



# MSP 4.0: From Contingent Workforce Management to Contingent Talent Empowerment

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# Introduction

Over the last 25 years, the Manager Service Provider (MSP) industry has successfully and continuously evolved in terms of service portfolio and value proposition to effectively deliver on enterprises' contingent workforce requirements. This evolution ensured significant expansion for MSP services globally, with organizations of all shapes and sizes leveraging MSP services extensively. Generally speaking, the industry was doing well, innovating to keep pace with the changing times, and providing the right support to clients to help them with their temporary workforce requirements.

Then came 2020 and the out-of-the-blue lightning strike that was COVID-19, shocked the world. Amid one of the widest spread and most impactful humanitarian and economic crises in modern history, the MSP industry demonstrated leadership and resilience. Initial speculation and concern about supply-side constraints impacting service fulfillment and quality quickly gave way to appreciation for the industry's stability, demonstrated expertise, and commitment from both organizations and individuals. While the industry swiftly adapted to Work From Home (WFH) delivery, ably fulfilling services as part of its flex-and-scale value proposition to cater to dramatic fluctuations in hiring requirements and resolutely maintaining service quality levels, it was clear that another major disruption was around the corner.

Albert Einstein once said, "In the midst of every crisis, lies great opportunity." Indeed, the COVID-19-induced crisis has paved the path for the industry's evolution to MSP 4.0 – the next era for this sector, which will be more dynamic, more reliable, and significantly more agile in driving and shaping clients' next-generation talent needs. Both enterprises and MSPs see the pandemic as the cloud with a silver lining, taking the opportunity to revamp, rejuvenate, and revitalize contingent workforce models as critical both to meet talent needs in the future and to better manage risk, especially in uncertain and difficult times. This change will come through a dramatic acceleration of some current levers as well as the introduction of some new levers that have emerged during the crisis. This report explores these key levers and explains how they will shape the industry.

This Everest Group research answers key questions that will shape the MSP industry's future, including:

- What is MSP 4.0, and what is its value proposition?
- What are the key levers necessary to realize value?
- What are the implications for the industry?
- What should industry stakeholders do to effectively capture value?

# A dynamic world further disrupted by COVID-19

Before the pandemic, the global business environment was already in a state of flux with four macro forces upending traditional business models (see Exhibit 1): evolving customer expectations, technological innovation and disruption, the geopolitical environment, and challenges related to the workforce mix. COVID-19 ushered in further disruption in 2020 and introduced a fifth element – increased focus on risk management, as shown below.

## EXHIBIT 1

### Five macro forces

Source: Everest Group (2021), Harvard Business Review, Aon, Accenture Strategy, Microsoft, Salesforce, US Patent and Trademark Office

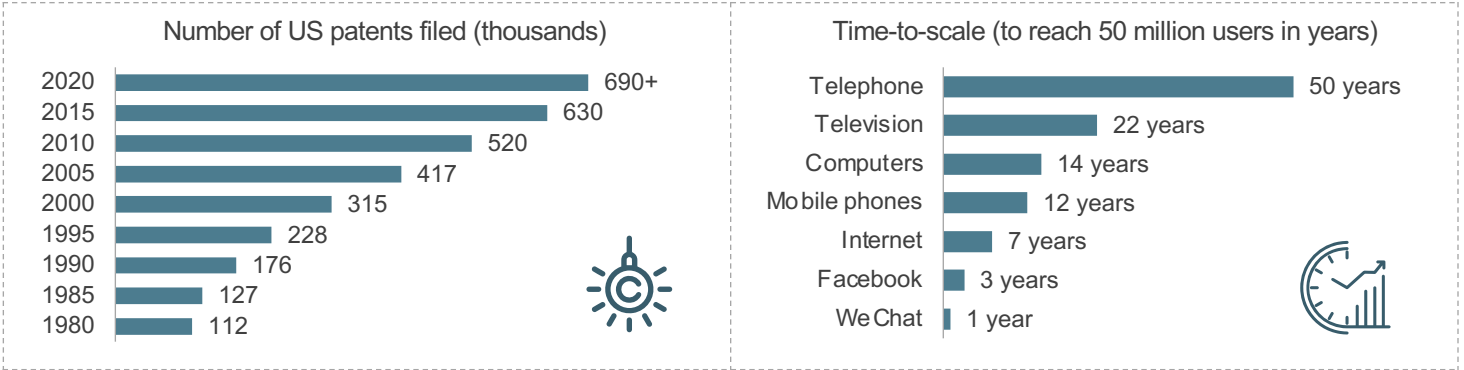
#### Evolving customer expectations

Consumer expectations have transformed radically in the last few years



#### Technological innovation and disruption

Technology has been advancing at an accelerated pace, with large-scale adoption



#### Geopolitical environment

The geopolitical environment has been in a state of flux, posing new challenges for businesses.



Trade wars



Protectionism



Economic recession



#### Workforce mix changes

The workforce mix has been shifting in terms of worker generations and preferences

Almost **59%** of the workforce in 2020 consisted of millennials and Gen Z, compared to just 35% in 2015; this group will account for up to **~75%** of the workforce in 2025.

#### Risk management



**Importance of embedding more robust business continuity plans**  
% of respondents



## The MSP story so far and the arrival of MSP 4.0

The MSP industry has undergone successful evolution in the past 25 years to meet changing business requirements as illustrated below.

