



How To Use A Value Chain

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In a previous article, we covered how the supply chain model has been applied to today's applicant tracking systems (ATS). Here we'll take the next step and elaborate on that model by developing a value chain. This will allow a meaningful needs analysis enabling buyers to select an ATS more effectively. The method is quantifiable, straightforward, and relatively simple.

Creating A Value Chain

Conceptually, a value chain builds on the supply chain concept. It follows a similar step-by-step sequence, but focuses on the values added (or lost) at each step. Where a supply chain is used to define each step in a recruiting timeline, a value chain rates the value added at each step. In effect, the value chain identifies the most important components in the recruiting process. When managing a supply chain the focus is on streamlining a flow chart. Managing a value chain is different. The intent here is to recognize the strengths of the process and invest in them. The idea is to identify where change would add the most value, and leverage them. (In recruiting, this often means investment in automation). At it's core, a value chain helps differentiate between 'needs' and 'wants'. It also simplifies complex system selections using weighted averages across several factors.

Because the nature of the technique is specific, we'll take a real life example using a mid-market company. Like most companies, this organization has some local presence, but lacks strong brand recognition. In other words, they don't have the luxury of placing an ad and watching a plethora of qualified (or unqualified) applicants pour in. Recruiting needs include both professional and administrative staff of varying kinds, as well as several exempt staff. Their needs are increasing steadily, while the supply of available talent slowly but steadily declines. This is a situation many companies find themselves in today.

The Supply Chain

The recruiting sequence used by our mid market organization is outlined below. We are using an abbreviated version for illustrative purposes.

Planning	Sourcing	Resp. Mgt	Screening	Assess	Offer	Onboard
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Fleshing out the steps in this sequence then creates the supply chain. Each link in the chain contains the following elements:

Planning includes forecasting (existing & forecasted workload), researching markets for available talent, reviewing the skills inventory for the job, earmarking funds for the acquisition of candidates. Sourcing consists of checking the internal database for candidates, running ads in newspapers and on job boards, searching commercial resume databases, direct mail campaigns, campus postings and, job fairs.

Response Management primarily, this is the intake of resumes where applicants create a profile, and acknowledgements or replies sent back to them.

Screening the task here it so confirm eligibility, classify each candidate's skills, experience, and certifications.

Assessment using legally defensible instruments, assess candidates for likelihood of success on the job



Interview Q & A regarding applicants ability and willingness to perform on the job

Offer formulation and extension of offer, negotiate contingencies and terms. Conduct background check, drug test, security, references, etc.. notify also-rans.

Onboarding registration, orientation, training, and retention.

The fleshed-out supply chain is outlined in **Figure A**, with the major functions listed.

Figure A. Supply Chain for mid market organization

Planning	Sourcing	Resp. Mgt	Screening	Assess	Offer	Onboard
Needs assess	Internal dbase	Submit resume	Confirm eligibility	Accuracy	Extend fast	Registr. forms
No. openings	Ad - paper	Create Profile	Classify skills	Test	Yes/no	Orientation
KSAO	Ad - online	Acknowledgement	Experience	My test?		
Pay	Resume dbase		Certifications			
	Job fair					
	Campus					

Next, these are evaluated and assigned weights to create a value chain.

The Value Chain

To create the value chain, values are assigned to the supply chain. For each element, the recruiting staff at our sample company made the following value determinations:

Planning rated at 4. While important, this company has been doing very little planning and has managed to get along without it. Therefore, it isn't critical.

Sourcing without adequate sourcing, their recruiting effort stops cold. They know this from experience. This is a 10.

Response Management here, the recruiters have learned that ease of submission is most critical. They feel they cannot afford to have any obstacles to candidates submitting applications. The acknowledgement is not as important. 8.

Screening rating of 6, recruiters feel that screening quickly and accurately are important. It is an easy job, but getting it done quickly is important to success.

Assessment This organization relies heavily on a customized assessment profile. They rated this a 10, however admit that if their profile was not available, this would drop to a 4 or 6.

Offer if the preceding steps are done quickly and effectively, this is a 2.

Onboarding rated a 0, recruiters felt this had no impact on their ability to recruit.

Other factors The value chain concept allows the addition of elements for value-adding consideration. In addition to the link-by-link analysis, a Gestalt view can be useful in identifying segments of the chain which are critical. Further, we can identify areas which, if changed, would erode value. In this case the consensus was that speed from *Response Management* through *Assessment* was critical to success. Speed here was rated at 8. In addition, it was agreed that if reports measuring the effectiveness of each source, and information related to bottlenecks in the "speed" area were available during the Planning phase, then the value that Planning adds would increase to 8. They also noted that, with decreasing candidate supply, the planning function will increase over time.



