



White Paper

Managing A Contingent Workforce

Written by Corporate United
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Introduction

A contingent workforce is a provisional group of workers employed by an organization on a non-permanent basis and can also be referred to as independent professionals, temporary contract workers, independent workers, freelancers or consultants. Managing the resources that comprise a firm's contingent workforce and managing the processes to procure those resources can be overwhelming for any enterprise.

Problem

Coupled with the challenges of ever-changing regulatory compliance issues, mergers and acquisitions, market expansions and business transformations, contingent workforce procurement and management can be time-consuming and costly. In a market where the most qualified resources are in high demand and the average "cost to fill" and "time to fill" begin to climb, companies can find themselves in dire need of creative and effective options to get the right solution or resources in place.

Solution

Vendor management is an increasingly common way to handle the difficulties and sheer magnitude of work of managing multiple staffing providers. Unfortunately, most organizations simply do not have comprehensive visibility into their staffing expenditures. What's more, they lack the data to make accurate rate comparisons between identical positions, or to enable consistent contract hiring and business practices.

Whether you have a dozen vendors or hundreds, recruiting, monitoring and administering your vendor program is challenging. The good news is, finding the right managed staffing solution has never been easier.

What is a Managed Staffing Program?

A managed staffing program (MSP) is a comprehensive workforce management solution supported by a managed staffing services provider, working to ensure its clients get cost-effective, efficient services, while maintaining a consistent approach to their staffing requirements. These services include, but are not limited to, the recruitment and assignment of contingent staff, evaluation of candidates, background investigations, eligibility requirements, performance evaluations, and invoicing and reporting.

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Determining a Fit – Does my organization need a managed staffing program?

Are you able to answer these questions about your organization?

- How much do you spend on contract labor/contingent staffing?
- How much of your expenditures are for IT, financial, administrative and light industrial services?
- Which business units or departments consume the most and why?
- How many suppliers are you utilizing?
- What is your vendor vetting process?
- Do you know which suppliers provide the best services?
- How many contractors are present on any given day?
- How many of those contractors have been on site for one or more years?
- How do you ensure a contractor does not exceed the company's tenure policy?
- How do you ensure involuntarily discharged contractors do not return through another supplier?
- Who tracks a contractor's visa status?
- How does your firm track invoicing errors?
- What controls are in place to ensure expenditures on contingent staffing do not exceed the value of the purchase order or budget?

If your organization is not able to answer these basic questions easily (and of course accurately), you should consider implementing an MSP. Without an MSP, it is very difficult to control and monitor an organization's contingent workforce; not to mention, quality and money could be slipping through the cracks.

Things to Consider When Evaluating an MSP

Gaining Control

The single most important benefit of an MSP is control. An MSP provides the control needed to establish consistent and uniform hiring practices and keep in line with rapidly changing manpower needs. An MSP can provide industry expertise in the field of vendor management, create competitive market rates and ensure uniform contract compliance with vendors.

Maintaining Control of Data

When an MSP is put in place, the data remains the property of the client. Furthermore, contracts usually stipulate how the data is presented to the client during and at the termination of a contract. As long as all parties understand what their responsibilities are, losing control over the data is not an issue.

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Centralized vs. Decentralized Programs

Assigning profit and loss (P/L) responsibility is not nearly enough. An organization's employees must be equipped with the expertise and tools needed to make keen decisions and be able to leverage their organization's purchasing power.

By utilizing a centralized program, organizations can avoid high billing rates, low levels of compliance, high exposure to risk, lack of qualitative data, and limited quantitative data, which are often associated with decentralized programs.

Managing Long-Standing Relationships

A vendor-neutral program relies heavily on an organization's long-standing relationship. Many MSP providers do not supply staffing services. Additionally, most MSP providers generally assume the firms that have served your organization the longest and most frequently provide the best service; maintaining this relationship also helps to ensure business continuity is never compromised.

Monitoring Rates and Mark-Ups

MSP providers conduct on-going rate analysis using current and historical data from all of its engagements. Moreover, independent sources of market data are collected and brought to bear on all engagements.

The cost of labor is more sensitive to the forces of supply and demand than the price of energy. Many believe the cost of labor to exist in an almost perfect market given the large volume of buyers and sellers in the absence of any wide-spread regulation.

