



TOTAL WORKFORCE SOLUTIONS:
OPTIMIZE TALENT ACQUISITION BY BLENDING RPO AND MSP



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Introduction: The Landscape for Strategic Recruitment and Employment

Today's savvy talent acquisition professionals face increasing challenges to find and cultivate the best people to achieve their organizations' business strategies. CEOs want up-and-coming leaders. Hiring managers want strong teams. Shift supervisors want reliable staffers.¹ And job seekers want flexibility, good pay, benefits and the opportunity to advance their career. These sometimes competing demands come at a time of historically low unemployment, talent scarcity and quickly-evolving workforces.

The right strategic talent for any business may involve a mix of permanent and temporary positions. It can require mass recruiting as well as laser-focused searches, with metrics and analytics to track performance. With so much riding on talent, it's no surprise that recruitment and employment strategy has become more complex.

The traditional talent paradigm worked this way: organizations retained Recruitment Process Outsourcing (RPO) companies for their expertise in managing all or some of their recruitment functions. RPOs have the ability to scale as talent acquisition needs fluctuate and are adept in the language of talent communities, employer branding strategies, recruitment marketing, career portals and candidate relationship management. Working with an organization's talent acquisition team, RPOs use the latest tools and techniques to find permanent talent more efficiently.

Managed Service Providers (MSP), meanwhile, were engaged separately as outsourced business process providers tasked with bringing technology

and best practices to the management of multiple contingent labor staffing suppliers and consolidating agency spend. Ongoing recruiting, cultivating bench strength, improving efficiencies, using predictive analytics to prepare for surges in demand and safety training are all part of the expertise that MSPs bring to a workforce program. MSPs may also manage the contingent labor on-site at a client's operation and usually provide clients with a Vendor Management System (VMS).

Over time, as companies began to make contingent labor a larger part of their workforce, staffing supplier relationships became more involved and talent acquisition practices matured. Thus, there was a natural progression for MSPs to become more of a strategic partner — like RPOs — and less of a procurement service.

If the goal was to provide total strategic talent acquisition, service providers needed to consider both contingent and permanent staff. Total Workforce Solutions were born.

1. PricewaterhouseCoopers, 19th Annual CEO Survey: "Redefining business success in a changing world." CEOs are most concerned with building a pipeline of future leaders. CEOs also have strong concerns that a "skilled, educated and adaptable workforce" should be a high priority for business.

The Evolution and Rise of MSPs

Historically, companies handled the acquisition of contingent labor through their procurement department, not through human resources. Hiring managers placed a request, procurement contracted with one or more staffing agencies to fill the order and temporary candidates arrived. Hiring managers selected the people they needed, the staffing agency paid the workers and the company was billed for their services.

As contingent labor became a widely-used way for companies to find and hire talent when they needed it, individual contingent workers began to contribute as strategic players in organizations, in roles like independent contractors, SOW workers and contingent employees. MSPs suddenly found themselves playing a crucial — and strategic — role in talent acquisition² and by necessity, they evolved their business model and technology to

better manage contingent labor staffing vendors' contracts, billing and Service Level Agreements.

The MSP business has grown rapidly and industry researchers expect that growth to continue.³ Business process outsourcing firm NelsonHall has identified eight MSP trends to watch between now and 2020.

The Staffing Industry Analysts (SIA) 2016 Workforce Solutions Buyers Survey⁴ corroborates this desire for cost savings; reducing or controlling cost was the most commonly selected priority among contingent workforce buyers. Among those respondents that currently have an MSP or VMS program in place, 12 percent cited cost control as a top priority. The rate was more than double that — 27 percent — among respondents without an MSP program in place today.

2. "Layers of Talent," HRO Today, December 2014. 3. Gary Bragar, HR Outsourcing Research Director at business-process outsourcing research firm NelsonHall.

