

Getting Strategic

About the Extended Workforce



A **Real-World View** from Today's Procurement Leaders



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Introduction

The global workforce is not simply growing; it is also growing in complexity. Many organizations now supplement their full-time workforces with contingent employees, consultants, remote workers and agile workforce resources, sometimes across borders and continents. We call this the extended workforce. According to Forbes, 25% to 30% of the workforce in 2019 was already engaged in “contingent work,” and that percentage has been growing ever since.¹

The following report is based on a 2021 survey commissioned by Allegis Global Solutions (AGS) to explore how organizations are addressing the challenges associated with agile staffing and extended workforce procurement. The results reveal great promise for a burgeoning future of workforce agility but also issues related to workforce visibility, cost management and strategic sourcing.

As they move to address the demands of a changing workforce, forward-thinking organizations are focusing on the realities of the present while reaching for a vision that will stand up to the turbulence of an uncertain future. To shed light on the thinking and the effort behind today’s organizational strategies, this report takes a measured, three-part look at business perspectives and practices related to workforce procurement. Areas of focus include the current state of the workforce and its challenges, the path forward, and the priorities for transformation.

About the Survey

AGS and the WBR Insights research team surveyed 100 business leaders across the US and Canada to generate the results featured in this report. Companies included in the 2021 survey represent an even cross section of industries, including telecom and technology, industrial, financial services, healthcare, and retail and hospitality. Size of companies is evenly split, with one third at \$500 million to less than \$1 billion (33%), \$1 billion to \$10 billion (34%), or \$10 billion or more (33%) annually. Roughly half of respondents held executive-level titles, with the rest holding director or senior manager roles, all with procurement as all or part of their focus.

¹ Wingard, Jason. “The Agile Talent Wave: The Contingent Workforce Is Taking Over.” Forbes. Feb 27, 2019. forbes.com.

Key Findings

- 1 Extended Workforce Challenges:** 55% of companies struggle to manage their contingent staffing agencies, and nearly half (47%) struggle to manage statement of work (SOW)-based services in their efforts to meet pressing business demands.
- 2 Cost-Focused Versus Strategic Views:** 57% describe their companies' management of spend related to services, consultants or SOW contractors as "strategic." Meanwhile, 51% consider their management of spend related to contingent worker suppliers as "cost-focused."
- 3 Influence on Workforce Strategies:** In describing their approach to managing spend, only 19% feel their approach is aligned with a broad corporate strategy and process.
- 4 The Challenge of Accessing Talent:** 46% of the respondents rank "access to quality talent or resources" as their "most challenging" pain point in their strategy for managing spend and associated engagement for contingent workers. "Compliance" and "tracking performance" are also notable pain points.
- 5 Consistency of Processes:** The largest portion of respondents rate their processes for engaging and managing contingent talent as only somewhat consistent (50%). Only 22% feel they have a highly consistent, centralized process in place.
- 6 Top Priorities:** 56% of respondents consider accurately classifying contingent resources as a top priority for improving their extended workforce engagement capability. Other highly rated priorities include aligning contracts, key processes and engagement in a single space, and accessing an extended workforce platform with intelligent analysis and recruiting systems.
- 7 Growing Importance of Flexibility:** Over one-third of respondents claim their priorities for increasing the flexibility of their contingent workforce management strategy have "moderately" (27%) or "greatly" (11%) increased.
- 8 An Emphasis on "Total Workforce":** Most respondents have prioritized (40%) or already use (21%) a total workforce strategy — a holistic approach to attracting and hiring all forms of talent — as part of their corporate plan.

The Present Condition: Get Realistic About the Pain Points and Opportunities

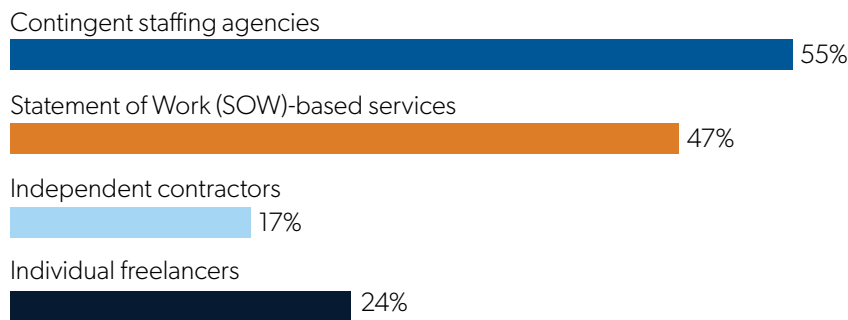
The procurement function has played a key role in engaging workers outside the traditional employee model as global business' use of contingent staffing and consulting services has grown. As a result of this increasing use of non-employee talent, known as the extended workforce, the influence of procurement teams in securing workers has become comparable to that of HR departments.

