

**The 2014/2015
Procurecon
Contingent
Workforce Trends
Report**



Introduction

Due to several years of unpredictable global, economic conditions, organizations must keep up with evolving standards. These standards change rapidly, so organizations must be prepared for things to accelerate quickly. As companies hastily attempt to cut costs at every corner, **driving value through procurement is a top priority** for business leaders across all sectors. Procurement professionals have earned a “seat at the table” in the corporate world, but they must adopt a business-driven (not a cost-driven) focus and balance long-term vision with short-term agility in order to keep it.

It was with this in mind that **310 procurement executives** came together at the **ProcureCon Indirect East (PIE)** conference in February 2014 to answer questions about emerging trends in the procurement sector. The team behind WBR's ProcureCon conference series, along with partner Beeline (a leading provider of contingent workforce solutions), put together a questionnaire that was distributed to attendees at the ProcureCon Indirect East conference. The goal of the survey was to understand where companies are in their procurement transformation processes, whether they are on track to completing their transformations according to their plans, and how they plan to combat cost increases in 2014. According to attendees' responses, many procurement functions still **do not operate on a strategic level** within their respective organizations. **Thirty-six percent** of procurement professionals reported that their companies **were behind schedule in their transformation goals**. Of the procurement professionals who said that their companies were behind schedule, 43 percent of them have been operating their systems for **less than a year**.

This report is comprised of the responses from **70** cross-vertical leading enterprises, including **Google, Deloitte, and Toyota**. The roles of those answering the survey ranged from **Chief Procurement Officer** to **Global Director of Indirect Procurement** to **Vice President** and **Head of Strategic Sourcing**. The procurement professionals from these companies, on average, managed spend between one and five billion dollars.

According to the survey, **79** percent of companies reported that procurement teams manage contingent and outsourced labor programs while **21** percent said that this function sits within another department or changes depending on the project. **More than half** of respondents felt that their procurement team is not properly staffed, though the same number of respondents reported their procurement teams are comprised of **26 people or more**. Lacking a strategic, integrated plan for hiring new talent that have the “right skills for the right job” and failing to develop future leaders in their divisions of procurement could risk the core foundation of procurement's “seat at the table” in the years ahead. By maximizing the potential of both an extended workforce and permanent employees, companies can gain critical advantages, including agility and access to valuable talent.

Discuss the latest industry trends with speakers and ProcureCon experts. Talk with your peers and learn how they get the most out of their spend.

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This symbol indicates an interesting point to note.



Stretching Beyond Savings

Recent years have been transformative for procurement professionals. Over the last decade, procurement broke down “back office” perceptions, wherein value was only seen through cost-cutting initiatives that improved cash flow to the bottom line. Since then, procurement has made big strides in moving from a purely transactional facet of an organization to a more strategic one. Procurement professionals of today and tomorrow must implement strategic initiatives that bolster the bottom line while contributing to overall organizational results. Best in class procurement professionals have adopted strategic planning in practice and have shifted focus from the tactical work that impedes its execution in practice.

“The simple matter is \$\$\$. It is larger part of the bottom line with a large firm—it has more attention and more of a priority. If you can reduce the spend of \$1 billion by 10%... That’s a lot. Reducing the spend of \$10 million by 10% while great, may not move the needle enough in small organization.”

**- Greg Muccio, Manager,
Human Capital,
Southwest Airlines**

“Most senior leadership does not understand the value of the supply chain as it relates to operations and, in turn, revenue and profitability. They tend to focus on Sales, Marketing, and Finance first, then Operations and HR.”

**- Mike Inman, Former CPO,
MGM Resorts**

In the face of tumultuous economic conditions, procurement professionals must keep up with evolving organizational needs (that often change at warp speed). Organizations need to have a flexible program that will adapt to rapid changes and market conditions. Best in class organizations looking to make strategic, financial decisions have started to rely more heavily on the use of contingent labor to fill short-term gaps and on specific labor segments to supplant their full-time employee bases. These outsourced workforces can span across many skillsets and can be employed seasonally, as needed, or on longer term contracts where they function much like full-time staff members. Their numbers can be as few as one or as many as thousands.

According to an Accenture report titled, “Trends Reshaping the Future of HR; The Rise of the Extended Workforce,” economists project that the extended workforce will continue to increase globally as part of a long-term trend and will become key to competitive success. The report cites estimates from the Freelancers Union that 20 to 33 percent of today’s U.S. workforce is now comprised of independent workers (e.g., freelancers, contractors, and temps), up from six percent in 1989.

Another report from Taleo, a database vendor focused on talent acquisition, cited that companies spend on average about \$300 billion a year on outsourced contingent labor worldwide. In addition, the U.S. Bureau of Labor Statistics predicts that employment services will count among the fastest-growing segments of the economy in the long term, adding 637,000 jobs in the next 10 years - twice the growth rate for the overall economy during the same period.

