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Know how your business **REALLY** works.

# THE DATA ADVANTAGE

## An Enterprise's Guide to Improving External Labor Capacity

*Achieve significant cost savings and improve decision-making with
an automated workforce analytics platform for the contingent workforce*

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**WHITE PAPER**

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# The Future of External Workforce and Supplier Relationship Management

No business can go it alone. Enterprises rely on suppliers to provide external labor and contingent workforces and/or to complete project-based, capacity-based, or outcome-based projects across a host of business needs.

These supplier relationships enable organizations to obtain business-critical skills and services, which they may be unable to perform with in-house resources. Furthermore, sourcing external labor or fully outsourcing the responsibility can improve the quality of the output, save time and money, reduce risk, and free up internal teams for other projects.

**But most enterprises have little if any visibility into the actual work being done by contracted resources making project management, planning and forecasting, and supplier negotiations incredibly challenging.**

There is a better way. Visibility and transparency are possible.

By modernizing your approach and adopting a workforce analytics solution to optimize your external labor you can unlock a host of benefits, from enhanced clarity of decision-making to massive cost savings. In fact, Sapience has helped its customers better manage their time and material (T&M) contingent labor by revealing the gap between self-reported timecards and actual time worked.

**Enterprises can hold their suppliers accountable to submit accurate timecards and save 30% or more within three months of deployment. We will also:**

+ Break down the benefits of a data-driven, transparent approach to external labor management

+ Share advice for choosing the right technology solution for your enterprise

+ Introduce you to Sapience transparenSEE, a software as a service (SaaS) platform that when deployed in your environment automatically collects unbiased external workforce meta data to enable clients to reduce spend, drive efficiency, improve decision-making, and much more.

## The Downsides of the "Trust Me" Ecosystem

# 01

Today's tight labor market can make hiring challenging and costly. The problem is exasperated by the rapid pace of technological advancement leaving many companies playing a game of catch-up when it comes to obtaining the necessary skills to stay competitive.

A growing number of enterprises are turning to external labor to fill the gaps, with 86% of executives saying effective management and orchestration of external contributors is critical to their organization's performance, according to the 2022 Global Executive Survey by MIT Sloan Management Review and Deloitte.

However, that same study finds only 33% of organizations feel sufficiently prepared to manage external contributors.[1]

**One massive challenge is lack of visibility. Whether partnering with a managed services provider (MSP) to source resources through its employee base or network of suppliers, or sourcing directly with a supplier for project work, most enterprises have little visibility into the day-to-day work time activities from the contracted resources.**

# 34% INCREASE

in global contingent workforce participation in 2024

# 25% INCREASE

in global contingent workforce participation in 2025

**Source: Eightfold AI[2]**

## Lack of visibility leads to overpayment

Enterprises rely on their MSP(s) to provide weekly timecards that document the hours worked by the MSP's T&M resources. These timecards are based on the workers' self-reported time that is customarily unvalidated by the MSP. In other words, the MSP simply relays the time that the workers have entered as billable work time. The result is a one-sided, "trust me" model, in which a supplier generates invoices based on workers' self-reported time, and the customer—the enterprise—accepts the invoice, with limited means to validating the actual time worked.

These timecards are generally submitted via a vendor managed software (VMS), such as Coupa, SAP Fieldglass or Beeline. Managers within the enterprise are expected to review and approve these timecards. But without a tool for validating actual work time versus MSP/supplier hours submitted through the VMS, managers are unable to identify gaps in self-reported time and actual work time being invoiced or spot errors that can lead to inaccurate invoices and ultimately overpayment. **Too often, emboldened suppliers exploit their client's control point weaknesses and reward their economic models by submitting unverified self-reported timecards to their clients and invoicing at the highest levels contractually allowed.**

# $171.5 BILLION
### The value of the global contingent workforce management market in 2021

# $465.2 BILLION
### The projected value of the global contingent workforce by 2031

# 10.5% CAGR
### Growth from 2022 to 2031

## Other types of external labor contracts lead to similar challenges

Lack of visibility is a costly challenge when enterprises partner with suppliers to perform project-based or capacity-based work. In this model, a company pays a set amount for an agreed level of supplier-provided labor capacity to complete defined tasks. Limited visibility into the actual work being done by the supplier makes it challenging to dispute supplier requests for change orders.