The expansion of the extended workforce has resulted in significant opportunities for organizations of all sizes. However, the growing pains are being felt across business sectors. Respondents reflected on levels of struggle and visibility in managing the extended workforce, as well as top challenges they face today.

Struggles with Management and Visibility by Worker Type

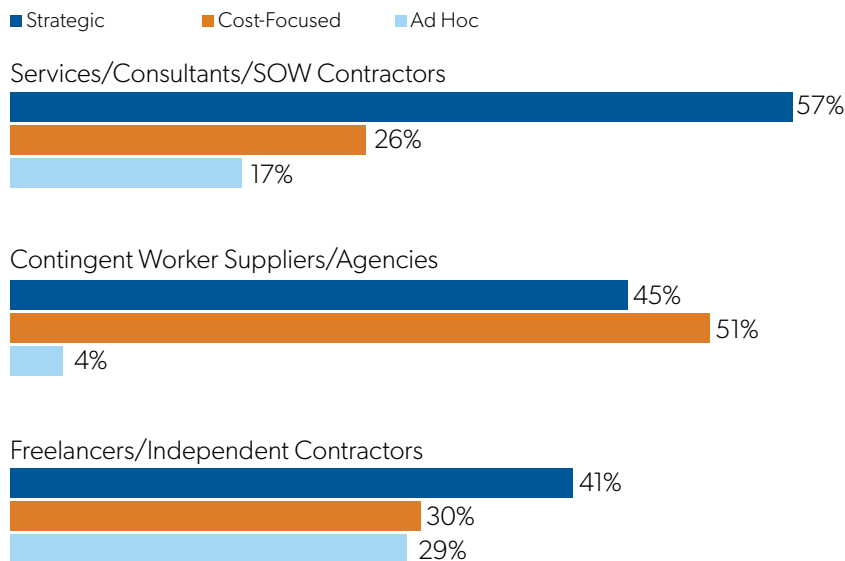
Challenges in Managing Extended Workforce Resources

Percentage of respondents struggling to manage resource types



Style and Level of Management for Key Resources

Percentage of respondents describing their management sophistication for resource types



The challenges of managing the extended workforce remain significant for all worker types. While there is no single category that is overwhelmingly problematic, the levels of struggle remain high overall, with roughly half of respondents citing issues across categories. Notably, the level of visibility into different worker types may be a large contributor to such challenges, as responses indicate a persistent issue with visibility into each area of contingent workforce spend and resource management.

Independent Contractors: Only a narrow majority of respondents (53%) believe their organizations successfully manage independent contractors (IC) without struggle. These relationships are typically decided on a case-by-case basis, allowing organizations to vet and manage independent contractors based on their terms.

However, the same individualization means that companies risk paying varying rates to workers for similar work or managing performance and setting expectations inconsistently. Strategic visibility across the IC workforce is essential to such consistency. Notably, only 41% of respondents consider their management of freelancers and independent contractors strategic.

Contingent Staffing Agencies: Managing agencies remains an issue for many procurement decision-makers, as 55% of the respondents say their organizations struggle to manage resources procured from contingent staffing agencies. The challenges stem from the fact that managers may engage agencies across the organization with the same types of inconsistencies in costs and performance management associated with freelancers and other sources of talent.

Along with engagement inconsistencies, managers are challenged to simply have a view into the agencies available across the organization. Roughly half of respondents (51%) say they have limited visibility of their options when it comes to contingent talent suppliers.

Outsourced/Statement of Work Services: Of those responding to the survey, 47% struggle to manage SOW-based services. In this context, an SOW defines the specific activities, deliverables and timelines required of a contractor or extended labor force. SOW-based services are often based on the completion of specific projects and deliverables, but they can also go beyond the scope of those projects and increase costs.

