Just-In-Time Resourcing®
Part II

Managing the Resource Pool

Introduction

Part 2 of the Just-in-Time Resourcing white paper series describes methods, processes, infrastructure and tools required to more effectively manage your resource pool to enable Just-in-Time Resourcing® (JITR) – getting the right person in the right place at the right time.

Years ago, the manufacturing industry embarked on a journey to transform itself from a carryover of the industrial revolution to begin leveraging more efficient ways of creating products by using modern technology. This included the introduction of robotic gear to replace manual labor tasks with technology that could perform the same work at a lower cost, and with higher and more predictable quality. The industry also began to understand that it needed to find ways to eliminate the cost associated with idle inventory, and lower lost opportunity costs due to short supply of parts when a peak in demand occurred. This was the beginning of what became known as just-in-time manufacturing, whereby parts are predictably supplied at precisely the time needed and timed to align with ever changing demand forecasts.

The services industry remarkably finds itself in a similar state as the manufacturing industry was in all those years ago. Simply put, processes, methods and tools have failed to keep pace with the large disruptions in traditional labor sourcing and management methods. Off-shoring, near-shoring, globalization, price pressures, increasing competition – all things we read about and deal with every day have changed the way we manage labor. Unfortunately, too many companies have responded with stop gap and tactical measures, in many cases compounding the problem or delaying the inevitable need for real process change.

The Business Imperative for Just-in-Time Resourcing®

Growing competition and marketplace change continue to put unprecedented pressure on service providers to rapidly adapt and innovate in every facet of service delivery. Effectively and efficiently sourcing and managing resources is the new high-water mark for the industry. Similarly to how manufacturers learned through advanced inventory planning techniques to have the right parts available at just the right time, services providers are now challenged to provide the right resources at the right place at the right time - 'Just-in-Time Resourcing®.'

Interestingly, most service providers that are struggling with utilization problems and resulting high labor cost today, have reacted by pushing labor off-shore to lower their average hourly labor costs. While off-shoring is certainly a desirable and necessary part of the strategic labor equation, implementing better demand forecasting techniques is necessary to address the strategic need for sustainable business transformation.

Analogous to targeting near zero inventory for a manufacturer, service providers should target constant full utilization of on-board resources. Table 1 illustrates the economic value of efficient management of utilization in organizations that serve external customers.

# Of Billable resources at $150/Hr.	Annual Revenue from 1% Increase	Annual Revenue from 7.5% Increase	Annual Revenue from 15% Increase
1	$3,120	$23,400	$46,800
25	$78,000	$585,000	$1,170,000
100	$312,000	$2,340,000	$4,680,000
750	$2,340,000	$17,550,000	$35,100,000

Since idle resources are a sunk cost, the revenue amounts in table 1 drop straight to the bottom line as profit.

Objectives of Effective Resource Pool Management

key objectives for effective resource pool management include:
- Financials
    - Deliver on forecasted commitments
    - Achieve target margins
- Revenue
    - Deliver on forecasted commitments
    - Avoid missed or lost opportunities resulting from resource deployment issues
- Skills Management
    - Enable skills balancing (by region or geography)
    - Development of needed experts in key technologies
- Delivery
    - On-time and on-budget
    - Consistently high quality

Key Benefits of Effective Resource Pool Management

Resulting benefits from effective resource pool management include:
- Effective project support and execution
- Improved talent and skills management
- Supports a JITR system approach to resource management
- Lowers costs
- Nets more satisfied customers and employees
- Leads to more revenue and profit!

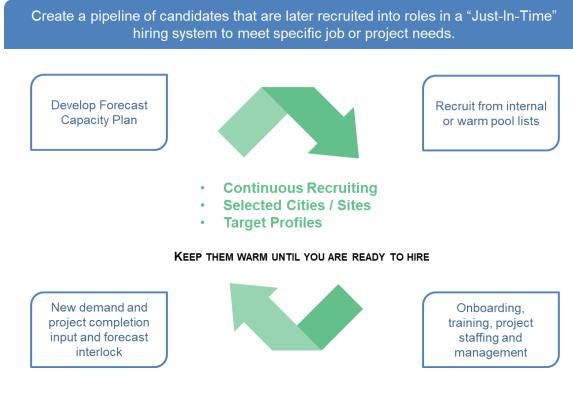## The Fundamentals of Effective Resource Pool Management

