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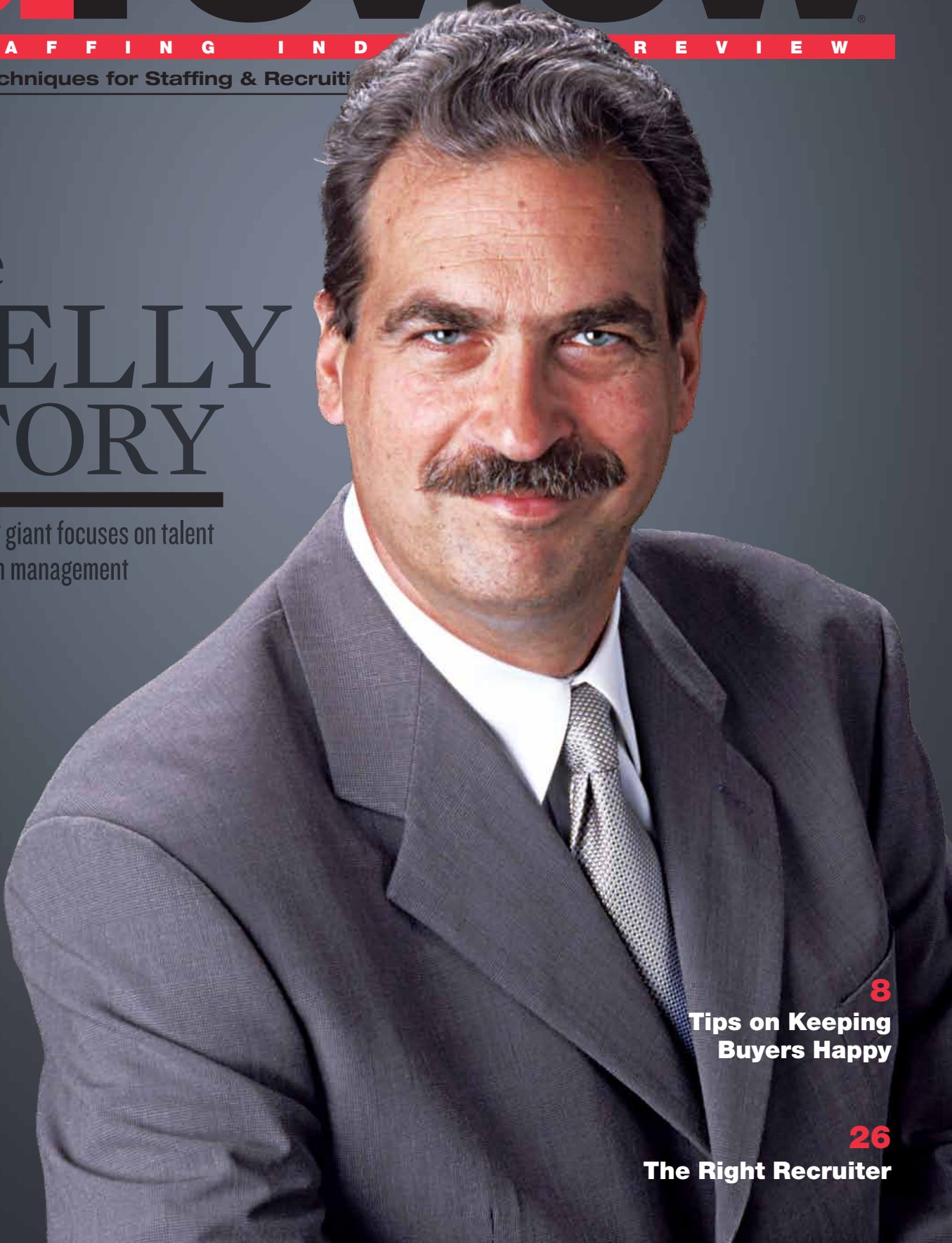
S T A F F I N G I N D U S T R Y R E V I E W

