The MSP Playbook
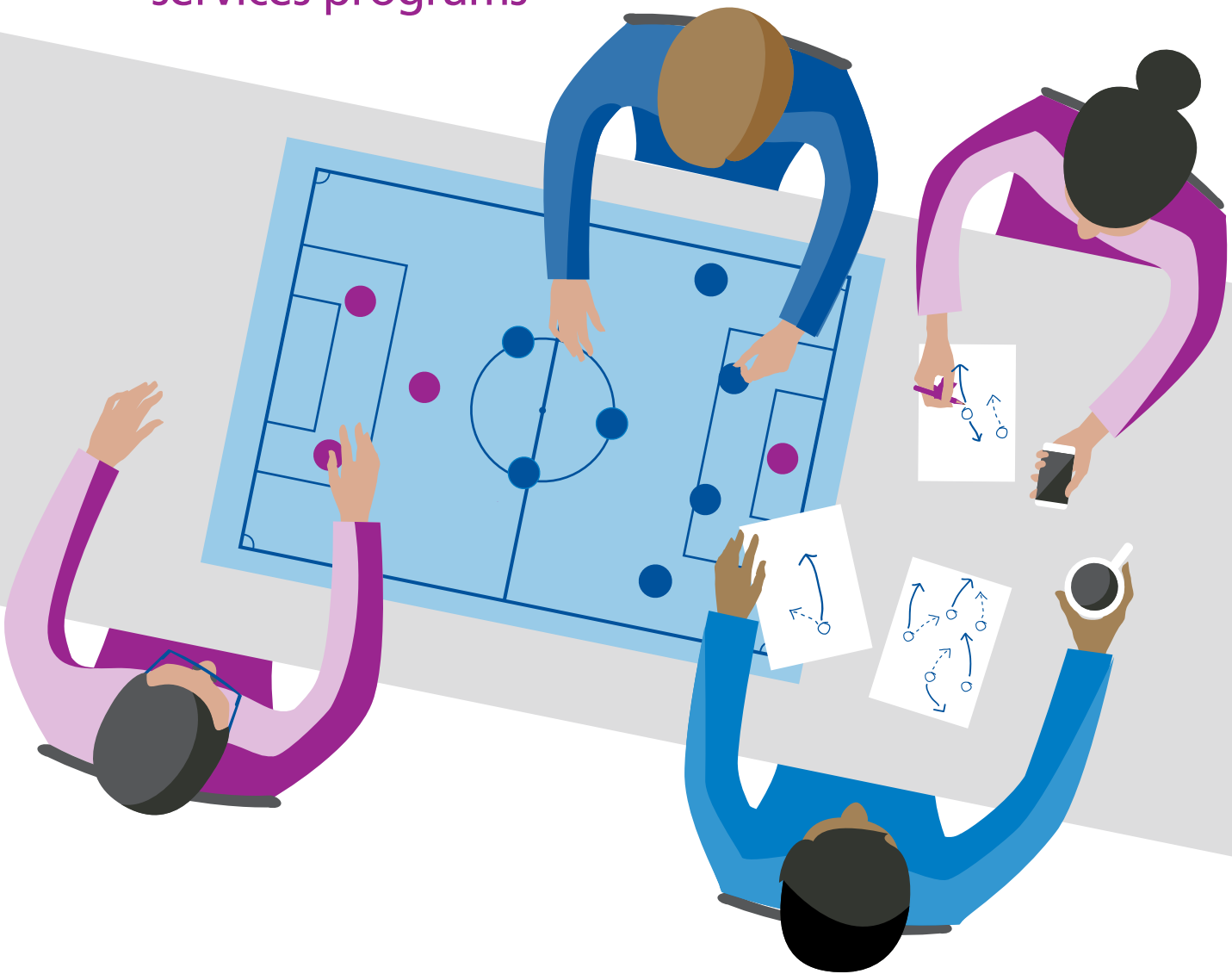
a practical guide to managed services programs

randstad sourceright®

Staffing | Professionals | HR Solutions | Inhouse Services

introduction

transforming the contingent workforce strategy

As the percentage of contingent workers rises around the world, employers are increasingly challenged with managing this powerful yet complex part of their workforce. According to Staffing Industry Analysts (SIA), US buyers reported 18% of their workforce were contingent and predicted that this component will rise to 20% by 2016. Global trends reflect the same. This growth is leading to greater demand for services from managed services providers (MSP) as a way to mitigate complexity and drive greater value from contingent labor.

MSP buyers look to service providers to address a host of contingent workforce needs such as cost savings and avoidance; a shorter time to fill; enhanced quality of talent; greater spend visibility; compliance; scalability; and efficient management of suppliers. However, mature buyers in established markets have moved beyond these initial motivators to seek out greater value from their solution providers.

Today, companies are looking for support around issues such as complying with the ever-changing regulatory environment, developing their employer brands to reach both permanent and temporary workers, and providing insightful analytics and market intelligence to enhance workforce planning.

The appetite for practice knowledge is great, and that's why we've developed the Randstad Sourceright MSP Playbook — an in-depth examination of MSP trends and practices. Within these pages we look at market drivers, workforce developments that have led to the state of the industry today, and forces shaping solutions for the future. You'll learn how to develop a business case for outsourcing, how to approach the selection of an MSP, and the steps involved in the contracting process. The Randstad Sourceright MSP Playbook also explains the process of implementation, how to achieve program stability, the role of governance, and where and how to expand a program.

MSP definitions

Contingent Workforce

The non-permanent portion of an organization's workforce, including temporary employees, contractors/consultants, and SOW workers.

Independent Contractor (IC)

An independent contractor is a self-employed individual performing services for a company under contract rather than as an employee, either on or off-site.

Managed Services Program

A Managed Services Program (also referred to as a Managed Services Provider) is an outsourced solution where a provider oversees the management and administration of a client's contingent workforce.

Master Vendor

A master vendor is a supplier that may manage a client's contingent workforce program and is given first preference to fill requisitions; it may also distribute the requisition to other suppliers.
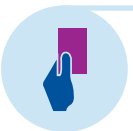
RPO

Recruitment Process Outsourcing is an outsourced solution designed to supplement or fulfill an employer's permanent recruitment function.

Payrolling

An arrangement where a contingent worker is recruited by and works for an organization but whose employer of record is the payrolling service provider.

SOW

A Statement of Work consultant is contracted to deliver services specified in a contract.

Spend Under Management (SUM)

Spend Under Management is the invoiced total from all contingent suppliers in a defined period of time (typically a year).

Vendor-Neutral Programs

An MSP program where all suppliers or predefined groups of suppliers are given equal opportunity to fill requisitions.

VMS

A Vendor Management System is a cloud-based technology platform for the procurement and tracking of contingent labor services.

chapter one

MSP at a glance

The growing use of contingent labor is resulting in increased complexity for many organizations. Not only are companies relying on more traditional staffing, they are also turning to statement of work (SOW) and freelance contractors to gain business agility. But managing multiple classes of workers effectively requires more resources and expertise, which many organizations simply lack. So what's the answer?