4. Christina Lawrence, Staffing Industry Analysts, September 2016 Workforce Solutions Buyers Survey.

Top Eight MSP Trends

- 1** The global MSP market is forecast to be approximately \$7.6B by 2019 with an 18 percent Compounded Average Annual Growth Rate (CAAGR). Europe and emerging markets will account for 34 percent of the global MSP market.
- 2** Statement of Work (SOW) programs will become increasingly popular and higher-profile as outcome-based contracts become the norm. The SOW market is expected to grow at 32 percent year-over-year CAAGR until 2019.
- 3** Organizations with greater than 15,000 employees will be the dominant purchasers of MSP services. Leading industries are expected to be transportation, media, telecommunications and technology. Retail and manufacturing will continue to be important and increase their presence in the MSP market.
- 4** Global MSP contracts will account for 25 percent of spend under management by 2019. Another 25 percent of the MSP market will consist of multi-region or multi-country contracts.
- 5** Analytics will become more sophisticated to support supply chain management and sourcing.
- 6** The support of regional and global projects will require greater centralization of talent management. In addition to contingent labor contact centers, providers will increasingly use nearshore and offshore centers to support sourcing, reporting and analytics.
- 7** In the longer term, industry analysts expect VMS technologies to deliver greater total — permanent and contingent — workforce visibility, provide improved coverage of local requirements and integrate with freelance management systems.
- 8** Buyers are seeking cost-reduction, cost-transparency and compliance-risk-reduction. Second-generation clients, those who are current MSP users looking to transition to a new partner, are seeking to expand their MSP use.

Top 10 RPO Trends

NelsonHall states that the RPO market will continue to have strong growth between now and the end of the decade. They cite ten trends for the industry.⁵

- 1** RPO growth is forecast at approximately 16.6 percent CAAGR from 2016–2020, doubling by 2020 and making it the fastest growing service in the human resources arena.
- 2** The U.S. and U.K. RPO markets will continue to dominate the market, with Asia-Pacific and Latin America emerging for high growth.
- 3** Employer brand positioning and candidate experience will continue to play a crucial role in RPO services. Increasingly important will be more upfront strategic talent consulting and long-term workforce planning.
- 4** Industry analysts expect providers to offer more consulting services, analytics and labor market data in support of clients' strategic workforce objectives.
- 5** Multi-country contracts are expected to represent 55 percent of all contracts by 2020.
- 6** Clients will increase online access to program analytics, workforce planning and labor market data. That access will boost hiring manager visibility into market dynamics relevant for their industry and geography.
- 7** Providers will bundle RPO contracts with consulting services more often.
- 8** Key industries will remain financial services, healthcare and pharmaceuticals, manufacturing and technology.
- 9** Investments in technology will focus on reporting to measure industry trends and identify labor market insights. Buyers are likely to use access to this information as a key criterion in vendor selection.
- 10** Service delivery onshore will drop to fewer than 60 percent of RPO full-time equivalents by 2020, as companies increasingly use nearshore and offshore labor.

RPO: Strategic Talent Providers

RPOs gained traction in the early 2000s, as businesses pushed to increase profits and decrease fixed costs. The RPO model filled that need by providing both recruitment expertise and new technological breakthroughs in Applicant Tracking Systems (ATS). As that technology streamlined tracking the recruitment process and gathering data, it became natural for RPOs to add more modules to their ATS offering and pair that technology with consulting services, making the entire business proposition more efficient, effective and strategic for their clients.

With these tools and approaches, RPO providers were soon able to manage the entire recruiting process, including coordination with third-parties like background-screening companies and reference checking. As they developed analytics and metrics and gathered trend data, RPO providers began to serve in a much more strategic role.

MSP and RPO Come Together

Both MSP and RPO providers need to be prepared to meet a growing global demand for their services and bring together their capabilities with a holistic approach to sourcing strategies. The changing world of work, talent scarcity, demand for improved analytics and technology, and pressure for improved ROI on every recruitment dollar are all drivers in the logical development of blended, or bundled, service offerings.

Talent analytics and the ability of MSP and RPO providers to provide consulting services will continue to be important to developing a mix of permanent and contingent labor in support of organizations' strategic goals in the U.S. and abroad.

MSPs and RPOs are coming together to meet strategic workforce needs, create synergies and to deliver talent from the top of the C-Suite to non-exempt entry-level laborers.⁶

Adopting Total Workforce Solutions: The Timing is Right

A single organization providing MSP and RPO services is well-positioned to offer Total Workforce Solutions services,⁷ and the business world is poised to access not only those services but also to embrace the benefits that come with a blended approach to recruitment and talent management.

The timing is right. The Everest Group's research addresses the drivers underpinning the adoption of blended MSP and RPO solutions, which include:



Growth in the contingent workforce:

The popularity of contingent work is increasing rapidly. According to an Ardent Partners' survey, the contingent workforce worldwide grew nearly 10 percent between 2015 and 2016 and 30 percent over the past five years.⁸



Globalization:

Companies require the flexibility to access talent from different geographies.



Technology:

Technological advances make it possible to do high-value activities from remote locations.



Demographic shifts:

Some Generation X and Y employees prefer temporary work assignments to achieve greater work-life balance. Also, knowledge workers tend to shift between contract and permanent positions, creating an overlap in permanent and temporary talent pools.



