



White Paper

The Role of the Staffing Agency in Management of Organizations' IT Human Resources

Kay McGlashan Nicols
Texas State University-San Marcos
McCoy College of Business Administration
Department of Management
San Marcos, TX 78666
512-245-2461
km37@txstate.edu

Rebecca Ellis
Cal Poly State University-San Luis Obispo
Orfalea College of Business
Department of Management
San Luis Obispo, CA 93407
805-756-2629
rellis@calpoly.edu

Consultis Corporate
4401 N. Federal Highway Suite 100
Boca Raton, FL 33431
800-ASK-COMP
info@consultis.com
www.consultis.com

INTRODUCTION

The purpose of our paper is to provide insights into the management of IT human resources by examining the social interactions among the IT professionals, IT staffing agency, and employing organization through a case study of an IT staffing agency and its IT consultants. First, we discuss the unique nature of IT work and workers, and the potential roles and value added by the IT staffing agency in facilitating the employment relationship and management of IT human resources. Next, we provide a brief review of select strategic human resource management literature pertinent to the decision of employment mode for IT workers. In the following section, we describe information from our case study of "Consultis"¹ to illustrate how an IT staffing agency can provide value to its client organizations in helping to manage its IT human resources. We then discuss the concept of social capital as a way of examining the value created by the staffing agency in the three-party employment relationship. We then conclude with a discussion of human resource issues and implications pertaining to management of IT workers, and practical recommendations for organizations to consider in managing their IT human resources by partnering with IT staffing agencies.

Information Technology and the IT Agency's Role

The use of information technology (IT) is ubiquitous in our organizations and in our society. Organizations face unique challenges in managing employees in the IT field. IT can be defined as "the technology required for information processing...in particular, the use of electronic computers and computer software to convert, store, protect, process, transmit, and retrieve information from anywhere, anytime" (TheFreeDictionary.com). Many, although not all, occupations in IT are experiencing rapid growth as organizations increasingly depend on information technology. Technology rapidly and continually changes, which increases organizations' reliance on IT professionals to help keep their IT systems viable, safe, and updated. Because it is difficult to predict where technology will be tomorrow, there is often reluctance on the part of firms to invest in permanent IT workers with possibly already obsolete skill sets. All organizations find themselves increasingly facing such IT staffing decisions because IT work is not limited to any specific set of industries or types of companies – virtually all organizations in all industries require information technology to some extent. They typically use IT workers for on-going

information technology maintenance, as well as for specific short-term projects such as database construction or software development and implementation.

The range of IT jobs and range of requisite skills are wide and complex. A search under "information technology" on O*NET (<http://online.onetcenter.org>), the U.S. Department of Labor's online dictionary of occupational titles, yields job descriptions and specifications for occupations relating to information technology, including such jobs as computer and information systems managers, computer security specialists, computer hardware and software engineers, database administrators, network systems and data communications analysts, and computer support specialists. The technical nature of the distinctions between these occupations and their associated skill sets is something that a non-IT firm's HR department may not have an interest in maintaining.

IT workers themselves also present unique managerial challenges. In a survey of information technology professionals over twenty-five years ago, Couger & Zawacki (1978) found that IT workers (or data processing or "DP" professionals, as they called them at the time), preferred a low level of social interaction, expressed little need to work with other individuals, and reported having a higher need for professional growth than other professions. This still seems to be the case. For example, the O*NET description for Computer and Information Systems Manager shows work values of "independence" and "achievement" as being common values shared by professionals in this occupation. Individual characteristics commonly attributed to IT professionals include a high need for autonomy, being self-directed, having an internal locus of control, and valuing independence (Ang & Slaughter, 2001; Bendapudi, Mangum & Tansky, 2003; Couger & Zawacki, 1978; Kunda, Barley & Evans, 2002; Wysocki, 1996).

As a field, information technology tends to be highly professionalized, and networking opportunities abound. Although their individualistic orientation may cause them to shy away from collectives such as labor unions, IT workers readily associate with other professionals in virtual relationships via online chat rooms, and in occupation-based professional associations. IT staffing agencies provide an additional avenue for IT professionals to get "plugged in" to the IT professional network.

Characteristics of IT work and of IT workers seem to lead IT professionals into a wide variety of employment modes, including a substantial number of contingent or alternative employment arrangements (i.e., temporary employment, independent contracting) as well as permanent employment arrangements (Ang & Slaughter, 2001; Kunda et al., 2002; Wysocki, 1996). Such alternative arrangements actually lend themselves quite readily to some types of information technology work. For example, major projects such as database or software installations tend to be finite in nature, in that they are limited-duration contracts to conduct the software installations. Much IT work requires "public" skills or knowledge, meaning that the skills and/or knowledge

are not firm specific (Matusik & Hill, 1998). Therefore, it is possible to use contingent employees to conduct IT work without having to provide extensive training.

How do these IT workers create contact with organizations that require their services? Also, how do organizations utilize IT workers to their best advantage? The IT staffing agency plays a major role in bringing the IT professional and the user organization together. It also carries out numerous HR functions for its client organizations. The agency also helps the client organization determine optimal employment arrangements to utilize, based on the firm's strategies and goals.

