



Get more from your contractor workforce

# The Ultimate Guide to Managed Service Providers (MSP)

Explore





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# Introduction

Leveraging contingent workers brings various benefits to your organisation — from offering cost-saving opportunities and tapping into a pool of highly skilled talent to having operational flexibility in your operations.

However, managing and engaging contingent workers can present significant challenges, particularly when your HR and recruitment teams lack experience in handling on-demand labour arrangements.

For modern and agile organisations, the solution lies in partnering with a trusted managed service provider, or MSP. Working with a reliable MSP allows you to access tailored solutions that streamline your contingent workforce management processes, ensuring both compliance and operational efficiency.

With over 30 years of experience in delivering tailored workforce solutions, we understand the complexities that come with building and managing a contingent workforce. That's why we've created this comprehensive guide to help you gain valuable insights on how to leverage the MSP solution for your contingent workforce management needs.

Let's dive in...







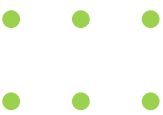
# What's an MSP?

A managed service provider is a third-party company that specialises in offering comprehensive support for your business, ranging from IT infrastructure, cyber security, contingent staffing, to other operational needs.

When it comes to contingent staffing, MSP can be your strategic partner to source, hire, onboard, and manage your company's contingent workforce. This enables you to offload the complexities of sourcing and managing contingent workers, allowing you to focus on your core business operations.







# Types of MSP

There are different types of MSPs that cater to various organisations' needs and requirements, including:

## Vendor-neutral MSP

In the vendor-neutral MSP model, the provider doesn't favour any specific supplier but rather selects talent from a pool of pre-vetted suppliers based on competitive pricing and favourable conditions. By adopting this approach, your organisation gains access to a diverse talent pool, ensuring a broader selection of skilled professionals to meet your specific needs.

## Master vendor MSP

Under the master vendor MSP model, the provider prioritises a single primary supplier, often the MSP itself or an affiliated staffing agency, for talent acquisition. While this primary supplier is the focus, secondary suppliers may also be engaged if the primary vendor is unable to fulfil your workforce requirements.

## Hybrid MSP

The hybrid MSP model combines features of the vendor-neutral and a direct sourcing solution either via an embedded solution of a master vendor, offering your business the flexibility to adapt to changing staffing demands over time. This flexible model allows you to optimise your workforce strategy by leveraging the strengths of both vendor-neutral and master vendor models.



# Enhance your organisation's efficiency with an MSP

In terms of contingent staffing, here are some ways in which an MSP can support your business:



## Strategic talent sourcing, vetting, and engaging contractors compliantly

MSPs have extensive networks and resources for finding, assessing, and recruiting highly skilled contingent talent. They streamline the entire hiring process, from sourcing candidates to conducting interviews and onboarding.



## Compliance and risk management

MSPs possess in-depth knowledge of labour laws, regulations, and compliance requirements. They ensure that your contingent staffing practices align with legal standards to minimise any potential risks and liabilities for your organisation.



## Vendor management

MSPs act as a central point of contact for managing various staffing vendors. They oversee vendor relationships, negotiate contracts, review supplier contracts, and ensure consistent quality and adherence to service level agreements (SLAs).



## Vendor introductions and partnerships

MSPs continually scout and introduce new, high-quality vendors to support your organisation's staffing requirements and promote innovation in workforce management.





## Onboarding and training

MSPs can handle the onboarding and training of contingent workers to ensure a smooth transition into your organisation. They can provide necessary orientation, facilitate skills training, and help align contingent workers with your company's goals and culture.



## Workforce analytics and insights

MSPs utilise advanced technology platforms to track the performance and productivity of your contingent workforce. Through data analysis, they can provide valuable insights into workforce patterns and identify areas for improved efficiency.



## Cost control and budgeting

MSPs can help you in managing the budget allocated for contingent staffing. They can provide cost analysis, benchmarking, and optimisation strategies to help you with forecasting. They also negotiate favourable rates with vendors and monitor expenses.





# Combining the strengths of MSP and VMS

Aside from MSP, more and more companies are using vendor management systems (VMS) to help with their supplier engagement and management approaches. When you combine these workforce solutions, MSP and VMS can help reduce your organisation's vulnerability to risk and maintain the continuity of your contract workforce.

