A Business Case For Outsourcing the Management of Your Contingent Workforce

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Making the Case for MSP Use

Preface

I am delighted to give this report my whole-hearted seal of approval! This in-depth analysis is the direct result of SIG members seeking to have a better understanding of the importance of choosing the right Managed Service Provider. We recently launched a study on VMS innovations to rave reviews...and of course, that begged the question, “How do we now go about choosing the right MSP?”

With the support of Jay Lash from Compass Rose Advisory, who is an expert in the world of workforce management, we were able to produce an in-depth study on the rationale for Outsourcing your non-employee workforce to a third party or MSP. Jay led our team of analysts on both the previous Innovations in Vendor Management Systems Technology study, and now A Business Case for Outsourcing Contingent Workforce Management. He worked with our sponsors and contributors tirelessly to pull this report together.

In addition to thanking Jay, I wish to recognize our title sponsor of the study, Geometric Results, Inc. (GRI), which is one of the world’s largest independent managed services (MSP) with $4 billion in managed contingent workforce spend. In addition, I would like to thank contributions from PRO Unlimited, Randstad Sourceright, Allegis Global Solutions, ManpowerGroup, and Kelly OCG. Without their support, this study would not have been possible. It is their insight, knowledge and contributions to the study that made this the piece it is today. We at SIG understand the importance of keeping our members up to speed with changes in the sourcing world, so as the contingent workforce continues to evolve, we will, in turn update these studies.

Last, but certainly not least, I want to thank Geoff Talbot for his insatiable curiosity that led to these reports, along with Sarah Holliman who spent super human effort in getting this report (along with all things SIG) into a state of perfection.

I hope you enjoy the study as much as I have! Keep bringing us your ideas, and we will keep bringing you the latest research and benchmarking on top-of-mind issues.

Dawn Tiura
President and CEO
Sourcing Industry Group
Outsourcing: An Ongoing Need

Foreword

Outsourcing as a strategic option for businesses (large and, increasingly, small) has been around for decades, and has fundamentally changed the way organizations approach both back-office and customer-facing services. The foundation of the practice remains the same as at its conception - transferring work to an external provider in order to have that work done more efficiently, more effectively, at a lower cost and/or at a higher quality, thus allowing the buyer organization to focus upon its core competencies. But in recent years the outsourcing space has expanded hugely (driven to a large extent by technological advances) to encompass almost every activity, process and function one could name, with the potential to effect genuine and wide-scale transformation of any enterprise willing to take that option.

Typically, the outsourcing proposition rests on the simple premise that organizations focused on one particular type of activity will do it better (in all senses of the word) than those whose focus is elsewhere. It is more appropriate, for example, for a provider whose core purpose is the provision of back-office accounting processes (or, more germane to this white paper, the recruitment and management of contingent labor) to invest in the best accounting talent and technology than it is for, say, a car manufacturer to do so: the latter should be focusing on the production of cars. Outsourcing allows that focus to remain intensive whilst reducing costs, especially in the area of technology: why should the carmaker invest regularly in the latest accounting or recruitment technology when that cost can be shifted to the outsourcing provider and then shared across multiple clients?

Of course, outsourcing is not something you “fire and forget”...the ongoing management and governance of contracts should be considered mission-critical, and organizations considering taking the outsourcing option must regard getting the right retained team in place as an unavoidable priority. The quality of the relationship between buyer and provider is immeasurably important to the eventual success of the agreement, and getting that right takes time and effort on both sides; indeed, much of the work done by Sourcing Industry Group and similar bodies focuses on the various aspects of that relationship from end-to-end, and rightly so, as getting it wrong simply isn’t an option. Nevertheless, compared with the time and effort – manifested, of course, on the bottom line – of keeping non-core activities in-house, outsourcing is, extremely frequently, by far the more sensible path to take.

It is partly for this reason that outsourcing continues to flourish despite constant and significant scornning from politicians and press looking for easy wins (by confusing, intentionally or otherwise, “outsourcing” with “offshoring.” Outsourcing does not necessarily mean the movement of work to other countries): the bottom line is the bottom line, and the outsourcing proposition remains as compelling today as ever – if not more so, considering the aforementioned technological
advantages of the model. It is certainly true that for one reason or another outsourcing isn't for everyone...or more importantly, for every process or category; however, it's also true that the vast majority of organizations now leverage the model in one way or another, considering it an indispensable weapon in the strategic armory. The next few pages will give some insight into one particular corner of that armory – one of the most dynamic areas of an extremely dynamic space – offering certain unique benefits; yet those specific benefits rest on the broader advantages provided by the outsourcing model itself, which though decades old continues to be more relevant and compelling by the day.

Jamie Liddell
Editor, Outsource
Objective

Building a Case

The objective of this report is to build a case for outsourcing the management of the contingent workforce to a third party Managed Services Provider. This whitepaper will discuss why and when it makes sense to outsource, when you know it is right for your organization and how to initiate the transformation. This report will serve as a guide for buyers who realize they need a centrally managed solution. If the organization already has a centrally managed solution, this can serve as a benchmarking tool that buyers can use to measure their program’s scope and quality of service and evaluate their model against the best in class Managed Services Provider Programs.

Executive Summary

The Contingent Workforce...is it Here to Stay?

Most sources will point out that 18-25% of the typical enterprise workforce is considered contingent. It is not uncommon for today’s enterprises to spend $500M to over a billion dollars in this category. With that kind of spend, a number of large staffing companies and dedicated providers have built service solutions that help their clients gain visibility, control and efficiency in managing this workforce. These solutions have been considered Workforce Management Solutions or Managed Services Programs (MSP). Over the past 20 years, organizations have increasingly outsourced the management of contingent labor to third party providers. Employment has traditionally been associated with the engagement of workers dedicated to their employer who consider their jobs as an extension of their lives. After World War II, this notion of employment for life with a single employer has been challenged. In the 1960s the rise of temporary work became a popular alternative to either career employment or self-employment. Often considered a means for economic support between jobs, these temporary assignments, which were initially relegated to low skilled positions, have steadily included higher skill levels up to and including executive roles. Seventy-five percent of contingent and independent workers have chosen their temporary assignments as their preferred work arrangements.

With the advent of new technology, global workforce options and a change in worker demographics, there are enough dynamics at play to start taking a serious look at strategic solutions. The contingent workforce model has endured—and even grown—through recessions and periods of both high and low unemployment. Sectors such as high tech, industrial manufacturing and financial services have also seen growth. It is a popular belief that in order to stay competitive and relevant in whatever field you occupy – embracing the contingent workforce as a critical part of a total workforce strategy is essential.
MSPs began developing in the mid-1990s just when temporary (temp) staffing began to expand beyond traditional industrial/clerical skills. Professional assignments in engineering and IT, paying 5-10 times what the average temp was seeing before, captured the attention of Financial and Procurement Managers. Seeking a centralized solution and leveraged savings, these managers pushed their providers for lower margins and improved efficiency. MSPs became commonplace in major enterprise organizations and in the early 2000s nearly 70% of the Fortune 500 had outsourced the management of temporary staffing to an MSP. Today, MSP providers are seeing an inflection point in their businesses, based in part on improvements made to the technology that automates tactical processes and functions (vendor management systems or VMS). Because of better VMS technology, a few companies that have outsourced this function are now considering bringing their programs back in-house. There are trade-offs, however. If a company uses a VMS alone, they often have to increase staff to complete the new work. And, there will be a lack of strategic program management. An MSP brings industry data, analytics, and thought leadership, all of which provide greater potential for savings through best practices.

At the same time, many smaller organizations and first-generation programs that depend on non-employee labor seek a service solution like an MSP to manage their VMS and staffing suppliers. This makes it easier to navigate the sometimes confusing landscape for companies trying to decide how they are going to bring their non-employee labor programs to the next level. If they are just starting out, they can find the necessary criteria against which to measure the solution that will be best for their organization.

This report will strive to give buyers the knowledge needed to make a well-founded decision. Based on research and data shared by leading MSP providers and the clients they serve, a solid business case for outsourcing will be made. If buyers fit that case, the report will guide them to the next step and help them determine the right solution for their organization. Regardless of a company’s choice this report is designed to bring workforce sourcing options to contingent labor management professionals wrestling with this decision.

Some Basic Definitions

**Managed Service Provider (MSP):** a company that takes on the outsourced responsibility for the contingent workforce management program at their client. The MSP generally handles order fulfillment, supplier management, reporting and tracking metrics, consolidated billing and program adoption/compliance.

**Spend Under Management:** the amount of billing that is invoiced by all suppliers for work performed during the year. This is a common measure of program size. Most MSPs consider their average spend under management to be between $50 and $100M per client, but large programs can exceed $1B. MSPs will sometimes not engage unless the spend levels are in excess of $20M. This is a soft floor, and
each program should be individually evaluated. Often, small programs will not realize large enough cost savings to justify the cost of the program.

