

# Considerations for developing a well-defined Contingent Workforce Program

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December 2009

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Elements that when executed upon correctly can lead to a well-defined and productive program



## Terms Defined

- Contingent Workforce Management (CWM)
- Vendor management system (VMS). At the most basic level, this is the software that hiring managers use to open new requisitions and evaluate candidates. One of the biggest benefits of a VMS in rate negotiations is the analytics and 'what-if' capabilities.
- Managed service provider (MSP). An MSP provides value-added services to help streamline the procurement process, acting as a broker to multiple staffing companies.
- Staffing company. This is the primary supplier of the labor pool. Adecco, Kelly Services, and Manpower are some of the largest staffing companies.

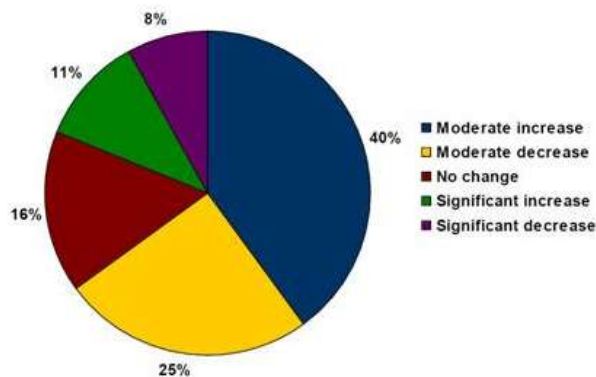
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## Temporary Labor & Services Usage Steady

- In a recent survey, **51%** of respondents plan to increase its use of contract labor.



Source: Aberdeen Group, January 2009

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## Temporary Labor & Services Usage Steady

- Temporary help services added 44,000 jobs in Q3 2009, including 34,000 in October alone, according to the Labor Department. That's the exact same number of temp jobs lost between January 2008 and July 2009.

THE WALL STREET JOURNAL  
WSJ.com

- Companies spent \$93 billion on temporary staffing services in the US during 2008, only a \$4 billion decrease over 2007 in a much more difficult economy.

STAFFINGINDUSTRY  
ANALYSTS, INC.

- IT outsourcing growth will see "a notable spike in new contracts and existing contract augmentation" in the fourth quarter of 2009 and first quarter of 2010.

AMR Research  
Analyst. Consulting Research. Research. Advice.

- Buyers project weak overall workforce growth over the next two years but, on average, a continued increase in contingent labor: the median buyer expects 24% growth in their contingent labor force by 2011.

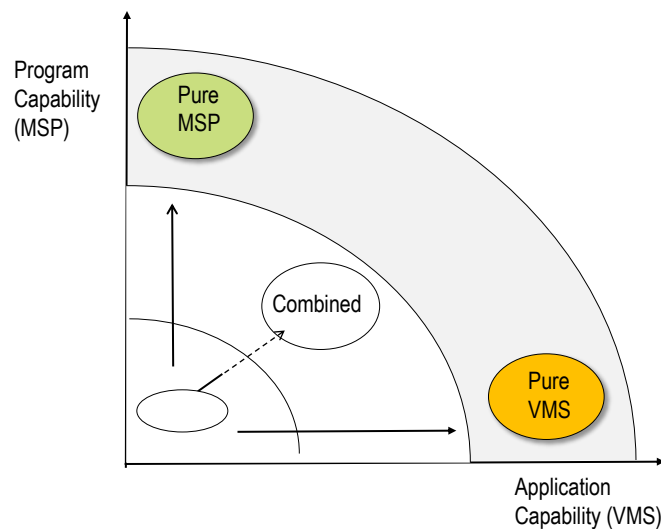
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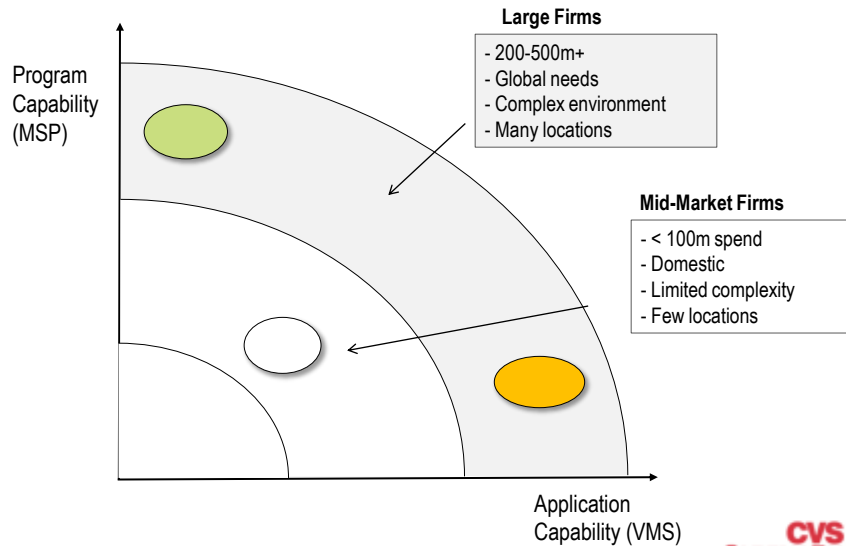
## How Industry Models Developed