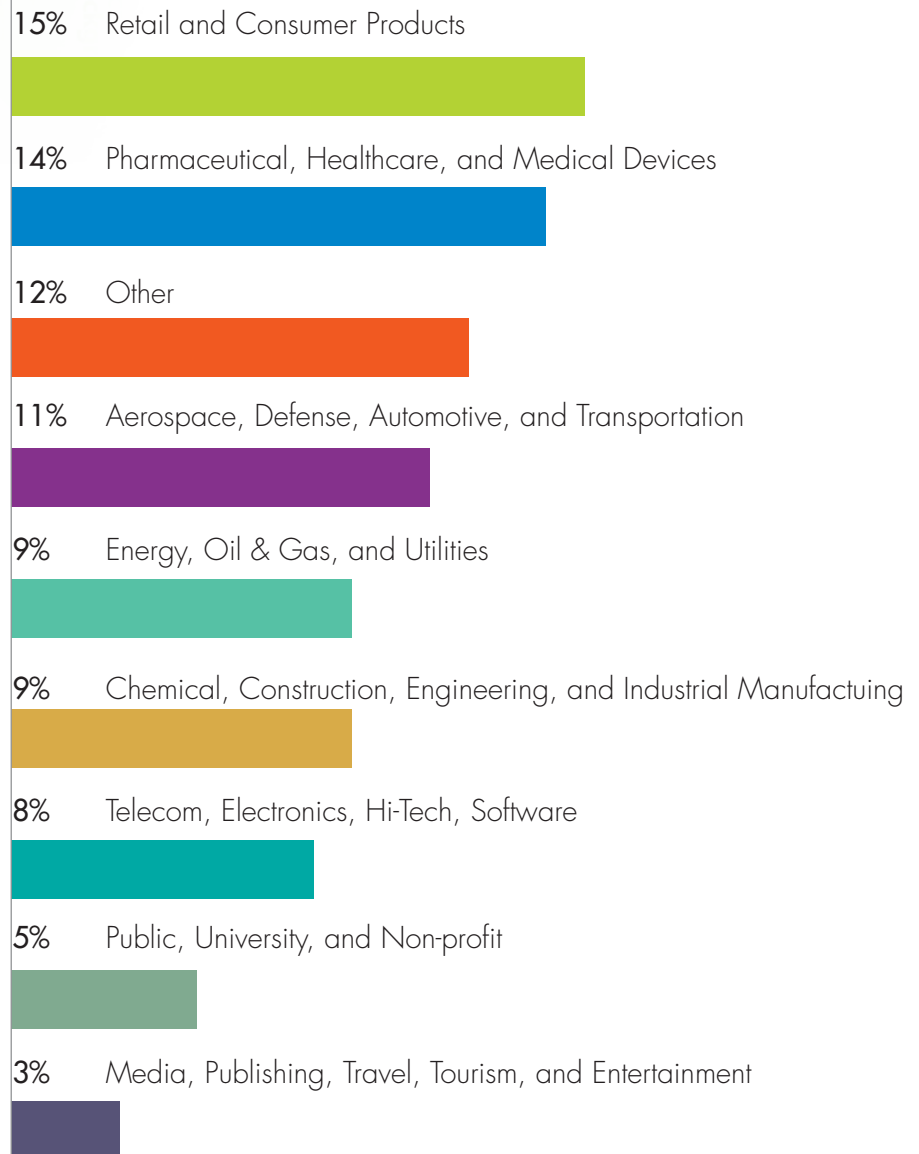
As companies navigate this change in labor management, they must decide how to efficiently structure their organizations. Who is ultimately responsible for managing the contingent workforce? For many corporations, that responsibility has fallen into procurement’s hands, where many procurement professionals believe it belongs.

See how your firm compares to your peers and competitors by viewing the results and analysis throughout this report.

What industry does your company represent?

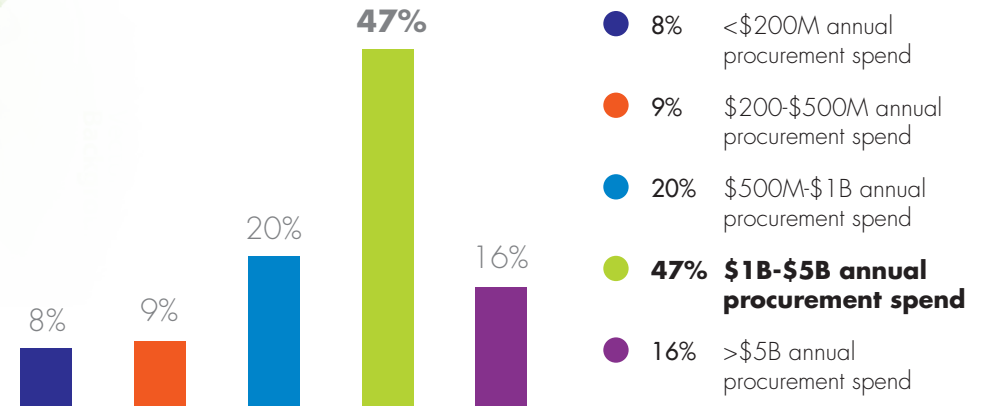
24% of participants represent financial services, insurance, and real estate firms.

24% Financial Services, Insurance, Real Estate



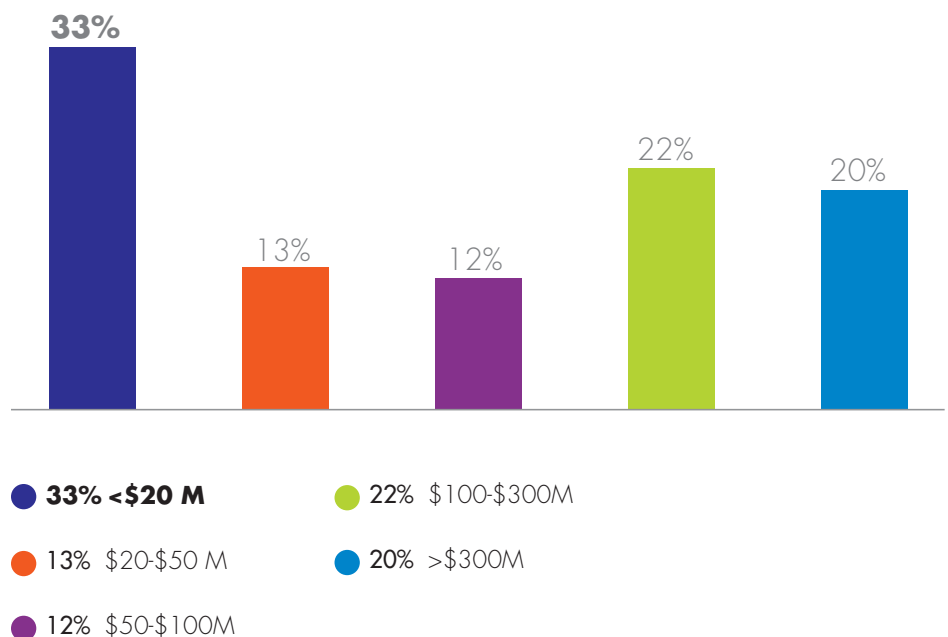
What is your estimated annual procurement spend?

47% of respondents estimated that the annual procurement spend at their companies was somewhere between **1 billion** and **5 billion dollars**.

