

# Introduction to Managed Service Providers (MSPs)

## Managed Service Providers: Valuable Contributors to Contingent Workforce Management

### Introduction to Vendor Management

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In today's rapidly evolving global economy, it is critical that organizations remain adaptable and responsive to change. To that end, many companies are turning to their contingent workforce to ensure their ability to react in a fast-paced marketplace. Relying on contingent labor as a scalable component of the workforce allows for rapid expansion in times of growth and for quick scaling back as needs wane. Teams can be built, dismantled, and reconstructed to meet ever-changing demands.

Given the challenges of meeting continuously changing regulatory compliance demands and coping with mergers and acquisitions, market expansion, and constant business transformation, managing the contingent workforce can be a time-consuming and costly process. In a market where the most qualified resources are in high demand, companies can find themselves in dire need of more creative and effective ways to secure key contingent resources.

Vendor Management (VMS) is an increasingly common way to handle the difficulties and magnitude of managing multiple staffing providers. Most organizations do not have comprehensive visibility into their staffing expenditures. Moreover, they lack the data to make accurate rate comparisons between identical positions or to enable consistent contract hiring and business practices. A VMS program provides the structure necessary to gain control over this significant area of spend.

### Visibility into Contract Labor Spend

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Companies need visibility into their current contract labor and vendor usage to be able to make more effective sourcing decisions. To gain that visibility, companies must capture

spend information for all vendors providing these services and segregate the services into appropriate categories. Once an organization has their contract labor spend well categorized, effective analysis can be done to make it possible to undertake tasks such as:

- > Comparing and contrasting costs for similar tasks or skill sets among vendors to ensure rates are market-appropriate or better
- > "Normalizing" vendor staffing rate structures
- > Determining the best resourcing option – whether it is best to address a particular need with contract resources or through in-sourced options
- > Making decisions on hiring approach (temp, temp-to-perm, or new hires) related to the current state and desired future state for addressing staffing needs
- > Measuring performance and benchmarking against vendor Service Level Agreements (SLAs)

### Gaining Visibility and Control Through a Managed Services Provider

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One best practice that has emerged in helping organizations gain visibility and control over their contract services spend is the use of a managed service provider (MSP). MSPs specialize in the management of a specific business process – in this case, vendor and procurement management around the use of contract labor services. MSPs support the implementation and delivery of best practices through the providing of experienced procurement professionals, design and roll-out of improved processes, and deployment and support of VMS software to automate the full lifecycle for managing contract labor. In some cases, the MSP also provides complementary offerings, such as recruitment process outsourcing (RPO) and

services procurement management (SPM), allowing for a consolidated approach to workforce fulfillment and management.

Under an MSP program, an organization’s requisition and procurement process supporting the use of contract services is centralized and automated, vendor contracts are standardized, and billing rates are realigned to the most competitive market rates, all of which results in significant cost savings and enhanced process efficiency.

An MSP program supported by a VMS tool provides full visibility into all vendor/ contractor-staffed initiatives by managing, overseeing, and continuously analyzing an organization’s full range of contingent workforce and vendor management issues. When staffing changes are required, the program and the MSP adapt to meet the need – from requisition to payment to engagement end – for all types of labor classifications, including contingent, contract, consulting and outsourced labor.

## MSP Overview

Many organizations make the strategic decision to outsource the management of their contingent labor procurement process (including managing the software tool used to automate the process), taking advantage of an MSP partner’s capabilities and experience while avoiding the direct cost of managing the program themselves – and freeing their key resources to concentrate on more critical initiatives and tasks.

Aberdeen Group reports that 63% of “Best in Class” enterprises elect to engage an MSP “to avoid the issues that plague self-managed contract labor programs.” (Aberdeen Group, Jan 2009).

An additional report from Aberdeen Group provides a clear definition of an MSP as well as details on the value an MSP solution can provide:

Managed Service Providers (MSP) are typically leveraged to manage the end-to-end lifecycle of the contract labor process, directing all inner-processes in securing quality candidates for the organization. MSPs are known for their ability to consolidate all contingent labor activity into a single point-of-contact, with all activity funneled through a single program.