Managed services programs (MSPs) are one of the fastest-growing outsourced talent acquisition solutions in the market today. A comprehensive approach to optimizing contingent workforce management, an MSP helps employers improve process efficiency, boost talent supply chain effectiveness, control costs, and achieve better access to talent. Through the use of vendor management systems and other reporting and analytical technologies, MSP solutions also offer clarity of spend and help ensure hiring compliance.

high satisfaction with MSP at global technology giant

As a leading global software and hardware technology specialist, this company's mission is to continuously develop innovation and deliver value to enterprise customers in virtually every country. Such an ambitious goal presents an ever-challenging situation for this highly agile technology business: how to maintain clear visibility and effective management of its vast contingent workforce while ensuring its ability to quickly react to the market and stay ahead of the competition. This was the driving force behind the company's decision to be an early adopter of an outsourced managed services program (MSP) in the US. To fulfill its priority of achieving greater cost efficiency, compliant practices, and process clarity, the company named Randstad Sourceright its MSP partner in North America in 2008. Since the launch, the program has been rolled out globally and enjoyed a high participation rate. **Read more.**

80%
are satisfied or more than satisfied with the MSP program

how it works

An MSP typically covers the entire life cycle of all or a portion of an organization's contingent labor program, including supply chain management, worker on-boarding, timekeeping and invoicing, and contract termination and off-boarding. This comprehensive approach enables the service provider and client to monitor all aspects of engaging flexible labor. Under an MSP, the service provider:

• reviews the client's contingent workforce program

• identifies areas of improvements

• develops and enhances workflows

• implements technology and trains users

• reviews and optimizes the supply chain

• negotiates discounted rates with suppliers

• delivers analytical insights for workforce planning

• provides day-to-day program administration and operational management

• drives continuous process and business improvements

By adopting the best practices honed by years of service provider experience, MSP buyers quickly build the capability to implement consistent and transparent talent acquisition processes. Process enhancements also help employers to mitigate risks and comply with all applicable regulations. For instance, an MSP can help ensure flexible workers are not misclassified as contractors if they actually qualify as employees. Determining employment status, if left unmanaged, can lead to government fines and back taxes.

the models

MSP programs typically fall into one of three categories: master vendor, vendor neutral, and hybrid. Each model offers unique benefits to the client.

In a vendor-neutral model, all suppliers are given an equal opportunity to fill a role.

In a master vendor program, the master vendor is given preference to first fill a position and must release it to the other suppliers if it can't do so within a specified time limit.

A hybrid model contains elements of the first two.

funding the MSP

A significant benefit of an MSP program is its cost advantage. Typically, MSP and VMS providers charge a management fee to a client, but some programs are paid by the suppliers in the form of a transaction fee. MSPs typically establish rate cards at the time of implementation to ensure suppliers don't pass their fees back to the client. The transaction fees alone may more than offset the management fees, but the client may also choose to pay for part or all of the fees.

How can you ensure an MSP program will deliver continuous value to your organization? Download the white paper "Thinking MSP: 7 questions that can help you drive a cost-quality impact" to learn how to:

• integrate your existing master vendor relationship with an MSP

• enhance quality of talent through payment terms

• make your organization more attractive to contingent workers

three tips for assessing the value of an MSP to your organization

1 Understand how your organization's use of contingent labor is evolving and its impact on workforce compliance.

2 Identify the drivers that will drive a greater impact of your contingent workforce program within the business.

3 Decide if internal investment in your program is sustainable and will achieve the desired cost savings and process improvements.

the business benefits of MSP

1: How does your contingent labor spend compare to industry benchmarks?

2: Are you able to easily track all workers in your organization?

3: Do all of your hiring managers adhere to compliantly designed hiring processes and guidelines?

4: How well do your top 10 suppliers perform for your organization?

5: Is temporary worker tenure increasing or decreasing?
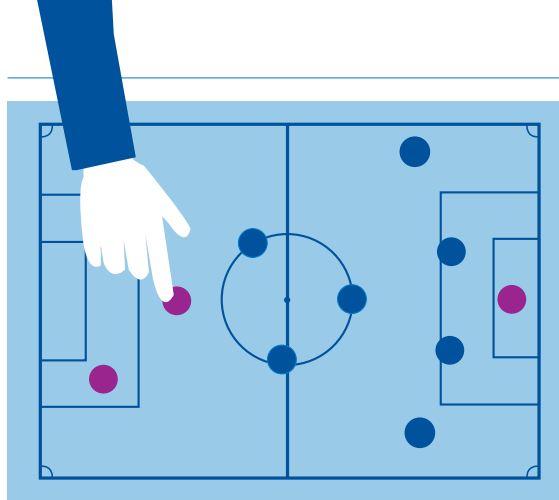
Employers face a variety of challenges managing their contingent workforce, and failing to address these issues can hinder business performance and growth. Critical considerations include cost control, program visibility, compliance, access to talent, and supply chain management.

Organizations that struggle to manage these challenges can turn to MSP service providers for their best-in-class practices and subject matter expertise, enabling them to focus on core business activities and delivering the best talent in the shortest amount of time possible. In this chapter, we outline the business benefits that an MSP solution can bring to your organization.

three highly effective ways to control your contingent workforce costs

Is your supplier base out of control?
By reviewing your supplier base and thinning out the ranks, you may gain buying leverage. An excessively large supplier base can hinder organizational agility.

Do you know what you're paying for talent?
A comprehensive review of pay rates against industry benchmarks will help you better rein in costs.

Are you effectively negotiating discounts?
Negotiating a discount based on volume, tenure, overtime and other criteria can yield savings, but be careful not to demand too much or you risk jeopardizing the supplier relationship and the quality of talent you receive.

cost effectiveness

One of the most compelling reasons to consider outsourcing to an MSP is the potential to reduce hard costs and capture soft savings. There are many ways in which MSPs can deliver greater cost benefits for new engagements, usually beginning with the supply chain to establish savings baselines and ensure program compliance. By conducting spend analysis and striking rate savings with suppliers — rationalizing the supply chain where possible — the MSP delivers 5-15% in savings immediately.

Additional savings can be achieved through tenure discounts, overtime management and reduction, and rogue spend capture. As you engage in alternative work arrangements such as SOW consultants, an MSP can help you find more cost-effective ways of staffing projects with skilled talent.

For example, you may be able to directly engage professionals rather than employ consultancies, whose rates can be several times higher.

program visibility

One of the most challenging aspects of managing your contingent workforce is having visibility of spend across the enterprise. Companies often struggle with hiring managers engaging talent on their own. Both costly and risky, a decentralized approach also presents difficulties when it comes to measuring performance.

How much are your hiring managers spending? What are they paying? What is the turnover in their departments, and who are they bringing on site? And how do they track SOW milestones? These are some of the important questions you should be able to answer easily but may struggle with under your current process.