**Statement of Work (SOW):** a work arrangement that is defined by a specific scope, timeline, milestones and deliverables. A statement of work document captures the work products and services under a contract or as part of a project. In an SOW arrangement, clients often pay by deliverable or milestone, but can also pay on an hourly basis. This is also referred to as services procurement since the SOW is only required when applied to indirect spend categories.

**Staffing Agency Services:** provided by temporary staffing agencies that recruit candidates for client assignments. Staffing agencies make up the majority of the supply chain for an MSP so the MSP is responsible for assuring that the right suppliers are vetted to cover the full scope of skills and assignments within their client. In most cases the agency workers are employees of the staffing agency, but typically without promise of continued employment beyond the current engagement. Generally speaking, agency workers fill staff augmentation assignments and not project deliverable based work.

**Payroll and Independent Contractor Engagement Firms:** part of the supply chain in a typical program. These firms are responsible for serving as the agency of record for client sourced workers, including freelancers, consultants, interns and SOW project workers that are not recruited by the staffing agencies. These firms are accountable for compliance and for determining whether a worker is a contractor or considered a self-employed individual that is not employed by the recruiting and staffing provider.

**Vendor Management System (VMS):** an internet-enabled contingent worker sourcing and billing application that automates the procurement to payment process. Although many companies will contract directly with the VMS provider, it is generally the responsibility of the MSP to select and hold the contract with the VMS. Features of a VMS typically cover: requisition, order creation and distribution, candidate submissions and evaluations, on- and off-boarding, time and expense keeping, consolidated billing and reporting and analytics.

**Contingent Workers:** those individuals engaged to perform work at a company that assumes no direct employment responsibility for the worker. Rather, a staffing agency or payroll firm employs the worker. These workers can be considered agency temps, consultants, freelancers or non-employees. This workforce is sometime referred to as the extended workforce or supplemental workforce, but for this paper they are generally referred to as Contingent Workers.

**Why Outsource?**

As mentioned in the foreword, there are many reasons a company lets a professional organization assume the responsibilities for a function that is non-core to the organization. Contingent Workforce Management is no exception. Perhaps the most important decision to make is to determine if there is a need to centrally manage this spend category.
When contingent labor is managed centrally, procurement has the chance to leverage their company’s spend for better pricing and standardized contracting with the staffing suppliers. This ultimately leads to better visibility into what is being paid for resources and, in addition to saving money, offers a more consistent vetting process. An often-overlooked benefit when this spend category is handled by one department or role, is compliance. With the changing laws and the different regulations that relate to these workers, it is easy for engagement managers to make some costly mistakes. Treating contingent workers like employees can lead to co-employment risks, for example, errors in overtime or holiday pay can lead to U.S. Department of Labor – Wage and Hour Division claims. Centralization does not eliminate those risks but if all activity in engaging these workers is handled in one place, at least control over the process of sourcing, selection, on- and off-boarding and payment can be monitored, and with the right level of expertise, many of these risks can be mitigated.

Once the category begins to reach spend levels in the multi-millions of dollars and hundreds of assignments/workers, it tends to reach a level of critical mass. This is where it requires more time and expertise than most commoditized categories. It is also a point where technology needs to be aligned to this category so payment and reporting can be automated. As a classic example of “procure to pay” solutions, a Vendor Management System (VMS) can drastically reduce the errors and the time required to accurately manage this category. If there is a need to centralize the management of the process and a need to automate those processes, then outsourcing to a Managed Service Provider begins to make sense and offer high value, so it should be a serious consideration.

Once a company has reached this stage, a business case can be made for outsourcing versus trying to continue to manage the contingent workforce in-house. There are a number of reasons and benefits that make up the business case to outsource. For those organizations that find themselves in this position, a few questions should be asked to help provide the rationale and gather support from various organizational stakeholders.

Questions to Ask Before you Outsource

- Do we know who our staffing suppliers are?
- Do we fully understand the legal and regulatory ramifications of managing our non-employee labor?
- Have we established standardized sets of job titles and classifications?
- Are we aware of industry trends and benchmarks and how those impact our business?
- Do we understand how to manage continuous improvement with regard to suppliers?
- Are we equipped to predict and address our changing company workforce needs?
- Are we able to acquire talent through multiple channels?
Do we know what we are spending on Contingent Labor?
Do we know where that spend is coming from and why?
What are their rates and are they competitive?
Are they W-2 employees of our staffing firms?
Are our staffing firms all signing the same contracts?
Have they been audited for compliance?

Even if all of these questions can be answered with some level of certainty, it is probably a good idea to find out what additional, and potentially substantial, value an MSP could provide for your company.

**The Business Case for Outsourcing to an MSP**

The top components of a business case that support outsourcing to an MSP include:

**Bandwidth and Resource Allocation** – most companies relegate a category manager to handle the sourcing and contracting of staffing agencies. As the needs increase and the value of their spend under management begins to exceed a sourcing professional’s comfort level, more administrative personnel are added to the function. In most cases these people handle this function along with other duties and are forced to prioritize the activities to strictly tactical tasks. Eventually, more and more duties fall into the hands of user managers who do not have the time or training to do anything more than select and start the contingent worker. This leads to cumbersome activity pushed to administrative staff and co-employment risks, invoicing errors and many other distractions.

When an MSP is engaged, the provider’s program office handles all activity. The determination whether to provide onsite staff to manage the program will be made based on program size and client need. Strong MSPs will collaborate with clients to determine the best mix of on-and off-site resources to support any given program. There will be dedicated staff, regardless of location, to manage the sourcing of workers, on- and off-boarding, issue resolution and all invoicing and payments. Often times, some administrative staff may transition to the MSP or be reallocated to another function. Each of these situations can lead to significant hard dollar savings.

**Expertise** – Most procurement organizations are not equipped to monitor all necessary employment law and regulatory matters concerning a contingent workforce. That is the job of Human Resources. On the other hand, HR rarely volunteers to get involved in the tactical activities of a contracted worker. As a result these concerns tend to fall through the cracks, or they are left to the engaging manager. When a manager who uses contingent labor has the ultimate responsibility for their non-employee workforce they naturally treat them like the rest of their workers.

The typical MSP commits experienced and trained staff to manage all elements of a program and constantly monitor the tactical activities of the workforce. These dedicated staff members are advised of best practices and new and changing laws, and can flex their team according to demand so the workforce is closely managed. They have access to technology that makes the
workforce completely transparent and can use this to spot problems before they become major issues. MSP personnel stay on top of the latest trends and influences so they can recommend changes in policies, procedures, suppliers and reporting. The MSP can provide valuable insight to the challenges and solutions that their client, in their singular experience, cannot with any sort of broad perspective.

Cost Savings – In addition to any resource allocation, the largest hard dollar saving comes in the form of reduced rates charged for the hourly work. In a self-managed program it is hard to find time to get involved in competitive rate analysis and negotiations. Managers do their best to approve rates but rarely have good data to benchmark rates. Establishing a rate card for suppliers to adhere to is a mammoth undertaking for enterprises that have a minimum of 200-300 different assignment classifications or job types. Since the workers are paid by the staffing agencies and the agencies charge their clients a marked up rate based on their various margin goals and overhead costs they all establish, rates can be as much as 50% different for the same worker coming from different agencies.

One of the first tasks an MSP takes on with a new program is to establish a competitive rate card. This usually has possible assignment types with a range of charge rates based on minimum levels of expertise and demand, up to a “not to exceed” rate for the most experienced in demand job category. It is the goal of the MSP to competitively bid each job and negotiate with the suppliers for every requirement they fill so the average falls on the low side of the rate range. This can bring an immediate first year saving of between 8% and 15% of their spend under management. In 95% of programs, the charge for the MSP’s services are assumed by the suppliers (see the section on Funding/Pricing), these fees can be built into the rates and neutralize the costs, making these programs virtually cost free. Since the suppliers gain efficiencies and lower the cost of sales, they are willing to reduce their fees because it costs less to do business with a well-managed MSP customer and they can improve their opportunities for increased volume. Most suppliers in an MSP report that their volume goes up because they get more requisitions to fill and it costs them less to get those requisitions.

Another source of savings is the total cost of ownership, where the process efficiencies reduce the overhead of such a program. Consider the time a manager has to spend sourcing and screening candidates. Consider also the manual processes used to track workers time and approve their time sheets. Now multiply these costs by the number of assignments and suppliers and the number of invoices the Accounts Payable department has to reconcile and pay. In the outsourced arrangement, the MSP handles all the activities like screening submittals, shortlisting candidates, conducting negotiations, on-boarding workers, collecting time sheets and consolidating invoices. In most cases an MSP client gets one invoice monthly (or bi-weekly) and has all the back-up data in their VMS to reconcile and make a single payment to the MSP who distributes payment to the supplier, reimbursing them for payroll already made to the workers. This efficiency alone can yield a significant cost savings.