### Driving Results with MSP Programs

Top-shelf performance is driven by a combination of strategic actions and key capabilities. However, without the proper program structure in place, enterprises lack the resources to streamline contingent labor processes and ensure results across the scope of speed, savings, and quality.

Top-performing enterprises employed Managed Service Provider (MSP) programs to drive their contingent labor programs, streamline operations, and kick-start performance around key metrics (compliance, time-to-productivity, time-to-fill, and savings), as detailed below.

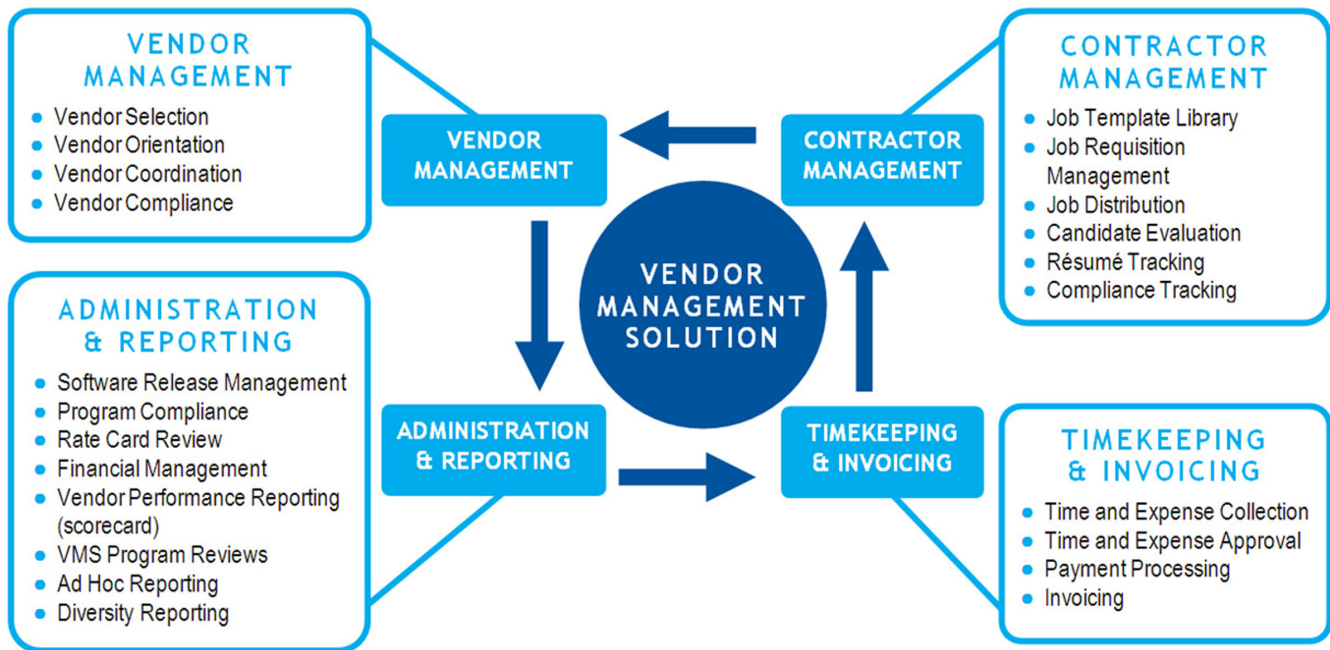
Contingent Labor Management Performance	MSP Users	Non-MSP Users
Compliance to internal and federal policies regarding contract labor	64%	46%
Cost Savings	9%	7%
Onboarding length	2.9 days	5.7 days
Time-to-fill an open requisition	9.8 days	12.2 days

Enterprises leveraging MSPs have seen a wealth of hard-line benefits from these programs, including higher compliance rates, increased cost savings, and shorter onboarding lengths and time-to-fill rates. Channeling all contingent labor activity through a single program has assisted enterprises in driving significant benefits.

