

Position Paper

Analyze This...

The Value of Analytics
in a Contingent World

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The Values of Analytics in a Contingent World

The Reverend Dr. Martin Luther King, Jr. knew it 45 years ago, before any of us. We are all part of an interrelated reality. “Whatever affects one directly, affects all indirectly. I can never be what I ought to be until you are what you ought to be.” Although the civil rights leader was referring to the moral responsibility of all people to fight injustice, his message could equally be applied to business. Back then, we didn’t really get it. Our corporate challenges were linear. Opportunity costs were measured by miles, time, energy and profits. It was all point A to point B.

Today, we are succeeding in our effort to build the infrastructure of our new interrelated reality. It started with fax machines in the early ‘80s, progressed to email and now includes Twitter, LinkedIn, FaceTime and WebEx Meetings. Now our corporate challenges are measured by data and megabytes. We have finally achieved the proverbial global village and we are all part of a single global economy. In fact, as I write this paper from Jacksonville, Florida, USA, I’m interacting with a colleague in Russia and doing business with a company in Indonesia. This morning I had a conference call with colleagues in France and this

evening I’ll relay the information to colleagues in Singapore. I wonder—when will we all begin working globally, from a unified time zone?

So it’s truly a small world after all...or is it? For the HR executive and manager of talent resources, while the world may have gotten smaller, the information has gotten broader, and we’re trying to drink Big Data from a fire hose. For many, Big Data is easy to ignore, and interpreting it is akin to solving a problem that we don’t yet know that we have. For others, the opportunity exists to use the information that is at our disposal to create a better environment, identify the right talent anywhere in the world and engage them through a mutually beneficial relationship while mitigating risk and controlling cost.

For companies like Pontoon, Big Data and business analytics are a way of life, a competitive advantage and an opportunity to deliver valuable insight to clients. At Pontoon, our objective is to keep the fire hose turned on, but to channel it through a labyrinth of piping until it feeds **actionable insight** to our clients.

By analyzing Big Data, every major retailer, from grocery chains to banks and the post office, understands not just consumers’ shopping habits, but also their personal habits, and markets to them in the most efficient way possible. For example, retail giant Target can not only predict pregnancy based upon the items being purchased, but it can also estimate, with amazing accuracy, an expected due date by mining Big Data. So, they can use purchase and demographic information to send targeted promotional material that reflects your anticipated needs.

From a talent management perspective the data Pontoon utilizes is clearly different than Target, as the objectives are different. However the astonishing results are the same.

Business Intelligence for Business

If you take a look at any successful organization born out of the last century, the textbooks will tell you that the foundation for its success stemmed from its innovation, determination, and sweat. However, it is also understood, if less published, that any measure of success is also directly related to good old-fashioned luck. Being on the right street corner, knocking on the right door, and making the right snap decision, all can lead the business to success...but the x-factor has often been executive intuition and a blind leap of faith into the interconnected reality that Dr. King knew existed even 45 years ago.

Fast-forward to today, however, and information, if not Big Data is providing a greater window into better business decisions. Organizations are empowering themselves through analytics and creating clearer roadmaps to achievement. In short, through better insight into the skills, technologies, methodologies, and practices that make up analytics, organizations can change their odds, and therefore take greater control of their success.

Analytics 101 and Beyond

Analytics in and of itself is not a new concept, but it has become far more complex as technology has also given way to new and innovative methods to spin, split and analyze data. As analytics have become more embedded in the business practices at most organizations, so has the depth of the information being assessed. At Pontoon, we

call this new level of understanding **actionable insight**. No longer should analytics be limited to applying trends. While admittedly, there is great value in learning from historical information, actionable insight can provide a window into the future, answering “what if” scenarios with a high degree of confidence, and better yet, “you tell me” scenarios.

The bottom line is that sophisticated organizations are using sophisticated analytics.

- **Descriptive analytics**, the most widely used type of analytics, involves the review of past and current business performance to make informed decisions. It helps to answer the fundamental question, “Why is *that* happening?”
- **Predictive analytics** takes it a step further and asks “what if” questions that can help you test different options. Now that your descriptive analytics has provided clarity into why that is happening it asks, “What would happen if I did *this* instead of *that*?”
- **Prescriptive analytics** goes beyond the “what if” and identifies the best alternatives to minimize or maximize the objective. It applies optimization techniques to offer a solution instead of testing a solution. “What should I do to prevent *that* from happening?”

