

A Complete Guide to Managed Service Providers

levelup[®]



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The Post-Covid State of Contingent Talent

A [survey](#) published by Staffing Industry Analysts this year found that 65% of workers have considered temporary or part-time work since the onset of Covid-19. The contingent workforce continues to grow, with 32% of organizations replacing full-time employees with contingent labor, according to [research](#) by Gartner conducted in mid-2020.

3 in 5 workers

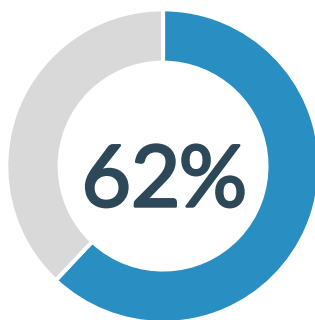
are considering employment in contingent work arrangements



The Covid-19 pandemic has undoubtedly been a catalyst for more agile workforce solutions. In the face of evolving work arrangements and economic uncertainty, hiring permanent employees continues to be a high-risk decision. With flexibility and cost-savings being a top concern, it's no surprise that organizations are engaging more with contingent talent today than in the past. Contingent workers do not expect a long-term relationship with any one employer and can be enlisted on an as-needed basis. A contract workforce can therefore provide organizations with the flexibility and scalability they need to remain successful under uncertain business conditions.

Managing External Labor

With external labor usage on the rise, organizations will benefit from comprehensive insights into their talent supply and demand as it relates to their unique business needs and goals. Moreover, in an uncertain post-pandemic environment, organizations are not only looking to access quality talent efficiently but want to have that talent managed optimally with minimized costs and risks. While early contingent workforce management programs focused primarily on cost-savings and speed of fulfillment, today's models are highly focused on the management and optimization of talent procurement processes to improve candidate quality and productivity, while allowing organizations to better meet their strategic objectives.



Over half of businesses have an MSP program in place*

*Businesses with over 1,000 employees

Today, many organizations have turned to managed service providers (MSPs) to gain increased access to quality talent and to reduce temporary labor costs. Early this year, Staffing Industry Analysts published their [2020 MSP Global Landscape Summary](#), which reported that the adoption of MSP programs by businesses with over 1,000 employees grew from 40% to 62% between 2009 and 2020.

1

Introduction to MSP

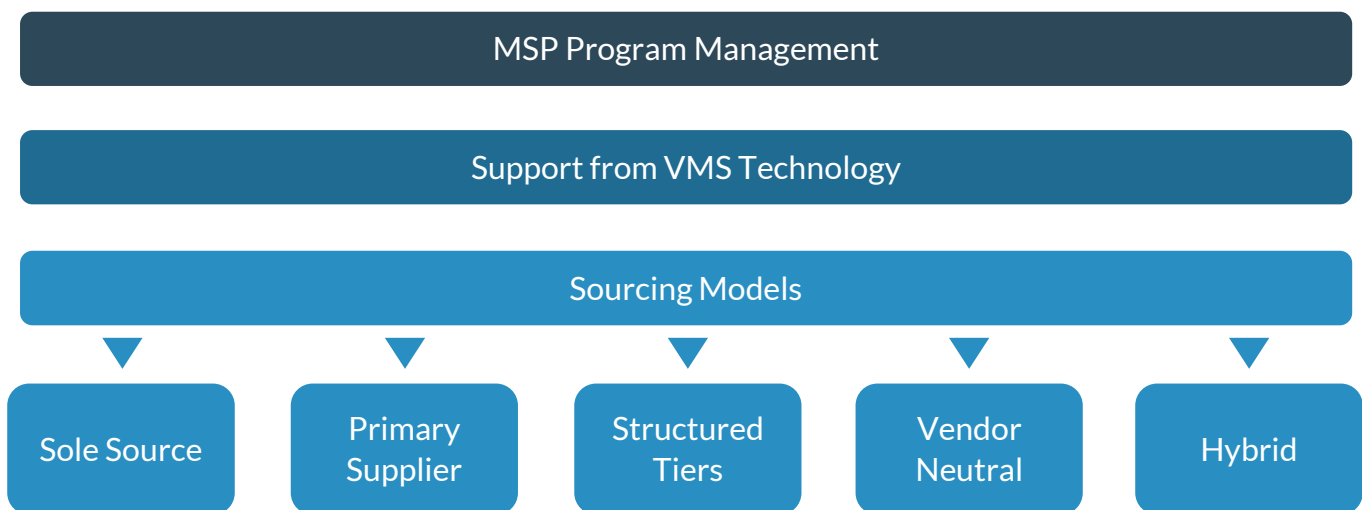


Defining MSP

A managed service provider is an outsourced team that can assume primary responsibility for managing your contingent talent program. Traditionally, contingent labor encompassed only temp labor or contractors. Today, contingent labor often encompasses all non-full-time equivalent (non-FTE) labor such as freelancers, SOW workers, consultants, independent contractors, gig workers, temp-to-hire employees, payroll workers and more.