key MSP solution components
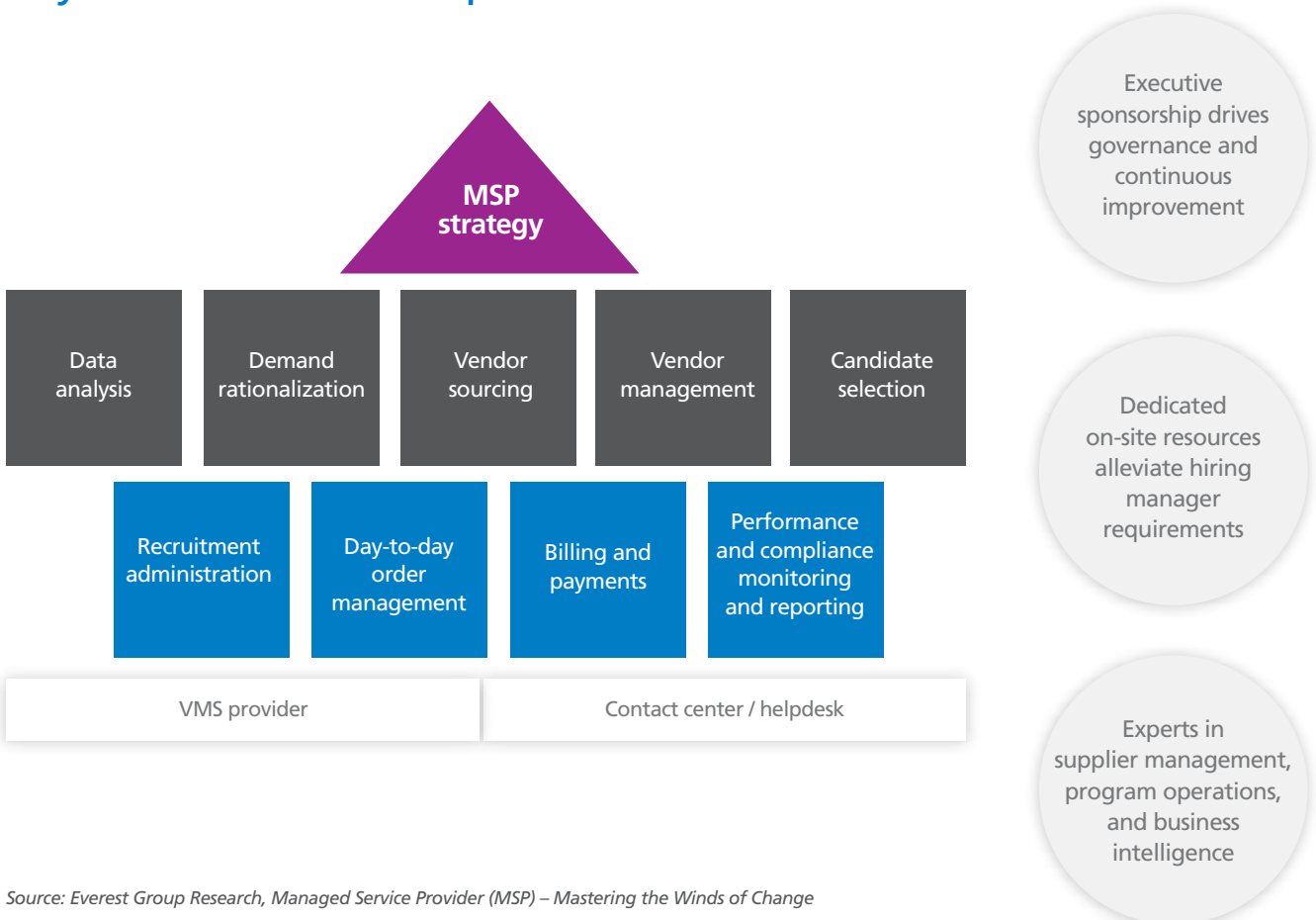
Source: Everest Group Research, Managed Service Provider (MSP) – Mastering the Winds of Change

randstad sourceright

compliance & risk mitigation

What can you achieve with greater process transparency? A clear benefit is having the insight to improve regulatory and program compliance. MSP buyers rely on providers to safe-guard compliance on many fronts. Often, they look for expertise to help with expanding programs to new businesses and markets, insights on local regulations around the world, and training to ensure workers conduct themselves in accordance with business policies.

With the growing use of alternative work arrangements, have you considered the increasing risk to your organization? One of the most important requirements to effectively engage this group of workers is correctly classifying their employment status; failure to do so could lead to fines and back taxes.

Other examples of how MSPs can support your compliance efforts include overseeing taxation management issues, ensuring worker privacy and data security protection is in place, and vetting suppliers and workers to make sure they are not on restricted lists. The MSP also helps clients address local regulatory mandates, which can be complex and varied.

access to quality talent

With increasing talent scarcity, a key motivator for engaging in an MSP is access to talent. Because MSPs work with a larger supplier base than most companies can do so on their own, the contingent workforce programs they manage typically deliver a higher caliber of candidates in a shorter amount of time.

How can you ensure access to high-quality talent? For example, Randstad Sourceright works with thousands of suppliers around the world each day to deliver qualified talent. In addition to excellent supply chain management, some MSPs also directly source talent through their recruitment arms. This can further increase savings, reduce time to fill, ensure a higher quality of talent, and raise retention.

five myths about building your brand to attract the best contingent workers

Employer brand strategies for permanent employees cannot be universally applied to contingent workers. Avoid these general assumptions in your strategy:

Employees love us, so contractors and contingent workers will too.

Cleverly crafted messaging is more effective than genuine communication.

The business value of the employer brand doesn't apply to contractors and contingent workers.

Attracting talent is the job of our contingent workforce suppliers.

We have too much on our plates, so we can wait to work on it next year.

To learn more about the five myths of the contingent talent brand, **download** our latest white paper.

supply chain efficiency

Is your supply chain failing to keep up with your talent needs? Today, MSPs are involved in nearly every aspect of managing a client's contingent talent supply chain — from sourcing and vetting suppliers to negotiating terms and rates, to ensuring program and regulatory compliance and tracking payment, auditing, and reporting.

Although the most significant MSP cost savings are typically achieved in the first year, world-class supply chain management techniques can help employers gain incremental savings and cost avoidance in future years. Through rationalization and ongoing optimization, MSPs also help build stronger relationships with suppliers while achieving better cost efficiencies.

As programs mature, expect MSPs to take on an even more extensive role in supply chain management. Beyond cost savings, these next-generation benefits will focus on talent quality and operational factors that have an impact on business outcomes.

talent branding expertise

Is your employer brand attracting not only great permanent talent but great contingent workers as well? One area of value-added services gaining traction in the market is employer branding. Why should you care about employer branding? In the past, employer branding was viewed as an exercise strictly to attract permanent talent, but with more employers and workers preferring flexible arrangements, the competition for top contingent talent is heating up, and a value proposition designed specifically for this component of your workforce is equally as important.

An organization's contingent talent brand matters because it can deliver advantages in terms of quality, speed, and cost in today's competitive market. An MSP with experience in employer branding best practices can help you develop and implement an employer brand strategy that is uniquely focused on the needs of your flexible workforce.

data maintenance & management

Do you struggle with managing and maintaining contingent workforce data? Data maintenance is critical because only through current and accurate information can organizations truly analyze their contingent workforce program performance. When clients devote too few resources to this part of the program, it can blind administrators to important developments in their contingent workforce. In many new programs, the MSP will first address data maintenance issues because they affect other aspects of the operation.

MSPs provide deep insights into a company's contingent workforce process, identifying gaps that often obscure contingent workforce spend and practices. More importantly, an MSP drives consistency in the collection and management of business intelligence to enable informed and better decision-making on a day-to-day and strategic basis. An MSP's technology expertise and experience make it well-suited to advise employers on appropriate corrective actions.

Can your organization respond to sudden changes in demand or type of skills required? This type of ability calls for a robust strategy and a view of solutions available to reduce risk and costs, enhance visibility, ensure compliance, and drive an agile, flexible workforce. Download Randstad Sourceright's "Does it pay to outsource your contingent workforce" white paper to gain insights on building a business case for MSP and developing your roadmap.

three tips for optimizing the business value of an MSP

1 Identify the key gaps in the delivery of your contingent workforce program and prioritize them during the solution design phase.

2 Leverage analytics early to shape the program for the long term.

3 Work closely with the service provider to mitigate risks that arise with the use of flexible labor.

program flexibility and scalability

When market conditions change unexpectedly, are you able to quickly respond with your flexible workforce? As the hiring volume or complexity of your workforce program increases, you might not have the right internal resources to react quickly and effectively. Possessing the domain expertise to manage all classes of workers requires process, market, and legal insights that you might lack. As a result, you must either ask for more resources, take on greater risk, or look to an outsourced talent solution.