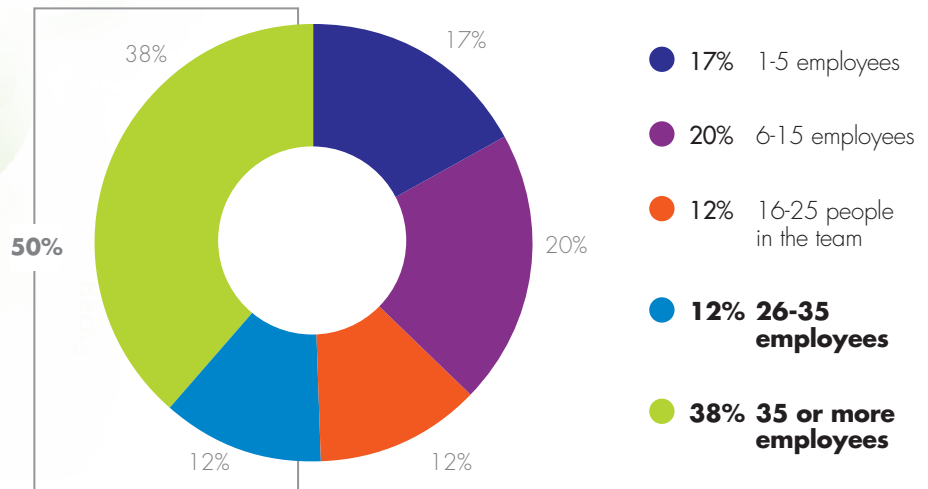


What is your annual contingent workforce spend?

33% of respondents are spending **less than \$20 million** on contingent workforces/contracted labor.

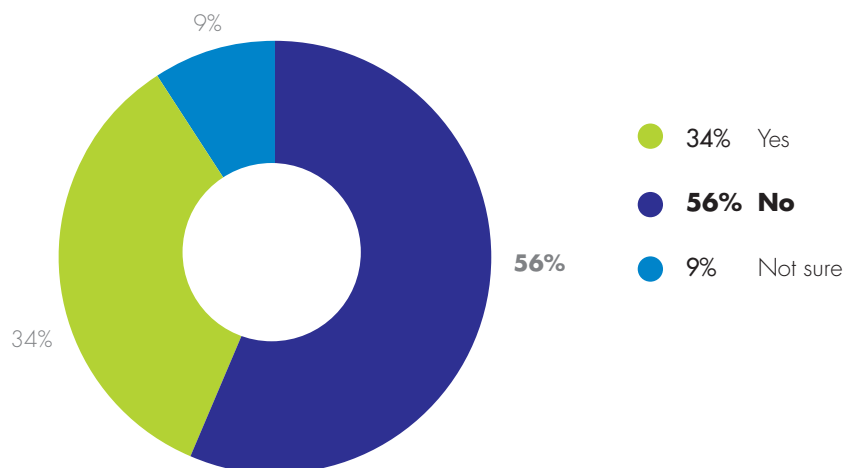


How large is your procurement team?



The majority of firms have fairly large procurement teams with **more than 50%** of the respondents reporting they have teams of **26 people or more**.

Do you feel your team is properly staffed?



56% of respondents do not feel that their procurement teams are properly staffed.



More than half of respondents feel that their procurement team is not properly staffed

though the same number of respondents said that their procurement teams are comprised of **26 people or more**. These responses point to the growing responsibilities placed on procurement's shoulders and their changing roles as relationship builders, not just cost cutters. With all of the new business needs that procurement professionals have had to take on over the past decade or so, it is no wonder that their sourcing teams are getting stretched thin. By extracting and automating the most tactical procurement processes (e.g., ordering material, spend reporting, etc.), it could free up time for teams to shift their focus to the more important matters at hand, including building sourcing strategies, maintaining contracts, and appraising/developing suppliers.

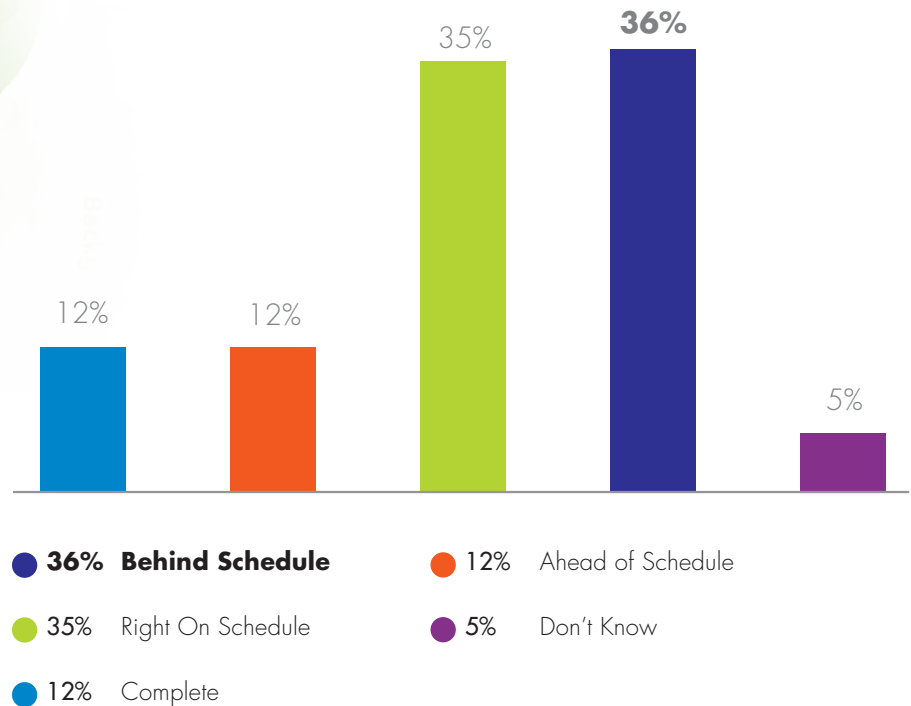


"Procurement can be a victim of its own success – show results and value add and more work comes your way. I try to focus on strategic projects that add value with my staff and outsource the tactical procurement activities to a third party. You need to be able to develop a business case and show the ROI of procurement involvement to show why you need additional resources and payback."

– **Craig T. Demarest, Senior Director
Chief of Procurement,
RJReynolds**

Is your company meeting its procurement transformation goals?

36% of leading companies are behind schedule in their transformation goals.



"I think that only 12% have completed the transformation from tactical to strategic because of lack of internal buy-in."

- **Mike Inman, Former CPO, MGM Resorts**

"C Level support is key but it's also important to have buy-in from the business units you support. To be able to understand their needs as well as having clearly defined goals, supporting analytics and an engaged supply base [will] ensure greater adoption and success."