*Source: Aberdeen Group, Contract Labor Management: Superior Workforce Strategies for a Demanding Market, January 2009*

## Scope of Services

Full-service, market-leading MSP solutions generally include the following functions and best practices. While many companies take advantage of the entire solution, others may request a subset of these capabilities



## Day-to-Day Activities

Process Management	Technology Management	Administrative Management	Change Management	Issue/Communication Management
<ul style="list-style-type: none"> <li>• Process Coordination</li> <li>• Requirements Review</li> <li>• Requisition/Statement of Work Management</li> <li>• Candidate Selection Assistance</li> <li>• Vendor Liaison/ Candidate Start-up</li> <li>• Security, Facilities &amp; HR On-Boarding &amp; Off-Boarding</li> <li>• Candidate Performance Evaluations</li> <li>• Workflow Process</li> <li>• Initial Résumé Review &amp; Prescreening</li> <li>• Conversion-to-Hire Situations</li> <li>• 1099 Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Vendor Database Maintenance</li> <li>• User Database Maintenance</li> <li>• Tool Maintenance</li> <li>• Tool Training</li> <li>• Tool Helpdesk</li> <li>• Job Descriptions</li> <li>• Rate Cards</li> <li>• On-Going Tool &amp; Process Evaluation</li> <li>• ERP Integration &amp; Process Management</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Rate Negotiation</li> <li>• Invoice Consolidation &amp; Reconciliation</li> <li>• Handling Billing Issues</li> <li>• Management &amp; Reporting of Cost Saving</li> <li>• Discount Management</li> <li>• Spend Management</li> <li>• Vendor Contract Negotiation</li> <li>• Contract Administration</li> <li>• Vendor Audits</li> <li>• Report Management</li> <li>• MBE/WBE Program</li> </ul>	<ul style="list-style-type: none"> <li>• Requisition &amp; Job Requirement Changes</li> <li>• Changes/Withdrawal of vendor Submittals</li> <li>• Early Termination &amp; Extensions</li> <li>• Market &amp; Internal Company Changes</li> </ul>	<ul style="list-style-type: none"> <li>• Vendor Management</li> <li>• Internal Communications Management</li> <li>• Manager's Guide</li> <li>• Management &amp; Control of Exception Process</li> <li>• Compliance Monitoring &amp; Management</li> <li>• Management &amp; Administration of Not-for-Hire Candidates</li> <li>• Dispute Resolution</li> </ul>

## MSP Benefits

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The benefits of a VMS program are well documented and widely understood – to gain visibility into and control over the process used to obtain contract labor resources, which leads to improved efficiencies, compliance management, and significant cost savings. Perhaps less understood are the benefits realized by engaging a partner as a MSP to manage the program.

The most obvious benefits of outsourcing through a MSP arrangement are that a company no longer has to dedicate staff to manage the entire “req to check” lifecycle (as depicted on the previous page). In addition, the company gains significant benefits from leveraging a partner that specializes in this area, leverages years of experience and lessons learned, and provides experience personnel to quickly establish a fully functional and effective program.

With a MSP solution, there is no need for the client organization to build the expertise to manage the program, the process, or the software tool that supports the process – the MSP manages all of that. The MSP also owns vendor performance management.

The analogy of a leaky pipe serves to further illustrate the MSP’s role. Any one of us might try to fix a leaky pipe. A few of us may effectively address the problem. Others, perhaps the less experienced or those with “ten thumbs,” will end up making matters worse. The rest have learned to simply call in the experts to “get it done right the first time.” The costs and risks of attempting it without the proper tools or experience can be monumental.

While the general prospects of an MSP are enticing, another clear benefit is the fact that most VMS/MSP programs are vendor-funded, meaning the value is all delivered to the client at NO COST. The market is accustomed to a vendor-funded model whereby the MSP deducts an administrative fee from every vendor transaction. Experienced MSPs take special steps (usually involving the adoption of a market-appropriate rate card) to insure vendors are absorbing these costs instead of passing them back to the client in the form of higher rates.

Most organizations find that they are able to count on the following key benefits:

- > **Adoption of best practices and business rules** lead to smarter, more effective handling of bill rates and cost management, and result in significant cost savings.

