UNDERSTAND AND MINIMIZE RISKS OF MANAGING YOUR EXTERNAL WORKFORCE

AN SAP FIELDGLASS WHITEPAPER

Risk is on the rise for employers today, but it's a new brand of risk. Separate from conventional liability and retention risks employers have always known, this new risk emanates from the rapidly growing use of external workers. As the role of these workers expands across the globe, businesses are confronting new management challenges.

Take for example the resources and mining sector, which has always operated with a heavy burden of health and safety risk. Workforce risk is not rising because machinery or landscapes have become vastly more dangerous for miners or oil rig workers. Those dangers have long been understood and regulated. Rather, risk is rising sharply, especially in the Australian market, because the labor market is tight. Using contractors is essential to remain flexible and competitive. Traditional risk management processes that only apply to full-time employees are no longer sufficient.

Businesses must engage numerous suppliers to fulfill worker demand, which only increases the complexity. Meanwhile, new legislation has broadened health and safety regulations and stiffened penalties. Several recent and well-publicized incidents in Australia demonstrate the costs businesses are paying in both fines and reputation as they struggle to procure, onboard and manage contractors.

The article "Danger Workplace Safety Laws Just Got Stricter," in the July 1, 2011 edition of The Australian Financial Review highlighted several recent cases, including one in which an independent contractor backed into a bin that hit an employee. Though the employee was unharmed and the worker was independent, the company was penalized. Another example underscoring the public relations problems that can accompany inadequate contingent workforce management is that of several companies in Australia accused of grossly underpaying foreign oil rig workers. In addition to large fines, the suppliers that brought the foreign workers to Australia, as well as the businesses that leveraged them, are all facing tough public relations challenges as they work to overcome the image of employers that treat workers unfairly.

> *"The challenge for businesses that depend on contract-based workers is not only one of safety and workplace vigilance; it's also one of procurement excellence."*

In an effort to achieve countrywide and uniform safety standards, states and territories across Australia are enacting new legislation, such the Work Health and Safety Act in Queensland. As a result of these laws, penalties for businesses involved in worker injuries or grievances — including those involving contractors — have increased.

Without improving processes for qualifying suppliers, streamlining worker onboarding and managing vendors, safety and security incidents and costs will rise, and productivity will suffer.

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Labor Shortage, Contractor Upsurge

The demand for labor in Australia continues to outstrip talent supply, especially in sectors like resources and mining, construction and engineering, manufacturing and trades. According to the national salary survey by the Australian Institute of Management, nearly two-thirds of large companies are considering hiring staff from overseas to overcome their skills shortages. These shortages are not merely inconvenient, they threaten projects and profitability. In one article, Reuters quoted Peter Collier, Western Australia's Minister for Training and Workforce Development, on the looming threat the labor shortage held for businesses: "I genuinely think that if you do not take drastic action to ensure that we address the labor force needs of Western Australia, some projects will be at risk," he said.

For businesses, the high demand for workers forces them to accelerate their staffing processes. For the government, it has meant increasing the number of work visas to allow more foreign workers to fill the gaps. The Australian government recently announced plans to ease the requirements for temporary visas in an effort to help businesses more quickly bring on foreign workers. The government is also fast-tracking full trade qualification and sponsoring training programs in a concerted effort to get more skilled workers on the job more quickly.

While the introduction of more foreign workers and training programs will, over a number of years, ease the talent shortage, procuring contract workers today involves risk. Many businesses leverage contractors as well as sub-contractors, creating even more degrees of separation between the business and the worker. As a result, greater effort and more stringent processes are required to align outside workers to internal training programs, safety standards and security measures. That effort must begin with the streamlining of supplier qualification and extend across the services procurement life cycle into worker onboarding and offboarding.