An MSP strategy consists of three critical components—MSP program management, the Vendor Management System (VMS), and the sourcing models.

In an MSP partnership, the MSP firm leverages VMS technology to execute the client’s choice of sourcing models. Sourcing models are used to engage with suppliers to optimize the search for contingent labor.



MSP Program Management

The MSP program is delivered and managed by the MSP. Leveraging their market expertise and knowledge of the staffing industry, MSPs foster a strategic liaison between suppliers and hiring managers to optimize your organization's processes and sourcing models in the most effective manner.

MSP programs are driven by SLAs that outline metrics such as time to post a requisition, time to first submittal, time-to-fill, rate card compliance, and fill rate. Partnering with an MSP can improve your organization's access to quality talent because of the thorough process associated with the program.

An MSP program typically includes the following services:

- › Meeting with hiring managers to ensure accuracy and program compliance
- › Candidate pre-screening to ensure only top talent is sent to hiring managers
- › Continuous review of open positions and supplier engagement to ensure adequate submissions
- › Program oversight and governance
- › Process management throughout interviewing and onboarding stages
- › Supplier audit, selection, and management based on KPI's
- › Reporting and analysis
- › Strategic innovation, continuous process review and improvement
- › Program benchmarking and best practice sharing



Vendor Management System (VMS)

A Vendor Management System is software that streamlines the operation of the MSP program. It automates the process workflow while providing effective internal controls, visibility, and program integrity. Key features of MSP Vendor Management Systems include:

Seamless End User Experience

- › Single access point for enterprise-wide non-FTE workforce, labor needs, and spend
- › Streamlined candidate submittal, review, and selection
- › Real-time notifications, updates, and reminders
- › Automated approval routing

Process Efficiencies

- › Reduce manual entries
- › Eliminate paper and email trails
- › Approval process date and time stamped throughout
- › Automated tracking to estimated end dates
- › Automated notifications for assignment start and end dates
- › Centralized ordering across locations

Compliance, Accuracy, and Transparency

- › Direct access to entire workforce and critical data
E.g., department spend, bill rates, turnover, worker performance
- › Real-time reports and analytics
- › Reliable process for onboarding and offboarding workers and suppliers
- › Notifications and reminders for compliance-related matters
E.g.: VISA expirations, government requirements, required training and certifications
- › Data aggregation which leads to consistent results

Sourcing Models

According to [Staffing Industry Analysts](#), a sourcing model refers to the supplier engagement strategy through which a company identifies, selects, receives, and pays for contingent workers and related services.

Below are five most common outsourced MSP program sourcing models. Chapter 2 will provide a more comprehensive overview of MSP sourcing models.

1

Master Vendor (Sole-Source)

A single supplier is given first preference to fulfill requirements. Roles that the master vendor cannot fill are subcontracted to a second-tier network of vendors.

2

Primary Supplier

This model is like a master vendor relationship, only instead of a sole supplier, primary suppliers are given preference.

3

Structured Tiers

Orders are distributed to various suppliers in order of priority. The shift from one supplier to another correlates with difficulty in filling positions, as well as the need to directly engage the supply base to ensure that talent is identified.

4

Vendor Neutral (Competitive Model)

Suppliers bid on individual requirements based on quality, price and availability. Suppliers with the best outcomes and best candidate are then selected.

5

Hybrid Model

A combination of two or more of the sourcing models described above. This approach may enable organizations to target both specialized roles and roles with lower-level requirements.



Who Does an MSP Engage?

Who an MSP manages is much broader than most realize. To really understand who an MSP can manage, consider the makeup of today's external labor workforce:

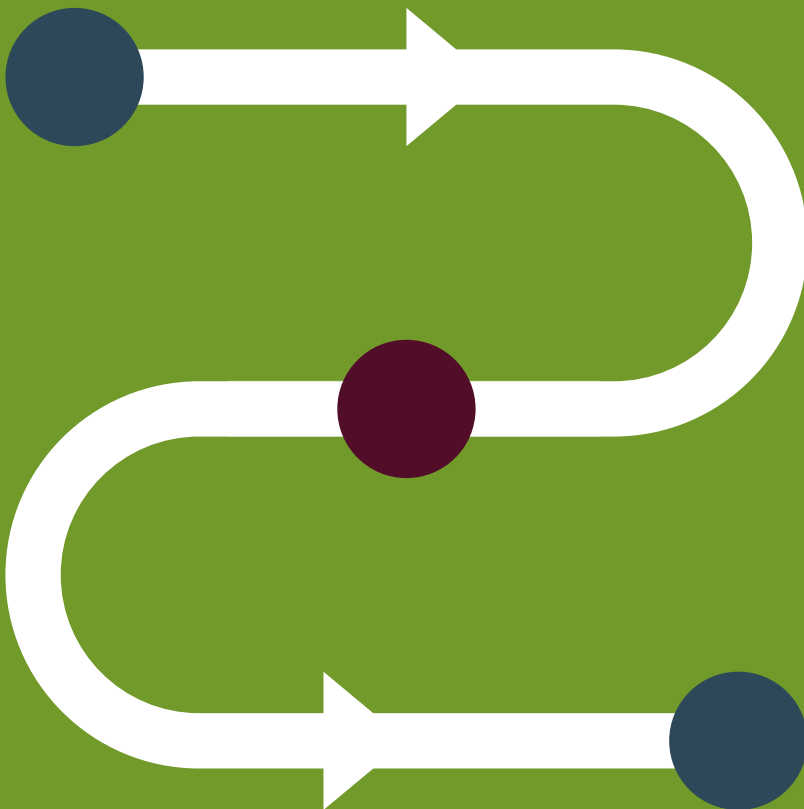
- › Temporary employees across all disciplines and skill levels
- › Independent contractors and freelancers
- › Temp and agency workers
- › Statement of Work (SOW) service providers
- › Gig workers
- › Interns, alumni, and retirees
- › Payroll workers

