



How to build a business case for neutral vendor managed services.

A step-by-step guide for procurement professionals involved in reviewing how their business sources contingent labour.



Buying and managing contingent labour effectively across large businesses can be complex. This is why so many organisations now work with a specialist 'neutral vendor' Managed Service Provider (MSP) to manage suppliers of temporary, permanent and contractor labour.

If you are a procurement professional involved in building a business case for this approach in your organisation, this guide will hopefully be a useful resource.

The theme running through the guide is that nothing is more important than understanding the needs of your customers: the line managers and other internal buyers that depend on the successful sourcing of suitable people into the business.

It is especially important to understand what drives revenue in your business and how your internal buyers use temporary labour to support revenue generation.

By starting the business case process with these customers and working back, you will be more likely to achieve buy-in and a successful implementation.

With this theme in mind, the guide has been split into six simple and easy to follow steps. Before these, there is a look at the different hiring conditions that might exist in your business.

A trend towards managed services

If you have acknowledged the need to change to an MSP arrangement, you're not on your own. More companies than ever are choosing a managed solution for an effective company-wide approach to buying contingent or permanent labour.

Figures from Staffing Industry Analysts (2018 VMS / MSP Landscape Report) show that growth in MSP continues on a global scale, up 12% in 2017. Within global MSP usage, neutral vendor remains the most popular, with 40% of temporary/contract labour sourced using this model.

Furthermore, according to Staffing Industry Analysts 2018 Buyers Survey, the most common likely to consider in the next 2 years by organisations was to use analytics to evaluate performance of MSP providers, consolidate numbers of recruitment suppliers, try out new recruitment suppliers and expand MSP programmes to cover new territories.

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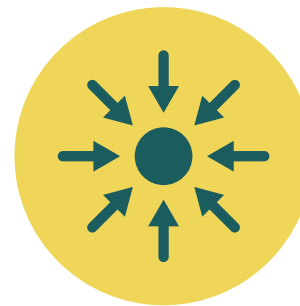
What is a managed service?

Staffing Industry Analysts have this excellent definition:

A Managed Services Provider (MSP) is a company that takes primary responsibility for managing an organisation's contingent workforce program. An MSP may or may not be independent of a staffing supplier.

Typical responsibilities of an MSP include overall program management, reporting and tracking, supplier selection and management, order distribution and consolidated billing across programme suppliers.

40%
of global MSP usage
is via a neutral
vendor model



12%
year on year
growth globally for
neutral vendor MSP

Source: Staffing Industry Analysts 2018 VMS and MSP Landscape Report

Background – What are the hiring conditions?

Before the business case process itself can begin, it is important that you understand what hiring conditions exist in your business.

For example, a business that has a strong national brand might be very attractive to temporary workers. That may also be true for companies that offer higher than average pay rates, good training or excellent working conditions.

As well as these underlying conditions, the nature of the roles themselves also comes into play. So let's look at four categories of role and their relevance for the decision about whether to opt for an MSP solution.

Front line positions

These are the job roles that are directly linked to service delivery – and in many cases therefore linked to revenue generation and customer satisfaction.

If a business is under resourced in terms of its retail or distribution centre staff,

for example, it can't deliver an effective service to customers and the bottom line may suffer. There are often seasonal peaks in demand that affect these roles.

Line managers in these areas are more likely to be under pressure to quickly fill temporary vacancies.

They also quite understandably have a lot of influence in terms of demanding support from their HR/procurement colleagues.

Typically, the candidates for these roles are low paid, and therefore they have low mobility: they are not able or willing to travel far to get to work. As a result, a local recruitment agency with a steady stream of ready to work candidates may be capable and have enough capacity to supply a work location.

If your business is spread across multiple sites you may require a different agency for each location. Alternatively, a large agency with a network of branches may meet your needs.