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## Large Firms Have Moved Towards Specialists



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## When to Use a Contingent Labor Program

The annual spend on temporary staff is greater than \$30 million.

Centralized visibility is needed into how much is being spent globally, who the suppliers are, and how the rates compare across business units, but is not possible today.

There is no way to manage and track the requisition approval process.

Temporary positions are typically filled across a large supplier base, not just one or two preferred vendors.

An inordinate amount of time is spent on coordinating between multiple suppliers.

MSP-specific — The skills required to manage the procurement cycle do not exist in-house and there is no plan to invest in them.

Internally driven cost savings have stagnated.

-Forrester Research

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## Value Proposition

Benefits a centralized CW program with technology afford:

Benefit	Impact or Examples
Risk Mitigation & Management	Standard supplier contractors insurance, indemnification, intellectual property, invoicing Independent Contractor (IC) validation and correct classification Prescreening Standards (drug/background)
Compliance	Standards on on/off boarding – audit/quality control for asset mgmt, system and facility access Standards supplier program compliance Federal, State, Regulatory (Internal/External audits)
Visibility to Data & Analytics	Data influences action – evolve from reports to analytics Trend Analysis – spend, worker utilization, workforce behaviors Supplier performance – cycle time, quantity and quality elements

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## Value Proposition (cont'd)

Benefits a centralized CW program with technology afford:

Benefit	Impact or Examples
Process Efficiencies with Automation & Centralization	Reduce approval cycle time Defined accountability – roles/responsibilities per player Integration points for other stakeholder's needs Meet internal and/or external audit requirements
Cost Avoidance & Savings	Risk management elements influence cost avoidance Hard Dollar – rates, early/volume discounts Soft Dollar – leader time, performance mgmt to reduce turnover, info to identify the right labor
Workforce Management	Data allows you to see where and how you're using labor Trending can influence approach on workforce planning

**Prioritize and align to your key stakeholders**

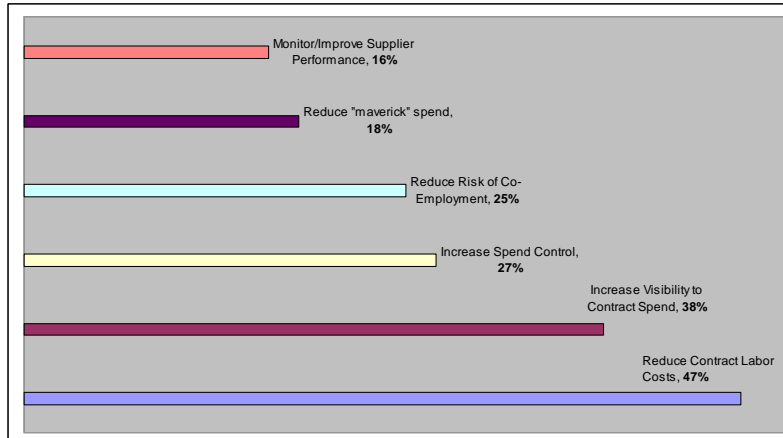
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## Value Proposition (cont'd)

