

Going Global  
Creating a Flexible Workforce

What do you do?



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# Going Global

## **Going global is the newest trend in contingent workforce**

**programs.** Today, more than ever before, success is measured on how well an organization adapts to changing labor market conditions, attracts key talent and executes on global strategies at the local level.

Corporations all over the world have become adept at globalizing operations and technology, yet contingent labor remains one of the last components to expand globally as it is intricately tied to its local market.

This document is not about whether or not to “go global.” Rather, it is provided as a discussion tool for HR and procurement executives leading strategic contingent labor discussions within their organizations. The content is intended to simplify and demystify the topics of program management, supply and technology in an international context.

## **“How do I develop and implement a flexible global talent strategy?”**

As the contingent workforce model has grown and matured, the theory of replication has been replaced by a new approach to designing a successful program. Instead of deploying a U.S. model into the rest of the world, internationally savvy companies have taken the program design a level higher, by creating a single global strategy with local supply components. The result of which is a more flexible, agile program that works seamlessly across borders.

To get started, this paper addresses three key topics to consider:

- **Creating the program**– identifying the critical elements that define your program
- **Understanding global supply** – a discussion of what works and why
- **Mapping program expansion** – simple steps to get started

This is not a complete guide to structuring a program, as every company is different. It is simply an overview of best practices and a recommendation on where to start. This paper may provoke more questions, but it should provide a clear framework on how to approach your program’s global expansion.

To establish a  
**global  
program**  
you need a  
framework that  
provides  
**options**

# Defining Program Management

Ask 10 people what MSP stands for, and it's likely you'll get 10 answers. Whether you define MSP as managed service program, master supply program or any of the other variations given to MSP, the intent is clear: A contingent labor management program overseen by a single partner.

**Throughout this document, MSP refers to:**

- A partner who provides global program management
- A partner with the ability to manage multiple supply categories – contingent, outsourced and permanent
- A supplier with the ability to fill positions

## Workforce Program ≠ Supply Chain Management

In the U.S., most of the concentration on improving MSP programs has been focused on a supply chain management strategy. As a result, many people refer to MSP as synonymous with the supplier management strategy, rather than the entire program.

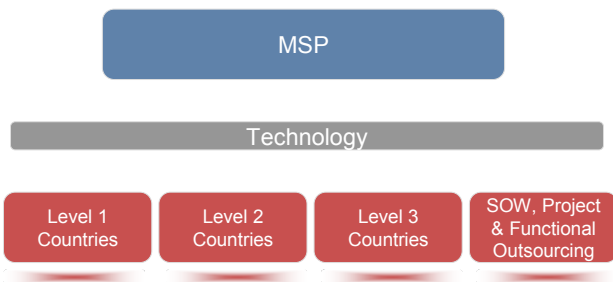
Globally, this may be one of the largest differences between domestically created MSPs and an international labor program. In many markets, a supply chain is not part of the supply strategy for a variety of reasons due to legislation or cultural issues.

It is important to highlight these differences because they are the key reasons why many global programs stop short of going truly global.

**You can't define your program by your supplier management strategy.**

The U.S. is one of the most flexible economies in which to do business. Free of the complications of employment contracts, redundancy legislation and pay parity regulations, the U.S. created MSP models that could handle multiple suppliers, a competitive environment, and technology in a single language with a single set of legislative constraints.

Instead of addressing labor supply chain management, a global program – that may not have the option of an extended supply chain or even contingent labor – has to focus on addressing flexible workforce management.



<b>Level 1</b>	A market where the U.S. MSP model is easily replicated
<b>Level 2</b>	A market where material modifications are needed to deploy a version of the U.S. MSP model
<b>Level 3</b>	An emerging market with limited possibilities for flexible labor

## Program Management

# Create Not Extrapolate

Leveraging best practices is always a good idea. Forcing best practices in a market where they may not make sense is not. Approaching global programs requires a delicate balance between replicating what is proven and adapting to the local market.

Program management or the governance structure is the natural starting point, since it sets the strategic direction for the program. Typically a global program focuses on the following “transferable” objectives, in order from tactical to strategic:

1. **Cost savings:** It may seem simplistic, but often this is simply considered a replication of the U.S. program. However, in the U.S. this is traditionally realized through a supply chain management or rate rationalization, and that can become the message for the global program. What happens when the wage rates are set by a government entity or when labor supply chains are not possible?

