Total Workforce Management 4.0: Competitive advantages through better management of internal and external employees
# Table of Contents

**FOREWORD** ............................................................................................................................................................... 3

**DEVELOPMENT OF THE INTERNAL AND EXTERNAL WORKFORCE** ................................................................. 5

**CONSEQUENCES OF UNFILLED INTERNAL VACANCIES** ...................................................................................... 7

**EXPERIENCES WITH TOTAL WORKFORCE MANAGEMENT** .................................................................................... 10

**PROSPECTS: MODERN SOFTWARE ARCHITECTURE FOR TWM 4.0** ................................................................. 16

**METHOD AND STATISTICS** .................................................................................................................................. 19

**INTERVIEW MIT MIKAEL LINDMARK** ................................................................................................................... 21

It’s time for Total Workforce Management in real time

**COMPANY PROFILE** ............................................................................................................................................... 24

SAP Fieldglass

**COMPANY PROFILE** .............................................................................................................................................. 25

Lünendonk & Hossenfelder GmbH
Foreword

Dear Readers,

2017 is going to be a year of manifold challenges: The year of stable economic growth that has been forecast, stands in direct contrast to shortening product life cycles and uncertain overall planning factors. Therefore, entrepreneurial flexibility becomes even more important as a competitive advantage. To a great extent these challenges need to be met with appropriate HR strategies and effective and efficient management of the partner ecosystem.

For the HR area the lack of qualified employees has developed into a negative constant in the development of HR strategies. Even companies that possess a strong employer brand need to recruit actively in order to meet the recruitment goals in terms of personnel development. All possible channels are used for personnel marketing, whereby, besides job boards, online business networks, such as Xing and LinkedIn have gained considerable importance.

Simultaneously, external employees, who are commissioned via service contracts, Statement of Work contracts (SOW) or labour leasing, have been becoming increasingly important for company success. As a result to this development, the purchasing of services has become extremely professionalised. Due to the functional separation of HR and purchasing, the growing number of external employees is not the area of responsibility of HR. Because the number of external employees continues to rise, the cross-functional management of all employees, both internal and external, is becoming increasingly important. This development provided the motivation and the reason for SAP Fieldglass and Lünendonk & Hossenfelder to implement the current trend study, “Total Workforce Management 4.0: Competitive advantages through better management of internal and external employees”.

Therefore, the main focus of the study, for which more than 100 companies with over 1,000 employees were interviewed, was on the developments, needs and planning of the companies in terms of personnel development and recruiting of both internal and external employees. With regard to external employees, all types of contracts were taken in consideration, from service contracts and SOW to labour leasing.

From a legal perspective, there are currently several changes pending, with regard to the commissioning of external employees in Germany. The “Act for changes to the Temporary Employment Act and other laws” will come into force on 1 April 2017. What does this mean for the contracting and client companies? Although this is an important issue, it is not analysed in-depth in this trend study. You will find detailed information on the subject in the white paper “Commissioning temporary work and external services in Germany – redefining compliance” by Lünendonk & Hossenfelder in cooperation with SAP Fieldglass, which is available as a download on the SAP Fieldglass website.
Conversations with CEOs of companies in Germany indicate that most companies will continue to make use of temporary workers as an important tool for the flexible deployment of their personnel resources. And they will also continue to commission projects with service contracts and SOW. However, the law will change important framework conditions. The most important issues are the subjects of the Maximum Leasing Period and the regulation that states that Equal Pay must apply after 9 months at the latest. But also other important details are going to change. And these will also have to be observed in future, otherwise there could be serious consequence in the case of misclassification of services and the respective contracts.

The consequences do not only include fines. Due to legal fiction of a situation of employment, the customer company can inadvertently end up with new employees on its payroll, and top managers or executives could even be accused of a criminal offence in the case of evasion of social security contributions.

As the title of the new legislation indicates, the changes to the law will not only affect labour leasing, but will also apply in the case of project assignments that are based on service and SOW. The scope of the law thereby extends from traditional temporary work in the area of production assistants, to specialist tasks, and all the way to professional services, for example in the area of IT or engineering services. The term “professional services” applies to labour-intensive services that are provided by service providers for client companies of the most various sectors.

The far-reaching consequences of this law should provide additional motivation to regard the management of internal and external employees both holistically and transparently. The concept of Total Workforce Management is nothing new, but the time is ripe for TWM 4.0 – the management of internal and external employees with real time information.

We hope that you will obtain some valuable insight from this report.

Mindelheim, March 2017

Hartmut Lüerßen,
Partner at Lünendonk & Hossenfelder GmbH
Development of the internal and external workforce

The HR Department defines the personnel development strategy that in most cases solely considers the internal workforce. The Service Purchasing Department manages external service providers and external employees who work for the company within projects or services. Due to this functional separation, internal and external employees are seen and organised as separate entities. This separate management has historical roots, but it results in disadvantages that should no longer be condoned.

Through Total Workforce Management (TWM), companies overcome the functional hurdles of responsibility and information and achieve both strategic and operative advantages. And with the new way of TWM 4.0 the competitive advantages increase even further.

Information on how many external employees are working in various departments within the company, and what their qualifications are, provide the HR Department with strategic planning data for their recruitment strategy and for personnel development. The proportion of the external workforce is often 30% or more.

