

managing service provider spend:



a practical approach
to SOW talent management.

integrating SOW talent management in your MSP.

The use of statement of work (SOW) labor continues to expand as managers strive for greater agility. Yet, enterprise-level management of SOW service providers often flies under the radar, away from view, creating potential complications. As long as services spend remains unregulated, there will be hidden and miscategorized costs and unmineable data. Minimal oversight and tracking translate to lack of visibility into workforce program spend and performance data.

This was the same scenario that impacted contingent labor spend in the late 90s and early 2000s, which resulted in employers centralizing contingent labor spend and headcount details into their [managed services program](#) (MSP). Today, contingent workers have risen to the spotlight as an essential part of current total talent management models. Centralized contingent worker programs have done a remarkable job of realizing compliance, standardization and overall management of these labor resources.

It's time for services provider spend to catch up to its more mature sister category. Improving transparency and control over SOW procurement and management will allow employers to mature their existing MSPs. This results in greater pricing clarity, a reduction in cost overruns, greater visibility of demand, performance managed providers, improved service and ultimately better workforce planning.



what is SOW talent?

Before we go any further, let's level set with a definition of "SOW." A statement of work is a document containing binding conditions for a worker's contribution to a specific project. SOW labor typically involves a highly skilled professional working in a sophisticated business relationship.

SOWs can be tricky to develop, requiring the use of appropriate terminology to avoid confusion and mitigate risk. As a control document, an SOW typically contains the following:

- nature and purpose of the project
- scope of work with detailed tasks
- location where SOW labor will work
- timeline with schedule of deliverables
- number of hours to be incurred
- quality measurements and acceptance criteria
- pricing and invoicing details
- general terms and conditions

Early MSP providers addressed SOW management by replicating the services associated with staff augmentation. Procurement buyers and organizations did not see value in this type of service since it did not address the needs of those who managed service providers. Good intentions went by the wayside, and resulted in the stagnant growth of SOW management within contingent workforce management programs.



For the vast majority of companies, services management (SOW management) remains decentralized and unregulated. Some business leaders purposefully hide external staff to avoid a highly regulated contingent environment. Others simply choose to structure services projects and fail to recognize that there are compliance issues in engaging an external service provider without a better framework.

If your centralized processes currently have no oversight, for both contingent and SOW talent, there's potentially money left on the table. If you feel that your services spend category is a black box with little to no transparency, you're right!

7 questions to consider about SOW management.

If your company includes SOW providers in its contingent workforce mix:

1. What business rules do you use to categorize the difference between contingent talent and services?
 2. Who creates statements of work and according to what format or template?
 3. How do you ensure you are using the right blend of SOW contractors with other external and internal talent?
 4. Other than individual project managers, does your organization have visibility into milestones and tracking change request reasons?
 5. What business advantages would you gain if you got a real handle on SOW labor?
 6. How would it change your ability to manage your service providers?
 7. How would it improve your ability to conduct workforce planning?
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what are the benefits?

Today, managing SOW labor is more about strategic procurement and execution. The more involved a centralized MSP becomes, the greater the potential for savings and project success. An MSP can uncover hidden value by centralizing visibility to all services engagements, reducing administrative and invoice processing costs, eliminating excessive billing practices, and building SOW relationships in a robust and accountable foundation. There is also the opportunity to minimize the risk of worker misclassification and reduce security threats by ensuring complete off-boarding processes.

In fact, there are several important benefits available for companies that choose to integrate their SOW talent under an established MSP program. These include:

1. proper classification of employees

The unregulated nature of SOW talent presents the risk of employee misclassification. Being able to accurately categorize all worker types within your organization provides validation that SOW engagement is being done by the book.

2. visibility into SOW spend

Most SOW labor is currently managed in a decentralized fashion by individual lines of business, representing millions of untracked project dollars each year. Through procurement, the enterprise has visibility to the initial bid amount. Once awarded, the enterprise loses sight of this project until invoices are generated and any additional fund requests are done at the project-level. This typically leads to a broken audit trail between the original scope and amount paid on invoices for the life of the project. [Centralizing SOW decision-making](#) can result in significant savings.

Savings are realized through the centralization and automation of SOW administration activities, such as:

- visibility and tracking of payments
- worker onboarding
- change order reason code tracking
- centralized billing and supplier payments
- off-boarding activities
- supplier performance tracking (e.g., on-time delivery, change order reasons, etc.)

Knowing what you are spending, and where the money is going, will provide greater visibility into uncontrolled spend that results from unmanaged use of SOW workers.

3. analytics and performance

Few companies are managing SOW labor in accordance with established service level agreements (SLAs) and key performance indicators (KPIs). In most cases, service providers and the businesses are not tracking supplier-driven change orders, delays in deliverables, timeline changes for deliverables or other provider performance issues.