- **Michelle Routhier, Program Manager Procurement Services, Microsoft**



For years, procurement officials have aimed to earn a seat at the table.

However, according to our survey, many procurement functions still do not operate on a strategic level. Of the procurement professionals who said that the transition from tactical to strategic is behind schedule, **43%** have been operating their systems for **less than a year**. The ability to move from “tactical” to “strategic” is now the foundation of procurement’s value within an organization. Shifting the focus from finding the lowest cost for purchased goods or services to what a business needs to accomplish its goals is a clear departure from procurement’s past practices. Years ago, procurement used to be just a back-office administrative job that processed purchase orders. However, procurement has since worked its way up to become a leading strategic function of a company to deliver cost savings and value creation.

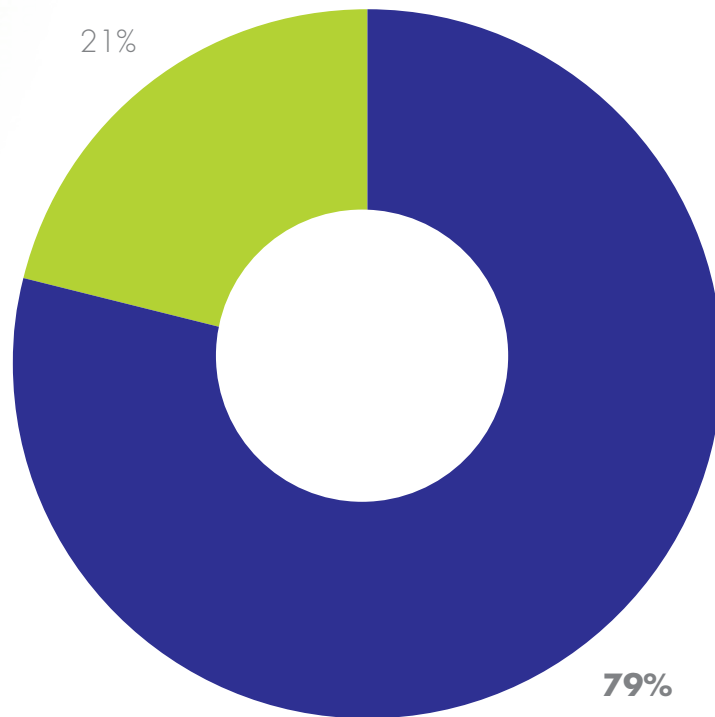


Is your company's contingent/outsourced labor handled by procurement, or through another department?

79% of procurement professionals reported that their company's contingent/outsourced labor is handled by procurement.



Driving value through procurement starts with the organization's commitment of resources to talent acquisition and management. An effective procurement team must be able to integrate trends, insights, and analytics to impact business growth. It is only through focused category management (which taps into diverse teams who have varied skillsets) that procurement can effectively drive business planning and contribute to overall organizational results.



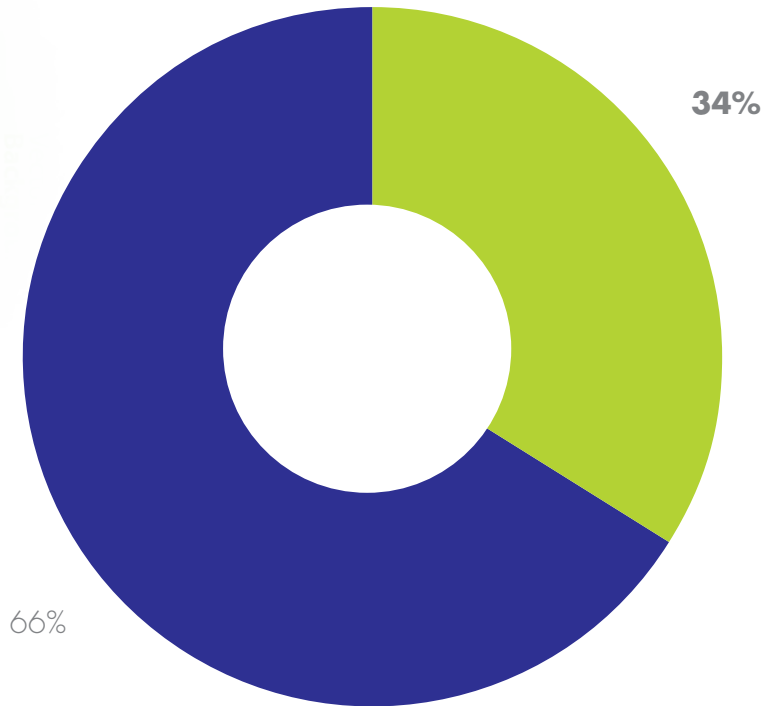
- **79% Handled by procurement**
- **21%** Managed by another department

"At RJRT, client areas manage the relationship for their particular contingent labor engagement. Procurement plays a role in vendor management and leads in contracting process. Why Procurement? They have the skills and experience contracting and managing suppliers."

– Craig T. Demarest, Senior Director, Chief of Procurement, RJ Reynolds

Is your contingent workforce program deployed globally?

Only **34%** of contingent workforce programs are deployed globally.