Strategic HRM and Contingent Employment

The literature on contingent and alternative employment has grown exponentially in the past ten to fifteen years. This research has typically been conducted from the user or client firm perspective, or from the perspective of the contingent/alternative workers themselves. (See Connelly & Gallagher, 2004, for an excellent, comprehensive review of the contingent employment literature.) The strategic human resource management literature, in particular, analyzes the benefits of contingent employment primarily from the user firm's strategic perspective (e.g., Lepak & Snell, 1999, 2002; Lepak, Takeuchi & Snell, 2003; Matusik & Hill, 1998; McGlashan Glasgow, 2001). Much of the literature from the user firm perspective has taken a prescriptive, one-size-fits-all approach to the decision regarding whether to use contingent employment (e.g., temporary workers, independent contractors) according to characteristics of the job, organization and/or environment.

For example, Lepak and Snell (1999) develop a human resource architecture that prescribes use of contingent knowledge workers when the work to be performed is "non-core" to the firm, while work related to a firm's core competencies should be allocated to permanent workers – to protect the core. Their theoretical framework and its recent empirical extensions and tests (Lepak & Snell, 2002; Lepak, Takeuchi, & Snell, 2003) is intended as a guide for a firm trying to decide which specific configuration of contingent/non-contingent (or core) employment modes to use. From this perspective, they argue that 'knowledge workers' are the key strategic element in any firm, and that the firm's choices revolve around which types of contingency would best supplement or complement the core competencies existing in or being developed by the non-contingent core. Lepak and Snell (1999) also argue that if the tasks workers will be performing are generally of low strategic value to the firm, but the skills required are unique, external (i.e. contingent) workers should be used. Lepak and Snell (2002) concluded their empirical investigation of relationships between HR practices and particular human capital needs by stating that it is probably too simplistic to assume a single set of HR practices is optimal in all situations, but that it is critical to address the employment mode level of analysis to understand how firms strategically manage different employee groups. We agree, and argue

that contingent employment in the IT sector is clearly one area where likely optimal HR practice differences may be highlighted (Ellis, McGlashan, Howe, Isidorsson, de Koenig & Koene, 2002).

A second stream of SHRM research regarding a firm's selection of employment modes has been advanced by Matusik and Hill (1998). They argue that contingent workers can be a source of knowledge creation by bringing the latest "public" knowledge into an organization, where it may be integrated into the organization's existing knowledge base. Environmental dynamism and industry competition may affect organizations' realized benefits of using contingent workers. Firms run the risk of disseminating valuable private knowledge if contingent workers acquire such knowledge by working at the firm and then take it elsewhere, negatively impacting a firm's competitive advantage over rivals. However, Matusik and Hill (1998) acknowledge that the benefits of new knowledge creation may outweigh dissemination risks for firms operating in dynamic environments with fierce competition.

According to Matusik and Hill (1998), in highly competitive and dynamic environments, top priority must be given to continually gaining access to and integrating the latest technologies. Sometimes contingent workers may actually be well-suited to carry out activities within the "core" of an organization, if the organization's environment is highly competitive and dynamic, because importance rests more on constantly updating knowledge rather than protecting core knowledge that may become outdated quickly. The key, according to Matusik and Hill (1998) is for the organization to be able to capture and integrate a contingent worker's valuable skills and knowledge into its organizational routines.

The work by Lepak and Snell (1999) and Matusik and Hill (1998) provides valuable insight into determining whether to use contingent employees in particular situations. However, an organization may decide to use a temporary employee under a particular set of contingencies at one point, and then later hire a permanent employee for the same set of contingencies at a later decision time. The point is that the organization is continually making decisions, as it allocates work to individuals, regarding the type of underlying employment mode or contract under which the individual will carry out his or her duties. It is not a static process. Other influences on the decision exist, such as the availability of organizational resources, and these too change over time (e.g., the availability of sufficient financial capital to hire permanently, or the presence of internal staffing policies put in place to limit headcount), which impact the seemingly "rational" decision-making process. Further, firm decision makers may face uncertainties when determining IT needs. They may well ask, "What particular skills do I actually need? And for how long?" Theoretical frameworks are indeed valuable tools for managerial decision-makers, but we need to be able to derive practical implications from these frameworks if they are to guide managerial practice.

Our contribution to the literature is in refocusing attention on the practical reality facing firms who are considering the use of contingent employees to staff IT needs by incorporating the contributions made by the third-party IT staffing agency. The organization's decision whether to use contingent or permanent employment is an on-going, case-by-case decision, particularly in staffing for IT tasks, as the underlying technology is itself rapidly changing and there is always a possibility that the organization would be better off postponing or minimizing the acquisition of permanent IT staff. Each new IT project, new position, system upgrade, new product, or other system "change" in the organization requires a fresh decision about the alternative employment mode(s) to use for the latest change.

There are numerous ways that a firm may organize its IT work and the corresponding employment of workers to carry out the work. One organization may rely heavily on permanent, on-going employment, while the other may utilize a large number of temporary and contract workers to accomplish the same tasks. For example, at one point in the 1990s, Microsoft Corporation's workforce was reportedly almost 30 percent contingent while other software manufacturers were far less heavily invested in contingent staffing at that time (Ellis, McGlashan & Griggs, 2001). In other words, there certainly does not appear to be "one best way" to organize IT work or definitively prescribe optimal conditions for the use of contingent or permanent staff.

From a labor supply standpoint, staffing for the organization's IT needs is seldom as clear-cut a process as implied by the uniqueness/value dimension distinction relied upon by Lepak and Snell (1999), or the industry dynamism/competition dimension relied upon by Matusik and Hill (1998). How readily available are particular IT skills in the external market? Organizations where IT itself is not a core competency may not have the internal HR expertise needed to evaluate either external availabilities or really be able to sort through the alternative forms of providing the needed competence.