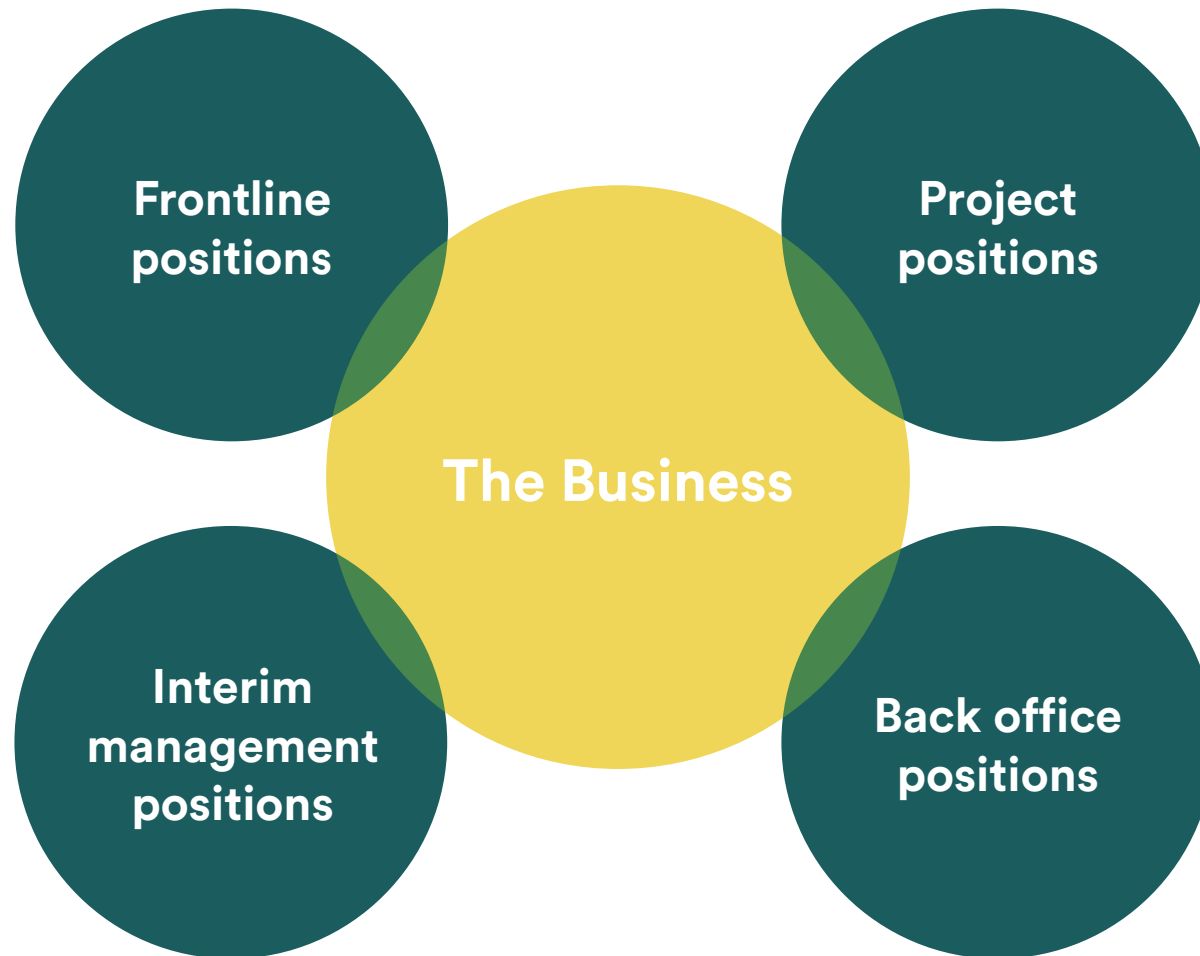
But not all front line roles are low paid: some can be highly paid, such as doctors. Candidate availability may be very low, but mobility will be quite high. In this instance, a preferred supplier list of recruitment agencies may be required to maximise access to the candidate market and meet the hiring manager's needs.

The main point about these front line positions is that any new procurement arrangements must meet the needs of line managers. Any shortfall in service provision could cause a revolt among managers and a return to the old ways of sourcing staff.



Background – What are the hiring conditions? (continued)

The four different hiring conditions in a business



Background – What are the hiring conditions? (continued)

Project positions

Project hires are usually planned in advance with a decent recruitment 'lead-in'. These roles are demanding because the candidates tend to be highly skilled and highly paid, and are often likely to negotiate their pay rates. The sourcing process may be time-consuming as these candidates are not always plentiful or readily available.

A number of niche suppliers may be required, such as IT agencies that specialise in certain types of role. A specialist preferred supplier list (PSL) will typically be in place to maximise access to the candidate market.

The managed service you choose must have the flexibility to allow for the addition of new agencies if project roles in new specialities need to be filled. Without this feature, hiring managers are likely to go off-contract.

Interim management positions

Although these positions tend to be filled on a planned basis, ad hoc sourcing of candidates is also possible. Whatever the case, a niche national supply chain comprising specialist interim and executive agencies is typically required.

As with project roles, these scarce and highly skilled candidates earn more and expect to negotiate their rates. Finding and selecting them can be a complex, time-consuming process.

As well as the agencies' ability to fill demanding roles, they also need to be capable of acting in a discrete manner: you may not want your competitors to know you are looking for a new Interim Sales Director.