### EXHIBIT 2

#### Evolution of MSP

Source: Everest Group (2021)

#### MSP 1.0 (1995-2000)



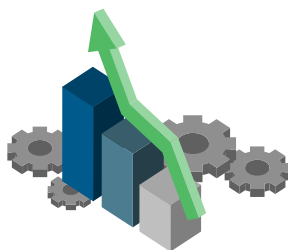
##### Key value proposition / focus

- Cost
- Compliance
- Visibility
- Vendor neutrality (due to information asymmetry)

##### Coverage

- Functional: staffing supplier management, administrative processes (billing, payments, etc.)
- Technology: Vendor Management System (VMS)

#### MSP 2.0 (2000-2010)



##### Key value proposition / focus

- Cost
- Compliance
- Agility, scalability, flexibility

##### Coverage

- Functional: end-to-end traditional staff augmentation / temporary worker management
- Technology: Vendor Management System (VMS), basic analytics

#### MSP 3.0 (2010-2020)



##### Key value proposition / focus

- Cost
- Compliance
- Agility, scalability, flexibility
- Talent quality
- Ability to hire niche talent

##### Coverage

- Functional:
  - End-to-end traditional staff augmentation / temporary worker management
  - Basic SoW / services procurement management (headcount tracking, classification)
  - Partial freelancer / IC management (compliance and classification)
- Technology: Vendor Management System (VMS), ad hoc use of add-on tools, analytics portals, and dashboards

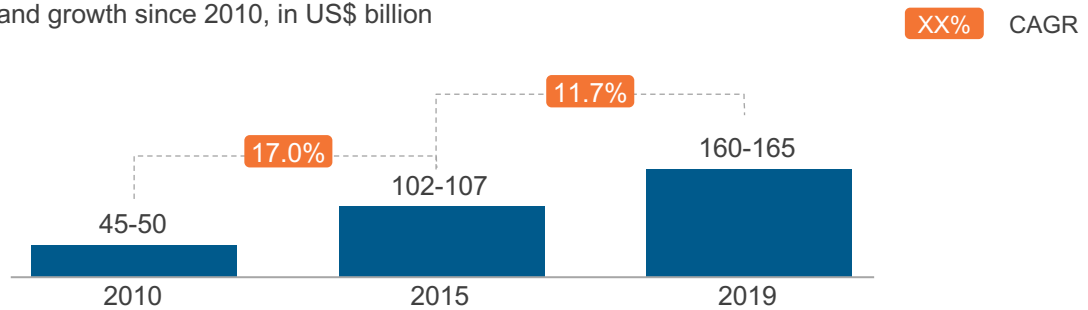
Over these years, the industry has demonstrated increased global adoption, as Exhibit 3 depicts.

The MSP industry also demonstrated resilience in the face of COVID-19 – most customers were satisfied with their providers’ response to the pandemic. (See Exhibit 4.) Major MSPs were able to transition their employees from remote to home offices within seven to eight days in key service delivery locations such as Hyderabad, India. Anticipating disruption, COVID-19 BCP plans were already in place and were implemented effectively through IT SWAT teams in terms of hardware requirements (procuring additional laptops, additional battery packs), software requirements (data security and VPN installation), connectivity requirements (procurement of additional bandwidth, internet installation boosters at employee homes) and employee welfare measures (counseling and training). Such swift and effective responses helped the MSP industry achieve a V-shaped recovery, as Exhibit 5 depicts. This resilience in the face of the pandemic has paved the way for the next generation of MSP, or MSP 4.0.

**EXHIBIT 3**  
MSP industry evolution


Source: Everest Group (2021)

Global market size (annual spend under management) and growth since 2010, in US\$ billion



**EXHIBIT 4**  
Satisfaction with service providers’ COVID-19 response

Source: Everest Group MSP buyer survey with 77 respondents



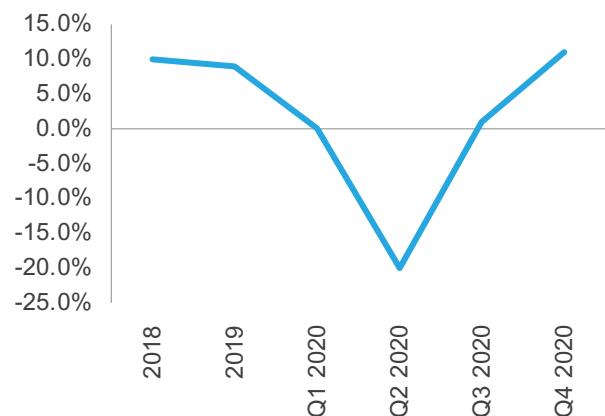
Almost **80%** buyers were highly satisfied with their providers’ COVID-19 response

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Overall MSP buyer satisfaction score in 2020 was marginally higher than in 2019

**EXHIBIT 5**  
MSP industry growth

Source: Everest Group (2021)



## MSP 4.0: the future of Contingent Talent Management

In a world disrupted by fast-paced technological innovation, evolving consumer expectations, workforce mix changes, a widening talent demand-supply gap, and an uncertain geopolitical environment, contingent workforce not only offers a measure of stability through greater flexibility but also is key to achieving business outcomes around top-line growth acceleration and bottom-line protection. And as COVID-19 demonstrated once again, the contingent workforce is one of the most critical contributors to an organization's ability to be flexible and nimble in the face of crises and rapidly changing business and economic environments through its capacity to scale up or down with extreme agility. A redefined MSP model, MSP 4.0, will ensure that organizations can leverage their contingent workforce to actively contribute to business growth and outcomes in normal and crisis situations. Exhibit 6 outlines MSP 4.0's key value propositions.

