



The Future of Work

Winning With a Flexible Workforce

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CATALANT

EXECUTIVE SUMMARY

Capitalizing on the new world of work requires new mindsets and capabilities.

- Digital disruption is forcing companies to think about talent in radically new ways. Even the longest-lived brands are finding that new technologies and changing consumer preferences have compelled them to access talent in ways that were unrecognizable a decade ago.
- Companies will not succeed in today's rapidly changing business environment if they rely solely on full-time employees. Companies must now focus less on the fixed supply of in-house people and more on the capabilities they need to get work done. Those that are able to easily access and manage skilled, independent workers will be able to unleash fresh energy and thinking inside their organizations.
- Flexible talent-access platforms are enabling this new world of work, making it easier than ever before to bring in the right skills for the right project at the right time. These platforms can connect highly skilled people with the companies that need work done.
- But making the most of flexible talent-access platforms is not as simple as adding a solution into an existing organization. Organizations must be built with this new world of work in mind. Old ways of thinking and working designed to support an internal-only workforce need to change. Winning in the future will require a rigorous approach to accessing and managing independent workers.

THE ORGANIZATIONAL MINDSET OF THE FUTURE

It's a fact: Most great people, ideas, and capabilities lie outside the walls of any individual organization. Companies will simply not succeed in today's rapidly changing business environment if they rely only on the relatively small number of people who happen to wear that company's employee badge. Organizations need to develop an "outside-in" lens on talent.

Many organizations still look at talent the old-fashioned way: a job description, a search, an internal hire for a full-time position. Increasingly, however, smart executives are viewing talent as a much more flexible and connected resource. For a particular deliverable, need, or project, their default way of thinking focuses less on the fixed supply of in-house people who can handle the work and more on the capabilities they need to get the work done and how they can best access those capabilities.

Companies that adapt to this new mindset will be able to take advantage of capabilities wherever they are located. They will access new markets more readily than in the past. They will enjoy newfound agility in seizing strategic opportunities. They will quickly tap into new ideas and unleash fresh energy and thinking inside their organizations. In short, they will win. Those companies that don't capitalize on changes in the workforce will miss out on new opportunities, take too long to seize existing opportunities, and ultimately fail to innovate.

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Companies that adapt to a new mindset will enjoy newfound agility.

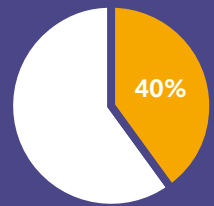
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But making the most of these platforms — and the promise of unconstrained access to capabilities that they provide — is not as simple as bolting a solution onto an existing organization. Organizations must be built with the new world of work in mind. Old mindsets, policies, and procedures that enable an internal-only workforce need to change. Winning in the future will require a deliberate and systematic approach to this challenge.



THE NEW WORLD OF ON-DEMAND TALENT

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Independent work is no longer confined to certain professions like writing, accounting, and graphic design. Now a range of highly qualified and specialized workers are finding it attractive to work whenever and wherever they want. These elite workers are experiencing many of the same privileges that freelancers have long enjoyed: increased flexibility, more dynamic work lives, higher take-home pay. And in turn, many large companies are seeing the advantages of accessing this on-demand talent pool whenever and wherever they want.

Researchers have looked at the size of the independent workforce in different ways. The U.S. Government Accountability Office estimates that 40% of the workforce has contingent jobs — defined as those workers without traditionally secure jobs, such as freelancers, temps, and contract workers.¹ Today, one-third of the U.S. workforce does some freelance work, according to a survey commissioned by the Freelancers Union and Upwork.² An Intuit study estimated that, by 2020, 40% of American workers, or 60 million people, will work independently.³

Economists Lawrence Katz and Alan Krueger found that American workers in alternative work arrangements, including temp workers, increased by 9.4 million from 2005 to 2015, or a 67% jump.⁴ Significantly, that's the entire net growth in employment over that period.