● **34% Yes**

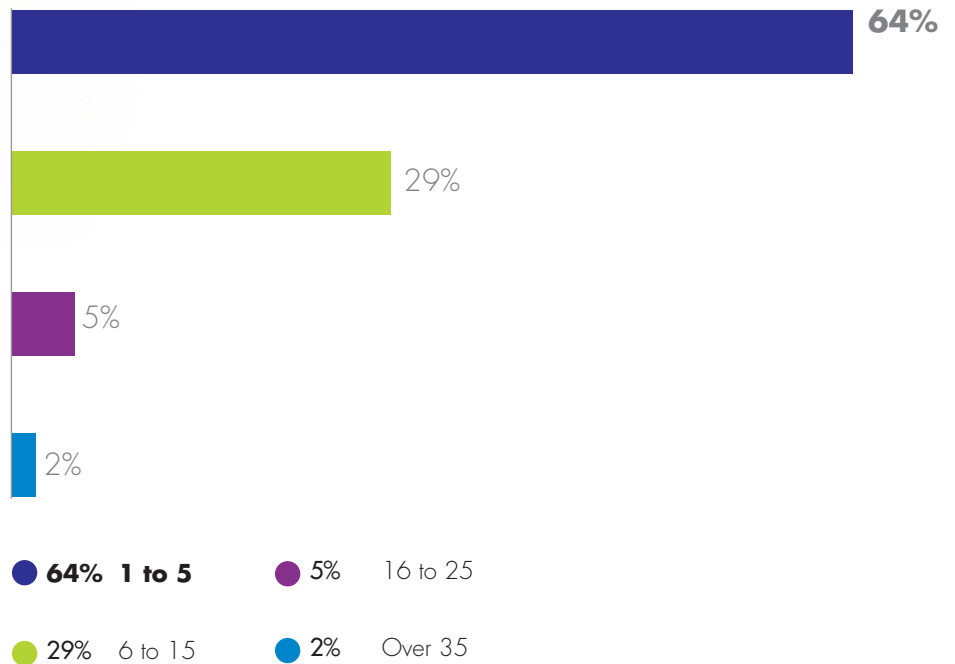
● **66% No**



Global category management involves linking and aligning procurement strategies to the strategy for the organization as a whole. Across organizations, borders, and countries, organizations need to have a flexible program that will adapt to rapid changes and market conditions. This is crucial to stay competitive in the industry... a "need-to-have" that is definitely easier said than done.

How many employees support your contingent workforce programs?

A vast majority (**64%**) of procurement professionals said that only **1 to 5 employees** are supporting their contingent workforce programs.



This is somewhat surprising because some programs can manage thousands of laborers. However, this may be due to the fact that many procurement professionals are not managing contingent labor themselves, but instead through a Managed Service Provider, as evidenced on page 15.

What does this mean for companies who have contingent workforces larger than their actual workforces, like RJ Reynolds for example?



"As this grows and the complexities and regulations/compliance activity grows, companies need to develop better solutions – technology, Vendor Management Systems, and Master Service Providers – or add more bodies."

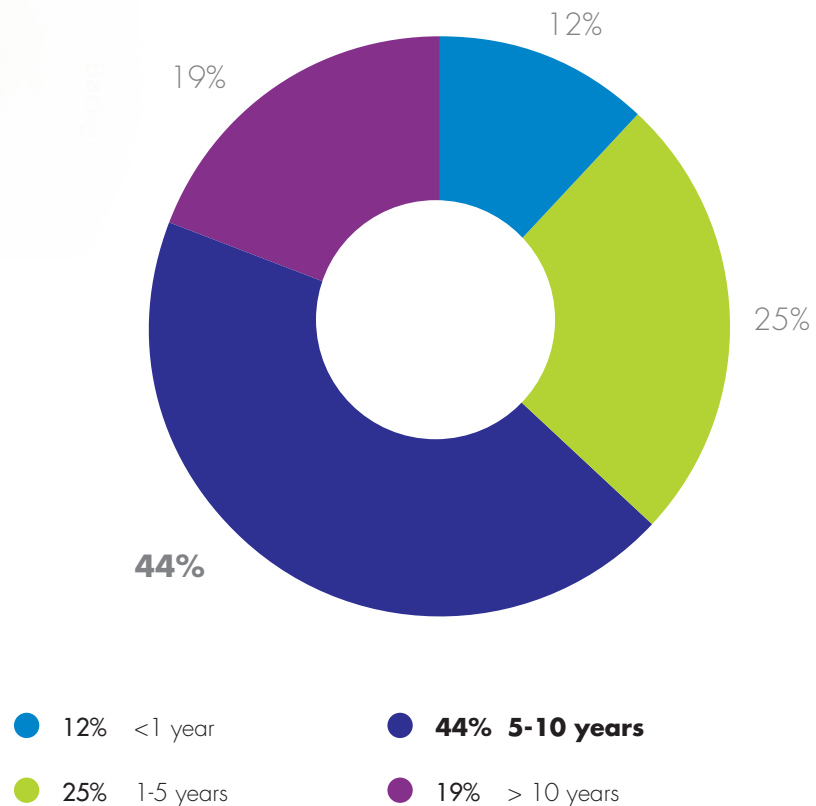
– Craig T. Demarest, Senior Director, Chief of Procurement, RJ Reynolds

"Each company's needs are different but added pressures to increase savings could contribute to this from both reduced procurement staff to increased workload."

– Michelle Routhier, Program Manager, Procurement Services, Microsoft

How long have you been operating your contingent workforce program?

44% of respondents reported that they started/implemented their contingent workforce program over the last **5-10 years**.

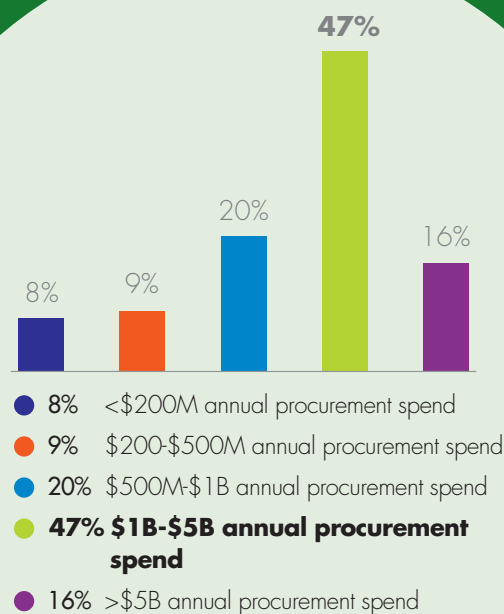


The findings suggest that larger firms tend to lead the market when it comes to their transformation from tactical to strategic procurement strategies. This is not to say that smaller organizations could not, but they tend to not have the scale required to make their investments worthwhile.



Sixty percent of the companies

who reported to be operating their contingent workforce systems for **10 years or more** reported to have an annual spend of over **100 million**. Conversely, all of the companies who reported implementing/operating their contingent workforce systems for less than a year have an annual spend of less than 20 million.