Tools & Techniques for Staffing & Recruitment

The **KELLY STORY**

The staffing giant focuses on talent supply chain management

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STORY



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KELLY
STORY

¶ PAST & PRESENT ¶

**THE STAFFING GIANT FOCUSES ON
TALENT SUPPLY CHAIN MANAGEMENT**

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She was called the Kelly Girl. She was efficient but unthreatening. After all, she was just a female temporary office worker! Little did William Russell Kelly know that 65 years later, she would be the predecessor of the present \$5 billion Kelly Services headquartered in Troy, Mich. More important, the Kelly girl is considered as one of the ancestors of today's \$95.7 billion temporary help industry.

William Russell Kelly arrived at this business by chance. He originally started a business service bureau to help companies process their paperwork, which evolved into providing temporary help instead. Similarly, the evolution of temporary staffing and economic forces has pushed Kelly to a point where it is selling complete workforce solutions including talent supply chain management.

In fact, even 15 years ago, Kelly was primarily a commercial staffing operation. "It was 90 percent of our business," says Camden, but the company has been steadily repositioning its edge to be more professionally and technically focused. "During the recession, we exited commercial staffing in several markets. But we didn't exit professional and technical," Camden says.

At the same time, the recession also revealed that companies — the end users of contingent labor — recognized the importance of contingent work. Moreover, it was the C-suite that has shifted to viewing this workforce more as a strategic tool as opposed to a necessary evil. Accordingly, these executives demanded from their staffing partners solutions that would help their companies manage the whole talent supply chain. It was no longer just about finding and placing a temporary worker.



"WE HAVE TO STAND FOR THE HIGHEST LEVEL OF INTEGRITY IF WE ARE GOING TO OWN THE TALENT AND NOT BE SEEN AS EXPLOITING THEM."

— **CARL CAMDEN**, KELLY'S PRESIDENT AND CEO

Kelly has risen from being a besieged staffing business cutting costs to preserve market share. In the last decade it has streamlined operations: It has cut costs, downsized, exited unprofitable areas and increased operations in growth markets like Asia.

But to Kelly, it's not just about providing the world's leading companies with the right talent at the right price. The company also wants to act as an "agent" of the talent themselves, representing their best interests. "We have to stand for the highest level of integrity if we are going to own the talent and not be seen as exploiting them," says Carl Camden, Kelly's president and CEO.

The Backdrop

There are those staffing experts who see Kelly traditionally as a commercial staffing company. "Our history and our legacy have labeled us that, but all along we have been showing customers that we can do professional technical staffing and we do it quite well," says Teresa Carroll, senior vice president and global CWO practice leader, Kelly Outsourcing and Consulting Group.

Kelly's customers, especially the Fortune 500 and 100, wanted Kelly to compete for all or part of the account relationship — globally and locally. Currently, Kelly provides services to more than 90 percent of the Fortune 500 and 99 percent of Fortune 100 corporations. These corporations demanded greater flexibility in hiring. "Once you get into an account, these companies ask you to do more and more around talent," Carroll says.

In fact, Kelly's largest 25 global accounts represent approximately 30 percent of its total revenue. These corporations demanded greater flexibility in hiring. As a result, Kelly streamlined its operations (see box, page 24) to offer workforce solutions through a shared services model. "This often meant that we are able to deliver globally for our customer without being in their backdoor," Carroll says.

Here's how the shared services model operates. For example, Kelly has to provide a global customer with a contingent workforce outsourcing model in 10 locations. With an extensive staffing footprint in six of those locations, it is easy for the company to provide workers. However, in the other four locales, it teams



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— **TERESA CARROLL**, SENIOR VICE PRESIDENT AND GLOBAL CWO PRACTICE LEADER, KELLY OUTSOURCING AND CONSULTING GROUP

up with subcontractors to supply talent. The entire process is managed by Kelly.

