Professional Services and Total Workforce Management
Background

CASME RoundTable meetings on the procurement of professional services and total workforce management were held in Sydney, Sao Paulo, Paris, Toronto and New York during a period from February to April 2016. Between nine and twelve companies were represented at each event. The following main topics were discussed:

- Professional services strategy
- Total workforce management strategy
- Managing the supply base
- Negotiations and bid process
- Pricing and contract management
- Measuring value and performance.

This Digest provides the key points, good practices and insight into future trends identified by delegates around the world. Full notes from each meeting are available on the subscriber-only CASME Resource Centre.

Professional services strategy

- Professional services providers are employed on a temporary basis when companies need expertise that is not available internally, rather than adding permanent positions within the company. Classifications for professional services include consultants and independent professional contractors used to perform work defined by a statement of work (SOW). Clear and consistent definitions of the roles are necessary to ensure company-wide awareness of the differences between them.
- There are many situations for which employing external service providers temporarily is more feasible than using or recruiting internal personnel. Employing external consultants is the preferred option when specialist expertise and an outside perspective are needed for unique projects, often within a specific timescale.
- Knowledge transfer requires active management. Permanent employees are often involved with projects where professional service providers are used, in order to learn in practice and so that any knowledge gained during the project is kept within company. Alternatively, internal experts may work on particular projects while their usual roles are performed by temporary personnel.

Total workforce management strategy

- A total workforce management strategy is the most effective approach to finding the best resources for specific purposes and includes full-time employees (FTEs), temporary labour and contingent personnel, consultants and professional services. Total workforce management requires a company-wide perspective to determine whether a role is best filled by an internal or external resource. Strategies used to source and manage total workforce requirements include using managed services providers (MSPs) and vendor management systems (VMSs). Accessibility to resources and a clear, simple engagement process are necessary to optimise the strategy.
- Conducting a global evaluation of the current number of internal employees and external personnel on a region-by-region basis facilitates the assessment of the total workforce in order to formulate a strategy. Alignment is needed between HR and Procurement to make decisions concerning the organisation’s strategy for recruiting, with the aim of developing an effective strategic workforce procurement programme that delivers the lowest possible total cost of ownership (TCO) while meeting stakeholders’ requirements.
- Global organisations use MSPs to help manage regulatory, tax and co-employment issues, and to help develop a comprehensive strategy across various countries. Another advantage of using MSPs is that they have relationships with preferred local and regional suppliers. Establishing a panel or steering committee to oversee the total workforce management programme and measure performance is good practice.

Managing the supply base

- The decision to use a large international consultancy or a niche service provider involves consideration of factors such as price, expertise, project scope and timing. Large international consultancies have a global reach and offer proven solutions for regional and local offshore needs. Niche providers offer specialised knowledge, flexibility and price advantages. A decision matrix based on needs and experience can be used to determine the most suitable solution.
• Using a single supplier with a long-term contract can significantly reduce costs and provide leverage for companies to negotiate price discounts and mitigate inflation. Some companies contract a selection of smaller suppliers because they tend to be more cost competitive, try harder to meet requirements, respond quickly to their clients’ needs and are specialists in the services they offer.

• Creating preferred supplier lists (PSLs) reduces the need to tender for each professional services project, although this approach can reduce competitiveness and result in complacency. To address this, instead of using large international providers, organisations are becoming more open to using smaller specialist firms.

• For some companies, diversity within the professional services supply base is more important than relying on a single large supplier. Legislation in some countries requires companies to attain social and cultural diversity in the supply base. However, using multiple suppliers can lead to losing track of spend, as well as difficulties in monitoring performance levels.

**Negotiations and the bid process**

• Retaining the most appropriate supplier is often more important than achieving cost savings. The mutual cultural fit and the supplier’s understanding of the organisation’s business should be assessed as part of the tendering process. Contract requirements should state that the experience and qualifications of individuals actually performing the work must be verified to ensure that the correct level of expertise is being applied to the job and that the company is not paying for a high-level professional when less senior personnel are performing the work.

• Once the requirements are defined, it is worthwhile researching if similar work has been performed previously within the company to reduce the need for additional spend; knowledge of prior projects can help to ensure requirements are clearly defined. Additionally, it may highlight opportunities to consolidate requirements in order to use the resources most efficiently and reduce overall spend.

• Evaluation criteria are based on stakeholder scorecards and suppliers’ capability to deliver against the budget. Weighted factors primarily include price, quality, time and supplier diversity. The project cycle time is also an important factor in evaluating providers. The price variance between different providers can be as much as 50%; in some cases, the variation may be due to different levels of service quality and expertise.

• Added value can be obtained from consultancies and legal services providers by agreeing that representatives from these firms will provide educational opportunities to the client company’s personnel at no extra cost. The company benefits from gaining internal knowledge that can be applied to future projects.

• Some consultancy firms provide added value by offering their services between projects at discounted rates or additional time free of charge; however, caution is needed to ensure that ‘free’ services have not been incorporated into the proposed fee. A breakdown of rates, time spent working on the project and level of consultants’ expertise should be requested in order to understand the added value being offered.