We will discuss two fundamental aspects of resource pool management:

- Foundational elements – the infrastructure needed to support the resource pool management aspects of a JITR system (Note: demand forecasting is discussed as an essential element of a JITR system in Just-in-Time Resourcing® Part 1)

- The process and methodology to execute effective resource pool management

Foundational elements

Warm Pool Recruiting:

In Just-in-Time Resourcing® Part 1 we discussed the need to modernize the way we recruit and hire new employees. There are many ways we have traditionally acquired new employes, such as recruiting firms, job fairs, etc. Today's environment requires less expensive and more modern approaches to acquiring the right people to arrive at the right place at the right time. This timeline must also allow for proper onboarding and training of new personnel. A proven technique is the adoption of a "warm pool" recruiting program, driven by a continuous recruiting process vs. the traditional start/stop method many organizations continue to use today. The warm pool approach uses methods to identify and create a "pool" of candidates that are kept "warm" and later recruited into permanent roles in a "just-in-time" hiring system designed to meet forecasted demand.

Figure 1: Warm Pool Recruiting

Employee Training

The subject of training could take up an entire white paper on its' own. Key points to consider are:

- Define your skills roadmap and have a plan as to how each key skill will be developed

- Build reasonable estimates for training time into your budget and utilization targets

- Use your skills inventory in your PSA/PPM/RPM system to help keep track of available skills

Building a bench:

A bench is critical component to enabling the "right time" element of a JITR system. For too long companies have viewed building a bench as unnecessary, defaulting to hiring only when a contract is in hand. Contemporary thinking on investing in a bench is changing, and rightfully so. The reality is that the lost opportunity cost of losing a deal because you could not serve it quickly enough, or the failure to find a needed resource in time to serve a committed project, can more than offset the cost of funding a bench. The bench is also an excellent source of often needed resources to support business capture needs. This helps avoid disrupting resources that are already working on in-flight projects.

Talent management and retention:

There are many aspects of talent management and retention (e.g. training, career management, job rotations, compensation, morale management). Some key elements to consider are:

- Career management – high achievers are very marketable and likely looking for rapid career progression. Your firm should provide appropriate career progression steps supporting this need in an affordable manner. A good way to show career progression is through the creation and publication of a career map or ladder that can be used for ongoing employee development planning and discussions.

- Job rotations – most employees like to learn new things and take on new challenges. Making rotations a part of your culture will reinforce building a more responsive and adaptable workforce.

- Training – as discussed earlier.

- Compensation – There are many sources of information to benchmark compensation levels and methods. Compensation should be considered a very important element of JITR as it can have an impact on recruiting and retention.

- Sources of labor – this highly complex topic could drive a book all on its own. For work that is typically more static, such as assignments that do not require travel, the use of offshore/near shore resources has become more and more viable.

Peak-load workforce strategy and planning:

The peaks and valleys of resource demand can make the process of maintaining a consistent level of full-time resources difficult. Hiring and firing people with every change in your resource demand profile is not workable, particularly from an employee morale standpoint. Therefore, establishing a temporary pool of resources will go a long way toward helping smooth the peak-load demands of your business. Determination of the size of the temporary pool should be made using historical and forecasted data. Typically, modeling a particular level as a starting point is helpful.

Packaged services/solutions

The use of packaged services can help a) improve the predictability of resource skill needs since a forecast exists or should exist for these types of services, b) improve the accuracy of resource forecasts since the base skill needs for a particular packaged service is known in advance.

Centralized resource planning

Centralized resource planning is essential for the medium to large enterprise aiming for effective just-in-time resourcing®. The establishment of a Resource Management Office (RMO) can help play a neutral role and break down any fiefdoms that may exist in the organization, particularly in situations where the resource pool is shared across organizational boundaries. Typical functions for centralized resource planning and the RMO include resource planning, project staffing, and corporate JITR process development and governance.

RM automation tool:

Surprisingly, some organizations continue to manage their resource pool either without the help of a PSA/PPM/RPM tool, or with simple tools generally not up to the task of today's business needs. Considering the impact of just a few points of utilization of a typical labor pool, justification of investment to automate this important task is usually easy.