IT staffing agencies can help organizations get a grip on the cost structure associated with the employment of multiple modes of contingent work in a single workplace, that is, the alternative cost of staffing ongoing IT operations or single-purpose projects with one or more forms of contingency. Agencies are uniquely positioned to do this because their intermediary position in the labor market gives them far and away more current and pertinent information about IT skill availability and price. Thus, IT staffing agencies are more likely to have accurate and timely information about the market value of particular IT skill sets, as well as labor market information on the 'going rate' for specific IT specialties.

The agency's specialization in information technology allows it to develop a strong understanding and capabilities regarding the latest technologies. The agency's expertise in human resource selection and staffing likewise gives it the ability to assess the technological knowledge and skills of IT workers seeking employment. The agency can concentrate on keeping abreast of changes in information technology – which the client organization may not have the luxury

of being able to do, as it must concentrate on the effective execution of its product/service delivery. The agency takes up the position between the employee and the user organization, acting as a matchmaker in the IT social network. This “middleman” role is particularly effective in managing IT workers and IT work. More likely than not, information technology is a support function in a client organization. Obviously, information technology companies exist (i.e., Microsoft, Dell) whose entire workforce is geared toward generating products or services related to IT. But the vast majority of organizations outside of the information technology industry utilize IT primarily to facilitate communication and coordination while carrying out their production processes in their own industries. The agency can help workers find jobs that utilize their particular capabilities, and can help client firms make decisions about appropriate employment modes as each new work situation arises. Should the client utilize a contract employee? Is temp-to-perm more appropriate? Or is a direct placement necessary? The IT staffing agency can help the user organization clarify its needs, and then hire accordingly.

CONSULTIS: A CASE STUDY OF AN IT STAFFING AGENCY

History of the Company

In order to better understand the role of staffing agencies in helping organizations manage their IT work, we conducted an in-depth case study of a staffing agency, “Consultis”, specializing in the placement of IT workers. We conducted interviews with top-level managers of the agency, as well as focus group interviews with individuals who have worked for Consultis in an IT temp/consultant capacity. These individuals were handpicked by Consultis to participate in the focus groups in order to provide a wide range of consultants – from low skilled to high skilled, and differing in experiences from being placed as temporaries, contract employees, and/or permanent employees.

Consultis was founded in 1984 in a large metropolitan area of Texas. The founders were already in the temporary employment business, providing health care staffing services at that time. They made a deliberate strategic decision to get into technical staffing, as they recognized that technology was starting to become increasingly important in organizations. Consultis grew to five offices by 1991, located in five major U.S. cities. The company now has seven corporate-owned branch locations and one franchise location across the U.S., from California to Florida, where the family-owned business keeps its headquarters.

Consultis has four basic product lines. Technology services are broken down into two areas, support services (i.e., lower end temps, such as help desk or field technicians) and contract services (i.e., higher end temps, such as database developers and administrators, programmers, and web developers). These are divided into two product areas, contracts and direct placements. Contractors are in the typical temporary employment arrangement. For direct placements, a percentage of the position's annual salary is paid to Consultis as a

fee. Temp-to-hire arrangements, which Consultis calls its "working interview program," also fall into the permanent placement category.

Clients choose Consultis either because it is on their approved vendor list or because of Consultis' reputation. The vendor list option is not one of Consultis' favorites, as the agency must jump through numerous hoops (which increases transaction costs and thus lowers profits) in order to become approved, and the organization then tries to dictate lower margins for approved vendors. Consultis prefers to attract clients because of its reputation as having more personal relationships with clients.

Range of Operations/Structure of business

Consultis has 45 internal staff at their corporate headquarters and branch locations and an additional 6 staff in a franchise location. Franchise locations have exclusivity in terms of a protected purchase area. No other Consultis representatives can encroach on this protected area, and no other franchises are granted in market territories that already have existing franchise offices. Consultis does not actively pursue national or regional accounts, although they will take on such accounts when the opportunity arises. Instead, they prefer to operate in a more regional or local manner in order to establish close relationships with organizations in the immediate areas of their office locations.

Each office has one or more technical recruiters, account executives (also called account managers), and a branch manager. Two individuals from the corporate office manage the branches, and one "floater" from corporate supports the franchise locations. The corporate office handles payroll processing for its branches as well as its franchises. It also provides support to franchisees in terms of training about the business, promotional materials, and so on. The corporate office has a vice president in charge of maintaining the agency's ISO 9000 certification, a CFO, a payroll clerk, and two technology experts on site. Management style is very relaxed and hands-off, with decentralization and empowerment in decision-making. Diversity exists in management in terms of gender mix (50/50) and minority representation. Consultis is also a minority-certified business, being a female-owned company.

Main Competitors

Consultis sees itself as a medium-to-small sized company, with each individual location acting as a local business. They have historically faced competition from small "mom and pop" agencies that could operate with low overhead in local markets. Because Consultis relies heavily on personal relationships with clients as a way of differentiating itself, these small agencies were considered competition because they also relied on relationship-driven business. However, these competitors are gradually being bought out by large agencies such as Manpower, Robert Half, and TMP (owner of Monster Board and World Wide). Therefore, local competition is lessening, while consolidation of

the temp agency industry now forces Consultis to compete with large generalist agencies.

Additional competition comes from Internet job boards. Client companies can reduce their reliance on companies such as Consultis by increasing their usage of job boards to find qualified employees. Consultis has noticed an increase in companies using internal recruiters because the Internet provides improved access to the labor market. Job boards compete against agencies such as Consultis by basically becoming middleman between the employee and the client, thereby taking on the role of the agency. As a Consultis informant stated, "Job boards have done a good amount of damage to the typical employment agency."