Cost savings are still achievable, but they come in many forms. Establishing a program that is open to more than just a margin squeeze will give you a competitive edge over companies who focus on the 2% margin savings.

Establish cost savings targets, and work with a local market to define the best way to achieve them, even in mature markets like the U.S. and U.K.

2. **Workforce visibility:** Second only to cost savings – and usually setting the stage for additional cost savings – increased workforce visibility allows an HR or procurement executive insight into potential savings worldwide.

Think bigger than contingent labor, as in many markets, this won't be possible and focus on what would help you drive the efficiency of your business.

If better information drives better strategy, don't stop short of the types of information you would like the program to deliver – and don't limit your thoughts to contingent labor. Remember that for emerging markets, your global workforce partner may be supplying you with the only intelligence you have in the market. In countries where contingent labor is illegal or impractical, think large scale as to metrics that would help you manage the total workforce rather than the flex workforce achieved through contingent labor.

3. **New Market Expansion** – In the most strategic programs, a global workforce partner will expedite entry into new markets. For companies looking to enter emerging markets, partnering with a firm that has experience building flexible labor programs and ramping up in new markets will ensure that when your business is ready to expand, you will be able to find the people that you need to make it happen.

Flexibility is the key message when approaching global program design. Establishing non-negotiables at a global level should not inhibit the program; it should allow for the level of innovation necessary to achieve your targets.

**Leverage Success in the Model.** Replicate what works where it makes sense. As mentioned earlier, the majority of the U.S. program focus has been on supply chain management, since that is where the majority of the cost savings have been realized. As a result, there are many best practices on effectively leveraging a supply base. However, due

to this focus, there are relatively few best practices in program management.

The companies that will set the pace for the next wave of international expansion will be the ones who focus on a strong program management strategy.

By simply documenting the practices you wish to replicate globally, you should be able to determine successful governance concepts and which practices should remain in delivering the talent locally.

## What About A Manage Only Program?

There are mixed views in the market today concerning decoupling program management and supply. On a global level, a manage only program isn't a viable strategy simply due to legislation, but the debate still exists in markets like the U.S. and U.K. where it is currently possible.

### Can a partner manage and not supply?

The biggest concern is the question of economics. Is 1% enough? That's about the profit margin of a managed service provider that does not also supply. As a sustainable business model, the math seems impossible. The cost savings is definitely present in year one with the rationalization of the supply base where legal, but where do the savings come from in year two, three and beyond?

The breakdown is simple.

<b>Contingent Labor Spend</b>	<b>\$100,000,000</b>
Management Fee	2.5%
<b>Gross Profit</b>	<b>\$2,500,000</b>
Implementation	\$120,000
Transactional Managers	\$950,000
Supply Chain Managers	\$50,000
Invoicing	\$30,000
<b>Net Profit</b>	<b>\$1,350,000</b>

Without the additional revenue of cost savings bonuses after Year 1, managing \$100M yields a 1.35% return. If the program spend is reduced by 10%, it could effectively **shut down your program.**

The simple economics show that the revenue sits in the supply base. The management fee is not sustainable, especially when ongoing investment for expansion is required. If fill is not part of the equation, the business case is unsustainable at best; at worst it is unstable and a risk to your business.

# Delivering the Talent

## Why One Supply Strategy Doesn't Work

The world is a diverse place – this seemingly obvious statement is often overlooked when considering a global workforce program.

In a global program, the management strategy in many ways dictates how far you can take your program. Across the world, putting people to work looks very different. If you have a program manager who does not have delivery capability you will probably not move beyond the first tier markets of the US and Western Europe. The dynamics of how this plays out falls into three categories.

**In all of these scenarios, local innovation has worked in conjunction with program management to develop a solution that works in-country as well as for the program.**

### CLIENT EXAMPLE >>

In 2008, Chinese regulations changed regarding the use of contingent workers to include pay and benefit parity. To ensure the client would not need to hire permanent workers for non-core positions, Manpower created a managed service employment model for the affected function which alleviated the legal burden.

The employees as well as the direction of the work became Manpower's responsibility. The shift in ownership altered the work flow, but allowed flexibility within the program guidelines, ensuring reporting and other program management functions remained intact.