### EXHIBIT 6

#### Key value propositions of MSP 4.0

Source: Everest Group (2021)



Focus will shift; talent will be the most prominent distinguishing aspect of MSP 4.0, including all talent-related facets: acquisition, engagement, management, skilling, and redeployment



Visibility into entire contingent workforce (and permanent workforce)



Gateway to total talent management



Superior stakeholder experience



Extreme agility, scalability, and flexibility with lower risk



Exponential efficiencies / cost reduction across the board



Active contribution to business outcomes

The distinguishing aspect of MSP 4.0 versus prior models will be the tectonic shift in focus toward talent – that is, it will move beyond the traditional focus on cost, compliance, and procurement. This talent focus will include key talent management facets, traditionally used solely for the permanent workforce, now being used for contingent workforce as well. MSPs will help organizations manage the entire talent hire-to-retire cycle with support for contingent talent acquisition, engagement, experience, development and skilling, and ultimately redeployment. At the same time, MSP 4.0 will help introduce the next wave of exponential efficiencies and cost savings driven by newer technologies and distributed workforce and will enhance the experience of all stakeholders, not only the contingent workers'.

A natural corollary of the focus on talent in MSP 4.0 will be increased visibility into the entire contingent workforce – including all types of contingent labor such as traditional staff augmentation workers, freelancers or independent workers, and statement of work / services procurement – and its alignment with permanent talent, which will ultimately positively impact business outcomes through a total talent approach.

The value propositions of MSP 4.0 will be fulfilled through eight key levers, as Exhibit 7 depicts.

## EXHIBIT 7

### Key enabling levers of MSP 4.0: the 8D approach

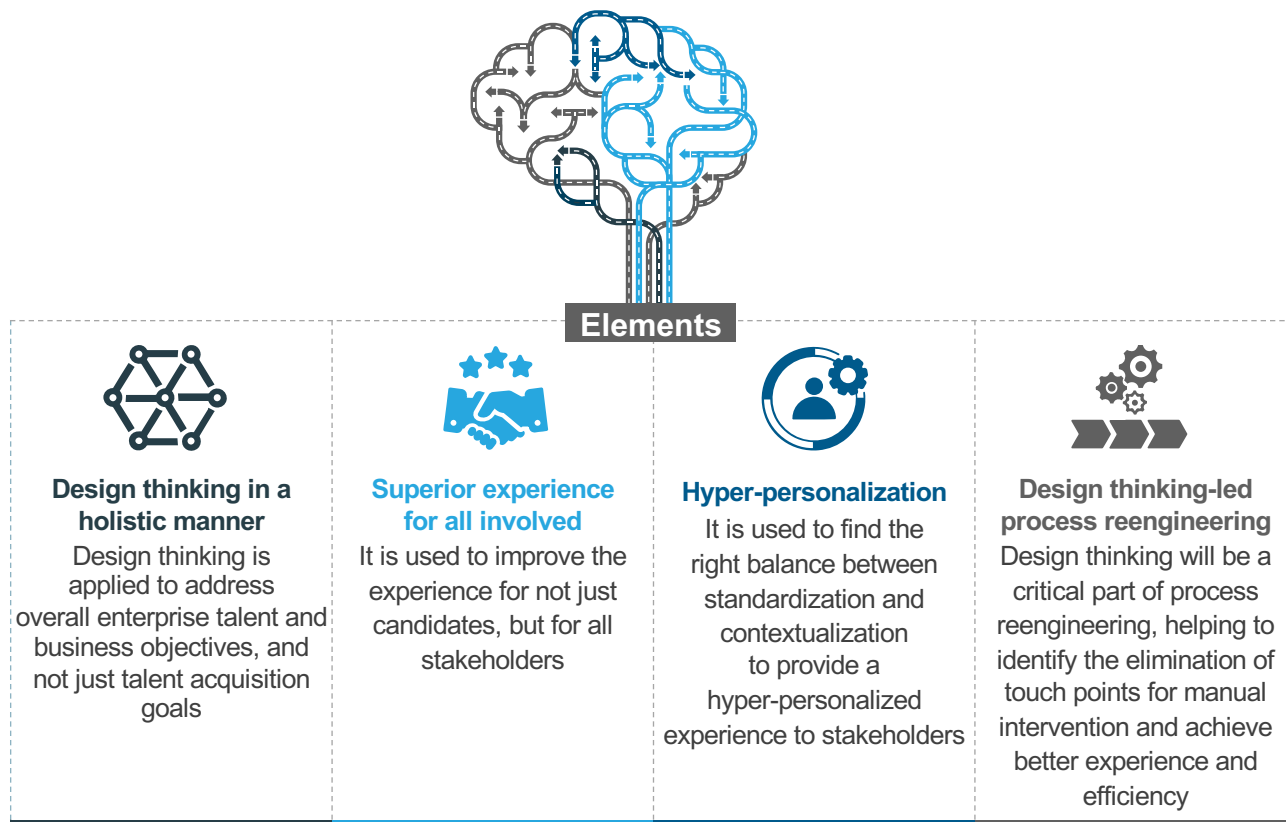
Source: Everest Group (2021)

	<b>Design thinking-led consumer experience focus:</b> designed to solve holistic talent problems with focus on superior experience for all involved stakeholders, both external and internal, leveraging consumer techniques from the B2C world.
	<b>Data &amp; digital-driven:</b> leveraging a services-enabled technology approach through a digital capability platform (integrated technology ecosystem) that allows end-to-end transfer of data without multiple integrations, thereby enabling better analytics, artificial intelligence, and customized experience.
	<b>Direct sourcing-led:</b> leveraging direct sourcing of contingent labor (enabled by a compelling employer brand) as a critical channel of talent acquisition to upend the traditional contingent workforce management model and enable acquisition of better-quality talent more quickly and at lower cost.
	<b>Re-defined scope of contingent workforce:</b> to include end-to-end Statement of Work (SoW) / services procurement as well as alignment with the permanent workforce to unlock a whole new set of benefits.
	<b>Domain-centric:</b> increased depth and an amalgamation of process-based and technology-based domain, and especially industry-oriented expertise.
	<b>Diversity, Equity, and Inclusion (DE&amp;I):</b> focused on building a truly diverse and inclusive workforce through the right talent acquisition strategies.
	<b>Distributed and dispersed talent:</b> distributed workforce in a hybrid location model enabling acquisition of dispersed talent.
	<b>Development and redeployment of talent:</b> focused on talent management best practices similar to permanent workforce.