Compliance and Governance –Contingent workers are either self-employed or employees of the
agencies that place them. As such they are subject to the laws that protect employees: wage and hour, discrimination, OSHA, ERISA, ACA and so much more. Those same requirements (and more) apply to the contingent workforce but a company’s human resources department rarely gets involved because the company is not the employer of record for non-employee workers. Depending on worker status, the responsibilities can fall to the suppliers (who are not supervising the work), the managers who supervise them, and the contracting department at the client. Companies need to be concerned about co-employment because there are instances where companies can be seen as joint employers of record. Worker misclassification can stem from policies and rules of engagement that are not created or applied properly. An MSP can support a client in reviewing policies to help ensure mitigation risks have been lessened. An important initial fix is making sure benefit plans are worded to avoid the perception that contingent workers are eligible for health Insurance, 401(k) or other benefits. Worker tenure should also be monitored so non-employee workers don’t begin to look and feel like employees.

In the outsourced model, all activities, responsibilities and tasks associated with managing the contingent workforce are handled by the MSP. From the first notice of an award, the MSP manages implementation, which includes communications, policy development and supplier vetting and contracting. Typically the MSP sets up a program office that becomes the central repository for these workers. The dedicated staff takes charge of the automated technology, preferably the VMS. They make sure requirements are filled within the determined service levels (SLAs) and communicate with the suppliers, workers and the managers. They will on-board, orient and dismiss workers through their supply chain. All reporting and notifications go through the program office. If there are issues with technology, the program office is the first-tier help desk. They are also the one-stop shop for policy interpretation and enforcement and the training of new managers.

In many cases, the MSP also has a shared-services operation to provide more regional support or deal with specific requirements. If a new location or acquisition is added to the program scope, the MSP takes responsibility for managing that change. If new elements of the service are added, like managing statement of work projects or a freelancer population, the MSP aligns the right resources to initiate that service and oversees it until it is fully incorporated into the program. Often, the MSP provides specialized consultants to advise their clients on how to improve the program or achieve better results from the workforce. This even includes the deployment of peer-level experts to participate in workforce planning with HR, so the optimum value is derived from this external group of workers.

By assuming accountability for the success of the program, a necessary management layer is created between the contingent workforce and the client using their talent. This provides a first line of defense to ensure compliance with legal requirements, governance of policies and regulation, and mitigation of risk. By trusting an MSP to support these efforts, clients are more able to focus on their core business.

**Supplier Management** – The single, most critical role of the MSP is the fulfillment of temporary resource requirements. When there is no MSP, most managers develop their own relationships with
suppliers based on their limited scope of experience. This can lead to relationships that will not always result in competitively-sourced candidates. Usually the staffing firms who have aggressive sales efforts become approved vendors, but this does not always yield the best supply base. In fact, most suppliers deliberately work around the procurement process and strive for direct unfiltered relationships with user managers. They often avoid the due diligence of the sourcing department’s vetting, which ultimately leads to an overabundance of suppliers all doing small bits of business. Many suppliers do not meet contract provisions once a contract is awarded. In addition, many supplier contracts do not meet the client’s terms and conditions.

When the MSP takes responsibility for a program, one of its first efforts is to vet all existing suppliers. One reason for this is to uncover and reveal all of the contingent workers on assignment. Another is to assess the supplier capabilities as it relates to the client demand. The vetting process includes adherence to formal workforce policies, insurance requirements, submittal rules and rate card compliance. These are all incorporated into a standard agreement, and in most cases the contract is between the supplier and the MSP. This gives the client freedom to have a much more objective view towards who is part of the new program and not vet providers just because of a prior relationship with engagement managers. Based on the results and performance of the suppliers, a future supply chain dynamic is formed that takes the best of the incumbent suppliers and adds new suppliers that fill in for the gaps in geographic or skills coverage. Suppliers get access to a scorecard that will be tracking their performance across the enterprise, and requisitions that match each supplier’s capabilities will be sent to them for fulfillment. This way they do not need to send account managers/salespeople to the client for new business—it automatically comes to them. The more sophisticated MSPs will arrange meetings with managers when they have new projects and help suppliers get focused and motivated to fill these new assignments.

"At Microsoft in the 2007 timeframe, through a number of insights, we realized we needed more structure, financial control and risk mitigation oversight into our contingent workforce. It quickly became apparent that the program management (service) and technology required to provide this was not a core competency of Microsoft. Similarly, MSP services were already building critical mass in the industry, with the structural elements to support a robust managed program (supply base management, market and data analytics, operational support, and financial controls, for example) already in place. So it really was not a difficult decision to outsource our contingent labor program to third party MSP and VMS providers. This was achieved through a very prescriptive Procurement led strategic sourcing exercise following by internal retention of overall program oversight and accountability while partnering closely with our external providers."

Duff Hall, Former Category Manager at Microsoft

Most mature MSPs will hold contracts with 2,000-3,500 staffing firms. Sometimes first and second tiers are established so specialized providers can handle niche skills if the first tier is unsuccessful in filling a requirement in the defined timeframe. In addition to staffing agencies, the MSP can also provide background screening firms, payroll companies, diversity firms and independent contractor
compliance firms that engage qualified ICs (1099s). As we will discuss later in the report this can also include specialized project deliverables and solutions firms working on a Statement of Work (SOW). In any event, the MSP becomes the one place for all suppliers to report to, saving the client a huge distraction and responsibility.

How Do You Move Forward?

Once an organization has determined that there is a benefit to outsourcing this category, it is best to assemble a cross-functional team of stakeholders and begin to build the business case. This team can be led by Procurement but should also include representation from Legal, Finance, HR and the business, which includes major users like Manufacturing or IT. The team’s primary function is to define the requirements and detail the desired outcomes from such a transformation. If the organization has outsourced other functions such as Accounts Payable, Facilities Management, IT or Payroll, it would also be a benefit to include leaders from those initiatives to help understand the dynamics of change management and to anticipate areas of both support and resistance.

The typical business case will incorporate the financial impact and cultural factors that are going to be addressed. Using the benefits in the section above will serve as a guideline for compiling the data and categories of business impact.

Calculating how much time and distraction goes into the current state of managing this workforce makes up the soft dollar costs. The hard dollar costs come from the actual rates charged by suppliers and the cost of resources to administer the staffing demands. That can be difficult if data has not been centralized or tracked. Start by looking in Accounts Payable and researching the suppliers used. Compare the rates charged for various assignments of a similar job type. Then try to calculate the time a manager spends screening and starting their workers. At the very least this will give some idea of how much is spent on Contingent Workers and help show stakeholders that it is worth their attention to consider transformation.

Culturally there are other important factors to evaluate. What would be the impact on the existing resources if they are no longer required to handle the activities of this workforce? This can include admins in Procurement, engagement managers’ support staff and those who may be dedicated to various aspects of the management of non-employees (badging, legal claims, invoice reconciliation etc.). Next, consider the risks involved and if user managers can be relied upon to manage risk. This can also represent a costfactor. The risk of co-employment is what most companies consider first but it isn’t limited to that. There is the risk of misclassification if workers are not all W-2 employees of the staffing agencies. If workers have access to systems and facilities, there are liabilities that need to be managed. In many companies the agency workers are also provided access to intellectual property, but contracts may not adequately

"When transitioning a program from internal management to a third party MSP it is important to consider potential suppliers against cultural fit. Which suppliers are telling you what you want to hear versus really pushing you to think about the direction you want your program to go...."  

Contingent Workforce Director  
Fortune 200 Financial Services Company
cover the risk of them going from one company to a competitive company using information or proprietary knowledge from their assignments. Contracts and non-disclosures need extra consideration if this is the case.

The format that a business case takes varies from company to company. It’s not the format that matters as much as the research revealed in a current state assessment and the alignment to the components of a managed program. It really boils down to this: if your contingent workforce spend under management can be considerable and the need for better management of this spend exists, who is going to manage it and do it well?

Another important dimension to help move the business case forward is executive sponsorship. Considering the extent of the change a centrally managed and outsourced program will cause, senior leadership will certainly face some objection from those with a close relationship to their favorite suppliers. These managers will face new work-streams and procedures that cast doubt on their practices and threaten their ability to complete their jobs as they have done in the past. Recognizing C-level executives that shares the interest in streamlining the processes and offers visibility to this category of spend is not difficult…but translating those benefits to their staff may be. Usually a CPO or CEO will see the benefits to the company as a whole. CTOs may become defensive because they might expect that a new system (the VMS) will need to integrate with the existing systems and feel the workload is going to take their roadmap off course. HR executives may feel similarly but should also recognize how the current state offers too much risk and too little visibility or control. Corporate attorneys should also be a part of the assessment team and could be the voice to the C-suite. Their role is expected as often times they see the contracts being ignored or modified. Risks begin to pile up as more non-employees are part of the total workforce mix. Before the final team of executives is assembled, the executive sponsor must agree to be the chief communicator. It will be their voice that drives the change and they will face the tough questions from the business.