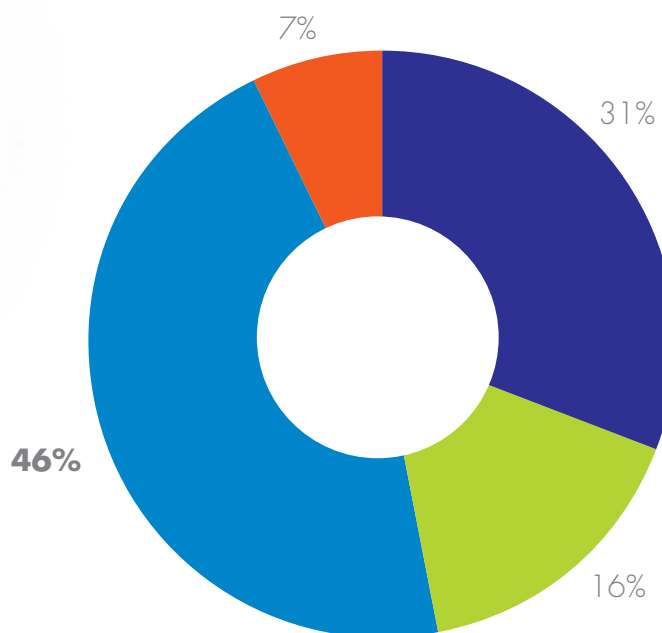


Who currently manages your contingent workforce program?

46% of respondents said that their contingent workforce program is managed by a combination of Managed Service Providers and internal management.



Effective management of temporary workers and contracted services needs supervision to enforce policies, procedures, and performance. In order to effectively manage contingent labor, there needs to be measures in place to gauge the program's overall success. Without that, an organization could risk misclassifying workers and potentially overpaying for services.



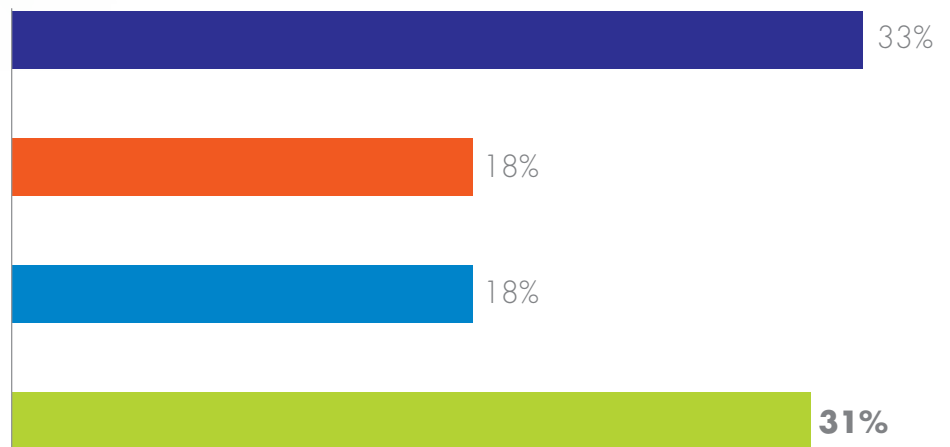
- 31% Managed Service Provider
- 16% Vendor Management Office
- 7% No program in place
- 46% Combination of Managed Service Providers and internal management**

"Properly staffed does not necessarily mean just having the appropriate quantity of people. It also means having the right people in the right positions with the right skillset. Reliance is on the type of interaction required (e.g. strategic sourcing vs. transactional processing) and the volume/mix/complexity of the purchasing activity."

– Barbara Smith, Enterprise Labor Services Purchasing Manager, Xerox

If using a Vendor Management System (VMS) to track and manage your contingent workforce, how many years has the system been in place?

Less than 1/3 of the attendees (**31%**) have been using a Vendor Management System to track and manage their contingent workforces for 5 years or more.



● 33% < 1 year ● 18% 3 to 5 years
● 18% 1 to 3 years ● **31%** > 5 years

1/3 of the respondents reported to be operating their Vendor Management System for less than a year.

"I believe the industry is maturing and progress is being made in this area. Next generation outsourced labor management will require more in-depth knowledge of traditional contingent labor as well as SOW and ICs on a global scale. Using a universal VMS or reporting platform is also key to understanding a company's data and identifying clear opportunities for supplier rationalization/consolidation and productivity."

—Barbara Smith, Enterprise Labor Services Purchasing Manager, Xerox



Critical to any organization's success

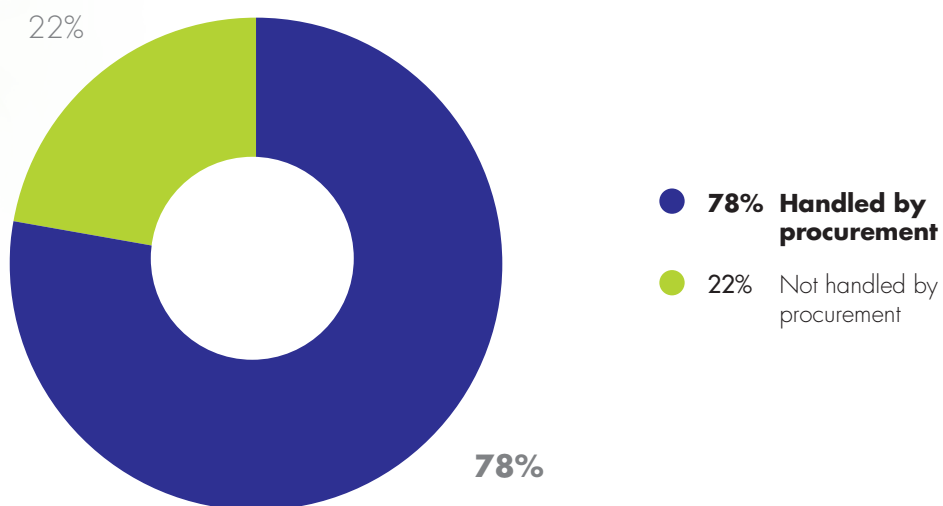
is implementing technology that creates a unified, all-encompassing management system. Today in procurement, a Vendor Management System (VMS) fits the bill. Implementing a VMS solution when managing a contingent labor program allows organizations to automate the workflow and streamline the ability to see the ROI of its contingent workforce program.

VMS solutions give organizations the ability to see the whole picture while having the proper visibility and control to effectively manage outsourced projects and get work done.