Organizations must be precise in their SOW agreements to ensure costs are managed effectively and that what is contracted is ultimately delivered. Managed effectively, these sources of extended workforce talent can be strategic assets, and they can control costs, performance and compliance. A broad view into SOW spend is critical to such disciplined spend management, but only 57% of respondents say they have enterprise visibility into their spending regarding services, consultants and SOW contractors.

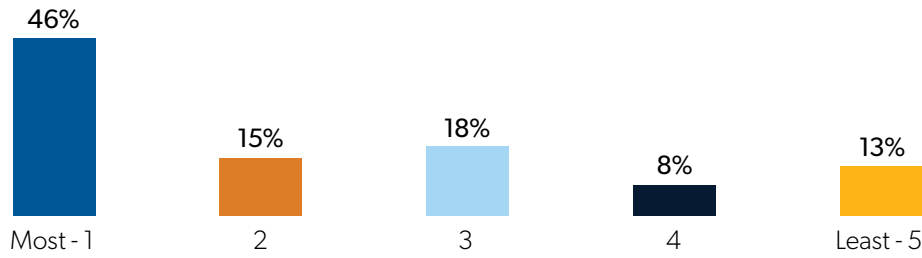


Top Challenges in Extended Workforce Management

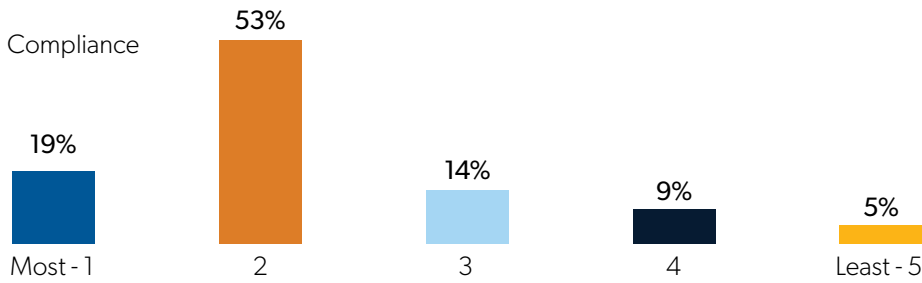
Pain Points Experienced by Contingent Workforce Decision-Makers