**Pricing and contract management**

• Pricing models used for professional services include fixed fee with transparency of rates/hours, fixed rates by resource type, combined team rates, daily rates, guaranteed maximum price (GMP), hourly rates and standard rate cards. Milestone payments, annual fees and/or a retainer model may also be in place. Incentives and risk/reward schemes are applied to professional services. Penalties for failure to meet SLAs may be stipulated to maintain or improve performance and service delivery; these include placing a percentage of the fee at risk, requiring the supplier to pay a fine, reducing the price for future work, or reducing the volume of business placed with the supplier.

• Contracts and master services agreements (MSAs) contain intellectual property (IP) clauses that clearly specify the client company’s ownership of the outcome, with exceptions agreed in advance and stated in contracts. Smaller suppliers can represent increased risk of IP leakage, therefore their responsibilities should be clarified to ensure sufficient understanding and stated clearly in contracts. However, if the contract is too restrictive, with detailed and precise conditions and heavy penalties for breaches, smaller suppliers may have difficulties accepting the conditions as doing so could put their own business at risk.

• Visibility is beneficial to avoid and mitigate risk in a total workforce management programme. Particular attention must be paid to current local legislation relating to contracted workers, and changes in legislation must be monitored. In some countries, personnel working on a temporary basis may automatically transition to become a full-time employee with full benefits after a specific period of time. Involvement from Legal is beneficial to avoid co-employment issues; maintaining short term contracts helps reduce potential issues.
Measuring value and performance

- Scorecards and KPIs help Procurement to measure the return on investment (ROI) and value of using external resources. ROI is evaluated through applying metrics such as the cost of full-time equivalents (FTEs) against contingent personnel, invoice accuracy, actual charges against the SOW, year-on-year prices and costs, delivery time frames, accuracy of work, fill rates, interview to hire rates, response rates, retention rates and time to fill a position, as well as service providers’ compliance to internal policies and procedures.

- Reporting on ROI is an important activity as it helps to assess the value of projects and suppliers and improve future negotiations. When there has been a very large project, the relevant stakeholders may present a review of the project, in which factors such as savings, benefits and quality are highlighted. TCO principles are evaluated during the process of deciding whether to outsource or use internal resources, with the benefits of each approach considered. TCO is measured through cost avoidance, cost savings and overall savings, internal efficiency and specification changes.

- Internal and external benchmarking activities are used to compare the performance levels of a number of suppliers against each other. Some companies have global tools to enable analysis across the organisation. Third party providers can supply benchmarking data relating to specific disciplines. As well as comparing service providers’ against each other, assessments should be made to evaluate how their work would be affected by reduced personnel, which can identify potential financial improvements. It is worthwhile maintaining a database of rates from previous projects to use for future reference.

Future trends

- Procurement will continue to align more with stakeholders in understanding core business needs, resulting in better focused market intelligence and benchmark data that can be applied to influence strategies for the benefit of stakeholders. Relationships with professional services providers will be developed based on their potential to benefit the business, not solely on their reputation in the marketplace.

- There is currently a trend for a proportion of the workforce increasingly opting for more flexibility and shorter-term appointments rather than fixed employment. This has resulted in employers adjusting their recruitment practices and using more consultants, contractors and temporary personnel.

- Greater use of a combination of internal specialists and external professional service providers is anticipated, with an increase in outsourcing when it is the less costly option.

Resource Centre links

The following are links to the full meeting notes for each region:

- Australasia, Sydney
- Europe, Paris
- Latin America, Sao Paulo
- North America, New York
- North America, Toronto.
Global Digests provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide. CASME connects the authentic experiences and perspectives of its global membership network, comprising thousands of procurement professionals, and delivers information services that enrich personal knowledge and team performance.

With more than 200 events, and 1,000+ insight materials and benchmarking reports to choose from, CASME is a great resource for networking, learning and personal development.

Our members actively benefit from:

Unrivalled Events and Networking

- **RoundTables**
- **Virtual Events** (Virtual RoundTables, Category SpotLights, Panel Discussions and Guest Webinars)
- **Link-Ups**

Comparative Insights and Intelligence

- **Notes and Recordings** from events
- **Global Digests**
- **Good Practice and Category Strategy Guides**
- **ToolKits**

Unique and Authentic Benchmarking

- **Procurement Examiners** extended studies and snapshots
- **Best In Class**
- **Deal BenchMarkers**

What's more, our impartial services are delivered across 24 indirect procurement categories and practice areas, without input or influence from suppliers or sponsors.

Already a member?

Log in to the CASME Resource Centre to register for an event, personalise your Dashboard, or print your CPD/CEH certificate as proof of accredited CIPS/ISM/PASIA professional learning hours.

Talk to your local CASME client services representative to discover how we can help.

Not a member?

Visit casme.com for more information, and Request a Demo or Contact Us to discover how CASME membership will provide vital information to support the achievement of your strategic objectives and category plans.

Important

These notes are a summary of the facilitated discussions held between the delegates various meetings. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

Any intellectual property (IP) (including, but not limited to, copyright and database rights) in this work is vested in CASME, which is the trading name of Market Focus Research Limited, (‘CASME’ or ‘Market Focus’), and the document is issued in confidence for the purpose only for which it is supplied. It must not be reproduced or distributed in whole or in part in any material form or medium except under an agreement or with the consent in writing of CASME and then only on condition that this notice is included in any such reproduction. Full terms and conditions can be accessed at the CASME Resource Centre: casme.com.