- > **Quicker and more effective implementations** are almost guaranteed, as the client is working with an MSP with the necessary expertise to “get it right the first time” – avoid common pitfalls, steer towards solutions that have worked well elsewhere, etc. There are fewer “trial and error” failures, cost overruns, and poor solutions.
- > **Outsourcing of the management of the process reduces costs** and frees client resources to concentrate on more critical initiatives and tasks.
- > **The MSP will actually MANAGE the process** to ensure that requisitions are of high quality and are created and posted quickly, that appropriate vendors receive requisitions and quickly present qualified candidates, provide short-listing of candidates, coordinate interviews, and handle rate negotiations with the client. Without appropriate continuous focus placed on these activities, time-to-fill, quality-of-fill, and cost-of-fill are almost always negatively impacted.
- > **Compliance management** ensures that business rules, on-boarding, off-boarding, screening (background checks, skill verification, employment eligibility), tenure limits, etc. are being continuously enforced.
- > Relying on a partner that specializes in providing MSP services for VMS ensures a **well-managed implementation, solid change management to launch the program, and a well-designed solution** to best meet the organization’s needs and conform to the client’s environment, enforce improved business rules/policies, and continuously enhance workflow.
- > **Continuous management and improvement** of key items, such as job descriptions and rate cards, mean that the client gets the needed resources at market-appropriate (or better) rates – and that a watchful eye is kept on the process so that opportunities to improve the process are identified and addressed.
- > **The VMS tool and the organization’s relationship with the tool provider are managed.** Do organizations really want to build expertise on (and pay for) configuring and managing the VMS tool? Not to mention keeping track as new releases of the tool need to be managed? How about managing integrations between company systems and the VMS tool? Some clients elect to take that on; most do not.
- > The MSP **manages the vendor pool** to ensure that the client starts out with and continues to have the right number and types of vendors, including the right composition to ensure diversity spend goals are met.
- > Through **vendor performance management**, organizations only work with the highest quality vendors and lesser performing vendors are either coached into

the “high quality zone” or are dismissed and replaced with more capable vendors.

- > **Consolidated invoicing** saves countless hours that are typically spent managing and reconciling hundreds of invoices. A MSP can replace that process by providing one itemized and validated invoice, allowing the client to make one payment to the MSP who then pays vendors on the client’s behalf.
- > **Built-in scaling** ensures that requirements are met equally well during the slowest and busiest times. The MSP is responsible for scaling to handle peaks in workflow. It can be tremendously difficult and expensive to build an internal capability that can morph as demands change.
- > **Vendor-funded models (well managed) result in zero costs to your organization** – other than whatever management costs are associated with the oversight the client provides to ensure the success of the program.
- > **Companies can leverage the MSP’s knowledge and experience** related to labor laws, industry trends, and market rates to ensure risks and exposure are managed and that the program is taking full advantage of the best the industry has to offer.

## What to Look for in an MSP Partner

Some MSPs have outperformed their competitors. A select few have merged with other companies or acquired tools to offer a combination of MSP services and software. There are providers who focus on MSP as their main service offering, while others look at to MSP as a way to gain contingent

labor headcount or to sell their software. Companies should consider following when engaging potential MSP partners:

- > There are several widely used service models that vary in terms of what role the MSP provider fills, including whether or not they source candidates. The table below provides an overview of the most common service models.
- > To tool, or not to tool... There are pros and cons to selecting an MSP provider who also provides the tool. Pros include the fact that a buyer is getting an “all inclusive” deal which makes for less involved contracting and relationship management. It also increases the likelihood of the MSP having a very strong understanding of how to work with the tool. Perhaps the biggest con of a package deal is that the buyer may very well be making a concession and getting less than the best of either the MSP service or the tool (or both). It may be more prudent to address each separately – choose the best MSP provider and select the best tool. A common practice is to select the MSP first and have them provide guidance on which tool is the best fit.
- > Given the scope of a company’s specific procurement needs, it may be important for the MSP provider to have experience with providing support for staff augmentation, payroll services, 1099, consulting, and outsourced project labor resources as well as recruitment for permanent or temp-to-perm hires.
- > Consider the experience MSP providers have supporting other companies in the same sector and/or industry and with programs of similar size and scope (number and types of positions, locations, etc.).