## Design thinking-led

The most prominent objective of leveraging design thinking in MSP 4.0 is to provide all stakeholders, especially the candidates, with the same kind of experience that they are used to as B2C consumers. MSPs can help organizations create and operate the entire infrastructure required to achieve this goal. A design thinking-led approach is characterized by multiple elements as illustrated below.



Enhancing experience through design thinking is necessary throughout the entire hire-to-rotate/redeploy cycle, as the examples below elucidate.

- A candidate should be able to search for a job with the same ease with which he or she shops on Amazon. The list of job recommendations or job search results should be hyper-personalized based on the candidate's interest, previous history of applications, and other related factors
- Job applications should be mobile-enabled, easy, quick, and have most details prefilled at the click of a button
- A good chatbot should be available to instantly answer most standard questions a candidate has
- For more complex queries – when a candidate needs to communicate with a person – the MSP agent interacting with the candidate should have all of the candidate's details and history of previous communications so that the candidate does not have to spend time providing background and context
- A hiring manager should be able to view detailed status of his/her requisitions at any time without delay and, if necessary, be able to get quick answers to any questions

While these are only a very few examples of potential experience enhancement use cases, a common thread running through them is the ubiquitousness of digital and data leverage. Naturally, digital and data is a critical lever driving MSP 4.0.

## Data and digital-driven

Digital and technology leverage will be the foundational lever that will enable and empower all the 8D levers in MSP 4.0. While technology leverage is not new in MSP, the amount of its contribution will increase greatly in MSP 4.0, and – more importantly – the contours of its contribution will fundamentally shift. Technology leverage will evolve beyond piecemeal adoption to a Digital Capability Platform (DCP) as depicted in Exhibit 8. A DCP-empowered MSP solution will be critical to fulfill the value proposition of MSP 4.0. The key characteristics of a Digital Capability Platform include:

- The DCP will be an integrated digital ecosystem bringing together various digital elements into one platform as shown in Exhibit 8
- The integration will be seamless, allowing end-to-end transfer of data through an integration layer without the need for multiple, discrete integrations
- The seamless flow of data will enable powerful analytics and insights and provide enhanced and customized stakeholder experience
- The DCP will provide full visibility into the entire contingent hire-to-retire/redeploy cycle. It will also connect to external data sources and have the ability to link and align with permanent recruitment processes and data, which will enable the MSP to provide impactful analytics to organizations on every aspect of the contingent workforce and enable a total talent approach with permanent and contingent talent strategies aligning to allow organizations to formulate holistic workforce strategies
- The platform will be composable, allowing plug-and-play for individual components to be added/removed/replaced based on specific organizational requirements without an elaborate implementation and integration exercise

### EXHIBIT 8

#### MSP Digital Capability Platform (DCP)

Source: Everest Group (2021)



## Direct sourcing-led

The contingent talent acquisition model is set for a dramatic transformation, especially in the US, as the traditional model of heavy reliance on staffing suppliers is being upended by direct sourcing. Direct sourcing is also known by various other names (such as contingent RPO) and may take various shapes in different organizations. However, in the simplest of terms, direct sourcing is leveraging the employer brand to acquire talent directly into the organization (often through the creation of talent pools) instead of leveraging staffing suppliers.

It is not a new concept, having been used extensively across the globe. However, in the US, direct sourcing has traditionally been uncommon, with most contingent workers sourced through staffing suppliers. Even in an outsourced MSP construct, the MSP's role has been more focused on managing various staffing suppliers than in helping the enterprise source talent directly by leveraging the enterprise's brand name. In the post-COVID world, that norm is set to change as direct sourcing of contingent workers takes center stage and emerges as the preferred sourcing channel (in addition to the traditional staffing supply chain for niche and difficult-to-fill roles). And MSPs can, and will, play a big role in the new reality.

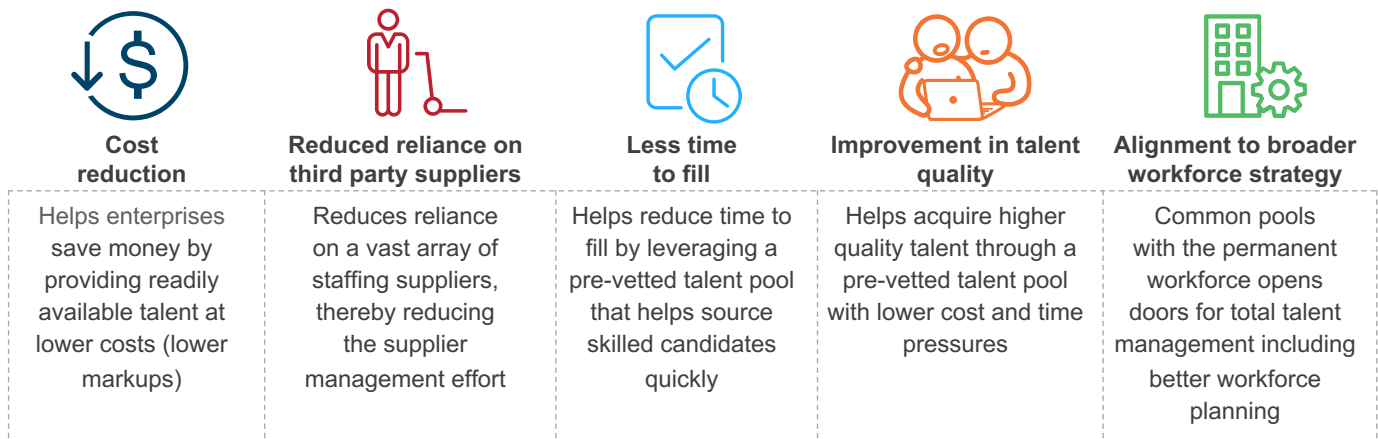
MSPs can help formulate the employer brand and leverage that brand to attract talent and curate talent pools for direct sourcing from a diverse set of sources such as retirees and alumni, and online talent platforms/marketplaces/FMSs, and in principle borrow best practices on talent pooling from the permanent recruitment world. A natural corollary is to share common talent pools for the entire organization irrespective of the nature of the potential contractual engagement (permanent/contingent) with the candidate. This alignment between the permanent and contingent talent acquisition can be the first step to more holistic and strategic workforce planning and total talent management.