The First Opportunity: Supplier Qualification

While labor with specific skill sets may be scarce, the market is overflowing with potential suppliers of contingent workers. Unfortunately, the level of quality varies wildly among them. For many businesses, the process of qualifying suppliers is manual and arduous. First, it takes time to verify and check health and safety certifications, legal requirements, policy compliance and incidence history. Second, spikes in market demand require businesses to hire quickly forcing them to make a perilous choice:

skip qualification steps and hope suppliers are competent and worthy or turn down opportunities. No business wants to risk worker safety or lose competitive advantage, but manual supplier qualification processes force this result. Fortunately, technology has an answer. Through an online supplier portal businesses can share the qualification burden with their potential suppliers.
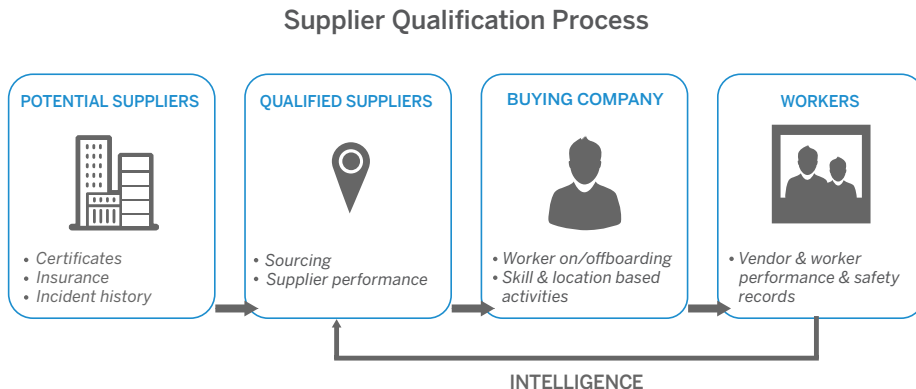
Supplier Qualification Process

POTENTIAL SUPPLIERS	QUALIFIED SUPPLIERS	BUYING COMPANY	WORKERS
• Certificates • Insurance • Incident history	• Sourcing • Supplier performance	• Worker on/offboarding • Skill & location based activities	• Vendor & worker performance & safety records

INTELLIGENCE

Figure 1. An online support portal allows businesses to share the responsibility of qualifying suppliers.

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How an Automated and Streamlined Supplier Qualification Solution Works

Streamlining and standardizing vendor qualification, a portal solution allows motivated vendors to apply and try to qualify on their own. Vendors, guided through the process of documenting their credentials, complete an online application and validation processes determined by the company. The simplicity or complexity of the process will vary by company but might include questionnaires, forms, references and testimonials. Once vendors have completed the processes, the company can then approve or reject vendors for qualification or request more information within the system. Hiring managers can then access the qualified vendor list to select the right supplier for their staffing needs.

In addition to managing and optimizing the vendor qualification process, the system also oversees vendor profile maintenance, auditing and performance management. For example, when key vendor qualification requirements are close to expiring (i.e. insurance coverage or certifications), the portal sends alerts to the vendor. When a vendor's qualifications are no longer valid, the system automatically revokes its "qualified" status, ensuring the integrity of the qualified vendor list.

This system also serves as a master repository for vendor data, ensuring everyone across the organization has access to the latest details about their vendors, such as contact information and capabilities, without the trouble of maintaining it. In terms of performance management, data surrounding key performance indicators, such as time to fill, bill rates and even safety records, can be monitored across the day-to-day transactions and allow businesses to make the most informed supplier choices and drive continuous improvement.

> *"A streamlined and automated supplier qualification solution simplifies and accelerates worker procurement. It is an important tool for reducing workforce risk on several fronts."*

Risk Mitigation Through Automated Supplier Qualification

A streamlined and automated supplier qualification solution simplifies and accelerates worker procurement. At the same time, it is an important tool for reducing workforce risk on several fronts. It reduces safety, health and legal risks by ensuring that all suppliers have followed the appropriate qualification process and possess valid certifications and insurance. It also eliminates the risk of improper candidate sourcing by providing immediate access to pre-qualified suppliers and an accelerated path to qualification for motivated vendors. As the risk of leveraging poorly qualified suppliers disappears, many of the safety, legal and security risks that come with utilizing contingent workers are dually mitigated.