Range of Clients/Market Focus

Historically, banking and insurance companies have been good clients for Consultis, because they have large IT departments. However, Consultis has no major focus on any particular industry segments for its client base. All companies have tech needs, so Consultis tries to establish relationships with all types of companies in various industries. The client base is not dominated by either small or large companies, but instead is a mix of companies of all sizes. Some of Consultis' clients do tend to be long-term users of the agency's services. As stated by a Consultis employee:

"We've (Consultis) had a six-year relationship with a national company (Company X). My account rep here has a great relationship with a couple of the guys there, and we've never been on their vendor list...It just (befuddles) our competition. It makes them crazy, but we've gone through the hoops...(to develop our relationship with Company X)..."

Networking Activities of Consultis

Consultis is a member of the National Association of Computer Consulting Businesses (NACCB) and several other local SIG (special interest groups). In particular, Consultis has found that membership in the NACCB is of great benefit to the agency. Member companies share information, client names, and suggestions for contract "legalese" and so on. The NACCB was actually formed in order to fight what member organizations felt was unfair treatment by the IRS in cracking down on incorrectly classified independent contractors in the tech field while contractors in other industries were being generally ignored (hairstylist independent contractors, for example). The government continues to target the technical sector to assure that technical staffing firms such as Consultis are paying proper taxes.

The most important issue according to Consultis is that its business is "all based on relationships." As a Consultis informant stated:

"I don't have any inventory. I don't have widgets, so it's all based on my people. People buy from people, so if I lose somebody, I'm losing business. That's one of the pains of this industry."

Recruitment of Job Applicants

Historically, Consultis recruited job applicants the "old-fashioned" way, by running newspaper ads and using networking opportunities. However, the creation of the Internet has made the job of recruiter much simpler today. Consultis describes its relationship with job boards as "love-hate" in that Consultis must compete with them while at the same time utilizing the job boards as a source of recruiting consultants. Consultis uses job boards in two ways. First, they can post job orders for individuals with specific skill sets. They call this the "sawed-off shotgun approach." Similar to a sawed-off shotgun widely scattering its shot, hitting a wide target area, recruiters receive hundreds of resumes on a weekly basis in response to posted job orders. Second, they also search job board databases (for a fee) to find qualified consultants. They call this the "sniper shooting" approach; in that recruiters can search a database for individuals with a specific skill set. This saves Consultis time and money, in that the recruiter does not have to filter through hundreds of resumes sent in response to a job order. However, both methods are utilized.

Consultis also finds that employee referrals are a good source of recruits. Current consultants refer other individuals to Consultis. The company is starting to curtail recruiters' use of the Internet, because of the abundance of applicants on the job boards today. As one Consultis representative said:

"People (recruits) that you're getting on the Internet, they've also been spoken to by fifteen other recruiters, so their exclusivity is no longer really valuable to you because you are competing with fifteen other recruiters. So, again, it goes back to that relationship building – building that strong relationship, and actually...going to referrals is where we're trying to change our efforts in spending all of our marketing dollars and kind of shying away from the job boards."

Therefore, any potential candidate found through the Internet has probably spoken to numerous other recruiters. Consultis is now trying to focus on relationship building, by following up on referrals and getting back to its marketing and networking activities of old.

Consultis has developed its own searchable database of 10,000 to 15,000 candidates that Consultis has pre-qualified, checked references, and completed competency evaluations. This database is always checked first when a job order needs to be filled. Consultis develops on-going relationships with these consultants, providing them with job opportunities that they may not otherwise have found. As one consultant stated:

"I keep a close tie to Consultis because it's like having an outside sales rep...how do I reach into all the other companies that are out here and let them know that I'm available? By maintaining ties with Consultis, or by belonging to one or two professional associations? That's really it and that's why I certainly have no problem with them making \$30 an hour over what my rate would be."

Competency Testing and Training

Consultis uses Kenexa, which is an evaluation service that provides knowledge testing for hundreds of tech applications. This is used to assess consultants' competency levels on operating systems, software applications, and so on. A Consultis executive stated:

"(These are) basically, tests, but there are hundreds of them, for any type of application whether it is operating system, desktop, server, or software application. It doesn't matter what it is, we can test them on it and kind of gauge... what their experience is...Let's face it, in our organization anyway, we're not technical people. We're sales and marketing people. So, when somebody comes in and they say (they have skills in) Oracle DBA, I'm not going to be able to question them (to determine) the extent of their technical knowledge."

Through this process, consultants become "validated" and pre-qualified for jobs. Recently, Consultis' website was redesigned so that applicants can go online to register with the agency. Existing consultants can also update their skills and profiles online, and take online skills tests. An additional assessment available to clients is personality profiling, which provides an analysis of personalities, motivations, affinities, temperament and other traits that lead to the development of well-suited, team-oriented professionals. Client firms may request that consultants they hire complete this assessment, to improve hiring effectiveness.

Consultis also provides technical backup to consultants on assignment, with its on-staff technology experts whom consultants can call for advice. Consultants gain the majority of their expertise, however, through job assignments. As stated by one Consultis consultant, "You can go from firm to firm, picking up application skills. You couldn't get that kind of knowledge otherwise."

Recruitment of Client Companies

Each Consultis location has one or more individuals in the salesperson role. Called account executives or account managers, they target the top 100 or 200 accounts in the market. They then conduct research on these target companies in order to profile them in terms of who their hiring managers are, and what their different technology platforms are. The account manager will

then try to establish relationships with these target firms in order to obtain job contracts.