An MSP solution can introduce visibility and endless opportunities for optimization to this hidden workforce. In many cases, organizations will begin their search for external labor by assuming a workforce classification, such as: "I need a temp," or "I know of a consultant who can do this job."

MSP clients, on the other hand, start by outlining the required skillsets before consulting with their MSP partner for a recommendation on the appropriate workforce classification to source those skills. An MSP program goes above and beyond the management of temporary employees—it is an all-inclusive and highly-strategic approach to sourcing and managing external labor.

2

MSP Sourcing Models



The choice of sourcing model is a defining factor in any MSP partnership. An MSP sourcing model refers to the way in which a managed service provider engages with suppliers to source contingent talent—in other words, how the MSP identifies, selects, receives, and pays for contingent workers and related services.

MSP programs typical fall into one of the following categories: Master Vendor, Primary Supplier, Structured Tiers, Vendor Neutral. Nowadays, hybrid models—consisting of a combination of two or more of the aforementioned models—are found to be highly effective.

This chapter will provide an overview of the sourcing models available, as well as the benefits and risks associated with each model.



Master Vendor (Sole-Source)

In a master vendor relationship, a single staffing supplier is given priority to fulfill orders for the client organization. Roles that the master vendor cannot fill are subcontracted to a second-tier network of vendors preapproved by the vendor.



Benefits

The master vendor approach works best when hiring at high volume or for skill sets that are readily available in the market, such as general roles or roles with low-level requirements. A master vendor relationship allows the client to get a volume-leveraged discount price when one supplier can fill all the demand. This model enables cost vendor consolidation, simplified billing, improved budget forecasting, greater oversight, standardized workflow processes, and simplified problem resolution.



Costs

Limited market resources coupled with dependency on a single supplier make this model unsuitable for sourcing highly skilled or specialized positions. Additionally, quality of placements may suffer as a result of limited geographic coverage and lack of diversity in the vendor network. Subcontracting, which is often found in this model, is not legally viable in some countries.

Primary Supplier

In a primary supplier sourcing model, the client's staffing requirements are distributed amongst a network of primary suppliers.

This model is similar to a master vendor relationship, only instead of a sole supplier, multiple primary suppliers are given preference. Primary suppliers may subcontract roles to second tier of suppliers, and may be in lieu of or underneath an MSP arrangement.



Benefits

Primary supplier sourcing delivers pricing discounts and added resources from multiple suppliers. Additionally, the client organization is given access to a larger network than in a sole-supplier relationship, increasing their ability to source for highly skilled and specialized positions.



Costs

In the absence of an MSP sourcing model, organizations are required to liaison directly with multiple primary suppliers—this can result in multiple ordering tools, onboarding guidelines, billing streams, and supplier reports. As such, primary supplier sourcing can significantly increase an organization's administrative costs.

Additionally, the client organization is given responsibility for change management, process design, program oversight, and problem resolution. Finally, visibility to subcontractors and their compliance to program guidelines is highly limited.

Structured Tiers

In a structured tiers sourcing model, orders are distributed to various groups of suppliers in order of priority.

The shift from master vendor through primary to structured tiers sourcing models correlates with difficulty in filling positions, as well as the need to directly engage the supply base to ensure that talent is identified. This model is similar to a primary supplier sourcing model, except the client directly engages with the second-tier vendor network.



Benefits

Direct relationships with suppliers provides increased visibility, responsiveness, and access. This can be highly beneficial to hiring metrics.

