TAPFIN
ManpowerGroup Solutions

Extending Contingent Workforce Management (CWM) ROI
with Services Procurement Management

A TAPFIN White Paper

Introduction

Services Procurement Management (SPM) brings to the procurement of projects and services what Contingent Workforce Management (CWM) brings to the procurement of contingent labor. Similar to CWM, organizations that implement SPM can realize significant cost savings and efficiency improvements by optimizing how they procure and engage third-party providers.

As organizations gain visibility into their true business processes, they gain control of their spend and their relationships with their providers. This visibility eventually leads to the ability to optimize the process and maximize the investment and effort put towards outsourced projects and services. Early adopters are enjoying double-digit savings year over year and have turned around how they interact with their providers.

This document is intended for organizations that have already deployed a CWM solution, understand the business rationale that drove the decision to implement CWM and what is involved, and are now evaluating SPM as a possible next opportunity for significant savings and/or process enhancement.

Definitions

Contingent Workforce Management (CWM) – CWM provides the support infrastructure, process ("Req to Check"), performance management, and oversight for selecting and managing individual contract resources, where resources are provided by a client's suppliers, work on an hourly basis, and take day-to-day direction from the client.

Vendor Management System (VMS) – VMS is commonly used to refer to the technology that is implemented to manage contingent labor programs.

Services Procurement Management (SPM) – SPM provides the support infrastructure, process ("RFx to Check"), performance management, and oversight for selecting suppliers to provide projects or services on a contract basis — where the work is defined by set scope, deliverables, milestones, and fees and is completed under the supplier's direction.

SPM Includes:

- RFx creation
- Posting to suppliers
- Response analysis
- Business award
- SOW creation and execution
- Payment term definition
- Tracking of completion of milestones and deliverables
- Invoice & payment process

- Supplier performance management

  - Track supplier performance
  - Add suppliers to address delivery gaps
  - Leverage high performing suppliers
  - Improve low performing suppliers or remove
  - Feed supplier performance data into RFx process for future pursuits

CWM Works

Who would have imagined twenty years ago that the world of staffing would be dominated by Contingent Workforce Management programs that provide the power of technology, the Internet, and Managed Service Providers (MSPs) to bring visibility and control to the managing of the requisitions process and to managing suppliers and contractors? The thought of changing an age-old model (which, if you asked any hiring manger at the time, was not broken) was daunting for many companies. Asking hiring managers to follow a process (requiring suppliers to compete against their peers) using a service provider to manage the critical task of acquiring contract resources — it all seemed monumental at the time.

Fast forward twenty years… CWM programs are everywhere! A Staffing Industry Analysts survey of 171 large (1,000+ employee) companies found that 51% had a CWM program in 2008, 63% had CWM in 2009, and growth is expected to continue at 7% annually ("2009 Contingent Buyer Survey"). Early adopters have been enjoying a controlled process and significant cost savings for quite awhile. Laggards are finding their way to CWM with great success, taking full advantage of the industry's many years of lessons learned. Vendor Management System (VMS) tools that support CWM programs have evolved to the point where they all meet typical needs and the differences are fewer and less significant. Suppliers have begrudgingly recognized that what they had hoped would be simply another "flavor of the month" is now a soundly entrenched best practice that is not going away.

CWM works. MSPs manage the process for their clients, striving to ensure the best possible resources are obtained at the best possible pricing, driving cost savings, and taking on the administrative burden of the procurement lifecycle — all with an eye towards continuous improvement and evolving as circumstances change. Tool providers continue to look for ways to optimize the workflow, removing unnecessary effort and automating whatever does not require human intuition or know-how. Many well-established programs recognize that, while the value brought by their program is just as important as the day it was launched, there is a point of diminishing returns (as is the case when bill rates are as low as they can go), beyond which one would be better off focusing their efforts elsewhere.

Now What?

What is the largest category of discretionary spend that is not currently managed? For many companies, it is outsourced projects and services — which often represents greater spend than contingent labor. Ironically, for most companies, the managing of outsourced projects and services is where CWM was 20 years ago. Hiring managers hire their favorite supplier repeatedly with no checks and balances. SOWs are often written by the supplier and include verbiage, terms, and conditions that are in the supplier's best interests. The only predictable thing about the whole process is the prices for these engagements are highly inconsistent and leave plenty of room for improvement. Suppliers rule the roost — and clients let them.

The pushback will be the same as it was for CWM last century. "We can't change this process — it's been this was for too long." "It works just fine." "We don't want to upset our suppliers." "Suppliers will never agree to work according to our terms."