Once again, a specialist PSL will usually be required, with agencies specialising in different functions such as finance, marketing, sales and HR. Good working relationships with agencies are required

due to the nature of the roles and the confidentiality involved.

Back office positions

Back office positions are relatively easy to fill as roles such as large volume and homogenous office admin aren't complex. In this instance, a master vendor or sole supply arrangement may be fine.

For specialist or managerial roles in departments such as finance, HR and marketing a PSL of agencies might be required to maximise reach into the candidate market.

With that context of hiring conditions behind us, let's now move on to our step-by-step process for building the business case itself.

Background – What are the hiring conditions? (continued)

Why understanding the hiring conditions is so important

As we said in our introduction, building a successful business case demands putting the needs of the business and its hiring managers first. So it makes sense to reflect the different roles and hiring conditions prominently in the business case.

You may already have detailed knowledge of the roles being filled and how they are filled. If not, research is needed and we cover this in the next section.

It is important to avoid assuming that one approach to hiring will work across the whole business. In fact, the more varied and complex the hiring conditions, the more likely it is that a vendor neutral managed service will be an ideal solution.

A wider range of suppliers can be accessed by having a managed service provider at the hub of your supply chain. And because a managed service is separate from the agencies involved, it can more easily flex to meet the needs of people across your organisation.



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The 6 steps to build a business case for neutral vendor managed services.



Step 1 – Problem identification.

The fundamental requirement at this stage is to identify the high level need for a change in the way contingent labour is procured. This needn't be detailed, but instead calls for some kind of summary of why change might be needed.

As much information as possible on the following factors will be of use:

- ✓ A detailed analysis of temporary labour usage and expenditure by department.
- ✓ A breakdown of the number of temporary workers by role, skill category and department, showing volume fluctuations through the year.
- ✓ The current processes for ordering, selecting, time sheeting and paying for temporary and contingent workers by department or business unit. This will include a mention of whether the processes are consistent or differ from department to department.
- ✓ If an MSP is in place, is the service used consistently across the organisation or is there evidence of off-contract spend?
- ✓ If off-contract hiring is commonplace, some analysis of why this is the case is needed: what are the moans and groans from managers who bypass the managed service?
- ✓ Information on any fulfilment issues: how successful are the current arrangements in sourcing the right people, on time and on budget?

If your organisation already has an MSP in place, that provider should have most or all of this information available.

If your organisation does not have an MSP in place, one of the fundamental problems is likely to be a lack of information on the usage of and spend on temporary workers. This lack of information in itself will form part of the business case.



Step 2 – Gain executive level buy-in.

The high-level problem identification covered on the previous page should now enable you to gain executive support to investigate further. We would also suggest that gaining sponsorship from someone at executive level is highly desirable.

One thing that will make gaining this support and sponsorship easier is identifying and linking to businesses strategies and objectives. The closer this link, the greater the chance that your executive team will get behind the project.

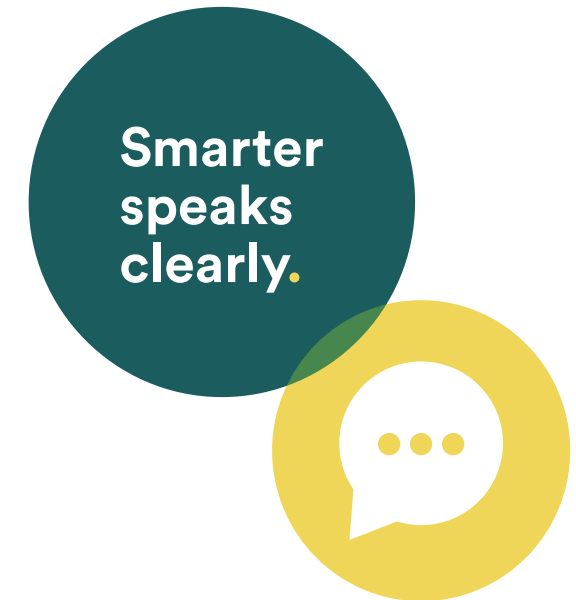
For example, if the business is working to a strategy of market-leading customer service standards, any identification of problems in quickly filling front line roles will help to gain support.

However, we would advise against actually setting any detailed objectives for the project, such as a 10% reduction in temporary labour spend. Before targets like that can be set a more detailed review is

needed, and this is what is covered in steps three and four.

Gaining executive support and sponsorship is highly desirable as it will make steps three and four much easier. You will be going out to the business and asking managers to give you some of their time, and they will be more likely to co-operate if they know the business leaders sponsor the process.