The Managed Services Solution Models

As the internal assessment reveals itself, many unique requirements begin to unfold and it is clear a single solution cannot be applied to every company. The providers of this outsourced solution have learned over the years that while every company may have similar demands, each company has specific challenges that require customized solutions. Thus the providers have evolved to offer different models with varying options to make each program unique in its own way.

One of the first decision points comes in the selection of the MSP provider. Many of today’s leading MSPs were born from a requirement for the staffing firms (especially the largest providers) to automate and streamline the invoicing and fulfillment processes. As such, the solutions that first entered the market were owned by staffing firms. By moving the staffing operation onsite, program teams dedicated to one account provided a better service to the engaging managers and allowed the client resources to step away from the day-to-day management of the resources. This was called a “Vendor on Premise” model. The staffing company had the first shot at filling open requirements but added suppliers to the mix in areas outside of their expertise. Over time new solutions evolved
from the technology providers (VMS). These focused on automated processes but addressed fulfillment through a diverse and competitive supply chain. Since these requirements for cooperation with the competition emerged, more and more solutions came available from providers that had no affiliation with staffing firms. This became known as a Vendor-neutral solution. In that case all staffing providers were given an equal chance to fill requirements. This solution demanded technology to manage the candidates’ submittals, the complex consolidation of billing and payment and the reporting.

Today these options have settled into just a few basic alternatives for buyers to choose from, each with their own set of benefits and design elements:

**Vendor Neutral MSP** – These unaffiliated MSP providers have dedicated their resources to the service element and providers often work with the client to select the best technologies. They do not own, nor are they affiliated with VMS or staffing companies, so they do not require clients to use any one technology. Instead, they can create truly unique programs built around an individual client’s needs. As an example, Geometric Results Inc. (GRI) grew from the merger of the MSP departments from MSXI International and IQ Navigator.

**Vendor Neutral with affiliated VMS technology** – This is where the provider has no relation to the staffing firms in the supply chain, but provides a single company-owned VMS technology option that becomes the sole provider for all centralized and automated solutions. For example, PRO Unlimited was one of the first full-service providers and today offers a full suite of technology along with onsite and shared services to support a total outsourced solution.

**Staffing Firm MSP** – Some of the earliest MSP providers came from larger staffing firms. These firm’s models have evolved as well. They are affiliated with a staffing entity; they have also built a culture separate from the parent companies. They use a technology to build a competitive, level playing field and strive for transparency through their work with their robust supply chain. Kelly Services’ OCG, Allegis Groups’ Allegis Global Solutions, Manpower Group’s Tapfin and Randstad’s Sourcright, all represent the largest staffing providers that operate separate divisions for their staffing solutions.

Each of these models has a variety of options that also require selection decisions which can be modified to serve every type of client company. For example, a staffing firm MSP can operate with a limited supply chain for the industrial demands but organize a complete vendor-neutral set-up to serve IT. A vendor neutral MSP may recommend a similar master vendor model for a remote location processing center but deploy an offsite regional center for field locations. Here are some popular options offered by most MSPs:

**Onsite and offsite support** – An economical operating model limits the number of onsite locations. This usually means services to the client are provided through their regional
service delivery centers. This is particularly relevant where the company has too many locations to place resources at each one. MSPs have established these shared service locations where accounting, recruiting, supplier management and analytics are housed, and they support numerous clients.

**Master Vendor** – Some demands for low skill or like skill workers can be better served by leveraging all spend with one supplier. This is beneficial because these workers may require a more labor-intensive operation. This can be due to frequent on-boarding, high turnover or seasonal fluctuations. These demands may make it cost prohibitive to seek options from multiple competing providers. This model can be combined with other models where competition and high skills are required.

**Direct Sourcing** – A new option for clients, who need centralization and service support but prefer to take advantage of a new breed of independent workers, may choose to add a direct sourcing option. This is where the MSP facilitates the use of curated talent pools from the client and allows these workers to be vetted by the MSP but selected directly by the user managers. This may also include the use of internet based online marketplaces that function like a supplier (more detail in the Future Vision section). In these models, the MSP can also function as the employer of record (or “payroller”) and the agency of record (for independent contractors and freelancers), or choose a supplier to cover those engagement arrangements.

**Total Talent** – Also new and gaining popularity is the option to have the MSP combine with either the Recruitment Process Outsourcing (RPO) or the Services Procurement functionality or both. This is common in global operations and can be an extreme solution where talent acquisition is a top priority for the client and their internal expertise in this area is weak or decidedly non-core. This is likely to be an evolved option after maturity of a program reaches the point of total acceptance of the provider and their performance has proven more effective than the internal options.

The biggest driving factor in deciding which operating model and options would work for a company is the scope of workers to be included in the program. This is covered in more detail in the section on Program Scope.

**Consulting Support**

Most MSPs today have realized that with all the options and the complex demands that go along with the large Contingent Workforce Program, clients need consulting support to make the decisions needed to get a program up and running. As a result every provider engages subject matter experts to consult with clients on designing a program, implementing their chosen solution and providing ongoing services for program refinement and growth.

The initial demand for support comes pre-sale. In fact it is wise to include MSP provider consultants before initiating an RFP. This includes the current state assessment and discovery done while building
the business case. These MSP experts know what to look for and where to identify the critical factors in program design. Before a centralized program and a VMS are implemented, it is difficult to really know what the spend under management will be, where it is located and where the program can go. Even when a company has a VMS and an internally managed program, there are opportunities to lower costs, improve service delivery and make improvements to the user’s experience.

During the implementation of a program, the MSP can deploy a Project Manager to oversee and drive the deployment of this transformation. This project can also include the evaluation and selection of the VMS if that has not been implemented. The MSP can be a valuable partner when meeting with the VMS because there are numerous decisions to make regarding configuration and integration. The VMS tools today have tremendous flexibility and the choices can be overwhelming: what features to turn on or off, what the branding looks like, who assumes the various roles, what policies and business rules need to be programmed into the system and what reporting is available to which users? Although some business leaders have consulting relationships outside of the Contingent Workforce industry and prefer to engage these trusted advisors, it is still recommended that the MSP providers get involved early in the process so they benefit from discovery and understand what change management issues they might face. A large consulting firm rarely offers the granular support needed for setting up a workforce program.

The most important and most distinguishing differences between providers comes in how consulting is delivered over the long term. It isn’t always enough to communicate with the dedicated program staff. Sometimes there is a need for legal or best practice guidance that requires specialized expertise. Since the MSP is ultimately accountable for any outcomes (good or bad), they are as interested in program improvements as their clients. A program maturity methodology that a few providers offer can help when it comes to the growth, expansion and user adoption. Some providers depend on analytics that are drawn from the VMS data and interpreted by experts at the MSP. An ongoing requirement is to keep an accurate and competitive rate card—and most MSP providers have the knowledge to review rate data and prepare labor market analysis. This can yield rate adjustments, Service Level (SLAs) and key performance (KPI) modifications. A popular time to review these details is during a Quarterly Business Review. At those times, the Program Office depends on their corporate or regional leadership to communicate the solutions or changes required. A client should expect this service and the MSP knows that.

One last note on the consulting services provided by an MSP: as you might expect, the larger providers have recently been separating their consulting services from their operations to present a more objective, external view of the client’s contingent workforce needs. Taking advantage of those resources, especially if that expertise is not available in-house, is well advised. Their experience dealing with many clients offers a great means to benchmark or compare solutions to be deployed. They will have references from similar companies and probably have detailed guidebooks and whitepapers to share on the variety of subjects. Over the years programs need supplier optimization and policy modifications to respond to new regulations or demands. The technology will have enhancements and will undoubtedly require integrations with new client systems. A program should
grow and offer different services that can be phased into scope. A company does not have to go it alone as the MSP expects to be involved and should be keeping their client moving forward and not becoming complacent.