Matching Process of Applicants and Clients

Once a client places an order with the account executive, the recruiter is responsible for finding the perfect match. First, the recruiter will check the database of existing pre-qualified candidates. If no match is found, the recruiter will then go into the job boards and either place a job posting or use the "sniper" approach to locate the perfect match. The candidate is then submitted to the account executive, who closes the deal with the client at that time.

Management of Placed Temporary Employees

During the duration of the contract, Consultis conducts weekly "health checks" by checking in at least once per week with clients and contractors to assure that things are going well. These health checks are continued even when client companies do not have current contracts with Consultis. Contractors themselves are encouraged to try to extend their contracts with current clients, serving as Consultis' "eyes and ears" in client companies. Contractors receive increased hourly wages as a reward for doing so. Contractors are also encouraged to look for additional potential business inside client organizations. As an Consultis executive stated, "They (the consultants) see what's going on on a regular basis...they're sitting in on all the meetings...they're out there."

Consultis also proactively markets their currently placed temps for other assignments. About six weeks to two months before current assignments' end dates, Consultis will try to find other companies with technology platforms similar to the contractor's background. If nothing can be found, unfortunately the contractor will need to post his/her availability on the job boards.

Terms and Conditions of Employment

Consultis contractors are considered their employees. The length of contract varies considerably, as does the length of client relationships overall. More stable relationships tend to happen in Consultis locations with longer-tenure account executives and branch managers.

Consultis offers health premiums to all of its employed contractors. The agency pays the health premium, and each contractor has the option to pay dental or life insurance premiums if coverage is desired. Consultis feels that benefits need to be offered to its consultants in order for the agency to stay competitive with Manpower, Kelly Technical, Monster, and other competitors that offer benefits. Contractors also receive holiday and vacation pay if they have been employed with Consultis for over three months.

Social Capital Creation by the IT Staffing Agency

We believe it can be instructive for both theory building and practical application to view IT staffing agencies as the focal actor in the tripartite employment relationship, an actor who generates social capital to create value

for both user firms and agency consultants or temps. Social capital is “the goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action” (Adler & Kwon, 2002: 17). The information technology sector is a context where a niche staffing agency is uniquely situated to create social capital for the user firm and its own IT professional workforce, due largely to the nature of the tasks being performed. IT tasks are almost always time-critical in nature, and user organizations are typically interested in fostering knowledge creation, yet simultaneously worried about accessing current IT skills and knowledge as well as protecting proprietary data. These concerns are much more salient in IT work than elsewhere, so the need for additional supportive mechanisms to facilitate organizational exchanges with pertinent actors in the external environment is particularly great.

The increase in knowledge intensity in our economy encourages a current trend toward “community” and “trust” as influences on organizational form (Adler, 2001). Adler sees trust as an important coordinating mechanism for extending or supporting the traditional choice of “market” or “hierarchy” in organizing work (Alchian & Demsetz, 1972; Coase, 1937; Ouchi, 1980; Williamson, 1975, 1985). As Adler states:

“Pure-spot market-relations between anonymous buyers and sellers is in reality rather unusual. Firms transact primarily with long-standing partners, and in the continuity of their relations, shared norms and understandings emerge that have their own efficacy in shaping interactions” (Adler, 2001: 217).

Trust generated in the course of intermittent interactions over time with both users and IT workers allows the niche agency to develop a sense of community with both. Among IT workers, this may be based on the notion of ‘shared destiny,’ where boom and bust cycles in IT spending by firms encourages maximum information sharing between the two supply-side partners (the agency and IT professionals). With client firms, the basis for trust and community building is more likely to stem from personal relationships established over time between individual agency staff and line managers at client firms who gradually develop confidence in the agency’s IT and staffing expertise. In the course of these interactions, trust is also engendered as the client comes to believe that the agency’s motivations, while instrumental, are not so market driven that it will focus on short-term placements at the expense of a longer-term relationship. For the niche IT agency, long-term relationships with a given client allow it to increase both the quality of service provided and the range of employment options made available to the client.

Following the arguments advanced by Adler and Kwon (2002), the ultimate value of the social capital that an IT agency can create for its clients and consultants or temps is influenced not only by task contingencies facing the client firm, but also through its source determinants. Source determinants of social capital include the agency’s opportunity to create social ties with multiple

actors in both arenas, its obviously instrumental motivation for doing so, and its unique ability to link the two parties together. The agency is in fact in an excellent position to facilitate development of social capital within the IT community. From an opportunity standpoint, the agency acts as a clearinghouse or meeting place to bring the user organization and the IT employee together – who might not otherwise meet up but for the efforts of the agency. Agency staff seek out and develop ongoing personal as well as professional relationships with members of the business community, to learn about general organizational difficulties in implementing IT innovations. The obvious long-run motivation for the agency in developing such relations is the profit-making motive, but the ability to make such profits is based upon the agency's performance in facilitating the linkage between the user and the employee.

Much of an agency's success in this role is dependent on the reputation the agency gains via specific placements over time, with a particular firm, as repeated interactions develop trust that the agency not only has highly developed knowledge of the IT labor market but is also not overly market-driven or opportunistic in the staffing recommendations it makes to user firms. Similarly, in its intermittent yet ongoing relationships with IT workers who are interested in placements, the agency is able to develop shared norms about things such as performance expectations and confidentiality issues in the treatment of client data. In our case study, we found that these social relationships are indeed an important determining factor in the agency's ability to attract clients and employees, as well as to provide social capital creation to these two parties.