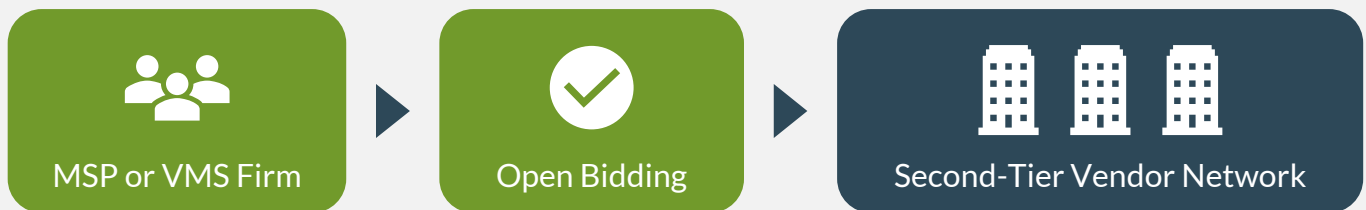


Costs

As with primary supplier sourcing, structured tiers sourcing may carry high administrative costs due to the client organization's direct engagement with multiple suppliers.

Vendor Neutral (Competitive Bid)

This model is defined by the absence of a preferred relationship with any one supplier. Instead, suppliers bid on individual requirements based on quality, price and availability defined by the client.



According to the [Staffing Industry Analyst Global Lexicon](#), this model requires that that:

1. All suppliers have equal opportunity to fill each order.
2. All suppliers are selected to fill orders based on the same criteria.

Suppliers with the best outcomes and best candidate are then selected. Depending on client preference, factors such as order distribution, sourcing channel, and candidate selection are facilitated by either an MSP or VMS technology. In this model, The MSP or VMS is unable to route orders to any staffing vendor.



Benefits

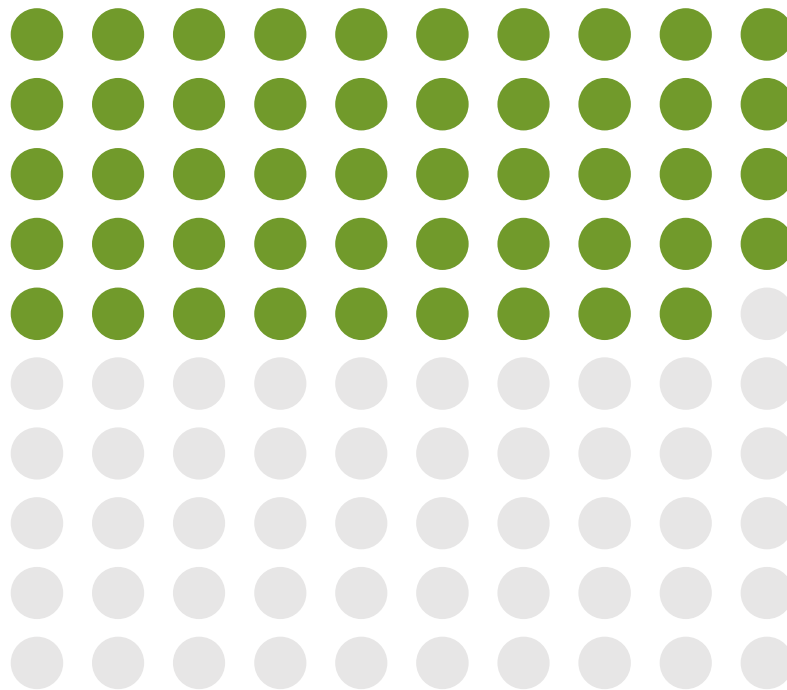
This model delivers broader access to talent and allows the best supplier with the best candidate to fill each position at competitive rates. A competitive dynamic may encourage improved supplier performance, which may be beneficial to hiring metrics.



Costs

In many cases, this model may be unsuitable for highly transactional skill sets and roles with low skill requirements.

The vendor neutral model is a top choice amongst many organizations with an MSP solution in place.



49%

of the MSP market by spend is represented by
vendor neutral models

Source: Staffing Industry Analysts, [MSP Landscape & Differentiators Summary](#), 2020



Hybrid Sourcing Models

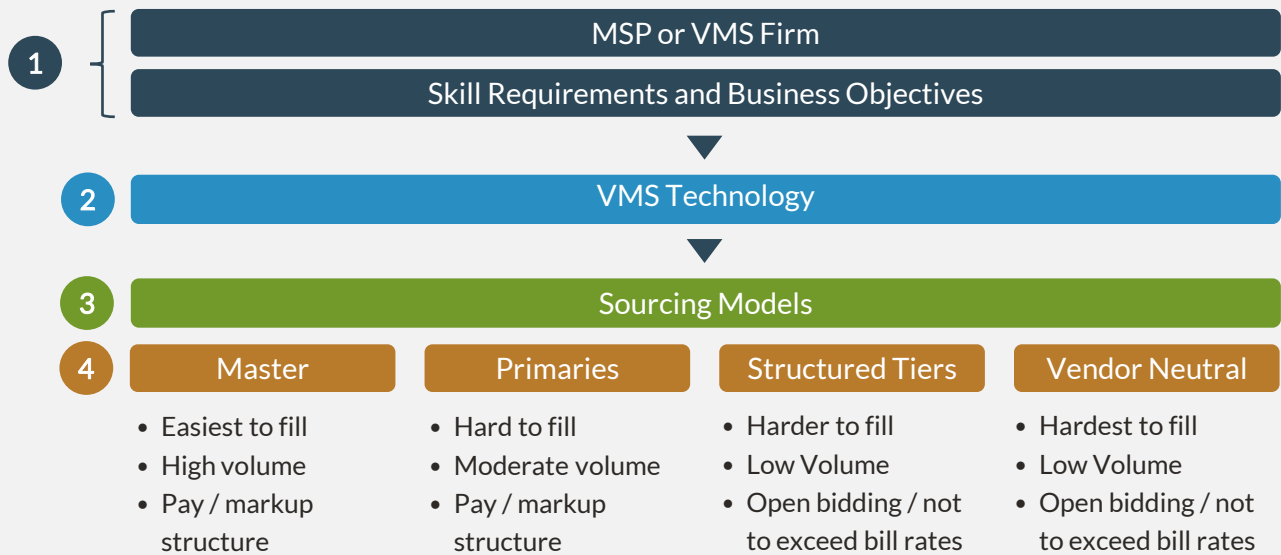
Today, many organizations prefer to leverage a combination of the sourcing models described above, as each sourcing model may be applicable within various areas of an organization's contingent talent strategy.