Direct sourcing introduces multiple benefits. For example, cost savings, in terms of lower markups, is one key benefit and a big and immediate trigger to move toward direct sourcing in a post pandemic recessionary environment. In addition, direct sourcing introduces multiple other benefits in the long run as Exhibit 9 illustrates.

### EXHIBIT 9

#### Benefits of direct sourcing

Source: Everest Group (2021)



As an extension of the direct sourcing approach, MSPs will also play a more active role in sourcing freelancers / Independent Contractors (ICs) as an additional channel for direct sourcing. Given the large number of freelancer sourcing channels, each focusing on a particular workforce sub-segment (for example, by job role, geography, or diversity), enterprises find it increasingly difficult to invest time and effort into selecting the most optimal channels. MSPs will play a big role by carefully curating a network of suitable partners that they can leverage to source the right freelancers for their clients.




Even as direct sourcing emerges as an attractive and a highly beneficial alternate contingent talent acquisition model, enterprises need to be careful to avoid an overly disruptive break from their usual supplier sourcing operations. Enterprises can work closely with their MSPs to formulate their direct sourcing strategies, especially in terms of which job roles direct sourcing is most suitable for in their context and what role the MSP will play, and then designing SLAs, pricing, and other contractual elements accordingly.

### Re-defined scope of contingent workforce

Statement of Work (SoW), or services procurement, is a huge spend category for most enterprises, often larger than the traditional staff augmentation spend. However, a large portion of this spend often slips under the radar and is not visible to enterprises, as it may fall within procurement departments' tail-spend category in organizations that do not have the bandwidth to actively manage it.

MSPs can help organizations gain full visibility into the services procurement spend and help actively manage it end-to-end thereby unlocking significant spend rationalization and positively impacting business outcomes through better access to required skills and the timely and high-quality execution of projects.

Traditionally MSPs have been more focused on headcount tracking and compliance (classification) management within this category of contingent workers. As part of MSP 4.0, with the investment in the right people and digital capabilities, MSPs will support enterprises in end-to-end services procurement management, thereby unlocking significantly more value than previously.






Services procurement process	Value for enterprise
 <p>Headcount tracking and classification</p>	<p><b>Low:</b> takes <b>administrative burden off</b> the buyer's shoulders; provides <b>only administrative cost reduction</b> through more efficient processes (through technology intervention and/or offshoring/nearshoring)</p>
 <p>Procure-to-pay (P2P) and administrative tasks, e.g., billing, payments, RFP administration</p>	
 <p>Source-to-contract (S2C) and strategic processes (provider selection, strategic sourcing, category management, etc.)</p>	<p><b>High:</b> Directly impacts the <b>full services spend</b>, with potential for <b>significant cost savings</b> while enhancing project <b>quality</b> and <b>timeliness</b>, thereby impacting business outcomes</p>

MSPs can bring in the right people expertise (category managers with strategic sourcing expertise) and the right digital capabilities (especially the right analytics tools) to effectively deliver S2C and strategic processes. The combination of the right analytics and strategic sourcing expertise helps to identify the best sourcing strategies and balance the three project aspects – cost, quality, and timeliness – while ensuring that the organization has access to the skills they need as Exhibit 10 shows.

## EXHIBIT 10

### Benefits of analytics and strategic sourcing expertise in services procurement

Source: Everest Group (2021)

Type of challenges	Description	Potential solutions with data
Price comparison 	<ul style="list-style-type: none"> <li>This is the most critical challenge associated with sourcing</li> <li>It is important to look under the hood beyond the overall cost or price of the project to understand what constitutes that cost</li> </ul>	Data can be leveraged for comparison and benchmarking of the overall project price/cost as well as to understand what constitutes that “price” (suppliers’ rate card analytics) <ul style="list-style-type: none"> <li>It is important to track the number of people assigned and the time they spend on the assignments</li> <li>Enterprises need to understand the experience and quality of assigned people to understand how pricing is impacted by it</li> <li>Location of the people (onsite or at an offsite or low-cost offshore location) also has a big impact on the price</li> </ul>
Going beyond “category” management 	While managing services procurement, it is important to go granular into subcategories beyond just categories	As an example, IT is one of the biggest categories in services procurement, but consists of various sub-categories with further subdivisions within them, with widely varying supplier strengths across each (e.g., application services and cloud & infrastructure services with further subcategories within them)
Scope of services 	<ul style="list-style-type: none"> <li>There can be challenges in defining service specifications</li> <li>Intangibility associated with certain services can also be a challenge for enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Creation of a repository of SOW documents for standard services can help in quicker creation of new SOWs</li> <li>Previous SOW documents can be parameterized to allow for quick building of new SOWs</li> <li>Artificial Intelligence (AI) / Machine Learning (ML) can be leveraged to identify deviations from standard terms and the consequent impact on pricing</li> </ul>
Other specifications 	Need for specifications on output/SLAs/KPIs instead of technical measurements	This requires detailed data around various services categories, some of which include the following: <ul style="list-style-type: none"> <li>Benchmark time taken for similar projects</li> <li>Typical ways to measure outcomes (list of commonly used SLAs/KPIs)</li> <li>Identification of SLA/KPI benchmarks that determine “good quality”</li> </ul>
Quality comparison 	<ul style="list-style-type: none"> <li>Involves assessing the vendor/supplier as well as its people</li> </ul>	<ul style="list-style-type: none"> <li>Curation of performance data on suppliers and their people from previous engagements can help with quality comparison – data cutting across companies and labor types (permanent / temporary / Independent Contractors (ICs)) will be more helpful</li> <li>Evaluation of what constitutes “skilled people” – in terms of years of experience, nature of experience, and type of service certifications will help assess quality</li> </ul>