Percentage of respondents experiencing specific level of challenge in key areas

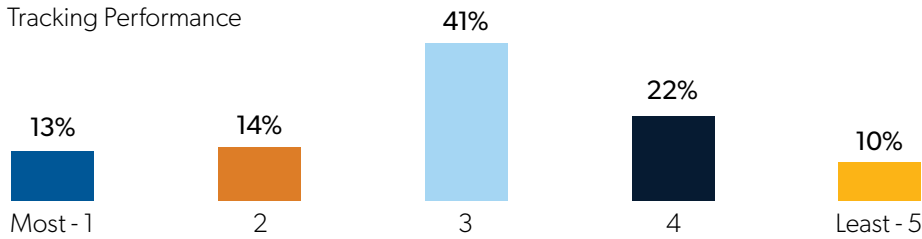
Access to Quality Talent/Resources



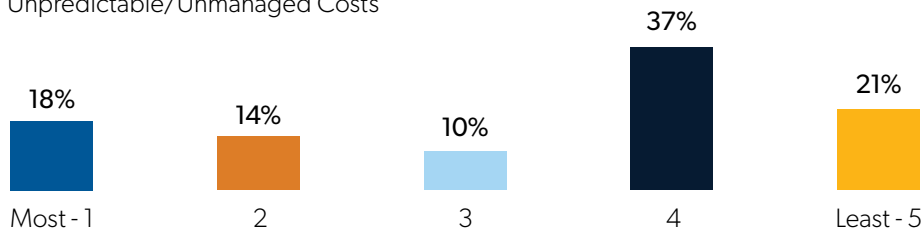
Compliance



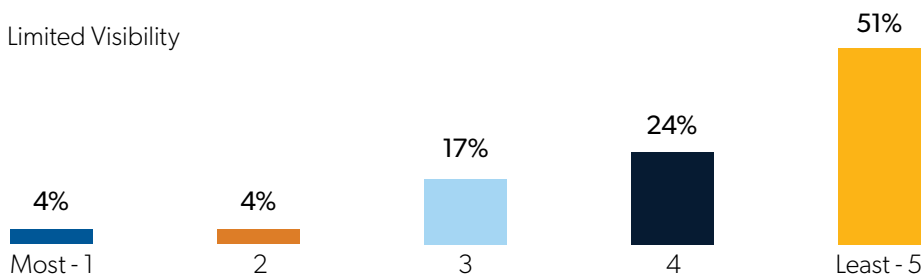
Tracking Performance



Unpredictable/Unmanaged Costs



Limited Visibility



Based on responses reflected on the previous chart, most organizations struggle with some aspects of their spending on contingent workers and have concerns about compliance challenges. But they are at a point where forward-thinking strategic workforce management is more top-of-mind than ever, and they seek solutions to those challenges.

Access to Talent: Nearly half of respondents (46%) say access to quality talent and resources is the most challenging pain point they face when managing spend and associated engagement for contingent workers and their suppliers, making it the top issue today. They have trouble filling assignments or engaging the right resources quickly and effectively.

Managing Compliance: More than half (53%) of respondents rank compliance high on their list of challenging pain points. They do not have adequate knowledge or control over their potential risks for worker misclassification, privacy and other regulatory issues. Compliance has become an issue as extended workforces have expanded but also because more public attention has been brought to issues such as worker misclassification and the protection of data and privacy.

Tracking Performance: Similarly, 41% of respondents rank performance tracking of contingent workers as a challenging pain point. They have inadequate means of tracking performance data such as assignment completion, worker quits and quality of work. The good news is that the technology is available to take control of performance, but, as with the related issue of workforce visibility, putting data to use requires focused expertise and the ability to use technology to draw meaningful insights.

Achieving Visibility: Although many respondents do not see the challenge of visibility into the workforce, the topic remains on the radar for nearly half. At the same time, the visibility issue contributes directly to one of the most urgent challenges (access to talent). To address the visibility challenge, organizations are increasingly turning to workforce management partners with the technology and expertise to capture data on market conditions and the availability of resources.

Takeaway: Strategic Procurement and Improved Results Go Hand-in-Hand

Understanding that the extended workforce ecosystem comprises various stakeholders, processes and technologies, it may be difficult for leaders to determine where to begin a path to improvement. The survey results confirm that boosting access to talent and addressing compliance needs are great starting points for developing and evolving a strategy. Notably, improving visibility into that full workforce supply will be critical to any effort at improving access. Access to talent, tracking performance and maintaining compliance all require a view into resources and activity.

An expert approach, led by an internal resource or an objective expert partner, will often begin by assessing how well an organization “sees” the most important elements of workforce engagement. Starting from that point, organizations can focus on the technologies, stakeholder education and change management needed to bridge the silos of engagement to gain a strategic view.

The Path Forward: Reach for a Strategic Approach to the Contingent Workforce

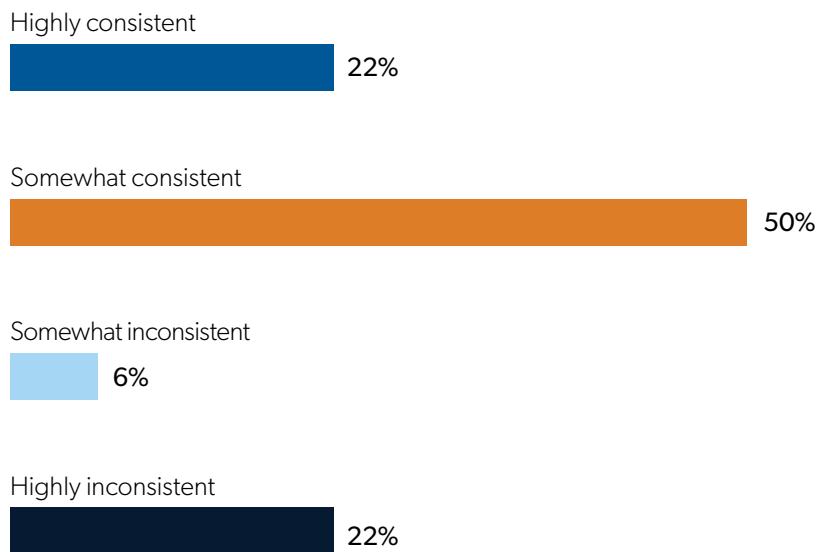
Taking control of the pain points associated with engaging freelancers, contingent workers and services starts with a strategic approach to extended workforce management. If your organization struggles with compliance, performance tracking and access to viable talent, a focus on consistency and impact must be the foundation of your workforce management strategy moving forward.