**Before discussing the strengths of these two solutions when combined, let's explore VMS first.**

## What is a VMS?

A vendor management system (VMS) is a workforce software solution that simplifies the management of external suppliers and contracts. It acts as a centralised platform for organisations to automate and manage various aspects of their vendor relationship, from sourcing, procuring, onboarding, to performance tracking, and invoicing.

## How can a VMS address compliance risks associated with a contingent workforce?

### Centralised data management

Maintains critical workforce data on a single platform that can be audited as necessary.

### Reminder notification

Provides reminder notifications to ensure that critical deadlines and expirations are always met.

### Superior control over approval processes

Allows you to manage vendors' profiles, approve reports, work orders, budgets, and more.

### A single-entry point for all workforce data

Ensures accurate data capture and reduces the risk of data discrepancies or inaccuracies.



## Key features of VMS

- ✓ Supplier engagement
- ✓ Timekeeping
- ✓ Approvals
- ✓ Expense management
- ✓ Billing
- ✓ Reporting

## Key features of MSP

- ✓ Vendor engagement
- ✓ Supply chain management
- ✓ End-to-end requisition management, offboarding
- ✓ Benchmarking fees and score, rate card management
- ✓ Supplier compliance
- ✓ Consolidated billing, expense management
- ✓ Contract care





# Benefits of combining VMS and MSP



## Enhanced visibility and control

Gain comprehensive visibility and control over your entire workforce, including contingent workers and managed services, which streamlines management and oversight of all workforce activities.



## Operational efficiency and cost savings

Achieve higher productivity and cost-effectiveness as you optimise your workforce management processes and resource utilisation.



## Strategic decision-making

Provides you with valuable data and insights that drive informed decision-making, allowing better workforce planning, resource allocation, and performance optimisation.



## Seamless talent acquisition and management

Efficiently source, onboard, and manage both contingent workers and vendors through a unified platform.



## Improved compliance and risk management

Ensure adherence to regulatory requirements, standardise processes, and mitigate potential risks associated with contingent workforce management.

Is a managed service provider the right solution for your business?

An MSP might be a good solution for your business if:

- ✓ You need to quickly scale your workforce up and down in line with seasonal or rapidly changing needs
- ✓ You want better control over your supply chain and your staffing costs
- ✓ You need to ensure greater compliance and risk management
- ✓ You want access to detailed reporting, workforce analytics and insights

[Learn more about CXC's MSP](#)



# Compliance horror stories

## Avoiding common pitfalls in contingent workforce management

While engaging with contingent workers can bring numerous benefits to your business, it can also come with legal and financial risks that could jeopardise your operations. At CXC, we've seen first-hand these risks turn into workforce nightmares due to non-compliance.

### The cost of non-compliance

UK government departments received a £120M combined tax bill for non-compliance with IR35

Ministry of Justice and Department of Environment, Food and Rural Affairs, UK  
2021

On-demand delivery app fined close to €57 million for falsely classifying 7,800+ drivers as self-employed

Glovo, Spain  
2023

Oil and gas company found liable for more than \$40 million in back wages and damages after misclassifying workers as independent contractors

Holland Services, USA  
2021

\$105 million tax fraud through a free contractor payroll service, the largest white-collar fraud ever in Australia.

Plutus Payroll, Australia  
2017





# 1. Worker classification gone wrong

**Challenge:** Incorrectly classifying workers as independent contractors when they should be classified as employees can lead to detrimental legal and financial penalties, back taxes, and potential lawsuits.

Take this on-demand delivery app in Spain as an example. The company faced a significant fine of close to €57 million for misclassifying over 7,800 drivers as self-employed individuals. This shows the substantial financial repercussions of worker misclassification, which can be avoided if companies take a proactive approach when managing contingent workers.



## Expert tips

To mitigate worker misclassification risk, companies can:

- Carefully assess the job responsibilities, work arrangements, and control over the tasks of your contingent workforce to ensure accurate classification as either employees or independent contractors.
- Implement standardised classification criteria and seek legal guidance to protect your business.
- Conduct regular audits of worker classification practices to identify potential gaps or issues.



## 2. Lack of internal specialised knowledge and expertise

**Challenge:** In their quest for growth, a company ventured into new international markets, relying on its in-house talent team to fulfil staffing needs. However, their internal team was not well-versed in the labour laws of several countries in which the company was establishing its presence.