### 1 Cultural Forces

In moving to Level 2 and Level 3 markets, the introduction of vendor neutrality disrupted many programs, especially those in emerging markets where there are a handful of established local providers. This is where you also have to consider the strategic fit of bundled services when the program manager is also a part of the supplier network. Oftentimes, neutrality is not an option. Driving neutrality through a program in many locations seems to contradict the reason for having a supply partnership at all. Conversely, telling a U.S. manager to go with a sole supply program because it's effective in Malaysia won't work either.

### 2 Legal Regulations

Temporary workers are illegal in Thailand. In 2008, China enacted pay and wage parity laws coupled with a two year minimum assignment requirement. Varied legislation in some countries make it literally impossible to replicate the model exactly.

### 3 Individual Economics

Companies use contingent workers as a way to reduce cost through increased flexibility. This model has cost savings advantages to a point. After years of use, many companies have leveraged the margins in their temporary programs and significant cost savings do not remain in the mark up or supply chain.

### Bottom Line >>

● just because a country may require a different labor delivery model, doesn't mean it can't be part of a larger program.

# Thirty-one percent of employers worldwide are concerned about losing national talent to other countries.

The workforce is on the move, and more people are living and working away from their home countries than at any other point in history. Currently, around one in 35 people is a migrant, and this number is growing at a rate of almost 3 percent annually. This marks a significant change in the global workforce over recent years – and many employers are finding it hard to adapt.

## Key global labor trends include:

- 1. Talent Supply/Demand Disconnect** - Talent mobility is a growing part of the solution to shortages of talent. Yet, we believe there is limited awareness in the market today of the opportunities posed by moving people to where work is available and where talent is most valued. In other words, there is only scant understanding of the need to think of talent in terms of a supply and demand model.
- 2. World Population Growth** – Propelling the movement of talent around the world are widespread demographic changes – in particular, the big gap in population growth between developed and developing countries. According to the United Nations, the world’s population is expected to increase by 2.6 billion over the next 40 years, from 6.5 billion today to 9.1 billion in 2050. Almost all of that growth will take place in the less developed regions. The population of the developing countries is increasing almost six times as fast as that in developed countries.
- 3. Importing and Exporting Labor** – Individuals from all walks of life and a wide range of jobs are currently active and moving in the global labor market.

- a. Senior Level / White-Collar:** Senior level professionals are regularly on the move, forming a kind of internal labor market within multinational companies.
- b. Skilled Blue-Collar / Laborers:** The global shortage of skilled tradespeople has spiked wage rates, meaning that in some cases blue-collar workers now out-earn many white-collar professionals, this has also contributed to the significant movement of these skilled workers globally, as employers seek to attract workers with better compensation packages.
- c. Gender:** Thanks to “traditional” gender roles and stereotypes it would perhaps be easy to assume that men migrate far more often than women, particularly in certain less developed parts of the world. However, according to OECD research, 51% of migrants in the OECD countries are women and data shows that highly skilled women are more likely to emigrate than men of a similar skill level.

Manpower endorses a socially responsible approach to talent mobility by:

- Becoming the first company to sign the Athens Ethical Principles
- Supporting the End Human Trafficking Now! campaign, led by the Suzanne Mubarak Women’s International Peace Movement
- Engaging in the United Nations High Commissioner for Refugees’ [ninemillion.org](http://ninemillion.org) campaign