DISCUSSION

All organizations have IT requirements, and their choice whether to staff this particular function primarily with core or contingent workers is based not only on the theoretical prescriptions of strategic management, but also on an awareness of what makes IT workers, particularly those who choose contingent forms of IT work, potentially more problematic to manage than core employees who have a more traditional psychological contract with the firm. And, if Lepak and Snell (1999) are correct that most organizations will find it beneficial to use multiple forms of contingency, IT staffing agencies would appear to be uniquely situated to assist their client organizations in selecting the functional complement of HR activities and services that address the specific needs and motives of different types of IT employees. It is in the selection and fine-tuning of HR functional services, with this target worker population in mind that allows the IT staffing agency to address the contextual difficulties of fitting IT workers of various skill levels and motivations into ongoing business operations, either temporarily or permanently.

An organization that establishes a collaborative partnership with a staffing agency has additional flexibility in transitioning project work to permanent, in-house status if the venture turns out to be successful. It is this flexibility in

selecting both initial and ongoing employment modes that staffing agencies can offer, as a staffing agency with subject matter expertise in the deployment of different types of IT workers will be in a better position to help the firm make these decisions. The IT staffing agency's past experience in using multiple employment modes, and adjusting them over time as the needs of the client change, distinguishes these firms from their clients, whose need to know about alternative forms of IT contingency is only intermittent.

IT staffing agencies can minimize the risk for users of leakage of private knowledge by articulating and disseminating IT industry norms regarding disclosure of sensitive client information. Agencies may also have developed written policies used expressly for these situations, in order to protect client organizations from leakage of proprietary information. In Consultis's situation, consultants said that they constantly worked with sensitive information in client companies. The consultants not only sign confidentiality agreements, but also recognize that being picked for future assignments by Consultis hinges on the consultants' integrity, professionalism, and ability to keep sensitive information confidential. Reputation is everything, according to the consultants.

One-stop shopping, plus the agency's network of external relationships with other providers of IT services (other agencies) and its closer connection with IT professionals (continual recruiting for IT workers, versus the occasional recruitment by user firms who only have occasional needs) give agencies a major advantage on the supply side. The social capital aspect that adds value to agency intermediation here is based on a larger number of contacts with IT workers in the labor market via ongoing recruitment, and the trust a user firm develops over time working with a given agency that whatever their needs may be, the agency has a wide enough net to draw upon that it will be able to address either long-or short term needs both efficiently and effectively.

The agency has its own strong instrumental motives to seek out social relationships with potential clients/users in the business community. In addition to cold-call sales prospecting at potential user firms, niche agency staff may join the local chamber of commerce, seek out memberships in local associations of Human Resource practitioners (e.g. local SHRM chapters), and other venues where they are likely to make general social contacts that could ultimately bear fruit in generating new business, or referrals thereof. Similarly, IT agency staff seek out venues such as professional meetings in information system disciplines, IT industry association or trade group meetings, workshops and so forth, where they will be able to keep up this current trends in technology and at the same time get to know prospective recruits in a non-business setting. The agency can also expect that the higher-end IT workers who are active in such venues will have their own well-developed social networks of other IT professionals (Kunda et al., 2002), but will nonetheless find it convenient to let the agency deal with the bureaucratic niceties of establishing and maintaining an employment relationship with multiple user firms. In effect, the agency takes on the role of human resource specialist for user IT project staffing, making sure these highly

sought-after professionals do not need to spend their own time looking for the next IT project, or self-managing the matching-up process. The market power that these IT professionals enjoy allows free-reign for them as a group to pursue more idiosyncratic, individualistically determined career goals, which may or may not include the desire to work closely with others for extended periods of time.

IMPLICATIONS AND RECOMMENDATIONS

Our case study findings suggest a number of practical implications for managers evaluating their options for IT staffing. First and foremost, there would seem to be substantial advantages to retaining the services of a niche IT staffing agency, as opposed to relying extensively on Internet job boards or national staffing firms to find qualified IT professionals. The niche agency's primary focus is on providing functional flexibility to its clients through evaluating and assessing the precise nature of the technical skill requirements for a given IT project. While the niche agency can also provide numerical flexibility, its true value above and beyond that of national generalist firms such as Manpower is in the attention to skill specification and organization-level issues of consultant/IT professional fit with the firm's culture and existing state of IT competence.

An organization that decides to retain a niche IT agency may be well advised to seek out a firm with a client base in a number of different industries and no major single client regardless of primary industry affiliation. The agency's ability to diagnose a given firm's IT needs improves with its range of experience across industry settings, and awareness of alternative ways to organize IT work. It is not as clear that variance in the size of organizations in an agency's client base is important, because IT projects tend to have organization-wide implications that must be addressed regardless.

The case results also support the value of developing strong relational ties to a given niche agency, rather than simply seeking out the lowest markup available (typically to be found at large national agencies). The contractors that a niche agency sends to client firms do indeed serve as the 'eyes and ears' of their agency employer, assisting them in developing a better understanding of a given organization's context. The consultant brings outside expertise to bear on the client firm's immediate problems, but their experience in solving such problems in a host of other firms gives them an industry-wide perspective, allowing them to spot applications of 'best practices' that the client firm has not even thought of. Relaying this information to their agencies, consultants help the agency learn more about a specific client's IT needs. In sum, the external consultant's participant-observer role in client firm IT development allows them to give their agencies highly relevant feedback on possible future client projects. The niche agency's focus on developing long-term relationships to generate ongoing business with a given client dampens the market maximizing behavior in individual transactions that characterizes firms without this perspective.

