



A N A L Y S T C O N N E C T I O N



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Total Talent Supply for Successful Business Execution

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Research indicates that organizations that most effectively convey an authentic and compelling employer brand and excel in sourcing, managing, connecting, and deploying a diverse workforce have a distinctly competitive market advantage.

The following questions were posed by SAP to Kyle Lagunas, research manager for IDC's Emerging Trends in Talent Acquisition and Staffing research practice, on behalf of SAP customers.

Q. How is the composition of the workforce changing, and what is the importance for today's enterprise?

A. The terms "temporary worker," "contingent worker," and "temp" used to conjure the image of a fill-in secretary or low-skilled worker plugged into gaps in the workforce. Today, however, the contingent workforce includes many other types of workers such as highly skilled IT workers and consultants and even surrogate executives. As such, the very definition of "contingent workforce" is changing.

Meanwhile, employers are leveraging contingent labor at all levels of the organization, and the growth of contingent labor has been steady — an estimated 20% to 30% of an enterprise's total workforce depending on the industry.

Unfortunately, and despite all the growth in the scope and scale of contingent labor, contingent workforce management (CWM) practices have remained largely unchanged for the past few decades. The persistent challenge of modern CWM becomes how to effectively manage a contingent workforce to meet near- and long-term business needs. Today, leading companies are increasing the scope of CWM and growing the value proposition for both employers and employees to build more elastic workforces.

All told, there's been a massive labor shift, and organizations are responding to both the availability of the talent in contingent labor and the availability of solutions for managing a contingent workforce. The market is creating lots of new opportunities for organizations to evolve their workforce management practices.

Q. What challenges does the increase in the external workforce of the organization present to the talent planning, acquisition, and sourcing functions?

- A. Massive demographic shifts around the globe are driving some urgent challenges. The Western workforce is aging. For example: By 2020, the average worker will be over 40 in the United States and the European Union, whereas in emerging economies, the growing workforce is young and increasingly educated and primed for IT and professional services work. This shift is forcing global organizations to rethink their current talent supply chain.

Organizations must ensure that attraction strategies and the employer brand are both broader in scope and targeted in messaging. The value propositions put to potential workers must resonate regardless of worker type. To do that, organizations need a better understanding of what contingent workers want as well as what they need and how they expect to get work done. Organizations will increasingly look to agencies for help with contingent labor, and that won't be cheap. Spending more to manage contingent labor will increase pressure on procurement and HR to make sure organizations are getting the maximum ROI for using an agency.

Organizations not only must get the talent they need when they need it but also must make sure the resources dedicated to procurement and employment of contingent labor are well spent. That requires having deeper insight into exactly what's going on — and there's still a serious lack of insight into the total labor supply chain. HR groups not only lack insight into the availability of contingent labor but also don't have good insight into the cost of contingent labor compared with the cost of permanent employees.

There are also organizational challenges. It's rare that HR has insight into who contractors are as well as what skills they have, where they've been, and where they want to go next. Silos between procurement and HR have always existed, and they limit an organization's ability to plan as well as to analyze utilization and to optimize the total workforce. Organizations must ensure that the gaps between the permanent and contingent workforces are being filled and that the two groups are working in tandem instead of separately.

Q. What are some critical components of successful management of the total talent supply?

- A. The first component is integrating recruiting strategies for permanent, part-time, and contingent labor. This integration includes factoring contingent worker experience into things like employer brand. Other questions to answer are as follows: How does the business measure success of CWM? How does this align with success in talent acquisition strategy? These are questions many organizations don't ask themselves because they are content to let contingent workforce be its own island.

In the practical realm, one component for success is developing a more robust onboarding and offboarding experience for contingent workers. When you're procuring contingent workers on an ad hoc basis without much oversight from HR, it's easy for people to come and go. That's kind of the point — talent on demand — but they still need to be plugged into the resources required to do the work just like permanent employees do.

On the offboarding side, the organization must make sure it's not losing any intellectual property — that upon termination of contingent workers, IP doesn't just walk out the door. HR must have more oversight to ensure the organization isn't losing resources and putting the business at risk.

Q. What are the biggest pitfalls for organizations managing their total workforce?

- A. One of the most frighteningly common practices is allowing contingent labor to be acquired anywhere in the organization by anyone. This happens a lot. The challenge here is not just rampant procurement but, again, limited insight into utilization and deployment of contingent labor. It also undermines any meaningful contingent workforce management strategy. If a line of business has urgent talent needs, and the hiring managers are open to contingent labor as a solution, then this should be part of the conversation with HR and talent acquisition.

Remember that "time to fill" is a critical metric in evaluating talent acquisition operations, but it's a metric that can rarely be impacted directly. It's an inevitable part of hiring expenses. With increased options for procuring contingent labor, however, an organization is better able to plug gaps while continuing to work on complicated requisitions or hard-to-fill roles. The problem is, this is rarely part of intake discussions with hiring managers who have a need and want to fill a position as soon as possible. It's simply not something they discuss with recruiting.

I think another big mistake is when contingent labor is made a procurement-only play, which may be good for cost management but often results in a churn-and-burn attitude and practice toward contingent labor. The outcomes of churn and burn are constant loss of intellectual property, poor contingent worker experience, and limited ROI. You get what you pay for when you're focused purely on cost effectiveness. In addition, a mediocre or bad onboarding experience for contingent workers doesn't bode well for attracting high-quality contingent workers in an increasingly tight labor market.

Q. What are the benefits of a well-established and effectively managed total talent supply chain?

- A. Benefits are gained from two different standpoints — process and strategy. From a process standpoint, an effectively managed contingent workforce is powered by a fully optimized and orchestrated recruiting and resourcing strategy. Organizations consider the contingent workforce pipeline as well as the permanent hire pipeline for all open roles, which enables them to better respond to shifts in the market and scale up or down as necessary and with relatively short notice.

An integrated process also provides organizations with a better understanding of the viability of their entire workforce. For example, what skill gaps are emerging at senior levels as people leave the organization or retire? What needs might we have if we look at our business goals 18 months from now? Where might we need to quickly ramp up our workforce? Where might we need to quickly scale down?

From a strategy standpoint, total talent supply chains are the foundations of a high-powered, agile workforce — especially in today's highly competitive hiring climate where the most qualified talent is the hardest to get. Total talent supply chains are also especially important for organizations that are growing their operations globally. It can be difficult to find permanent employees when and where you need them, and new markets are more easily penetrated by on-demand partnering with talent supply vendors.

We need to rethink the way that we approach the contingent workforce because it's a critical part of modern business. It's part of our changing economy, and we can't treat it as a churn-and-burn activity anymore. Treating contingent workers as spare parts rather than as a critical part of a modern workforce limits the long-term viability of that workforce.

ABOUT THIS ANALYST

Kyle Lagunas is research manager for IDC's Emerging Trends in Talent Acquisition and Staffing research practice. In this role, Kyle leads IDC's research on the most recent developments in recruiting and staffing software, services, and consulting. This research puts talent acquisition into the broader context of an integrated talent strategy.

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