For example, the structured tier or vendor neutral models are most appropriate when sourcing for positions with high-level skill requirements. On the other hand, the sole-sourcing model is most suitable when hiring for roles with low-level requirements and easier-to-fill positions, or in instances where the client organization is hiring at high volume.

An MSP can implement any and all of these sourcing models under a single strategically managed workforce program, known as a hybrid model approach.

Integrating Sourcing Models Through MSP

The chart below shows how an MSP can integrate multiple sourcing models under one management program. This enables the client to procure a wide range of skillsets needed to address the full array of talent needs in an organization’s contingent workforce strategy.



1. When designing the client’s contingent talent strategy, the MSP will thoroughly assess the organization’s required skillsets. The MSP partner will then structure the program according to the client’s business objectives.
2. Next, the client will explore VMS options in consultation with the MSP. When selecting a VMS, they will consider tool features, cost and viability, a development roadmap, cost of integration, references from prior clients, and compatibility with managed services.
3. Available sourcing models are assessed in relation to the required skillsets. The MSP will consult on the best model. In some cases, the MSP will also select the supplier.
4. Lastly, defining characteristics for each sourcing model are continuously evaluated against market benchmarks and changes. This can influence how each model is leveraged.

An MSP enables management of the entire spectrum of the contingent workforce on behalf of and in partnership with procurement, HR, and operations. In choosing to outsource program accountability to an MSP, organizations can alleviate their procurement, HR, and operational teams from transactional management, and instead shift their attention to HR and procurement transformational initiatives. For many companies, this is a key driver for adopting MSP programs as part of a long-term workforce strategy.

When considering an MSP partnership, organizations should consider the MSP's supplier management resources, financial viability, global infrastructure, program staff expertise, and its VMS compatibility and flexibility.



3

MSP Business Case



By partnering with a managed service provider (MSP), organizations can outsource their contingent talent procurement and management to market experts.

The following chapter will review four key benefits of MSP to help you build the business case you'll need for stakeholder buy-in.



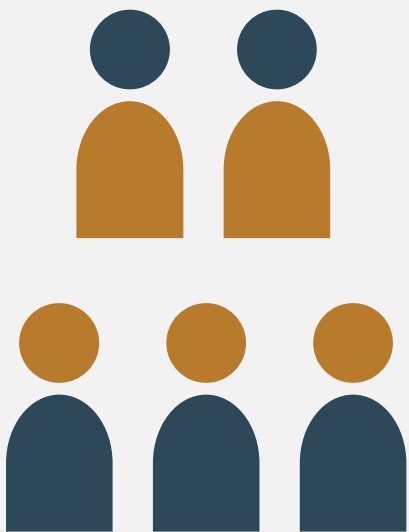
Increased Access to Talent

Managed service providers are experts at navigating the talent market and can provide your organization with access to high-quality talent and a large variety of skills. Additionally, efficient hiring and onboarding processes mean that talent is productive sooner.

This is in large part facilitated by streamlined processes, hiring manager support, and active supplier management. Comprehensive management of contingent labor enables flexibility when raising staffing levels as needed for unique projects, rapid recruitment of highly qualified talent, navigation of headcount restrictions, and improved coverage during peak periods.

Typical components in an MSP program include:

- › Requisition review with hiring managers to ensure accuracy, clarity, and compliance to policy
- › Candidate pre-screening so that hiring managers only review the best candidates
- › Continuous review of open positions and supplier engagement to ensure adequate submittal activity
- › Process management through the interviewing and on-boarding process
- › Strategic rationalization and management to ensure appropriate quality, quantity, and cost
- › Reporting and data analytics
- › Best practice sharing and benchmarking





Cost Savings

An MSP solution can provide significant cost savings through process improvement, sourcing strategies, market rate benchmarking, and risk management.