MSP buyers, especially those with a multi-country or global footprint, often initiate a program in one market with the aspiration of expanding it to others if successful. MSPs with global presence such as Randstad Sourceright can duplicate the same process rigor, supply chain management, and innovations from a client's program in one country and apply them in another. Program flexibility is an absolute must for ensuring an appropriate fit.

MSPs can easily scale to clients' needs. The ability to respond to seasonal demand, organic growth, or new acquisitions is also a key benefit buyers realize through an outsourced program. MSPs typically have deep bench strength and can rapidly react to unexpected client needs under a variety of conditions.

trends in supplier management

What's driving best practices in supplier management? A collaborative approach where suppliers can serve as true partners is key to driving performance. Some critical considerations are:

- **collaborative customer review sessions.** Suppliers work closely with the client and the MSP service provider to ensure access to the best talent.

- **performance management.** Contingent labor buyers increasingly want data to help them understand how well suppliers perform to their needs.

- **management portals.** By facilitating the communication and process among all parties, these portals enhance outcomes for employers.

MSP evolution: what you can expect

1.0+
Years 1-2

savings	
	Supplier panel with agreed terms
	(Basic) Spend analysis
	Savings baseline creation
	Panel compliance ~80%
	Supplier mark-up savings to baseline
	Supplier on-cost savings to baseline

operational	
	(Basic) Order demand management based on role family
	Supplier management to KPIs
	Candidate shortlist / selection
	Candidate on-boarding / off-boarding
	Regular communications program

technology	
	Procure-to-payment management
	Billings and payments
	(Basic) Dashboards
	Supplier performance reporting
	(Basic) Demand management

2.0+
Years 2-4

3.0+
Years 4+
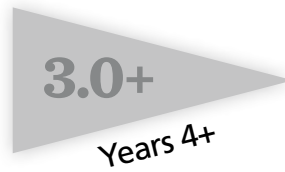
| 2.0+ (Years 2-4)	3.0+ (Years 4+)
Supplier panel with agreed terms	Supplier panel with agreed terms
Spend analysis	Detailed spend analysis with forecasting
Savings baseline creation	Savings baseline market review
Panel compliance ~85-95%	Panel compliance ~95%
Access to Accounts Payable (AP) data to address leakage	Access to AP data for all spend categories
Supplier mark-up savings to baseline	Supplier mark-up savings to baseline
Supplier on-cost savings to baseline	Supplier on-cost savings to baseline
Tenure discounts	Tenure discounts
Overtime management / reduction	Overtime management / reduction
Savings forecasting	Savings forecasting
	Target rate creation by role
	Pay rate savings to target rate by role
(Basic) Order demand management based on role family	Order demand management based on role family
Supplier management to KPIs	Supplier management to KPIs
Candidate shortlist / selection	Candidate shortlist / selection
Candidate on-boarding / off-boarding	Candidate on-boarding / off-boarding
Regular communications program	Regular communications program
Direct sourcing	Direct sourcing
Demand rationalization	Demand rationalization
SOW management (time and materials)	SOW management (time, materials and deliverables)
	Influence permanent hire policy
Procure-to-payment management	Procure-to-payment management
Billings and payments	Billings and payments
(Basic) Dashboards	Real time dashboards with forecasts
Supplier performance reporting	Supplier performance reporting
Demand management by performance	Demand management by performance
	Talent pooling to support permanent hires
	Worker performance management

randstad sourceright®

building the business case for outsourcing

Five questions to ask when considering if an MSP can help you address process gaps

1: What is the total cost of internally managing your contingent workforce?

2: Are you fulfilling the requirements of all your stakeholders?

3: Do you possess more process expertise than an MSP service provider?

4: Are you capable of driving innovation and continuous improvements into your program?

5: If outsourcing is the right solution, how can you win buy-in across the enterprise?
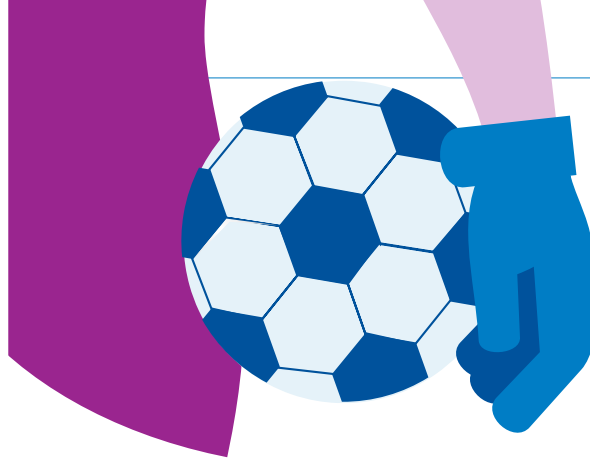
Whether an organization decides to outsource or internally manage its contingent labor, it's important to examine current practices to establish the desired future state and build a business case for either approach. Consider the following steps:

• define the scope of hiring

• determine the spend

• review the hiring process

• conduct a SWOT analysis

Such an exercise will help you develop clearly defined goals for your program and set objectives and performance metrics for achieving them. Without this clarity, there can be no roadmap and no determination of success, so making the business case is absolutely critical.

Each of the four steps requires internal resources and participation by all of those involved in the contingent talent acquisition process. This includes members of the C-suite, business leaders, hiring managers, procurement, and HR. At the conclusion of the exercise, internal stakeholders should be able to define their goals, the resources needed, and identify barriers and obstacles that could impact the tasks at hand.

The next step is to consider your options for managing the contingent workforce program:

• insourcing
• employing a broker
• a comprehensive MSP implementation

Which one is right for your organization depends on your goals, the volume of hiring, the availability of resources, and the extent of inhouse expertise.

resource-intensive insourcing

A number of large organizations work with in-house staffing agencies that provide customized temporary blue-collar solutions for their organization. This solution may be appropriate for all external hiring, including professionals-level talent. In situations where the volume is large enough and where there is continuous demand for a limited number of job profiles, an in-house solution can be a good fit.

However, an insourced solution requires extensive resources and expertise. Companies need to commit the requisite staff to effectively manage all aspects of the program, ensure a process to drive continuous improvement, and thoroughly support the business. Building an insourced team can take time and may end up being less cost-effective than an outsourced service.

broker service: a half-way solution

With this approach, all contracts are placed with an intermediary. This party oversees contract termination and invoicing and ensures that the applicable laws and regulations are met. Hiring managers continue to use their own supplier network, but contracting is administered by the broker. Relying on a broker can be a good solution when a decentralized process is preferred. However, because a broker plays a very limited role in managing the contingent workforce, none of the benefits from a true outsourced talent solution are achieved.

optimized value in MSP services

An MSP service provider is responsible for the end-to-end solution. The MSP model can be a good solution for organizations whose hiring process is complex and whose need for transparency and compliance is critical. The main advantage is that the entire hiring process is in the hands of a provider that specializes in managing contingent talent. The provider knows the market, has an excellent understanding of worker rates and regulations, and has the tools and resources to make the process completely transparent. Choosing an MSP is a strategic decision leading to a significant business partnership that develops over the course of several years. Selecting the most suitable provider is, therefore, a decision that requires diligence.

When deciding which outsourced service is best for your organization, consider not just your current program goals but also your future needs because failure to plan for growth may cause difficulty down the road. For instance, an insourced solution may be effective at your current volume of contingent hiring, but what happens when the volume rises or falls? Will you be able to scale accordingly? Will you be able to invest in processes and technology such as analytical tools to keep current with market best practices?

