



By Michael Neidle

**I**n the January 2004 *SI Review* we wrote "Managing Your Company from Recession to Recovery." In January 2002 we discussed surviving the last recession in "Shifting Gears in a Changing Economy." In this article we will look at short- and longer-term staffing prospects, applying concepts from select New York Times best sellers to our industry. So what is the future of staffing? We can say we are the hunters and gatherers of the world of people, and therefore perhaps we are the world's oldest profession, and thus there will always be the staffing industry. Although times have changed for the better and should stay that way for another five years, we are in a cyclical business, operating in a dynamic world economy, and only those with evolving tools attuned to change and those who are proactive will survive and prosper. Let's look at some top sellers and focus on their lessons, and apply them to staffing. Here's "how to" straight from the lists of the Gray Lady herself!

**The Tipping Point,  
by Malcolm Gladwell**

The concept here is that a new paradigm is created when events reach a critical mass. A virus can tip into a pandemic, global warming can tip the entire ecosystem and the support by the right person can tip the balance of history. Various elements are needed

for a tipping point: contagion, scalability,

speed, stickiness, context, the message, a connector and the so-called "law of the few." The tipping point in the last election may have been the ad about swift boats (stickiness) and Kerry's character (message). The tipping point in U.S. history, for example, was the midnight ride of Paul Revere. He succeeded because he personally delivered the message (the few), rode all night (speed), scaled its impact via surro-

gates in every town (connector) with a sticky message: "The British are coming, the British are coming." But the key ingredient was that Revere was the super salesman of his day: upbeat, optimistic, influential, charming, well connected, verbal and a workaholic. To prove the point, someone else (William Keys), who had none of Revere's attributes, rode south as Revere headed north ... and the same message was totally ignored.

Sticky and contagious tag lines work. Just Remember Avis's "We try harder" tag line, KFC's "Finger lickin' good" and the National Dairy Council's "Got milk?" Viral marketing programs can create a word-of-mouth buzz in just weeks. Some companies have even paid people to talk up their product to synthesize "street cred." But Gladwell notes that when one is connected with more than 150 people (span of control), their influence wanes.

**The Tipping Point and Staffing**

The staffing industry has relentlessly moved towards commodity status due to outsourcing, job boards, VMS, VOP, etc. Although

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**The New York Times Best Sellers and Staffing**



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it may be hard for a staffing company to create a tipping point, they can capitalize on an existing one by thinking out of the box.

- Search for a tipping point of which you can ride the coattails, i.e., a new TV reality program promoting nursing careers is on the docket to be partially underwritten by a healthcare staffing company.



Capitalize on this situation by giving an interview on your local TV news station explaining how you are helping to alleviate this problem. Wal-Mart may be seeing the formation of a negative tipping point due to its negative portrayal in the movie, "The High Cost of Low Price," and from news reports that they are regularly mispricing their products. If you are in clerical or light industrial staffing, become known as the company who finds better jobs for their employees. The key is to be alert for tipping points as if they are a hot stock tip, and develop a program to capitalize on the situation.

- Hire super sales reps, recruiters and staffing coordinators (connectors). Promote those people who can tip the scales in your favor. Retain your best people by providing "golden handcuffs," with rewards tied to performance and tenure.

- To have effective relationships, keep your span of control to 150 or less

candidates or clients/staff. Set an example for others by working long hours. Measure your staff's performance to see what works. One of our clients became the connector in their market through their social and cultural affiliations; hosting "A List" cocktail parties for CEOs and VCs, opening up doors for their staff at the best companies.

- Develop a sticky tag line similar to the Dairy Council's. How about:

**We are in a cyclical business, operating in a dynamic world economy, and only those with evolving tools attuned to change and those who are proactive will survive and prosper.**

"We've got people"? Create a viral marketing campaign, perhaps getting your candidates and temps to wear a button saying "Morris Won" to create a buzz in their circles. When people ask about Morris, those wearing buttons would describe how your company got him the job of his dreams.