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Independent workers represent 22% of the workforce of the 200 largest companies, according to a survey by the Aberdeen Group.⁵ Half of executives plan to increase their use of freelancers over the next three to five years, according to Deloitte.⁶ Nearly a third of HR professionals surveyed by PwC plan to hire

a diverse mix of people on an affordable, ad hoc basis based on the concept of working multiple part-time jobs in a “portfolio career.”⁷

A growing number of independent workers are highly qualified, often highly experienced professionals like business consultants, marketing executives, financial experts, and lawyers. Many are people in or nearing retirement, as well as people who want to enjoy more control over their lives and take advantage of new and interesting opportunities. Twenty-nine percent of employees in China, Germany, India, the U.K., and the U.S. surveyed by PwC want the chance to take control of what they do, and when they do it.

Independent professionals are increasingly being engaged to do strategic, high-value-add work requiring deep expertise. Realistically, the key experts that many companies need to remain competitive are unwilling or unable to work in many standard corporate settings. They can also be called upon to staff high-level projects that were previously too expensive to hire employees to work on full-time. These workers often want more flexibility for themselves than traditional employees. A *Harvard Business Review* article labeled these workers “supertemps.”⁸ As far back as 2002, author Daniel Pink talked about them as members of “Free Agent Nation.”⁹

Many of these workers are also millennials, born after 1982, by most estimates. By 2020, millennials will account for half of the workforce, according to PwC.¹⁰ They change jobs frequently, every three years on average. They have different goals, such as greater flexibility and less rigid workplaces. At the same time, and for the first time, five generations are working together. As the workforce ages, companies will need to get organized and creative about how they continue to tap into this highly experienced population.

Companies are accessing the supply of independent workers because of challenges they face in finding the talent they require. They are also responding to rapid changes in the workforce. Forty percent of U.S. companies can’t fill the positions they need, estimates the McKinsey Global Institute.¹¹ Analytical, engineering, and management roles are the hardest to fill. By 2025, 2 million manufacturing jobs will go unfilled, according to a study by the Manufacturing Institute and Deloitte Consulting.¹² The Boston Consulting Group found that labor shortages will be common across 25 major economies from 2020 through 2030.¹³ As a result, \$10 trillion in GDP will be lost because companies cannot fill the jobs available or create enough jobs for their workers. Rising to meet these challenges are flexible talent-access platforms that connect individuals with independent work opportunities. Some are quite specialized, connecting highly qualified and skilled workers with corporate projects. And they are growing rapidly. Up to 540 million people could benefit from these platforms by 2025, estimates the McKinsey Global Institute, generating up to \$2.7 trillion in economic impact — equal to the GDP of the U.K. — and an improvement in company profit margins by up to 3%.¹⁴



THE ORGANIZATIONAL SHIFT REQUIRED

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Companies traditionally have not built themselves to take advantage of highly skilled independent labor. Few have fully engaged with the new world of work described in this report.

Using independent workers can feel complicated and onerous. Managers aren't sure they can find the quality they need from external workers. They believe — often correctly — that talented independent workers are difficult to locate. They don't know how to best assemble the right mix of internal and external resources. They worry that independent workers will be difficult to manage, and that their investment in getting them up to speed will be lost. When they do try to use external resources, managers struggle to define a good scope of work, reach contracts with people, and get them paid.

As a result, employers frequently do not consider using independent workers, and when a company does seek outside expertise, the default is to engage a traditional firm to supply talent in the traditional ways. This is rigid, unnecessarily expensive, and, at best, a “bolt on” to existing organizational approaches. It is a 1970s solution to a 2016 opportunity.

In the workplace of the future, however, there will be little difference between “us” — that is, “our” employees — and “them” — people who

do not work in-house for the company. The “war for talent” will be transformed. Acquiring and developing the best in-house talent will not be the only goal — accessing and making great use of talent, wherever it exists, will also be vital.