“We are working really hard to build up our staffing supplier network. Our goal is to do more of supply chain management through that network rather than just providing talent,” Carroll says. Another advantage of working with many global customers is that it enabled Kelly to see where these firms — and the market — were heading.

Kelly as MSP

And that has translated into Kelly Outsourcing and Consulting Group (OCG) taking a lead role. “Customers are turning over their processes — be it RPO or CW outsourcing — to us. They are asking OCG managers to manage the acquisition of talent for them,” Carroll says. Kelly is acting as a managed service provider, guaranteeing that companies will get high-quality temporary workers on board in a timely manner at a competitive price.

The role of the managed service provider (MSP), however, is not new to the staffing veteran. Kelly actually was among the early pioneers of the role in the mid-’90s when one of its big customers, Kraft Foods, asked Kelly to act as its MSP. Today, the staffing giant is literally dealing with thousands of suppliers. As Kelly takes on new customers, it takes over management of its existing suppliers.

The staffing giant assesses what its new customer needs and addresses gaps in the supply chain, such as time to fill or providing niche skill sets. If the customer’s requirements involve esoteric skill sets, then “we go out and find suppliers to fill those orders,” Carroll says. The existing suppliers are audited, assessed and then trimmed or on-boarded to become part of Kelly’s network.

Where it makes sense to use Kelly as a supplier, OCG does. But Kelly would have to compete with other vendors on price and other metrics. Moreover, there are customers that do request that Kelly OCG not use its own suppliers, promoting what many in the industry call the vendor-neutral model.

Consequently, Kelly is working with a variety of hybrid CW solutions ranging from being MSP to master vendor to even designing a new supply chain model

specific to what the customer is looking for. “It’s about optimizing all of the sources of talent to achieve the customers’ business objective,” says Peter Quigley, Kelly senior vice president of global client relationships. “We try to get to a very fundamental understanding of what their drivers are, and then put together a program that addresses their business needs.”

Customer Is King

Kelly wants to mimic the Starbucks and Enterprise Rent-A-Car experiences. These are companies that have made a business — aside from selling coffee and cars — out of human connections and community involvement. “I think we do differentiate ourselves in our customer experience. We are getting feedback continuously from our customers and improving our processes [accordingly],” Carroll says. The company’s aim is to provide companies an exceptional experience by supplying talent that is a cultural and technical fit at a competitive price.

The company has also streamlined internal operations by removing a layer of regional leadership positions from the U.S. business. It has created geographic sectors that cover the commercial, professional and technical branches in each geography and assembled a team of product experts with responsibilities across the Americas.

This structure has resulted in a leaner, meaner organization where internal teams move quickly to respond to customer demands. Kelly also ensures that the processes around supply chain management are efficient and repeatable. Consequently, the customer has easier access to Kelly’s entire suite of staffing services. But it’s not just about the end user. To keep the customer happy, Kelly has to make sure that both its sub-suppliers and talent have good experiences, too.

Toward that end, Kelly hosts internal staff functions that allow regional groups to share best practices. The company has a Facebook-like social networking tool that enables people to communicate quickly and easily. The company intranet is another valuable resource that keeps employees, suppliers and customers informed.

“IN RECENT IMPLEMENTATIONS, WE’VE BEGUN TO SEE THE BENEFITS OF OUR REORGANIZATION.”

— **PETER QUIGLEY**, KELLY SENIOR VICE PRESIDENT OF GLOBAL CLIENT RELATIONSHIPS



Moreover, Kelly’s implementation group is centralized, so when a new customer comes on board, its requirements are made known to the rest of the company immediately. Recently, specific skill sets, such as engineering, have had their section on the intranet, which has made building a community and keeping in touch with the right people that much easier.

Regular communications has helped Kelly keep its big clients happy. “I think our niche is to be able to deliver to our largest customers across a far breadth. And we have an edge when it comes to specific labor categories as well,” Carroll asserts.

