

Talent-as-a-Service: How to Navigate the New Workforce Ecosystem

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Introduction

Our employment model is undergoing a seismic shift: In the U.S., 34 percent of the workforce are now working as freelancers.¹ And, at a global scale, the contingent staffing market is valued at US\$422 billion in sales.² Our current processes, systems, and siloed operations are not suited for managing the large increase in the free agent workforce. This article will attempt to bring transparency to this complex topic and provide tactical tips so organizations can build a scalable approach enabling them to create competitive advantage by efficiently and effectively attracting, recruiting, analyzing, and managing their extended workforce.

A global increase in the contingent and freelance workforce is fueled by economic uncertainty, advancements in virtual collaboration technology, skill shortages, the sharing economy, as well as Millennials' expectation of a more flexible employment model. These challenges demand that we rethink the total talent pool available to an organization. Companies are increasingly hiring just-in-time workers, and talent is marketing their services to multiple employers at once. We call this phenomenon *Talent-as-a-Service* (TaaS), and it is one of 10 talent trends we identified as critical for 2014 and beyond.³

Organizations are experiencing an evolution from the initial stages of the extended workforce model (which was mainly concerned with cost-cutting) to a far more strategic position.

According to a recent Accenture study only 39 percent of executives stated cost savings as a primary benefit of an extended workforce strategy. Two-thirds (64 percent) of respondents cited the ability to flexibly adjust to changing demands for skills as a key benefit of using project-based workers, and 48 percent rely on this workforce to quickly supplement internal skills gaps.⁴

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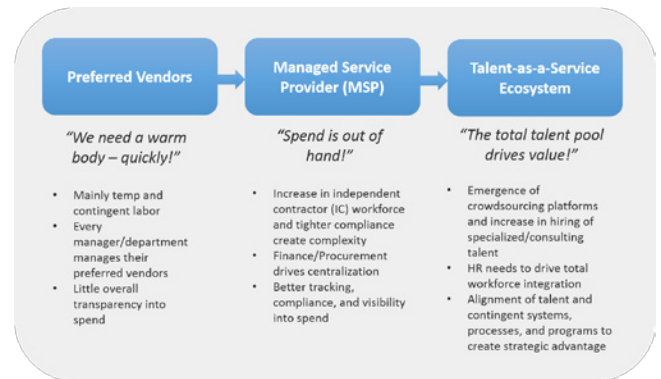


Figure 1. The Evolution of the Talent-as-a-Service Ecosystem.

Growth in the free agent workforce-related vendor, compliance, and technology landscape will require organizations to scale processes and structures to support the attraction, recruitment, management, and analysis of this talent pool.

This means closer collaboration between HR, Procurement, Legal and IT, as well as taking a data-driven approach to evaluating alignment opportunities.

According to a recent study conducted by the Human Capital Institute, business leader satisfaction levels were significantly higher among organizations with standardized tools and processes to manage contract talent and among those that were able to identify the highest-performing contractors.⁵

Based on our client work and research around the TaaS trend, we have compiled a few lessons learned for how to get started with creating standardization:

Lesson #1: Identify your key stakeholders and their sense of urgency early in the process. These leaders are the ones who will need to reinforce any new processes, so if they are not fully on board you'll have a problem. Gather data and get clarity on the following questions to identify and influence key stakeholders:

- Which departments, business units, and functions are frequent users of the free agent workforce?
- How important are process improvements in this area to their leadership team?
- What are their key pain points with the current process?
- What other strategic initiatives does this effort align to?
- Is this the right timing for a comprehensive overhaul considering other business priorities?

Lesson #2: Form a cross-functional project team to craft the business case.