An MSP partnership can result in

38%

higher contingent workforce cost savings

Source: Staffing Industry Analysts, [North America Workforce Solutions Buyers Survey 2016: MSP And VMS Cost Savings](#), 2017

An MSP solution provides hard cost savings benefits in the form of:

- › Bill rate controls, determined by market rate
- › Rate card benchmarking and management
- › Lowered cost of ownership
- › Standardized rates based on third-party benchmarking
- › Strategic supplier relationships to secure long-term discounts
- › Rogue spend capture resulting from improved visibility
- › Competitive bidding to get the best price
- › Overtime limits and billing discounts
- › Reduction of internal headcount associated with MSP program tasks
- › Controlled assignment length and OT to eliminate unplanned and unbudgeted spend

An MSP partnership can also provide the following soft-cost opportunities:

- › Standardized contracting processes
- › Standardized requisition-through-pay processes
- › Vendor consolidation, where the MSP liaisons on behalf of the client organization
- › Improved visibility to drive decision making
- › Reduction in cycle time improves time to billable value
- › Benchmarking to improve resource allocation and time-to-fill
- › Managed processes provide resource savings for clients in procurement, A/P, legal, and operations
- › Comprehensive metrics and reporting to drive continuous improvement

Lastly, an MSP solution can enable cost avoidance in the following ways:

- › Reduced financial exposure due to worker misclassification
- › Establish tenure regulations across worker types according to local regulations
- › Eliminate inaccuracies and inconsistency in invoicing and payment
- › Regular audits to identify risks and areas for corrective action

Increased Visibility

MSP provides increased visibility into an organization's third-party labor support. MSP can provide clarity on metrics such as talent spend, time-to-fill, turnover rates, quality of hire, and employee and hiring manager satisfaction. MSP can also bring to light where external workers are located (geographically and by job category), and what systems they access.

Knowing how these resources being used company-wide, as well as how they are performing, drives better business decisions and will also give you the leverage you need to justify investment in MSP to key stakeholders.

More and more companies want the talent when they need it, and only for as long as they need it. Hiring full-time employees only to lay them off when the business slows is both costly and reflects negatively on your employer brand. An MSP program enables access to top talent who join the organization fully understanding their role and likely tenure. Therefore, costs are aligned with demand, and employer brand is protected.



Compliance and Risk Mitigation

External workers are often enlisted across multiple projects, departments, and locations. As such, they are often managed in a decentralized manner with reduced visibility.

If managed incorrectly, a contingent workforce carries significant risks in both areas of regulatory and data compliance. Your contingent workforce is subject to strict labor definitions, federal and state regulations, and complex taxation policies. Contingent workers also have access to confidential information and assets. Fortunately, managed service providers are experts at navigating these complex compliance and privacy issues.

Your managed service provider can:

- › Assist with worker classification
- › Audit your existing compliance efforts
- › Conduct drug and background screenings
- › Oversee worker access to sensitive information
- › Design standardized onboarding and offboarding processes to protect confidential assets
- › Approve and audit your contingent talent
- › Audit suppliers to ensure validity, financial stability, and appropriate licenses and insurance
- › Review your set-up against IRS standards
- › Ensure assignment length gaps are compliant to relevant legislations



Our MSP solution saves client \$10.84M in recruitment expenses while supporting location change

A leading multinational banking and financial services firm was overburdened by their contractor management process and staffing agency spend. The client organization further faced with significant resignments following the announcement of a location change, which LevelUP was tasked to support.

Recruitment Snapshot

- › 50 suppliers signed
- › 504 contingent worker hires since program start
- › 361 contractors on LevelUP payroll

Positions Hired

- › KYC/Client Onboarding Specialists
- › IT Developers Workday Support
- › Administrative Assistants
- › Marketing Specialists
- › Financial Markets Trade Support

LevelUP devised a customized MSP solution to include:



Staff Augmentation

LevelUP built strategic supplier relationships with preferred vendors leading to an increase in contingent worker hires and quality of placement.



Consultant Program Management

LevelUP launched Consultant Program to support the recruitment, onboarding, ongoing management and offboarding of temps, consultants, and vendors.



Elimination of High Agency Spend for Contract Positions

Our Client had previously acquired its consultant population entirely through staffing agencies. LevelUP standardized all vendor agreements and enforced maximum mark-ups for all contingent workforce staffing providers. At the onset of the MSP program, mark-ups for all active resources were immediately reduced from an average of 155% to 43%. Each year, we continue to audit vendor markups, resulting in over \$130,000 in credit returns to our Client.