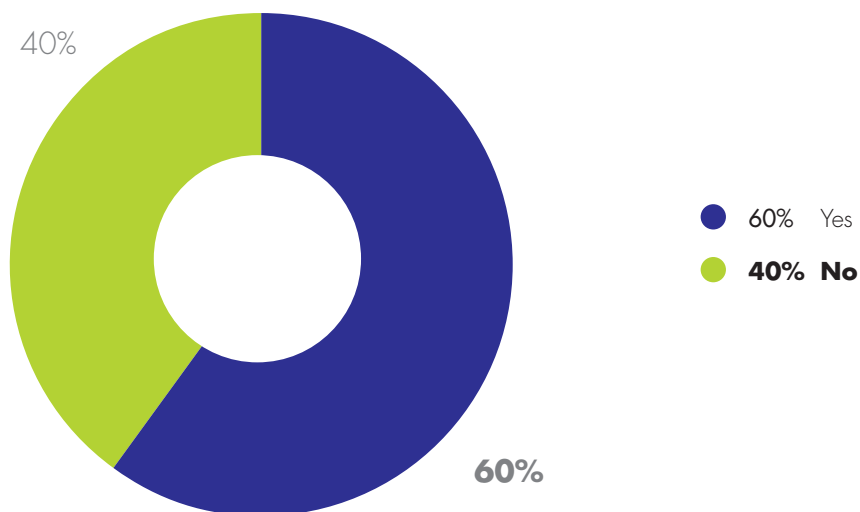


78% of procurement executives said that Statements of Work (SOW) are handled within the procurement department.

Is sourcing for Statements of Work (SOW) handled within procurement?



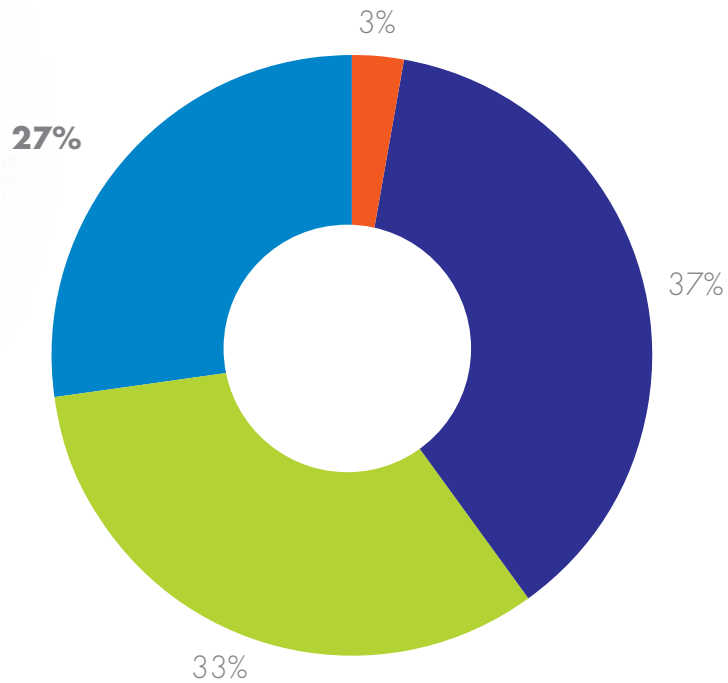
If you answered yes above, do you feel your SOW spend is well managed and well reported?



Of those handling SOW within their procurement departments, **40%** feel SOW spend is not well managed and well reported.

Who currently manages your SOW spend?

27% of respondents do not have a SOW program in place.



- 37% Vendor Management Office
- 33% Combination of Managed Service Providers and internal management
- 27% Do not have a SOW program in place
- 3% Managed Service Provider

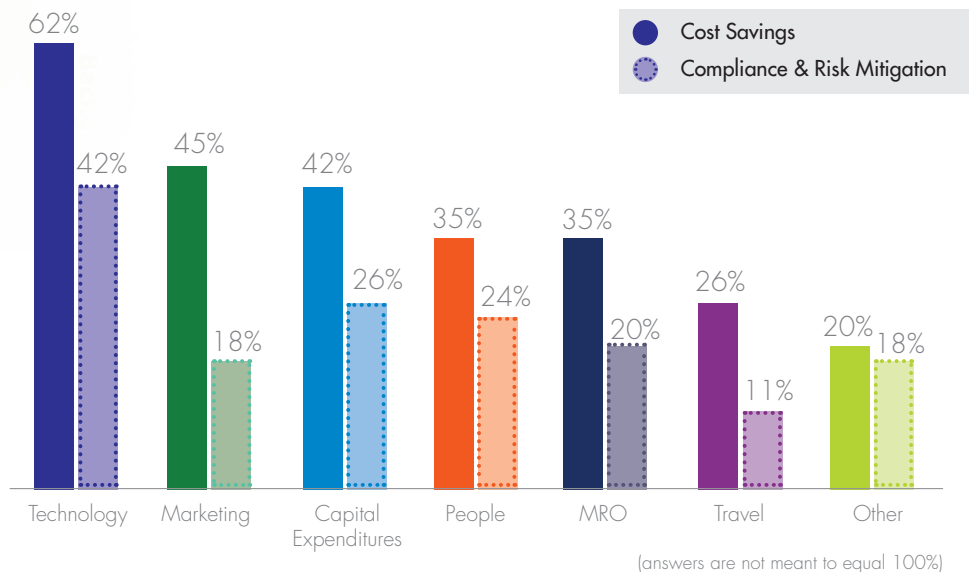
With the majority (79%) of procurement professionals tasked with managing contingent labor within their agencies, it calls into question, "How effective are the current purchasing decisions?" Without proper management of SOW spend in place, procurement officials run the risk of not fully leveraging their spends, not helping to drive their businesses forward, and ultimately not delivering as a "true business partner" to their respective organizations.

"My experience, connecting with others throughout the field, is that we all face similar challenges. The SOW process is complicated, with obstacles such as defining the right scope of work, leveraging the right tools, and implementing balanced risk or reward models. However, with the right support, partners, and peer groups working together, you can enable a successful program."

- Michelle Routhier, Program Manager Procurement Services, Microsoft

In your business, where do the biggest opportunities lie for 2014 (within the following categories)?

The majority of procurement professionals see **technology** as their biggest opportunity for cost savings (**62%**) and compliance/risk mitigation (**42%**).