The assumption was made that the employment standards and practices of their home country could be applied universally. This oversight led to a series of non-compliant hiring decisions, culminating in a compliance nightmare that included fines, legal disputes, and a tarnished reputation. One instance involved the mishandling of international payroll complexities, resulting in underpayments and penalties for late tax submissions.



### Expert tips

To mitigate such compliance risks, companies can:

- Ensure staffing strategies align with both local and international laws.
- Partner with a reliable managed serviced provider (MSP) like [CXC](#) to support your business with the necessary expertise on in-country specific labour laws and regulations, ensuring compliance and preventing costly penalties.
- Leverage both in-house capabilities and external expertise to strengthen your recruitment strategies. This collaboration fosters innovation and keeps you aligned with the best industry practices, allowing you to scale flexibly in response to evolving demands.

### 3. Costly data leak

**Challenge:** Protecting sensitive client and worker data is crucial for MSPs, as any incidents of data breaches or non-compliance with data privacy regulations can result in hefty financial and legal liabilities.

For instance, a significant data breach resulted in a substantial £4.4 million fine for a prominent retail and manufacturing company based in the UK. This breach compromised personal data belonging to around 113,000 current and former employees. The Information Commissioner's Office (ICO) imposed the fine due to the company's failure to protect employee personal data, citing various shortcomings in data security protocols.



#### Expert tips

To reduce the risk of data leaks, companies can:

- Implement stringent data security and privacy measures, including encryption technologies, to protect sensitive information collected from contingent workers.
- Regularly assess data security practices and compliance with data privacy regulations to mitigate the risk of data breaches and other related penalties.
- Implement continuous monitoring systems that track network activity and identify abnormal behaviour as early signs of potential data leaks. Establish incident response protocols to detect, contain, and remediate any breaches promptly.



## 4. Unmanaged scope creep in contracts

**Challenge:** Failure to clearly define compliance responsibilities and deliverables in service contracts can lead to scope creep, where MSPs may inadvertently assume additional compliance burdens beyond their intended scope of services.

When there are undocumented or unapproved changes to a project's original scope, for example, this can lead to additional work being performed without proper compensation or adjustments to timelines. This can result in delays, cost overruns, and strained client relationships.



### Expert tips

To prevent this issue, companies can:

- Define the project scope in detail, outlining the deliverables, objectives, and timeline. Ensure that all involved stakeholders have a clear understanding of the project's scope.
- Foster open and transparent communication with clients and stakeholders throughout the project. Regularly update them on progress, milestones, and any potential deviations that may impact the scope or timeline.
- Document all changes and modifications to the project scope in a change log. This log should capture details of change requests, approvals, impact assessments, and any adjustments made to the project plan, timeline, or budget as a result.



## 5. Vendor compliance oversight

**Challenge:** Managing multiple vendor relationships can lead to inconsistencies in compliance practices across different suppliers, increasing the risk of non-compliance with regulations and contractual obligations. This can lead to compliance violations, exposing your business to legal risks, penalties, and reputational damage.



### Expert tips

To mitigate compliance risk, companies can:

- Establish a robust vendor management program with clear compliance requirements, regular audits, and performance evaluations to ensure vendors adhere to regulatory standards.
- MSPs need to perform thorough due diligence when onboarding vendors. This includes assessing the vendor's financial stability, security protocols, compliance track record, and adherence to industry standards.
- MSPs should establish clear contractual obligations for vendors related to data security, privacy regulations, service levels, and other compliance requirements. These requirements should be routinely monitored and enforced.



## 6. Poor documentation

**Challenge:** Poor record-keeping practices and insufficient documentation of hours worked, contracts, and compliance training can make it challenging to prove compliance during audits or investigations.

Without proper documentation of contractual agreements, work arrangements, and regulatory adherence, businesses may find themselves vulnerable to legal challenges. Moreover, it can lead to inefficiencies in invoicing and payment discrepancies, which can impact your business operations.



### Expert tips

To maintain uninterrupted operations, companies can:

- Implement a robust system for centralised record-keeping of contracts, hours worked, payments, and compliance documentation.
- Schedule periodic audits and reviews of contingent worker documentation to identify gaps, inconsistencies, or inaccuracies.
- Establish document management policies that outline roles, responsibilities, and procedures for handling contingent worker documentation.



