



# The Evolving Role of **SOW Management** in Today's Contingent Workforce

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## ***The Evolving Role of SOW Management in Today's Contingent Workforce***

*There are many nuances in today's non-employee or contingent workforce, and as this industry continues to grow at a rapid pace, businesses across the globe will find that their contingent workforce management ("CWM") programs must include several key capabilities for controlling both traditional and emerging types of non-employee labor. Ardent Partners research has found that "complex contingent labor," a term utilized to describe statement-of-work ("SOW")-based projects, services, and labor, comprises 42% of the average enterprise's total external workforce, a factor which reinforces the need for more rigorous control around this category of the contingent workforce. This Ardent Partners research report will highlight the growth and evolution of SOW management, and discuss the required solutions, strategies, and capabilities for driving control, visibility, and more enhanced management of this strategic area.*

## *The Evolving (and Growing) Non-Employee Workforce*

“Talent” is a factor that determines the ultimate success and growth of any global business. Skillsets and expertise can give an enterprise a true competitive advantage and ensure that critical projects, initiatives, and corporate endeavors are driven and managed with the highest-level talent. As such, the rise of the non-employee workforce has given the average business a new and interesting set of options for talent-based needs. Coupled with the progression of engagement sources, particularly “on-demand” outlets such as online marketplaces and social networks, today’s workforce is markedly different than it was only a few years ago ... and so are the requirements, strategies, and solutions needed to manage this highly-evolved, and growing, workforce.



## *The Impact of “Complex” Contingent Labor (SOW and Services)*

### *What is Complex Contingent Labor?*

*Ardent Partners defines “complex” contingent labor as non-employee workers or professional services that are linked to a statement-of-work (“SOW”) or similar agreement. Complex contingent labor management includes “traditional” procurement strategies, such as services procurement, that can be “blended” with workforce and talent management approaches. Complex contingent labor typically includes moderate- to high-level talent, and is the largest of the three major CWM labor categories.*

Ardent Partners research has found that **nearly 35% of the average business’s total workforce** today is considered non-employee, independent, or contingent, a growth of 10% from 2014. And, nearly 70% of enterprises in Ardent’s recent State of Contingent Workforce Management research study expect that this external workforce will grow steadily in the year ahead, showing that independent talent is a formidable force. Today’s contingent workforce is multifaceted, comprised of several types of talent, including freelancers, independent contractors, temporary workers sourced via staffing suppliers, and, of course, professional services and statement-of-work-based labor. Ardent Partners’ **Contingent Workforce Management Framework** was

developed to help enterprises understand the makeup of today’s contingent workforce and offers a “blueprint” for building and developing the necessary capabilities for managing all contingent labor. Ardent’s CWM Framework includes the three major categories within the non-employee workforce, which are (1) staffing, (2) “complex” contingent labor, and (3)

freelance/independent talent (also known as “self-sourced” talent). Complex contingent labor, which includes SOW-based labor and services procurement, has been making a strategic impact on global organizations. It can be considered the “next frontier” for contingent workforce management due to its impact from spend, talent, and project management perspectives, and the fact that many of today’s businesses lack the ability to maintain visibility or control over this CWM arena.

### ***Why is SOW Important?***

From finance to legal to operations to IT, nearly every function within the enterprise undertakes short- and/or long-term projects that leverage SOW-based labor or professional services in some capacity. What has changed from the days when “services procurement” was a simple concept is the fact that the talent linked to SOW-based projects (the aforementioned services, freelancers, contractors, etc.) is becoming more varied (from engagement sources), with businesses

