

Understanding and Addressing ASO Attrition Factors

The alternative staffing model has been adopted by dozens of organizations across the US who collectively place some 30,000 workers in competitive job assignments each year. Creating economic opportunity, advancing individuals with obstacles to employment, and sustainably meeting the workforce needs of local employers, the alternative staffing story has largely been one of success. Even with the difficult economic climate that has prevailed for most of the Alliance's existence, we have seen continued steady adoption of this enterprise approach to workforce development.

Yet even as the field of practice has grown, there has been attrition in the field. In an effort to understand more about the factors that have contributed to ASOs ceasing operations, the Alliance undertook an analysis to look more closely at practitioners that have exited the field in recent years, distinguish important variables that may have compromised these ventures and try to learn from their experiences. Specifically, we identified seven ASOs that have closed within the last few years and sought to interview individuals with detailed knowledge of the entities' operations and circumstances leading to their demise. The key factors that surfaced from our interviews are:

- Insufficient market research and planning
- Change of strategic priorities by the sponsor organization
- Weak management skills (sometimes resulting from management turnover)
- Excessive customer concentration

The seven ASOs interviewed were located in small to large markets across the country and diverse in their target populations, business tenure and the scale they were able to achieve. All operated as programs or subsidiaries of larger local nonprofit organizations. It is important to note that three of the seven ASOs were in business for at least seven years. Two ASOs had closed within a year or two of their launch, while two others had operated as long as

10 and 23 years. Peak annual fee revenues earned for the six ASOs with at least two years of business operations ranged from \$350,000 to \$2.2 million.

For each organization we primarily sought to understand their original vision and business plan, the source and amount of their startup capitalization, the arc of their sales volume and profitability, and the main challenges and factors that led them to close. Despite the difficulty in obtaining detailed financial information, in most cases we were able to gather useful insights about each ASO's life cycle. In our estimation, two of the ASOs that exited, and exited relatively early, were not viable from the outset based on the business model and goals they embraced and the market they intended to serve. The longest lived ASOs were both over-dependent on a single customer and struggled when that customer retrenched. In both cases their difficulties were compounded by the fact that management lacked the sales skills to replace the lost business. Still, business tenure of 10 years in one case, and 23 years in the other, is a very significant success.

The following table lists the four main attrition factors, along with steps your organization can take to mitigate these factors and ways the Alliance can help.

Attrition Factor	ASOs should:	The Alliance can:
<p>Insufficient market research and planning</p>	<ul style="list-style-type: none"> ▪ Be thorough in assessing feasibility, understanding cost structure and forecasting capital needs. ▪ Monitor the market to follow trends and identify new opportunities. 	<ul style="list-style-type: none"> ▪ Provide guidance to help ASOs analyze their local labor market. ▪ Provide realistic performance benchmarks based on ASO survey data.
<p>Change in sponsor organization’s strategic priorities</p>	<ul style="list-style-type: none"> ▪ Ensure your Board understands the realities of operating a successful staffing business (e.g., need for market identity, dynamic website, rapid response to customers). ▪ Get buy-in from Board members to help nurture business relationships and build referral networks. 	<ul style="list-style-type: none"> ▪ Publish information and provide resources relating to ASO best practices, including successful networking strategies.
<p>Weak management skills, sometimes resulting from management turnover</p>	<ul style="list-style-type: none"> ▪ Invest in training and cross-training and good management systems that support your staff’s success and ability to compete. ▪ Consider developing a Business Advisory Committee to generate leads and mentor staff. ▪ Develop a transition/succession plan. 	<ul style="list-style-type: none"> ▪ Provide professional development opportunities such as webinars and annual conference sessions. ▪ Provide information about sales and data management systems used by other ASOs.
<p>Excessive customer concentration</p>	<ul style="list-style-type: none"> ▪ Diversify your account portfolio. 	<ul style="list-style-type: none"> ▪ Learn and share information about other ASOs’ successful strategies to do this.