Source: The Borderless Workforce, a Manpower white paper

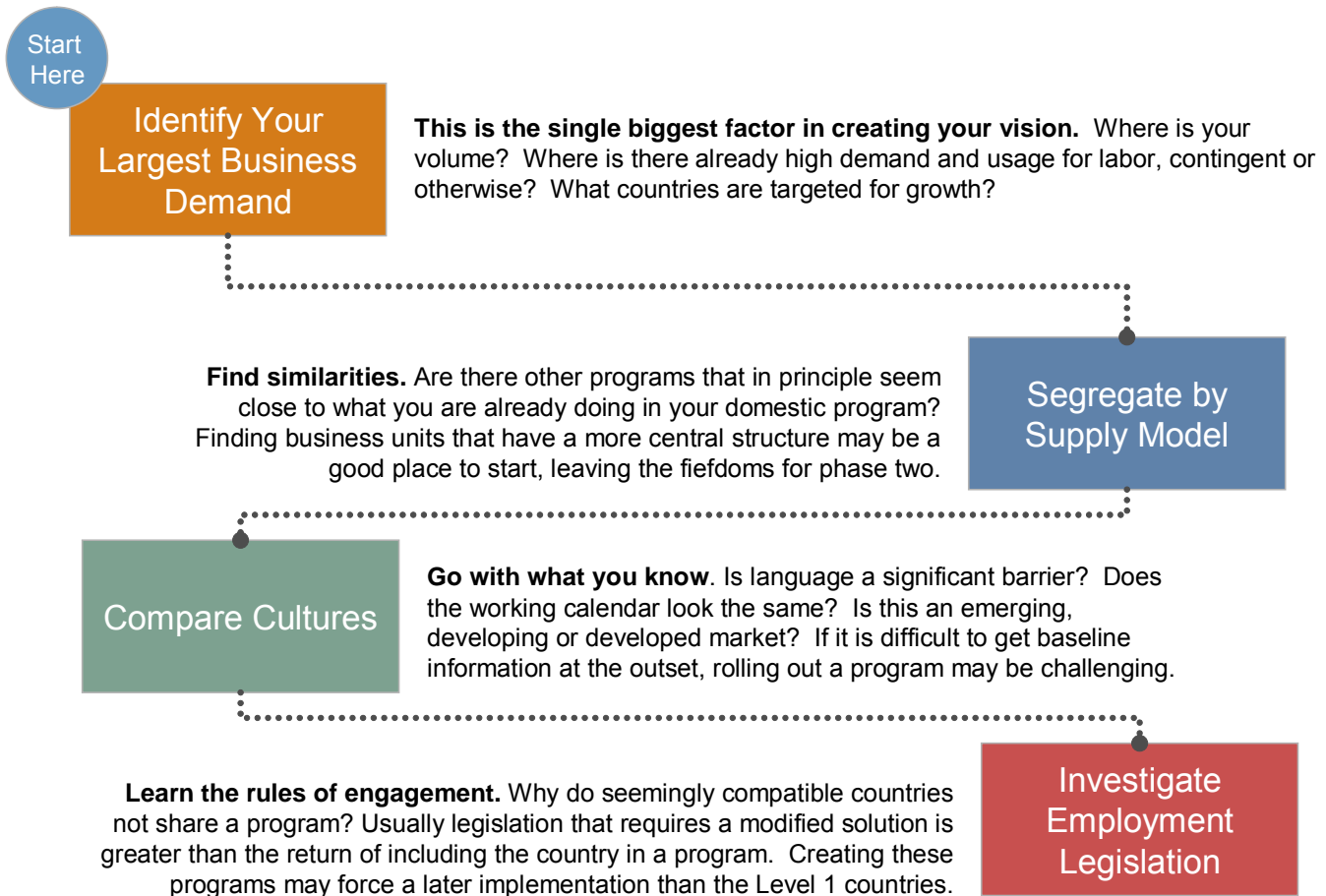
## Where to Start

# Creating the Global Supply Blueprint

In creating your program, practical planning, an open mind and a time scale for investment are good starting points for discussion. As with every large program, executive buy-in is a must which means key business leaders must be engaged. When it comes to the specifics of starting a global program, there are some fundamental tenets that help speed time of creation and set your company up for the best possible deployment.

### The Global Start Up

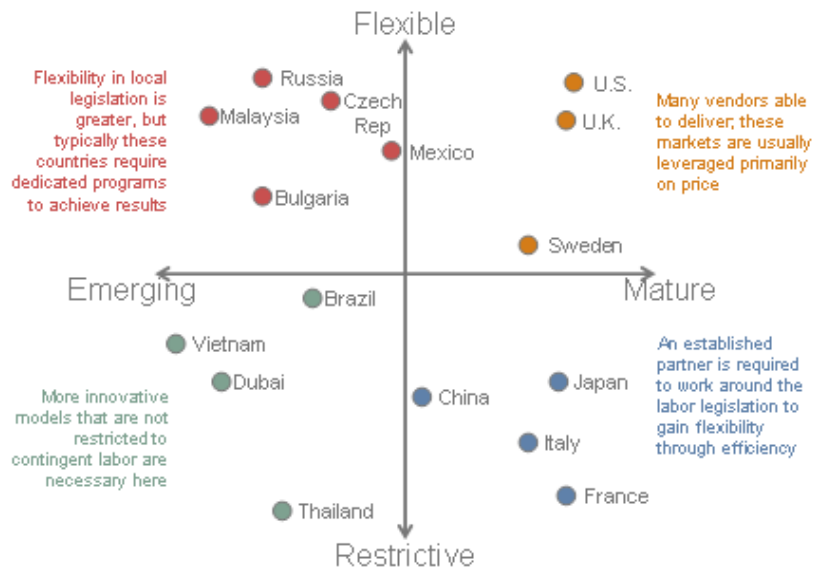
The following visual walks through the classification process for determining where to start. Finding the locations with the biggest impact, closest supply models and most similar legislation have typically been the extent of most global programs – developed countries typically present the least amount of change management. However, ranking countries does not eliminate them from consideration; it simply shapes your program approach strategy.