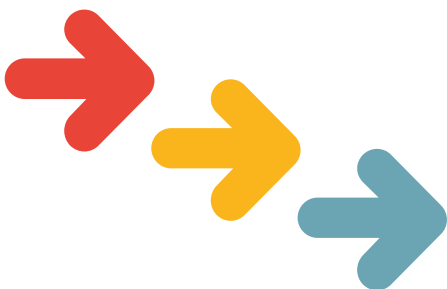
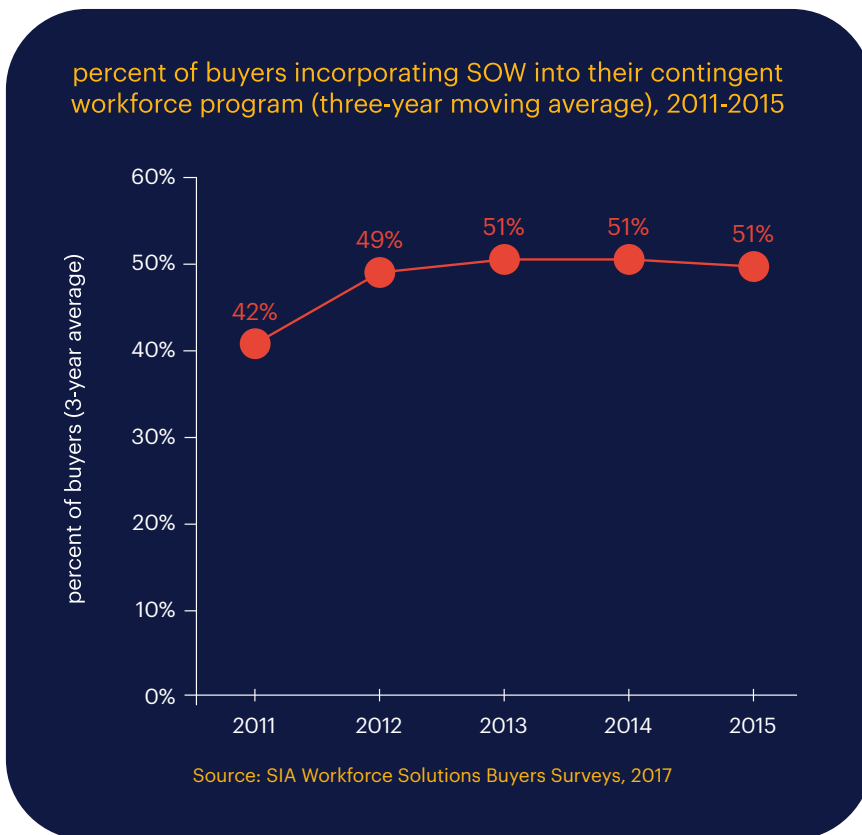
Once you elevate SOW within your MSP and migrate to a centralized tool, like a vendor management system (VMS), you can start aggregating the data. This data will prove essential in identifying service providers that have a habit of going over budget, missing deadlines or generally delivering poor results.

4. compliance

Right now, procurement and enterprise leaders have limited visibility after the contract stage. Bringing SOW talent in under your MSP provides an audit trail that connects the original deliverables from signed contracts with documented approvals of the deliverables. The audit trail also provides oversight into change orders and which party is driving those changes (company or provider). Finally, you can also track compliance against payment schedules, SOW milestones and payment for approved deliverables based on original contract scope.

According to Staffing Industry Analysts' (SIA), [Workforce Solutions Buyer Survey, Initial Findings](#), 46% of all respondents say they are seriously considering the exploration of incorporating SOW consulting in their contingent workforce program (up from 32% in 2017 and 27% in 2014).

SIA has reported similar adoption numbers for the past several years, with about half claiming that they currently include SOW talent in their contingent workforce programs. Despite reports of growing interest, adoption rates remain stagnant. Just 44% said they have this in place in SIA's 2018 findings.



Other data worth noting includes the percentage of companies that are currently receiving these specific SOW services from their existing MSP. For example, according to the 2018 research, just 18% of companies who have an MSP in place use the program to track SOW milestones and deliverables (18%). Just 16% include SOW contract management in their MSP. Even fewer leverage their MSP provider for creating SOWs (10%), negotiating contracts and pricing (7%), and identifying qualified SOW suppliers (7%).

setting the stage for long-term success.

A robust change management strategy will be important to the success of your SOW talent management strategy. Some within your organization will be invested in keeping the status quo, and your move toward a centralized approach may be met with opposition. Even when framed within the context of an MSP, this strategy may be seen as an overwhelming, end-to-end, all-or-nothing venture. But it doesn't have to be that way.

