



The Next Era in Talent Management: Leveraging a Once-in-a-Lifetime Strategic Shift

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Introduction

The COVID-19 pandemic significantly disrupted lives, businesses, and how work is executed. As we slowly emerge from the pandemic, businesses are faced with an unprecedented talent management scenario characterized by three elements:

- **An unprecedented talent supply-demand mismatch:** The challenge of finding high-quality talent at the desired cost and the desired time is not new – in fact, it has characterized highly skilled areas such as niche tech skills and healthcare skills for some time. What makes the present situation truly unprecedented is that it is marked by a talent supply-demand mismatch across the board for almost all types of job roles, levels, and industries globally. In the US, monthly job openings continue to outpace the number of unemployed people (looking for jobs) for the last few months – the difference stood at roughly 2 million in August 2021. In the UK, the number of job vacancies rose beyond 1 million in August for the first time in recorded history
- **The great resignation:** The talent supply-demand mismatch has naturally led to a rapid rise in attrition across the board, as talent takes advantage of the booming job market. A record 4.3 million people quit their jobs in the US in August 2021. Everest Group's enterprise survey also shows an average increase of 10.5% in attrition levels in Q2 versus Q1 2021
- **Rising salaries/wages:** Due to the above factors, there has been a significant increase in salaries and wages, as organizations adopt desperate measures to attract and retain talent. In the US, US\$15 is becoming the de facto new minimum wage, while in the UK, the average total pay has increased by 7.2% in just three months, between June and August 2021

This unprecedented talent-related challenge not only puts the spotlight on all aspects of talent management across the hire-to-retain cycle, but also brings into focus the importance of innovation in terms of how work gets done, where it is done, and who does the work to lend agility and flexibility to organizations' overall workforce strategies. While permanent talent management remains key to solving this challenge, it is contingent talent or extended workforce that is emerging as the next frontier for disruption and innovation.

Contingent talent: the next frontier for disruption and innovation

Contingent talent or extended workforce has always complemented permanent workforce in organizations' work execution strategies. However, historically, contingent workforce has often suffered from a more myopic lens of being a casual addition to the permanent workforce with a big focus on cost savings, rather than being an integral part of overall organizational workforce strategy. This was already visibly shifting to a more strategic direction when the COVID-19 pandemic struck, and contingent workforce once again emerged as a savior for organizations. And now with the unprecedented talent supply-demand situation, the great resignation, and rising salaries, the contingent workforce can not only be the knight in shining armor, but also the lever that allows organizations to augment the agility and flexibility of their workforce strategies. We expect this reliance on contingent workforce to continue to gain momentum and, in fact, usher in the next wave of innovation for enterprises.

In this context, organizations are now applying a more strategic lens to contingent talent acquisition and management, with total focus on the "talent" aspect, while still cashing in on cost savings through the next generation of exponential efficiencies. The focus on talent is the most distinguishing aspect of this change, and, consequently, organizations need to provide their contingent talent with a superior consumer-oriented and permanent employee type experience and empower them through focused talent acquisition, engagement, and management as with permanent employees. This new focus is the underpinning factor driving rapid disruption and innovation in the talent management space.

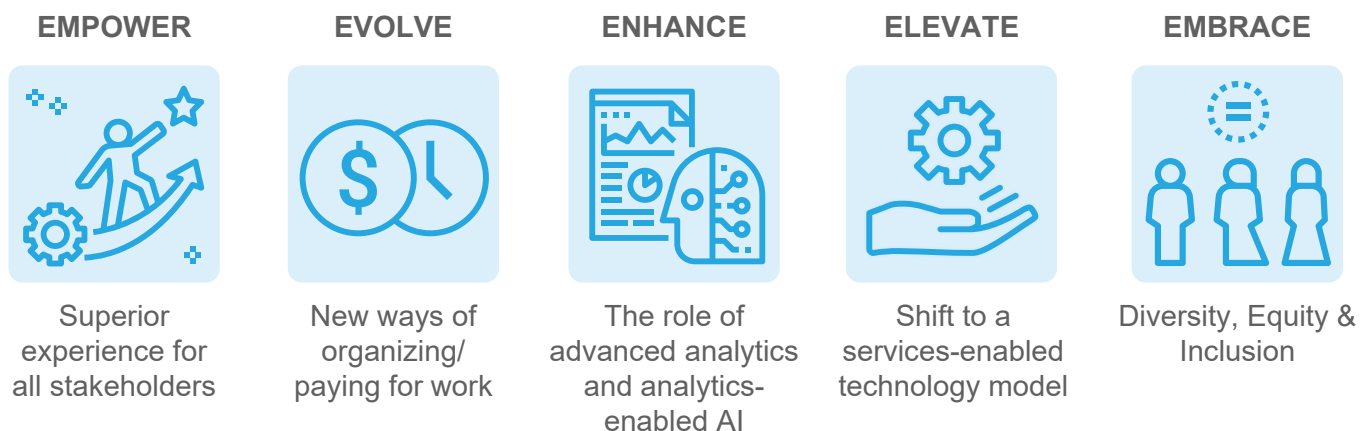
Key disruption/innovation levers shaping the contingent workforce of tomorrow