John Healy, research analyst with Northcoast Research, agrees. He, for one, is bullish on the staffing giant’s future. “Kelly has redefined its approach,” Healy says. “They have done the most to change their business and strategy of any staffing company I know,” he adds.

Restructuring notwithstanding, being a firm that is 95 percent family owned is an issue for some analysts. They feel that such voting control could slow down Kelly’s C-suite. Others, including Wall Street, are adopting a wait-and-see approach. Downsizing has been done and cost controls are in place. Will Kelly be able to keep costs down during the upturn?

To address this, the company offers as evidence its recent customer wins — BP and Rio Tinto among them. “In recent implementations we’ve begun to see the benefits of our reorganization — the cost that we took out and being able to scale in a way that supports our programs without bringing back unrelated expense,” Quigley says. The focus on managing the talent supply chain has allowed the scaling to be quick, cost-effective and worldwide, Quigley claims.

Wall Street is still out on this. Stock price aside, at the end of the day it’s all about finding out what your value proposition is. Regardless of size, staffing firms need to figure out their offering, sharpen it and then sell the service. After all, that is a modus operandi that works. Just take a look at Kelly. **si**

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The New Kelly

Kelly’s commercial, professional and technical units are organized geographically into three distinct regions, each of which reports into its COO.

Americas — operations across North, Central and South American countries.

EMEA — operations across the nations of Europe, the Middle East and Africa.

APAC — operations in the countries of Asia and the Pacific Rim.

OPERATING UNITS

Commercial Staffing. Kelly has been known as a provider of clerical staff, and it is continuing to add new options to its commercial division. This segment currently covers staffing for office services, contact centers, substitute teachers, marketing, electronic assembly and light industrial. It accounts for 73 percent of Kelly’s revenue.

Professional Staffing. This division is comprised of niche business units that provide qualified candidates in the fields of accounting, finance and law.

Technical Staffing. Units include business lines that specialize in staffing for IT, healthcare, engineering, scientific and automotive disciplines. The professional and technical staffing units together account for 22 percent of the company’s revenue.

Kelly Outsourcing and Consulting Group (OCG). Although this unit brings in only 5 percent of revenue, it is the one to watch as it is expected to grow by leaps and bounds. Kelly offers a variety of outsourcing alternatives to the conventional staffing business lines. Solutions include recruitment and business process outsourcing, contingent workforce outsourcing, independent contractor services, contact center outsourcing, executive placement, career transition and outplacement and vendor management services.

BRANCH STRUCTURE

Every branch office in each division is owned and operated by Kelly Services, and has full access to its corporate resources. Some industry experts believe that this model serves customers better than many franchise models used by other large staffing giants, as it ensures consistent standards of quality and service.



“Own
the Talent
& opportunities
will follow”

Kelly's **Carl Camden** discusses the staffing industry with Subadhra R. Sriram

Carl Camden has had an unusual career path. Before he joined Kelly Services in 1995, he explored various occupations — teaching and marketing just to name a few. Varied experiences have shaped the man you see at the helm of the Fortune 500 staffing giant. Then a stranger to staffing, he found the job exciting. Now as the president and CEO of Kelly, he feels he gets to help other people discover their dream both at a personal level and on the job. Read what Camden has to say on the future of staffing and mandated healthcare for workers.

Q: You are a big supporter of mandated health benefits for temps. Explain your view and why is it so different from others in the industry.

A: In most countries, healthcare benefits are a right. The U.S. is an exception. Here, it is tagged to employment. Terry Adderley [chairman of the board of directors of Kelly Services] was a supporter of the Kennedy bill way back, and we continue that support. We believe that the way healthcare is dealt with in the United States discriminates against temporary workers.

Just like in the rest of the world, [U.S. temporary workers] should have access to healthcare coverage. And the underlying concept that should drive the use of temporary employment should be the desire to gain the flexibility that comes from accessing the talent — not because companies are trying to arbitrage benefits cost.

