

NATIONAL ASSOCIATION OF PERSONNEL SERVICES

Independent Study Course Number 12

This is the twelfth in a series of independent study courses offered to certificate holders and members of the National Association of Personnel Services (NAPS). By completing this independent study course, individuals can earn Continuing Education Units (CEUs) that can be applied toward the maintenance requirement that NAPS has instituted for individuals receiving the Certified Personnel Consultant (CPC) and Certified Temporary Staffing Specialist (CTS) designations after January 1, 1995. All individuals will be required to complete the examination section of this independent study course to receive credit. Those achieving a passing score on the examination will receive the .2 continuing education units (CEUs) associated with this particular course. Refer to the registration instructions on the last page of this study course for additional instructions. Future issues of *Inside NAPS* will include additional independent study courses.

PROFESSIONAL MANAGEMENT

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The staffing industry has grown over the years and become a much more sophisticated business. To succeed in this environment, a staffing company operator needs to better understand all aspects of running and managing a business. The successful operator will no longer be just a good salesperson; he will have to be able to manage the “people,” money,” and “things” associated with the business as well as be very knowledgeable of all the legal aspects of running that business. Today’s staffing company is no longer just an “employment agency” – it has evolved into a blended service offering permanent placement, temporary-to-hire, and temporary (contract) staffing which creates the need to have a much more sophisticated approach to running a business.

To understand the need to run a more professionally managed business, you need to place it in the context of where we have been as an industry, where we are now, and where we are going. The growth and evolution of the “staffing business” over the past 20 – 25 years has been phenomenal. Since World War II, the industry has evolved through four generations of growth.

The First Generation (Post WWII, the late 40s)

At this time, employment agencies were few and very small, were generally not well accepted, were primarily APF (applicant paid fee), and struggled for recognition and acceptance in a business world that did not really understand their purpose or value. Temporary help firms were almost unheard of and when they did exist, it was mostly to accommodate vacation or illness replacement, or to assist special project businesses.

The Second Generation (the late 60s to the early 70s)

During this time, employment agencies began to be recognized as recruiting firms. More client companies were now starting to pay fees, at least for higher-paying positions. Agencies began to grow and handle multiple placement disciplines, but were still primarily “generalists,” placing all levels of personnel. During this era, temporary help services began to grow as employers started to recognize they could lower costs by avoiding paying overtime, being overstaffed, or eliminating recruiting costs.

The Third Generation (the late 70s through the late 80s)

The industry really began to grow. The 80s were characterized by a “fast growth period” where client companies were growing, spawning a need for our services to meet their demands. Applicants were in short supply. The emphasis was on recruiting, but not as much on developing the client. Individual agencies began to grow, and began moving from being generalists to agencies with divisions or specialty agencies serving a niche market. The APF business all but disappeared and employers began to pay the fees for job placements. People in the business and those entering the business were becoming much more sophisticated.

At this time the industry also began to segment itself: employment agencies, contingency search firms, retainer search firms, etc. The industry finally earned some much-deserved respect and recognition as companies began to see the value of third-party firms becoming extensions of their own recruiting efforts. On the temporary help side, employers were beginning to use temporary help more creatively – it had not become a budgeted item to help reduce costs rather than just a fill-in for vacations. The planned staffing concept grew. Generally, it was now being used to control costs, keep the permanent staffs to a minimum, and help clients better be able to accommodate the up and down fluctuations of their business cycles. However, at this time, there was no co-mingling, and temporary help firms and employment agencies were still considered to be very separate businesses. It was considered “taboo” to mix the operations of the two businesses. In some states, agencies were licensed and temporary help firms were not, so there was strong pressure within the industry to keep them separate.

The Fourth Generation (the late 80s and the mid 90s)

During this time, the market place changed drastically, affecting both the temporary and permanent business. A “new economy” emerged that was characterized by three things:

1. *A no-growth environment.* Companies are no longer growing and adding staff, they were...
2. *Downsizing.* Companies were not just laying off (which implies a call back) but re-engineering. Companies were eliminating jobs at all levels, especially middle management. These jobs will never be called back.
3. *Cost efficiency.* Companies began to look at making a profit by managing the company and the cost to run the company vs. doing more business and growing bigger. All personnel decisions were now made to reflect this attitude. The overall attitude was to staff the “core” with full-time employees and manage the peripheral workers with

temporary help or subcontracted people, keeping the overall cost of running the company to a minimum.

