eBook

6 Steps to Building an On-Demand Workforce

CATALANT

Contents

> ### "That is the nature of emergencies. They fast forward historical processes."
>
> – Yuval Noah Harari[1]

From the enlightenment to the space shuttle program, era-defining changes are created by multiple powerful forces. Advances in technology, changing demographics, big new ideas, global unrest — combine two or more of these and watch the future unfold.

We're seeing a version of that right now. A global pandemic, a leap forward in connectivity, and the rise of digital natives has dramatically altered the way organizations think about work in a very short period of time. Many are rethinking their office spaces, moving more teams to remote work. Many are launching new businesses in areas of opportunity. Many are reevaluating their operating models, capitalizing on their opportunity to drive change through their organizations.

Research from Harvard Business School and BCG highlights one fundamental change in how business leaders think about their operating models. Rather than pressing ahead with the same rigid internal hierarchies, many organizations are adopting a *flexible workforce* of internal teams plus external consultants and freelancers to meet demand when necessary.

The momentum toward a flexible workforce is staggering. 60% of leaders surveyed by HBS and BCG said they expect their full-time workforce in the future to be "much smaller" than their current one. The same percentage said they would increasingly prefer to "rent," "borrow," or "share" talent with other companies.

[1] Yuval Noah Harari: The World After Coronavirus. (2020, March 20). Financial Times. https://www.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedcca75

Introduction
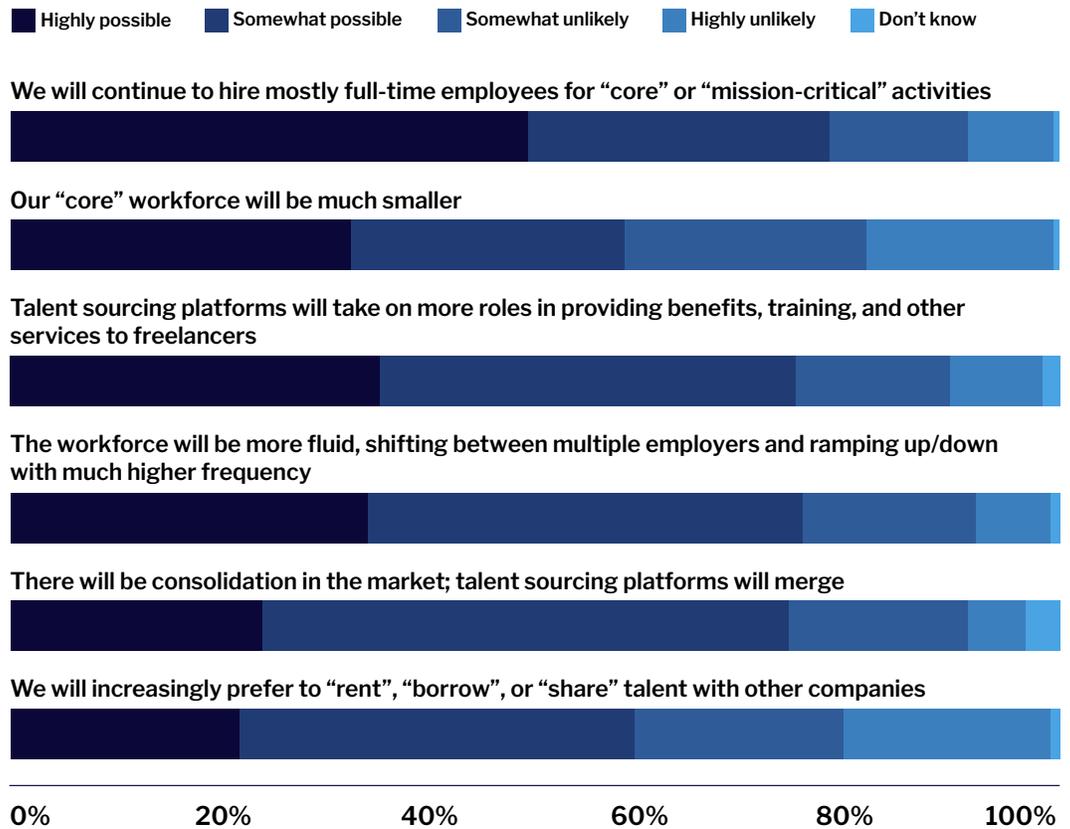
Figure 1

Beliefs of How Workforce and Talent Sourcing Will Change in Future[2]

"As early-adopter companies have become more comfortable with shopping for talent in these digital marketplaces, they have begun moving toward new, more flexible, agile organizations—ones that are built not on fixed costs and head counts but on a blended mix of fulltime and part-time workers: the 'on-demand workforce,'" according to the report, titled Building the On-Demand Workforce.

