

American Staffing Association

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Feb. 25, 2008

Dear Staffing Client:

You may have recently heard or read about the **bankruptcy** of Ensemble Chimes Global and its parent and affiliated companies. Chimes reportedly was the **largest provider of vendor management system (VMS)** services for procuring temporary and contract staff. Chimes contracts involved hundreds of staffing firms, thousands of temporary and contract employees, and millions of dollars in billings. The Chimes bankruptcy caused **tremendous disruption for clients, suppliers, and employees.**

The American Staffing Association and its member staffing firms believe that companies that rely on outside businesses to help with work force management should have a better understanding of the many options currently offered in this rapidly evolving arena. In particular, if your company currently uses—or is considering engaging—a VMS service, this letter is intended to help you avoid the kind of disruption caused by the Chimes bankruptcy.

The Work Force Management Solutions Landscape

Traditionally, businesses that needed staffing assistance would communicate directly with one or more temporary staffing or permanent placement firms to fill their needs. Recently, services have developed that in some ways function as intermediaries between the end users and the staffing firms. They operate under various terms, such as VMS, MSP, VOP, PEO, ASO, and RPO, and many have their roots in temporary staffing. Others are based on software developed by consulting firms and technology providers.

These services have not been well defined, and the result has been confusion. The Chimes situation highlights the importance of understanding the distinctions.

Vendor Management Systems

VMSs are not new to American business, but they are relatively new to the procurement of staffing services.

VMS providers are technology companies whose software tools facilitate the purchase and management of staffing services by providing hiring managers and staffing firms with the ability to place and fill orders for temporary employees online. The VMS collects the time worked by the temporary employees and generates an invoice for all services provided. In many cases, the client pays a consolidated invoice to the VMS provider covering all staffing firms that provided services. VMS services are designed to provide greater visibility and control of how much is spent on temporary labor.

VMS technology can bring greater efficiency to the procurement of temporary labor. But the personal touch and knowledge of client preferences that staffing firms use to select the best

Work Force Management Solutions—Page 2

qualified employee can be compromised when assignments must be made through a technology medium in which process and price are the primary decision drivers.

The VMS industry is a relatively young one. Many companies are entering the market, and business models vary widely. Some early pioneers have come and gone. Therefore, businesses should carefully consider whether a VMS provider is right for them, and how monies paid into the system will be handled.

Managed Service Providers

While VMS software is the technology component in procuring temporary and contract staff, managed service providers (MSPs) manage the procurement process as well as the staffing firms involved in the process. The MSP may or may not use a VMS tool to assist in the process. Many clients contract with one company to provide the VMS and a separate company to act as the MSP.

MSP services are a variant of the much older vendor on premises (VOP) service model that staffing firms have offered clients for years. Under a VOP arrangement, a single staffing firm acts in the manner of a general contractor or master vendor to coordinate a client's temporary labor program. The master vendor maintains an office at the client's work site from which it supplies employees itself and through subcontract relationships with other staffing firms.

VOP arrangements typically are used at particular client locations, whereas MSP services are used to centrally manage all of a client's staffing needs nationwide. The MSP manages all aspects of the procurement process, including selecting or recommending staffing firms, and providing quality and compliance oversight of the services provided.

MSP services offer significant added value over and above that provided by VMS software alone. But MSP services differ widely in scope and content, and clients should carefully examine the MSP product and service offerings to determine the provider that best meets their needs.

Other Services

In addition to VMS, MSP, and VOP services, clients can choose to use a professional employer organization (PEO), administrative service outsourcing (ASO), or recruitment process outsourcing (RPO). Those services are beyond the scope of this letter. If you have questions or are interested in learning more about these services, please contact your ASA member staffing firm.

What To Look For in a VMS or MSP Service

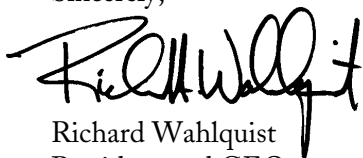
ASA believes that VMS and MSP services, when properly designed, implemented, and managed, can significantly enhance the efficiency and value of staffing services. To help clients optimize their use of VMS and MSP services and to avoid potential financial risks, ASA, together with major VMS and MSP providers, has developed best practices, including how to secure monies paid into

VMS systems. Here are a few of the best practices that should be considered before selecting such a service.

- **Financial Stability:** The VMS provider or MSP should be well capitalized. Ask to see financial statements. This is especially important if the provider rolls up the invoices of multiple staffing firms and receives payment for all of the services provided.
- **Payment Processes:** To ensure that staffing firms are properly and timely paid, consider paying staffing providers directly rather than through the VMS or MSP—or at least require that the VMS or MSP place the money in escrow or trust for the benefit of the staffing firms.
- **Consultation:** No VMS provider or MSP is an expert in all phases of temporary and contract staff procurement. Clients and staffing firms have a key stake in the process. Therefore, in designing and implementing their systems, the most successful VMS providers and MSPs include all of the diverse internal and external stakeholders throughout the supply chain.
- **Focus on Quality:** Cost control and program visibility are important, but employees are not commodities. Staffing firms' key strength is their ability to find employees with the job skills and personal attributes that best match their clients' needs. These are critical functions, so be sure you consider whether a VMS provider or MSP can ensure quality and the best match.

We hope this information is useful. Should you have any questions or concerns, please contact your ASA member staffing firm.

Sincerely,



Richard Wahlquist
President and CEO