For procurement leaders, the push for consistency will always require effort. Even as the technology comes into play to capture data and standardize processes across the organization, continuous change management will remain necessary to keep managers on board. The goal is to avoid the rogue spend that occurs when resources are engaged outside of a process, leaving no ability to manage the costs or impact.

Along with consistency is the need for impact, not only in delivering meaningful improvements to the business but doing so in a measurable and repeatable way. Impact is achieved through persistent tracking of performance, and companies continue to seek improvements in how they capture metrics and make decisions based on what they find.

The Push for Consistent Processes

Percentage of respondents describing the level of consistency in managing contingent talent across their organization



Overall responses reveal that most organizations still believe they have work to do when it comes to bringing together contingent workforce processes. Are different departments and locations managed through one program? Does the organization have a grasp on spend occurring outside of the established processes? The answers to these questions can determine how far a company has progressed in gaining control over its contingent workforce needs. The survey indicates varying levels of consistency among companies across industries.

Highly Consistent in Processes: Some organizations have made progress in deploying a consistent process for engaging and managing contingent talent, but the portion of these leaders is small. For example, only 22% of the respondents say their organizations are highly consistent in their processes associated with contingent talent. Managers and departments in those organizations manage contingent workforce needs through a single centralized program or function.

Some Standardization: Exactly half of respondents say their organizations are somewhat consistent in their processes for engaging and managing contingent talent. Although they have standardized processes, they may lack visibility, as they still must contend with rogue spend and out-of-process management. These organizations could begin to resolve these challenges through a universal workforce management approach that provides a roadmap for bringing all engagements under one management process over time.

No Standardized Processes: The remaining respondents do not have standardized contingent workforce processes across the organization or lack adequate visibility into their contingent labor spend. If your organization relies on a patchwork of processes, varying technologies, siloed solutions or unstandardized parameters for managing contingent workers, assessing current processes can be the start to a more effective strategy.

The Need to Deliver Increasing Impact on the Business

Level of Ability to Measure Results

Percentage of respondents citing their level of sophistication in tracking impact, costs and performance

Advanced



Moderate



Limited



In terms of measuring the impact of their contingent workforce management practices, most respondents have some level of confidence, describing their tracking as “advanced or moderate,” but a closer look at overall results indicates room for improvement.

Advanced Measurement of Business Impact: Only one-third of respondents (32%) say they have advanced tracking measures in place. They can track impacts and make decisions about future strategies based on their data platform and analytics capability.

Moderate Level of Measurement: At 64%, most respondents say they have moderate tracking abilities. They can track costs, performance and results, but they struggle to identify and address opportunities for improvements in their processes.

Limited Measurement: Only a few respondents say their ability to measure the impact of their contingent workforce is limited. In written responses, most of these respondents struggle to predict when they will need contingent staffing or lack the time to analyze the skill sets of contingent workers in detail.

Takeaway: Do Not Take the Basics for Granted

Survey results indicate that the basics of contingent workforce management are not so basic after all. Without consistency, an organization can only make ad-hoc decisions. Lacking an established process, the ability to navigate a clear path forward in determining workforce needs and the resources to meet them is compromised. Establishing process consistency involves the implementation of new technologies, but it also requires perpetual change management and continuous improvement.

For companies to establish an effective and lasting strategy, consistent processes need to align with the ability to demonstrate impact. Relevant metrics may vary according to an organizations’ goals, and a deliberate approach to visiting those objectives can help avoid conflicts during the life of the strategy. For example, if boosting agility and responsiveness is a goal, how do you track improvements in time to fulfillment while also accounting for costs and quality to arrive at realistic conclusions? Measures of success, context and data to inform results are all essential.