The success of these models have led to the rise of on-demand talent platforms, which business leaders use to quickly source and deploy external talent to strategic initiatives. Research shows these platforms help leaders accelerate speed-to-market, improve innovation, and increase productivity, however most companies have yet to develop the organizational capability to work with on-demand talent at scale.

This eBook summarizes the drivers and benefits of on-demand talent platforms, as well as the challenges of working with them. Finally, we lay out six keys to building the organizational capability necessary to fully capture the value of a flexible workforce.

[2] Fuller, J., Raman, M., Bailey A., Vaduganathan N., et al (November 2020). Building the on-demand workforce. Published by Harvard Business School and BCG.

What is Driving the On-Demand Workforce?

First, let's acknowledge the impact of the COVID-19 pandemic on remote work. More than 30 million jobs have been lost to the pandemic. And while low-wage workers were most impacted, the pandemic also wreaked havoc on white collar jobs at many of the country's largest employers. Since the fall of 2020, ExxonMobil, Charles Schwab, and Raytheon announced thousands of layoffs — adding to large layoffs earlier this year from SalesForce, Wells Fargo, Goldman Sachs, and others.

Many of those knowledge workers found their way to on-demand platforms, either as a way to earn income while looking for a new opportunity or as a more permanent lifestyle change into consulting. A recent study from Upwork and Edelman Intelligence says the percentage of American workers actively freelancing increased from 28% to 36% since 2019. Half of those are highly-skilled knowledge workers, according to the study.

But the pandemic only accelerated trends that were already in motion. On-demand talent platforms were already growing rapidly due to changes in demographics and advances in technology.

Baby Boomers are aging out of the workforce, replaced by younger generations with different priorities. For example, a 2009 study found that two thirds of highly-skilled women who dropped out of the workforce would have remained if offered more flexibility at their jobs[3]. And as a whole, Millennials are much more inclined to work for themselves, avoiding what they perceive as overly-rigid hierarchies[4].

We also should not understate the rise of slick, effective technologies that support remote collaboration. From Slack and Zoom to social media, it's never been easier to work with people outside of the office[5]. As organizations get more comfortable with remote work (accelerated by the pandemic), they typically get more productive and more willing to look outside their own four walls for help.

[3] Quast, L. (2010, October 13). Career Off-Ramps are Taking an Increasing Toll on Women's Careers. Forbes. https://www.forbes.com/sites/work-in-progress/2010/12/13/career-off-ramps-are-taking-an-increasing-toll-on-womens-careers/?sh=3edff2df774e

[4] Cole, S. (2014, August 13). Why Millennials Want To Work For Themselves. Fast Company. https://www.fastcompany.com/3034268/why-millennials-want-to-work-for-themselves

[5] Martin, J. A. (2017, August 3). 7 unexpected ways collaboration software can boost productivity. Computerworld. https://www.computerworld.com/article/3211295/7-unexpected-ways-collaboration-software-can-boost-productivity.html

Benefits of the On-Demand Workforce

Why do organizations like Shell, Anheuser-Busch InBev, Pfizer, and Unilever turn to on-demand talent platforms? Interestingly, "saving money" isn't a major driver. The researchers from Harvard Business School and BCG found three distinct benefits:

Increased speed-to-market as organizations were better able to find the right people at the right time to launch new products or move into new geographies.

Innovation through new business models as organizations could test new products and ideas more efficiently without committing internal resources to them.

Increased labor force flexibility as organizations can try new ideas without committing to increased fixed costs in the form of full-time employees.

Not only did 40% of all business leaders surveyed say they realized benefits in all three areas, but 90% said they expected working with on-demand platforms to be critical to the success of their strategic initiatives in the future.

90% of business leaders say on-demand talent platforms are critical to their competitive advantage.

