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North America

SOW and the World of Service Procurement

Moderator:

Kersten Buck, Director of Strategic Solutions
Staffing Industry Analysts

Guest Speakers

Suzanne Spagnola, Global Workforce Solutions Manager, McDonald's Corporation
Erika Halverson, Lead Consultant, Brightfield Strategies LLC



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August 16, 2012
10 am PT/ 1 pm ET

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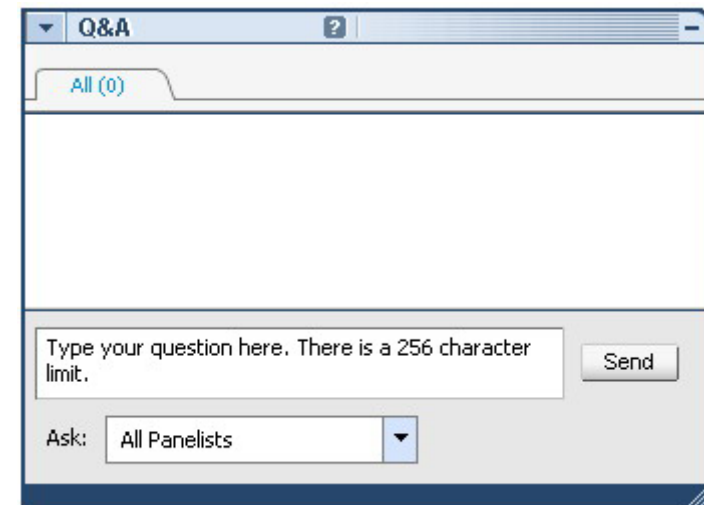
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- **Founded in 1989**
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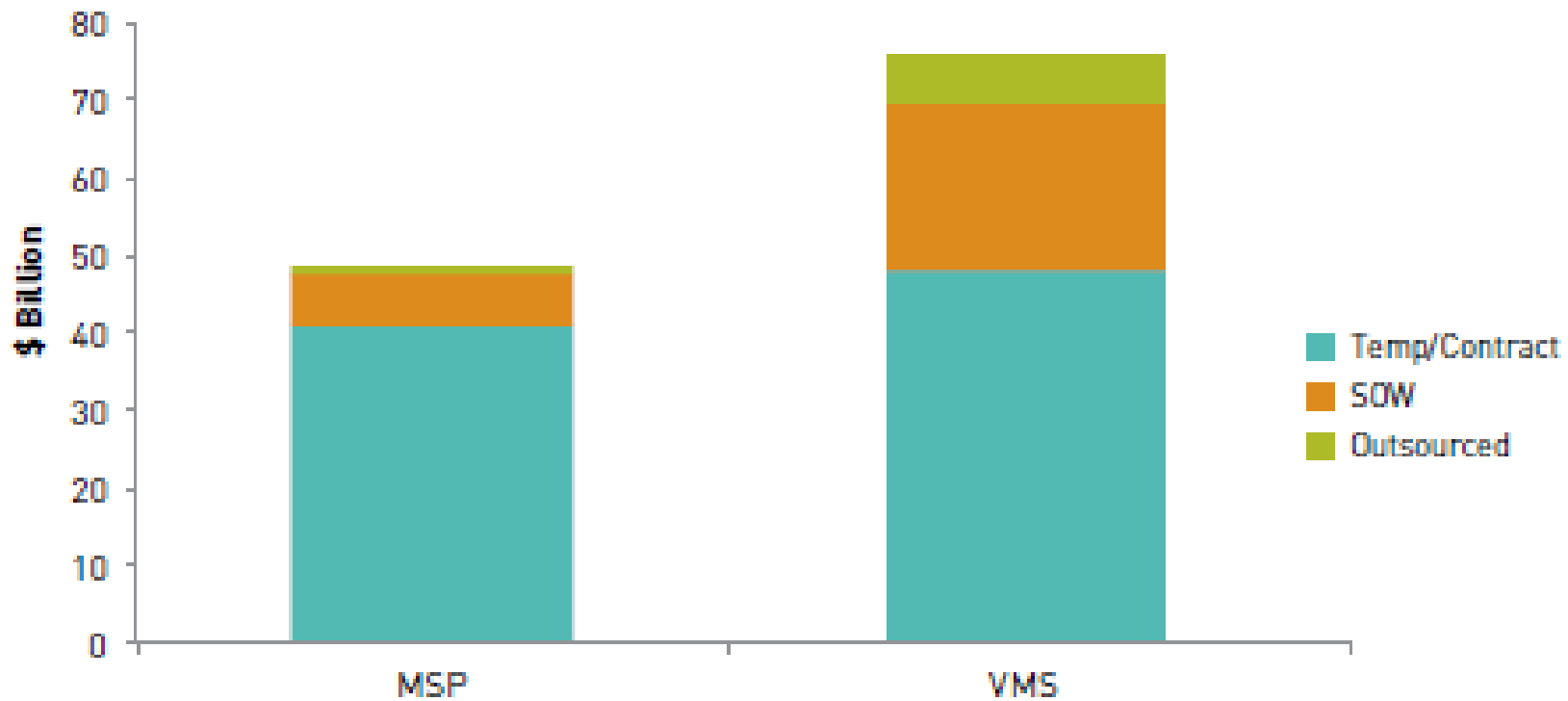
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2011 VMS/MSP Landscape Update