# Potential challenges of using an MSP

The complexities involved in managing and engaging a contingent workforce are the reason more companies are turning to MSPs like CXC to manage their contingent workforce program.

While an MSP can bring significant benefits to your organisation, it's essential to take a proactive approach to overcome challenges that may arise, including:



## Communication and alignment

One potential challenge lies in fostering seamless communication between your organisation and the MSP. Aligning goals, expectations, and strategies is critical for success. Regular communication and feedback loops can effectively mitigate this challenge.



## Expertise

Depending on your industry, there may be a learning curve for the MSP to understand the intricacies of your business. It's important to choose an MSP with experience or expertise in your specific industry to ensure effective management of your contingent workforce.



## Integration and compatibility

Integrating the MSP's systems and processes with your existing technology infrastructure can be complex. During the vetting process, it's essential to ask about and review the technological capabilities of the provider to avoid this issue during the implementation.



## Supplier management

Monitoring the performance, compliance, and responsiveness of suppliers can be a challenge. Your MSP should have robust systems and processes to effectively manage and engage with suppliers.





## Scalability and flexibility

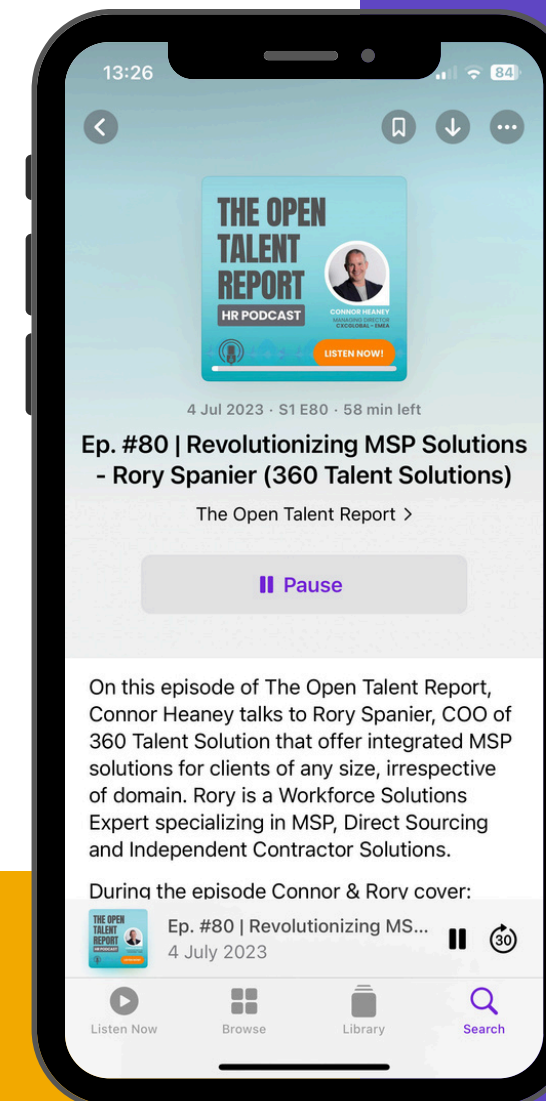
Can your MSP accommodate your needs when your organisation wants to scale down? Your MSP should have the ability to adapt when changes in demand occur.



## Cost management

While an MSP can bring cost-saving opportunities, it's important to continuously monitor and manage costs. Transparency in pricing models, visibility into invoicing, and regular cost reviews are essential to ensuring that you are maximising the value delivered by the MSP.

Be aware of these potential challenges as you work closely with your chosen MSP. Choose an experienced and reliable MSP like CXC, maintain open lines of communication, and establish clear expectations to ensure a successful partnership and effective management of your contingent workforce. With the right approach, the benefits of utilising an MSP far outweigh the potential challenges.



Check out this episode of **The Open Talent Report**, where Connor Heaney talks to Rory Spanier, COO of 360 Talent Solution that offer integrated MSP solutions for clients of any size, irrespective of domain. Rory is a Workforce Solutions Expert specialising in MSP, Direct Sourcing and Independent Contractor Solutions.

Listen now!







# Best practices to mitigate MSP risks

Here are some ways to mitigate MSP risks effectively:

## **Implement rigorous supply chain management protocols**

MSPs provide support across the supply chain, which makes them vulnerable to attacks that could pass through their customers' networks. Your business should implement stringent supply chain management protocols, such as supplier assessments, continuous monitoring, and management of third-party security risks, to mitigate such risks.