With respect to the use of Internet job boards for IT staffing, our results suggest that their use may be sufficient, if the organization has a clear

understanding of the IT skills it needs, and the capability of screening and verifying candidate qualifications. For higher-end needs, the chances are much better that a niche IT agency will already have identified the most qualified regional candidates, and be aware of their current availability. IT professionals use the Internet heavily, but it is unfortunately also used heavily by just about everybody. This lack of exclusivity means the organization is likely to be faced with a high volume of potential recruits, and no control over applicant quality. The niche agency's 'A' list of pre-qualified candidates is always searched first, allowing it to quickly narrow the search to those the agency is certain actually have the technical qualifications needed by the client.

In terms of value-added services beyond those available to Internet users, the niche agency also has the capability of determining candidate fit at two levels—its recruiters screen for consultant technical qualifications, while account executives work with the client firm to focus on consultant-organization-project fit, negotiating terms for individual consultants that take account of IT labor market realities (the 'going rate' for specific skill sets) as well as the client firm's IT project specifications. On complex projects with internal relational concerns regarding communication flows, the niche agency is also prepared to go to a second level of consultant testing, not just for technical competence, but for personality and temperament fit that can impact consultant effectiveness in a particular client firm context.

While there appear to be many reasons why an organization should consider using a niche agency to help in IT staffing, there would also appear to be several implications for the HR department of an organization that decides to do so. First, it appears that the HR department might optimally play a subordinate or partnering role in the staffing process for these workers. This is not to say that the client firm should cut HR completely out of all aspects of the decision, allowing line managers to go through the organization's purchasing department to hire contingent staff at will. But the client firm's HR department is best positioned to assess the level of in-house IT staff competence, not the availability and currency of skills available in the external IT labor market. Unless the client firm is very large, or has otherwise developed an in-house capacity to do technical skills testing, it would be better off outsourcing these tasks to an agency that has developed expertise in administering and interpreting "well over 100" separate skill tests designed or selected to the battery specifically for their content relevance to IT occupations. The agency staff also needs to be able to help the client specify the subset of these technical skills that are relevant to a given placement, and add to the list any organizational culture or potential project roadblock criteria that might also need to be addressed via additional candidate assessment (of personality, temperament, team skills, etc.). If the organization's HR staff has any doubts about their ability to assess in-house IT staff competence, it would be great for future quantitative comparison/data analytic purposes, to avail themselves of the IT staffing agency's testing services, an easy 'best practice' for them to offer

clients. Similarly, there are many potential points of synergy in the developing agency-client relationship for content validation of client-tailored predictor sets for technical skills, relevant organization fit traits, requisite team temperaments, etc.

Other potential roles for the client firm's HR department include establishing general policy guidelines on the use of contingent workers—articulating the organizational purposes and project circumstances for which they are to be sought out, and any limitations on the duration of assignments or types of tasks they should be retained to perform. There is also a role for the HR department in 'vendor management,' although we are not suggesting that HR should try to prevent niche firms from establishing relationships directly with hiring managers, as this is where their true value-added may lie. But the niche agency's focus is on the IT needs of the firm and the satisfaction of its consultants with their placements, so there is still a need for feedback on the performance of individual consultants. In this regard, it would seem that HR could focus on determining hiring manager satisfaction with both the individual consultant referred by an agency (his/her skill set, professionalism, etc.) and his/her ability to perform in the specific organizational context for which the consultant was hired. Inclusion of consultant performance metrics, like speed of project completion and quality of solutions supplied, can be included in 360 degree feedback assessments conducted at the conclusion of an IT project, and summary results shared with the agency. The inclusion of contractors in such performance assessment devices should focus on metrics that highlight their bridging and knowledge transfer functions, and on their ability to add value to the firm's overall IT capability.

We envision shared responsibility for vendor management, between the client firm's (corporate) HR staff who set policy, and the line or project managers who seek to hire contingent IT workers, as they (not HR) are the ones most capable of assessing project results and individual contributions to group output. Consultant performance measures on dimensions/metrics such as 'time to complete', and 'quality of solutions/ideas/services provided on projects' should be included in vendor appraisal feedback systems, and might very easily be appended to any existing 360 degree project feedback system already in use. In summary, the HR department does need to monitor the performance of the agency, but it needs to incorporate line manager feedback in this process.

As part of its shared role in vendor management, the HR Department also needs to pay attention to case (and literature-based) findings of a 'two-tier,' dual level of complexity in IT labor market supply characteristics: the needs and wants of low-end IT temps are largely dissimilar from those who choose contingent IT employment as a lifestyle. Most are displaced workers, looking for another 'permanent' home, and therefore the HR services the niche agency offers them should reflect this.

The 'best practice' IT agency is likely to provide at least minimal career counseling, based on its technical skills battery tests and knowledge of 'hot skills'

in demand by local employers. As they are researching this information to attract clients, it is also readily available for displaced IT jobseekers to use in guided self-assessment of skill gaps, presuming they intend to keep their technical skills current using agency training resources or other means (e.g. professional IT associations, trade shows). Meanwhile, displaced IT professionals have a responsibility (as they would in a firm) to seek out career coaching/counseling advice, as an additional service from their IT agency, if they are unsure about their own self-assessment or direction.