Also, improving spend visibility or process efficiency of your contingent workforce program requires a holistic management approach. A broker service won't deliver the benefits you seek. And finally, without rationalizing your supply chain — choosing only those that consistently deliver high-quality, cost-effective talent — means cost optimization can't be achieved.

three tips for building the business case for outsourcing

1 Identify not only the hard costs of an insourced solution but also the soft, missed-opportunity costs.

2 Communicate often and effectively about the future state of an outsourced solution to all stakeholders.

3 Make sure executive sponsorship is committed for the long term.

securing sponsorship

When advocating for an outsourced solution, executive buy-in is key. To gain buy-in, start with building the business case. Once a business case is demonstrated, the value proposition of an MSP should be clearly communicated to all stakeholders.

Executive sponsorship requires top decision makers to remain involved in the selection and implementation process. They must play a role at critical milestones, whether that's providing input for assembling the internal project team, being involved in choosing the service provider, approving the contract, supporting change management efforts, or signing off on technology investments.

The key to ensuring unwavering executive support is engagement. Program owners should continually communicate and seek feedback from sponsors so they are always informed of successes and failures. Their involvement provides business critical guidance for the rollout and operation of MSPs.

technology considerations

An experienced MSP will always have in-depth knowledge and experience with any of the major VMS platforms. Some programs depend on the MSP to collaborate with customers to choose the most appropriate technology, while others inherit the client's incumbent platform. An MSP program relies on technology to automate most services and provide important data about the contingent workforce, so selection of the right technology is critical.

Despite their extensive knowledge of VMS platforms, MSPs are sometimes limited in their capability to deliver advanced market intelligence because of data sourcing challenges and technology barriers. However, as programs and markets continue to mature, technology vendors are developing more robust offerings, integrated platforms, and simplified reporting. Their efforts give buyers enhanced views of their contingent workforce spend and predictive intelligence to better inform workforce planning.

Technology alone can't address the entire analytical needs of an organization. MSPs play an important role in applying technology to real-world problems. They understand how technology works, how it fits within a client's infrastructure, its potential value, and how data can turn into real business insight and strategic recommendations.

cost savings, employment conversion key to MSP success in Asia

In 2013, a leading global financial services firm sought to implement an end-to-end MSP across Asia Pacific starting in Hong Kong, Singapore, and India in phase one. The organization required a service provider with an extensive regional footprint to manage its non-IT contingent workforce, reduce costs, and implement consistent and standardized processes and policies throughout the region — one of its fastest-growing markets around the world. The *Fortune* 500 firm entered into an exclusive contract with Randstad Sourceright for its global and regional resources and expertise in contingent workforce management. The solution has produced significant cost savings, increased the conversion of temporary workers to permanent, and decreased time to fill. **Read more.**

up to

5%

in initial contingent labor spend savings following MSP implementation

selecting a provider

An effective MSP is intimately integrated with a company's contingent workforce operations. For that reason, the selected provider must have the culture, infrastructure and footprint to align with the client's needs, and the ability to deliver a bespoke solution is a must. These elements are all present in successful programs. Also critical is the MSP's ability to grow with the organization as programs often span many years and lead to scope expansion — both in geography and type of worker.

Questions you ask prospective providers must address to the issues that challenge your company. Does the provider understand the nature and scope of your particular challenges? How has the provider resolved similar problems experienced by its other clients? How will it go beyond problem-solving to bring innovation to your organization?

Addressing these questions upfront will help avoid painful discoveries later on after a program has gone live. Selecting an MSP is no easy task, but ensuring organizations are aligned initially will prevent bigger problems as the program is rolled out.

Choosing the right MSP solution for your organization is a big step, but the latest installment in Randstad Sourceright's "MSP Insights" white paper series can help you make a clear and smart choice. Download the PDF to learn how to:

- engage the right stakeholders to win organizational buy-in
- define and specify the scope of the outsourcing
- choose a provider right for your current and future needs

Download "How to select the best MSP solution to support your contingent workforce strategy" here.

Determining the best MSP requires a deep examination of their capabilities and demonstrated track record. Some key factors to consider include:

Domain expertise – does the MSP fully understand your business?

Industry-specific experience – is the MSP familiar with your specific industry?

Client portfolio – can the MSP provide a robust and referenceable portfolio of clients?

Deep resources – does the MSP possess access to the best people, practices, and technologies for the job?

Global footprint – can the MSP offer global governance but with local support and market knowledge?

Compliance rigor – Does the MSP possess a deep understanding of regulatory requirements in the relevant markets?

chapter four

designing and implementing the right solution

Five questions to ask when preparing to implement an MSP program

1: Do you have a robust change management process in place?

2: Are you aware of all the stakeholders involved when outsourcing to an MSP?

3: What is the most effective way to communicate changes to the entire organization?

4: Does your current process provide adequate visibility into your contingent workforce program?

5: Have you prioritized the most pressing pain points to address immediately when implementing an outsourced program?
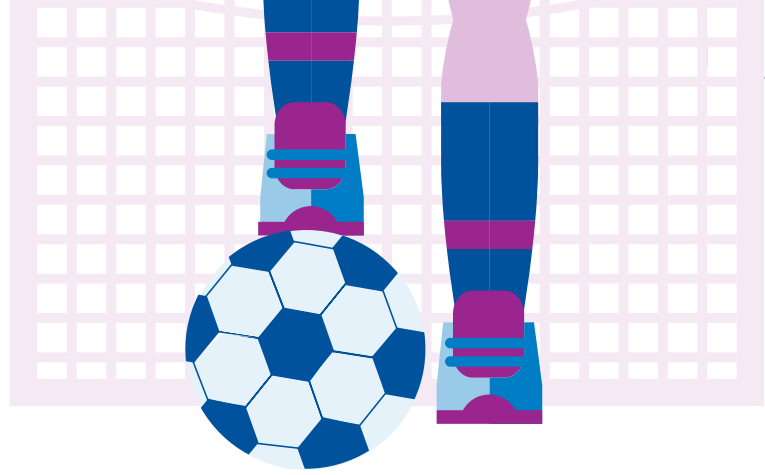
Once the decision to outsource to an MSP has been made, the hard work begins. It's a challenging time because influencing the entire organization to change behaviors, beginning with the C-suite, is a critical task. Ensuring buy-in requires a good understanding of how best to convey the MSP's benefits to hiring managers, who may not be mandated to participate in the program. The service provider and internal stakeholders need to develop a strategy and tactics to support the change required. Important decisions include:

• how to develop the right message

• how to optimize relevancy

• which channels works best

• who are the best change agents

• how to ensure adequate support

Answering these questions is an important first step to winning buy-in throughout the organization by using a consistent and positive message that aligns with the interests of all stakeholders.

Aside from influencing line managers, change management must also involve the supply chain. Failing to do so could create dissatisfaction among suppliers, which in turn could disrupt access to talent in the short term. Suppliers should be educated about new processes and the value proposition of working with an MSP. Some will be resistant to change, so facilitating their transition will help lower one of the barriers to program adoption.

selecting the implementation team

Key to any change management effort is having the right team members in place to influence and guide the rest of the organization. They play a critical role in communicating the MSP's value, developing the program's policies, helping aggregate and validate data, and managing the technology implementation. The importance of the team can't be overstated because without a balanced blend of functional and executive leaders, program rollout will most likely be hindered and delayed.

Each member of the internal team serves an important role. Executives will help champion the MSP throughout the organization, while the project sponsor leads the development of policy and internal communications. Together they drive adoption by demonstrating buy-in at the highest levels. Other important members are functional stakeholders in accounting, procurement, HR, the hiring managers, and the project lead, who provides practical guidance for implementation.