Model	Description	Pros	Cons
<b>Master Vendor</b>	<ul style="list-style-type: none"> <li>• Staffing firm given sole responsibility for filling all contract labor needs</li> <li>• Master vendor may create network of sub-contract vendors to fill positions they are not able to support</li> <li>• No VMS technology utilized</li> </ul>	<ul style="list-style-type: none"> <li>• Single contract administration</li> <li>• No need to manage supplier network</li> </ul>	<ul style="list-style-type: none"> <li>• Quality may suffer</li> <li>• Lack of diversified supplier community may overlook otherwise effective providers</li> <li>• No MSP program benefits</li> </ul>
<b>Vendor On Premise</b>	<ul style="list-style-type: none"> <li>• Staffing firm provides on-site account management team in exchange for primary vendor status</li> <li>• Other vendors subjugated to secondary status</li> <li>• May utilize VMS technology</li> </ul>	<ul style="list-style-type: none"> <li>• On-site account management presence</li> <li>• Centralized reporting</li> <li>• Volume discounts opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Does not provide value of MSP program</li> <li>• May result in lack of diversified supplier community – overreliance</li> </ul>
<b>Subsidized MSP</b>	<ul style="list-style-type: none"> <li>• Staffing firm provides MSP in exchange for exclusivity or primary vendor status on staffing engagements</li> <li>• On-site MSP team assigned</li> <li>• Typically includes VMS technology</li> </ul>	<ul style="list-style-type: none"> <li>• Begins to realize benefits of MSP</li> <li>• Centralized reporting, administration</li> </ul>	<ul style="list-style-type: none"> <li>• MSP is focused on increasing staffing business, not on MSP</li> <li>• Lack of neutrality may impact quality</li> </ul>
<b>Vendor Neutral MSP</b>	<ul style="list-style-type: none"> <li>• Professional MSP provides contract labor requisition lifecycle management</li> <li>• Dedicated on-site team</li> <li>• Includes VMS technology</li> </ul>	<ul style="list-style-type: none"> <li>• Full benefits of an MSP realized</li> <li>• Vendor neutrality means top performers surface</li> </ul>	<ul style="list-style-type: none"> <li>• May contradict Master vendor structure</li> </ul>

## About TAPFIN Process Solutions

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TAPFIN is a Managed Services Provider. It is our business. Our approach to implementation and operations is designed to provide the best possible MSP service and value to our clients. Whereas many of our competitors use MSP as an in-road to obtain more staffing business or to sell their software, TAPFIN has one focus – establishing ourselves as a strategic partner by improving the efficiency and effectiveness of our client's temporary staffing process and vendor management. That focus has led us to design and operate by a rigorous process that ensures the right solution is implemented and managed and the technology delivered with the solution is effectively deployed and managed – and has led us to delivering many highly successful programs.

TAPFIN MSP/VMS solutions are tailored to fit each client's needs and expectations. TAPFIN will never dictate best practices or force a prescriptive model. We work closely with each client to understand their culture, temporary worker procurement environment, current process, and desired process BEFORE recommending and agreeing on the right solution for the client. While this effort is often involved, TAPFIN has found the upfront investment more than pays for itself as the right process is deployed from the beginning and our programs experience high user adoption and early program success. Best practices are not always best for all, so TAPFIN takes the time to ensure every recommendation makes sense and adds value for that client.

Our implementation and operations process are technology independent and we have experience working with a wide variety of software tools. The remainder of this section describes specific aspects of our offerings and approach, demonstrating our ability to deliver any level of support that a program may require.

### ***Flexibility & Client-Centric Solutions***

Our flexible solutions focus on delivering industry best practices while maximizing value to our clients. Too many firms deliver a solution focused only on the requisition process. Innovative programs such as the TAPFIN VMS Assessment and Sunset Program allow our clients to realize instant savings. Our in-depth, upfront analysis of the client's existing data and business practices allows us to create very unique and rewarding solutions that maximize their resources.

Traditionally, vendor management services have focused on the management of contract resources. Other supplier-provided services, such as projects, statements of work, or

outsourced efforts, have fallen outside the scope of many VMS/MSP providers. In 2003, TAPFIN, in conjunction with its technology providers, began expanding the scope of its TAPFIN MSP/VMS offerings to encompass the contracting, requisition, evaluation, management, invoicing, and reporting for services which include projects, statements of work, etc. TAPFIN provides comprehensive resource management solutions to help organizations optimize all of their resources, whether full-time employees, contingent labor resources, project-based engagements, or outsourced services.