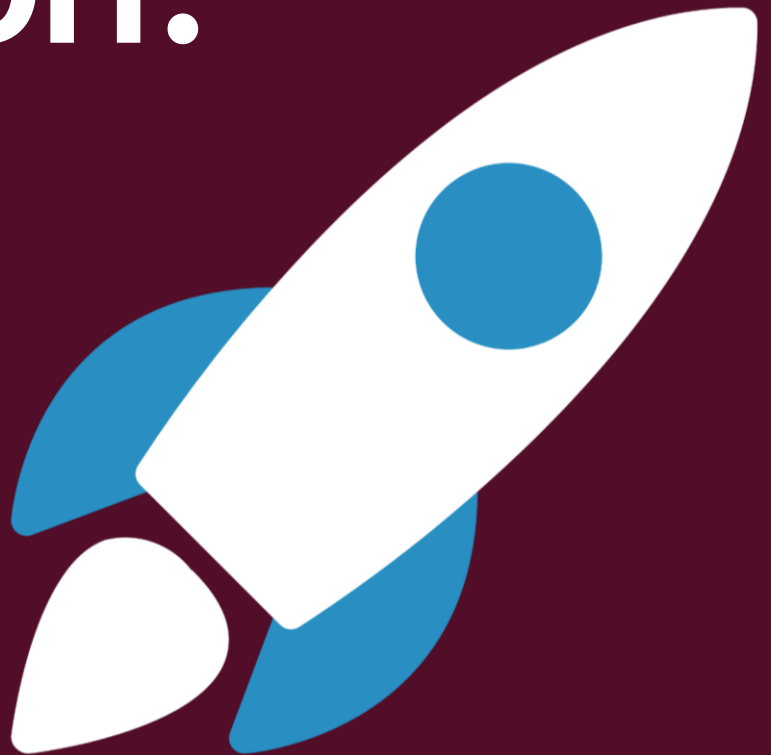


Location Change Support

LevelUP was tasked with supporting the Client's migration from New York City to the Midwest. Following the announcement of this location change, the Client faced significant resignments. LevelUP supported the Client by immediately backfilling vacant roles on a temporary basis until they were permanently filled. LevelUP also partnered with the Client to hire temporary resources to support various ongoing projects in the interim while full time searches were ongoing.

4

Are You Ready for an MSP Solution?



The previous chapter examined four key outcomes of an MSP solution. To take full advantage of the benefits a managed service solution has to offer, businesses must first assess their readiness to partner with an MSP. Indeed, introducing an MSP solution to your business has significant implications for organizational, cultural, change management, supply base, and end-user elements that need be assessed.



When considering an MSP, address the following questions to ensure seamless implementation and excellent outcomes.

1. What Are Your Exact Recruitment Needs?

What hiring volume, specific skillsets, and locations form basis of your recruitment needs? In other words, if you enlisted the help of an MSP, what areas would you have the solution target?

2. Who Are the Key End-Users

Part of assessing your readiness for an MSP solution involves identifying the program end-users. Are they willing to work within the MSP systems and VMS? Does the MSP solution align with the needs of end users? If not, what value will the MSP provide to them? Are you able to implement a training plan to help end-users adapt to the MSP partnership?

3. Who Are the Key Internal Stakeholders?

Establishing stakeholder buy-in is critical to the successful delivery of any MSP solution. When determining your readiness for an MSP program, you will need to determine which stakeholders you need to engage. That is, who would be affected, involved, or interested in the MSP solution and its outcomes—be that in HR, Procurement, Legal, Risk, Finance, IT, and/or business operations.

4. What is the Consensus?

Next, examine the consensus on the primary outcomes of MSP below. All key stakeholders should agree on the relative importance of the benefits below in improving your contingent labor strategy.

Access to Talent

How efficient is your existing process for sourcing contingent labor? Does your organization require that process to be more flexible, scalable, or global?

Cost Savings

How critical are cost savings to your organization, and how do cost reductions align with your expectations for quality of talent? Moreover, does your need for cost savings involve standardizing processes and reducing back-office expenses to improve process efficiency overall? Lastly, does the idea of on-demand talent and flexing to needs resonate with your company culture?

Risk Mitigation and Compliance:

Is your organization keeping up to date with recent changes in government compliance regulations? Do you have a process in place to mitigate co-employment risk? Moreover, do you have the resources to conduct contractor screening, secure confidential information, and screen vendors for contract compliance? Lastly, are business intelligence and performance metrics important to your organization, and do you require increased visibility into this area?