In **Figure B**, rankings of 1-10 have been added to each column to designate the importance of each step in the recruiting process, with 1 as the least critical and 10 at the top.

Planning	Sourcing	Resp. Mgt	Screening	Assess	Offer	Onboard
Needs assess	Internal dbase	Submit resume	Confirm eligibility	Accuracy	Extend fast	Registr. forms
No. openings	Ad - paper	Create Profile	Classify skills	Test	Yes/no	Orientation
KSAO	Ad - online	Acknowledgement	Experience	My test?		
Pay	Resume dbase		Certifications			
	Job fair					
	Campus					
4	10	8	6	10	2	0

speed through this section important = 8
 reports on this section also important, high 'want'
 reports added to **Planning** increase its value

Using The Value Chain:

In converting a supply chain to a value chain, weights, were assigned to each link in the chain. The company has made precise value differentiations, which, taken together, reflect their specific needs.

At this point we can mentally identify the highest scoring elements (6-10) as 'needs' and the lower ones (1-5) as 'wants'. It is important to also look at sections of the chain, to determine if a larger need is addressed by a group of links. In our example, there are shortages in certain professional positions(engineering), so the time between *application* to *offer* is a critical determinant of success. So, completing the application, screening, and interviewing elements quickly would add great value together.

With the value chain it is much easier to quantify how well a system meets those needs. Functionality that meets 'need' areas are given high scores, while functions that meet 'need's poorly are scored lower. At the same time, functionality that meets 'wants' are also graded as to how well those are met. To score how a system meets 'needs' and 'wants' simply multiply the value of each by it's functionality score.

$$(N \times S_1) + (W \times S_1)$$

- Where N = need score (6-10)
- W = want score (1-5)
- S₁ = functionality score for System #1 (1-10)

By multiplying the values of needs and wants by a system's ability to meet them, we calculate the weighted average of a system's ability to meet our requirements. By doing so across systems, (S₁, S₂, S₃, etc.) we can make compare apples to apples. This narrows the field in a



quantifiable way as systems that score too low do not meet needs and are eliminated. Next, we determine value by integrating price into the equation. This is done by dividing the weighted score by the price of that system. Done across multiple alternatives, we can measure which offerings meet our requirements at the lowest price.

$$V = \frac{\text{Sum}(N \times S_1) + \text{Sum}(W \times S_1)}{P}$$

Where V = value
P = price

Notes:

- Value increases as price decreases
- Also, “needs” are ranked between 6-9, while “wants” at 1-5 are inherently lower. In our example of a mid-market company, reporting falls into the “wants” category as they do not get bodies on board.
- Last, since most recruiting systems sold use the ASP model (meaning the software itself is *not* customized) the ability to tailor services delivered through the application increase a systems value at a disproportionate rate.
- Tools that are automated but rated score a zero. They are unrated because they haven't been identified as 'needs' or 'wants' by the buyer. As such, they are not considered value-adding components.

System Selection

Returning to our mid market company example, a number of systems were evaluated as to how well they met each specific need in the value chain. Like the value chain exercise, each offering received a rating between 1-10 for each link in the chain, depending on how well the system met that requirement. This rating, 'S', was multiplied by the rating of importance (the numerical value of each link in Figure B) and the totals were added up for that system. This total represented the system's ability to meet the company's specific needs (and wants). This same number was then divided by price, allowing a comparison for value across systems.

Given that our company has limited brand recognition, it is not surprising that systems with strong sourcing tools scored well in terms of meeting the company's needs. Systems scoring highest (offering the greatest values) combined good sourcing tools with minimal other tools, or could be configured in a modular fashion excluding features not critical to the recruiting effort. Other options, tended to score lower for two reasons: 1) there were a number of extra features (non requirements) built into the price; and 2) the additional cost did not add significant value to the recruiting process. In a nutshell, they were overpriced relative to the company's specific needs. The company did not wish to pay for things they did not need.

Too many buyers invite vendors to conduct presentations (the ubiquitous dog and pony shows) then attempt to compare systems to each other. Given the range and complexity of systems available, this can be very difficult. Insofar as this does not formally address company needs, it is a system-specific approach. Using a value chain draws attention to specific needs, placing company requirements at the center, and compares prospects to this standard. Value is then determined by meeting that standard at an efficient price.

Given the Value Chain's quantifiable nature, and building on the now familiar supply chain concept, companies faced with a system selection will find the Value Chain construct allows them to clearly determine which system offers them the best value.