Program Scope

As mentioned a few times in this report, one of the most important considerations when selecting an MSP or VMS provider is a solution design and the model options are the scope of what work groups will be in the program. Most commonly the initial implementation will focus on the incumbent staff augmentation or staffing agency workers. This is the most obvious and well defined group and usually resides in Industrial, Clerical, Administrative, IT and Engineering. Some large groups like the Call Centers or Processing Centers can also be included in this group but because they may benefit from a different model like a VOP or Master Vendor, they might want to be deferred for a future roll-out phase. Based on the other categories that the client wants to include in their program, selection should not only be determined by the initial roll-out but a phased approach that covers the first two to three years of the program’s life. Future categories to consider would be:

- **Payroll and Independent Contractors** – those sourced by the client with no agency recruiting
- **Statement of Work Projects** – worker assigned through Solutions providers where the project is paid based on a deliverable or milestones achieved and not by hours worked
- **Freelancers** – those independent workers engaged for small bits of work and often paid by the piece or completed unit of work
- **International** – work performed in countries outside of the U.S. where regulations, currency, language and cultures require unique solutions that differ from the U.S.
- **Outsourced but Onsite Workers** – large programs that incorporate workers assigned by an outsource provider like offshore developers or data centers
- **Total Talent** – where the acquisition of all talent is initiated and sourced through the MSP and tracked in the VMS. In this case workers filling full time direct employment positions are transitioned to the client HRIS and the Personnel Department for management

With the chance to grow a program to achieve all of these categories, the initial selection of an MSP and program design should consider all future categories. Knowing that upfront would be helpful but not mandatory. More commonly, the MSP will help design a phased approach incorporating the most visible groups and the greatest spend under management in the shortest reasonable timeframe.
Statement of Work

Just a note on SOW: although including this spend category is a common goal of most companies that transform their contingent workforce programs, there are unique requirements for this category of workers that make its implementation more complex. First, the VMS providers handle SOW workers differently. Some only provide resource tracking. Others provide a complete sourcing and contract lifecycle management feature. Still others use a separate module to handle it. The MSP also has different levels of service for this category. The more mature providers actually staff their operation like a Project Management Office (PMO) where experienced procurement professionals know how to source and negotiate projects and write effective SOWs. Some less mature offerings rely on the VMS to handle the worker tracking and final billing but expect the user manager to handle everything else.

It is important to consider the resources assigned under an SOW—especially in high-level skill sets—because SOWs are a way to “hide” workers and project solution providers outside of a contingent workforce program. Many companies make SOW workers exempt from tenure policies and other contingent workforce guidelines. Some consider this group too important to mandate the compliance to program policies for fear they can lose these workers if they are required to follow the more strict provisions of a managed program.

When the MSP does their initial assessment and current state analysis they can usually spot where these “hidden” workers are. This will also reveal who the solutions providers are. One telltale indication of a potential problem is when the solutions provider is also a supplier in the more common contingent workforce categories doing work that is considered staff augmentation. It is worth the extra due diligence to dig deeper into these projects and see if they are actually working on staff augmentation assignments. It is common for independent contractors, consultants and SOW workers to make up the biggest share of rogue spend in a program. However, if rogue spend grows, there are issues below the surface that drive behavior as well as issues in the way the MSP structured this group for inclusion. With the proper policies, governance and system functionality this category should benefit as much as the staffing agency category.

Change Management

Some organizations embrace change and look forward to innovative approaches that will improve their productivity and make their jobs more effective. These tend to be younger less established companies born in the digital age who expect new solutions rather than fear them. Other enterprise organizations tend to resist changes to the way they have grown comfortable doing business. For those companies it is best to have a plan for change management that includes well thought out communications including a directive from executive leadership.
Hiring managers often find it easier to embrace change when they understand the reasons for a new program and what benefits they stand to gain. The implementation team works with client staff to tailor the communications plan to your specific audience, environment and messaging style. The intent is to supplement and strengthen what is already working within the organization.

At the front end of the implementation, it is best to get the major users involved in some form of stakeholder analysis – whether formal or informal – to identify early adopters and key resistors across the organizational spectrum. The extent to which consideration can be given to the needs of special or unique groups without compromising the overall objectives of the program can be a tremendous benefit to the program.

The development and delivery of a thorough training strategy with live and online tutorials help assure users of a positive experience. The collaborative ability of the MSP and the client organization to publicize success stories throughout the transition also provides proof that others in the organization have benefited from the new program.

Not to be left out of this change management plan are the workers and the supplier they work for. If the suppliers are included in the process, they tend to be more cooperative and provide invaluable support especially as it relates to the training and orientation of their workers. Centralizing these functions can be a major advantage for both the workers and suppliers but they need to be included in the process to really embrace it.

Clear communication throughout the organization, suppliers and workers about the rules of the program and the benefits associated with reining in non-compliant spend is essential. All users must understand the benefits that the MSP provides the company such as: visibility, spend control, risk mitigation and management efficiencies.

**Funding/Pricing**

As referenced earlier in the paper, a well-designed MSP implementation can be set up for a cost neutral transformation. Most MSPs do not charge for the implementation cycle which is commonly two-to-six months for an enterprise organization. The MSP is funded in 95% of the programs by the supply chain where the MSP fees are held back from the payment for the supplier’s approved invoices. This transaction fee generally represents a small percentage, which the suppliers are accustomed to absorbing in their rates, as the MSP programs lower the cost of doing business with a client. If the rate card is competitively assembled, it is likely that there will be no impact to the actual hourly rate charged by existing suppliers. Over time the new rate card begins to yield greater savings and better alignment between workers and the cost of a similar regular employee. The suppliers are usually paid within five days of the receipt of payment from the client. Payment terms vary but it is advised that 30-day terms be considered the benchmark because suppliers need to pay their workers at the end of a work cycle (weekly or bi-weekly).
Insourcing

Some of the most mature contingent workforce management programs have been in place long enough that they are already on their second or third version with different MSP providers or technologies. Some of the earliest adopters of these programs have had them in place for ten to even twenty years. These programs have evolved to an advanced human capital management solution that incorporates large refined supply chains, 98%+ capture rates and sophisticated technology integrations. It is not uncommon for organizations with highly-evolved MSP programs to consider bringing the functionality back in-house.

For a company to consider operating their own vendor management system and staffing a contingent workforce management office, there should be two primary elements of the organization’s situation: internal expertise and high user adoption/engagement.

A contingent workforce manager’s expertise generally incorporates diverse services procurement experience and human resources knowledge as it relates to non-employee management. If the manager has a well-trained and experienced staff, they can probably deal with the day-to-day issues of running an in-house program. It would be recommended that these resources are dedicated to this function and not try to combine functions with HR or other categories. They will need to attend conferences and webinars to stay up-to-date on regulations and new developments and also to keep their VMS evolving with the programs needs and changes. Remember, one customer only has so much leverage with a VMS provider. The MSP who runs upwards of 100 programs can exercise far more influence over the technology roadmap of a VMS.

If the users are comfortable with the program governance and are advocates of the solution in place, it is hard to rationalize the added cost of internal management. However in the largest programs, MSP fees can cost the organization millions of dollars, which—if insourced could run a good sized internal program office. If the managers are accustomed to self-service and the key governing members of the program—from departments like legal, finance and HR—are fully engaged, a program can be transitioned back in-house to save money and increase control over policies and supplier relationships. In the appendix we have included a Case Study on two companies from the same city that approached the management of their programs in opposite ways.

"Whether you decide to manage contingent labor internally or implement an MSP model, it is very important to understand how the ever-changing government regulations and fluidity of the marketplace will affect your program. When I was in procurement, I found that the best solution was to partner with a firm that could get in front of these changes, had the expertise to understand the short and long term impact these changes would have on my program, and the experience to implement and monitor necessary changes to my program to ensure governance and compliance while meeting the needs of the business."

- Jack Schink, President of Sandcastle Consulting and former Fortune 500 Procurement Executive
It is clear that companies who have embraced the use of a non-employee workforce favor the transformation to an outsourced MSP. Although many still feel they can manage this workforce adequately through their internal resources, all agree that the MSP model is worth consideration. Please consult the directory and Future Vision section of this report to read more on the subject and get a better understanding of the providers who have taken the time to share their insights on this report.

"External MSPs make a compelling pitch for supplying industry expertise, process, talent and tools for your contingent workforce needs. After all, they hang a shingle and ring the register around delivering that much-needed service. But ultimately, we chose to build our own internal MSP for two reasons: providing service is in our DNA. It’s what we do for our clients in providing intelligent technology solutions that make our clients’ businesses run smarter; and our talent is our product. We must ensure a top-notch experience for both our suppliers and our workers. Owning the relationships and the experience ensures that we can drive the best possible outcome."

Brooke Munier
CCWP, Director, Services Operations
Insight
Future Visions

No matter what seat you are in, if you have any experience with managing a workforce of non-employees you know this is a dynamic area with global, regulatory and competitive pressures. Innovations come slowly and get implemented even more slowly. Shifts in the services offered and the elements of those services seem to evolve rather than making any real sudden change. In order to provide the reader with some perspective on the changes ahead, we asked the sponsors to share their vision for the future and each had slightly different views.

Geometric Results, Inc. (GRI)

The global workforce landscape is changing rapidly, and work is being done in new and different ways. Full-time and temporary are no longer the two basic worker categories. Today’s workforce consists of growing numbers of independent consultants, freelancers, retirees, SOW-based resources, and payrollees, among others. To complicate the situation, talent is in high demand and workers are seeking greater control of their employment situations. As companies engage in this fierce competition to attract and retain the best resources, technology gives workers the ability to complete jobs in flexible, on-demand ways that weren’t available even a few years ago. All of these factors are pushing companies to develop new and creative ways to expand their methods for reaching and engaging talented workers.