Economic forces:

Firms continue to need flexibility to scale up or down given the volatile nature of the economy.

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Buyers who successfully implement a blended RPO solution will be able to better leverage this total talent acquisition strategy as a source of competitive advantage, as well as derive substantial financial, business and strategic benefits.

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Rajesh Ranjan,
Research Director
at Everest Group.

Blending RPO and MSP Can Yield Cost Savings

Everest Group quantifies these cost savings, stating that a blended RPO and MSP can yield savings totaling nearly 25 percent over typical independent arrangements. The savings can come from the following three areas.



BETTER WORKFORCE UTILIZATION

A holistic and consolidated view of the total workforce can create between 10 and 15 percent estimated savings. With a blended MSP/RPO, clients can see all their talent — not just contingent or permanent — and can create a “more efficient and accurate match between business demand and existing talent in an organization.”⁹ A blended approach also has the potential to cut external hiring volume, mark-up and bill rates.



BETTER DEMAND MANAGEMENT

The Everest Group expects approximately seven to 11 percent savings from being able to identify permanent positions that can be better filled by contingent labor. A blended approach allows providers to fill a position with the best quality talent, regardless if it is a permanent employee or contingent employee.



LOWER SERVICE AND VENDOR MANAGEMENT COST

This may be worth another three to four percent cost savings, according to Everest Group. The efficiency comes from the potential for volume discounts because of higher total hiring volumes, lower conversion fees for contingent to permanent hires and because managing one provider is cheaper than managing two.

These cost savings estimates assume a previously decentralized program.

The Outlook for Total Workforce Solutions: Why Now?

MSP is expected to grow 18 percent year-over-year through 2020; in effect, doubling. RPO is also expected to continue its rapid growth – 16.6 percent year-over-year during the same period. “Over the next three years, MSP is expected to increasingly blend with RPO,” said Gary Bragar of NelsonHall. “Approximately 12 to 15 percent of the MSP market is expected to be bundled with RPO services, and this will increase as buyers look for expanded service scope and have more flexible buying patterns to meet wider workforce challenges in specific areas.” There are six factors that explain why Total Workforce Solutions are needed – and needed now.

1. Growth in the contingent workforce makes working with an MSP a necessity. The gig economy is growing, which means more and more talent will be found on the contingent side. A study by Intuit predicts that 40 percent of American workers will fall into this category by 2020, employed on short-term assignments or gigs — hence, the coining of the phrase the gig economy.¹⁰ Ardent Partners says nearly 35 percent of today’s workforce is comprised of non-employee workers.¹¹

2. Continued strategic focus on the contingent side means MSPs must go beyond business as usual.¹² An Ardent Partners survey showed that 95 percent of organizations perceive contingent talent as important and vital not only to day-to-day operations but also to the ultimate success and growth of their enterprise. “This figure should be a revelation for businesses, as the very idea of ‘talent’ becomes a conduit for leveraging top-tier skill sets...regardless of its source,” the Ardent survey states. The 2016 Ardent Partners survey also revealed changing priorities for MSP clients. Rather than emphasizing cost-management, 62 percent of survey respondents called the need to improve and enhance compliance a top challenge for today’s contingent workforce management programs. Only 32 percent said the same about reducing costs.

10. Intuit. “Intuit: Gig Economy is 34% of US Workforce.” 11. CNNMoney. Cable News Network, n.d. Web. 17 Aug. 2017. CNNMoney. Cable News Network, n.d. Web. 17 Aug. 2017. 12. Ibid. 13. PricewaterhouseCoopers, 19th Annual CEO Survey: Redefining business success in a changing world. 14. “Deloitte Global Human Capital Trends 2016: The new organization: Different by design” 15. “Rise of the Blended RPO: Addressing the Total Talent Acquisition Need,” Everest Group research. 2011

3. Increased C-Suite focus on transforming talent strategy means talent acquisition professionals must be ready to look beyond traditional models. PricewaterhouseCoopers' Annual Global CEO Surveys, which gather feedback from 1,400 CEOs worldwide, stresses the high-priority nature of talent acquisition and talent management. In the 2017 survey, more than 75 percent of CEOs said they had changed their talent strategies to reflect the skills and employment structures their companies will require in the future. Is HR ready? In the same survey, about 60 percent of CEOs said they were rethinking their HR function. In 2014, researchers for the 17th Global CEO Survey delved into talent and HR and found critical insight: 93 percent of CEOs said they needed to change strategies for attracting and keeping talent, but only 34 percent said HR was well-prepared. The implication is clear: HR executives that prepare to change their strategies will stand out and make their companies competitive.¹³

