MSP Purpose, Value & ROI
A Comprehensive Look at Today’s Global Managed Service Provider Programs
In this perspective article, Bartech – an industry professional services firm delivering managed and staffing solutions – discusses the changing role of the MSP within today’s global workforce. There is a strategic movement among Global 1000 firms to transition from an in-house model to outsourcing the management of their contingent workforce. With a complex, international workforce, there is a growing demand for knowledge and expertise of employment laws, compliance, risk mitigation, management of labor categories and rate management savings strategies around non-employee labor.

**MSP Overview and Value**

Managed Services Provider programs or the MSP is the practice of outsourcing day-to-day management responsibilities as a strategic method for improving operations. An MSP makes sense for services that are used infrequently or may be more expensive to hire and train existing staff, than it would be to outsource those services to an MSP firm. A good MSP is consultative with the organization that it provides services for. Presently, companies in a wide range of industries are engaging MSPs more often, as through their chosen expertise they either save a company significant money, increase quality, provide clear visibility into the workforce, save time, mitigate risk, or all of the above.

Often, MSPs are contracted to manage multiple staffing vendors and to measure their effectiveness in filling positions according to a customer’s standards and requirements. In effect, the MSP serves as a “neutral” party that offers the customer a complete workforce solution, while ensuring efficient operation and leveraging multiple staffing companies to obtain competitive rates. MSPs typically use a Vendor Management System (VMS) as a software tool to provide transparency and efficiency — along with detailed metrics to the user — related to every aspect of the contingent and contract workforce. The model has proven its usefulness in the private sector, notably among Fortune 500 companies, and is poised to become more common in the government arena.

According to Staffing Industry Analysts, “As the global economy endures a prolonged period of uncertainty, demand for MSP and VMS will inevitably continue to grow. The difficult challenge for international organisations is to develop rational programmes that are effective in multiple countries. When it comes to MSP and VMS, staffing markets are at very different stages of evolution, with different regulatory environments and with different market participants and leaders.”

**Global MSP spend under management**

*Strong growth confirms the trend*

![Global MSP spend under management (in USD billions)](source: Staffing Industry Analysts, Inc. 2012)

Managed Services Providers may also add value to the initial service by expanding on the scope of work. For example, when a company outsources the support of its products to another company, the third party may bundle additional services i.e. a VMS. In this way, the third party MSP will be made even more valuable to the end-user.
Why Outsource Your MSP?

In late 2010, the Aberdeen Group reported on contingent labor management that “Managed Service Programs (MSPs) bring a consultative and programmatic approach to contingent labor management; heralding expertise heralded the ability to manage all facets of contingent labor, including day-to-day operations and on-boarding and off-boarding activities. On average, companies with outsourced MSP programs experience a 20% higher contingent worker quality ranking than enterprises without an MSP in place.” Aberdeen also found that top performing organizations in their industries are 33% more likely than all other companies to utilize an MSP.

In our experience, the reasons organizations implement an MSP or third party administrator over a self-managed solution includes:

- Inefficient and non-standard indirect labor processes and procedures
- Lack of compliance or controls over contingent labor management (i.e., no auditing, rogue spend, usage of suppliers without adequate agreements)
- Management does not know who is onsite, what they are doing, for how long, or the cost
- Missed savings opportunities through:
  - Lack of competition
  - Insufficient market research and benchmarking
  - Unknown industry best practices (inclusive of process, cost savings, risk mitigation, and business intelligence and analytics)
  - Invoice consolidation
- Supplier or labor performance and quality issues
- Co-employment and worker misclassification risk concerns

How an MSP Adds Value

A qualified Third Party MSP offers solutions that create efficiencies, provide pertinent business information to make the best possible decisions, identify significant hard and soft dollar cost savings, mitigate risks associated with contingent labor management, offer research substantiating the latest trends in this evolving space and improve the overall quality and value of your contingent workforce through:

