

## In Vendors We ~~Can~~ Don't Trust

If one asks the right questions to verify their reliability

By Tom Kosnik

**T**rusting staffing vendors may sound like an oxymoron. Many contingent workforce managers feel that staffing vendors are at best a necessary evil. No one enjoys paying direct hire fees, and many buyers assume that contract staffing firms add little to no value after a contractor is placed.

We believe we are being slighted, we just don't know exactly how or where. Part of this assumption stems from negative experiences. One may be hard-pressed to find a hiring manager who did not have a few memorable experiences with staffing vendors that rested on the dark side. Yet the staffing industry as a business is growing and thriving.

The standard method of verifying a staffing vendor's trustworthiness is to manage it through a number of financial and performance metrics. For the most part, this method works. Very few companies, however, assess or review vendors' non-financial and non-performance dynamics during the vendor-selection process. Yet such non-financial and non-performance dynamics may actually prove to be better and more accurate indicators of success and fit. Here are just a few examples.

### Internal Turmoil

According to data from Staffing Industry Analysts, Inc., which publishes this magazine, the typical staffing

firm turns over 35 percent to 45 percent of its staff each year. Some of this turnover has to do with poor hiring decisions. Many staffing firms simply just don't know how to hire their own people. Some of this turnover has to do with poor internal management. Many staffing firms don't manage the staff they have well.

Regardless of cause, turnover is a result of something else happening in the organization. Most industrial psychologists link high turnover rates to poor performance and/or poor management. So it makes for good business sense to examine your vendors' internal turnover rate.

Ask your current staffing vendors and those you are looking to add to your vendor lists what their average internal turnover rate is. Assume 40 percent is the average for the staffing industry. If the rate for your vendor is higher than 40 percent,

then you most likely are looking at a difficult partnership. If the rate is lower than 40 percent, then this staffing vendor is doing something right to retain its internal employees and intellectual capital.

The reason it is difficult to trust a staffing vendor with a high turnover rate is that as the vendor continues to hire and train staff, it is



hiring and training staff on your dime; you are ultimately paying the cost of your vendor's turnover rates. Knowing your vendor's internal turnover rates is an excellent indicator to justify if it is worthy of a trusting relationship and your business.

### The Rudderless Ship

According to additional data from Staffing Industry Analysts, somewhere north of 90 percent of all staffing firms in the United States have less than \$10 million in annual revenue. What does this mean? The staffing industry is a "mom-and-pop" industry, a cottage industry. Most staffing firms are run

by husband-and-wife teams or small partnerships.

Small firms typically struggle with what is called the "entrepreneur trap." The person or persons that started the business are selling the services, managing the business, resolving customer demands, and so on. They wear a lot of hats and shoot from the hip for most everything they do in the business. In many cases, the

business runs the owner rather than the owner running the business.

It is not uncommon for the firms caught in the entrepreneur trap to slip into a mode of reactionary management. Such organizations have no practice of planning. They have no business plan

and do not conduct annual or monthly planning sessions.

Does your staffing vendor have any form of a business plan? Is the owner caught in the entrepreneur trap? Ask these questions before you choose your supplier. If your staffing agency is run like a rudderless ship, you pay the price. Having no business plan typically means having no goals, defined processes or procedures, or focused differentiators. Customers end up paying for this mismanagement via inconsistent services.

It is difficult to develop a trusting relationship with a staffing vendor that is 100 percent reactionary. The vendor may have one or two

recruiters who are very good at finding candidates within a few skill sets. A little digging will disclose that the vendor has no competitive advantage to offer customers. In the end, you want to engage vendors that are business enablers in the area of human capital acquisitions.

The rudderless ship condition is not limited to mom-and-pops. Corporations would be quite shocked to find out how many national staffing vendors run their business from a reactionary standpoint. These large firms have the "strategy-of-the-month" condition. Such staffing vendors can cost buyers a significant amount of money.

### **Ask Questions**

When does it make sense for a buyer to start asking non-financial and non-performance-based questions of a staffing vendor? As soon as you have doubts. If you are asking yourself if you can trust your vendor, then most likely something is up. Prudent companies will trust their intuition at this point and start digging.

The mistake that most of us make, however, is that we push such doubts aside. Rather than question, we rationalize why a certain staffing vendor is not performing or honoring agreed-upon guidelines. We have too much to do and don't want to take on the additional task

of digging in. This is a recipe for pain.

A trusting relationship ultimately is where it is at in the staffing world. We all need good, high-quality employees. Having trusting relationships with high-quality staffing suppliers will help us realize our human capital acquisition needs. Going beyond the hard metrics and seeking the answers to the non-financial and non-performance dynamics will pay big dividends in the end. ●

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