- 2011 Spend through VMS = \$25.6 billion
- 2011 Spend through MSP = \$11.5 billion
- Increased between 20-30%
- MSP spend increased 64% from \$7 billion to \$11.5 Billion

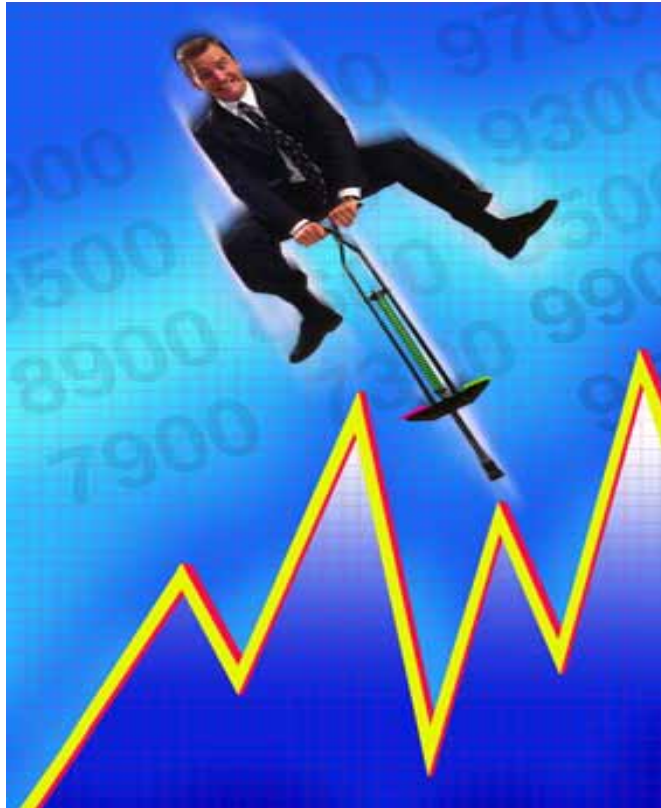
Total 2010 MSP VMS Spend by Category

Source SIA VMS/MSP Landscape 2011



Source SIA 2011 VMS/MSP Landscape

2011 VMS/MSP Landscape Update



- VMS involvement with SOW focused on tactical and logistical concerns – such as on/off-boarding and milestone management
- RFX activity expected to increase as VMS firms invest in technology



Let's take a Poll:



Why do you think we are seeing such an increase in SOW spend in CW programs?

- A. Is transparency in temp spend creating a desire for the same in SOW spend?
- B. Programs are maturing and SOW is the next target?
- C. Increased desire to automate processes for procuring services?
- D. All of the above

What do you consider the biggest obstacle when integrating SOW into your CW programs?

- A. Poor Process Visibility
- B. Lack of Internal Expertise
- C. Lack of Stakeholder Buy-In
- D. Lack of internal resources (too much to do)
- E. All of the above

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Suzanne Spagnola

Global Workforce Solutions Manager

SOW and the World
of Services Procurement

August 16, 2012

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Program Overview

■ McDonald's External Workforce Initiative

- Our program went live in 2Q10 through a phased implementation within our Headquarters location (Oak Brook, IL). The scope is domestic staff augmentation and project engagements with some off-shore resources being leveraged in the IT and Operations area of business.
 - We are 90% complete with a small handful of business units who have delayed implementation due to intricate billing requirements.
- McDonald's is an internally run VMO which encourages self-service use of the VMS to manage engagement lifecycle.
- The program VMO, which is part of the Shared Services Organization, includes a department head, 5 External Workforce Business Partners, 1 Operations Manager, 2 Specialists, 1 Finance Manager and 1 Systems Analyst.