The support of functional managers in procurement, HR, legal, finance, IT, corporate communications, and marketing will be important to ensuring the MSP delivers to expectations.

process assessment

During implementation, unforeseen discoveries in the client's policies, processes, supply chain, and technology usually occur, and they may affect the go-live date. Working closely with the client, an MSP must quickly uncover issues that even the project leader may not be aware of within his or her organization.

Quite often, the issue is around data aggregation and validation. Workforce data, especially for contingent talent, can be highly fragmented with various departments owning discrete portions of information. The data could reside in various systems and requires the client to dedicate internal resources to make it available to the MSP. Another problem is lack of consistency in the data, which further requires validation and updating. Also, process requirements in back offices such as HR or IT may not be apparent until the MSP has started rolling out.

communications strategy & training

As the program is rolled out, managing expectations and communicating to hiring managers are essential. An effective strategy must be developed quickly to help the organization understand the benefits of the MSP program, the process changes involved, and the impact on individual users. Developing the right messaging is extremely important, but so is the communication method. Some questions to consider are:

- Is it best to communicate top down or corporate out?
- When should the messaging go out and how often?
- What are the most effective channels (intranet, emails, an internal newsletter, team meetings, or all of the above)?

A critical part of change management is user training. The MSP can lead the effort of the client's project team, providing a variety of training options (web-based, on-site) to encourage faster adoption and increased user satisfaction. An effective and regular training approach becomes even more important to encourage user buy-in where the MSP program is not mandated in the organization.

three tips for optimizing the implementation of an MSP program

1 Clearly define the value proposition for outsourcing, and communicate repeatedly to win buy-in.

2 Make sure your project management leader is focused on the program and not distracted by other tasks.

3 Don't underestimate the importance of data hygiene.

ongoing innovation drives long-term program value

Following implementation, stabilizing the program is the most important priority, but that doesn't mean enhancements stop. An MSP should look to continuously improve processes and outcomes based on an agreed roadmap. This ongoing work is critical to ensuring maximum program value. Innovations such as developing a contingent talent brand, evolving the program to span all talent types, and using predictive analytics are some of the hallmarks seen in today's most mature and sophisticated programs.

Aside from major innovations, incremental gains also continue. Cost savings and avoidance are still possible years into the program, and streamlining efforts are non-stop. Greater automation and the incorporation of new technologies such as predictive analytic tools are achievable as well.

These enhancements are accompanied by ongoing training of the client's teams to ensure they take advantage of all the improvements. At the same time, the MSP is focused on improving the user experience to encourage program adoption and enhance access to critical talent.

program operations

As the program is rolled out, some key improvements in the contingent workforce program can be achieved almost immediately. These include cost savings, process efficiency and transparency, and automation.

Cost savings. Initial efforts to achieve savings include establishing:
- supplier panel with agreed terms
- basic spend analysis
- savings baseline
- panel compliance
- supplier mark-up savings to baseline
- supplier on-cost savings to baseline

Process efficiency and transparency. Key operational enhancements include:
- basic order demand management based on role family
- supplier management to KPIs
- candidate shortlist/selection
- candidate on-boarding/off-boarding
- regular communications program

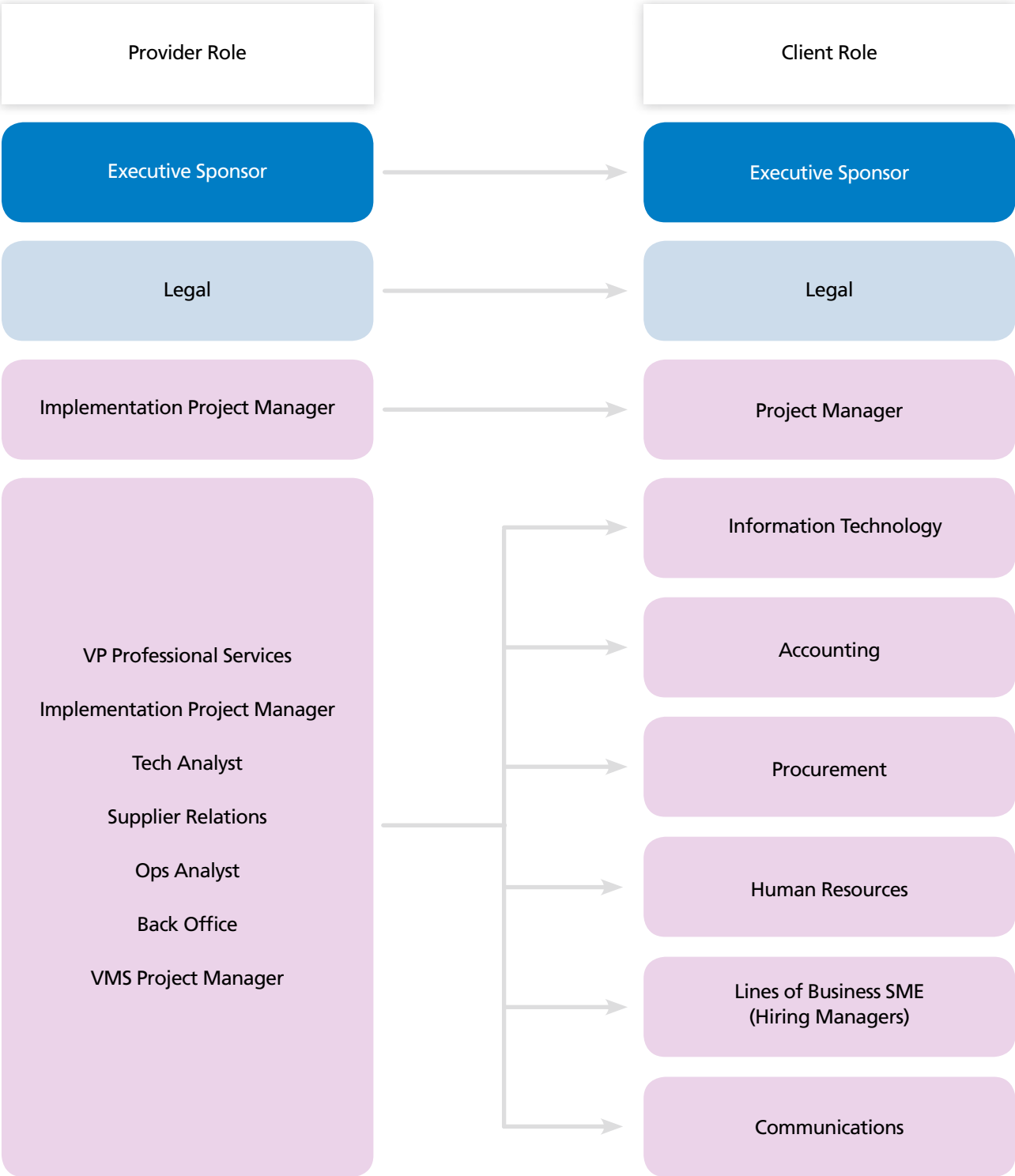**Technology and automation.** Tasks are automated by:
- procure-to-payment management
- billings and payments
- basic dashboards
- supplier performance reporting
- demand management

the roles & responsibilities of client stakeholders

Executive Sponsor	Buy-in and overall support of the program
	Participate in quarterly business reviews
	Participate in change management activities (if applicable)
Program Stakeholder	Work directly with the MSP Program Office
	Review program dashboards and reporting metrics
	Training and communication with the MSP Program Office
	Review program dashboards and reporting metrics
	Participate in quarterly business reviews
	Review and process invoices
Information Systems	Participate in VMS upgrades (typically quarterly)
Procurement	Review program dashboards and reporting metrics
	Participate in quarterly business reviews
	Contract management
Corporate Communications	Assist in communicating program changes (if applicable)

aligning internal & external MSP program stakeholders

A proper alignment of key stakeholders will help ensure a program has effective communication and support from both sides of the partnership.