- We go through staffing cycles every 10 years and are likely to tip into recession in 2011 (excluding terrorism, major disasters, extraneous events or other shocks to the system). Although 75% of employees are unhappy and looking to change jobs now, as we approach 2011 things should change, so move into pockets of stability or consider exiting about two years before the crest (per our last M&A peak).

## **Freakonomics, by Steven D. Levitt and Stephen J. Dubner**

Freakonomics has been a successful attempt to make economics interesting to the average person and has become

the Current Affairs of its genre. Here are a few examples. Parents at a day care center who are late in picking up their children were charged a \$20 fee, but interpreted this fee as a fair babysitting price, which only encouraged lateness. The Oakland and Chicago school systems gave their teachers with the highest test score gains a bonus. Grades rose, but it seems that many teachers "corrected" their students' answers after the fact.

Real estate agents encourage sellers to take the first decent offer "as the market is softening," but when selling their own properties they held out and got 3% higher prices. It is a common practice to pay CEOs handsomely if their company stock price rose. Unfortunately, this encouraged insider trading and more than creative bookkeeping for the likes of Dennis Kozlowski, Frank Quattrone, Bernie Ebbers and Martha Stewart.

## **Freakonomics and Staffing**

- Price your services intelligently to survive. Don't just match your competitor's price as their cost structure and objectives may be very different from yours. Use pricing modules to evaluate your alternatives, focus on margin \$ and profit, not margin %.

- Understand your client's business and demonstrate how you will save them money to retain their business and become their ally, not just another vendor. Make yourself a profit, not a cost center. Differentiate yourself by provid-

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ing added services, and handle objections by calculating the Freakonomic staffing benefits that you generate.

- Pay attention to Sarbanes Oxley (SOX), even if you are not a public company. Remember that your reputation rides on every placement, so don't take ethical shortcuts with your future.



- Motivate your staff with "win-win" compensation plans, perks and recognition, and tie your incentives to profit and margin \$, not mark-up or hours. We have found that staffing companies with the highest comp plans keep their best people and have the highest profits.

- Don't go after assignments you either can't finance or have to factor at high prices eroding your margin. The faster you grow in temps, the worse your cash flow becomes due to a lag in collections.

- Keep track of your key operating stats and convert them into what we call a profitability algorithm, which translates what your staff does into your profitability. This can determine, among other things, how much greater your fill ratio must be to compensate for lowering your margin rate. The temp marketing algorithm is the product of staff productivity (assignments received), efficiency (fill ratio), duration of assignment, value (bill

rate) and margin rate, which generates marginal income. Marginal income less fixed cost is profit.

## **Blink, by Malcolm Gladwell**

Gladwell's latest book talks about decisions made in the proverbial blink of an eye and how they compare to more considered judgments. Some people can "thin slice" problems down to essential elements very

an artificially applied surface layer. With the help of a mathematician, doctors at Cook County Hospital in Chicago, used a simple three variable algorithm to predict when chest pains would likely lead to a heart attack with 70% better results than conventional diagnosis, which required more data and confused and delayed treatment.

Use your instincts when a quick

**S**uccessful people understand when to use their blink instincts and when they have time to run the numbers.

quickly with a quick reaction time and solve them almost intuitively, while other's decision-making process slows them down when they are presented with too much data (the classical paralysis-thru-analysis syndrome). The blink alarm picks up on telltale signals to let one know if something is amiss and explains how some people instinctively sense danger or know when someone is lying. This is the way great triage doctors, field generals and people with street smarts can size up things that don't seem quite right, and then intuitively they can make the right decision.

The blink process operates best when integrated with analytical thinking. Jack Welch of GE in "Straight from the Gut" synthesizes his hunches and instincts with modern management principles. A museum curator took one look at a supposed artifact and knew it was a forgery even though carbon dating tests were positive. He recognized that the style of the period was all wrong, while the carbon dating was done on

decision is essential, but use better tools when you have the time. Translate data into information, and never get so caught up in processing numbers that your decision comes too late to be of value. Successful people understand when to use their blink instincts and when they have time to run the numbers. Numbers are of value when they can be seen as part of a trend, compared to previous situations or used in a formula.