Five key strategic shifts are shaping the contingent talent landscape, as depicted through the 5Es framework below.

EXHIBIT 1

Five key shifts shaping contingent workforce – The "5E" elements

Source: Everest Group (2021)



Below we take a closer look at each of these five elements.

1. Empower – ensuring a superior experience for all stakeholders

Delivering superior experience to all key stakeholders should be of paramount importance for enterprises, and they need to work closely with staffing suppliers and Managed Service Provider (MSP) partners to enable this change. While experience is a combination of multiple factors, understanding the nuances associated with each key stakeholder persona is the first step to devising a strategy to influence any stakeholder group's experience.

Understanding three key stakeholder personas – candidates/workers, hiring managers, and contingent workforce leaders – should be the top agenda for enterprises. Some of the key requirements for each persona are:

- **Candidates/workers:** It is vital for enterprises to provide candidates and workers the same kind of experience that they are used to as B2C consumers. Some of the ways in which candidate experience can be impacted are:
 - Hyper-personalization: A candidate should be able to search for a job with the same ease with which he or she shops on Amazon, with hyper-personalized job recommendations based on the candidate's interests, previous history of applications, and other related factors
 - Better learning and benefits options: It is important to provide learning solutions to help create a better career path and offer better benefits to attract and retain quality talent
 - Digital interventions: These include mobile apps to search for jobs, manage assignments, access benefits, and access learning solutions, as well as add-on tools for candidate outreach and engagement, interview scheduling, and chatbots
- **Hiring managers**
 - A hiring manager should be able to view a detailed status of requisitions at any time and, if necessary, get quick answers to any questions
 - Hiring managers should have access to mobile-enabled solutions and mobile apps to search, screen, and interview candidates and approve expenses/timesheets on the move
 - Organizations should provide hiring managers personalized recommendations for better decision-making, for example, candidate suitability (ranking) and guidance on workflows (type of contingent talent to procure – freelancers/independent contractors, statement of work, etc.)
- **Contingent workforce leaders**
 - Contingent workforce leaders expect better visibility into the entire contingent workforce (executive-level dashboards) and alignment with the permanent workforce and broader organizational goals
 - From a leadership standpoint, the top expectations from any contingent workforce program will be extreme agility, scalability, and flexibility, along with lower risk

2. Evolve – new ways of organizing / paying for work

A large proportion of the contingent workforce today comprises individuals sourced through staffing suppliers – a perfect segue for organizations to rethink and disrupt this traditional model. In the coming

years, organizations could consider two innovations – consider newer sources of talent and hire teams instead of individuals. This disruption in the extended workforce could provide organizations with the next level of workforce agility and flexibility in the next normal via:

- **Innovation in sourcing individuals:** The contingent talent acquisition model is set for a dramatic transformation, especially in the US, as the traditional model of heavy reliance on staffing suppliers is being upended by the direct sourcing of individuals. In the simplest of terms, direct sourcing is leveraging the employer brand to acquire talent directly for the organization (often through the creation of talent pools) instead of leveraging staffing suppliers. It is not a new concept, having been used extensively globally. However, in the US, direct sourcing has traditionally been uncommon, with staffing suppliers sourcing a majority of contingent workers. An effective direct sourcing strategy helps formulate the employer brand and leverage that brand to attract talent and curate talent pools for direct sourcing from a diverse set of sources, such as retirees and alumni, and online talent platforms / marketplaces / Freelancer Management Systems (FMSs) – in effect, borrowing the best practices on talent pooling from the permanent recruitment landscape. A natural corollary is to share common talent pools for the entire organization, irrespective of the nature of the contractual engagement (permanent/contingent) with the candidate. This alignment between permanent and contingent talent acquisition can be the first step to a more holistic and strategic workforce planning and total talent management.

Direct sourcing has multiple benefits. For example, cost savings, in terms of lower markups, is one key benefit and a big and immediate trigger to move to direct sourcing. In addition, direct sourcing introduces multiple other benefits in terms of shorter time to fill rates, improved talent quality, and alignment with the broader workforce strategy.

Independent Contractors (ICs) can act as an additional channel for direct sourcing. Given the large number of freelancer sourcing channels, each focusing on a particular workforce segment (for example, by job role, geography, or diversity), it is important to carefully curate a network of suitable partners.

Even as direct sourcing emerges as an attractive and a highly beneficial alternative contingent talent acquisition model, enterprises need to be careful to avoid an overly disruptive break from their usual supplier sourcing operations. It is important to formulate optimal direct sourcing strategies, especially in terms of which job roles direct sourcing is most suitable for in their context and what role the enterprise versus a third party such as MSPs or gig-platforms / FMSs will play, and then designing KPIs, pricing, and other contractual elements accordingly.

- **Innovation in organizing work:** In addition to individual talent acquisition, which is heavily input-focused (charged per hour), services procurement through the Statement of Work (SoW) construct provides the opportunity to acquire teams with key output/outcomes in mind. The model has the potential to not only reduce project administrative time and costs, but also enhance the output quality and yield better business benefits. SoW suppliers can be sourced from the existing set of staffing suppliers (that possess this capability) and specialist consulting or outsourcing service providers, depending on the category or type of work.

However, as organizations' spend on SoWs increases, they need to be more diligent about effective end-to-end services procurement management across the entire source-to-pay cycle and not just headcount tracking and procure-to-pay. MSPs can usher in the next wave of best practices on strategic sourcing and category management, while advanced analytics will be key to unlocking the next wave of exponential cost savings and business benefits through better output and outcomes.

3. Enhance – the role of advanced analytics and analytics-enabled AI

Data and analytics-driven informed decision-making is key to achieving superior outcomes in contingent workforce programs. Advanced analytics and analytics-enabled AI are finding use cases across the entire contingent spectrum and experiencing a surge in adoption. Investment in analytics is also the top priority for MSPs and staffing providers, which have their proprietary analytics platforms that address key analytics aspects, as depicted below.

EXHIBIT 2

Types of analytics for contingent workforce management

Source: Everest Group (2021)



Workforce analytics

- Workforce analytics offers visibility into different aspects of contingent workforce and supports its effective leverage across the contingent workforce program
- Includes tracking different aspects of workforce including headcount, time to fill, turnover, candidate quality, source of hire, etc.
- Includes ability to decide the best way to do work and best sources of talent (permanent, staffing suppliers, direct sourcing, independent contractors, SOWs, etc.)



Supplier analytics

- Supplier analytics offers the tools to track and benchmark suppliers' performance within or across different contingent workforce programs
- Includes tracking different aspects of supplier performance including supplier fill rate, assignment completion rate, etc.



Spend analytics

- Spend analytics is focused on optimizing enterprises' contingent workforce spend by offering visibility and trackability
- Includes tracking spend from different perspectives including category spend, tail spend, SOW spend, etc.



Market insights



Market insights around talent supply-demand for different skills/roles across different contingent types and locations.



Peer benchmarking for a variety of dimensions including bill rates, supplier performance, competitors, etc.

Next-generation technologies such as Artificial Intelligence (AI) and Machine Learning (ML) are also finding use cases in contingent workforce programs. In fact, analytics-enabled AI is expected to bring exponential efficiencies and benefits for enterprises in the long term. Some of the AI-driven use cases gaining traction in the market include:

- **AI-based candidate matching:** Leveraging analytics and AI to efficiently and quickly match the best talent with open roles by creating candidate personas from multiple sources (resumés, social networks, etc.) and evaluating/ranking them in terms of their suitability for job roles
- **AI-based recommendations:** AI-based systems can provide recommendations to hiring managers on the most successful sourcing strategies to reduce the time to hire and reduce costs
- **AI-based predictive analytics:** Cognitive frameworks help predict the probability of filling a requisition on time, ensuring better organizational oversight
- **Chatbots based on Natural Language Processing (NLP) and ML:** Chatbots are used for candidate communication, both during the hiring process and during onboarding

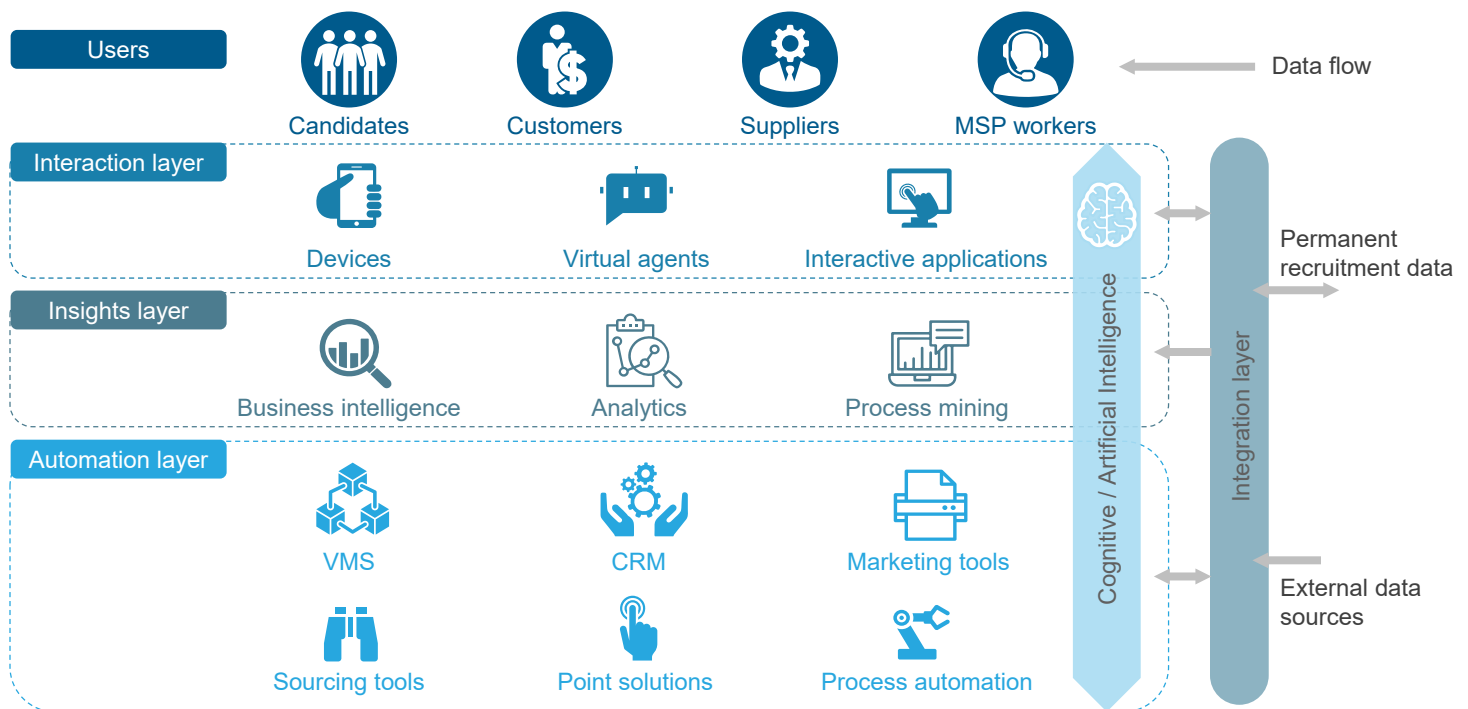
4. Elevate – shift to a services-enabled technology model

Services-enabled technology is a flexible solution that offers the benefits of digital, satisfies the technology expectations of diverse stakeholders, and balances the human-services touch. The emergence of consumer experience-led technologies on the back of digital transformation is driving the need for an integrated platform-oriented approach, as exhibited below.

EXHIBIT 3

Understanding the working of a contingent digital platform

Source: Everest Group (2021)



The key characteristics of a services-enabled, platform-oriented model are:

- A completely digital solution with the flexibility to accommodate human intervention where required
- An integrated ecosystem of tools and technologies aligned with the client's technology stack – allows plug-and-play for individual components, which can be added/removed/replaced

- Seamless/uninterrupted data flow across multiple tools via automated linkages, enabling better analytics and AI
- Single-user login across the entire ecosystem and a uniform experience across devices

The above model provides complete visibility into the entire contingent hire-to-rotate/redeployment cycle. It also connects to external data sources and can link and align with permanent recruitment processes and data. This enables MSPs and staffing suppliers to provide impactful analytics to organizations on every aspect of the contingent workforce and facilitate a total talent management approach with permanent and contingent talent strategies aligning to allow organizations to formulate holistic workforce strategies.

A practical approach to achieving an integrated technology model – the role of a Vendor Management System (VMS)

One of the biggest focus areas for VMS providers is to transition their platforms into modular and end-to-end Contingent Workforce Management (CWM) systems to bring in more flexibility, scalability, and customization to accommodate clients' existing technologies. As more organizations are moving away from single technology to best-of-breed technologies, VMS providers are building capabilities to provide plug-and-play systems that are scalable and mobile. MSPs and staffing suppliers can leverage VMS as the underlying core technology to build a single platform-like architecture, leveraging VMSs' ability to:

- Act as an integration hub – Application Programming Infrastructure (API) based architecture and growing emphasis on unified user interface and user experience (UI/UX) through Single Sign-on (SSO) authentication
- Facilitate mobile enablement – dedicated mobile applications for hiring managers, candidates, and suppliers to enable access on the move
- Provide a flexible and scalable infrastructure – cloud-based infrastructure that enables greater customization and flexibility

5. Embrace – Diversity, Equity, and Inclusion (DE&I)

While Diversity, Equity, and Inclusion (DE&I) initiatives have always been on the radar of enterprises, they have become a mission-critical piece for a sustainable business strategy in recent times. As talent acquisition is vital to building a truly diverse organization, the role of MSPs and staffing suppliers is becoming more important than ever before.

The key reasons for this enhanced focus on DE&I are:

- To address talent shortages, as enterprises driven to hire individuals from diverse backgrounds can access wider and large under-tapped talent pools
- To increase employee engagement and strengthen the company culture, as DE&I plays a significant role in ensuring employee satisfaction, motivation, and productivity
- To facilitate innovation and creativity, as bringing together people from varied backgrounds promotes more product and service innovation
- To improve customer alignment and build a stronger employer brand by building deeper connections with customers and better understanding their needs

Enterprise considerations when planning DE&I initiatives

While addressing DE&I, it is hard to set a benchmark for what best looks like. Every organization is unique and needs to take a distinct approach to achieve DE&I with a set of clearly defined strategic end objectives. However, there are some common considerations for enterprises as they think about undertaking DE&I initiatives, including:

- Embracing diversity involves moving beyond just supplier diversity to achieving true talent diversity
- DE&I is a much deeper concept than perceived, and it recognizes differences related to race, gender, gender identity, age, religion, sexual orientation, ethnicity, nationality, socioeconomic status, physical ability, experience, and knowledge
- Bottlenecks to DE&I can manifest in all facets of a business and operations, and, hence, it is as much a business challenge as an HR and talent acquisition issue




How to address DE&I

To realize the full advantages of a DE&I program, enterprises need to clearly define their DE&I vision, develop strategic plans and a formalized framework, measure key metrics tracking the impact of the program developed based on employee feedback, and continue to improve. Both MSPs and staffing suppliers need to play a critical role in supporting an organization’s DE&I initiatives by offering support across the value chain, as listed below:

EXHIBIT 4

Enabling levers for DE&I programs

Source: Everest Group (2021)

 DE&I sourcing	 DE&I analytics and technology	 DE&I advisory
Creating an inclusive talent brand and job posts	Reporting and analytics including market benchmarking and predictive analytics	Assessment and advisory
Intentional prospecting and targeting diverse sourcing channels	Job description assessment tools	Learning and development
Referrals and company engagements	Inclusive candidate matching algorithm	Brand and media strategy



Conclusion

While the 5Es of Empower, Evolve, Enhance, Elevate, and Embrace have existed in some shape or form in enterprises' contingent workforce programs, the next normal has created the need to take a more intentional and strategic approach to incorporating these elements. These disruptive and innovation-driven levers have the potential to not only improve the overall effectiveness of the contingent and extended workforce, but also mitigate some of the unprecedented talent-related challenges in the market today. It is also important to evaluate the business case pertaining to each lever, understanding existing capabilities vis-à-vis additional investments needed to achieve desired objectives, and clearly lay down a roadmap for streamlined execution.

However, applying a more practical lens, it is next to impossible for organizations to take this disruption journey on their own. The level of investment required in terms of cost, time, people, and technology will mean that the entire provider ecosystem in this space – staffing suppliers, MSPs, and technology vendors – will have an enhanced and vital role in this innovation journey. Organizations need to carefully select the right partners – providers at the forefront of the 5E innovation levers, those that have an investment roadmap in place, and are willing and able to work with clients as design thinking and problem-solving partners beyond just executioners. Enterprises should work closely with these partners to achieve the 5Es, solve their talent challenges, and maximize their talent potential.



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