The retort is simple — the business rationale, the needs, and the opportunity for improvement with an SPM program to manage outsourced projects and services are just as they were for CWM. Integrating an SPM solution with your CWM solution will drive higher ROI — and, leveraging CWM lessons learned and taking full advantage of the expertise of an MSP, the likelihood for SPM success is higher than it was for CWM, and is at least equally profitable and exciting.

Services Procurement Management (SPM)

Early adopters are already reaping the benefits of bringing services-related spend under control. SPM brings the same structure, visibility, and control to the procuring of outsourced projects and solutions that CWM brings to the procuring of contract resources. And the good news is, as a successful adopter of CWM, you already have the groundwork laid for quickly and effectively implementing SPM.
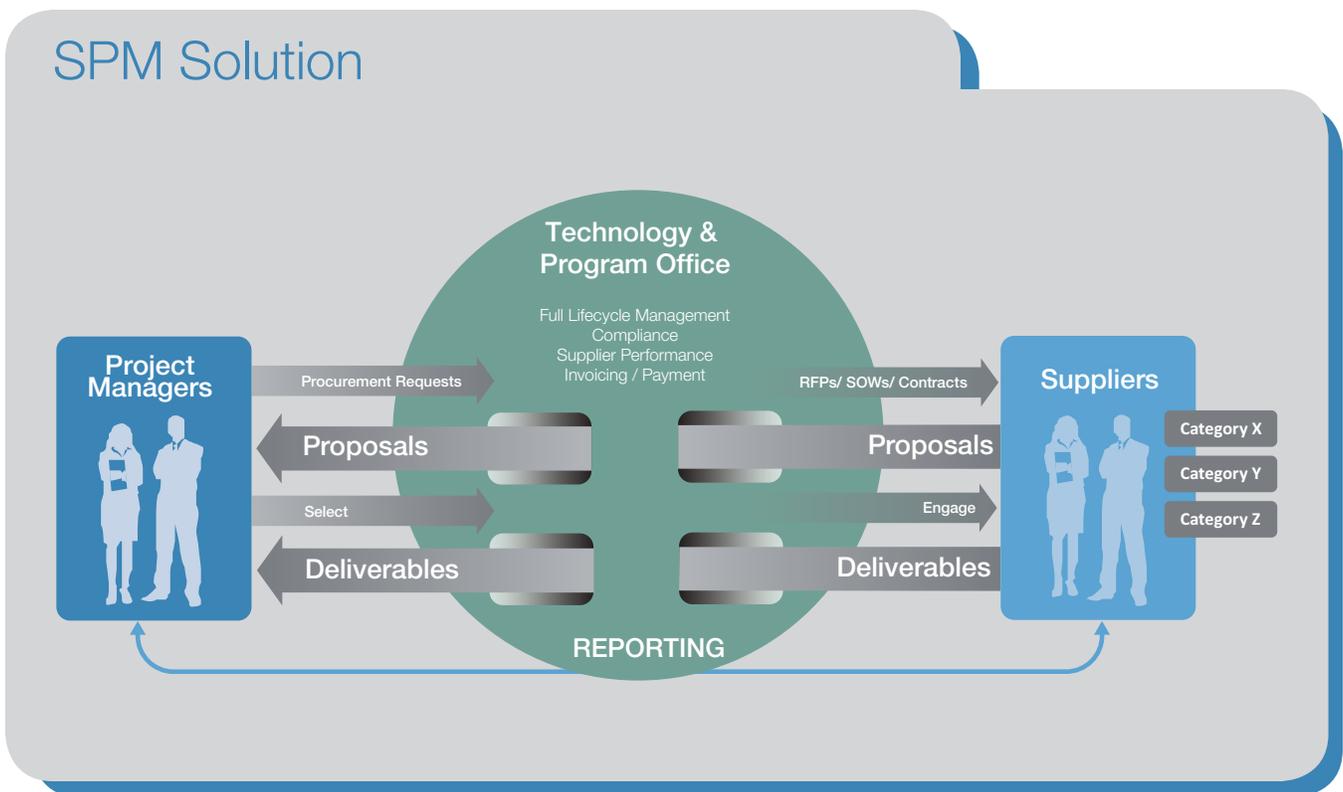
In implementing CWM:

- You made the decision to take control of this important process.

- You defined new workflows to get it done.

- In most cases, you deployed a VMS tool to automate the workflow and to enforce important business rules.

- You have changed the paradigm — to one that is predictable and efficient, and, perhaps most importantly, results in the hiring of qualified candidates at market-appropriate (or better) rates.