MSP program managers are in constant contact with hundreds of sources of empirical data, as well as independently conducted and contemporary surveys. Even if an organization had access to all of these data points, it would be extremely difficult to communicate and impact change across its supplier and contractor base.

It is also important to keep in mind that obtaining competitive pricing is only one of the benefits of an MSP. A well-run MSP is about achieving control. Control allows organizations to craft a program to serve their immediate and long-term workforce management initiatives and in turn, their enterprise-wide goals.

Resource Support

Once operational, an MSP frees up resources. During discovery (pre-implementation) and implementation, an MSP provider will enlist the support of various company personnel, but their participation is not needed on an ongoing basis.

MSP program managers assigned to accounts serve as a single point of contact and communication and are charged with ensuring the program meets and exceeds standards.

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Costs Associated with an MSP

Most MSPs utilize a vendor-funded program – its fee (a percentage of spend) is borne by the vendors – which is widely accepted in the industry. This is similar to a merchant that accepts credit cards; users pay the credit card company a fee for conducting sales using the card.

Vendor-funded programs have become the cost of doing business. Therefore, vendors are motivated to offer their best price, especially when they consider the opportunity to supply more of the contractors and the reduced marketing and administrative costs.

Technology Drives Improvement

A vendor management system (VMS) is a web-based technology tool used to replace many of the tasks that are required to be initiated, managed and recorded manually. Many managed staffing providers work in conjunction with VMS software to deliver the most advanced and intuitive technology in the industry. With the unique focus on talent acquisition that VMS software provides, you have the flexibility to manage all types of labor including salaried, hourly and contingent.

Because today's MSP technology can be configured to emulate an organization's current business rules, learning curves are surprisingly short. In many cases, a mouse and key board are merely replacing a pen and telephone. Technology is never used to supplant professional judgment and expertise; it merely frees one to exercise greater judgment.

Priorities: Quality vs. Cost Savings

The optimum MSP demands both quality and cost savings just as one would for any other commodity or service. Obtaining "cheap" or deeply-discounted pricing is easy; insisting on exemplary supplier and contractor performance is more complex. Interestingly, most high-performing suppliers and contractors like to participate in an MSP.

Beyond the administrative and marketing cost savings that suppliers enjoy, superior performance is promoted through MSP provider metrics, tracking and reporting systems. An MSP can be configured to ensure the best performers receive the greatest requisition volume. Dozens of supplier and contractor performance metrics are calculated and stored automatically for immediate viewing and clear decision making.

Supplier Diversity

Supplier diversity is a primary responsibility for MSP providers. Not only does an MSP provider track diversity expenditures, it also ensures organizations are meeting them.

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Program Maintenance and Monitoring

When implementing an MSP, a corporate sponsor should be designated within your four walls to monitor the program. Your sponsor will meet with the MSP provider on a regular or impromptu basis to discuss continuous program improvements and any other elements that require joint attention. These discussions can take place over the phone, via email or in-person. It's not a full-time job. Once operational, one could expect to be engaged only a few hours a month.

Conclusion

Managing an enterprise-wide contingent workforce can be overwhelming. And most organizations do not have the visibility into headcount or spend required to make strategic staffing decisions, or to enable consistent contract hiring and business practices. Fortunately, an MSP can provide a comprehensive solution to assist organizations in standardizing their contingent labor activities. By utilizing an MSP, an organization can greatly benefit from improvements in vendor selection, contract negotiation, performance monitoring and workflow management, resulting in significant time and cost savings.

About Corporate United

Corporate United is the nation's largest group purchasing organization, serving the world's leading companies across every industry sector with sourcing, contract management and networking solutions. Corporate United's more than 150 member companies collaborate for the purposes of enhancing their spend management efforts, sharing best practices and interacting with an unrivaled network of professionals.

For more than a decade, Corporate United has provided its membership with unique solutions to more effectively manage indirect spend across their enterprise. By combining leveraged agreements with ongoing supplier development and implementation support, member organizations realize savings and resource flexibility.

Corporate United, along with its member sourcing committee and recognized contingent workforce industry experts, Brightfield Strategies, conducted an 18-month sourcing process to establish a comprehensive MSP agreement. At the end of 2008, Corporate United finalized the award decision and added a combined MSP and VMS offering to its portfolio. For more information, contact the Corporate United headquarters at 440.895.0938 or visit www.corporateunited.com.

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