4. Companies are struggling to integrate all the different types of workers into a coherent strategy. HR needs help making the case for a blended MSP and RPO program. Recent Deloitte research demonstrated that more than 70 percent of the 7,000 companies surveyed are having difficulty integrating a blended workforce.¹⁴ Everest Group research, meanwhile, showed initial blended workforce offerings were yielding 25 percent cost savings even as blended MSP and RPO models were becoming more strategic.¹⁵

5. Integrating the workforce into a unified strategy matters — so companies can make the case for getting help. Blending contingent and permanent strategies means a more mature talent acquisition function — and as Bersin by Deloitte showed, those mature talent acquisition approaches produce big dividends for their organizations.¹⁶ According to the Bersin study, unified strategies are: 1.3x more effective on business outcomes; 2.6x more effective on talent acquisition outcomes; 1.7x more likely to have effective relationships with hiring managers; 2.6x more likely to have robust talent pools; and 5.3x more likely to have effective social media campaigns.

6. Companies are outsourcing to increase quality, scalability and agility. Key drivers of RPO also work with a blended workforce: scalability and agility; better quality of hire; reduced costs; need for updated technology, tools and processes; and talent management strategic consulting.¹⁷

The Path Forward: What a Total Workforce Solutions Partnership Requires

Once the decision to take a Total Workforce Solutions approach to the recruitment and management of permanent and contingent labor is made, there are six keys to creating a partnership that maximizes the benefits and minimize the risks of such an arrangement.

- 1 Partner with someone who has the scale and experience that match your company's needs.** Take time with due diligence to ensure you find a partner who can bring insights and know-how that match your unique situation.
- 2 Partner with someone who understands the strategic impact of talent at every level.** A partner should know whether the best talent is SOW or independent contractor, when to take over a function, such as light-industrial fulfillment, and who can handle high-level recruiting for executives. More important, the partner should know what good talent can accomplish in these positions.
- 3 Partner with someone with the technological tools and processes that make a difference — and the ability to show you how they make a difference.** MSPs may show not only cost-reduction but increased efficiencies in operations. RPOs should be able to show how they reduce cycle-time-to-hire and what it takes to improve quality of hire. Together, a blended solution should be able to deliver these results plus show achievement of the costs and benefits outlined in the business case.
- 4 Partner with someone who can manage change and uncertainty — and show how they do it.** Keys include workforce insights into the client environment and supply base, experience in effective change management and the ability to manage uncertainty in demand volumes. Workforce consulting capability and analytics offerings are also key success factors.

5 Partner with someone skilled in talent pooling to encourage passive candidates to engage with a client company. Candidate experience and employer branding are crucial, too; talent pooling offers a great opportunity for sustained engagement with great talent.

6 Partner with someone with proven experience across multiple industries and geographies. That means a partner familiar with the baseline of multiple of industries as well as expected changes in the marketplace. Analytics, market visibility and insight into local rates will be crucial to a successful partnership.

Conclusion: Seek a Trusted Partner

RPOs and MSPs each began as technological solutions seeking to create efficiencies and save money. Both eventually grew to take on a strategic role. As the contingent labor marketplace changed, talent scarcity grew, and companies have placed more and more strategic duties in the hands of non-permanent employees. It became a natural and even required solution to workforce management to have both MSP and RPO providers coordinating their efforts.

With the C-Suite placing a high premium on talent acquisition, companies seeking the most optimized approach will look for partners who can supply the greatest visibility into their entire workforce and the most efficient program for meeting both recruiting and revenue goals. Savvy talent acquisition leaders should seek out a trusted partner who can offer a Total Workforce Solution.



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About PeopleScout

PeopleScout, a TrueBlue company, is trusted by businesses in North America and around the world for Managed Service Provider (MSP), Recruitment Process Outsourcing (RPO) and integrated Total Workforce Solutions. PeopleScout consults with clients to solve complex hiring challenges and achieve their growth and revenue goals. The company provides cost-effective delivery of scalable, integrated and highly customized talent solutions to more than 70 countries worldwide, with offices in Chicago, Charlotte, Sydney, Krakow, Gurgaon, Beijing, Toronto and Montreal. PeopleScout is consistently honored as an MSP and RPO industry leader on the HRO Today's Baker's Dozen lists and by key industry analysts including NelsonHall, Everest Group and the Staffing Industry Analysts (SIA). Learn more at peoplescout.com.

News note: On January 1, 2017, the Managed Service Provider division of sister company, Staff Management | SMX was transitioned to PeopleScout.