To ensure success in this fast-moving, often unpredictable area, companies benefit from the experience of a seasoned partner that can provide industry insight, thought leadership, and strategic program planning. We see the future of the MSP industry moving toward total workforce management strategies, encompassing all sectors of labor to include MSP, RPO and BPO services managed by one provider. Clients have already begun to source for work instead of sourcing for a role. Contingent labor is being engaged through alternate channels, such as talent clouds and online staffing, so GRI has created solutions that provide clients a holistic option that extends beyond the basic staff augmentation labor category. GRI is focused on strengthening partnerships with a select group of RPO providers, allowing us to bring an expanded total workforce management offering to our clients. Through the development of a comprehensive BPO offering, GRI seeks to be the leader in total workforce solutions to provide our clients with unmatched program management across categories.

One major category we continue to lead is the management of SOW spend. Many companies spend a significant amount on SOW projects -- often four-to-ten times what is spent on contingent labor. Since SOW spend is typically managed within business units by program managers or by business unit leadership, procurement best practices are under-utilized or not even present. As a result, 80% of SOWs are not competitively bid; in approximately 50% of SOWs, there is a component of misclassified contingent labor. By managing SOW spend, GRI can help companies save a significant amount of money while avoiding risks from misclassification, now and into the future.

Non-employee labor provides increased flexibility to clients, and in many cases, offers particular expertise that can be sourced only through non-traditional channels. Those business needs -- coupled with the desire of
workers to have freedom when choosing their assignments, own their brand, and move from one interesting assignment to the next -- sets the stage for future growth. And GRI is already leading the way.

**Allegis Global Solutions**

The globalization movement is summiting and many maturing enterprise service buyers and providers are struggling to find and add incremental value from what has become a traditional delivery model, such as accessing more meaningful data, deploying true end-to-end process provision and driving down operating costs to a minimum. Add to this the ongoing challenge of implementing and maximizing globally accessible technology platforms based on common standards enabled by the cloud and our clients start to understand that we need a shift in thinking.

In the transitioning world economy that some call the ‘As-a-Service economy,’ everything that can become a platform will become a platform. The opportunity to develop a new way of thinking about how ‘work’ works and to move from workforce planning to workforce design (something that not many companies actually succeeded in) is where we see organizations creating the next competitive advantage.

Put simply, **we believe this means our industry needs to become talent and work advisors, as in “don’t just give me a job requisition to fill, let’s talk about the work that needs to be done, and let’s agree on the very best way to get that done, based on empirical data and analysis.”** We are on this journey of disruption and the starting point is what we are calling the Talent Acquisition Platform. We visualize a world where we build a platform that sits across the enterprise to capture all work requests and has a channel agnostic approach to finding the right talent to complete the work, regardless of where that talent resides. AGS’ total talent management programs reflect such a view, bringing the various pools of talent under the same management umbrella.

**KellyOCG**

The world of work is changing rapidly and to continue playing a leading role in the marketplace we need to ensure that we effectively balance the organizational necessities of our clients whilst enabling the freedom of choice that the new working population demands. The specific changes that we see are:

- The independent workforce will continue to grow as a percent of the overall working population
- Digital platforms will increasingly transform how employers attract the talent they need. These platforms will also completely change the paradigm of what ‘job hunting’ means
- Organizations will increasingly demand access to a more diverse workforce
- Migration will become a far more strategic issue as the age profile of the world’s working population changes
• **Job’s will be more regularly broken down as a series of ‘tasks’ – driving a far more agile expectation of the role of contingency workers**

• Organizations will increasingly look across their entire resourcing landscape. Decisions on what to ‘buy, build or borrow’ will be taken more holistically and the concept of Total Talent Management will become far more standard

KellyOCG has been the pioneer of Talent Supply Chain Management (TCSM) within the staffing industry. TSCM is the mechanism by which organizations can dependably access the right skills at the right time—and at a price that represents the best value for money to them. Our thinking goes way beyond what would traditionally form part of an MSP construct and our methodology is centered on six areas of good practice:

1. Resourcing strategy and planning
2. Shaping and managing demand
3. Commercial insight
4. Supply market
5. Processes, systems and governance
6. Business analytics

We know that TSCM can be mission critical to the success (or failure) of many organizations. By helping our clients to effectively address these six areas, in isolation or in combination (preferably) we can help to underpin their core business goals and, in turn, gain a clear competitive advantage. For all organizations, the flexible part of their workforce is increasingly important. It allows employers to be more agile when market demands fluctuate and offers employers specific knowledge when they need it for just the right amount of time required, thus avoiding the overhead of permanent employees.

**ManpowerGroup - TAPFIN**

There are two overarching trends impacting how employers are evaluating and adjusting their workforce strategies: regulatory and automation. From a legislative standpoint, we are seeing an increasing number of regulations that require employers to have visibility into both the permanent and contingent aspects of their workforce. As overtime regulations shift for employees, certain components of an organization’s workforce may become more cost-effective as contractors, or vice versa, but without insight into both sets of data, an organization isn’t able to make those decisions strategically. Tax policies and parity requirements are also examples of why workforce mix and compensation strategy need to be aligned within a business to ensure future conversion potential and ongoing cost efficiency. Having more insight into the market dynamics and regulations allows companies to more strategically plan the when, where and how of their hiring strategies.

While total talent management isn’t necessarily talked about enough, automation is getting a lot of air time these days. But in addition to the common discussion of how artificial intelligence (AI) might
impact or displace portions of our workforce, we need to plan ahead for when automation will shift the baseline for standard industry benchmarks and how the human aspect of the workforce will become the only way for organizations to develop and maintain competitive differentiation. As AI becomes more prevalent within the workforce, procurement and human resources organizations will need to elevate the strategic planning in how and where they will engage talent in order to support the differentiation and market position of the business. Who they hire and where those hires work, might mean the difference between their being number one or number two in the market.

Employers are increasingly seeking solutions and services that support both their human resources and procurement functions in the hiring of talent. This doesn’t simply mean the ability to source talent or support onboarding of employees and contractors, rather employers expect their workforce solutions partners to understand how the compensation for certain skills varies depending on their classification and where paid leave or overtime may provide an opportunity for unique sourcing strategies. The ability to track and apply market insights to an employer’s workforce data and objectives are becoming critical to ensure that our clients are in compliance with regulations while still achieving their key workforce objectives. The reality is that there is no singular Total Talent Management Solution that will meet the needs of every organization. What we offer is the ability to customize Total Talent Management for each of our clients. Because every employer has unique considerations, whether it has to hire a person in the middle of nowhere or needs to find someone who knows what can’t be taught, being able to provide custom insight and analysis is and will continue to be necessary in the evolution of strategic workforce consulting.

**PRO Unlimited**

It is important for organizations to be able to take a holistic view of their entire blended (full-time and contingent) workforce on a single dashboard in real time. As contingent workers represent a greater percentage of the overall company headcount, the ability to track the entire workforce has become extremely difficult. This “gap” also opens organizations up to a multitude of risks including, data security breaches, worker misclassification, compliance with company policies and/or local, national and international laws and general workforce management concerns.

Additionally, it severely limits the business’ ability to make informed decisions that affect profitability. According to the 2017 Workforce Compliance Report published by WorkMarket, the contracted labor population accounts for 20-60% of the workforce at half of the 200 companies surveyed. Yet, approximately 23% of the company leaders surveyed do not know how many contractors they have and approximately 20% do not have easy access to contractor data. Companies need to be able to quickly and easily understand the geographical location of their workers, what classification of workers they have and what level of access they have (to infrastructure, like buildings and IT systems). Without this information, an organization could be susceptible to multiple detrimental situations. In
order to help bridge this gap, organizations should consider taking three steps to ensure total talent workforce visibility:

**Step 1:** Partner with a Managed Services Provider (MSP). By partnering with an MSP and a Vendor Management System (VMS), companies are able to see clear budget breakdowns, and gain regular headcount reporting.

**Step 2:** Ensure the MSP has a strong compliance team. Their teams of experts work with suppliers to ensure candidates have the necessary compliance documents and audit each credential and certification prior to engagement.

**Step 3:** Challenge the MSP on analytics. Having access to data is not the same as using the data to drive actionable intelligence. PRO has deployed a Total Talent Solution to look at the holistic workforce (full-time employees and all non-employee types), which is providing meaningful business intelligence to clients.

Some leading-edge organizations are already utilizing this approach to great benefit. The war for talent is fierce and the list of financial and other risks for businesses continues to grow. Companies that elect to partner with an expert in this space will have a decided advantage knowing that they are effectively managing their workforce and mitigating risk.

**Randstad Sourceright**

Managing the Contingent Workforce (CW) is increasingly complicated and demanding. The diversification of flexible labor, talent’s growing preference for gig work and employers’ desire for greater agility all require more attention and resources. It’s no surprise that the percentage of workforce managers who spend at least half of their time on CW-related responsibilities has risen from 16% in 2004 to 67% in 2016, according to Staffing Industry Analysts.