Process and Methods for Management of the Resource Pool

With the foundational elements in place, executing to forecasted resource needs is where the rubber really meets the road. Key processes and methods for effective just-in-time resourcing® are:

- Start by hiring and assigning only the very best project managers. Pick the right people for this job and everything else gets easier.

- Find the best balance of cost and skills to staff projects – Every customer wants the "A" team on their project. The art to staffing a project is to find the right balance of cost, skills, and project management. Sometimes, resource availability will dictate the use of labor from higher cost pools than desired, or vice versa. Re-balancing the base of skills is a constant exercise that requires continuous discipline and process improvement.

- Don't become hostage to expert shortages – Every company has them, but few are effective at solving for these shortages in a systematic way. Your RM automation tool

should be used to identify where specific skills will be needed and when. If your resources are not centrally located, as few are any more, providing the necessary level of specialization in each region or geography becomes even more challenging. A proven approach is to create Centers of Excellence in certain skills or service offerings where depth of resource and thought leadership is needed.

- Replenish the bench – As you consume resources from the bench, begin to backfill them with resources (and skills) your data tells you will be needed in the future. Avoid the temptation to 'save' money by vacating the bench. If demand forecasting is done correctly, managing the bench investment as part of the overall cost of delivery can be easily manageable.

- Require weekly (or daily is even better) time entry. This continuously builds the necessary data to feed a JITR system. Your RM automation tool will be infinitely more valuable to your company if project data is kept current. With near real time project start and stop information, higher utilization will result.

- Organizational considerations for the mid to large enterprise – establishing a centralized "resource pool" – breaking down the fiefdoms – this is probably the toughest issue most organizations will tackle. Failure to do this part well will mean the difference between success and failure. The need is to adopt shared resource pools for services, much in the same way companies have done for other more commonly shared services such as finance, human resources, and legal. There are three important rules to help establish a shared PS resource pool:

    1. No particular department "owns" the resource. The resources are recommended for a particular project by the RMO. The team responsible for execution of the project makes the final choices of the team, considering tradeoffs of other client and company needs.

    2. A suitable personnel management system must be put in place to make clear to each employee who is responsible for managing their career, setting goals, doing their evaluation, recommending merit pay and promotions, etc.

    3. Senior management must proactively and visibly support the governance necessary for this model to work.

Measuring Success

Measuring the effective execution of your resource management processes will provide valuable feedback for continuous improvement and monitoring. Some key measures include:

- Utilization – There are three important elements to measuring utilization. 1) How will I measure utilization to include giving proper consideration to training requirements, vacation/sick time, internal meetings, etc.? 2) How will I record utilization? Time reporting will require some form of simple and convenient method to capture project work (preferably daily) to drive accurate utilization data. 3) What utilization targets will I set and will my targets vary by job type? Utilization targets should be set with an educated view of the marketplace, and what will be competitive using some industry benchmark(s) for comparison.

- Cost/time to hire/train – Tracking onboarding time and costs, particularly for rapidly growing organizations is important. This critical measure helps drive resource planning

(how far in advance do I need to hire to ensure just in time project delivery?) and financial performance.

- Cost per full time employee (FTE) – Just as a manufacturer would strive each year to reduce unit costs, well run organizations will view labor cost management in the same way. With cost-of-living driving wages higher each year, and benefits costs accelerating, a constant effort to find and build lower cost labor pools is critical.

- Training time – An effective training program for employees is a key to employee engagement and consequently lower employee turnover, thus making your JITR job easier. It is important for JITR that the organization has a means to offer, promote, and measure investments in training.

About the Resource Management Institute (RMI)

The Resource Management Institute is dedicated to the advancement of resource and workforce management thought leadership, best practices and standards, globally recognized credentials that certify resource management expertise, and tools and resources necessary for effective and efficient management of human capital-intensive businesses. The Resource Management Institute was created to provide the resource and workforce management community a vehicle to advance the discipline of resource and workforce management, and further the interests of the people who make up this community and the companies they work for. Visit us at www.resourcemanagementinstitute.com and on LinkedIn.

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