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Point of View

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A large, stylized pink chevron graphic pointing to the right, positioned behind the text "High performance. Delivered.".
High performance. Delivered.

For many organizations, a workforce is comprised of a mix of internal and external people. Recent Accenture analysis of this "extended workforce" finds that external workers, equipped with project-specific skills, are enabling organizations to seize marketplace opportunities faster, with more agility. To manage this extended workforce effectively, companies must create new organizational structures, facilitate interaction and collaboration among all workforce types, and integrate talent-related processes and systems.

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Talent & Organization

Managing the extended workforce: A skills strategy for business agility

By David Smith, David Gartside, Colin Sloman and Breck Marshall

The definition of a "workforce" used to be pretty clear: a group of employees on payroll, perhaps augmented occasionally by "temp" workers—people used as a stopgap measure to fill in for employees on leave or to provide extra sets of hands during particularly busy periods. Today, however, a workforce is more likely to be a group of people from a much larger and extended ecosystem: internal employees, vendors, consultants, alliance partners and so-called "contingent" workers—those who work for an organization on a project basis rather than as full-time employees.

Employing project-based workers is more than a tactical response to an immediate need, according to recent Accenture analysis. Indeed, such talent may be highly skilled, in-demand knowledge workers, performing at even the top levels of an organization. Thus, an extended workforce strategy is an essential aspect of helping companies compete in today's volatile, knowledge-based economy, providing essential skills for projects and enabling organizations to be more agile from a talent perspective.

As the use of external workers grows, Accenture believes that organizations will need to develop a broader talent strategy that acknowledges the importance of these workers and ensures they are engaged, developed and seamlessly collaborating with existing employees.

The extended workforce trend

Using external, project-based workers has often been seen as primarily a cost-cutting initiative. However, Accenture analysis of the experiences of 400 executives and department heads at large US companies indicates that using such talent is now seen as critical to achieving two important competitive capabilities: access to specialized skills for particular needs, and agility in the face of a turbulent business environment.

One of the findings from the Accenture analysis supporting this conclusion: Only 39 percent of executives cited cost savings as a primary benefit of an extended workforce strategy. Far more important is access to skills: About 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.

A related finding is that 63 percent of respondents said that the use of external workers helped them acquire skills essential to executing particular, specialized projects. Forty-eight percent noted that such workers can provide necessary skills that may be currently lacking in the organization. By quickly closing skill gaps, companies can avoid negative business impacts—delays in product releases or critical IT projects, for example, or the inability to serve customers adequately.

Sometimes those skills are deployed in such technical roles as network engineers, Java developers and business analysts. However, even top-level managers and executives are available on a project basis.

The implication here is that an extended workforce is not labor arbitrage. It should not be confused with employing contractors or temporary labor, or moving to an outsourcing arrangement. The channels, structures and transactions are entirely different—they are far more fluid and versatile than any familiar forms of accessing human resources.

Organizational agility is another key benefit. By bringing in people only when they're needed, organizations can adjust more rapidly to changing markets, scaling staff up and down to meet shifts in demand; companies also can quickly change their mix of skills, which can help them be more responsive in the face of changing competitive pressures.

For example, Wall Street—from boutique investment banks to private equity funds—is bringing in experienced and highly educated financial professionals on a contract basis to tackle critical projects. These projects may range from evaluating transactions, building financial models and researching markets, to assembling client pitch books and developing board presentations.

Getting the most from your extended workforce

Although a workforce strategy relying, in part, on external talent can deliver multiple benefits, it also requires finding high-quality project-based workers and ensuring they are as engaged and top-performing as an organization's permanent workforce. To help achieve those goals, Accenture recommends that companies focus on the following dimensions:

- **Source talent in the cloud.** The rise of new online contractor exchanges such as Elance, oDesk and TopCoder have enabled companies to access "talent in the cloud." This new sourcing model helps organizations get

on-demand, global access to a scalable, shared pool of skilled workers; organizations then pay only for the workers and time that they need.

- **Become a talent broker.** Companies and their HR organizations can become their own talent brokers, analyzing the vast array of data available to better facilitate matches between workers (external or internal) and specific tasks or projects. Going beyond basic résumé information—collecting data on variables such as performance, skill sets, career aspirations, training and certifications—can help companies tap the right people for projects, manage risk, track skill gaps and make more informed decisions regarding whether to ask project-based workers if they would like to become permanent employees.
- **Facilitate interaction among your entire workforce.** Interacting with permanent employees helps project-based workers share in the overall sense of organizational community and gain access to the resources needed to do their work. This interaction can be done virtually, using social networking sites such as Facebook and LinkedIn, or through company-owned tools to enable both permanent and project-based workers to connect with one another, collaborate and forge a community.
- **Integrate talent-related processes and systems.** Instead of using vastly different processes and systems to acquire and manage both internal and external workers, organizations will need to develop a unified approach that spans all talent segments.
- **Create new organizational structures or roles that cross boundaries and disciplines.** Although everyone from procurement to finance to legal to line managers could conceivably take responsibility for the extended workforce, HR should play a central role. To do so, HR will need to collaborate with other functions that also have a stake in project-based workers or create roles within its department that integrate a diverse array of skills typically found in different functions.
- **Segment the extended workforce.** Like permanent employees, external workers are a diverse group. What motivates a computer programmer writing software code will likely differ markedly from what motivates a scientist participating in a crowdsourcing competition to develop a new product. Companies will need to consider how to meet the needs of different segments of their extended workforce.

- **Creatively apply talent management practices.** To attract, retain and enhance the value of project-based workers, companies should begin to offer this group some of the types of support traditionally offered only to permanent employees—inviting them to orientation programs so they can come up to speed faster, for example, or giving them access to collaboration tools so they can work more effectively with others across the organization. It is also important to think about career advancement opportunities—offering such workers new assignments or projects based on their skills, performance and career aspirations.

Conclusion: Playing a growing role

Accenture analysis has found that an extended workforce strategy is growing in importance. In many cases, permanent job roles are giving way to project-based roles that require specific skills.

A workforce strategy that utilizes project-based workers can give companies access to highly skilled talent. Companies can be agile and responsive to changing marketplace needs—provided that they can effectively adapt their traditional talent management practices, sourcing strategies, knowledge-sharing tools and community-building activities.

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