Combine the financial and analytical skills of Procurement, the HR experience of the Talent Acquisition team, and the operational perspective of key customers and you will be on track to comprehensively identify qualitative

and quantitative business case levers. Make sure to review the business case with Finance – every organization has a slightly different perspective on what would be considered as valid drivers of a business case. Table 1 showcases sample levers for a managed service provider (MSP) implementation:

Lever	Description	Calculation
Rate Standardization	Ensuring a set of universal terms and conditions with suppliers. Consistent bill rates, mark up, conversion rates, pay policies.	Volume Price Analysis (individual rate of agency x volume)
Discounts	Various supplier discount opportunities – local and nationally leveraged.	“Volume allowance”
Lost Revenue	Reducing individual candidate sourcing and hiring cycles. Increased fill and time to fill by selection of the “right” supplier base.	Average revenue per employee x retention rate
“Renegade” Spend	As part of the introduction of the MSP policies will be created that provide guidelines for use of internal TA resources vs. external staffing agencies.	Reduction in \$ spent on third party staffing
Productivity	Increased productivity from contingent labor through supplier score-carding and management as well as contingent worker management.	Reduction in ramp up time
Turnover Cost	Reduction in turnover and associated cost.	% of budget allocated to recruiting and training

Table 1. Sample Business Case Levers for an Managed Service Provider (MSP) Implementation.

Lesson #3: Take your time to tease out the business impact.

In our experience, most organizations don’t have great visibility into their contract workforce. Don’t underestimate the time that it will take to identify various categories of spend, e.g., temporary workers, independent contractors, consultants, offshore workers, data compilation, and answering even simple questions. The story that will emerge from the data is most likely worth the effort. The surprisingly high variance of temp agency markup rates and the black hole of the independent contractors (ICs) are just a couple of examples of some of the findings you may uncover.

Lesson #4: Keep the CFO and CHRO in the loop.

The more you dig into the data, the more inconsistencies and opportunities for improvement you will find. Keep key executives informed and ask for guidance as the implications of your findings may be larger than initially expected. Make sure both sponsors know that the Procurement and Talent Acquisition teams are collaborating and all recommendations are co-created.

Lesson #5: Evaluate Managed Service Providers (MSP) and Vendor Management Technology (VMS) as a team.

In order to support scaling of your free agent workforce

activities you want to consider consolidating your various suppliers through a MSP supported by VMS. Staffing Industry Analysts provide a good overview of the various MSP/VMS programs and vendor landscape. Procurement should take the lead in facilitating the vendor and technology selection process. Talent Acquisition, IT, and other key stakeholders provide input and evaluation with a weighted ranking scorecard.

Criteria	Definition	Vendor 1	Vendor 2	Vendor 3
MSP Provider				
Delivery Team	The quality of the on-site MSP team as well as their ability to adjust staff to flexing needs	5	3	4
Pricing	The cost deferred to staffing suppliers and level of flexibility in pricing model	2	1	1
VMS Tool				
Functionality	User friendliness and ability to interface with company systems and provide custom reporting	4	2	3
Client Volume	Total number of clients subscribed to the VMS	3	5	1
Transition				
Change Management	Level of confidence in change management capability and support	1	4	2
Risk to Operations	Risk level assessment of current supplier disenfranchisement and of impact to business continuity	5	3	5
Business Case				
Potential Savings	Projected savings range and stated commitment to year over year savings	2	1	4
Candidate Quality (SLA)	Evidence of successful SLA metric management focused on key metrics and implementing contingent labor management best practices.	4	5	1

Table 2. Sample MSP/VMS Vendor Selection Scorecard Criteria.

Lesson #6: Assess whether your organization has the skills to manage contract talent.

Take an honest look at the skills available in your organization – this emerging field requires knowledge at the intersection of procurement/vendor management, recruiting, compliance and analytics. Do you have the skills and experience necessary to manage the complexities of a free agent workforce program? If not, what kind of training can be provided, e.g., Staffing Industry Analysts’ Contingent Workforce Professional Certification? What external partners will you need to complement your team with, e.g., independent contractor engagement specialists?

Lesson #7: Clearly define future processes and accountabilities.