Cost Savings

- **62% Technology**
- 45% Marketing
- 42% Capital Expenditures
- 35% People
- 35% MRO
- 26% Travel
- 20% Other

Compliance & Risk Mitigation

- **42% Technology**
- 18% Marketing
- 26% Capital Expenditures
- 24% People
- 20% MRO
- 11% Travel
- 18% Other

This suggests that procurement professionals will likely reevaluate their contracts for IT/software in the year ahead and will focus on extracting money from the spend for the tools/resources used in this space.

"I was surprised that technology was still seen as the #1 opportunity, I would have guessed it would have been well managed years ago. Perhaps it is because of recent advances in technology applications and usability – migrating every part of a business to real time on mobile devices."

- Mike Inman, Former CPO, MGM Resorts



While the market for technology has exploded over the past few years with software related to procurement management, most mature procurement organizations already have solid processes in place. That is why the majority of procurement professionals see technology as their biggest opportunity for

cost savings (62%) and compliance/risk mitigation (42%) to boost their bottom line.



Human capital,

on the other hand, has become both a scarce and valued resource, which is why only 35% saw this as a viable option for cost saving and 24% saw it as a big opportunity for compliance/risk mitigation. This suggests that procurement professionals recognize the value of investing in talent and will continue to develop the knowledge management structure in the years to come.

About beeline®

Beeline is a market leader in software solutions for sourcing and managing the flexible workforce. Offering intelligent workforce solutions – including a Vendor Management System (VMS) – to help procurement, sourcing, and human resources professionals optimize costs, reduce risks and add value to their local and international contingent labor programs.

As Fortune 500 and Global 1000 companies expand their flexible workforce to complement their permanent employees, they increasingly turn to Beeline for comprehensive management of all categories of flexible labor spend, including contingent and outsourced labor, consultants, and project-based contractors. Beeline VMS has everything you need to automate all categories of your flexible workforce. Delivered through a powerful Software-as-a-Service platform, Beeline provides a full spectrum of trusted solutions. Every solution is delivered with powerful technology, actionable analytics, elegant user experience, unparalleled workflow and system configuration, unrivaled data security, and seamless integrations.

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Quality Control - Measure and monitor supplier performance. Ensure process and performance consistency.

Operational Efficiency - Automate procurement cycles. Reduce time to fill positions. Consolidate billing and supplier payments. Ensure 100% invoice accuracy.

Award-winning business intelligence, superior technology, a global network of local knowledge, and service-driven people based close to its clients operations make Beeline the best VMS for today's leading enterprises.

To learn more, visit beeline.com

Beeline is a strategic and independently operated business unit of Adecco Group, the world's leading provider of human capital management.



About **PROCURECON**

Together with these industry pros and visionaries, you'll spend four days learning about the latest technologies, techniques, and strategies for delivering your best sourcing plan.

"I thought the information shared at the event was spot on in today's procurement world. Everything was relevant, and it seemed everyone from a macro level were pursuing the same things. Speakers were "real" and engaged into what we are all doing. It validated a lot of our efforts. I wouldn't change anything. I would advise however, that whatever means to capture the relevant procurement environment today that you use the same methodology to stay relevant next year."

- Jim Higgs, Sr. Manager, Central Buying
Office Services, Newell Rubbermaid

The ProcureCon event series brings together a unique blend of procurement, purchasing, and supply chain experts from across all industries to share their experience and knowledge with a team of people who truly embrace the strategically important field of procurement. Originally launched in North America 14 years ago to address direct purchasing strategies for manufacturing companies, ProcureCon has since expanded its focus to address the challenges and opportunities within non-manufacturing and corporate procurement at the ProcureCon Indirect East and West events, as well as the unique needs of managing the marketing category at ProcureCon for Digital and Marketing Services.

Join us at one of our upcoming events and connect with the decision makers who've been the driving forces for internal change.

"ProcureCon Indirect is one of the best run conferences in the procurement space. The agenda is relevant to current hot topics within the industry and the sessions are run with precision. I am most impressed with how the sessions are kept on schedule and there is plenty of time for networking. The exhibitors are strategically placed so that there is constant interaction with the attendees. It is certainly well worth the investment!"

- Sonia O. Knight, Marketing & Conference Manager,
Allegis Group Services Inc.

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"Since we've found a lot of value from being a long-time sponsor of the ProcureCon events, we decided to go along with a webinar. The results from the webinar were very good, and we had a good number of leads from that campaign. We have already booked two more webinar campaigns, that will be running with the year."

**-Rohan Mishra, Executive,
Marketing, Zycus**

"With WBR Digital you get what you pay for in terms of the quality and seniority of their database."

**- Hugh Kelly, VP, Sales
and Marketing,
Avior Computing**

About **WBR** **DIGITAL**

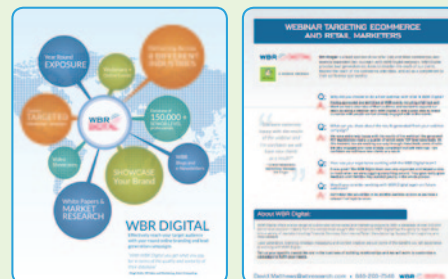
WBR is the world's biggest large-scale conference company and part of the PLS group, one of the world's leading providers of strategic business intelligence with 16 offices worldwide. Our conference divisions consistently out-perform their industry sector competitors on the quality of the events we produce and the relationships we nurture with both attendees and sponsors.

Every year, over 10,000 senior executives from Fortune 1,000 companies attend over 100 of our annual conferences – a true "Who's Who" of today's corporate world. From Automotive events in Bucharest to Logistics conferences in Arizona to Luxury conferences in New York and Finance summits in Hong Kong, WBR is dedicated to exceeding the needs of its customers around the world.

In addition to our industry leading conferences, our professional services marketing division, WBR Digital, connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. WBR's marketers act as an extension of your team, relieving strain on your internal resources while promoting your brand and solutions to your prospects. Solution providers can target identified accounts or relevant industry/function segments of WBR's entire global database of over 500K senior-level decision makers.

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"The networking opportunities alone are worth attending an event. Where else do you have the opportunity to sit in a room full of procurement professionals and listen to how they dealt with challenges and problems..... then meet them one-on-one to discuss further. "

- Randall C. Clark, Senior Strategic Buyer, Volvo Group Non-Automotive Purchasing

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