The truth is few projects are completed on time and on budget. Large IT projects for example, run an average of 45% over budget and 7% over time, according to a study by McKinsey and the University of Oxford.[4] While many factors can contribute to budget and timeline changes, a common reason, and one the suppliers may fail to acknowledge, is that the supplier-provided resources are underperforming. Most supplier customers are unable to identify or prove this possibility due to lack of data. Thus, they are unable to defend themselves against unfair change orders. They are also unequipped to negotiate future contracts or make informed decisions about partners moving forward.

## Reality Check

**Suppliers are motivated to protect their margin. When projects are delayed or over budget, suppliers issue change orders based on the supplier's view into the causals. They customarily fail to account for the role of their own resources. Automatically collected external workforce data levels the playing field and allows enterprises to enter contract discussions more informed and with an ability to reduce the cost impact of supplier-presented change orders.**

## A Better Way: Greater External Labor Visibility Creates Profound Advantages

# 02

There is an alternative to the lack of transparency: an automated, metadata-based approach to tracking and quantifying work performed by external labor to achieve true visibility and unlock valuable insights.

For most companies, this concept of collecting and leveraging workforce metadata will align with their company-wide focus on data utilization. Organizations whose employees consistently use data for decision-making are nearly 1.5x more likely to report revenue growth of at least 10 percent in the last three years, according to a study from McKinsey.[5]

**It's reasonable to conclude that using data to inform decisions about your external labor suppliers leads to tangible business advantages, as well, and bolsters a strong data culture.**

Today's companies have an exciting opportunity to improve decision-making about external labor resources by adopting tools for automatically collecting data and surfacing actionable insights. A simple and cost-effective tool is a workforce analytics platform designed for external labor capacity management.

**The high-level benefits of deploying an external labor capacity management solution such as Sapience transparenSEE include:**

**+ Achieve cost savings**
Surface data insights on discrepancies to inform negotiations with suppliers and achieve massive cost savings. Sapience transparenSEE customers typically realize savings and/or rebates of 30% or more in as little as three months.

**+ Better understand your workforce strategies**
Access business intelligence to help you understand the true return on investment (ROI) of your external labor. Use this information to establish a clear understanding of which suppliers are best for your enterprise workforce strategy.

**+ Level the playing field in negotiations**
Improve your ability to negotiate effectively with your partners. Come to the table armed with unbiased data and insights about the realities of work performed.

**+ Optimize productivity and efficiency**
Ensure suppliers are providing the right workforce, meaning they have matched the right worker and skills with the right tasks, to drive project efficiency. If a project is falling behind or creeping over budget, recognize the warning signs in advance so you can course-correct or plan accordingly.

**+ Obtain clarity in your decision-making**
Data-driven organizations are 3X more likely to report significant improvement in decision-making.[7] In the context of external labor capacity management, reliable data increases the accuracy of your forecasting and enables teams to make clear decisions about labor needs and workforce planning. You will also have the data to improve supplier accountability and choose the best supplier/external labor provider for your needs. Sapience transparenSEE, for example, includes vendor performance metrics that inform procurement decisions.

**+ Reduce business risks**
Easily validate who has access to critical or sensitive applications and identify potential security risks so you can implement stronger compliance controls, as needed.

*Prediction: By 2025, nearly all employees, across every level of an organization, will use data to support their work and improve decision-making.*

**(Source: McKinsey, 2022)[6]**

# The benefits of an external workforce analytics platform across four common commercial arrangements



## T&M-BASED CONTRACT

The supplier invoices the customer based on timecards submitted by vendor-supplied resources, e.g., contractors, freelancers, contingent workers.

Using a workforce analytics platform for external labor management, the big-box retailer enables its managers to achieve accurate three-way matching between the provided timecards, the actual time spent by external workers, and the project agreement. TransparenSEE customers typically uncover at least a 30% gap between the supplier's timecards and the work time reality. By holding suppliers accountable for these gaps, enterprises achieve significant cost savings, for example, through supplier rebates and adjustments to future contracts.

## SOW-BASED CONTRACT

The supplier invoices the customer for an agreed price for a determined scope of work. Invoicing occurs when the project is done or at project milestones.

Seldom are projects completed on time and on budget. A key reason why is that supplier resources are working less than a full day. Achieving visibility into what external labor resources are doing (or not doing) enables the customer to mitigate the risk of a change order from the supplier, who will likely try to cover its costs by charging more.