SPM brings the same **structure, visibility, and control** to the procuring of outsourced projects and solutions that CWM brings to the procuring of contract resources.

- You may have made the business decision to rely on an MSP to handle the administration of the program, allowing your procurement resources and hiring managers more time to address other business-critical tasks and issues.

- You have pulled off an important switch — where suppliers now manage to your business rules and processes, which gives you control and lowers your risks.

- You have changed your organization's culture from one of "every person left to their own devices" to "everyone follows the same process" — saving money and gaining efficiencies along the way.

You have done the hard part — you have introduced an important change in how discretionary spend is managed and taken the first step to enterprise-wide change. Doing it again, this time to bring SPM into scope, will be that much easier!

SPM Solution

Project Managers

Procurement Requests →

Proposals

Select →

Deliverables

Technology & Program Office

Full Lifecycle Management
Compliance
Supplier Performance
Invoicing / Payment

RFPs/ SOWs/ Contracts →

Proposals

Engage →

Deliverables

REPORTING

Suppliers

Category X
Category Y
Category Z

CWM and SPM Business Drivers

The primary motivations for implementing a CWM program and for adding an SPM component to an existing program are the same:

- Gain visibility into spend (for what, how much, and with whom)
- Gain control over spend and procurement process
- Off-load/outsource administrative effort to free key personnel for more critical efforts
- Attain effective supplier performance management
- Achieve supplier consolidation and optimization
- Realize greater influence over MWBE spend
- Consolidate invoicing

Adding SPM to an existing CWM program also:

SPM Benefits

Many of the key benefits for implementing an SPM solution are the same ones realized through CWM, while several are unique to SPM. Typical benefits that one can expect from SPM include:

+ Cost Savings

- Ensuring that contract work is done with CWM and true project work is done through SPM – avoids paying project rates for contingent work
- Enforced budgets; real-time spend lockdown
- Managed rates/markup
- Elimination of off-contract spend
- Competitive bidding that drives best pricing
- Overtime controls
- Volume discounts
- 10%+ savings – as realized on current TAPFIN SPM programs

+ Efficiency

- Automated workflows that streamline procurement cycle times
- Efficiency gains through process standardization
- Improved supplier connectivity

+ Quality

- Improved Quality of RFx and SOW, leading to better procurement process and better award decisions
- Repeatable processes and use of templates which ensure standard content, reduce need for reviews by client personnel, and improve effectiveness of procurement initiatives
- Supplier Performance Management which ensures that only the most qualified suppliers are utilized and under-performing suppliers are either coached to meet standards or are replaced; also ensures that the mix of suppliers is appropriate to meet projected requirements in various skill categories and geographies

+ Risk Mitigation

- Automated monitoring for company and regulatory compliance
- Enforcement of SLAs
- Variability removed in contracts and SOWs
- On-boarding/Off-boarding of project-based resources
- Ensuring that separated resources (retired, laid off, terminated) are included in SOWs purposely and purposefully
- Budget accountability
- Contract performance oversight
- Supplier Performance Management – ensure suppliers are performing, are in good standing, and have appropriate certifications/insurance/etc.

- Closes the loophole that allows hiring managers to use SOWs to hire contractors outside of the CWM program

- Removes the risks associated with having SOWs written by suppliers, often on supplier letterhead, typically in supplier verbiage, and with supplier-friendly terms and conditions

- Institutes a sourcing decision process to determine the best channel for addressing resource needs. This process is based on client-specific business rules that help to determine whether a resource need is to be addressed through a contingent labor engagement or an outsourced project/service engagement. This ensures the best (and presumably the most financially beneficial) option is selected.

Leverage Investment, Grow ROI

Adding SPM allows you to leverage your CWM investment and grow your overall ROI.

- **Leverage your existing process solution to bring projects/services into scope –** you will need to add the RFx aspects, but the core processes are the same.

- **Take advantage of your existing CWM resources –** perhaps adding to the administrative team or to the MSP to handle additional transaction volume (note that, because of SPM's RFx management requirement needs, there may be the need to add resources with RFx experience to the team).

- **Extend the use of your existing technology –** all of the leading VMS tools have at least some SPM capabilities; check with your provider to ensure your tool supports your SPM process requirements.

- **Utilize your existing suppliers –** many of your largest suppliers are likely to provide both contract labor and SOW-based services.