Because of this “new economy” mindset, it is projected that by the year 2000, 50% of all workers will be contract laborers (consultants, temporary help, leased employees, etc.) vs. 17% in 1993 and 30% in 1996. As a result of this new thinking, the sophisticated recruiting firm’s primary focus became one of replacing people in the “core,” and the function of temporary help firms became one of helping the company staff the peripheral workers that allowed the company to keep its overall costs down. Because of this new attitude, the role of the “staffing company” was to help the client evaluate its overall needs, and help provide solutions to problems, not just place people. Our role has become a much more sophisticated role and requires a more sophisticated person to communicate with the clients.

The Needs of the Client Demand That We ...

1. will need to be able to offer a wider scope of solutions to problems including:
personnel placement (permanent)
temporary service
temporary to permanent hire
outsourcing
facilities staffing
managed services (vendor-on-premise)
payrolling
contract staffing
employee leasing
etc.
2. form a partnership with them. Firms in our industry really need to become “staffing companies,” not just provide one service such as recruiting. The overriding difference between yesterday’s clients and today’s is the clients expect us to get to know them, their needs, and become a part of the solution. We need to focus more on “relationship-building” rather on just making calls to get job orders.
3. offer many “valued added” features to differentiate ourselves from the competition. We need to be perceived as doing more than just “placing people.”

The Ten Trends That Will Affect How We Operate in the Future

1. *Competition.* Because of the high growth and visibility of the industry, more sophisticated people are getting into the business. The nationals are getting bigger, and the industry is consolidating via mergers and acquisitions at a fast pace. The temporary help firms are getting into the permanent business, the permanent placement agencies are getting into temporary help, co-mingling has become the norm, and small independents are merging for strength. Competition is helping forge the true staffing company.
2. *A more sophisticated client is using our services.* They expect more. They know the business (both permanent and temporary) and they know what they want. A lot

more hiring is coming from the purchasing department (especially temporary help) and companies have a variety of needs. They want quality, value, value-added services, a partnership – and all at a competitive price! They really do want a one-stop shop. They have problems to solve and often we must discover the problem and become a part of their solution. Filling job orders will become a by-product of having done a good job of developing the relationship.

3. *Client development.* Business development will no longer be just making “pump” calls, walking through buildings dropping off literature, or making cold calls. The method will have to be a “target marketing” approach. A successful staffing company will take the time to build the relationship. A specific marketing plan will be needed that focuses on developing an “ideal client” prospect based on any agency’s specific niche. Selling will be a “process” based on developing relationships.
4. *The emergence of “staffing companies.”* To succeed, a successful staffing company would have to be able to provide a variety of services from temporary, temp-to-perm, and permanent. It will need to “co-mingle.” If a strong relationship has been developed, needs at various levels can be elevated and staffing plans better presented. A staffing company will therefore become a resource to fill a variety of needs and become more than just a “job filler.”
5. *The temporary to permanent concept.* This hiring practice is here to stay, especially at the clerical level, but also not at the professional level. The contract staffing of professionals from I.T. personnel to executives is very strong.
6. *A shortage of people.* Even though we go through recessions and the unemployment rate goes up and down, we will experience a shortage of skilled people because of two reasons: (1) there is a void in the number of people to replace who can be flexible and meet today’s technology skills are naturally in short supply.
7. *More use of creative pricing.* In the permanent business, the traditional fee is 1% per \$1000 of starting salary, and temporaries are billed on an hourly rate. Because you will be providing a variety of services, you will be providing a variety of services, you will need to be open to different ways to bill for your services or pieces of your services (i.e., reference checking, background checking, skill verification, etc.).
8. *Information management.* The need to be computerized internally will never be greater. As a service business, we will only be as good as the information we supply and the speed with which we retrieve it. The need will be strong for search and retrieval of candidates, company information, management reports, pay/bill for the contract people, etc. As suppliers of information, we need to keep up to date.
9. *The Internet.* The Internet will boom for overall business dealings, contract negotiations, registrations, job searches, etc. So far, however, few employment businesses are making it really work for them. We as an industry need to be aware of how our clients are using the Internet, and then keep in mind that despite how powerful this new technology might seem, our clients will always need the recruiting industry to sort through, interview, reference check, background check, etc.,

functions that still need to be done by educated humans. The value-added services will always be the reason companies use this industry to hire. But, we may need to adjust our pricing to accommodate aspects of the hiring industry and can not count on it to be the same tomorrow as it is today.