WITH THE ABILITY TO EASILY ACCESS TALENT, THE EMPLOYER OF THE FUTURE WILL BE:

Skills-Driven

Employers will not be defined or constrained by individuals' employment status, but rather focused on how a person's skills and experiences fit with a work objective.

Innovative

They will support new mindsets and ways of working with enabling processes, policies, procedures, and training.

Agile

They will have confidence that they can meet goals outside of existing internal capabilities. This will allow executives to imagine new strategic possibilities and respond flexibly and nimbly.



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To fully enable a new vision of the future, organizations must make changes in five key business areas:

Planning and Budgeting

If organizations have easy access to — and indeed rely on — external talent, they can tackle opportunities they weren't able to before (and, indeed, perhaps could not imagine tackling). They can execute faster, take different kinds of risks, experiment more nimbly, and operate in new areas of the world. Companies therefore need to adapt their various processes — strategy, budgeting, talent — to this reality. Companies should employ objective-based planning and start by prioritizing the work that needs to get done separately from whether or not it's executed by a full-time employee or the company's external talent ecosystem. Companies should adjust budgeting so that managers are focused on the best ways to meet their objectives and not given implicit or explicit incentives to increase full-time head count.

Procurement and Legal

Organizations will need to configure policies and procedures for smoothly making independent workers core to the company's operating model. These functions need to have an informed and detailed view about how to balance speed and flexibility with traditional imperatives to mitigate risk. This means moving away from traditional one-size-fits-all contracting and payment policies and procedures.

Technology

Technology that supports finding the best resource for a given deliverable or workstream will be a key enabler of the new world of work. Using technology to access independent talent should be part of the week for most managers.


Human Resources

HR will play a leading role in driving this shift. Organizations should focus more on defining capabilities and enabling access to the skills they need, and focus less on where internal people sit or finding the perfect person for an internal role. Freed from old assumptions about the need to hire only full-time employees and the difficulties related to accessing external talent, companies will orient their talent strategies around determining the right mix of internal and external capabilities. Talent acquisition functions should rebrand themselves around “talent access” and position themselves as leaders in curating the entire talent ecosystem. HR should lead explicit efforts to become the “partner of choice” for independent professionals and ensure cross-functional coordination and coherence.

Training

The skills necessary to operate in the new world of work are different, as well. Managers, for example, will need the ability to contract with, pay, and manage far-flung but integrated virtual networks of individual contributors that they can no longer “manage by walking around.” Managers should be trained on managing scope, launching teams, and providing feedback and coaching to individuals they do not formally control. Individual contributors should be able to quickly form relationships and facilitate teamwork among project staff who have never worked together before and who have come together for a single task. They should effectively manage differences and conflicts that inevitably arise when individuals working together cannot rely on existing relationships.



A man with glasses is sitting at a desk, working on a laptop. He is holding a pen in his right hand and looking down at the desk. There are several books on the desk, and a laptop is open to his left. The background shows a doorway and a wall. The entire image is overlaid with a green semi-transparent rectangle.

*Technology that supports
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of work.*

CREATING THE CHANGE

Organizations that focus on systematically moving to this new world of work will see its benefits more quickly than those that move in this direction piecemeal or in response to competitive pressures. As with any such change effort, it is best to approach the initiative with a well-defined, leader-driven, intentional plan. A purposeful “future of work” initiative that incorporates the above best practices should have the following components:

Approach the initiative with a well-defined, leader-driven, intentional plan

Stakeholder Buy-in

Align employees and engage them in a discussion about the intent to work in a new way, including why it makes sense for the organization — the value the company expects to derive — and what these new ways of working will mean both operationally and behaviorally for individuals.

Adaptable Processes

Identify and modify key business processes, policies, and procedures to align with the new ways of operating. This needs to be a serious initiative to ensure that the organization supports rather than hinders the overall effort.