### Factors Influencing Focus on Contingent Spend



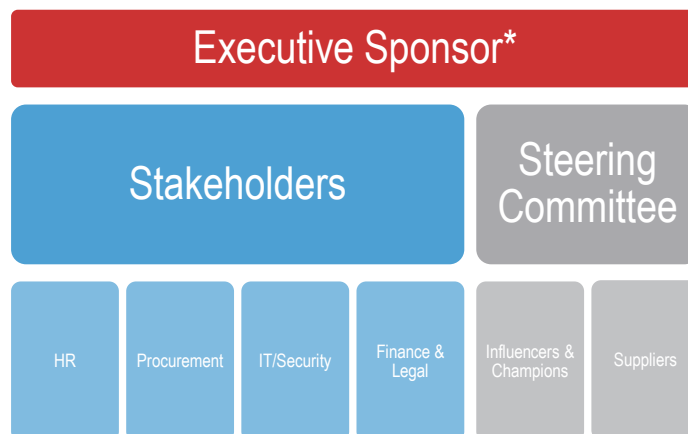
Source: Aberdeen Group, October 2009

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## Players



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## Program Scope and Goals

- Scope
  - Clarify - what's in and out
  - Clear definitions of labor managed in the tool
- Program Objectives & Goals
  - Influenced by key value proposition/benefits by stakeholders
  - Realistic timeline - year one and beyond
  - Ability to measure – quantity versus quality

4 key elements to balance and prioritize  
**Quality, Cost, Efficiency, Risk**  
Understand their correlation to one another

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## Program Structure - Influencers



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## Program Structure - Partners

- **MSP (Managed Service Provider)**
  - In House or Out Source
  - Internal core competency – implement, manage, scale and evolve
  - Budget, headcount availability, access to the right talent
  - Best practices and industry data - rate card, supplier performance, analytics, benchmarking other programs, etc.)
- **VMS (Vendor Management System) Technology**
  - Size, scope and scalability can influence provider selection
  - Consider scope of user community – domestic to global
  - Root of process efficiencies impacting most value proposition elements
- **Suppliers**
  - Contract with client or through MSP – impact / value proposition to supplier
  - Sole Source, Vendor Neutrality, Competitive Selection, Vendor on Premise
  - Primary, Secondary, Tiering, Subcontracting

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## Program Structure – Model

- **Vertically Integrated**
  - Contract with MSP who is also the VMS provider, participates as supplier and holds contracts with other suppliers
  - Contract with MSP who is also the VMS provider holding supplier contracts
  - Contract with MSP who holds contracts with VMS and supplier
- **Distributed**
  - Client contracts with MSP, Suppliers and VMS all separately
  - Client contracts with Suppliers and MSP who then delivers VMS
- **Pricing**
  - Supplier versus Client funded

**What structure is right for your organization?  
Influences > Partners > Model**

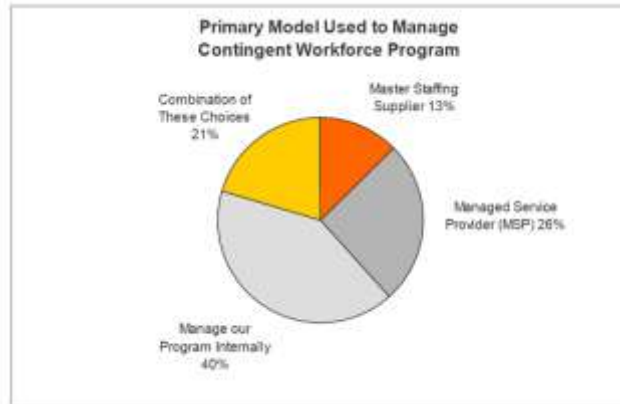
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## Program Structure – Model