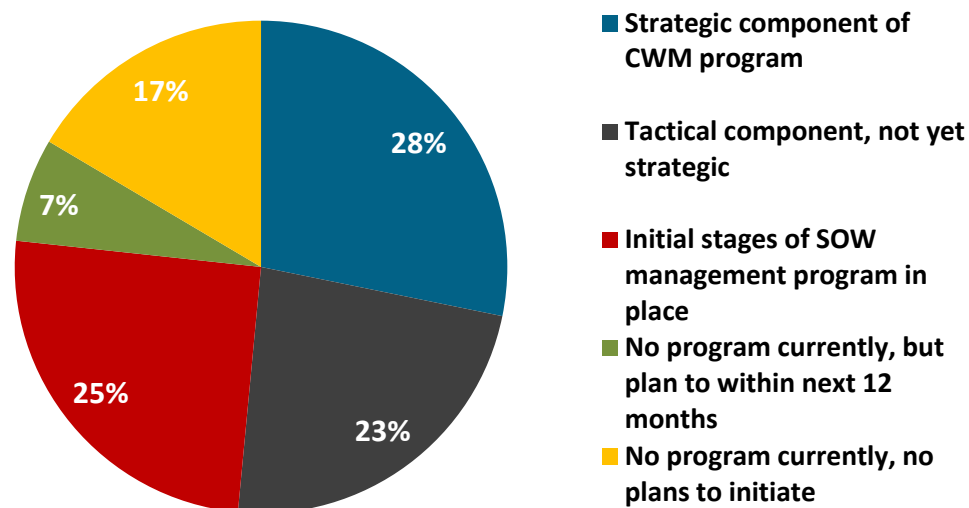


relying more and more on this expertise to achieve critical organizational goals. SOW-based projects support critical enterprise endeavors, such as technology deployments, strategic and financial planning, or business process transformation, and this area will continue to grow in the months and years ahead, just as the reliance on non-employee labor will grow. An organization’s usage of complex contingent labor also extends to a decades-long reliance on third-party professional services, consultants, and strategy specialists/experts. Often times, the definitions around projects that require these services are blurry, with a general lack of understanding of (1) the “real” budget associated with the project that could be structured on a time and materials basis and fail to incorporate other real costs like travel and associated expenses, project equipment and administrative charges, as well as project delays and project staffing changes, (2) the true scope of deliverables and milestones, (3) the “talent” impact of these projects, and (4) how it maps to not only internal processes and programs, but also to greater corporate initiatives. SOW management is a significant piece of contingent workforce management because of its spend, supplier, quality, talent, and project attributes. As discussed later in this report, today’s SOW management programs must be varied, intricate, and deep in order to balance these aspects.

### ***From Tactical to Strategic: The Evolution of SOW Management***

Ardent's research has found that the complex contingent labor category of Ardent's CWM Framework represents 42% of today's non-employee labor, which includes services procurement and SOW-based labor. Although contingent workforce management programs have been gaining corporate attention in recent years (especially as the industry continues to grow), the management of SOW-based labor remains largely ad hoc and a mainly tactical measure (see Figure 1).

**Figure 1: SOW Management – Current Program Status**



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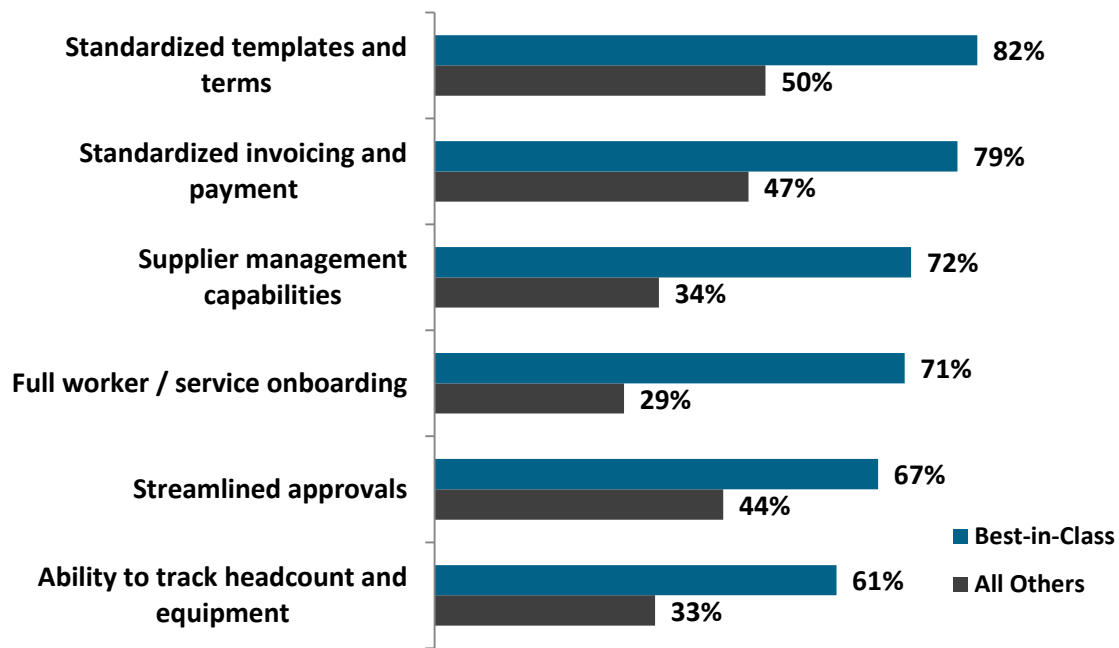
Only 28% of enterprises consider SOW management to be a strategic component of their greater CWM programs, a factor that speaks to this category's potential as the "next frontier" of contingent workforce management. As organizations begin to better understand the ultimate impact of the SOW category (especially as it pertains to its link to critical enterprise goals and objectives), they will take the necessary steps in the future to allocate more time, energy, and resources in transforming SOW management into a more strategic realm.