We find from our case, however, that the agency's role as job broker for IT professionals relieves it of much need for job search coaching among this population. The major labor market difficulties facing IT jobseekers are often local/regional in origin, and IT-specific cyclical industry economic conditions also must be absorbed from time to time (e.g., the Y 2K IT build-up and subsequent retrenchment in corporate IT spending). These shared experiences or shared fate are one of the sources of social capital created in the IT community, but facilitated for its clients and consultants by agency-initiated contacts. The dense urban geographic bases where IT agencies thrive can be a thicket of budgets and IT projects that a single consultant has no way of learning about. This suggests that local IT agencies in large urban areas or regional IT centers are highly useful social partners in their targeting of local industries in a hiring mode.

In most cases of displaced professionals, the technical skills match is not the problem; it is finding currently open positions in organizations with the financial ability and willingness to hire permanent IT staff. At least for a while, just using agency services expands the IT jobseeker's social network, hence opportunities for social capital formation. As a career exploration tool, temping is hard to beat for relevance and self-discovery. IT temps develop wider, though shallower, social networks, meeting lots of people, briefly. They find out for themselves if the 'fit' is good, both in terms of skills and culture. Both parties get a test-drive. The initial skills match is all the more critical where the individual needs to fit into an existing IT workflow with minimal disruption.

Nonetheless, the agency's role as a provider of readily available technical skills training is not to be overlooked as a truly important skill-enhancement tool for this rapidly changing industry. For IT professionals, the responsibility typically falls upon the individual to keep skills current. Those IT professionals who want, but are having difficulty finding, permanent work may want to avail themselves of the agency's training library. Agencies need to flag and track IT professionals who want permanent work in the local area, as they are the ones most likely in need of skills assessment or brush-ups.

Regarding implications for consultants themselves, it is clear that IT staffing agencies help freelance consultants smooth their income flows and fill holes in their work schedules by supplying them with information about current IT projects being undertaken by the staffing firm's clients. Their large metropolitan urban area/regional tech center orientation in which IT agencies prefer to operate gives them the opportunity to develop both working

relationships and social capital with local employers that may indeed bear future economic fruit for the consultant from time to time. Since the Vizcaino decision penalizing Microsoft for its use of contractors and temps, many organizations have shied away from independent contractors (Ellis, McGlashan, & Griggs, 2001). While IT consultants appear to relish use of multiple sources and social networks, these neo-cosmopolitans may well find agencies increasingly useful, if an increasing number of IT clients prefer to distance themselves from contractors legally via an agency intermediary or outside vendor.

Gouldner (1957; 1958) draws a distinction between the latent social roles or identities of cosmopolitans and locals. Our case study results suggests there is a distinct flourishing of what might be called 'neo-cosmopolitanism' among the free-agent IT professional community of consultants, be it in their virtual communities, the community they establish with multiple client firms, (however briefly or often), or the people inside the client firms that they meet as a result of the IT project assignment.

The people that consultants meet in client firms will be IT 'locals,' predominantly, but in major software or database installations, consultants may also interact with lots of non-IT employees of the client, or meet them socially/by happenstance in the break room over bagels. In any case, the consultants pick up valuable information about the culture of the firm, its 'way of doing IT' that they subsequently take with them on down the road. The IT consultant's portfolio consists of his/her experiential knowledge of software installation, development, whatever technical platform or knowledge base is called for on the project/in use at the client firm, etc.

Some of these neo-cosmopolitans despise the jobs/tasks they are asked to do on their assignments, seeing them as beneath their skill levels (which they often times are, in terms of technical IT skills). One of our case respondents was appalled that his client wanted him to patch a legacy system. What they seem to relish is the excitement of a new gig, a new project, a new environment. The challenge of project work seems to stimulate IT workers. Many free-agent upper end temps have chosen their career paths specifically to avoid organizational entanglements. They may view internal IT units with bemusement, or sympathy.

What client firms have to really gain from these agency consultants (and often fail to harvest) is their inter-firm best practice tacit knowledge, gained through IT consulting at a number of other major client firms. It would be quite interesting to see any feedback the consultant provides his/her agency regarding potential future needs/project extensions for the client.

Other possibly missed opportunities for feedback to the agency that could increase agency effectiveness in matching client needs in future would be information to the technical recruiters about the 'success' of the matches they make. Surely the agency will also want to 'rate' its consultant database, the 'A' list and classify it in terms of peculiarly boundary-spanning IT competencies, such as 'ability to work with internal IT locals,' or willingness to work with non-IT

professionals. These might come up in the job/project specification discussion between account managers and hiring managers. Does the project really require a team player, or can a maverick fit in? If these things are important to the client, the agency is clearly able to provide the information necessary to make sure the fit will be optimal for the intended use.

Returning to the neo-cosmopolitan IT identity we outline above, our case transcripts reveal that agency management style suits consultant neo-cosmopolitans well—it is laid back, participative, self-directed, hip. The agency folks align themselves with the IT profession through reference group orientation around the same professional IT associations to which their consultants belong. They speak the same language, in a meaningful way.

One word of caution for the vertical dimension IT 'locals,' (who are, by and large, also displaced technical professionals): those who rely on agencies to find another permanent job may find career transitioning to a permanent job in another client firm will take some time, though it could happen on the first/very next assignment, which makes the use of the agency if one wants to remain in the local area make so much sense. Nonetheless, the displaced technical professional needs to be proactive in getting the agency to share its knowledge of the skills in demand and local labor market conditions. Presumably, the agency's desire to stay in touch makes this exchange a given for any 'A' list consultant.

Part of the shared norm of the IT cosmopolitan community is that it rolls with the punches IT can deliver, riding the bucking bronco of ever-changing technology. It is not forever that IT customers will put off new purchases, but Linux could change the world tomorrow.

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