Gaining Buy-In

If your CWM program has been successful, your management and the organization have already bought into the premise of managing the procurement process differently. In many cases, the organization has also bought into the concept of using an MSP to manage the procurement process. So gaining buy-in for SPM is simple. "We can have the same success managing our projects and services spend that we have had with contingent labor. Why wouldn't we?" If stakeholders need convincing, refer to the business objectives listed earlier, or pull out whatever was used to gain buy-in to the CWM program.

The time to implement SPM can be dramatically shorter than it was for CWM, as much of the **management buy-in, infrastructure, and process** is already in place.

SPM and Ease of Deployment

You did it once already for CWM. Adding SPM to the scope is straight-forward now that most of the hard work has been done. As such, the time to implement can be dramatically shorter than it was for CWM, as much of the infrastructure and process is already in place (especially for invoice and payment management, and for supplier management).

While significantly less work is required than was needed to implement CWM, there is new work to be done:

- The biggest difference between implementing SPM versus CWM is that SPM relies on the RFx process where CWM relies on the requisition process. Designing an RFx template (or set of templates) is one of the more involved tasks for an SPM implementation. While not complex, it can be difficult to inventory all of the current forms of RFx that are used and then determine how to "templatize" them.

- There is work involved in defining the workflow for managing the processes for RFx creation, supplier responses, response analysis, business award, and SOW execution.

- As with the CWM implementation, there is work to be done to optimize the supplier base — ensuring that the right number and combination of suppliers is invited to participate in the program.

- There is significant change management necessary to prepare hiring managers to work with the new process and with the RFx module of the software tool. The good news is, they have been through the equivalent on the VMS side and should be accustomed to the model. You should not have to do too much level-setting or convincing — the approach can simply be: "we have this process for contingent labor — look what we're doing for SOW-based engagements now."

Getting There Quickly

Of course, time is always of the essence. Gaining control and reaping the benefits of SPM are exciting prospects and should be aggressively pursued. But be sure to take your lessons learned from the CWM implementation and rollout and use those to ensure the success of your SPM rollout. The following tips are provided based on TAPFIN's SPM and CWM experiences.

- Provide ample time for the CWM process to become institutionalized before implementing SPM (but prep can start as soon as resources are ready).

- Identify current process, strengths, and points of pain.

- Identify necessary/desired improvements.

- Define new processes.

- Implement new processes through formal change management (when organization is ready).

- Engage an MSP to manage this process for you. Research shows that MSP-managed programs are more successful and drive more value and savings than those managed internally *(Staffing Industry Analysts, 2009)*.

- Engage your tool provider (or MSP) to take advantage of SPM capabilities and automate as much of the process as possible.

In today's economy and given the culture of most corporations, there certainly is some truth to the notion that it's all about "what has procurement done for us lately?" If your CWM program is working to the hilt, SPM can be added to bring an entire new category of spend under control — delivering substantial value in the form of cost savings, improved efficiencies, and repeatable/predictable processes. Having done it once in implementing CWM, you are well positioned to add SPM to the scope of your program and ensure that "procurement has done a lot lately."

NOT Lost in Translation

The similarities between CWM and SPM are numerous – and prove to be a good jump start for companies looking to add SPM to their existing CWM program.

Where CWM Has…	SPM Has…
Requisition	RFx (RFP, RFQ, RFI)
Candidate	Proposal
Job	SOW
Short-listing	Short-listing
Candidate Selection	Business Award
Timesheets	Completed Milestones/Deliverables
Timesheet Approval	Fee Approval for Completed Work
Cost Savings	Cost Savings
Efficient Processes	Efficient Processes
Reduced Risk	Reduced Risk

TAPFIN

About TAPFIN

TAPFIN is a leading managed service provider (MSP) dedicated to the innovation and delivery of integrated workforce management solutions worldwide. TAPFIN's customized, scalable MSP solutions for contingent and project-based spend are instrumental in driving process, performance and productivity improvements across the client organization, while providing risk mitigation and overall cost reduction. Part of ManpowerGroup™ Solutions, the outsourced services offering from ManpowerGroup™, TAPFIN offers a complete suite of workforce management solutions that fully leverages a blend of global expertise and local knowledge.

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ManpowerGroup™ Solutions

About ManpowerGroup™ Solutions

ManpowerGroup Solutions provides clients with outsourcing services related to human resources functions, primarily in the areas of large-scale recruiting and workforce-intensive initiatives that are outcome-based, thereby sharing in the risk and reward with our clients. Our solutions offerings include Talent Based Outsourcing, Managed Service Programs, Borderless Talent Solutions and Recruitment Process Outsourcing, where we are one of the largest providers of permanent and contingent recruitment in the world.

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