Driving this change are several important global trends, including:

- **The impact of independent workers.** According to Randstad Sourceright’s 2017 Talent Trends Report, 70% of human capital leaders surveyed worldwide say freelancers are influencing their business. According to McKinsey, independents account for 20-30% of the working age population in the U.S. and EU-15.

- **Growing talent scarcity.** The challenges around finding high quality candidates are impacting both contingent and permanent hiring. The 2017 Talent Trends Report found that the No. 1 anticipated influence on the workforce is talent scarcity, cited by 42% of survey respondents; 29% also say they plan to better leverage contingent workers to overcome difficulties with hiring permanent talent.

- **Adoption of integrated talent management.** Because contingent talent is becoming more
strategic, organizations are adopting a holistic approach to talent. By eliminating silos that limit their ability to be agile, an integrated solution encompassing both the employee and contingent population optimizes throughput, costs and compliance.

How do these developments add complexity to your CW program, and how can you benefit rather than suffer from their proliferation? By turning to an outsourced solution, you gain access to world-class practices and expertise with minimal investment. A Managed Services Program (MSP) ensures:

- Program scalability to accommodate volume and geographic needs
- Significant cost savings through supply-chain optimization
- Process improvements and enhanced access to talent
- Strategic support for talent selection and deployment
- Greater workforce clarity using predictive analytics
- Compliance with internal and regulatory requirements and reduced risks

To achieve these benefits internally requires significant investments in headcount and expertise, not to mention the time required for implementation. In addition, continuous resources are needed to maintain current best practices and up-to-date technologies. Randstad Sourceright’s mission is to continuously deliver greater value so you don’t have to worry about keeping up with the dynamic CW landscape. Learn more about how you can accelerate your workforce strategies by downloading the Randstad Sourceright MSP Playbook. ([https://www.randstadsourceright.com/content/msp-playbook/](https://www.randstadsourceright.com/content/msp-playbook/))
Participating Company Profiles

Geometric Results, Inc. (GRI)

Parent Company: MSX International

Address:
500 Woodward Avenue, Suite 150
Detroit MI 48226

Website: www.geometricresultsinc.com


Geometric Results, Inc. (GRI) is the world’s largest independent managed services provider managing more than $4 billion in contingent workforce spend and operating with a conflict-free position with regard to staffing suppliers and VMS technologies. The company supports clients in more than 60 countries with creative, unbiased, and customized total workforce solutions that combine non-traditional talent sources with unrivaled expertise in services procurement.

Allegis Global Solutions (AGS)

Parent Company: Allegis Group

Address:
7312 Parkway Drive
Hanover, MD 21076

Phone: 410-579-3240

Website: https://www.allegisglobalsolutions.com/

Whitepaper Link: The challenges of globally outsourcing workforce management solutions

As your managed services provider (MSP) solutions partner, we have access to top-performing staffing suppliers who can contribute to a best-in-class supply chain. We activate the requisition process quickly and effectively through consultative intake sessions, a response evaluation scorecard and an effective judging and ranking process. By streamlining your contingent workforce management, Allegis Global Solutions (AGS) is able to reduce costs, support operational consistency and meet your exact needs.
Kelly Outsourcing and Consulting Group (KellyOCG)

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KellyOCG, the Outsourcing and Consulting Group of workforce solutions provider, Kelly Services, Inc., is the leading global advisor of talent supply chain strategies that enable companies to achieve their business goals by aligning talent strategy to business strategy. We recognize each client’s goals are unique to their business drivers. Whether your talent requirements are focused on speed, quality, compliance or cost, we apply supply chain management principles to help companies fully leverage talent across all categories: full-time employees, temporary employees, freelancers, independent contractors and service providers, as well as alternate sources of workers like retirees, alumni and online talent communities.

ManpowerGroup Solutions - TAPFIN

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TAPFIN delivers innovative workforce management solutions that address the wide range of workforce and vendor management challenges faced by virtually every company in today’s complex world of work. Our solutions consistently add value by delivering results that have a positive impact on workforce efficiency while reducing costs and mitigating risks. The latest paper from TAPFIN, inserted above, explores this need for more sophisticated analytics.
PRO Unlimited, Inc.

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Website: www.prounlimited.com

Whitepaper Link: http://prounlimited.com/resources-collateral/ebooks-white-papers/integrated-msp-vms/

PRO Unlimited, through its purely vendor-neutral Managed Service Provider (MSP) and Vendor Management System (VMS) solutions, helps organizations address the costs, risks and quality issues associated with managing a contingent workforce. A pioneer and innovator in the VMS and MSP space, PRO offers solutions e-procurement and management of contingent labor, 1099/contract employment risk management, and third-party payroll for client-sourced contract talent.

Randstad Sourceright

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Website: www.randstadSourceright.com

Whitepaper Link: http://insights.randstadSourceright.com/h/i/330890151-total-talent-msp-for-mid-sized-companies

Randstad Sourceright is a global integrated talent solutions leader, driving the talent acquisition and human capital management strategies of some of the world’s most successful employers. We help those companies discover and develop their “Human Intelligence Advantage” by quantifying the true impact of their talent strategies.

Our subject matter experts and thought leaders around the globe continuously build and evolve our approach and solutions across Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP), and integrated talent solutions.
Appendix A: Contributors

About Sourcing Industry Group (SIG)

SIG, www.sig.org is a membership organization that provides thought leadership and networking opportunities to executives in sourcing, procurement and outsourcing from Fortune 500 and Global 1000 companies and the advisors who serve them. SIG is widely known as a forum for sharing “next” practices and thought leadership through live networking events, virtual forums and a comprehensive online SIG resource center (SRC), which was developed by and for professionals in sourcing and outsourcing. The organization is unique in that it blends practitioners, service providers and advisory firms in a non-commercial environment. SIG is also the parent organization for SIG University, a one-of-a-kind certification and training program for professionals and executives seeking deep expertise in sourcing and governance for themselves or their teams, as well as Outsource, which provides unrivaled digital content for the opinion-formers and decision-makers at the heart of the outsourcing space.

About the Author

Jay Lash, Principal Consultant, Compass Rose Advisory

With over 40 years in Human Resources management and talent acquisition, Jay served as the lead analyst and primary author of this research report. He has been advising companies in the staffing industry and contingent workforce management since the earliest days of the Workforce Solutions: Managed Services Programs and Vendor Management Systems. In 1996 he helped Manpower Technical design an MSP for Honeywell, which served as a model for many future “vendor neutral,” multi-supplier, onsite programs. Since then he has designed over 120 large programs that have transformed companies’ use of non-employee workers. In addition to Manpower, he has held leadership positions with TAC Worldwide (now Advantage Resourcing), Allegis Group Services (now Allegis Global Solutions) and MBO Partners. He has consulted with major enterprise organizations like Hewlett Packard, Amazon, Microsoft, WellPoint/Anthem and Capital One.

Jay started his career in the hospitality field as a hotel manager and personnel union negotiator. He moved into Executive Search and had his own practice specializing in high-tech positions in the Boston area. He combined those experiences to serve as the Director of Human Resources for Sugarbush Resort in Vermont.

Today he leads Compass Rose Advisory; a professional advisory firm made up of industry professionals that come together to serve clients seeking a transformational approach to the way work gets done. His program designs are the result of alignment with the industry’s best providers with a goal of accessing talent using alternative work arrangements. This has helped companies save millions, improve the quality of their talent and be more competitive in their fields.
Questions Asked

Why Outsource?
1. What do you consider the primary rationale for outsourcing the management of the Contingent Workforce?
2. How does a company determine if an external MSP is right for them?
3. Do you ever refuse to bid on an MSP? What are the circumstances?
4. Have you established a minimum requirement for a customer to qualify as a prospect for your service (spend, scope, industry, etc.)?
5. Is there a case where a company should centralize the management of this workforce and keep it in-house?

Solutions Design
1. What program model designs are offered and how do they differ?
2. How does the MSP determine what model is right for their client?
3. How does the MSP determine what categories of the extended workforce should be incorporated into their client’s program?
   a. Freelancers/consultants
   b. Project workers under an SOW
   c. Workers under an outsourced arrangement
4. What unique services are applied to incorporate these alternative work arrangements?
5. Is there any reason to use the MSP for acquiring ALL talent?

Change Management
1. What best practices have you found make for a successful transition to an outsourced model?
2. Is there a way to assure all stakeholders have a say in how the program is designed?
3. Does the MSP provide business rules or policies to govern this program?
4. How does the MSP take responsibility for user adoption?

Support Model
1. What support elements are included in your service to clients?
2. Do you provide on-site personnel? What other resources do you allocate to a client?
3. What form of consultation do you provide and how is that delivered?