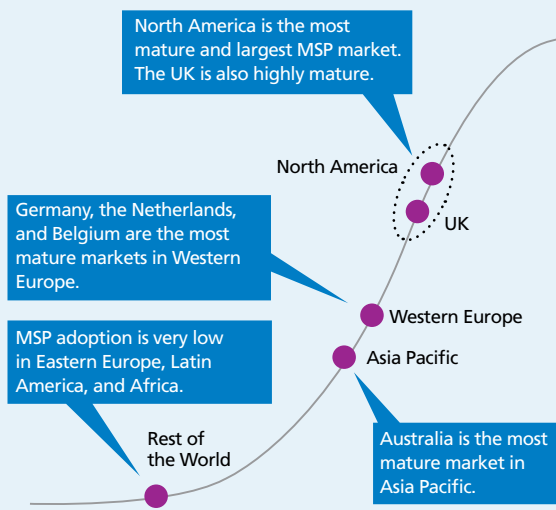| Provider Role	Client Role
Executive Sponsor	Executive Sponsor
Legal	Legal
Implementation Project Manager	Project Manager
VP Professional Services Implementation Project Manager Tech Analyst Supplier Relations Ops Analyst Back Office VMS Project Manager	Information Technology
	Accounting
	Procurement
	Human Resources
	Lines of Business SME (Hiring Managers)
	Communications

MSP adoption strengthens as contingent workforce grows

The MSP market continues to grow by double digits despite signs of maturing in markets such as North America. Driven by both new programs and expansion of existing ones, the market remains strong as employers increasingly leverage flexible talent. Did you know that:

- By 2020, 1 out of 2 US workers will either become independent or spend part of their day as self-employed professionals, according to a 2014 study by MBO Partners.

- Since 2004, the number of independent professionals has risen 45% to 8.9 million in the EU labor market, according to Patricia Leighton, professor of European social law at the IPAG Business School in France.

- An overwhelming number of MSP deals (nearly 80%) are less than $50 million in spend under management; only 15% are over $300 million, according to the Everest Group.

- 58% of large companies surveyed by Staffing Industry Analysts in 2014 have an MSP in place. It also reported that global spend managed by MSPs grew 19% from 2012 to 2013.

These figures highlight the rise of the flexible workforce and the accompanying adoption of MSP services. It also affirms a growing confidence in outsourced solutions to support their talent needs.

MSP market maturity: regions at a glance

North America is the most mature and largest MSP market. The UK is also highly mature.

Germany, the Netherlands, and Belgium are the most mature markets in Western Europe.

MSP adoption is very low in Eastern Europe, Latin America, and Africa.

Australia is the most mature market in Asia Pacific.

North America

UK

Western Europe

Asia Pacific

Rest of the World

monitoring and analytics

To ensure an MSP delivers to expectations, robust monitoring and measurement of performance are essential. How to monitor and which metrics are measured are decided in advance, and typically the data is available within three months after implementation. Comparing the results against the service level agreements will provide insights to make clear what is working and what isn't.

Initial reports may be focused on fundamental metrics that give only a cursory view of program progress, but as the program matures, buyers may look to the MSP for more in-depth information and business/market intelligence on a variety of issues. Additional investments in technology along the way add to reporting capabilities. Enhanced dashboard functionality and the ability to drill down to more meaningful information will lead to enhanced business insight and better workforce management and planning.

governance and escalation

Innovation and improvements aren't possible without the proper governance and escalation process. Client stakeholders work directly with the MSP's program office and should play a part in a variety of activities including:

- training and communication
- reviewing and processing invoices
- reviewing dashboards and reporting metrics
- participating in quarterly business reviews
- establishing the process for business improvements

The governance model must clarify the role of everyone involved in the program — internally and externally. By defining reporting lines, identifying the decision makers, and establishing escalation mechanisms, the model establishes a clear process for oversight and mitigation steps. It also provides the necessary feedback to program stakeholders so they can determine whether actual practices conform with the governance framework and where changes are needed.

A holistic approach to managing contingent talent is the most effective way to optimize your spend, reduce risk, enhance compliance, and assure access to quality talent. A comprehensive MSP program enables employers to gain full program visibility into everyone entering and leaving the organization, maintain control over the entire worker life cycle, and gauge the effectiveness of processes and suppliers.

By addressing all work arrangements, an MSP ensures the same best practices are leveraged across the organization. Whether it's monitoring milestones for a statement of work, ensuring independent contractors comply with legal mandates, or addressing a spike in payrolled workers, an MSP solution brings rigor to sourcing, engagement, management, and analytics. As a result, contingent workforce programs benefit from access to better talent more quickly.

MSP service delivery: a total talent approach

An MSP supports an organization's contingent workforce holistically. From engaging the supply chain to tracking statement of work milestones to managing independent contractors, interns, and payrollees, the solution offers a complete view of the temporary workforce spend. At the same time, the end-to-end services provide hiring managers the tools needed to best find, engage, manage, and measure the resource.

Adopting such a comprehensive approach means program participants realize the full benefits of an MSP implementation, including:

- visibility of spend
- enhanced cost control
- increased responsiveness to business needs
- improved quality of talent
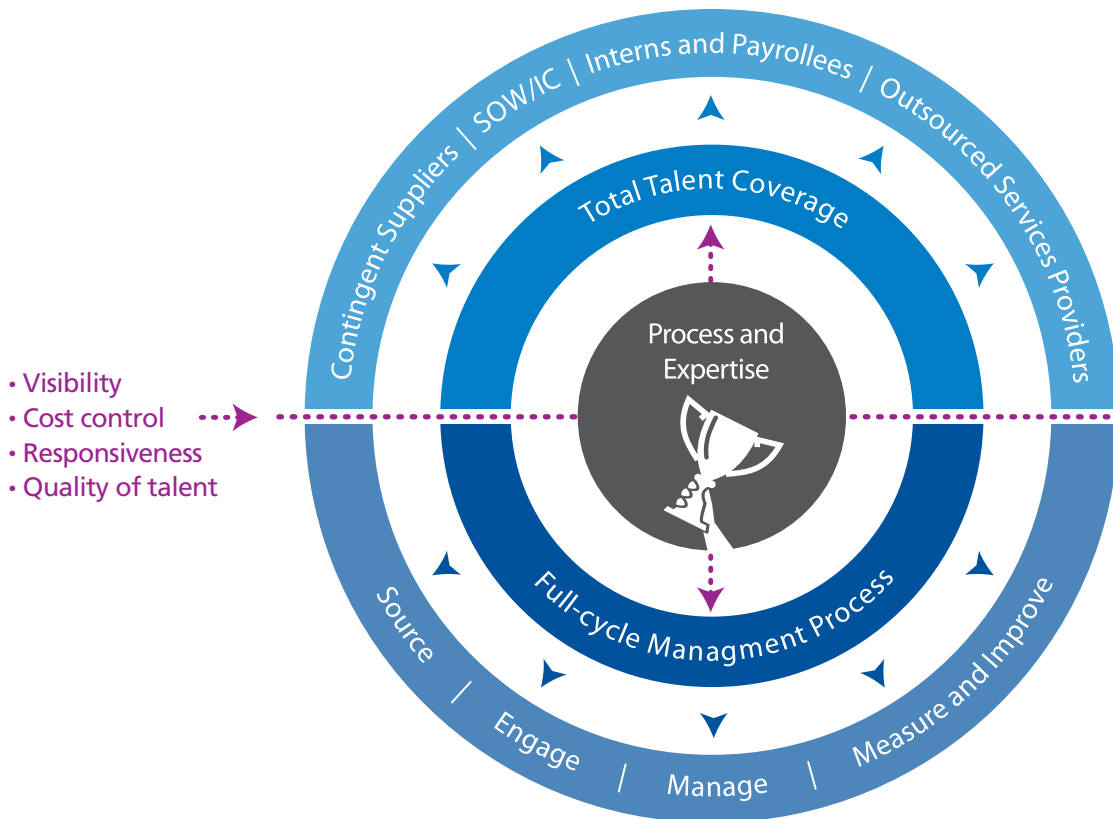
Source: SIA 2014 VMS and MSP Supplier Competitive Landscape Report

randstad sourceright

chapter five

how to expand your program

Five questions to ask to determine the next steps for your MSP program

1: Does your current contingent workforce program cover all or most of your temporary labor?