Benefits of the On-Demand Workforce
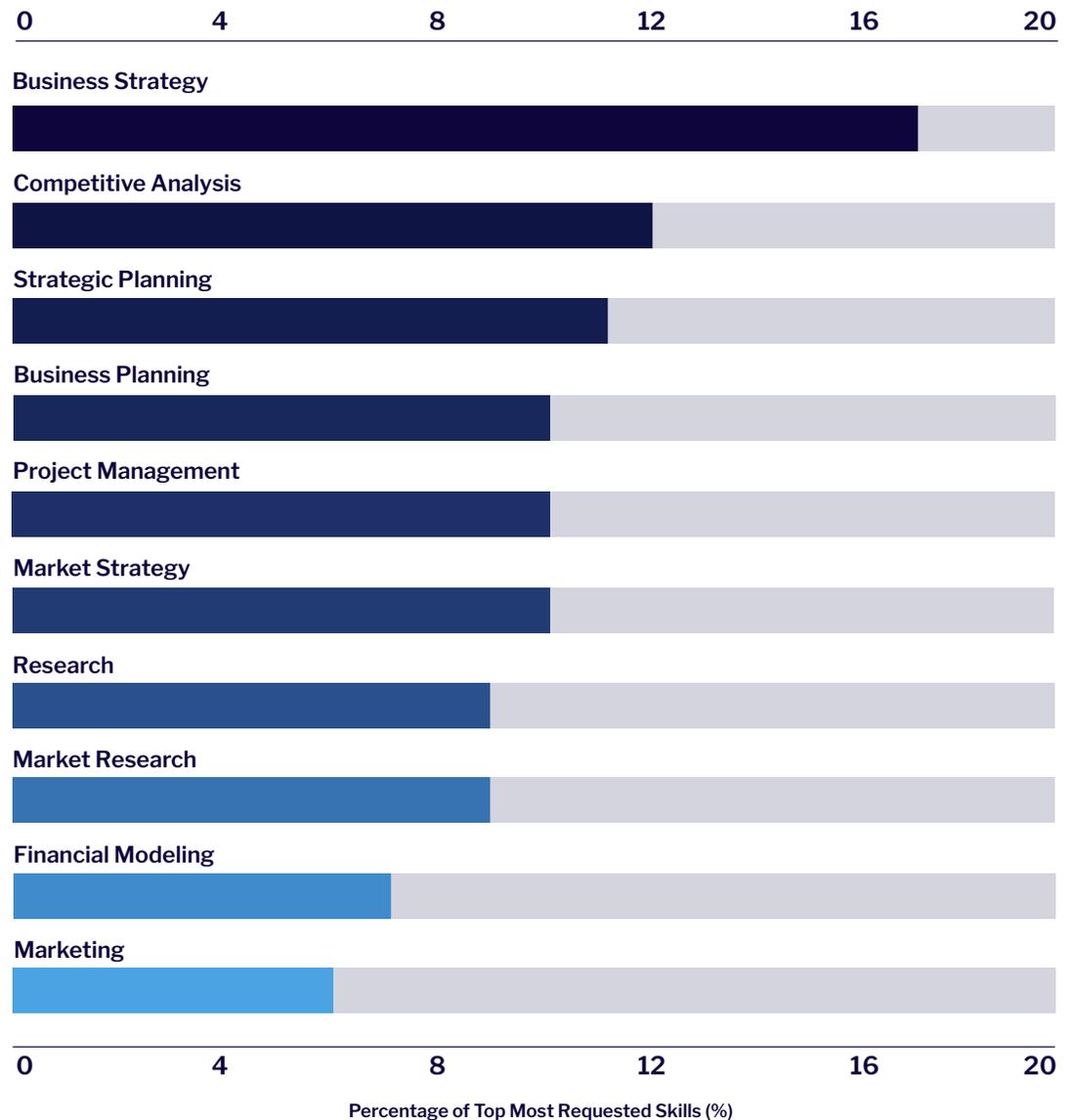
Figure 2
Most Requested Skills on the Catalant Platform, 2020

The success of these companies has led to the rise of on-demand talent platforms that apply the principles of the gig economy to highly-skilled knowledge work. Rather than ordering coffee to the office, business leaders can quickly find, hire, and deploy deeply experienced project managers, management consultants, researchers, and even interim executives to lead or support mission-critical projects.

Most commonly, these temporary resources are deployed to strategic initiatives in supply chain, pricing, operations, product, finance, R&D, data analytics, or market research. The most sought after skills for buyers on the Catalant marketplace include corporate strategy, competitive analysis, strategic planning, and project management.