Platform Adoption

Identify and implement an appropriate technology solution to support the identification, sourcing, and management of independent labor.

Change Documentation

Develop and implement a standard set of training modules on key skills-based aspects of the new way of working.

Testing and Learning

Identify — and actively communicate and learn from — short-term wins.

Benchmarks for Success

Measure progress toward the goal. For example, companies can examine how much work external talent does, how key business processes have changed, and to what degree they see changes in the default behaviors of people as they plan for work and deliver on their objectives.

A NEW WAY OF WORKING

Measured against the tremendous variety of unique talent that exists around the world, every business, no matter how successful, has limited and narrow capabilities. There are simply not enough skilled employees inside a company (or for workers interested in permanent positions) to accomplish everything that an organization wants to do — even if it creates a fun-filled working environment and offers great salaries, benefits, and perks. Indeed, even the most forward-thinking “future of work” initiatives will prove ineffective at alleviating the root causes of employee discontent: a lack of flexibility and personal meaning.

In addition, with talent shortages in many fields and many parts of the world, even the biggest firms can’t acquire enough workers through the usual hiring channels, or even through “acqui-hiring,” or buying emerging companies for their people rather than their products or services.

Finally, demographic changes are altering how people view their lives and careers. Those individuals who can offer the most to a company often want to work when they want, where they want, and with whom they want — and they also want to work on varied and interesting projects. They are motivated more by what they are working on and less by the organization they work for. Smart companies will become more agile at accessing labor pools outside their four walls. But doing so requires a shift in both mindset and operations. Ultimately, the new world of work requires executives to completely revise their relationship with talent.

Those that successfully navigate the changing world of work will be able to think more broadly about the business.

For those companies that navigate this transformation, the payoff will be substantial — not just in terms of new growth opportunities, but also in terms of new efficiencies. Those that successfully navigate this change will be able to think more broadly about the business. They will be exposed to best practices from people who have thought about tough problems in different contexts. They will be surrounded by fresh external ideas that energize internal people and push their thinking. They will be free to move into new areas of the world that they otherwise couldn’t have considered if they had been focused on trying to find the perfect worker located near their offices. As a result, they will enjoy more flexibility and a greater number of strategic options.

With the right approach and leadership, the world of on-demand talent promises to bring these aspirations much closer to reality.



About Vantage Partners

Vantage Partners is a global consulting and training firm that helps companies achieve alignment where it's most critical — between goals and strategies, with their external business partners, and internally across their people.

With respect to the Future of Work, Vantage works with clients to help them align around an over-arching "FOW" strategy and then supports the implementation of that strategy across the enterprise.

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About Catalant

Catalant helps companies build an agile workforce, with technology and programs that enable them to access the talent they need, when they need it, wherever it is. Forward-looking executives partner with Catalant to transform the structure of how their companies' work gets done and the behaviors that drive or delay agile workforce transformation.

More than 20 percent of the Fortune 1000 use Catalant's best practices and platform to frictionlessly access and deploy internal and external talent, including over 50,000 independent consultants and 1,000 boutique firms in Catalant's expert marketplace. Anonymized data from leading companies train Catalant's AI-powered talent matching and recommendation engine, inform its program design and best practices, and surface counter-intuitive insights that get smarter over time.

Catalant is based in Boston, Massachusetts, and serves customers around the world. Visit us at:

www.gocatalant.com

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Stuart Kliman is a founder and Partner of Vantage Partners. Stuart works with his clients on issues of the Future of Work, on change management, and on how best to leverage partnerships across the value chain. He is a well-known speaker and writer on these issues. He received his JD cum laude from the Harvard Law School.

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Rob Biederman is co-founder and CEO of Catalant Technologies, Inc. Prior to founding Catalant, Rob was a private equity investor at Goldman Sachs and Bain Capital, where he focused on the healthcare and high-tech industries. Rob attended Princeton University and graduated from Harvard Business School.

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