■ Program Categories

- All areas of the business are considered in scope: IT, administrative, professional (project management, architects, engineers, professors, creative, etc.).
- Out of scope: Restaurant remodeling (electricians, plumbers, etc.).

■ Program Size

- 2012 YTD program spend of \$183M (up from \$74M in 2011).
- 2012 YTD: 362 projects, 698 External Worker Assignments (2011: 263 projects, 873 External Worker Assignments).



SOW Business Case

The McDonald's External Workforce Initiative faced several Services Procurement implementation challenges

- Lack of clear definition and understanding of project classification.
- Lack of industry best practices.
- Lack of Services Procurement adoption by the McDonald's Engagement Managers, causing high VMO administration which we were not staffed to address.
 - The McDonald's VMO at that time was staffed with a department head, 5 External Workforce Business Partners and 2 Specialists.



Solution

- Clear definition of SOW engagement
 - McDonald's VMO strengthened partnerships with the Legal and Procurement areas of the business to agree upon a consistent set of guidelines to be used for project engagements.
 - McDonald's VMO External Workforce Business Partners liaison with areas of the business to flush out engagement requirements and provide consultative services in proper engagement practices.
- VMS Services Procurement Improvements
 - McDonald's VMO partnered with industry contemporaries to identify common pain points & program challenges.
 - McDonald's VMO partnered with our provider to develop a mature change management process which included communication plan for the business and supplier base.
- Challenges encountered
 - Aggressive implementation approach & timeline.
 - Push back from the business and partners.



Results

- McDonald's External Workforce Initiative 2.0
 - Right-sized VMO
 - Disciplined approach
 - Not a one-time event
- Lesson learned
 - A reasonably paced, disciplined approach is best
 - Create strong partnerships within the business and with your service provider
 - Create clear requirements, objectives and processes
- Tips of wisdom
 - Leverage your industry contemporaries
 - Leverage the partnership with your service provider



Brightfield Strategies – SOW Success

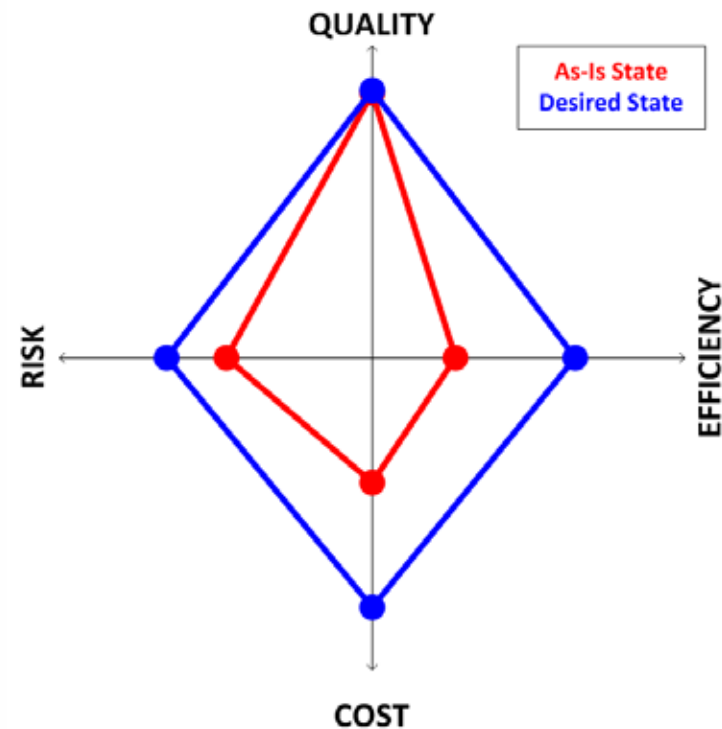
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High-Level Program Management

Data-Driven & Quality-Motivated

Comprehensive program performance management defined from four dimensions:

- **QUALITY** of bids, software, program service
- **EFFICIENCY** of sourcing, on/off-boarding, financial reporting, invoicing & payment
- **COST** of deliverable/output, software, program service, uncontained risks
- **RISK** of legal & tax exposures, asset loss, project delivery delays/failures, systems & data vulnerability



VMS & MSP SOW Solution Components Available

Service	VMS Enabled	Centrally Managed Program Services		
		Primary Responsibility	End User Support	No Involvement
Supplier Qualification	●	●		
Supplier Performance Management	●	●		
Project Scope Definition	●		●	
SOW Creation & Review	●		●	
Bidder Selection	●		●	
SOW and RFx Creation and Distribution	●	●		
RFx Bid Administration	●	●		
Supplier Bid Compliance	●	●		
Supplier Rate Negotiation	●	●		
Supplier Evaluation & Award				●
Project Team Onboarding		●		
Deliverable & Milestone Tracking	●		●	
Supplier Invoicing & Payment	●		●	
Project Team Offboarding		●		

How is Success Defined?