### ***Process Focus***

Our customers are becoming increasingly more educated on vendor management services, and are demanding more from their service providers. In 2002, TAPFIN committed to establishing a Quality Management System (QMS). In 2003, TAPFIN made the commitment to strengthen QMS by incorporating an ISO 9001:2008 based structure. By the end of 2003, TAPFIN achieved certification on the ISO 9001:2008 standards. To our knowledge, we are unique in our field as the only company providing supplier management services under an ISO 9001:2008 based and certified system. Recent audits resulted in extension of our ISO certification into 2010.

### ***TAPFIN Differentiators***

**Supplier Sunset Program:** Most staffing firms offer MSP solutions to manage a client's preferred supplier community. Only TAPFIN has developed a program to also manage an organization's non-preferred supplier community. In a TAPFIN Sunset program, TAPFIN performs rate rationalization and assumes contractual management of legacy non-preferred suppliers to ensure they are migrated out of the client's organization as their assignments come to a close.

A TAPFIN Sunset program manages existing suppliers that are not selected to be a preferred service provider. TAPFIN recognizes there may be resources provided by these suppliers who are critical to the completion of certain projects and need to be retained - which dictates the need for contract and administrative management until their contracts expire. TAPFIN also recognizes certain suppliers may provide specialty contractors whose services may be required on an as-needed basis. These consultants can be transitioned from non-preferred suppliers to TAPFIN's payroll at a reduced rate from the current mark-up.

**Profit Center:** TAPFIN operates MSP solutions as a profit center, not as a cost center that is subsidized by staffing operations (a common business model for many large staffing firms).

**The TAPFIN Assessment:** TAPFIN provides a rigorous assessment process that is designed to identify opportunities for reduction in total expenditures (as opposed to more typical staffing assessments which are designed to only inventory existing contract assignments to maximize program size). Our ability to complete detailed analysis while maximizing savings is unique and valuable.

Most MSP providers gather basic data to determine program size and scope and to populate the VMS system. TAPFIN provides a comprehensive assessment which includes an RFP process if necessary, the creation of new or updated job descriptions, independent rate card development, supplier and contractors disposition recommendations, and administration of a comprehensive preferred supplier RFP process.

**Integration Support:** TAPFIN's industry experience and IT expertise uniquely qualifies us to support integrations. VMS solutions typically have important integration requirements to ensure data is exchanged (i.e. invoice data shared between VMS and client's systems) and users can easily move between systems to get their jobs done. TAPFIN uses its implementation methodology and leverages our deep experience in facilitating integrations to ensure all integration requirements are identified and met. Integrations, when properly performed, provide tremendous gains in efficiency. Poorly performed, integrations can cripple a program and can easily wipe out any savings the program would otherwise provide. It is critical that integrations are properly performed – and that the right experts are overseeing the integration initiatives.

**Tool Agnostic Approach and TAPFIN Tool Evaluator:**

TAPFIN recognizes the importance of the software used to automate the procurement lifecycle. While TAPFIN does own a tool that provides a terrific solution for many of our clients, that is not our main focus. We take a tool agnostic approach to all engagements – ensuring that the recommendations we provide to clients lead them to the selection of the best tool to meet their requirements and expectations.

**Regional Support and Back-Office Infrastructure Center:**

TAPFIN can scale as needed by relying on regional support through regional centers located in Atlanta, Houston, Phoenix, Washington DC, Toronto, and London.

TAPFIN's centralized back office group develops, facilitates, and manages invoicing and vendor payment processes while providing the client and vendors with a central point of contact for time and expense reporting, invoice and payment generation and reconciliation, issue resolution, and financial and audit reporting.

**Payrolling Services:** TAPFIN also offers a Managed

Payrolling Service that is utilized by many of our major clients. Through the Managed Payrolling Service, TAPFIN acts as the Employer or Agency of Record for your contractors. TAPFIN manages the administrative services on your behalf, including timesheet processing, payroll and invoicing services, and year-end W-2 documentation.