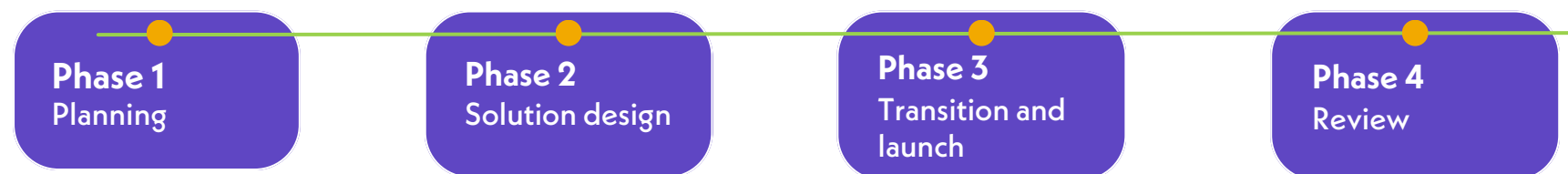
## **Regularly monitor MSP's infrastructure**

Being central to day-to-day business operations, a breach, or failure of any of the MSPs' critical systems could impact their customers. To minimise such systematic risk, your business should assess your provider's infrastructure for potential single points of failure.

## **Carefully vet MSP**

MSPs handle sensitive data and have access to systems that require stringent compliance with privacy and data protection standards. To mitigate compliance risk, you should carefully vet potential MSPs to ensure they have adequate security controls, disaster recovery/business continuity plans, and other remedial measures in place to maintain compliance with legal and regulatory requirements.

# What to expect when implementing an MSP solution



When we talk about implementation, it's important to understand that the timeline of the project can vary based on several key elements. The following factors can influence timeline of the implementation:

- Location
- Number of contingent workers
- Systems integrations
- Data integrity
- Contractual agreement with suppliers
- Availability of stakeholders and resources
- Customisation requirements
- Ad hoc business processes.

Typically, this could range from 15 to 20 weeks including planning, launching, and reviewing.

## Planning

- **Initial and planning:** Identify project team, schedule meetings, and create project documentation.
- **Discovery:** Contract management, onboarding/offboarding, internal data source output gathering and analysis, supply chain strategy meeting, etc.
- **Analysis:** Communication plan drafted, sourcing strategy confirmed, supplier engagement and third-party agreement executed, key findings, and solution implementation.

## Solution design

- Creation of process maps, confirming requirements, planning timelines, and scheduling training sessions.

## Transition/launch

- **Transition:** Confirm data and execute a communication plan, start onboarding calls, transition population onboarding activities.
- **Launch:** System goes live, final vendor timesheet is submitted, contractors start their work.

## Review

- Hypercare period.
- Ensure seamless handover to client service delivery teams.
- Conduct a project closure meeting.



# Key considerations when choosing an MSP Provider

Use the below checklist if you are currently assessing whether the MSP is right for your business needs and requirements:

## **Expertise**

Has a track record of success in staffing and recruiting within your industry. Understand your unique workforce requirements.

## **Comprehensive services**

Provides comprehensive solutions that cover areas such as talent acquisition, onboarding, supply chain management, vendor management, compliance management, and payroll. A full-service MSP can streamline your workforce management processes.

## **Technology capabilities**

Offers a robust and scalable technology platform that integrates seamlessly with your existing systems. Ability to adapt to any future technological advancements.

## **Compliance and risk management**

Has a thorough understanding of relevant labour laws, regulations, and industry standards to protect your business from potential liabilities.

## **Reputation**

Has positive reviews and testimonials that establish their reliability and ability to deliver results.

## **Relationship management**

Prioritises open communication, understands your business goals, and is responsive to your queries and needs.

## **Contract alignment**

The contract provided by the MSP includes terms and clauses that protect your company from IP and confidentiality breaches.



Discover essential tips on choosing the right Managed Services Provider for your business needs. From expertise to transparency, find out what criteria matter most in this insightful blog post.

[Read now!](#)



# Success stories

## Visibility, compliance, and direct sourcing for Boeing through a global MSP

Across Europe, Boeing, the world's largest aerospace company, and its subsidiaries faced increased contingent worker costs with inflated margins, non-compliant practices, and process inefficiencies. They have no ability to report on contingent worker spend with suppliers negotiating varied margins across various entities. To streamline their recruitment process while remaining compliant, they needed a central supply chain management program to have complete visibility over their contingent workforce spend and mitigate potential risks.

