

The increasing utilization of contingent labor as part of an overall workforce strategy – in most industries, more than 20 percent of all workers serve in a contingent or outsourced capacity – has many companies seeking efficient solutions for managing critical issues across their entire contingent workforce. Two primary methods for ensuring delivery of quality talent while improving visibility, efficiency, and control are Vendor Management System (VMS) technology and Managed Services Provider (MSP) programs. Staffing Industry Analysts' 2014 MSP and VMS Landscape Report shows that on a three-year moving average, VMS use among all contingent labor buyers is at 79 percent and MSP use is at 69 percent, record levels of use for each.

Both solutions offer opportunities to improve talent quality and supplier performance while reducing costs and mitigating risks, but organizations can maximize the value of their contingent workforce by combining the strengths of both solutions.

VMS & MSP – The Basics

VMS technology is cloud-based software that automates the processing and tracking of contingent staffing transactions. Key features include candidate requisitioning, timekeeping, approvals, expense management, billing, and flexible reporting. The VMS offers secure access to hiring managers, suppliers, and for timekeeping processes, contingent employees. The application improves operational efficiency and accuracy by reducing the need for manual processing and provides flexible reporting on all aspects of the contingent program.

MSPs provide workforce management expertise for their clients' contingent labor programs by securing quality talent from a wide range of sources including staffing suppliers, outsourced service providers, independent contractors, and other talent pools. Depending on client requirements, the MSP may be directly responsible for vendor engagement and management, talent delivery, end-to-end requisition management, rate negotiation, supplier compliance, consolidated billing, employee timekeeping oversight, and any other facets of contingent workforce management. MSPs go beyond transaction management to provide strategic direction, including advising on best delivery models for achieving corporate goals, mitigating risk, improving employee quality, and maximizing contingent workforce spend.

Share of Buyers Using VMS and MSP (by workforce size)		
Employees	VMS	MSP
1K - 9.9K	56%	51%
10K - 19.9K	77%	77%
20K - 49.9K	72%	66%
50K - 99.9K	86%	71%
100K+	86%	86%

Source: Staffing Industry Analysts' 2014 MSP and VMS Landscape Report

Limitations of a Stand-Alone VMS

The transactional power of the technology leads some organizations to consider a VMS alone as an alternative to an MSP program. While the VMS is a powerful tool, there are several factors that need to be considered before committing to a stand-alone VMS:

Complexity ▶ Getting the most from a VMS requires an in-depth understanding of both the complex features of the software and the intricacies of effective contingent workforce management. The value of the tool is significantly limited if it's not properly leveraged to improve overall contingent workforce management.

Content Supervision ▶ The software requires internal administrators to maintain and update the system, activate vendors, and monitor the quality of the data being input by suppliers, internal stakeholders, and employees.

Requisition Management ▶ The VMS only knows what its users tell it, and one user may think of a Web Developer as an IT employee while another lists them as a marketing specialist. Establishing and maintaining consistency is essential to getting critical requisitions to the right suppliers.

Data Analysis ▶ Extracting relevant information from a VMS isn't as simple as just producing a report. Analytics expertise is essential to getting the most value from the data. Also, remember that a VMS is a self-contained system that allows you to compare data from different periods but not against your industry or local markets.

Workforce Expertise ▶ Beyond the data, VMS managers need an in-depth understanding of employee classification requirements, insurance regulations, and program compliance – information that is not automatically managed by the VMS.

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Increasing Value with an Experienced MSP

VMS technology delivers a tremendous amount of *what*, but it's the MSP that answers the more critical question: *why*? MSPs bring workforce management expertise to contingent labor programs, going beyond the transactional aspects of the VMS to deliver consultative insights that help clients ensure legal compliance, mitigate risk, and improve the quality of their workforce. Experienced MSPs improve contingent programs by managing every aspect of the program that will impact their client's bottom line, including:

Talent Quality ▶ Knowing which suppliers excel at different talent requirements enables MSPs to direct requisitions to the suppliers who will deliver the best talent for a given position. Every worker has an impact on your business – for better or for worse – so the cumulative value of consistently deploying exceptional talent has a long-term positive impact on business results.

Cost Control ▶ Because an MSP has broad visibility of talent availability and pay rates in each market they serve, they can better negotiate rates from staffing suppliers and SOW vendors while maintaining a high-caliber workforce. Moreover, MSP management of a VMS further reduces costs by enabling the client's internal resources to focus on the core business while the MSP manages the contingent program.

Supplier Relationships ▶ MSPs work with a roster of suppliers for each program they manage. These relationships give clients access to an array of proven suppliers who may not have been in their existing network, especially niche talent providers who specialize in key skill sets.

Risk Mitigation ▶ Non-compliance with co-employment regulations and worker classification can have significant legal and financial consequences. A VMS can track whether your suppliers have checked the appropriate boxes, but an MSP has direct engagement with suppliers and enforces compliance in order to protect the client.

Actionable Insights ▶ Making sound decisions about your contingent workforce requires reliable information (available through the VMS) and the expertise to analyze that data to identify the trends and opportunities that are relevant to your business (available from the MSP.) A powerful MSP, especially one with industry-leading analytics like Volt's, can monitor and measure performance at every stage of your program as well as compare performance to every other program the provider manages in that region or industry. This information is crucial for identifying inefficiencies and getting the most value from your suppliers and workforce.

Supplier Performance Management ▶ Not all suppliers deliver the same results. MSPs provide oversight of supplier contracts and continually monitor speed of delivery, talent quality, program compliance, adherence to service level agreements, and commitment to the client. This process ensures that requisitions are routed to the suppliers who will deliver for the client. In addition, the MSPs perform supplier mentoring (providing best practice guidance to improve delivery) and supplier optimization (making sure the client has the right number of suppliers to effectively staff their company.)

Powerful Tool, Properly Leveraged

The role of an MSP has evolved in recent years from cost containment and supplier oversight to being a strategic partner for an organization's long-term workforce planning. Combining the transactional power of a VMS with the workforce management expertise of an MSP enables businesses to gain the essential business insights they need to accelerate growth and improve results.

To learn how Volt can ensure consistent delivery of quality talent while improving visibility, controlling risks, and achieving savings for your contingent labor program – no matter what VMS technology you use – email us at info@voltconsultinggroup.com.

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