonprofits pay worker portion); family plan available; coverage includes hospital inpatient, outpatient, office visits, drug and vision benefits. Workers in job 6 months or longer tend to use health benefit.
- Pre-tax purchase of transit benefit cards (available in most urban markets).
- Car Share service I-GO. Employ America covers annual membership; employees pay hourly cost only.
- Employee Assistance Program through partner organization Generations of Success.
- Life insurance plan – one-time enrollment; \$20,000 benefit paid to family on death.
- Individual Development Accounts, combining financial literacy training and savings match toward first-time home purchase, business startup or post secondary education.

Goodwill Austin offers financial management classes, conducted by local banks. Workers are eligible for emergency financial assistance after 3 months of employment, once per 6-month period, based on the case manager's review of an individual's 10-week work history. Emergency funds include \$25 gas cards and \$20 Wal-Mart cards for food buying.

Organizational Planning

Many ASOs lack time or resources for strategic planning.

MWS New York is very “planful” ... holds weekly team meeting and is strict about participation to maintain focus on goals and tasks.

MWS St. Louis uses Washington University business planning and marketing analysis resources.

Employ America's president is proponent of GE's planning system, comprised of four sessions that couple strategic planning with financial forecasting and human resource evaluation. The planning focus "rotates" quarterly as follows:

1. Organizational Review and Management Team Assessment (March)
 - Review effectiveness of organization and any plans to change.
 - Review and provide feedback on performance, promotability, and developmental needs of top management.
 - Review plans and suggestions for backup planning for key management jobs.
 - Identify high-potential talent as early as possible to ensure appropriate development.
 - Focus special attention on key corporate or business messages.
2. Strategy Session (June)
Develop 3-5 year strategic plan based on evaluation of results and analysis of strengths, weaknesses, opportunities and threats (SWOT).
3. Operating Plan (September)
Focus on short-term financial outlook and lay groundwork for next year's operating plan.
4. Compliance (December)
Review risk management policy compliance with direct reports and provide results to business leader.

Grant Funding

State funding is outcomes based. It's important to negotiate appropriate outcomes with funders; make sure funders don't apply measures from other employment and training programs.

In one of its successful training grants, Emerge received commitments from two manufacturing firms to hire participants post-training on a temporary basis. The future staffing sales counted as the employer partners' contribution to the grant.

Suggested Ways Alliance Can Assist Members and Serve the Sector:

- Conduct supply chain audits of high profile corporations concerned about public image (e.g. McDonald's, which uses food processors, warehousing and distribution suppliers throughout the US) to encourage their suppliers' use of "high-road" staffing vendors.
- Pursue government resources for sector; identify opportunities and potential grants.
- Schedule online demonstrations with software and other tech vendors.
- Seek group discounts to reduce cost of worker assessment tools.

- Sponsor sales and marketing trainings.
- Provide information about payroll cards.
- Provide information about software programs that can help workers access public benefits to which they're entitled (e.g., Access New York and Real Benefits).
- Compile knowledge base of research and compendium of best practices for all stages of what ASOs are trying to do. (Please see www.altstaffing.org/research.html for a current listing)
- Conduct research to document the success of the alternative staffing strategy.

Potential topics for annual conference:

- Communications: articulating value-add of ASOs in selling
- How to weather the recession
- Lessons from the conventional staffing world
- Worker population-specific workshops, e.g. ex-offenders
- Negotiating government set-aside contracts for people with “barriers to employment”
- Tapping into state business development resources
- Trends in workforce development funding