In addition to managing the entire spectrum of contingent workforce categories, a DCP and direct sourcing opens up exciting opportunities to align permanent and contingent talent strategies. MSP 4.0 can help organizations have complete visibility across their entire workforces that enable them to unlock strategic benefits related to total talent management, especially around better workforce utilization, improved demand management, strategic workforce planning, and better alignment with overall business objectives.

## Domain-centric

As MSP 4.0 aims to provide more strategic benefits to organizations, domain expertise (process-based, technology-based and industry / job family-oriented) will be key to success.

Deeper domain knowledge to deliver strategic processes such as consulting/advisory, strategic sourcing in services procurement, strategic workforce planning, employer branding, and diversity strategy design will be important. As the technology landscape becomes more complex and the array of tools to choose from larger, providers will need to bring in the expertise to help curate the most appropriate set to help create an optimal technology ecosystem.

Industry-specific expertise, in terms of the ability to source, screen, and engage the best talent, especially for niche skills and difficult-to-hire roles, will be absolutely critical. As sector-specific nuances increase (such as in healthcare, life sciences, etc.) and talent for various job families resides in different silos, verticalized domain expertise will be increasingly critical to success going forward to understand and solve for the unique issues associated with each sector or job role.

## Diversity, Equity, and Inclusion (DE&I)

DE&I has always been present in MSP, but barring a few enterprises, it has often been a nice-to-have. However, given the global environment, DE&I has become central to organizations' talent strategies. As talent acquisition is vital to building a truly diverse organization, the role of MSPs is more important than ever before.

MSPs can play a critical role in supporting organizations' DE&A initiatives by:

- Benchmarking the current state of the organization's DE&I, in terms of external messaging, integrating it into the employer brand, and tracking the actual state of diversity in the organization
- Advising on the development of DE&I strategy including type(s) of diversity to focus on (gender, racial, veterans, differently abled-people, LGBTQ, neurodiversity, etc.) and an execution roadmap with clear milestones and dates
- Helping measure diversity at various stages of the hire-to-retire lifecycle, during the sourcing, screening, and interviewing stages, as well as in retention and redeployment through detailed analytics
- Helping source diverse candidate slates and identifying/eliminating conscious and unconscious biases
- Working closely with hiring managers to educate them on the implications of their choices on diversity

## Distributed and dispersed talent

As the world moves away from strictly centralized office locations to a more distributed location model, talent sources, too, will become dispersed as talent moves away from concentrated hub locations, especially around Tier-1 cities. As demonstrated during the pandemic, the success of the remote working model removes geographical limitations for some roles, creating nearly unlimited location flexibility. This change not only opens up newer and larger talent pools but also helps with the acquisition of more diverse talent. MSP 4.0 will help organizations to formulate and execute strategies to engage talent across geographical boundaries.

The global preference for Work From Home (WFH) and hybrid (a combination of office-based and WFH setups) models will be equally applicable to MSP service delivery. The existing hub-and-spoke delivery model will evolve to a hub-spoke-edge delivery model, wherein the edge will be leveraged primarily for WFH service delivery. This new hub-spoke-edge delivery model can help MSPs better tap into the domain expertise needed to fulfill the promise of MSP 4.0 in addition to enabling more cost-effective service delivery.

## Development and redeployment of talent

As MSP 4.0 marks a pivot toward talent as the key focus, providers can help organizations manage contingent talent in a much more meaningful way. In an environment in which there is a significant talent demand-supply gap, contingent talent takes the upper hand; this talent will increasingly consider the organizational investments in talent and incentives when considering potential companies to work for.

Organizations will increasingly apply the talent management best practices traditionally reserved for permanent talent to attract and retain contingent talent, including:

- As discussed earlier, organizations will offer contingent talent the same kind of consumer experience they are used to in their personal lives throughout the entire hire-to-retain cycle
- Training and upskilling of contingent workers that enables the individual to land better opportunities and enables organizations to better bridge talent demand-supply gaps
- Leveraging MSP 4.0 to improve engagement with contingent workers in terms of the right benefits and perks, better integration into the organization's culture and overall workforce, and a clear view of career progression, including conversion from contingent to permanent status
- Better redeployment options for contingent workers within the same company or elsewhere through career transition services

## Key implications of MSP 4.0

### The MSP industry is poised for an era of robust growth

We expect the MSP industry to return to robust growth once the pandemic-driven economic uncertainty diminishes. As organizations look to hire talent to build their businesses back, contingent talent and, therefore, MSP is likely to be a logical choice, given the domain expertise providers offer. This option

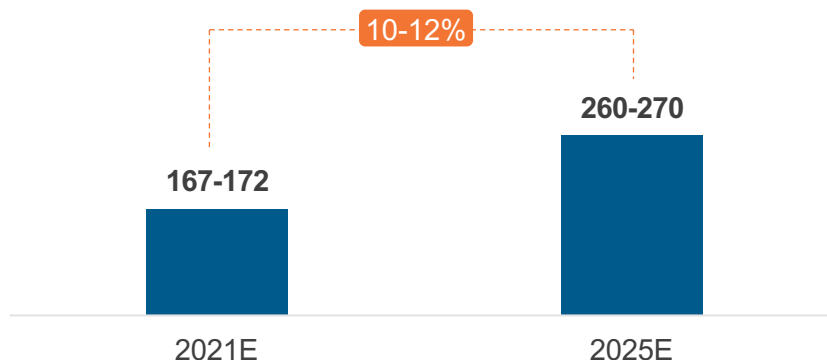
will be especially applicable for those organizations seeking to rejuvenate their contingent workforce programs as well as those that have more recently realized the importance of effectively managing the contingent workforce. The continued, and potentially accelerating, talent demand-supply gap in many roles such as technology and healthcare will also drive greater adoption of the MSP model.