2: Has management of work arrangements outside the scope of the MSP become increasingly difficult to control?

3: Is a mandated MSP approach suitable for your organization?

4: Do other parts of your organization suffer from the same pain points that led you to outsource to an MSP?

**5:** How can value-added services from your MSP vendor deliver new benefits to your organization?

Successful MSP programs are almost always expanded in some way: scope of services, geographical footprint, work arrangements, or business lines. Once a program has been demonstrated to deliver value, the initial engagement moves beyond being a proof of concept to becoming an effective business tool.

In Randstad Sourceright's experience, successful programs launched in one market or business often lead to corporate champions who seek to duplicate the same success across the entire organization. This enables the company to operate in a more cost-effective, consistent, and transparent way. However, when expansion involves a different set of stakeholders, gaining their buy-in will be necessary. In addition, duplicating the same program in a different geography often requires buy-in again from different stakeholders.

Program expansion in a few instances may not be possible. Limitations may include the service provider's competencies, legal restrictions in certain markets, or economic feasibility (low volume of hire). However, if none of these barriers exist, it's only logical that a buyer will implement the same process rigor and expertise throughout the entire organization.

MSP market's spend under management in 2013: $85 billion

- $7B
- $24B
- $54B

- ● North America
- ● Europe
- ● All other regions
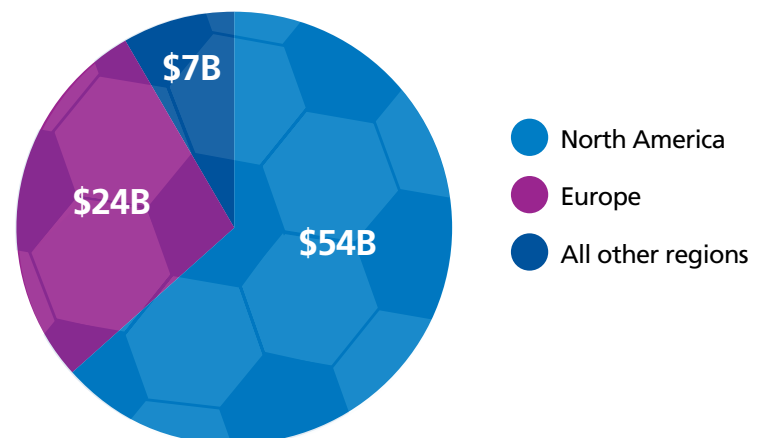
Source: Staffing Industry Analysts 2014 VMS and MSP Supplier Competitive Landscape Report

widening service scope

In first-generation MSPs, buyers often look to address only certain pain points but then realize a program can improve processes throughout the organization. For instance, payrolling may be on-boarded after a successful launch or independent contractor compliance services may be added.

greater geographical reach

MSP buyers increasingly look to grow their programs into new markets. Often they seek to create a more consistent contingent workforce program across all geographies. This requires support around compliance and risk reduction. Cost savings, while an important factor, can vary from market to market. This uptick in geographic expansion is one reason why MSP programs are growing in size, according to Staffing Industry Analysts (SIA). In 2013, the number of programs with more than $300 million in spend under management rose to 40 from 24 in the year before.

new work arrangements

Growing interest in including SOW labor as part of the MSP program indicates that employers are taking a more holistic approach to managing talent. In the past, SOW consultants were mostly supervised by hiring managers, creating disparate practices throughout the organization. Today, MSPs are involved in some of the SOW life cycle but usually not the entire process.

Other types of labor helping to push the growth of MSP programs include the rise of gig workers. They now account for 9% of all MSP spend, according to SIA, and their numbers continue to swell as both workers and employers increasingly prefer flexible work arrangements for business agility and job satisfaction.

adding business lines

Within the same buyer organization, some business lines may not be included in the initial MSP engagement. These business lines may later opt to participate as the program matures and proves its effectiveness. This type of expansion is often the least disruptive because it doesn't require dramatic changes in service scope or setting up delivery capabilities in a new market. It is, however, another way for the client organization to introduce consistent and effective management practices.

integrated talent solutions

At their most mature level, MSP programs are merging with Recruitment Process Outsourcing (RPO) solutions to provide an Integrated Talent Solution. This holistic approach drives exceptional value to the organization by aligning all talent needs across both the contingent and permanent workforce. Business leaders have access to the most appropriate talent resources needed to drive growth.

An integrated talent solution means a single partner manages your entire talent acquisition activities: workforce planning, supply chain management, employer branding, sourcing, talent assessment and identification, hiring processes, reporting, and on-boarding. This results in a consistent, high-touch program customized to your culture, industry, and geographical footprint.

three tips for successfully expanding your MSP program

1 Make sure you have stabilized the program and achieved your initial goals of outsourcing before attempting to expand.

2 Don't simply look to replicate the program in a different business unit or geography; consider their unique needs and mandates.

3 Collaborate with your service provider to determine when and how best to broaden the scope of your MSP engagement.

conclusion

Using an MSP to manage an increasingly complex contingent workforce is one of the best ways to implement world-class practices while maintaining cost effectiveness. Today's top service providers deliver process excellence, supply chain management, risk mitigation and compliance, technology, and local market knowledge, enabling employers to achieve greater transparency and access to talent.

With contingent talent playing a bigger role today in fulfilling business goals, organizations can no longer depend on ad hoc approaches to manage this class of workers.

The inclusion of SOW talent into contingent workforce programs, the rise of independent contractors, the desire of talent acquisition leaders to achieve a holistic view, and their need to minimize risk and maximize compliance are all reasons why the MSP market is growing. Beyond these fundamental drivers, innovations such as employer brand building and predictive analytics are leading to the best workforce results.

As MSP markets continue to mature and with buyers growing more sophisticated, the impact these programs have on business performance is becoming more apparent. By ensuring business leaders get the talent when they need it in a risk-minimized and cost-effective way, MSPs deliver the resources required to generate growth and positively affect the bottom line.

Randstad Sourceright delivers greater value everyday through MSP excellence

Randstad Sourceright is one of the leading global providers of MSP services, managing more than $8 billion in annual spend. Powered by more than 2,000 subject matter experts, our services are available in more than 70 countries and are employed by most of the *Fortune* 1000 companies. Our services include:

- Performance and compliance monitoring and reporting
- Billing and payment
- Order management
- Technology implementation
- Recruitment administration

- Contingent talent branding
- Candidate selection
- Supply chain management
- Vendor sourcing
- Demand rationalization
- Analytics

Through best practices and innovation, Randstad Sourceright helps clients drive continuous improvements around process efficiency, risk and compliance, cost savings and avoidance, and workforce planning. How can Randstad Sourceright help drive higher performance into your contingent talent practices? Learn more about our MSP solutions and how we're helping our clients achieve better business results from a world-class workforce.

randstad sourceright