10. *A more sophisticated operation of a “staffing company.”* Because of all the reasons listed above, we must be more sophisticated operators of our businesses, not just job order generators. We will need to:
 - be able to recruit, select, train, manage, and motivate a quality staff to work for our “staffing company”
 - have a vision for our companies – preferably a business plan that looks down the road at least three to five years
 - make a clear marketing plan, then focus on that market
 - have good training, both introductory and ongoing
 - have good financial plan for our businesses
 - have good quality controls to measure the success of our services and the productivity of our staff
 - have good internal management (i.e., activity reports, workers’ compensation and unemployment monitoring, and adherence to all laws)

Managing Professionally

In today’s marketplace, if you are going to grow a business you will need to move toward professional management. By definition, professional management is the planning, controlling, developing, and managing of people, things, money, and time to achieve preset goals and objectives. The goal is to get yourself and your team oriented toward goal setting and planning and away from crisis. Being able to anticipate and manage change is the key to professionally managing your business.

The job of CEO is to manage the business in three areas:

- I. *People.* Recruit, select, train, manage, motivate a team of quality people
- II. *Things.* Have plans, procedures, policies, systems, space, equipment, all the “things” your staff needs to operate a professional organization.
- III. *Money.* Working capital, lines of credit or other financing options, budgets, financial statements, cash flow statements, etc.

The Five Steps to Building a Quality Professionally Run Organization

Step 1 – Develop the Vision (the Business Plan)

A professionally managed company operates from a business plan. You must create the vision and develop the goals and growth course of the business. Each CEO should have several plans: a five-year plan (revised annually), an annual plan, a quarterly plan, and 30-day “targets.”

The key management team and staff should be involved in the overall process. Development of a mission statement and the criteria for growth should be part of the planning process and evaluated annually. Included as part of the plan should be a “target market” marketing plan to keep all marketing activities focused on the strength of the overall business and not just random business in the market.

Step 2 – Develop Your “People” Responsibilities

This is the most important part of your business. Without good quality, trained people, your business will not function in today’s market. A professional organization recruits and selects the right person for the job, educates them with practical knowledge and skills to perform the job well, and supervises them to achieve consistent, efficient, quality results. This includes the hiring of staff as well as developing current staff. Most of all your staff expects professionalism, understanding, and availability from you. You owe it to your current staff to add other quality staff as your business grows.

You need to build teams by recruiting, selecting, training and managing a group of people who are capable of meeting the company goals. As you recruit and select, the job description is key. You hire to it, train to it, and conduct performance reviews against it. You need a well-written job description. Once written, you need a hiring system that identifies the kind of behavior necessary for the kind of work our industry does. This hiring system should be documented, followed religiously, and no deviated from. A quick hire is normally a bad hire. A good hire is more easily trained and will be more likely to meet your expectations. Training of employees needs to be an ongoing process. For each essential activity in the job description, there should be a chapter in your training manual that teaches the trainee how to do that activity. The first 100 days of a new person’s job is the most critical because this is when they are the most receptive. Either good or bad habits are formed at this time. This period is the best time to teach a quality person the business and the tasks to perform the job.

When you manage, keep your preset goals and standards in mind. For each essential activity in the job description, you should define a method of measurement against which each individual can evaluate himself. These standards of performance, along with “critical paths” of acceptance activity, will become the basis of a self-evaluation system. Each person on your team should keep a daily, weekly, and monthly activity report that tracks this activity to see if goals are being met. Each quarter and year end, a formal performance review should be conducted to assess how each person is doing and highlight areas of improvement with an action plan to correct those areas.

Don’t forget to motivate. Remember, you don’t accomplish goals, your staff does. Your goal is not to motivate but to provide an atmosphere to motivate people to perform. You need to understand why a person works and tie their personal and business goals into your

business goals. Team building is the dynamics of joining individuals who work in a group into a cohesive unit capable of achieving business objectives. Every healthy organization has a leader at its core. The leader should be the burning force that radiates enthusiasm and confidence, that attracts people and has charisma. A good leader works through other people and can get a “quality” staff to perform at a higher level.

Finally, develop a structure. On a regular basis, you need to analyze your current staff. Ask yourself, do you need to upgrade, are goals being met, etc. We as an industry are not good at replacing nonproductive staff – we need to constantly expect high performance from our staff. Quality control will come from measuring activity, having good self-evaluations and performance reviews, and from hearing from clients who feel we are doing a great job. Develop reporting relationships, develop a management team, and delegate responsibility. An organization can’t grow or meet its goals if its CEO feels compelled to manage every small detail or if it has a staff where only a few meet goals. A stable structure with everyone contributing is very important to a well-run company.