## **Blink and Staffing**

- A good sales manager might see that his sales rep was making 200 telemarketing calls a week, but was getting just one job order. His blink light should go off, as his sales rep was either inflating his calls, pricing services too high, not motivated, is just not suited for the job, etc.

- A good controller might find it curious that accounts receivables were not growing while sales were up. His blink mechanism would tell him something is wrong, as nothing was done to improve collections. Invoices

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might not have been sent out, the system is malfunctioning, receivables might be siphoned off, etc.

- A good sales rep finds a prospect's hot buttons. If he is not making a connection, his blink mechanism can read people from their facial clues or body language and

ingless as well as bull\*\*\*, rely on the facts and good references.

- Use facts, i.e., how much money you saved similar clients, recruited employees that have stayed with them for 50% longer than from other services, etc. Provide them with names of clients that they are free to call to verify your statements.

agement techniques, and it is really a race to the top not the bottom of the economic ladder. In this regard, China graduates 600,000 engineers annually (46% of their total) vs. 350,000 in India and 70,000 here (5% of our total), and they are now eyeing India's position in IT. Microsoft's best people now come



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know to modify his sales pitch. A good rep can determine if his prices are too high or it's something else, but people with this capability are rare and should not be confused with order takers.

#### **Bull\*\*\*\*, by Harry Frankfurt**

This short book's simple premise is that so much of our culture is built upon bull\*\*\*\* which people have come to accept as part of everyday communications, but goes on at interminable length on the subject. Bull\*\*\*\* is so pervasive that one does not appreciate it for what it is, which is a lie by any other name. People rationalize bull\*\*\* as they feel everyone exaggerates and it's thus acceptable. The problem is that not everyone sees through bull\*\*\*\* and instead, believes what is told to them.

#### **Bull\*\*\*\* and Staffing**

In an increasingly competitive world you can either give way to bull\*\*\*\* or build your case on a factual foundation. Instead of saying that we are the best staffing company, which is mean-

- Be able to provide guarantees of service such as free replacements if for any reason your candidate does not work out.

#### **The World is Flat, by Thomas Friedman**

This is the most relevant book to staffing and a must read. The basic message is that we are now competing on a level playing field with the rest of the world due to the fall of Communism, the spread of technology, broadband access, China joining the WTO and, of course, the Internet. Change, it is said, is the only constant. Some 150 years ago 90% of Americans worked in agriculture vs. 3.5% today. Sixty years ago we passed Europe and became the economic superpower. Today we are being challenged not only in IT and manufacturing, but also in biotech, surgery, accounting and legal services. If what you do can be digitized or duplicated, your business is subject to outsourcing. Countries previously thought of as the third world not only have lower costs, but are focusing on the sciences and modern man-

from its Beijing research center, and more people are learning English in China today than speak it here.

On the plus side, China's low prices save us \$80+ billion/year, have a market 4 1/2 times ours and are growing 3 times faster. Asia's zippies have replaced our yuppies of the '90s as consumers with relatively high disposable incomes. Countries with interlinked economies and something to risk rarely go to war. In expanding markets, those who move up the technological food chain should, by and large, be all right. Much of China's gains have been at the expense of countries like Mexico whose costs are no longer low enough and where technological change comes slowly.

Flattening is much more about efficiency and change than just offshoring. One of McDonald's franchisees moved their order-taking function to a central hub, cutting processing time and error rates by 50%. Wal-Mart has become the world's largest company with an uncompromising policy where vendors must be an integral part of their supply chain and provide the lowest



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possible price (which we noted is now being attacked). Jet Blue is the only really profitable airline due in part to "homesourcing" – using working moms to increase productivity and cut costs 30%. Some 23.5 million people are now home-sourced along with a like number of self-employed. These

your strengths, take advantage of opportunities and stay ahead of the curve. Minimize your weaknesses and deal effectively with threats. Set strategic and tactical targets, and monitor your progress. You might find that growth sectors might not offer the best option, as everyone is focusing in on the same target. A hidden niche business just below your competitors'

breakeven. Those who provide value-added services or project solutions have up to twice the ROS of those in traditional staffing. But the risk for non-performance is high and may include liquidated damages, so move into value-added and projects solutions cautiously.