You can take a simplified approach that focuses on what is achievable in the current environment. Expertise from a third party can help you figure it out. MSP experts will know how to fill the visibility gap to bring immediate value to the process. This initial offering will help your teams see the value in centralized SOW management and set your organization on a path toward your ultimate long-term goals. That means developing foundational elements that are both scalable and repeatable.

engaging an MSP provider

Many MSPs have experience with the transactional aspects of SOW management, but far fewer are accustomed to the more value-added upstream activities and relationship management elements. Providing this upstream value has to start somewhere and centralized visibility is the first step toward a scalable and value-driven service.

More than anything else, your company's success in starting the journey to total talent management will depend upon your MSP provider's ability to manage the complexities of SOW talent. Make sure you assess the MSP's readiness to take on this type of talent management, especially if you are planning to include the entire SOW life cycle in the program.

Evaluating your MSP's capacity to accomplish the desired results of SOW management is key to success. Some of things that you want to look for are the ability to create statements of work, automate/standardize SOW creation, and negotiate, draft and secure contract terms and conditions. You should also expect your MSP to have systems to track resources, review and approve project milestones, manage budgets, rationalize demand, control on- and off-boarding protocols, and perhaps most importantly, execute project performance measurement against key indicators.

With a strong, collaborative relationship in place, you will be able to determine the most effective service providers, and develop a sourcing and selection strategy that gives you access to top SOW talent.

SOW supplier relationships

The ability to build harmonious relationships with suppliers is an essential component of an MSP that will implement a service procurement, full life-cycle model. Some service providers will push back on the inclusion of an MSP, given the high level of transparency inherent in such a relationship.

There will be changes to what may be long-standing, including direct relationships between suppliers and hiring managers. Minimizing these fears – among both hiring managers and SOW suppliers – requires clear and ongoing communication. Some steps that MSPs can take to smooth the transition for suppliers include:

- working together with buyers and suppliers on SOW template drafts
- selling the benefits of faster approval processes and increased opportunities for future projects
- promoting accuracy in invoicing and payment, and access to actionable data
- ensuring the VMS solution is set up to streamline processes for suppliers, as well as clients
- remaining sensitive to existing relationships between suppliers and client-side stakeholders

winning buy-in from internal stakeholders

In addition to gaining consensus and information from hiring managers, it is essential to involve procurement category managers and the appropriate stakeholders from human resources. At Randstad Sourceright, we also recommend engaging your Legal department; they can review potential worker classification issues and compliance exposure. It is also worth designating a change manager at the early stages. This person would be responsible for delivering a comprehensive impact assessment as you bring SOW in under your MSP.

When done right, the integration of SOW into your MSP or total talent model will foster greater alignment between leadership and others within the organization. Nonetheless, leaders should be prepared to identify those who will be impacted most by the changes and ready to communicate the value in changing your SOW talent model. This includes explaining the benefits of engaging an MSP, with an emphasis on strategic planning, full life-cycle management and SOW risk mitigation.



why should I engage an MSP?

1. centralized visibility to services spend
2. process control and life-cycle transparency
3. better tracking of change order reasons
4. improved SOW compliance
5. suppliers accountability and performance tracking
6. potential cost savings

Now is the time to get a handle on SOW management. The trends suggest that you'll be using more of this labor category in the months and years ahead. A phased approach, under your existing MSP, can make the process easier and ensure that you realize benefits every step of the way.

Find out how your peers are already successfully including SOW management in their managed services program. Check out our case study, ["SOW talent procurement provides big-picture advantages"](#) or contact us to learn more.

contact us

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Randstad Sourceright is a global talent solutions leader, driving the talent acquisition and human capital management strategies for the world's most successful employers. We empower these companies by leveraging a Human Forward strategy that balances the use of innovative technologies with expert insights, supporting both organizations and people in realizing their true potential.

As an operating company of Randstad N.V. — the leading global provider of HR services in the world — Randstad Sourceright's subject matter experts and thought leaders around the world continuously build and evolve our solutions across recruitment process outsourcing (RPO), managed services programs (MSP) and total talent solutions.

Read more at www.randstadsourceright.com.

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Anthony Kim brings significant global MSP and contingent labor expertise to his role as vice president of solution design, having designed numerous contingent labor solutions for many Fortune 100 customers. Anthony is responsible for developing complex total talent solutions to help Randstad Sourceright clients connect with the talent they need to drive their strategic operations. Anthony has more than 18 years of experience developing some of the most complex contingent workforce solutions in the industry, while honing his ability to create total talent solutions design and gaining global expertise in MSP execution.