It may also be advisable to create a clear statement of what the process is for (and what it isn't trying to achieve). This can form the basis of a communication plan so that managers are reassured where necessary about what is being done.



Step 3 – Assess the needs of hiring managers.

Now it's time to get as close as possible to your customers: the hiring managers across the business.

In particular, we suggest that you start with the managers that have the highest usage for temporary labour. This will usually be those managers – line managers and budget heads – that are responsible for front line services.

These managers are often the most vocal and influential in hiring decisions, because they tend to be closely linked to revenue generation and service delivery for the business.

It is important that you fully understand their requirements, with the four hiring conditions discussed previously of relevance here. For example, a depot manager will most likely want to talk directly to a local supplier (either working on site or via the telephone) and leave it with them to fill the requirement.

Understanding the needs of managers isn't just about the actual recruitment of staff: it's about the whole process, from procurement right through to payment.



Step 3 – Assess the needs of hiring managers (continued).

Some specific questions we suggest asking them include the following:

- ✓ What are their operational objectives, such as workforce planning, fulfilment of roles, quality of worker and so on?
- ✓ How do they currently order temporary workers from agencies?
- ✓ How do they receive a shortlist of candidates?
- ✓ How do they select from the shortlist?
- ✓ How do they confirm start dates and the induction process?
- ✓ How do they receive timesheets for the temporary worker, such as paper-based or system-based?
- ✓ How do they approve the timesheet(s)?
- ✓ How are they invoiced by the recruitment agency?
- ✓ How do they deal with invoice errors?
- ✓ How do they pay the invoice?
- ✓ Do they find the current processes and systems easy to use?
- ✓ Do they feel that the current arrangements leave them largely free to get on with their job?

It's also important to get hiring managers to think differently about the current approach because there may be a better way of working. Some really useful questions are:

- ✓ If I gave you a blank piece of paper, what processes and procedures would you like to follow?
- ✓ Are there examples from previous roles where you worked in a different and better way? How was it different and what specifically made it better?
- ✓ Are there any areas you feel we could improve?

If you can gather comprehensive information from managers who are honest about the situation, the more likely you are to build an accurate picture of the situation and potential for improvement.

From your front line hiring managers, the next step is to work back through your business to the centre to make sure you speak to those that hire project, interim management and back office roles. This will take time but will be worth the effort in building a comprehensive business case.



Step 4 – Assess the needs of departments with a non-hiring interest in recruitment.

Now that you have a comprehensive understanding of the needs of hiring managers, it's time to talk to managers in departments that have an interest in the sourcing of labour from a non-hiring perspective.

So this is all about those departments that influence or are affected by the processes and systems involved in recruitment. Here are some of the main ones:

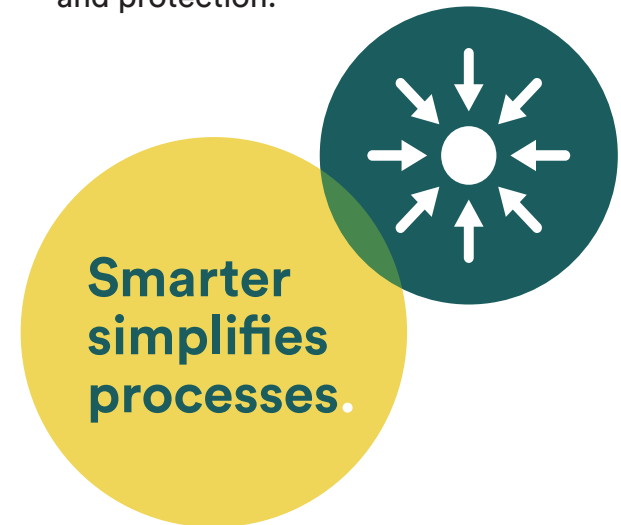
Human Resources will have an opinion on the overall quality of hire across the business, the quality of the candidate selection and on-boarding processes as well as the overall level of worker compliance.

Procurement are interested in the financials (total spend, total hours, number of contingent workers and supplier rates) as well as service level agreements and contract compliance.

Finance will be concerned with the use of consolidated invoicing, the level of invoice error rates, invoice processing times, payment schedules, links to purchase orders, ERP system integration and reporting on labour expenditure.

IT will be interested in the integration of a managed service's system with other systems, the opportunity this may bring for reducing data silos in the organisation, the ease with which the integration can be achieved, the resources involved and the subsequent support-related queries from users.

Legal will be focused on worker compliance, contract governance and ensuring appropriate levels of insurance and protection.



Step 4 – Assess the needs of departments with a non-hiring interest in recruitment (continued).