- In a tight labor market, which we are now entering, the key is to



**S**uccessful companies don't predict the future; they create it. They don't buy growth; they grow what they buy. Speed translates into success; disaster lies in details that are overlooked and deadlines that are missed.

two areas account for one third of our labor force and for much of our lower unemployment rate. UPS is more than a package delivery service now and has become part of their client's production line, operating or "insourcing" repair shops to cut transportation costs for small businesses trying to achieve parity with larger competitors. IBM's acquisition of Price Waterhouse enabled them to move from an old technology mainframe company to primarily a consulting company, and Apple has morphed from a marginal PC company to a dominant music provider. The next phase in flattening is likely to provide key global employees with an equity stake in their company to retain their services.

## The World is Flat and Staffing

Given the realities of a flat world, what does this imply for staffing?

- Assess what your company needs to do to be truly competitive. Enhance

radar screen might be just perfect. One of our clients was in a heavy industrial temp-staffing sector where high risk and workers comp were so high it drove off the competition, but with an excellent safety program to keep their mod down, the company generated extraordinary profits.

- When business segment profits start to fall, either move up the food chain to provide value-added services, project solutions, insourcing, etc.; reduce your costs by homesourcing, offshoring, increasing efficiency, etc.; or exit the business. One of our LI staffing clients moved from providing temp labor to taking responsibility for their client's production line and insourcing that department with much higher margins. An O/S staffing client did the same by taking charge of the document production area. An IT staffing operation provided a full-service approach to secure a key client's business, making a good profit on most of the work and offshoring the residual at

have control of your client relationships. And, if you are a small company, a good strategy is to stay away from VMS and VOP as margins are substantially less than of when services are sold directly with lower fill ratios, and you are unlikely to make up for these shortcomings with enough volume. And don't try to counterbalance low margins with higher volume unless you are structured to handle this volume. In addition, staffing companies with a high portion of VMS/VOP business tend to have lower P/E multiples upon sale.

- Always be alert for opportunities, threats, emerging trends and early warning signals. Stay connected to your key clients, and be aware if they are talking to your competitors so you can deal with problems before they result in lost business. Don't have too many eggs in one client basket; we recommend no more than 10-12% with any single client. Document the tangible

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and intangible value you bring to your client. Periodically review everything from the hard savings you bring to your insight and consultative relationship.

## **The 100 People Who are Screwing Up America, by Bernard Goldstein**

This book notes that the country has obviously been split along red and blue state lines with respect to social, religious, cultural, political and business inclination that appears only to be widening. The author's contention is that our standards have been coarsened and eroded. He illustrates this using primarily liberals and Democrats in his top 100 list such as:

Al Gore, John Edwards,  
Howard Dean, Ted  
Kennedy, Howard  
Stern, Eminem,

- If you do decide to mix business with politics and/or religion, as many staffing companies do, make sure you understand who your core constituency is, or you may drive away as many people as you attract.

- Recognize that we operate in a highly litigious environment today. We have seen frivolous lawsuits filed, costing our clients tens of thousands of dollars to defend.

## **Fortune Magazine 75th Anniversary Issue**

Some key points. Successful companies don't predict the future; they create it. They don't buy growth; they grow what they buy. Speed translates into success; disaster lies in details that are overlooked and deadlines that are missed. If you become complacent a crisis will find you. The biggest barrier to innovation is

When promoting value, make sure you actually have it. Invigorate others through missionary zeal, charismatic leadership and brand identity. Successful companies possess ethics and minimize their legal exposure. They make money via services and upgrades, not making products (recall Gillette's axiom of giving away razors in order to sell razorblades). Markets of the future include: advanced biology, "intelligent" homes, nanotechnology, exponential information growth, new energy sources, space exploration, and social and economic solutions.