Challenges to the On-Demand Workforce

If the benefits of building a flexible workforce are so clear, why haven't all organizations moved more quickly into a new operating model?

The simplest answer is that most companies simply don't have the capability to manage a flexible workforce at scale. Some business units may rely more heavily on consultants, contractors, and freelancers than others, but very few companies have taken a holistic approach.

This lack of capability is detrimental for several reasons. First, it leads to tension between business units and central functions. Human Resources leaders, in particular, have struggled to integrate flexible talent because their core responsibilities — mainly hiring and retaining talent — require different skills and experience. Meanwhile, business unit leaders deploying on-demand talent struggle to navigate the regulatory and financial complexities of working with non-full-time employees.

Secondly, without a centralized framework for managing a flexible workforce, redundant efforts are practically guaranteed. As more teams and units engage without outside talent, they lose some of the natural communications networks that would alert leadership to overlapping projects and initiatives. For example, it's not difficult to imagine a product unit and a marketing unit inside the same organization hiring outside researchers with similar goals.

Finally, there is the cultural challenge of integrating flexible teams and full-time employees. Without a governing framework, front-line managers have to deal with uncertainty about when work happens, who completes the work, and how the impact of the work affects their team's goals and objectives.

6 Steps to Building an On-Demand Workforce

At Catalant, we've learned that no two organizations approach the flexible workforce in exactly the same way. Some customers use our on-demand talent platform prescriptively, funneling consulting requests from across the organization to a central place. Others use the platform to match skills to projects inside and outside the organization. Some are betting big on our robust project portfolio and resource allocation software as a source of truth for their enterprise's most important strategic initiatives.

While all businesses have different objectives when building a flexible workforce, we have found that the most successful organizations — those that yield the best results — demonstrated consistent behaviors in key areas.

Select the right executive sponsor

One of the more stark findings in the HBS and BCG study was the tension between front-line managers and their human resources counterparts. Nearly one-third of dissatisfied users of on-demand talent platforms said their HR teams failed to integrate on-demand talent models effectively. Instead, they focused largely on standard HR practices like hiring, compensation, and employee evaluation. The result was a feeling among on-demand platform users that HR was working in opposition to a flexible workforce.

In fact, too many organizations assume that their HR teams will simply "figure out" how to support a flexible workforce that includes in-house personnel and substantial numbers of outside contractors and consultants. This ignores the complexity involved in marrying different processes, regulatory considerations, and institutional cultures.

One hallmark of organizations that have deployed a flexible workforce is that they appoint a C-level executive to create a path to success. This leader may come from any function; though finance, operations, and human resources are most likely, but he or she must embody the spirit of change and be willing to challenge institutional dogmas to create change.

2

Understand your existing capabilities

The purpose of the flexible workforce is not to replace all full-time employees with contractors and freelancers. The purpose is to build an elastic set of skills that can be deployed quickly wherever they are needed.

To do this effectively, leaders need to better understand the skills available to them both inside and outside the organization. This is frequently more difficult than it sounds. Typical HR platforms track things like job title, salary history, and reporting structure — but how would you find out how many people in your organization could speak German and code in Java? Some of these skills may exist on resumés in static folders, but what good is that when you've got a project starting next week?

Even if you were able to find out how many German-speaking Java coders you had in your organization, how would you know whether you could tap into that internal talent pool when your project kicks off?

Successful organizations create a repository of skills which can be measured against the skills most necessary in the future to find the right balance between in-house and external talent.

3

Hire to the trough

For the past several decades, strategic workforce planning has been an exercise in optimism. Leaders would get together, define world-beating goals and initiatives, and set out to hire the best and brightest people to execute on their strategies. Their HR teams would furiously hire to the peak of demand, expecting long ramp times for highly skilled employees and attempting to sequence hiring to time everything exactly right.

The demographic and technological changes we identified early in this eBook — combined with the dramatic shift toward remote work — have set smart organizations on a different course. With so much talent at the ready and available via collaboration platforms, forward-looking businesses are planning to meet the trough of workforce demand rather than the peak.

These organizations staff to the minimum number of employees to meet their strategic plan while filling in the gaps with contingent workers.

For example, Unilever has undergone a massive transformation in how it develops and deploys new products quickly. Partnering with Catalant to find experts at the ready for projects like new product launches and marketing campaigns, the company is able to move faster without the fixed costs associated with an oversized full-time workforce.