A team or program can not achieve success before it is defined

- ▶ Does your team have a Mission/Vision statement for their overall CW program? Specifically for their Temp process? For the SOW process?
- ▶ What are the initial goals of bringing the SOW component into the VMS?
- ▶ What are the Success Criteria or Objectives from these goals (*Q, E, C, R*)?
- ▶ Can they be measured?
- ▶ What data is required?
- ▶ How would your team like to measure them (*The Formula*)?
- ▶ How often will your team measure them?
- ▶ How often will they communicate this information out?
- ▶ How does the team define “good” vs “bad” (or “fair”, “probation”, “non-compliant”)?

Vision & Mission Example

▶ Program Vision

- ▶ A streamlined, end-to-end, and simple method for sourcing and managing all workers, supported by an effective program team and best practices following software. The program team strives to continuously improve its ability to: (a) enable managers to clarify their requirements, (b) acquire talent quickly, (c) reduce cost, and (d) mitigate risk all while improving program and supplier performance.

▶ Program Mission

- ▶ The program is charged with delivering a controlled, standardized, single-entry point aiming to support managers in the appropriate classification, sourcing and management of SOW engagements. The program is also charged with the efficient and secure onboarding and offboarding of the SOW Workers deployed by suppliers to full deliverables-based SOW engagements. Success depends on the simultaneous reduction of cost, mitigation of risk and improvement of supplier performance – all while creating a better user experience for the manager.

Success Criteria Example

Goals/Objectives/Success Criteria	Success Criteria Metrics
High Satisfaction of User Experience	Net Promoter Score (NPS) Evaluated every 6 months
Compliance – Captured Spend	Ratio of Captured to Not Captured in-scope POs from Jan 1, 2012 Evaluated monthly. Success goal is 75%, failure is > 50%
Hard Savings – Misclassification	Count and monetary value of SOW requests that are rerouted as temp worker requests
Hard Savings – Impact of Competitive Biddings	...
High Satisfaction of Supplier Performance	...
Descriptive Manager Statistics	...

Common Hard & Soft Benefits

(Potential Success Criteria)

- ▶ Increased data visibility & reporting capability
- ▶ Significant hard savings (competitive RFX bidding, reclassifying workers)
- ▶ Increased classification compliance
- ▶ Increased supplier performance
- ▶ Increased supplier utilization compliance
- ▶ Standardization of contracts terms & quicker process
- ▶ Increased contract use compliance
- ▶ Reduced on/off-boarding risk
- ▶ Ease-of-use & process consistency
- ▶ Better *Workforce Mix* data available for analysis

Success! Now What?

- ▶ Never stop demonstrating benefits and success to the Users (Managers & Suppliers)
- ▶ Always show how the Program Vision and Mission related back to the BU's goals too
- ▶ Present Success Metrics (or Roadmap) to Leadership
- ▶ Conduct QBRs or Yearly Breakdowns with BUs or specific Managers
- ▶ Conduct Feedback Sessions with Managers & Suppliers
- ▶ Add Success Metrics and expected performance levels to SLAs (VMS, MSP- internal or external - and Suppliers)
- ▶ Update Mission statement ~3 years

SOW Program Strategy Checklist

- ▶ Agree on the appropriate level of strictness in crafting a SOW program and the level of enforcement across the enterprise
- ▶ Identify and focus efforts on the best potential savings targets
- ▶ Develop regular metrics to gauge supplier performance
- ▶ Extend regular metrics to judge program management performance
- ▶ Create enforceable KPIs/SLAs based on realistic prospects
- ▶ Define program expectations based on targeting biggest efficiency and savings impacts
- ▶ Secure executive buy-in to why program is being implemented
- ▶ Create clearly defined, documented and communicated policies and workflow practices
- ▶ Perform as-is spend discovery and analysis; per geographic locations, service categories, department, etc.
- ▶ Offer initial and ongoing training within the program

Time for Your Questions



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