The Second Opportunity: Onboarding and Offboarding

Much like manual processes for qualifying vendors, onboarding and offboarding practices for contractors can be equally encumbered by paperwork, policies and safeguards that are designed with the best of intentions: to promote workplace safety, productivity, efficiency and security. Unfortunately, in the race to get contractors on the job and productive, onboarding steps are often partially enforced or skipped. As a result, higher risk workers join a business' hardworking team and put the safety, efficiency and security of the workforce at greater risk.

The process of contractor onboarding is the first and most important way to actively engage workers in mitigating health, safety, environmental and security risks. The background checks and workplace policies protect the business while information and training imparted protect the workers as they learn the rules, expectations and processes within their new working environment. Offboarding rigor also protects business security and reduces the risk of intellectual property or trade secret theft by immediately revoking contractor access rights and tools.

As workplace safety policies grow in complexity, training programs are revised and security measures updated, businesses with manual and assorted onboarding and offboarding processes for contractors are welcoming an increased risk along with each new worker. On the other hand, automated onboarding and offboarding offers businesses a way to program, centralize and enforce each contractor's workplace introduction, education and exit. The result is better risk mitigation on several key contingent workforce fronts, including:

- Safety and Health — Many aspects of safety training and checks occur during the onboarding process — from safety policy instruction to skill assessments and validation. Centralization and automation ensure these practices are followed with each contractor.

- Security — Centralizing the management of security requirements related to work sites and infrastructure, such as office keys, access IDs and entry cards, improves a business's ability to protect its people and property — both physical and intellectual. Background checks are equally important in validating personal history, such as work experience and criminal record. A streamlined onboarding process allows hiring managers to easily monitor security requirements while checking contractor profiles against uniform and streamlined hiring standards.

- Efficiency — From workplace processes to specific job training and safety, there is a lot of information to communicate to contractors in order to ensure they can be productive on the job. A centralized onboarding solution accelerates the processes while making it easy to identify when a new contractor is fully on-boarded and cleared for work.

- Productivity — By automating reminders for worker and team evaluations, businesses stay ahead of the assessment process and informed of workforce performance. This automation improves a business's ability and speed when it comes to identifying high-performing contractors and weeding out poor ones.

How Automated and Streamlined Onboarding/Offboarding Works
Streamlining onboarding and offboarding requires a central repository or portal where checklists guide direct hiring managers, HR teams and suppliers through the processes, verifications and training required to bring a new contractor into the workplace. The workflows behind onboarding and offboarding checklists are calendar driven, offering automated reminders of action items and escalating outstanding tasks through alerts. Downstream systems, such as gate pass systems, timesheet programs and identity/asset management tools, are integrated to increase safety and security compliance.

Risk Mitigation Through Automated Onboarding/Offboarding

Automated onboarding and offboarding of contractors ensures safety checks and security precautions are addressed on time and by skill and location. Disjointed and more difficult to monitor, the same manual coordination requires more time, more paper and increases the chances of oversights and mistakes. In order to mitigate the risk that inadequately-prepared contractors are placed on the job, onboarding must be at its best. Offboarding processes must be equally painstaking to maintain the integrity of the workplace and company assets. A centralized solution that coordinates and automates that life cycle among internal clients and external suppliers reduces workforce risk and brings well-prepared, ready-to-contribute workers to the job.

Vendor Management System (VMS): Where It All Comes Together

While supplier qualification and contractor onboarding/offboarding are two distinct endeavors, they are both essential contingent workforce management processes that are most effective when coordinated under one streamlined system. The services sourcing and procurement life cycle, after all, begins with engaging the supplier and ends with offboarding workers.

For most enterprises that leverage contingent workers and service providers in substantial numbers, a VMS is the ideal solution for streamlining and centralizing all processes related to sourcing, procurement and oversight. A platform for acquiring and overseeing services, a VMS is measured by its ability to reduce staffing costs and increase process efficiency while raising the workforce quality.