## EXHIBIT 11

### Projected global MSP market growth

Source: Everest Group (2021)

#### Annual spend under management in US\$ billion



The robust MSP market growth will be driven by both first-time MSP buyers from newer industries and mature buyers asking for more strategic services from their providers.

- **New sectors:** Newer industries are opening up to the MSP model due to a variety of reasons. This includes the government / public sector agencies who realized success with outsourcing during COVID-19 for roles such as contact tracing and fast-growing sectors such as digital companies and online retail
- **More disruptive and strategic services:** Many buyers are likely to ask their MSPs for help with disruptive and strategic services such as direct sourcing, end-to-end services procurement (S2C / strategic sourcing / category management) and end-to-end IC/freelancer management including freelancer sourcing

### The nature of engagement between enterprises and MSPs will undergo a fundamental shift

**Aligned to broader outsourcing norms:** As direct sourcing emerges as the model of choice (versus sourcing through staffing suppliers), MSP will slowly evolve from a supplier management-oriented model to a more strategic outsourcing-oriented model that is more aligned to the outsourcing norms of the BPO and RPO markets. The MSPs' responsibilities will include the management of and accountability for the entire contingent workforce hire-to-retain cycle.

Consequently, pricing models may also align more closely with broader outsourcing models, shifting from the unique supplier-funded model to a buyer-funded model through a combination of variable fees (in the form of a percentage of managed spend) and fixed fees (in the form of a monthly management fee).



While the variable fee ensures buyers pay as they consume, the fixed fee ensures some protection for the provider from volume fluctuations and enables it to make the necessary long-term investments into the relationship, leading to a win-win for both parties.

**Execution to orchestration:** MSPs need to have a holistic strategy around the 8D levers as they look to fulfill the value proposition of MSP 4.0 around active contribution to enterprise business outcomes, superior stakeholder experience, and resilience and agility with less risk. The nature of engagement will transform from piecemeal or siloed execution of certain processes to strategic and coordinated orchestration of multiple elements with the ability to fundamentally impact organizations' contingent and permanent talent-related objectives. Moving forward, MSPs will play a larger role in enterprises' HR and talent plans through more interaction with CHROs and other senior HR and business leaders and will have the opportunity to play the role of an orchestrator, impacting business outcomes by becoming more engaged in strategic workforce planning and helping create nimble and flexible workforces that respond in an agile fashion to market shifts.

Consequently, MSPs will play a far more significant talent advisory role, guiding enterprises as talent expectations change, as well as driving / executing those strategies. This involvement can take various shapes such as digital/technology consulting and advisory, skills advisory, location advisory, DE&I consulting, and strategic workforce planning.

**Provider portfolio rebalancing:** As enterprises elevate their relationships with MSPs, they will also reconfigure their provider portfolios with a particular focus on provider rationalization, ultimately having fewer, more strategic relationships for a variety of reasons:

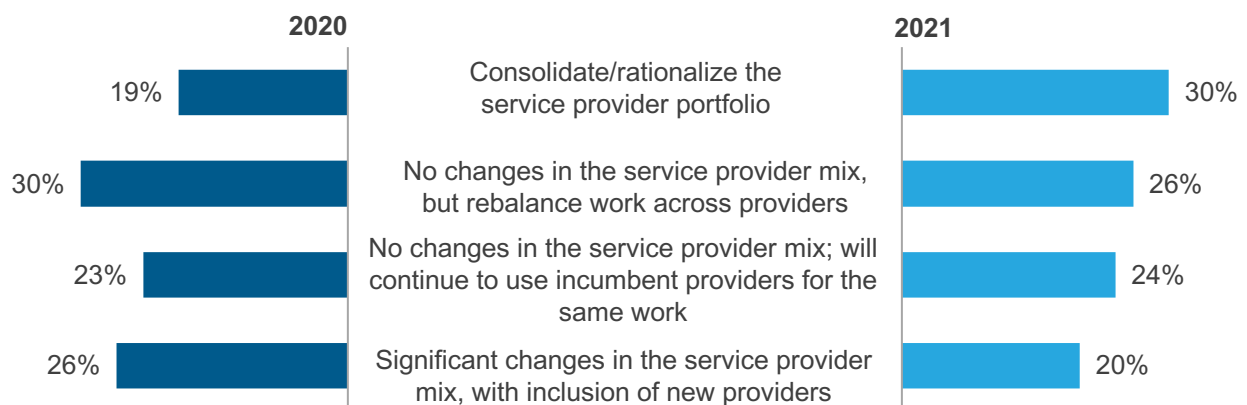
- Better risk management
- Improved visibility across global operations
- Ability to better orchestrate 8D elements and achieve transformation
- Gaining cost advantages

Exhibit 12 offers some details on enterprise provider portfolio strategies.

## EXHIBIT 12

### Provider portfolio strategy (percentage of enterprises)

Source: Everest Group Key Issues Survey, 2019 and 2020



## Technology will take center stage in MSP 4.0 through the use of a Digital Capability Platform (DCP)

Technology leverage through a Digital Capability Platform will have far reaching impact on every aspect of contingent workforce management; the DCP will be the engine that powers the MSP 4.0 enabling levers.