### ***SOW Management: The Best-in-Class Way***

Best-in-Class enterprises have driven a superior level of performance across a series of key contingent workforce management benchmarks and metrics. Ardent Partners research

identifies Best-in-Class CWM programs as those top 20% of market-performing enterprises based upon certain performance metrics. These leaders are the groups that maintain visibility into non-employee workforce management aspects in general budgeting and planning, drive high rates of contractor and labor compliance, continually drive cost savings on CWM-related spend, and work to ensure the highest quality of their talent and skillsets. Within the realm of SOW management, these top-performing businesses rely on a series of tactical and strategic capabilities as part of their greater CWM programs (see Figure 2 below for a comparison of capabilities between the Best-in-Class and All Other enterprises).

**Figure 2: Best-in-Class SOW Management Capabilities**



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As shown in Figure 2, Best-in-Class enterprises are significantly more likely to possess and/or utilize a series of core capabilities for managing complex contingent labor and SOW, including:

- **Standardization across SOW agreements (templates and terms) and financial processes.** Standardization may often seem like an aged, tactical competency, however, it is a critical piece in any contingent workforce management program, especially as spend and resources within this area continue to grow and expand. From standardized SOW language (to guard against compliance gaps and financial risks) to



standardized financial processes (like invoicing and payment), this “back-office” capability is a strong piece in the SOW management puzzle.

- **Supplier management** is a foundational beam for any SOW management initiative. At its core, SOW-based labor is typically comprised of suppliers of professional services (hence the concept of “services procurement”), necessitating the principles of supplier management, such as supplier risk management, supplier information management, and supplier performance management.
- **Onboarding (and offboarding)** are often-overlooked capabilities that can make or break a contingent workforce management program. For the category of complex contingent labor, this risk is exacerbated. Services and suppliers must be onboarded effectively to produce results in a timely fashion, and, subsequently, must be offboarded if they have access to company equipment and sensitive intellectual property or other key data (i.e., financial).

### *The Future of SOW Management: The Program*

Today’s SOW management programs must follow the guidelines, processes, and capabilities of three major areas of consideration: spend, project, and talent (see Figure 3).

**Figure 3: The Three Top Considerations for SOW Management**

Supplier	Project	Talent
<ul style="list-style-type: none"> <li>• Supplier information management</li> <li>• Supplier performance management</li> <li>• Supplier risk management</li> <li>• Strategic sourcing and bidding (RFX management)</li> <li>• Budget management</li> </ul>	<ul style="list-style-type: none"> <li>• Performance management (milestones, delivery dates, etc.)</li> <li>• Information management (sensitive IP, financial data, etc.)</li> <li>• Analytics for budgeting, forecasting, and planning</li> <li>• Alignment / collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Time, attendance, and expense management</li> <li>• Succession planning</li> <li>• Talent acquisition</li> <li>• Onboarding</li> <li>• Offboarding</li> <li>• Integration of social networks and marketplaces with CWM solutions</li> </ul>

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The **supplier** consideration within SOW management follows core supplier management capabilities for maintaining strong relationships with providers and suppliers, accurately



measuring the performance of those suppliers (budget, milestones, etc.), and providing stakeholders with the necessary visibility for adhering to procurement principles (compliance with agreements, for one). Strategic sourcing and contract management are also critical pieces of this SOW consideration. Businesses must work with stakeholders to clearly define a deep project scope to stay on-time and on-budget, while supplier identification and negotiations (traditional procurement capabilities) will source the best-aligned or highest-value suppliers on terms that are in line with the enterprise projects that require them.