Because a VMS endeavors to improve services procurement and increase its efficiency wherever possible, supplier qualification is a natural extension of the platform. Onboarding and offboarding also play key roles in the VMS life cycle. The successful and cost-effective procurement of contractors can only happen if rigorous onboarding procedures are upheld. When contractors are poorly onboarded, accidents and mistakes are more likely to happen, making the contingent workforce more costly to the business and the VMS less effective.

As Figure 2 demonstrates, a VMS solution can expand to address the full lifecycle of services procurement — starting with supplier qualification and ending with contractor offboarding. This beginning-to-end arc guarantees a single source of contractor data and accountability. This solution arc also extends risk mitigation efforts across the entire contingent worker life cycle as all processes that bring new staff into the business are transparent, monitored, kept current and subject to the company's highest standards of quality.
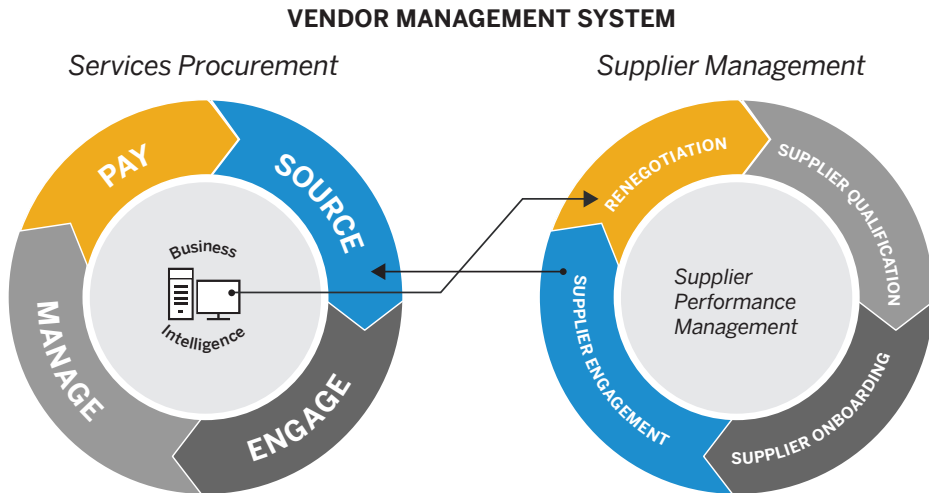
VENDOR MANAGEMENT SYSTEM

Figure 2. The best-of-breed Supplier Management and Services Procurement lifecycles enhance each other, with supplier engagement initiating the sourcing process and the transaction-based intelligence fueling the supplier renegotiation process.

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Why Risk?

When it comes to securing services, businesses that leave risk mitigation to their vendors are ratcheting up the risk of workplace safety and security problems as well as the fines, litigation and intellectual property losses that can come with them. The global marketplace is complex and volatile and the need for skilled, flexible workers is widespread. Large populations of resources often come from emerging economies and developing countries — increasing the cultural and operational divides between companies, their suppliers and contingent workers. Leaving the critical job of workforce risk mitigation to the suppliers is no safer than rolling dice.

All employers would benefit from unrestrained confidence in the workers they employ and suppliers they use. But confidence, be it in full-time staff or contingent workers, is not something a business can hope to attain. Certainty in the skills and competence of the workforce is built through excellence in recruitment, training and management and a rigorous commitment to risk mitigation. It's the businesses that infuse and automate risk mitigation into the life cycle of services procurement — starting with vendor selection, continuing to worker onboarding and concluding with offboarding — that are doing the important work of aligning contractors to the knowledge and training levels of the full-time employee base. It's their refusal to risk workforce risk that allows them greater efficiency, performance and confidence in their services procurement programs.

About SAP Fieldglass

SAP Fieldglass provides the industry's leading cloud technology for services procurement and external workforce management. More than 400 global businesses leverage SAP Fieldglass' intuitive Vendor Management System (VMS) to gain visibility into its external labor, project-based services including Statements of Work (SOWs), independent contractors and additional flexible talent pools.

Contact

To learn more about SAP Fieldglass and how to understand and minimize workplace risk for your non-traditional workforce, please don't hesitate to contact us at fieldglassinfo@sap.com or visit www.fieldglass.com.

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