Choosing where you want to go should help you construct the overall global program vision. In fact, mapping out the countries you plan to enter often will shape a lot of the program by necessity.

For example, if you wanted to take a program to the U.K., Japan, Czech Republic and Brazil, your delivery models would look very different for each country.

The figure on the right shows a conceptual map of the labor spectrum. Using more than economic factors to shape your implementation strategy can keep you focused on the quick wins early, and assist in planning for more complicated roll outs.



The world looks different through the lens of a labor partner than an economist.

## Getting Started

Identifying and classifying your programs isn't hard when you leverage your partner's expertise. Typically, looking for similarities between supply programs and legislation is the first step.

If you are interested in getting started, the simplest way to kick off the project is to have a discussion

with your current or a potential labor partner. Before you begin, invite them to a discussion to learn more about best practices and early pitfalls. Going global will take work but with a partner who has done it before, it doesn't have to be as daunting as it can seem.

# Technology Considerations

The technology decisions should be made only after you have a clear supply and program management strategy, which defines the requirements for the technology. The same, flexible approach should be applied to technology as the rest of the program. For different supply programs there are different technology offerings. However, as with the other components of the program, don't build a program based on a single technology. Compared to local legislation, technology is easier to adapt to the best business model for your program, rather than vice versa.

In a global program, technology plays two roles:

- **Workforce visibility** – the primary function of technology for your program is insight into your

global workforce. Setting the right metrics should be done jointly with your partner, to ensure your technology can support your program choices. Working with a technology that is willing to flex to accommodate more than traditional staffing metrics is critical.

- **Process efficiency for your partner**– in the U.S., the VMS enables transactional and process efficiency. While only parts of the process may apply globally, this is the greatest value your VMS can bring to your MSP partner. Whether you choose the technology in conjunction with your partner or as a separate initiative, your selection should be based on a jointly created list of requirements defined by the supply approach.

## Focus on Emerging Markets

Time to implementation – and cost savings – can be significantly reduced if you have a partner who has:

- **Established legal status** – many countries, such as Spain, require you to have a legal entity within the country to employ individuals. Obtaining this in certain markets can take weeks, months or years depending on the local legislation and negotiation process.
- **Multiple business licenses** – for countries outside of Level 1, having licenses to subcontract, outsource and direct recruit could be critical to building the right labor strategy for you.
- **Other foreign clients / programs** – volume programs are very different than the local business conducted in-country; the change management for a large scale program may be the first of its kind in the market.
- **Benchmark operations** – when finding an established in-country solution is not possible in the newest markets, such as Vietnam, go with a partner who has start up experience. If your provider has simply taken over existing programs, their knowledge of building in an existing market won't get you far.

Don't be restricted by program design or a partner. Your program can work anywhere; it just might look a little different everywhere.



# Conclusion

After considering all the information presented, there are a few key points that we feel you should take away:

- Expanding your program is not a question of if, but a matter of when and how. Your competitors are already moving in this direction, as the market has shown an unprecedented request for global programs.
- Your program in many ways has already started to globalize, and now is the time to initiate the process. Newly formed relationships with peers in other countries are a good indicator that you are ready to begin.
- When expanding, the same principles of partnership apply. You've already gone through the process of vetting the best domestically; the same principles apply globally even if the players are different.
- Leverage your best practices, but be flexible and make the program your own. Your success is a good foundation for framing the new program and keeping an open mind will assure you have the most competitive program for your company.

It can be a large shift from current operations, but with the right team, the right approach and the right partner, creating a global strategy is just the next step in the evolution of your program.

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