Step 3 – Develop the “Things” Necessary to Run Your Business

The things people need to operate at peak efficiency and do a professional job must be in place. They include:

- facilities
- policies
- procedures
- forms and printed material
- insurance
- training manuals
- phone systems
- copier, fax computer
- legal assistance and knowledge
- documentation of the total operation

You must constantly evaluate the image you project and how you are perceived by the outside.

Step 4 – Develop the “Money” Aspects of Running a Business

A professionally managed business does a lot of financial planning to insure its success. Working capital or a line of credit need to be established, but don’t overlook having a good budgeting process, timely financial statements, a cash flow system, personal production reports, break-even point analysis, and a good system of internal checks and balances to monitor the internal operation of the business.

Step 5 – Develop a Method to “Revise” and “Adjust” the Plan on a Regular Basis

All plans should be evaluated and adjusted monthly, quarterly, and annually. A professionally run company also sets aside predetermined time to evaluate progress, major accomplishments, areas of concern, key issues, new trends, client satisfaction, etc. The

planning process and dates of all planning meetings should be put on all staff's calendars. These dates should be firm, productive, and include everyone.

Summary

To respond to a changing market that has become very sophisticated and which has even greater expectations than ever, you, as an operator in the business, must be much more sophisticated than ever to meet the demands of this marketplace. Professional management covers everything from how you position yourself in the market to how you hire people and manage your staff. Overall, it is a constant evaluation of everything you do.

Bibliography

Following are relevant books on the topic of "professional management" that would be helpful for anyone trying to run a better, more professional business:

The Discipline of Market Leaders; Treacy Weirsem

The Age of Unreason; Charles Handy

Flight of the Buffalo; James A. Belasco and Ralph C. Stayer

Re-Engineering the Corporation; Michael Hammer and James Champy

CONTINUING EDUCATION UNIT (CEU) REGISTRATION

Complete the registration information below and forward this page, continuing the independent study examination and your answers, plus payment to NAPS, 3133 Mount Vernon Avenue, Alexandria, VA 22305. The processing fee for the continuing education units for each NAPS independent study course is \$10 for members and \$20 for non-members. Feel free to reproduce the registration and examination page to allow additional individuals to apply for CEUs. Following receipt, each examination will be scored and CEU certificates will be issued to those who successfully pass the examination. Allow 3 to 4 weeks for examination scoring and CEU certificate processing.

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EXAMINATION QUESTIONS

Multiple choice and true/false questions. Circle the letter of the response you believe to be correct. Be certain to answer all of the questions.

1. The "new economy" is characterized by:
 - a. downsized companies
 - b. companies in a no-growth environment
 - c. companies for which cost efficiency comes first
 - d. all of the above

2. By the year 2000, what percent of the workforce is projected to consist of non-salaried people (temporary consultants leased employee, etc.)?
 - a. 17%
 - b. 70%
 - c. 50%
 - d. none of the above

3. A "staffing" company is able to do which of the following:
 - a. temporary
 - b. permanent
 - c. temporary to permanent
 - d. all of the above

4. The national companies are doing both temporary and permanent.
 - a. true
 - b. false

5. Companies are looking for solutions to their problems.
 - a. true
 - b. false

6. Companies expect you to know more about their business and be a “partner” to them.
 - a. true
 - b. false
7. Temporary to permanent as a method of hiring is here to stay.
 - a. true
 - b. false
8. The sales process needs to rely more on “relationships building” than cold calling.
 - a. true
 - b. false
9. The sales process needs to be more “target marketing.”
 - a. true
 - b. false
10. There will be a constant shortage of recruits for job openings.
 - a. true
 - b. false
11. The need for good information will be necessary for us to succeed and manage our business.
 - a. true
 - b. false
12. The Internet will affect how we do business.
 - a. true
 - b. false
13. Professional management means planning and controlling...
 - a. people
 - b. things
 - c. money
 - d. all of the above
14. The key to professional management is having a business plan.
 - a. true
 - b. false
15. The basis of your people responsibility is:
 - a. a good job description
 - b. standards of performance
 - c. setting a critical path
 - d. all of the above
16. The dynamics of joining individuals together within a group is known as team building.
 - a. true
 - b. false
17. It is necessary to have well-written documentation, policies, procedures, and training manuals.
 - a. true
 - b. false

18. A key to good management is having good weekly and monthly activity reports for each staff member as well as the total company.
a. true b. false
19. It is good business planning to have a line of credit.
a. true b. false
20. To succeed in business, an operator must be aware of how sophisticated it has become.
a. true b. false

EXTRA CREDIT ASSIGNMENT (worth .2 CEUs)

In a one-page essay, list and discuss the three areas of responsibility of a professional manager and the five steps to building a quality organization.