## LABOR CAPACITY-BASED CONTRACT

The supplier invoices the customer at an agreed interval, such as monthly, for an amount that reflects the provided labor capacity needed to complete defined tasks. If the scope of work changes, the supplier issues a change order to adjust the price.

With access to reliable workforce data, the customer can determine how much time tasks actually take and potentially negotiate a better contract price and/or terms based on the actual number of resources and the time they are truly working. The customer can also mitigate the risk of an unnecessary change order using reliable data on external labor activities.

## OUTCOMES-BASED CONTRACT

The customer contracts the supplier for defined outcomes at an agreed price. The supplier assumes the risk of delivering the outcomes, independently determining the resource level needed to deliver the contracted outcomes. If the scope of work changes, the supplier issues a change order to adjust the price.

With increased visibility into the time spent by supplier resources, the customer has a true understanding of its needs, and the output required by the supplier to meet them. This knowledge allows the customer to improve contract negotiations, identify potential cost-savings opportunities, and protect against unnecessary change orders from the supplier.

# Choosing the Right
## Solution for Your Enterprise

# 03

**Workforce analytics platforms vary. Companies should consider criteria beyond just cost when evaluating a potential workforce analytics platform for increasing external labor visibility.**

Considerations include:

+ Quality of the data and data sources

+ Ease of use

+ Specific use cases and whether the solution fits those needs

+ Visualization and reporting capabilities

+ Privacy and security

+ Integration / interoperability

+ Time-to-value / expected ROI

+ Deployment and onboarding process

+ Technical requirements

**Important questions for a potential workforce analytics partner**

+ Could you provide a product demo? How about a proof of concept?

+ How do I know the data is dependable and unbiased?

+ What data sources does your platform pull from and how often?

+ How does your platform obtain, structure and store the data?

+ Does your solution integrate with the systems and tools my company is currently using?

+ Does your solution include visualizations and reports so I can quickly and easily glean insights from our data?

+ What is the onboarding process like? How long will deployment take and what support/resources will I have access to?

+ What are the prerequisites and/or tech requirements for launching your platform?

+ What happens if I have a question or problem? How do I get support?

+ Will the platform slow down internal or external teams or negatively impact them in any way? What risks are associated with your solution?

+ What steps are you taking to protect people's privacy and keep data secure?

+ Does your system comply with relevant, evolving data privacy laws?

+ Do you have experience working with companies of my size and/or in my industry?

+ What is the average time-to-value of your platform? What is the average ROI/cost savings generated by your solution?

*Quick tip: A workforce analytics platform provider should be able to provide you with a low risk evaluation period — a chance to test the solution to determine the potential value for your organization.*

## About Us: Optimize Your External Labor Capacity and Save Millions with Sapience TransparenSEE

# 04

Sapience Analytics was founded in 2009 to address a true need: the need to know how your business really works. Today, Sapience Analytics is a global leader helping enterprises optimize capacity management with automated workforce analytics offerings for the new era of work.