In regards to the **project** consideration of Ardent's recommended SOW management program, competencies range from information management (to quell concerns over sensitive and financial enterprise data and intelligence (and IP)) to collaboration amongst key stakeholders to drive visibility into SOW-based projects. Performance management, in this instance, is at the project level and does not necessarily follow the same guidelines as measurement for spend management purposes (i.e., "Are projects over budget?" versus "What is the status of this project?").

Finally, the **talent** consideration in SOW management today should be centered around both tactical and strategic attributes. Onboarding and offboarding, as discussed previously, are must-haves for SOW management. Time and attendance (as well as equipment tracking) provide a human capital management ("HCM") element to the workers, consultants, and independent talent that are linked to SOW-based projects; similarly, succession planning (and comparable HCM areas) can ensure that quality and expertise are not lost in the midst of core projects that utilize complex contingent labor.

### ***Recommendations for Action***

SOW management is the "next frontier" for contingent workforce management. Its impact and reach can be felt across even the smallest businesses, as so many functional units continue to leverage third-party professional services and consultants/consultancies to support critical enterprise projects without the necessary, strategic control of SOW management. As such, it is incumbent upon organizations to push SOW management into new, strategic ground. Ardent Partners recommends the following actions for those businesses that seek to enhance SOW management and develop more robust CWM programs:

- **Leverage the power of contingent workforce automation to bridge the SOW gap.** Vendor Management System ("VMS") technology remains the top solution in use for

today's CWM programs for several reasons. Users of these solutions have the ability to engage services suppliers (and related talent), integrate and onboard them into the organization, and follow every step of SOW management with real-time visibility (including analytics, project management, spend management, and supplier management).

- **Cultivate a collaborative environment to ensure both spend and workforce management attributes are addressed in SOW management programs.** Procurement, finance, legal, and HR are just several of the stakeholders that must be involved in SOW management. Due to its many traits, such as contract templates/terms, supplier engagement and bidding, and talent management ramifications, SOW management cannot be managed by a single executive's team with a non-collaborative mentality. Each stakeholder can bring something valuable to SOW management, and ensure its long-term viability as this category of the contingent workforce continues to grow and evolve.
- **Follow the three considerations of SOW management to guide program development.** Spend, project, and talent, the three main realms of SOW management, all represent different capabilities and varied processes to effective management of SOW-based labor and projects. The guiding principles behind each realm, which range from analytics to performance measurement, are all effective in ensuring that projects that leverage SOW-based labor, talent, and services maintain compliance, stay on-time and on-budget, and ultimately, have the ability to drive the achievement of corporate goals and initiatives.
- **Support SOW management initiatives with automation for maximum linkage, visibility, and project management.** Today's contingent workforce management programs rely on a series of internal competencies to manage the many intricacies of the non-employee workforce. In regards to SOW management, automation is a key enabler; with SOW programs requiring a wealth of capabilities, such as supplier management, project management, and talent management, solutions such as Vendor Management Systems provide an ideal gateway for visibility, control, and management.

## Appendix

### About The Author

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Since 2006, Christopher J. Dwyer has been one of the world's foremost spend management experts and leading authority on contingent workforce management (CWM). He is a premier thought leader in the contingent workforce industry, authoring hundreds of research studies and evangelizing the evolution of the non-employee workforce. Dwyer has been a leading analyst voice for nearly a decade, previously leading the Aberdeen Group's Global Supply Management practice and contributing innovative research and insights regarding the global supply management industry. Dwyer joined Ardent Partners in 2013 as a Research Director and currently heads the firm's coverage on "complex spend management," which includes contingent workforce management, business travel and expense management, meetings/events management, and other key indirect spend categories (such as telecom expense management). Dwyer has been quoted in USA Today, the Christian Science Monitor, CSNBC, and other major business publications.

Dwyer was recognized as a "Pro to Know" by Supply and Demand Chain Executive Magazine in 2013, and was twice honored by HRO Today as an "Analyst Superstar." In his tenure as an industry analyst, Dwyer has also developed and led thought leadership projects and research studies on e-payables, spend analysis, e-procurement, strategic sourcing, and financial operations. He welcomes your comments at [cdwyer@ardentpartners.com](mailto:cdwyer@ardentpartners.com), on LinkedIn ([www.linkedin.com/in/christopherjdwyer](http://www.linkedin.com/in/christopherjdwyer)), or Twitter ([@CJD\\_Ardent](https://twitter.com/CJD_Ardent)).

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