- Streamlining processes to create efficiencies, improving worker quality and reducing cycle time
- Best-in-class workflow automation tools
- Responsible supplier management services to improve vendor performance
- Cost management practices to drive down direct and indirect costs
- Implementation, training, and change management services
- Industry leading, robust reporting capabilities enabling customers to track and monitor contingent staffing spend and to assist in the decision making process
- Policy development and implementation to manage operational, financial, and legal risks
- Oversight and auditing to ensure contract, policy, and program compliance
- Dedicated, experienced management to drive program performance
- Supplier mentoring and development

Global Growth for all major providers of MSP and VMS increased managed spend in 2012 to $92 billion from $66 billion in 2010.
Supplier Management

According to Staffing Industry Analysts in 2011, “MSP companies do business with several different companies and have existing working/contractual relationships with multiple staffing vendors. This enables the MSP provider to leverage its negotiation power across all its accounts. An MSP’s multiple engagements allow it to measure performance of a supplier to identify what is acceptable within an engagement based on experience elsewhere. They also conduct regular performance reviews as part of their management contract.”

Benefits/Advantages of A Third Party MSP Versus A Self-managed Solution

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<th>Resources</th>
<th>Third Party MSP</th>
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<td>• Dedicated onsite team</td>
<td>• Substantial internal, full-time team required to fulfill the complex and</td>
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<td>• Shared services back office support for analytics, benchmarking, reports, real</td>
<td>diverse tasks of global contingent workforce management</td>
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<td>time process, rate analysis, supplier management, supplier audits and other</td>
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| Implementation                  | A complete full MSP and VMS implementation, which leverages a proven tool box of | Dependency on the VMS for solution implementation and configuration          |
|                                |  best practices and lessons learned                                              | • Lack of overarching contingent workforce management process optimization   |

| Vendor Management Systems       | • Superior working knowledge of VMS tools                                         | • Dependent on internal staff and the VMS Help Desk to provide guidance     |
|                                | • Knowledge of how to generate and analyze data to produce meaningful results      | • Missing critical tool knowledge needed to use the system to address       |
|                                | • Time-tested and proven methodologies for VMS implementation and configuration   |  business objectives                                                       |

| Program Management              | • Expertise and experience with a broad client base allows for continuous process| • Highly reliant on retention of program Subject Matter Experts               |
|                                |  improvements and the introduction of emerging best practices                    | • Talent attrition creates significant program disruption                    |

| Ongoing Value                  | • Continuously evolving and improving contingent workforce management processes  | • Remain stagnant or fall behind MSP-lead programs, which must innovate to   |
|                                |  and technology                                                                  |  compete                                                                    |
Savings When Converting to an MSP

The following are examples of typical savings after implementing an MSP/VMS solution based on $100 million in annualized contingent labor spend in the United States. These numbers vary based on organization and program specifics.

*Percent of savings is based on non-payroll spend*
What to Look for in an MSP

When searching for a strong MSP, you should look for a commonality of workforce and management solutions and the ability to achieve impressive Return on Investment through the skillful management of human capital resources and the integration of smart and efficiency generating technologies.

An overview of what an MSP model can offer your organization:

• Savings opportunities:
  - Standardization of rates
  - Competition to drive prices down
  - Robust market research, benchmarking and reporting
  - Industry best practices (inclusive of process, cost savings, risk mitigation and business intelligence and analytics)
  - Invoice consolidation
  - Consistent budgeting and higher levels of service
  - Standard contingent labor processes and procedures
• Compliance/controls over contingent labor management (i.e., auditing, rogue spend, use of suppliers without adequate agreements, etc.)
• Management of onsite labor
• Delegation of supplier or labor performance and quality issues
• Correct worker classification and mitigation of risk concerns and co-employment

Research shows that the majority of companies choose their MSP provider based on the following:
- Ranked as a Top 5 MSP provider
- Global footprint
- Human capital expertise
- Financial stability
- Cost
- VMS offering/partnership

The Bartech Group (Bartech) is an industry-leading professional services firm delivering managed and staffing solutions to Global 1000 firms. Managing more than 26,000 daily work assignments, with spend in 15 countries and over $2 billion in annualized spend; Bartech helps clients improve their market position through greater efficiency, transparency and reduced operational risks. With a 35-year proven track record, Bartech continues to receive top industry recognition for its global solutions.

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