5. How Ready is Your Organization for Change?

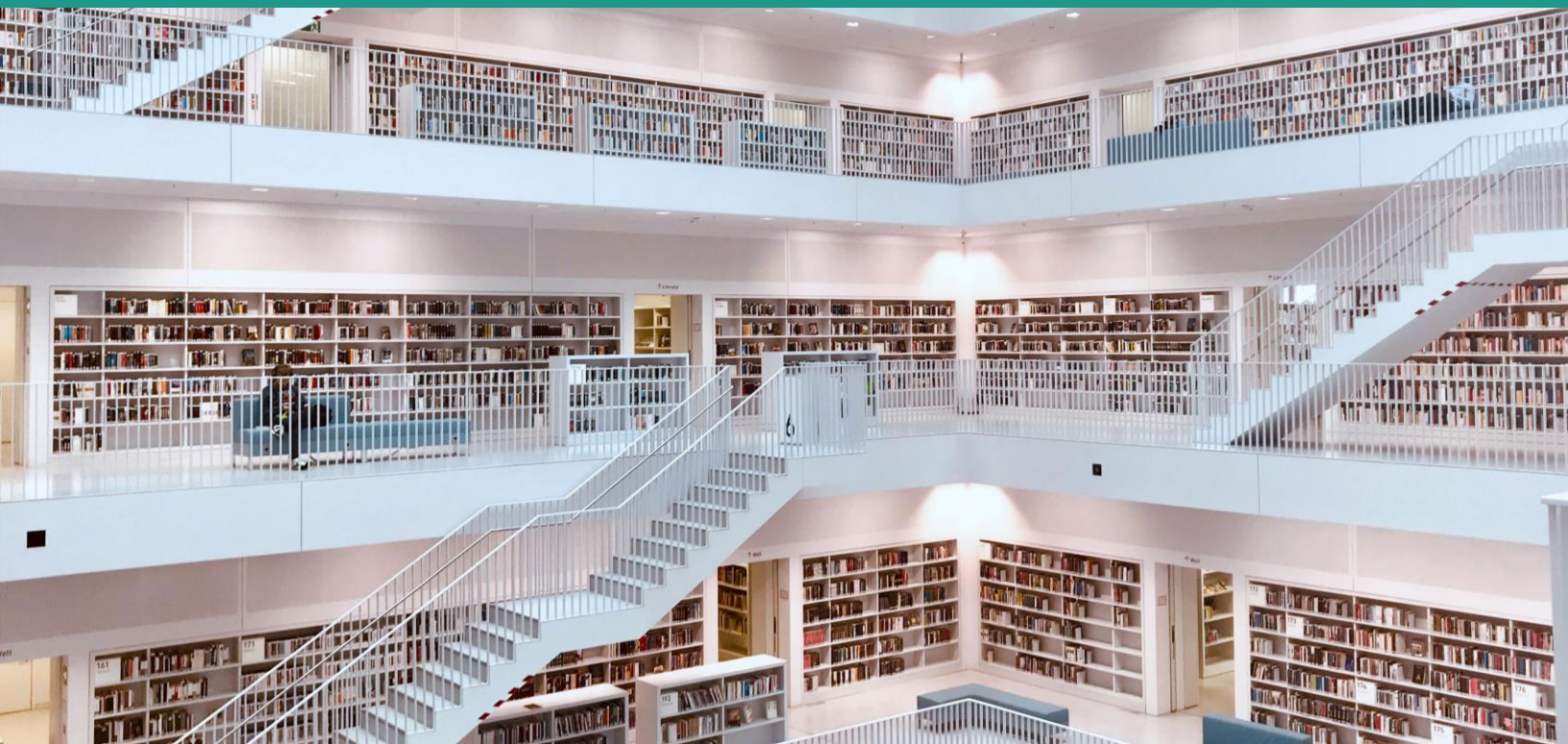
To assess your organization's change readiness, consider the following questions.

- › Is your organization operationally aligned to work within a defined vendor base or process?
- › Are you willing and able to mandate the use of web or cloud-based tech tools for managing requisitions?
- › What internal experience do you have with introducing and implementing outsourced programs?
- › If a multi-national solution is sought, how engaged are you currently with peer groups in other countries?
- › Do you have the internal resources needed to support or lead the change management process?
- › What is the sense of urgency—does the MSP strategy align with high-priority business goals?
- › Who will act as the executive sponsor or program champion?



What's Next?

Once you have developed your business case and secured stakeholder buy-in, begin by determining the initial scope of your MSP solution. First, outline a category or location that can benefit from the above assessments. Some organizations will be highly ready for a global solution and mandates to an MSP, while others may only be able to start with a specific category that they have current access to or control of. Over time, and with internal success stories, your business case will speak for itself, justifying the addition of other categories or geographies to an MSP solution.



About Us



LevelUP provides Human Capital Solutions that position companies to confidently scale. LevelUP is an international market leader delivering Talent Solutions customized to a specific need. It is our privilege to partner with clients to deliver outstanding results in the Human Capital Advisory space. We continuously strive to create an environment driven by ownership and continuous improvement. Our approach to resourcing ensures that best-in-class talent is identified and delivered. We take pride in our solutions and strive to deliver the very best to our clients.



Service

We customize solutions for every engagement and work with our clients to identify areas of improvement, solutions, and strategies for implementations.



Diversity, Equity, and Inclusion (DE&I)

As a certified Minority Business Enterprise (MBE), we understand the value and importance for diversity, equity and inclusion. We consider diversity in every search and have enhanced services to support clients on their path to building a strong DE&I program.



Scale

We are able to flex staff up and down with the increase and decrease of open requirements.



Technology

Access to the latest search tools, which include web-based paid solutions, job boards, social networks, online databases, and advanced Boolean searches.