Source: Staffing Industry Analysts Annual Buyers' Survey 2008

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## Implementation

### Planning

- Assess organizational risk and dependencies for project
- Understand "as is" and "to be" – find your influencers, champions and risk
- Clearly identify roles, responsibilities, hand-offs and expectations – for all
- Understand supplier population and proficiency with MSP/VMS structure

### Change Management

- Critical elements that impact program adoption and sustainability
- Content – style, tone, medium, message – WIIFM principle
- Audience - Leaders, Suppliers and Workers
- Frequency - Launch and beyond

### Recognize & Reward

- Take time to appreciate all the players who contributed to launch

**Implementation can set tone for program adoption & compliance  
Invest in building a healthy foundation**

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## Operational Management

- Calibrate your “to be” process with production and fine tune
- Communicate impact of program to stakeholders and suppliers
- Performance Management for your Program
  - Review deliverables to expectations
  - Assess user satisfaction on Program – MSP, VMS, Suppliers, Leaders, Workers
    - intent versus experience
  - Give Suppliers a voice to evaluate your program from their vantage point
  - Client has a role in this experience - look for internal opportunities
- Review the data – consider the analytics
  - What story is the data telling you, where is next opportunity
- Reward & Recognize
  - Continuing theme!

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## Program Evolution

A few things to consider to keep your program fresh

- Assess trends on meeting program goals
  - Revalidate program goals with stakeholders and modify as program matures
- Optimization for program structure, processes and tool configuration
  - Does MSP/VMS/Supplier structure still support goals?
  - Do processes need to evolve for legislation, industry trends, etc.?
  - Can program services expand - business units, labor categories, territories, services procurement spend
  - Supplier optimization – still the right partners, value in RPF if changes in scope
  - Further rate savings opportunities
  - Has evolution in tool been optimized in your configuration
- Evaluate satisfaction with MSP/VMS – have partners evolved with industry and still meeting/exceeding your needs

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## In Summary

A well-defined program doesn't mean a cookie-cutter approach, a few things to consider to optimize your program:

- Be clear on your program's scope and goals
- Program structures vary, find one that fits your organization
- Build a solution that supports your stakeholder's needs
- Socialize realistic expectations, measure/report on performance
- Balance industry trends with your culture, when/where to evolve
- Technology is key in driving efficiencies and compliance

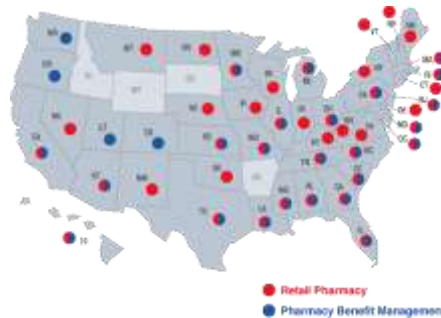
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## About CVS Caremark

- CVS Caremark is the only fully integrated pharmacy health care company in the United States.
- No. 1 provider of prescriptions in the nation – more than 1 billion filled or managed annually and over 7,000 CVS/pharmacy stores
- Ranked 19<sup>th</sup> on the 2009 Fortune 500 with more than \$87B in annual revenue employing more than 215,000 employees



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## About Fieldglass

- \$8B in total spend under management
- Fastest pace of client acquisition; 100+ customers
- Broadest international footprint; 63 countries with spend
- Flexible program choices: MSP, self-managed, VOP, RPO, mixed
- Sample Clients:

