Driven by a surge of on-demand labor platforms and online work management solutions, legacy models and hierarchies are being dissolved and replaced with talent marketplaces.

This resulting on-demand enterprise will be key to the rapid innovation and organizational changes that companies need to transform themselves into truly digital businesses. Technology isn’t just changing workplace tools. It’s also radically reinventing the way businesses are designed, built, and run. Imagine a large enterprise, but with almost no organization chart. Picture a business that seamlessly mixes resources into ad-hoc teams, formed to accomplish specific goals, then dispersed and re-mixed to move on and accomplish the next up front benefit.

WordPress parent company Automattic uses technology to run their company much differently than most, and more like the scenario above. Automattic’s staff of 450 spans 45 different countries and has eliminated traditional organizational hierarchies: business is done based on project teams ranging from two to 12 workers. Teams are encouraged to experiment with new ways of collaborating to complete jobs, and so far, the experiment has been a great success. Automattic is valued at more than $1 billion, and has become the ubiquitous leader in content management on the Internet with 25% of websites using the Automattic platform.

Enterprises that have been intently focused on technology investments for their products and services are now under extreme competitive pressure to extend innovation to their workforce, and even their corporate structure. By taking steps to experiment with workforce technologies today, businesses will set a path to become built-for-change companies – removing by far the largest obstacle to leadership in the new digital economy. Labor platforms offer nothing short of a talent revolution. The result? A management model evolution – from legacy models to orchestrated talent marketplaces.

Businesses are transforming their organizational models and the way they manage their people to take advantage of an increasingly digital and on-demand workforce. Labor platforms are enabling workers to become more liquid, supporting distributed teams that are quickly assembled to complete projects and then dispersed. With this flexibility, companies are moving toward models where they run their organization less like a hierarchy of static business processes, and more like an open talent marketplace. Businesses gain the power to quickly look internally or to the external labor market to meet demand for skills. These talent marketplaces are not only more efficient, but also enable companies to change rapidly and innovate in ways that weren’t possible before.
REPLACING A 100 YEAR OLD WORKFORCE MODEL

Born of the industrial era, bureaucratic management models drove the success of large corporations for decades, and their employment models have remained in the social fabric of modern economies.

Using defined boundaries and hierarchical structures, the models were based on fixed roles and rules. Designed for times of stable markets and long-term project planning, these approaches inherently maintain the status quo. These legacy models persist in companies of all sizes, across industries, creating struggles for businesses that need speed and agility to respond to new challenges and opportunities.

Given the now constant flux of business markets, legacy structures and management models are constraining innovation at many organizations. 73% of executives we surveyed report that corporate bureaucracies are stifling productivity and innovation. This directly impacts not only a company’s ability to change with the market, but also its market-capitalization, valuation-driven power to invest in the digital economy.
Digital-born companies without legacy employment models are dominating, with fewer employees and markedly higher market capitalization per employee – more than two times that of incumbent companies. These companies are flourishing by leveraging technology solutions that address the talent problem: efficiently matching the supply and demand for people and skills in a highly personalized way. Built using on-demand labor platforms like Freelancer and Gigster, which also provide online work management solutions, digital-born companies are capitalizing on the many pieces of a digital-age workforce that can be virtualized.

In a similar vein, large enterprises like MasterCard, Airbus, and World Bank have used Gigster’s AI-driven platform for their high-end talent of software developers and product managers. Companies can spin up new agile design and development programs in just weeks if not days, compared to the traditional model that takes months of planning, budgeting, sourcing, and launching. Online work management solutions enable companies to leverage both internal and external workers – the blended workforce.

Without the legacy hierarchies that incumbent organizations have been relying on since the industrial era, digital leaders can easily use these technologies to more quickly fill talent needs, jump-start new projects, and respond to market changes. In doing so, the digital leaders are setting a path incumbents can follow to begin their own workforce innovations.

Gary Hamel, visiting professor at London Business School and co-founder of the Management Innovation eXchange, and Michele Zanini, fellow co-founder of the Management Innovation eXchange, estimate that outdated bureaucratic management practices are holding up 21 million members of the US workforce in jobs that create little or no economic value. Moving these individuals into productive work would bring $3 trillion back to the US economy (17% of US GDP), along with a boost in innovation for their employers.

“The potential gains are staggering,” says Hamel. “We need to be honest about how much bureaucracy is costing the economy.” In short, the workforce is long overdue for a remodel, and digital transformations are poised to make it happen.

“Complex knowledge work services like software development, design, legal and financial work are the next frontier for the gig economy.”

Roger Dickey, CEO of Gigster
Two distinct but converging technology advancements are driving the digital transformation of labor: the online management of work and the on-demand labor force.

**Management of work is going online**

More and more, even in jobs where the tasks themselves remain largely an analog effort, technology is bringing the management of work online. Platform solutions enable planning, management, and remote execution of work; remote and mobile workers are becoming a larger part of the workforce; and digital communication and collaboration models make that remote work more effective. Companies of all sizes are adopting new technologies, with many abandoning traditional tools like email and using next-generation digital tools like Slack and Google Hangouts.

Complementing these collaborative tools, freelance marketplace providers have built online work management features into their services, and created dedicated enterprise offerings. These features give companies powerful new capabilities in managing work online throughout the project lifecycle. Fueling a wave of innovation, $7 billion has been invested into a broad range of human resources (HR) technology startups during the past five years, while the incumbent vendors — namely Oracle, SAP SuccessFactors, and Workday — are all vying for leadership positions in the overall human capital market. And HR technology startups abound across numerous categories, such as online benefits (Zenefits), operations (OneSource Virtual), and payroll (Gusto). The most prominent and promising area is HR data analytics to predict business performance — powered with AI technology.

**Collaborative platforms fuel on-demand enterprises**

Online tools such as Slack, GitHub, Box, Microsoft Yammer, and Google Hangouts orchestrate communication for newly virtualized and distributed workplace environments. Supporting more than 60,000 teams, Slack has three million daily users, a rapid uptake from 100,000 in 2014. Moving beyond sticky notes on local, physical white boards, tools like Mural also provide an online and remote collaborative design environment — a digital and virtualized way to organize and share thoughts, and enable rapid, agile design and meeting innovation. Large enterprises like Accenture are using Mural for collaborative brainstorming and design thinking.
Labor is Going On-Demand

The digital management of work, while critical, is only half of the story: platform technologies are also delivering the capabilities that businesses need to connect their labor requirements with an on-demand supply of skilled workers. Digital technologies and intelligent algorithms eliminate the friction in terms of time, cost, location, quality, and transparency in matching workers and employers.

The leading global freelance platform Upwork is just one of many examples of such platforms, where companies can complement at a vastly accelerated pace their long-term traditional workforce with the borrowed skills and experience of external workers. The supply of available, skilled freelance workers is already steady and growing, making on-demand labor not just possible, but also ideal to quickly augment a company’s workforce.

With three million jobs posted annually, Upwork reports more than $1 billion in freelancer earnings per year through matchmaking transactions via five million customers and 12 million registered freelance users. The leading Chinese firm Zhubajie boasts similar annual numbers, reflecting the global nature of on-demand growth.

The rise of freelance projects listed on these sites includes IT and non-IT categories, impacting the entire economy, and giving businesses the opportunity to blend their workforce across the enterprise. Numerous other platforms focus on specific vertical industries, types of work, or categories of freelancers. Catalant (formerly known as HourlyNerd) boasts a supply of more than 30,000 MBA-type consultant freelancers, and the company continues to expand their focus on the needs of the large enterprise, including projects with GE Digital and Pfizer.

These matchmaking platforms will be the railroad tracks of the digital era – eliminating traditional barriers, transparently connecting labor, and transforming the business world through new economic structures.

According to the 2016 Upwork / Freelancers Union study, 55 million or 35% of the US workforce of 159 million are freelancers. A growing part of the US economy, freelance earnings are estimated at $1 trillion, or 6% of the $18+ trillion US economy – with a sizable amount transacted online.
FROM LEGACY MODELS TO A CORPORATE MARKETPLACE

Companies must take their first steps toward the corporate marketplace model today.

Innovative enterprises are already beginning the journey, using freelance labor platforms to supplement their workforce and capabilities with this large and growing pool of talent; 100 of the Fortune 500 are already using Upwork. These platforms give companies a way to test the waters of on-demand labor platforms without making immediate major changes to their own existing management models. And beyond labor-matchmaking, companies should also make use of freelance management systems like OnForce and Work Market to help manage project lifecycles and freelancers after they’ve been brought on.

Organizations will ultimately use the lessons learned from incorporating on-demand labor to drive larger transformations, establishing the corporate marketplace. Freelancers can continue to augment the workforce, but key parts of the internal workforce will also be transformed. Instead of a traditional structure where individuals are hired for a single position and engaged in fixed business functions, a marketplace-like approach will support people being dynamically teamed together on-demand from project to project, based on skills, knowledge, and staffing needs.
Accenture breaks ground with on-demand options

With a workforce of 394,000 professionals, Accenture is a people-powered business; to move forward in the digital age, the company has implemented a standard taxonomy for their skill base, and proactively analyzes capabilities with predictive modeling systems. Accenture has been experimenting with on-demand labor platforms for more than two years. In parallel, the company built the Accenture Crowd Platform, which has been piloted internally within the US, matching professionals with 30,000 hours of work. Optimizing the matchmaking process, Accenture Crowd Platform is also streamlining the business for the company’s distributed and virtualized global workforce. In addition, Accenture is exploring the future of engaging on-demand workers who take on project-based work while earning credits towards training and benefits. And Accenture has implemented a paid-for-performance model company-wide, eliminating annual reviews in favor of continuous feedback, a key step in embracing next-generation talent strategies.
But as they transform to act more like marketplaces, companies are also fundamentally rewriting the social contract—reshaping views on the relationships and responsibilities that organizations, governments, and society have with workers. Who provides worker training for non-traditional employees? Who pays for benefits if someone is a fluid worker, moving between different companies? If freelance workers are between assignments, are they unemployed?

Businesses are taking steps to determine the new role of workers in the digital era, as the binary employee or contractor classification blurs. But the future of work has already arrived—and companies must embrace the spectrum of worker-relationship types in the open talent marketplace, from independent contractors, to full-time employees, to every variation in between. Companies will need frameworks that provide the flexibility to scale the current and emerging worker relationships, while optimizing the related mix of compensation, benefits, training, and community engagement. The nature of work and social contracts are in flux in economies around the globe; the steps companies take today can help lay the groundwork for a future of people fully engaged in a productive, socially balanced digital economy.

Creating your company’s talent marketplace will unleash the power of people. With the management of work going online and on-demand labor matchmaking capabilities spinning up at a breakneck pace, companies that expand from innovating products and services to innovating people can blaze the path to the People First economy. Working toward a corporate marketplace model—where companies are designed for people—can drive unprecedented business speed and agility. Those who invest in people innovation today will unleash human potential and creativity, and by evolving their corporate structures, fill in a missing piece in the digital revolution.
“We have to stop thinking about people working for companies and start making companies work for people.”

Tim O’Reilly
Identify a top executive as the talent marketplace transformation sponsor. Task the sponsor to define a top-down, company-wide talent marketplace strategy, and to establish clear, measurable goals for improving agility and workforce opportunities.

With a dedicated budget and executive-level stakeholders, launch a cross-functional team to define governance and HR policy, identify the relevant and allowable technology tools, and manage legal issues for your corporate blended workforce strategy.

Start identifying pilot opportunities by interviewing business leaders within your organization to determine which two or three groups, projects, or products are most in need of gaining agility in their workforce and skills in order to compete in the digital economy.

Thinking beyond cost and efficiency, establish key performance indicators to track how the talent marketplace transformation is advancing broader business priorities for your organization. Communicate these data points with stakeholders on a regular basis.

Engage with freelance labor platform providers as your potential partners for pilots. Start understanding their know-how, offerings, and enterprise customer success stories.
365-DAY PLAN

1. Based on the interviews of business leaders for pilot opportunities, hone in on the one(s) where the work is already remote, externally sourced, highly variable, cost sensitive, or driven by specialist skills. Use this as a first pilot to engage external freelance labor markets and platforms. When the pilot concludes, perform a debrief and share findings among stakeholders as appropriate.

2. With governance, technology, HR policy, and legal issues clearly defined, launch an internal competition to be the first group to assemble a team entirely from an internal labor marketplace. Track the progress of this team, capture lessons learned throughout the process, and share them with internal stakeholders. Learn from your experience and launch a slightly larger second phase. Continue to iterate and expand.

3. With lessons learned from both pilots, define a formal governance structure to manage freelance worker policies and best practices. This governance structure should move your organization toward a marketplace management model and blended workforce.

4. Armed with a formal governance structure, policies, and best practices, work toward blending the internal and external strategies with a goal of erasing the boundaries between the internal organization and the external ecosystem of labor platforms.
In five years or less, the presumptive judgments around full-time employment and freelancers will flip completely. Compared to traditional full-time employment, talent marketplaces will provide workers with improved earning opportunities, more rewarding work, secure benefits, and respected credentials.

Within five years, all industries will have new, dominant leaders with business structures based on small cores and powerful ecosystems. Incumbent corporations still carrying the burden of legacy bureaucratic models will experience rapid deterioration of market power.

In the next five years, on-demand labor platforms will emerge as a primary driver of economic growth in developed and emerging economies worldwide.

By 2022, the traditional purpose of industrial era corporations and management models will be replaced, having been displaced by digitally connected marketplaces.
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TREND 3


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