The above list is not exhaustive but we hope it provides a useful starting point when entering into discussions with these departments.

You need to ask all these departments about their satisfaction with the current processes that are relevant to them. Many of the questions we detailed on page 8 will be relevant when talking to people from a non-hiring perspective too, albeit shaped to fit the particular role that these departments play in the overall process.

It's also important to get them to think differently about the current approach because there may be a better way of working.

An underlying question to ask during steps three and four: who actually manages the contract/s?

When talking to hiring managers and the central departments alike, it is important to identify who actually manages contracts with recruitment agencies. Is it done by local hiring managers individually, by the department heads or admin, or centrally in the business?

For everyone involved in contract management, ask them about the processes used to manage and mitigate risks such as worker negligence, accidents, proof of identity and right to work.

You could find that this sort of information is difficult to obtain. If that's the case, this is an underlying driver for sourcing a managed service provider and could therefore form part of the business case.

It may also be evident that a significant number of people are currently involved in contract managing agencies, and that there are many ways that this is done. In both cases, this information will also feed the business case for an MSP.



Step 5 – Assess the managed services market.

With a clear picture of the problems and needs of the business now created, this is a good time for an initial review of MSPs.

It should be possible to look at providers in terms of their capability to manage the supply of temporary workers – focusing on how well their processes and overall offering match your needs.

You can draw up a shortlist of potential providers based on readily available information (their website and trade events) and leave it at that. A business case can be presented with that summary level of information.

However, you may alternatively decide to arrange initial meetings with potential providers to better assess the solutions they offer. In fact, there are benefits from a business case point of view in talking to MSPs at this stage, particularly if you have a gap in skills or experience in your procurement team.

MSPs may be happy to help you assess your current suppliers against industry benchmarks in terms of their rates and margins. They may also look at your current contractual terms to assess if there are any unnecessary risks.

At Comensura, we call this a Discovery Analysis. It's a free service that analyses direct costs, such as pay rates, recruitment agency margins, contractual terms and conditions, as well as control mechanisms for the length of assignment for a temporary worker.

We also offer paid for consultancy services too. You can find more information on our website: [www.comensura.com/consulting/Pages/ Consultancy-services.aspx](http://www.comensura.com/consulting/Pages/Consultancy-services.aspx)



Step 5 – Assess the managed services market (continued).

Should you talk to your recruitment agencies

Another activity to consider is talking to some of the recruitment agencies you already work with. This may give you a sense of whether they would be happy working under an MSP arrangement.

They may in fact already work with one or more MSPs and therefore be in a position to recommend someone.

Bear in mind that recruitment agencies will have a biased view. They may see an MSP as a threat and so they may not want to encourage you to adopt this approach. MSPs often create more competition and price efficiency, so you must bear this reaction in mind when deciding whether or not to speak to agencies.

Whether you do this or not depends on how transparent you want to be with your recruitment agencies. You could see it as a positive step, bringing a degree of openness and transparency to the process and letting you reassure them that they are important to your business. You may feel, however, that it would merely cause them to worry unnecessarily about their future position with you.

There is no simple answer to this dilemma. It's a matter of getting a sense of the type of relationship you have with agencies and what would be the right approach.

Evaluating the procurement and implementation requirements

Although a detailed project plan is not appropriate at this stage, the executive will probably want to see some mention of the resources that will be needed if the go ahead for an MSP is given.

Try to provide an overview of the internal resources that will be required, including who would lead the procurement and implementation.



Step 6 – Put forward your recommendations.

Before submitting your report to the executive, consider sense checking it with a number of colleagues around the business.

This may pick up on areas that need some work, and in any case will continue the process of involvement and engagement that has run throughout the process so far.

Hopefully, you will now be able to go to the executive with your recommendations and obtain approval from them to proceed to tender. A procurement project (tender exercise) will follow, typically with a request for information (RFI) issued to a shortlist of MSPs, followed by a formal tender process.

Further guidance

By following the six steps in this guide, you will be able to fully assess stakeholder requirements, build a compelling business case, gain executive approval and ultimately, procure a neutral vendor managed service that best meets the contingent labour needs of your business.

For further information or guidance, please contact Comensura on 01582 542700 or email us at enquiries@comensura.co.uk



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About Comensura.

Comensura is obsessive about delivering a smarter way to work for customers with complex resourcing requirements. We give them access to the contingent and permanent labour they need through a network of specialist recruitment suppliers. Our independent approach helps them resource all their staffing requirements, with efficiency and control at every step.

Comensura is a supply management specialist who manages the supply of temporary, permanent and consultant labour into large organisations in the public, private and not for profit sectors.

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