The Priorities of Transformation: Lead with a Future-Proof Workforce Strategy

Companies and procurement leaders are not only evolving their strategies to address immediate problems; many are working toward goals that connect to a more transformational vision of their workforce operations. Their priorities are based on the need for a sophisticated but user-friendly, informed, intuitive and holistic process, and the urgency to adopt such a process has been accelerated by recent events such as the COVID-19 pandemic.

Key elements shaping the transformative vision include an understanding of the issues and improvements needed today, the influence of recent economic turbulence on accelerating change, the confluence of HR and procurement strategies and the overall push for a holistic, total workforce strategy.

The Issues and Improvements in Play

Priorities for Improvement in Extended Workforce Engagement

Percentage of respondents rating key areas as a high priority



In the practical world of business strategy and change management, the push for transformation begins with basic problem-solving. For respondents in the study, a common set of issues was top of mind, from the needs for accurate classification, intelligent analysis and data-driven insight, to bringing resources into a single view and taking the best path forward. Levels of priority are mixed for each issue, but some goals stand out.

Accurately Classifying Contingent Resources: Currently, most respondents (56%) list worker and resource classification as a top priority for improving their extended workforce engagement capability. This is an important priority from a cost-management perspective. Accurate classification is also an important goal to work towards to remain compliant, especially as lawmakers continue to introduce new regulations regarding contingent workforces and courts evolve in their interpretation of those rules. Ensuring the most appropriate route to market for the work to be done also allows companies to optimize their supply base and leverage suppliers for their strengths.

A Single View: Other needs include aligning contracts, key processes and engagement in a single space, cited by 45% as a top priority. Similarly, 52% of respondents say establishing a single place for advice on contingent staffing and overall extended workforce strategy is a real priority. These needs speak to the widespread desire to break free from isolated systems and processes, so that decision-makers know they are acting on all the information available and doing so based on expert insight and interpretation.

Intelligence on all Systems and Channels: Achieving intelligence for better decision-making will require improvements to the systems involved in the management process and the channels that connect to resources. Recognizing these needs, 45% of decision-makers rate accessing an extended workforce platform with intelligent analysis and recruiting systems as a priority, and 44% cite a top priority in achieving a deeper understanding of which sourcing channels are right for the organization. Once again, smarter information is emphasized over simple access to more data.

The Influence of COVID-19 and Recent Economic Turbulence

Influence of Organization-Wide Strategy on Extended Workforce and Services Spend

Percentage of respondents citing the influence of corporate strategy on their spend management

Little or no strategic influence



Some strategic influence



Significant strategic influence




While the priorities of improving specific areas of contingent workforce spend are important, they do not exist in isolation. Moving forward, companies will likely need to re-examine the connection between their non-employee workforce and broader corporate strategy. As survey results show, only 19% of companies have established that strong connection between the broader company view and their extended workforce initiatives. That portion will likely increase over time as companies become more strategic in their views and actions.

Pandemic Influence on Flexibility on Contingent Workforce Strategies

Percentage of respondents describing flexibility today compared to pre-pandemic strategies

Greatly or moderately increased need for flexibility
 38%

Priorities are similar to pre-pandemic plans
 42%

Less need for flexibility
 20%

As noted, organizations' experiences during the pandemic are driving many procurement priorities. The restrictions and disruptions brought on by COVID-19 forced many organizations to re-examine their contingent workforce practices and made them more reliant on staffing agencies, freelancers and other third-party services to supply their critical talent. Notably, a significant portion of organizations looks to maintain and grow their use of flexible labor sources, with healthcare and manufacturing being particularly influenced by the pandemic experience.

Increasing Flexibility: A full, 38% say their priorities for improving the flexibility of their contingent workforce management strategy have increased compared to pre-pandemic conditions. Beyond that portion, an additional 42% see at least some small level of change toward improving flexibility due to the pandemic, though their priorities remain similar to what they were before the pandemic. This reach for flexibility is likely to continue and grow as companies compete for talent in a post-pandemic environment.