And in the case of a mandated plan, healthcare coverage is a social cost and should be treated as such — as it is, again, in the rest of the world. It hasn't killed temporary employment in Europe. In fact, the average penetration rate for temporary employment is still higher in Europe than it is in the United States.

Q: Describe Kelly's reorganization.

A: When I joined Kelly 15 years ago, we were primarily a commercial staffing operation — that was probably 90 percent of our business. We've been steadily repositioning since then to have more and more of a professional and technical focus. That positioning effort continues.

In the last couple of years, the repositioning has been to refocus supply chain management more into talent supply chain management — more into the forefront of what we do. That's the primary driver of most of our OCG offerings. And we've seen that pay off in terms of customers with several contracts. And I suspect that 2011 and 2012 will see us significantly repositioned as a very major player in the talent supply chain space.

Q: Where do you see the future of contingent labor going?

A: Free-agent employment — and I prefer that term because it encompasses everybody from independent contractor, self-employed professionals and temporary employees — stands at between 20 percent to 25 percent of the workforce in most of the industrialized world. I think over the next decade that will drift up to about a third of the workforce. In the United States, if we take care of the healthcare problem, you'll see temporary employment rise. Its proportion will probably be closer to European levels.

Q: And what would your advice be to staffing firms?

A: On one level, we should be supporting the dynamics of what it will take to grow our industry. We need to remove the barriers to current forms of employment. That's part of what Kelly was trying to do with healthcare legislation. Ditto on the retirement front. Retirement benefits in terms of 401(k) participation, the ability to deal with retirement accounts, are more difficult for temporary employment firms than

they are for other types of firms. We need to work on getting rid of that barrier to our industry. The rules on independent contractors are incredibly messy with the IRS. We need to be supportive in cleaning that up. So at a macro level, our staffing association and staffing firms need to understand what the barriers are to the overall growth of our industry, and what we can do to reduce those.

Q: And at a micro level?

A: Ultimately, the success is going to be had not by those that try to arbitrage differences in things like benefit cost and so on. The real success in our industry is going to come from our links to talent and our ability to provide that talent to customers. The skilled labor shortage is going to roll through our country with great intensity over the next few years and the staffing firms that will win will be those that have strong relationships with their talent.

Q: Comment briefly on the growth of the VMS/MSP.

A: Both of those are aspects of supply chain management. As they get more integrated and encompass more categories, they become more of a supply chain issue. But, if you look at shifts in attitudes, people used to believe that one staffing company could provide every worker that any company could need. And customers and staffing firms have realized that's not really a reality.

And so what happens then is it becomes networks of suppliers, networks of companies. It becomes management systems to deliver talent. And from there, the next step up is to move it into the supply chain side.

So you're going to see MSP and VMS continue to grow. Right now large global and regional companies, national companies, are taking the lead. But I'm already seeing a pickup in activity from more large, local or

Our industry has to step up and honor its own code of conduct and I think that's also going to be critical to our success.

large sub-regional companies. And it's going to become a dominant way for companies of size to access free agent labor. Industry has to embrace it; it's going to continue to grow rapidly.

Q: If I ask you for one piece of advice that you would give smaller staffing agencies, what would you say?

A: Own their talent. I think that an advantage that a smaller firm has is an intense local presence. It has a small number of highly talented people. Own the talent and opportunities will follow. I also would just say one last thing: Our industry still needs to police itself and become more aggressive at

making certain we behave the right way. Go back through your own publications. It seems like every other week you publish a story of some staffing person being indicted or going to jail.

We have to stand for the highest level of integrity, especially if we're going to own the talent and not be seen as exploiting them. If we're going to be their agents representing them, the industry has to be known for exceptional integrity in defense of our talent. That does not include ripping off the system for unemployment tax fraud, workers' comp fraud, withholding fraud. Our industry has to step up and honor its own code of conduct and I think that's also going to be critical to our success. **SI**