



## Maximizing the Value Chain - The ROI of ASP

by J.P. Winker

Using a value chain consists of finding leverage points where making investments can leverage value. However, investing in an Applicant Tracking System (ATS) without understanding the value chain may erode as much value as it adds. On the other hand, companies can realize greater returns on their ATS investments if they understand the limitations of Active Server Pages (ASP) systems and leverage the right points.

Getting a return on an investment in a recruiting system means the results (recruiting productivity) outweigh the costs of a system. That's simple. But maximizing an investment in ASP delivered system requires an understanding of the value chain in order leveraging the value-adds that are most important to your company. Using the value chain helps differentiate between your company's needs and features that are not worth paying for. Developing a value chain and selecting a system is covered in an earlier article (How To Use A Value Chain). This article is about getting the most out of the recruiting system investment.

### Investing in an ASP Solution

As a rule, recruiting systems today are ASP solutions. Indeed, the introduction of ASP software marks a watershed moment. ASP software consists of a single platform which is shared by multiple users, who log in via the Internet. By spreading the development and operating costs across clients, ASPs offer software at attractive prices. This delivery method has brought costs down and made Applicant Tracking Systems available to most companies. The reduction in cost, more than any other factor, has caused the widespread adoption of recruiting systems. But there is an inherent conflict between the ASP model and meeting the individual needs of a client. ASP systems are not easily customized, and when they are customized, the vendor's profitability is threatened.

In order to maximize the investment in an ASP solution, there are a few things to consider. First, the majority of users are dissatisfied with their recruiting systems. User displeasure is an indication buyers feel they're not getting value. (Another way of saying they're paying too much.) Its important because value is about getting something good at a price that feels right. There are a couple of possible reasons for this widespread

discontentment. First, software tends to commoditize. That is, it devalues naturally when, 1) its on the market for an extended time without an update; and, 2) it faces increased competition. Anti-virus software is good example. Last year's release isn't as valuable as this year's, and the release from two years ago is almost worthless. So it goes, with varying rates of decay, for all software. But because upgrades happen regularly in ASP delivered systems, the 'aging' process is minimized. This leaves competition as the primary force commoditizing ASP software. And with the number of vendors in the space, many users do feel they're paying a premium for a commodity product. Which, to some degree is the case, what's more, many vendors have failed to differentiate their offerings. But the competitive environment alone does not explain the exceptionally high rate of dissatisfaction among users.

One explanation is that users still seek some level of customization and are frustrated by the inability to meet divergent needs. It is understood that each company's recruiting process has it's own nuances. However, it is not uncommon to find several different recruiting processes within a single

organization. Few companies would use the same process for hiring engineers that they use for hiring hourly workers, executives, sales, or support staff. So, within any company there are a range of hiring processes which would be best served by a separate niche application for each one. Without some form of customization, recruiting systems don't perform as well or they perform well for one job category at the expense of another. They act and feel like commodity products, and paying a premium doesn't make sense. This may explain the widespread negative perceptions among users.

### Premium System or Premium Services?

The question is, how do we gain some customization while reaping the benefits of the ASP delivery model? There are two schools of thought: pay for a premium system (which cannot be customized). Or, spend less on an ASP system and surround it with support services tailored to user's needs.

Since ASP software cannot be customized easily, there will be a corresponding limit on it's level of



performance. In fact, many companies paying for premium systems have made significant investments in workarounds, spot solutions, and “enhancements” designed to improve the system's performance. It would appear that paying for a premium system does not ensure a return, and may require other investments to ensure a reasonable level of performance.

Given this experience, it makes sense to lower the system costs, and invest in spot solutions services (or systems) tailored to the client's specific requirements. In fact, an argument can be made that an ASP recruiting system will be valuable to the degree it can be tailored to meet one's needs. Using a value chain tells *where* to invest in order to leverage the entire process. Without some ability to customize, the value of ASP software is limited as a stand-alone or closed system. **In the end, an ASP system's value is enhanced in direct proportion to the degree it can coordinate or deliver other services.**

The antithesis of good business is to buy the best branded system in an effort to cover one's assets. Although this is common in the human capital space, the driving force is political (nobody ever got fired for buying IBM), rather than maximizing the return on the investment. In well-run organizations this type of behavior will go away.

### Service Is The Key

What would justify paying a premium? The value chain construct tells us there are points within a process where investments increase productivity, and that identifying and investing in those points leverages returns. Investment at these points justifies a premium.

While spot technical solutions

abound, there is considerable difficulty (read: investment) integrating them with an ASP solution. Even the largest clients can't force separate vendors to cooperate. Smaller clients have no leverage at all. This means the significant opportunity lies in leaving the software intact, and accentuating leverage points with services. The lesson here is that ASP systems with a service-oriented open architecture offer significantly more value than their competitors due to the ability to complement the system with services. This is consistent with forward-looking articles about Web 2.0 platforms and the future of the Internet. This ability to customize through tailored services is the future of ASP software in the talent management industry.

One example of investing in leverage points is a company that outsources it's resume database sourcing. This organization has an ATS but was increasingly reliant on agency hiring. Through a value chain exercise they ascertained that adequate resume sourcing would allow them to do more in-house work. Although they had tried technical solutions in the past, they produced only limited results. But given that improving this function had potential for a great return they outsourced resume mining to a service provider that does it manually. It has worked so well they have arranged to have the vendor add telephone screening to their service.

### What To Expect

New strategies for attracting talent, including media, formats, and messages will continue to evolve. In one generation we've seen the evolution from newspaper ads to job boards, chat rooms, blogs, and podcasts. New approaches to

making contact and developing relationships with potential employees will continue to advance. In a changing labor environment, the common challenge will be diagnosing where your recruiting capabilities fall short and then adding the needed services, systems or skills quickly. This will happen on a frequent basis at least annually (more if you deal with multiple job categories). Maintaining a platform flexible enough to adjust to changing needs will only increase in importance.

The evolution of sourcing venues and formats creates ongoing change, and a need for niche skills. A company projecting a shortage in a specific job category - engineers, for example - might determine the need to attract prospects through a number of efforts. They could attract talent promoting their work, or featuring one of their leaders as a speaker at industry events, writing blogs on a relevant topics, create podcasts, conduct radio interviews, or create online dialogues like a wiki. All of it designed to create community or network of contacts to be skillfully mined over time. The question becomes, do you assign a recruiter to these tasks, or outsource them? And, can your platform coordinate these services, or do they exist outside the system. (Hint: the less the system handles the less valuable it is).

In a knowledge economy, where companies with the best talent win, *not* doing these things will not succeed. Those responsible for recruiting results will have to focus their organizations on the development of superior sourcing techniques, communication with



targeted groups, and creating attractive work environments. Low cost ASP software is here to stay; investing in platforms which coordinate and deliver flexible services around the software will be the key to maximizing return on those investments.