## **Fortune's Anniversary Issue and Staffing**

Most every general concept is applicable to staffing. Those particularly relevant to us are:

- Staffing companies who focus on



**T**here are no fortune tellers in staffing or anywhere else in the world, so do your best to plan but always hedge your bets, keep learning and be able to change direction quickly, knowing that unforeseeable events happen.

Al Franken and Jerry Springer. He includes some conservatives and Republicans such as: Michael Savage, Ken Lay and Dennis Kozlowski, but his leanings are clear.

## **The 100 People ... and Staffing**

If you operate a national staffing business, it might be a good idea not to be too partisan. If you operate in a local or in a fairly homogenous region, you have much greater latitude.

one's ego. Admit mistakes early and move on. Successful people work long hours (success is 99% perspiration and 1% inspiration). The future of U.S. manufacturing will be determined not in 50-100 years, but in the next 5-10. Virtually every product and service today is in danger of being commoditized. The law of unintended consequences says you never know what change will bring. When lowering prices, remember that everyone else might just follow.

providing quality service and saving their clients money should remain successful. There's no substitute for quality people.

- The staffing markets of the future include: biotech/pharmaceuticals, disaster prevention services, surveillance/defense/security, alternative fuels, project solutions, healthcare/medical, outsourcing/supply chain management, cost reduction/profit improvement, real estate, financial/legal services and specialty niches.

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## Bait and Switch, by Barbara Ehrenreich

This latest entrant to the best sellers list presents a negative assessment of career counselors and the Internet in finding jobs. The book



is an exposé of some 10,000 coaches who Ehrenreich says prey on job seekers, but deliver little but confusion and often have other agendas, in the guise of networking. She notes that the odds of landing a job through the Internet are like winning the lottery. The book looks at the short-term economic and emotional havoc that downsizing has resulted in, including one-third of the labor force now marginally employed and downwardly mobile.

## Bait and Switch and Staffing

As this book concentrates its criticism on career counselors and the Internet, staffing fortunately gets a free ride. The book makes a brief reference to temp work as being low paid and not providing a career path.

## Next; Trends for the Near Future, by Ira and Marian Salzman

We reviewed the predictions of Next, a New York Times best seller several years ago. While the authors did predict some things, such as the need for corporate accountability (which resulted in Sarbanes Oxley), difficulties in Europe due to Muslim immigration, globalization, the com-

puter's impact on employment and loss of privacy, they missed at least as much as they got right. They predicted a 70% chance Y2K would cause a global recession with 5,000 U.S. deaths and \$1 trillion in litigation; had no clue as to the dot.com bubble; forecasted a modest slowdown by 2002 and a reconciliation of faith and science. They totally dismissed the role of Asia, noting that almost no one there would own a computer or be on the Internet (particularly India). They said Asians showed little creativity, could never dominate manufacturing, that there would be a huge increase in middle management jobs by 2005 and totally missed the impact of contracting.

## Next and Staffing

There are no fortune tellers in staffing or anywhere else in the world, so do your best to plan but always hedge your bets, keep learning and be able to change direction quickly, knowing that unforeseeable events happen.

## Summary

So how do we prepare for the future knowing that there are no guarantees in business or life? Stay abreast of the economy, the market, social and geopolitical trends; know your competition; become an invaluable asset to your clients, providing value-added services not easily replicated. Demonstrate how you make your clients more profitable; always be prospecting for new clients; retain and motivate your key employees, providing them with a win-win comp plan; stay connected with suppliers, competitors and anyone who can help you; adapt to change quickly; set high business and ethical standards; create a vision for your company; develop a plan; monitor your performance and take prompt corrective action. And keep moving – something might be gaining on you. **SI**

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## The Future Staffing Universe What opportunities will you take advantage of? What will be your challenges?