In order to run a successful extended workforce program beyond the project, you want to map out the new process and clearly identify accountability for each step. Key questions to answer:

- Who will be accountable for:
 - Creating policies and guidelines;
 - Monitoring compliance/co-employment risk;
 - Defining and quantifying demand of the free-agent workforce;
 - Defining position requirements;
 - Managing vendors;
 - Tracking and managing costs; and,
 - Reporting to leadership on key metrics?
- How will you measure success, e.g., business case goals, hiring manager satisfaction, supplier performance, contingent workforce performance and satisfaction?

- How will new processes and policies be enforced?

Lesson #8: Create a comprehensive transition and change management plan.

It is critical that key stakeholders understand the benefits of the program, (i.e., meeting of hiring demand in a sustainable manner, alleviation of administrative burden, creation of better controls) and learn how risks, i.e., business disruption, will be mitigated. Ensure that hiring managers understand how to get trained and how to provide feedback about the new process. Feature success stories and leverage executive messaging to incentivize adoption. Use the power of better reporting to showcase how much savings were accomplished or how quality was improved.

Lesson #9: Pilot your new approach.

Pick the area with the least impact or the client with the most urgent need as a pilot, learn from initial mistakes, gain support and endorsements, and move on to other areas.

Conclusion

Shifting towards an integrated Talent-as-a-Service organization is essential for most organizations, but it is no small feat. Getting ahead of the curve by starting to set the stage now is critical. Here is a quick readiness check list to help get you started:

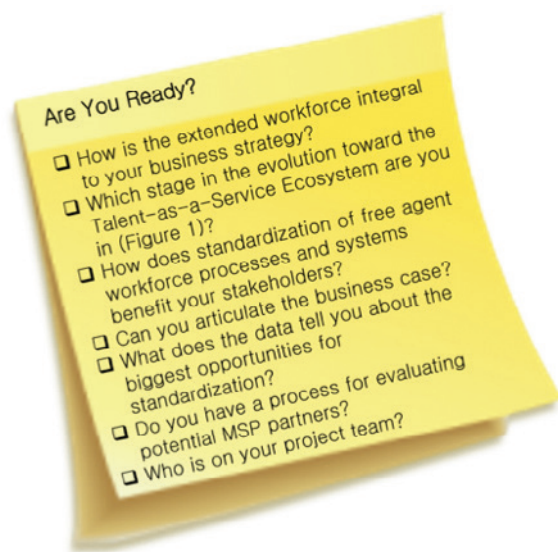


Figure 2. Quick Readiness Check List.

Endnotes

- 1 Freelancers Union, Elance/oDesk, “Freelancing in America: A National Survey of the New Workforce,” p. 3, September 2014, (https://fu-web-storage-prod.s3.amazonaws.com/content/filer_public/7c/45/7c457488-0740-4bc4-ae45-0aa60daac531/freelancinginamerica_report.pdf)
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- 4 David Smith, David Gartside, Colin Sloman, Breck Marshall, “Managing the extended workforce: A skills strategy for business agility,” Accenture Outlook Point of View, pp. 1-2, March 2014. (<http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Outlook-Managing-the-extended-workforce-talent.pdf>)
- 5 Alan Mellish, Amy Lewis, “When Worlds Collide: Procurement and HR Managing Contract Talent,” HCI Research, p. 21, 2013. (http://www.hci.org/files/field_content_file/AGS%20Research%20Paper_040114.pdf)
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FURTHER READING

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About the Author



Nicole Dessain, M.A., PMP, CPT is the founder of talent.imperative, a next generation talent management consultancy that guides our clients in surfacing their most pressing talent questions, crunches data to answer them, and customizes solutions to realize value through talent. Dessain is an Accenture-trained consultant and talent management practitioner with over a decade of global experience advising HR and business leaders on their talent strategy and people programs. She is dedicated to sharing her passion for talent insights with the HR and business community by serving as speaker, writer and trainer. She published the innovative white paper talent.trends 2014, and is a co-author of Springer’s upcoming *Handbook of Human Resources Management*. She holds a master’s degree in International Information Management from the University of Hildesheim, Germany. She can be reached at nicole@talentimperative.com.