Organizations are quickly adopting these methodologies in many of their practices, yet many companies are not taking full advantage of analytics throughout their business. Until recently, the investment in analytics has been largely limited to capital expenses, which directly influence revenue; however, it is equally important to apply analytics to make informed decisions around how to manage

operating expenses as well. By addressing both expense types, organizations can increase profitability.

One operating expense area that should not be overlooked is the contingent workforce and its integration into an organization's talent supply chain. There are many moving parts associated with a contingent workforce including usage, cost, and risk, to name a few. Organizations that invest heavily in their contingent and non-contingent workforces should be as concerned about the analytics associated with the management of this expense as they are with other areas of their operations.

Sources of Data



According to Staffing Industry Analysts, 77% of the North American organizations that use contingent workers have already adopted Vendor Management Systems (VMS) to drive their procurement to payment workflow, and for good reason.

A VMS is a vast repository for data. It is within the VMS that the organizational data meets the contingent workforce data. But there's more. Each click of the mouse within your VMS should provide a data point for you. The robust reports that can be generated from the VMS provide a great deal of transparency that was never available before and have allowed organizations to more effectively manage their contingent workforce.

However, your instance of the VMS is only that - your instance. The data generated by the VMS can paint a glorious picture of your use of contingent workers, but will not allow you to reference what others are doing in the same space. Additionally, data provided by the VMS only provides a picture of historical activity and does not produce **actionable insight**. In order to maximize the effectiveness of the data other sources should be considered as well. Finally, though some VMS technologies provide visualization tools, the tools themselves do not provide **actionable insight**.

To get a complete picture, other data sources need to be considered. Your Managed Services Provider (MSP) must be able to accept data from multiple sources, including your VMS instance, other VMS instances, the Bureau of Labor Statistics and other government agencies, third-party reports, staffing agency surveys, Applicant Tracking Systems (ATS), and Enterprise Resource Planning (ERP) systems to give broader intelligence to your analytics.

But you can't take the external data and insert it into the VMS to provide you with bigger data, and you can't take the VMS data and insert into the ATS or ERP. Your MSP needs to have the ability to quickly provide you with a complete

analytical representation of your organization, which is only accomplished through a significant investment in analytics technology and personnel.

MSP Empowerment by Analytics

According to a 2013 survey of 185 organizations by Aberdeen Group, the majority (57%) of organizations still view workforce analytics as an ad hoc effort. Organizations want the panoramic story, but don't have the time to write it themselves. MSPs can help paint the portrait more clearly, but need to be empowered to perform analysis at the program level.

Analytics require a human touch, and your MSP program team should be so intimately engaged with your organization that they know more about it than anyone else. As such, they are best positioned to be able to translate your data into meaningful analytics.

At its core, analytics is the interpretation of data, so when MSPs defer complete responsibility of analytics to a shared services analytics team, they risk misinterpreting data resulting in false analytics. Analytics teams at the shared services level do not necessarily understand the culture of each client organization and as such, may provide information that is neither accurate nor appropriate to the program. Still, program management teams do not necessarily have the level of reporting and analytics expertise to provide the greatest value to organizations. Pontoon's perspective is that organizations receive the broadest and most specific recommendations only from a combination of shared services reporting and analytics experts and client-dedicated Program Management teams.

Additionally, the delivery time for analytics is compromised when MSPs need to wait for their analytics teams to respond to their requests. Typically, analytics are required for a specific reason by a specific deadline, and that deadline was yesterday. Unfortunately, when pressed with these time constraints in addition to the constantly changing demands of other clients, analytics teams that do not have the technology that enables quick and easy access to data are set up to under-deliver. MSPs that leverage independent data discovery tools can perform analysis with greater speed and accuracy than relying on spreadsheets and VMS data alone.

Analytics are dynamic. You don't know the next question to ask until the first question is answered. So you need to have immediate access to the tools and resources that provide drillable data or you will end up with bottlenecks in the process.