This is where CXC steps in. CXC supported Boeing with an MSP program across multiple international locations, while implementing a VMS. Over the next five years, the scope and locations of this solution expanded, yielding the following results:

- Successful implementation of procure-to-pay MSP service model across eight international locations, with over 800 contractors under management.
- Streamlined onboarding and background check processes improved the candidate experience.
- All contingent workers are paid on time every time.
- Improved manager experience due to one stop shop and dedicated team for recruitment facilitation.
- Accurate spend data and process efficiencies with simple invoicing process created with one invoice per country.



[Read the full Boeing case study](#)





# Success stories

## Achieving visibility and compliance for IMG

IMG had little visibility over the use of contractors within their two business units, production and events. They have a high reliance on contingent workers; however, without structure and governed compliance processes in place, there were concerns about how the business could mitigate risk and adhere to current legislation. They needed a model that would ultimately bring visibility, control, and business compliance.

[CXC partnered with IMG](#) to deliver compliance, contract, and managed payroll solutions to contractors (often freelancers) who have served their business for up to 20 years. Leveraging the company's HR data, CXC engaged with IMG's existing workforce to ensure contractor compliance. The implementation of CXC's MSP solution yielded the following benefits for the partnership:

- Enhanced visibility, compliance, and governance controls for IMG.
- Efficient process to engage contractors and turn around compliance within short timescales.
- Faster payment terms resulting in payment being reduced to 2-week in arrears.
- Compliant engagement and workforce management resulting in zero-employment claims.
- Streamlined invoicing process and payment schedule for both LTD and PAYE workers.



[Read the full IMG case study](#)

The IMG logo, consisting of the letters 'IMG' in a stylized, bold, black font.

# Enhance your MSP engagement with CXC

Don't let the complexities of managing contingent workers deter your growth and success. At CXC, we're here to help streamline the entire process of your contingent workforce, from sourcing and engagement to payment, supply chain management, and compliance. Our goal is to free up your time so that you can focus on growing your business while we handle the time-consuming tasks of engaging and managing contingent workers.

With CXC, you have the flexibility to choose the level of support that suits your needs. Whether you prefer to partner with us to hand over the entire supply chain or simply select services that require extra support, our tailored approach ensures that you receive the necessary support without being charged for functions you're comfortable managing in-house.

Reach out to us today to discover more about the various types of MSP programs we offer and the significant benefits they can bring to your company's contingent workforce management strategy.

**SPEAK TO OUR TEAM**

## A snap shot of CXC's MSP

### Sourcing

- Redeployment of current contractors
- Building candidate pools
- Augmented recruitment
- Multi-channel sourcing programmes

### Supply chain

- Managing supplier payments
- Reviewing supplier contracts
- Negotiating commercial terms
- Introducing new vendors

### Engagement and payment

- End-date management
- Contractor payroll services
- Onboarding and offboarding
- Performance management

### Compliance

- Right-to-work checks
- Worker classification
- Background checks
- Client-specific compliance requirements



# Why CXC?

CXC is a trusted partner in global contingent workforce management and HR outsourcing solutions.

With over 30 years of experience, we have continually evolved and adapted to the changing business landscape. Our international, multi-faceted approach aims to simplify the complexities of engaging, managing, and paying contingent workers. Our comprehensive talent management and workforce compliance solution is backed by decades of knowledge and experience.

At CXC, we prioritise delivering exceptional value and service to our clients. We have gathered insights and honed our expertise over three decades, making us a trusted authority in the industry. Our dedicated team of compliance experts is dedicated to sharing our knowledge and providing guidance to help organisations like yours achieve their goals.

Whether you need assistance with talent sourcing, contingent worker management, or navigating the complexities of global employment compliance, our solutions are designed to help you gain a competitive edge.

[GET A FREE CONSULTATION](#)





## Ensure compliance. Expand globally. Mitigate risks.

Our comprehensive suite of solutions is designed to help businesses like yours navigate the complexities of workforce management. From building a contractor workforce to offering corporate compliance consulting and training, we'll ensure you stay ahead of the game.

Take control today and thrive with confidence.

[Speak to our team](#)

