



Case Study: Temporary Labor

Industry: Manufacturing

Category: Services

Project Statistics:

(Note: not all the project statistics could be discovered)

Historical Spend Amount: \$32 million

Unconstrained savings \$ and %:

Final award scenario spend amount:

Estimated final savings \$ and %: 12.5%

Number of suppliers: 7

Number of items: 255

Historical Sourcing Method:

Problem:

A division of a global, multi-national services and manufacturing company utilizes temporary and contingency labor services throughout many organizational units and locations. The organization annually sources a wide variety of temporary employee skill categories of varying degrees throughout the United States using several national, regional and local staffing companies. The company's temporary labor requirements were managed by the individual locations. However, even with formal sourcing agreements in place, the company was plagued with "maverick" spending.

This company possessed a custom, in-house auction system and was using it to gather information from different temporary staffing companies. However, the amount of data they gathered, and the analysis they wanted to do with it, was so overwhelming, the company couldn't analyze it all using spreadsheets. The company selected CombineNet's Decision Guidance System because of its rich, combinatorial solving capabilities.

Goal(s):

This company wanted to leverage their entire temporary labor spend in one event and organize it by state, position and different experience levels within each position. The



company also wanted insight into the fees associated with hiring each new temporary employee such as payroll, drug testing, background screening, etc.

The company's goal was to gain control of the costs and options offered by various staffing companies. Along with reducing the number of vendors they had to manage, the company's sourcing team ultimately wanted to understand the mark-ups and overall costs used by the different staffing companies.

Process:

The company collaborated with CombineNet to integrate the data collected from their existing auction into a Decision Guidance system that would allow them to quickly analyze the auction results. Along with total cost, the sourcing team considered variables such as fill-times and fees for converting temporary hires to full-time employees. The company was able to easily assess both quantitative and qualitative data points for each "item," or combination of employee, skill set and state.

Results:

The spend size for this company's temporary staffing spend was \$4.8 million (without "base rates") and \$20 million (including them). Using CombineNet's *Decision Guidance System* resulted in an estimated implementable savings potential of 12.5% over the first twelve months. Working with CombineNet allowed the sourcing team to examine the complexity of the temporary staffing project from many different viewpoints and consider all of the requirements and constraints.

The process also helped educate the company about the importance of incorporating optimization technology into their sourcing events. They learned what metrics they needed to completely understand staffing companies' gross profit margin models and, ultimately, "source" improved relationships with temporary employment suppliers.