For 15 years, Sapience Analytics has helped enterprise companies navigate shifts in their business and the market with intelligent workforce insights to increase efficiency, optimize capacity, and reduce costs of external labor. The leadership team consists of executives who intimately understand both sides of the customer-supplier relationship, having held executive roles at top suppliers, as well as enterprises. The enterprise workforce VUE® offering and contingent workforce transparenSEE™ offering provide organizations
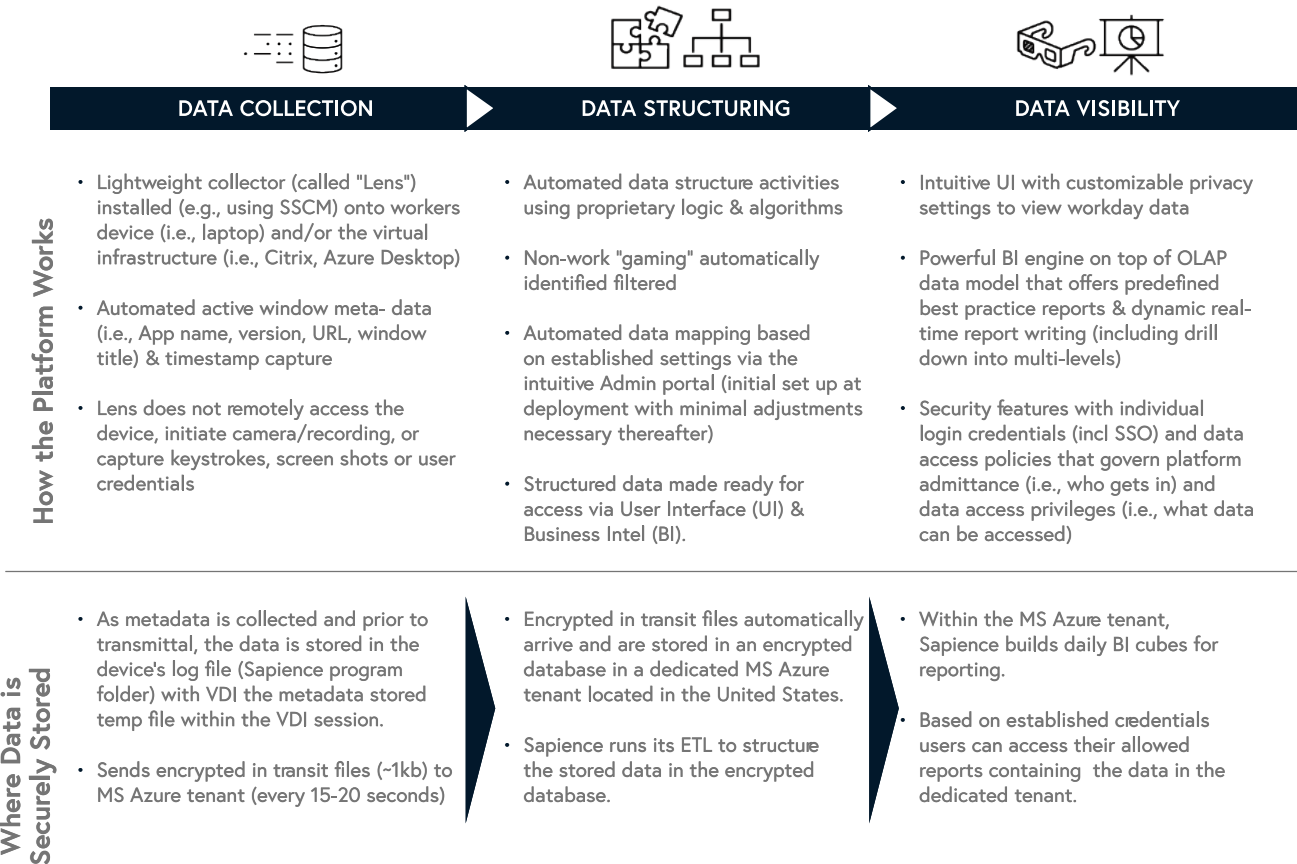
with a value that cannot be overstated: clarity in decision-making.

**About Sapience transparenSEE: A leading external labor capacity management SaaS platform**

Through automated data collection and data integration, Sapience transparenSEE makes resource-level work activities that would otherwise be unseen become visible. The modern business intelligence (BI) and analytics enable in-depth reporting and interactive visualizations that reveal opportunities to transform your company's human capital spend.

# HOW THE PLATFORM WORKS

## How the Sapience Platform Works & Where Data is Securely Stored



| | DATA COLLECTION | DATA STRUCTURING | DATA VISIBILITY |
|---|---|---|---|
| **How the Platform Works** | • Lightweight collector (called "Lens") installed (e.g., using SSCM) onto workers device (i.e., laptop) and/or the virtual infrastructure (i.e., Citrix, Azure Desktop)<br><br>• Automated active window meta- data (i.e., App name, version, URL, window title) & timestamp capture<br><br>• Lens does not remotely access the device, initiate camera/recording, or capture keystrokes, screen shots or user credentials | • Automated data structure activities using proprietary logic & algorithms<br><br>• Non-work "gaming" automatically identified filtered<br><br>• Automated data mapping based on established settings via the intuitive Admin portal (initial set up at deployment with minimal adjustments necessary thereafter)<br><br>• Structured data made ready for access via User Interface (UI) & Business Intel (BI). | • Intuitive UI with customizable privacy settings to view workday data<br><br>• Powerful BI engine on top of OLAP data model that offers predefined best practice reports & dynamic real-time report writing (including drill down into multi-levels)<br><br>• Security features with individual login credentials (incl SSO) and data access policies that govern platform admittance (i.e., who gets in) and data access privileges (i.e., what data can be accessed) |
| **Where Data is Securely Stored** | • As metadata is collected and prior to transmittal, the data is stored in the device's log file (Sapience program folder) with VDI the metadata stored temp file within the VDI session.<br><br>• Sends encrypted in transit files (~1kb) to MS Azure tenant (every 15-20 seconds) | • Encrypted in transit files automatically arrive and are stored in an encrypted database in a dedicated MS Azure tenant located in the United States.<br><br>• Sapience runs its ETL to structure the stored data in the encrypted database. | • Within the MS Azure tenant, Sapience builds daily BI cubes for reporting.<br><br>• Based on established credentials users can access their allowed reports containing  the data in the dedicated tenant. |