Unique Healthcare and Manufacturing Viewpoints: Healthcare organizations were uniquely affected during the pandemic due to an increased need for staffing and medical supplies. Manufacturers were also influenced, as the pandemic caused significant disruptions to supply chains. In written responses, these collective respondent groups say their management strategies are primarily focused on resiliency in the face of disruption, particularly when it comes to having enough viable talent on hand:

- "It's not about creating flexibility but security in times of need," says an executive at a mid-sized healthcare organization. "We need to know we can complete a given project without having to hold off."
- Another healthcare executive says, "We want to cross-train our contingent workforce so that we'll have enough support if we face a difficult situation."
- Respondents from the industrial sector emphasize the need for more streamlined training, diversity and effective assistance from consultants. "We want to foster development with the assistance of external advisers and talent," says a senior manager from an industrial organization. "We have a strategy of how to keep these developments secure and our outcomes efficient."

The Push for a Holistic Approach

To What Extent is a Total Workforce Strategy Part of the Corporate Plan?

Percentage of respondents citing the status of their total workforce strategy

Currently in place



Prioritizing adoption in the near term



Considering total workforce strategy, but no action taken



Finally, researchers asked respondents how focused they are on a total workforce strategy — a holistic approach to attracting and hiring all forms of talent, including traditional employees and contingent workers, through the engagement of services.

Already on the Total Workforce Journey: At a total of 61%, most organizations have either prioritized the adoption of a total workforce approach (40%) or are currently using a total workforce strategy (21%). Adoption of a total workforce strategy begins with buying into the vision. While the level of advancement among companies with some level of total workforce capability may vary, their commitment puts them ahead of organizations that may recognize a need for a holistic strategy but have not taken action to change.

Considering a Move Toward the Total Workforce: Another 38% of respondents are evaluating a total workforce approach to staffing and obtaining resources, but they have taken little or no action yet to make this happen. For these organizations, internal pressures for change will likely rise as more companies adopt holistic strategies to stay flexible in their engagement of workers and services in a competitive market for talent.

Takeaway: Start the Improvement Journey Today

When it comes to acting on a holistic strategy, knowledge is power. Objective expertise from an experienced workforce solutions partner can provide vital input to bring that total workforce vision to life. The practical details of achieving near-term improvements today while making changes that lead to long-term transformation may elude internal teams. The contingent workforce acquisition process is more than just a transactional source-to-pay process. A specialist view can help create a much-needed balance to drive change and adoption while delivering previously unattained value.

Survey responses show that most companies are considering changes to their workforce management strategies. Given this trend, organizations that have yet to begin developing and acting on a holistic strategy could benefit from starting today. At stake is the ability to compete against increasingly sophisticated competitors seeking similar resources and talent.



Conclusion: The Journey is Real and Rewarding — Don't Go It Alone

In their final line of questioning, researchers asked respondents to describe how a more robust extended workforce strategy might position their organizations to better succeed in the future. Many respondents note that such an approach could help them mitigate risk and provide more effective service to customers during difficult times.

“An effective extended workforce reduces any additional risks that a project could face,” says an executive at a large industrial organization. “So, we have all the advantages in delivering the best solutions to our clients and customers every time.”

Similarly, an executive at a healthcare organization says, “If there are real-time solutions available, we will have more control over workforce utilization and reduce any level of stress on them, so that their service quality improves.”

Other respondents believe better forecasting can help them reduce risk and provide more flexibility in times of disruption. “With good forecasting, we can provide complete coverage to all our duties and deliver more value to our customers,” says a director from a telecommunications organization.

Respondents reveal a growing recognition that a fundamental change from transactional, siloed engagement with the extended workforce is needed. The path to a transformed workforce capability is rich with both near- and long-term opportunities for value. The journey begins with a commitment to cultivating internal partnerships across departments and functions at all levels of the organization, from line-level to senior leadership. The right solutions partner can provide the expertise, technology, objectivity and shared commitment to bring your vision to life.

Improvements in cost control, performance, compliance and access to resources can significantly impact operations today and set an organization on the path to success for tomorrow. Regardless of where a company starts in its journey, transformation is within reach.

About the Authors



Allegis Global Solutions (AGS) is the leading provider of workforce solutions. We know what it takes to design, build and execute strategies that align workforce capabilities with the agility required to stay ahead of what's next. Blending decades of experience, continuous innovation and cutting-edge market and business intelligence, we lead companies through a transformative journey to rethink the way work gets done.

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