"We're literally moving from thinking in terms of constraints to thinking in terms of the abundance of resources, possibilities, and use cases, and showing that to the world," says Raquel Suarez, Global HR Innovation & Leadership Development Leader.

Get better at defining work

A flexible workforce cannot work if leaders don't get better at planning and defining the work itself. The risk of redundancies, missed handoffs, and other unforced errors only grows when some or most the team responsible for delivering work is from outside the organization.

Of course, executing work across multiple functional groups has always been a challenge. Most enterprises matured by driving functional excellence in areas like manufacturing, supply chain, and sales, but when it's time to drive large cross-functional initiatives aimed at improving customer value, the vertical structure becomes an impediment to success.

Enterprise PMOs, strategy realization offices, transformation offices, integration management offices, and other similar groups within large organizations have evolved to satisfy the need to orchestrate interconnected activities across portfolios of work. However, even capable and experienced leaders with strong implementation programs struggle when they do not have the right technology to support their activities.

The problem is that they simply lack the internal visibility required to effectively plan and execute. They need visibility not only into what they are trying to achieve, but also into the potential bodies of work that could help them to get there. To complicate further, they must analyze how their resources align with that potential work. Ultimately, in order to prioritize effectively and take an objectives-focused approach to strategy execution, businesses need greater awareness of how their objectives, work, and people come together.

Define new processes and guidelines

5.

At most companies, vendors and consulting firms are subject to rigorous scrutiny and kept isolated from the inner workings of the organization as much as possible. Some may have master services agreements (MSAs) or similar contracts in place, but most are governed on a case-by-case basis. This puts stress on front-line workers and hiring managers, as well as the legal, finance, procurement, and HR teams that share the burden of compliance.

Moving to a flexible workforce will require leaders to think very differently about how they integrate outsiders with their most important work. A successful organization must build the capability to manage the complexity of compliance, payments, and legal agreements across multiple cross-functional teams.

Key to building this capability is partnering with an on-demand talent platform with the tools and processes to help. Last year Catalant launched an enterprise offering to help organizations scale and optimize project-based work at lower cost, lower risk, and greater transparency.

Change the culture

6

A flexible workforce is disruptive. Not only are leaders completely rethinking the way work gets done at their organizations, but the impact will be felt all the way through the organization. Front-line workers and managers will have to think differently about their own roles, and will likely question (or even resist) change.

Great shifts require cultural adaptation, especially at organizations where career-building standards have remained the same for decades. People will need to trust outsiders with information, and will need to think about freelancers and contractors as more than just people who execute non-strategic work. Leaders will need to be more transparent and better at communicating specific, discrete objectives for the work they need to accomplish.

The coronavirus pandemic has given organizations just the opening they need to effect new cultural behaviors. The growing acceptance of remote work, the rapid shifts in strategy, and the overall uncertainty about the near future may be the opportunity many business leaders need to make fundamental changes to how they execute on their strategies.

About Catalant
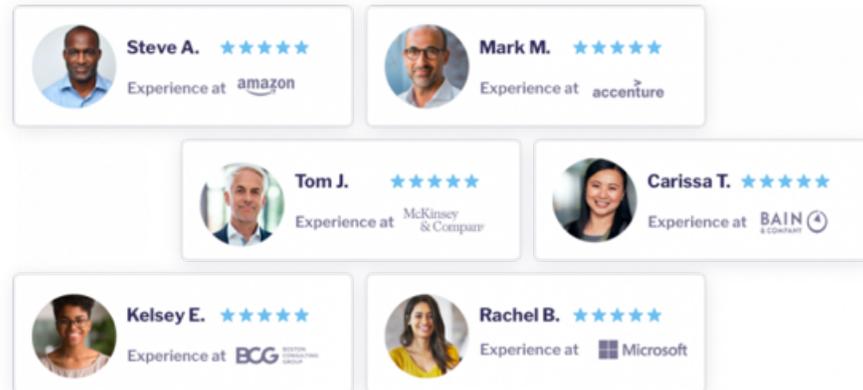
Catalant helps organizations get from strategy to execution faster with a leading on-demand talent platform, plus the software tools and human support necessary to plan, manage, and optimize your most important work.

Trusted by more than 30% of the Fortune 100, our expert marketplace includes more than 70,000 highly-skilled freelancers and contractors with deep experience in their fields. Our SaaS platform empowers leaders to align on strategic initiatives, organize workstreams, and allocate resources more effectively.

Learn More