The most transformative aspects of DCP's influence on MSP 4.0 are likely to be its ability to:

- Support a superior consumer-oriented experience for candidates and all other stakeholders through a combination of mobile and cognitive (powered by advanced analytics) tools, and hyper-personalization
- Seamlessly integrate data from a wide array of sources/tools and provide unprecedented analytics-based predictive and prescriptive insights for every aspect of contingent workforce management, no matter how small
- Bring us many steps closer to the long-elusive total talent management by (finally) enabling a comprehensive, combined view of permanent and contingent talent resulting in holistic decision-making across the entire workforce
- Usher in the next wave of exponential efficiencies and cost reductions
- Introduce more flexibility/agility and reduce risk, especially in responding to crises, through much faster and more robust decision-making that is grounded in solid data and analytics

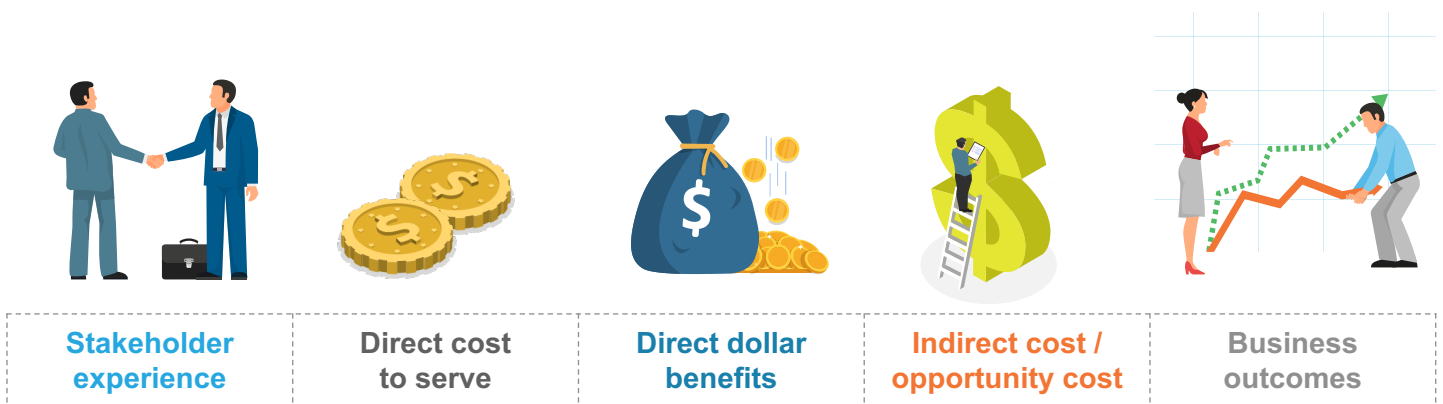
## MSP impact will be measured in a refreshingly more holistic fashion

In the future, enterprises will assess the success of MSP based on more holistic metrics as illustrated in the exhibit below.

### EXHIBIT 13

#### ROI measurement metrics

Source: Everest Group (2021)



## Fulfilling the promise of MSP 4.0

All constituents of the MSP ecosystem need to work together and contribute to fulfill the promise of MSP 4.0 in the next four to five years.



### Talent-related investments

Talent holds the key to achieving the promise of MSP 4.0, and MSPs will have to double down on their talent-related investments across the hire-to-retain cycle, including:

- Making MSP an attractive industry to join for prospective employees through better branding and an improved employee value proposition
- Focusing on continuous, multi-dimensional upskilling and reskilling
- Finding better ways to engage talent in a distributed work environment



### Technology-related investments

As technology is a key ingredient for the future success of MSP, providers will need to have a strategy for continuous investments to keep pace with rapid digital evolution. This strategy will require a flexible and multi-pronged approach, including:

- Making organic investments through the leverage of the right talent ingredients
- Developing a partnership ecosystem
- Being on the lookout for value-adding and complementary inorganic investments



### Industry-mindset transformation

The MSP industry needs to believe firmly in the promise of MSP 4.0 and, accordingly, engender a transformation in mindset at both the organizational and stakeholder levels. This transformation needs to be multi-dimensional in terms of:

- Readiness to embrace new and rapidly evolving paradigms and models
- Repositioning the industry in the minds of clients and employees
- Having a higher risk appetite and following a fail-fast strategy to keep pace with the dynamic business environment



### Co-opetition

Stakeholders in the MSP industry need to work together in the spirit of cooperative competition to achieve what individual organizations alone cannot, especially in terms of working with the government and repositioning the industry in the minds of clients and employees.



### Role of enterprises

Enterprises will need to evolve their organizational mindsets related to contingent labor to take full advantage of the potential of MSP 4.0, which involves:

- Evolving the relationship between the contingent talent management team and broader HR and other organizational functions
- Being open to challenging old norms and embracing newer and more disruptive models

- Leveraging a more comprehensive business case for the MSP model by measuring its impact through more holistic parameters
- Developing a partnership-oriented approach with MSPs, especially in terms of sharing more information, involving them in decision making, and giving them the opportunity to provide more value-added/strategic services



### **Role of government**

The government will have an important role in the future of MSP, including:

- Creating/updating regulations and standards related to the role of technology/AI
- Creating/updating data privacy regulations
- Evolving DE&I policies
- Continuing to invest in skilling and talent building: integrating design thinking into curriculum, domain-specific courses
- Developing a blockchain-enabled national worker/skills database to capture a full overview of the talent market

If all constituents of the market work together, they can help fulfill the promise of MSP 4.0 and solve organizations' talent and talent acquisition-related challenges of the future.



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