Funding
1. Can you describe the various forms of funding models available to your clients?
2. What percentages of your clients assume the fees for your service versus pass those charges to the suppliers?
3. How do you assure that your suppliers are paid as soon as possible?
Supplier Management

1. How does the MSP determine what suppliers are part of the supply chain?
2. Is there a specific number or ratio of suppliers to workers?
3. Does it matter if an MSP is affiliated with staffing companies and are those companies part of the supply chain; Vendor Neutral vs. Vendor Positive?
4. Besides the staffing agencies, what other suppliers does the MSP manage?
5. Explain how a supplier’s performance is measured and how you assure that suppliers are performing at their maximum capabilities?
6. Does the MSP source staffing suppliers?

Technology

1. How has technology been incorporated into your services?
2. Do you provide any of your own technology as part of your service?
3. What relationships do you have with VMS providers?
4. What benefits are derived from separating the contracts with a VMS and anMSP?

Analytics and Reporting

1. What added reporting do you provide in addition to those reports generated by a standard VMS?
2. How do you apply analytics to help clients get more from their programs?
3. What unique determinations do you make when reviewing client analytics?

Innovation

1. Do you have a dedicated function within your organization that monitors and anticipates market trends and translates them into MSP solutions for clients?
2. How do you stay on top of legislative and regulatory changes and advise your clients on methods for addressing them in your MSP programs?
3. What new and innovative solution offerings have you implemented at current clients in the past 12 months?
4. What external sources of market rate intelligence are you incorporating into your reporting and analytics solutions?

Future Vision

1. What trends or influences are likely to drive changes or evolution in the management of this extended workforce?
2. What client requirements are changing and how are you prepared to respond to those changes?
3. Is there any evidence that the increase in the use of non-employee labor is going to continue?
Appendix C: A Tale of Two Companies

Rationale for Your Operating Model

By Jay Lash, Principal Consultant, Compass Rose Advisory, LLC

Clients often ask us whether companies are bringing their contingent workforce management (CWM) programs in-house or if the trend is to outsource these programs to a third-party managed service provider? We are seeing companies going to bid for an MSP after years of running their own program management office. At the same time we see very mature, well-run MSPs transitioning their programs back to their clients using the insourced model. Although in many cases you can cite such factors for insourcing or outsourcing as program maturity, company size or the quality of the providers, one business case study reveals some far more valuable lessons. The rationale for either choice in operating model is best demonstrated by studying a real situation where two companies of similar size, location and maturity chose to go in opposite directions. It’s a Tale of Two Companies.

Let me set the stage. The first is a financial services company that has managed its own contingent workforce program for nearly ten years. The other is an insurance company and has had its program managed by a well-respected MSP for about the same length of time. They share a number of similarities:

- Both have had CWM programs for nearly ten years
- Both have primarily professional-level workers and a heavy dependency on IT workers
- Both contingent workforces are primarily US-based
- Both have more than ten locations and at least two primary corporate centers
- Both have higher-than-average diversity goals
- Both have more than $200 million in spend on temporary labor alone
- Both have implemented a vendor management system (VMS) and a supply chain of staffing companies

But that is where the similarities end.

Outsourcing the Program

The financial services company’s in-house program has been driven by its procurement organization — with literally no HR stakeholder involvement. It is common for programs of this size to be driven by procurement, but after years of operating, HR has usually begun to get involved if for no other reason than the professional contingent workforce is a prime source for direct hire talent. Having the program synchronized with talent acquisition can yield big advantages and at a time when talent is more and more difficult to secure, HR usually wants a seat at the CWM table.
Being a procurement-driven program presents other challenges over time. Procurement, at the end of the day, has to deliver savings. Sure, they have other objectives beyond cost savings and metrics to meet, but if you have a department dedicated to support contingent labor, sooner or later that overhead is going to bring some scrutiny. Post-recession, there was tremendous pressure to keep costs down and talent — especially contingent talent — was not considered a high value investment. Over the years, costs were slowly cut and the once-dedicated program office was whittled down to a bare-bones operation. Most staff were assigned additional duties and only dealt reactively with problems, not evolving with the state of the industry. If their VMS offered new features or functionality, there was no one with the bandwidth to execute on them and service suffered. As the service levels began to fall, numerous exceptions were allowed and the supply chain got increasingly disenchanted with their diminishing share of spend. A self-service approach for engagement managers on a VMS is certainly possible, but it will naturally lead to rogue spend, risk compliance issues and general complacency. When your largest supplier is your payroll provider, you can bet there are issues with your program bringing value. The lack of competitive bidding alone starts increasing labor costs. Like any living thing, if it isn’t nurtured and growing, it begins to wither and die.

The final decision to outsource to a third-party MSP came after a survey prompted by a new procurement executive. The survey revealed what most everyone already knew: there were unhappy customers internally; cumbersome processes and not all skills in demand were covered by the suppliers. After meeting with key suppliers it was also noted that they were unhappy with the program: they received no feedback, requisitions were old, too many suppliers were getting in outside of the program and there was no relevant scorecard to track their success or lack of it.

**Bringing it In-house**

The insurance company in the case study used a different approach to managing its contingent workforce. A cross-functional team was formed to get the large spend under a central functional lead by human resources, specifically talent acquisition. They partnered with procurement, finance and legal to look at their use of contract labor and had procurement source providers offer solutions. Their first decision was to bring in a third-party MSP and centralize all external labor purchases under this new department. Right from the beginning, the group was considered a valuable component of the total HR strategy. Starting slowly, they began enrolling departments and divisions into their program. When the program gained critical mass they asked the MSP to bring in a VMS. Procurement helped negotiate contracts and eventually began consolidating the supply chain now that they had good data, good support and proven performance with lowered cost, increased value and streamlined processes.
After enrolling new company acquisitions, capturing rogue spend, adding IT projects to their scope and even their independent contractors, the talent acquisition group started to have the vision of “Total Talent Management.” HR was responsible for all forms of talent in the organization no matter how they were paid, who their actual employer was or what the nature of their work was. This talent acquisition group began to develop an expertise that rivaled their competitors and even the MSP. In fact, the MSP chose to move offsite and provide only a shared service remotely—managing issues resolution, reporting and analytics and some supplier consolidation.

Over the years it started to become obvious that the CWM department was managing the program and the MSP was becoming less critical. In a sense, they trained their own replacements. Their internal customers were happy, educated and supported the program objectives so much so that rogue spend was nearly non-existent. Cost savings, year over year, was increasingly more difficult to achieve. The program’s achievements were really credited to the internal program and they began to make a case for moving the program in-house.

Their use of a VMS was considered “world-class” because they implemented every innovation. The integrations with other areas of services procurement and enterprise systems meant there were IT staff members spending an increasing amount of time managing them. The transaction fees applied to suppliers was as low as it could get. Any additional savings would have to come from the elimination of the supplier’s transaction fee charged by the MSP. By lowering the supplier’s cost, their charge rates should be lower. Their case was strong and the consensus was to begin phasing out the MSP.

**Lessons Learned**

Both programs experienced successes and met challenges. Their decisions were well-founded and rational. Every company using an integrated workforce of internal and external workers can learn valuable lessons from what each experienced:

- Procurement has an important role in program development, but when you get beyond the co-employment and regulatory concerns, HR needs to own the CWM program and build a collaborative environment with HR, procurement, senior executives, business leaders, legal and finance
- Centralizing disparate processes keeps tight controls over policies and processes, lowers risk and improves the results, but governance needs to be continued in order to keep these controls relevant
- Leveraging large spend for favorable discounts/contract terms can only get you so far because if the providers don’t see a value in the form of improved business and profits, they will lose interest and take their talent elsewhere
• These programs have to be able to grow with demand. If the allocation of resources needed to keep up with demand isn’t available, you have a case for outsourcing.
• Internal costs are easy to track while savings are difficult to report on, so it is hard to present a value proposition for an internal program. Sooner or later, you need to show cost savings and satisfied customers in order to be funded.
• Program adoption is a key to any successful CWM program. Inclusion of suppliers and providers aids in sound decision-making and category scope expansion, which leads to buy-in and support. Ultimately though it is the “champions” throughout the enterprise that become the most important aspect of program adoption.
• Regular review of supplier performance and response to their feedback keeps them engaged and interested in their performance.
• Both models have their place; know when it is time to change. Either way, complacency can kill either program design – focus needs to be on engaging the entire scope of stakeholders.

The contingent workforce continues to grow in overall importance to a company’s successful talent acquisition and management strategy. It is also evolving as more alternatives to the traditional employment model become popular. When the workforce is over 20% non-employee and as it stretches up to 50%, the urgency to seek a well thought out solution increases dramatically. These solutions are living breathing entities and need to be nurtured and kept fresh in order to survive and bring the value they need in order to exist.

At some point every CWM program needs to review where it is, and where it needs to go. Will you recognize when it’s time for a change? Consider getting an outside perspective on your current CWM model and operational efficiencies. You can’t assume that one model or another is going to last forever.