# Real-world Outcomes

## 05

**Let's take a look at three case studies that illustrate the potential cost savings you could realize by deploying Sapience transparenSEE to increase external labor visibility.**

### Leading U.S. bank saves $6.8 million in outsourcing costs

#### The challenge

Our client, a top 10 U.S. commercial bank, wanted visibility into the daily effort of T&M workers. Vendors submitted time reports, but the bank was unable to verify their accuracy. When operational performance goals were missed, vendors recommended hiring more workers—and decision-makers were unable to determine whether more hiring was justified.

#### The solution

The bank deployed Sapience transparenSEE to achieve real-time visibility into the daily work of their outsourced teams. Managers were able to see:

+ The number of people logged in and working each day

+ The number of hours the team worked

+ The time spent working on core tasks and engaging in meetings and communication while using work-related applications

Using this data, business leaders re-negotiated contracts, avoided unnecessary hiring, and eliminated software costs. As a result, they achieved millions in savings. Initially, our client implemented Sapience across a team of approximately 4,000 users. After realizing how they could make confident decisions with the right insights, they expanded to 6,800 users, then to an enterprise-wide license agreement.

## $6.8 MILLION
[ COST SAVINGS ]

### Fortune 500 company saves $12 Million in outsourcing costs

#### The challenge

A Fortune 500 financial technology company suspected that it was being overbilled for their outsourced teams but lacked proof. They needed a way to verify how many workers logged in each day and the number of hours worked.

#### The solution

The company deployed Sapience transparenSEE across an external labor force consisting of more than 2,500 people. Workforce data collected quickly revealed that only 30 percent of workers logged in each day. The company approached its vendor with this evidence and received $12 million in returned funds within just six weeks.

Bolstered by this success, the company deployed Sapience VUE across its internal workforce to measure productivity. Using Sapience data, the company set goals for improvement and successfully increased productivity by an average of 1.5 hours per employee, per day.

## $12 MILLION
[ COST SAVINGS ]
1.5 hr increase in productivity

### Global bank reduces external labor costs by $18 million

#### The challenge

Our client, a global bank, was concerned that its vendors who were self-reporting hours were overcharging. The bank wanted to validate work activity against invoiced hours, identify opportunities for cost savings, increase productivity, and improve external labor capacity management.

#### The solution

The bank deployed Sapience transparenSEE across a contingent workforce of approximately 6,000 workers. In a three-month timeframe, the organization recouped approximately $18 million in excess spending. Based on the workforce data automatically collected from Sapience, the bank re-structured outsourced contracts for future work arrangements.

## $18 MILLION
[ COST SAVINGS ]

## Conclusion

# 06

### Welcome to the Future of External Labor Capacity Management

Despite the data revolution, enterprises continue to rely on outdated, inaccurate external labor processes, in which they accept supplier timecards and invoices at face value.

By deploying an automated, unbiased workforce analytics platform for external labor capacity management, companies improve decision-making, level the playing field in negotiations, and literally save millions. To ensure your company reaps the most value possible from a workforce analytics platform, consider key criteria when evaluating solution-providers, including data sources, ease of use, technical requirements for deployment, integration with your existing systems and processes, data

visualization capabilities, and security and privacy features.

Sapience transparenSEE is one of the fastest-growing workforce analytics solutions because it is cutting-edge, easy to deploy and integrate, and highly secure. When working with Sapience transparenSEE, enterprises realize savings and/or rebates of 30% or more in as little as three months.

They also access business intelligence that helps them understand suppliers, increase external workforce productivity, and improve their ability to leverage suppliers and contingent workforces as an effective business strategy.

# READY TO MODERNIZE YOUR APPROACH TO PARTNERING WITH CONTINGENT WORKFORCES + SUPPLIERS?

## CONTACT US TODAY AT MARKETING@SAPIENCENALYTICS.COM

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