Levels of Business Analytics for Contingent Workforce

Now is the time to dig deeper and apply the full spectrum of analytics to your contingent workforce. Sure, it is valuable to know that year after year contingent utilization is up in certain months, and you should be able to prepare your supply chain with expected peaks or drops in utilization based on this information. Sure, it is valuable to know that the rates you are paying for a Java developer are above, below, or at market. Sure, it is valuable to know that your company may be at risk of co-employment if you are not properly classifying your contingent population. But analytics should provide more than that.

What is more important is to understand that while your utilization may be up in certain months, other companies in your industry have higher utilization rates in other months. The availability of resources is limited to the number of qualified talent in the market and if you don't understand what others are doing you are only getting part of the story. **Descriptive analytics** will tell you why peaks and valleys occur throughout the year and allow you to make necessary adjustments to accommodate your business demands.

While you need to know how your rates compare to the market, you also need to know the impact that paying more or less than market, will have on your production. If you are paying above market, are you getting more return on your investment? If so, it might be an investment worth making. But, there is not necessarily a direct correlation between rate and productivity. By applying **predictive analytics**, you can identify the probability of increased turnover when reducing rates by specific increments.

Prescriptive analytics can help you make decisions regarding where to house your total talent pool. You may know that the rate of call center representatives is higher in regions with higher cost of living indexes, but is the quality of candidates equal across these markets? Maybe it pays to invest in the talent within a larger market of qualified candidates knowing that the return will pay off. If you are considering where to build your new call center, you should not only know the going rate for call center representatives in a particular market, but also how many qualified candidates reside in that market. "If you build it, they will come," may work if Kevin Costner is building a magic baseball field, but it doesn't work if you're investing

millions of dollars in a new call center. **Prescriptive analytics** can help determine where your call center will maximize productivity while minimizing costs.

Integration of your Contingent Workforce into your Total Talent Supply



If you are investing heavily in your contingent workforce you should also be concerned with how you integrate it with your total talent supply. If you need a new permanent employee, does it make more sense for you to try-and-buy through contingents? That might be true for some personnel but is it true for all job types? If you look at your contingent hiring trends and how they convert to full-time hiring trends, you can be better prepared to make the right decision as to what labor type you should engage.

Timing is often one of the most critical success factors in onboarding new talent. Having visibility into your time-to-fill for both contingent and permanent workers will allow you to make more informed decisions around what labor type to pursue.

Being mindful of co-employment and the separation of the two labor types is important, but contingent retention is equally important if you have short-term projects which could be severely impacted if there is turnover during the project. So you need to know why contingents are leaving, if they are leaving at all. Factors could include the pursuit of full-time employment elsewhere, higher wages, or a better environment in which to work. The fear of co-employment risk could be prohibitive to your retention rate. Analytics can help you make decisions regarding how to keep the total workforce satisfied.

Analytics can help you determine the right mix of contingent workforce into your organization. However, in order to be successful at establishing the right mix, you must have the data available from multiple sources.

About Pontoon

Pontoon, with corporate headquarters in Jacksonville, Florida, United States, is the global leader in workforce solutions. Pontoon specializes in Contingent Workforce Solutions, Recruitment Process Outsourcing and Workforce Consulting. Operating with nearly 650 colleagues worldwide, Pontoon currently delivers talent management solutions in 74 countries for its 100-plus clients, a global client base that is broader and deeper than the industry has experienced to date. Pontoon is one of the largest worldwide MSPs, and has been named the #1 global enterprise provider of RPO services.

Pontoon will be issuing Position Papers throughout 2013. They are available at pontoonsolutions.com.

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Now What?

Pontoon's client-dedicated Program Management teams are provided access to a robust proprietary analytics tool that empowers them to perform drillable data discovery. Supported by a team of reporting and analytics experts that have built repeatable data queries but that can be tailored to meet specific client needs, we go beyond descriptive analytics to provide our clients with **actionable insight** into their contingent workforces.

Our clients consistently enjoy a greater return on investment because of Pontoon's own investment in a technology that considers data from multiple sources, not just the VMS. More importantly, the combined output of our resources and technology empowers our clients to make more educated decisions regarding their contingent workforces.

We will rely less on luck, and more on business intelligence that is appropriate and applicable to your organization. Only then can the benefits of your investment in analytics be maximized.

And only then has Pontoon truly become what it ought to be.