From an organisational point of view, TWM requires close cooperation between the Services Procurement and the HR Departments. Based on the shared information shifts in areas of competency that are gaining importance can be recognised easier. At the same time, external service providers can also be actively included in the recruitment strategy.

While the HR Department gains strategic information, the Service Procurement Department is rather taking profit on a tactical level through the availability of better planning data and transparent key figures on requirement structures and daily rates.

The trend of external employee numbers having increased more strongly compared to internal employees in past years was researched and confirmed within the trend study. The study took the past ten years into consideration. The developments in terms of the internal and external workforce for 2016 and the planning for 2017 were analysed as well.

DEVELOPMENT OF THE EXTERNAL WORKFORCE

On average, the proportion of external employees increased by 10.7% at the participating companies in 2016. This increase was very dynamic.

For 2017, the companies that were analysed are planning an average increase in the number of external employees of 9.1%. In order to enable a more in-depth analysis of the developments, cross-sectional analyses were carried out, based on the size categories of the companies.

Only relatively limited differences were evident between the two size categories “from 1,000 to 2,999 employees” (11.3% increase in external employees) and “3,000 employees and above” (10.1%). This dynamic development is likely to continue in 2017.

In retrospect, the number of external employees has remained unchanged for only 23% of the companies over the past ten years. For 77% of the companies, the proportion of external employees has increased.
The proportion of external employees is increasing very dynamically

![Bar chart showing the increase in external employees from 2016 to 2017.]

Figure 1: Question: How will the number of external employees develop for your company in 2016/2017 (FTE)? n = 117 (all companies)

None of the companies reported a reduction in the number of external employees. 30.0% of the participating companies recorded an increase in the number of external employees of up to 10%. For 31.0% of the companies the number of external employees rose by between 10.0% and 25.0%. There was an increase of more than 25.0% for 17.0% of the interviewed companies.

DEVELOPMENT OF THE INTERNAL WORKFORCE

In contrast to the external workforce, that has not been reduced by any of the participating companies, 21.0% of the analysed companies have reported a reduction in the number of internal employees during the past ten years.

![Bar chart showing the development of internal employees in detail.]

Figure 2: Question: How has the proportion of internal employees developed in the past 10 years? n = 120 (all companies)

For an additional 34.0% of the companies, the number of internal employees remained constant over this time period. There was an increase of up to 10.0% for 18.0% of the interviewed companies.

For 16.0% of the companies, there has been an increase in internal employees of between 10.0% and 25%. 12.0% of the companies that participated in the survey recorded an increase of over 25.0% of internal employees.

It is clear that the development of external employees is more dynamic. For the majority of companies the number of external employees increased disproportionately whilst at the same time new internal employees were appointed.
Consequences of unfilled internal vacancies

Especially during phases of growth, it is important that companies are in a position to react quickly to increased demand. The trend that companies have begun to rely strongly on external service providers and external employees is confirmed by the development in the numbers of internal and external employees.

But, how successful are the companies when it comes to recruiting for permanent assignments? In practice, traditional recruiting processes are showing limitations. Due to the stable economic situation and the low number of candidates, this has been the case for several years now.

In order to analyse how serious the implications of this situation are, and how the companies that participated in the study deal with it, the companies were initially asked about the proportion of unfilled vacancies in the company and the average period to fill them. Thereafter, the companies were asked what negative effects arose due to positions being vacant.

It is evident that the companies suffer less due to the vacancies that cannot be filled, than due to the length of time that the positions remain vacant. 65% of the companies report that they were only unable to fill up to 5% of vacant positions. At the same time however, for 47% of the companies vacant positions remained unfilled for over 6 months.

Larger middle-sized companies with between 1,000 and 2,999 employees are more affected by the problem. This category of companies has more trouble filling positions. The proportion of companies, which are unable to fill more than five and up to ten percent of positions, is 34%. A further 7% of this group is unable to fill 10% or more of their vacant positions at all.

Furthermore, at these middle-sized companies, it also takes longer before the new employees are on board. For 53% of the larger middle-sized companies, which were examined within this trend study, vacant positions remain unfilled for longer than six months.

For 25% of these companies, positions even remain vacant for longer than a year. That represents four percentage points more than the average of all companies and nine percentage points more compared to companies that have already implemented TWM.

In contrast to this, in the case of companies that have over 3,000 employees, only 29% are unable to fill between 5% and 10% of their vacant positions. On average, the time before the vacancies are filled is also shorter. By comparison, for “only” 39% of the companies, vacancies are still unfilled after more than six months. In 16% of the cases vacancies remain unfilled for longer than twelve months.

TOTAL WORKFORCE MANAGEMENT MAKES A DIFFERENCE

What is the impact if companies are already implementing Total Workforce Management? These companies are more successful recruiting and managing vacant positions. They are able to achieve higher assignment ratios and also suffer less from long vacancies.

For companies that have already implemented Total Workforce Management, only 24% of them are unable to fill between five and ten percent of vacant positions.
Most companies are unable to fill all vacant positions

Figure 3: Question: On average, how many positions are vacant because no suitable candidates can be found (specified as a percent-age)? n = 49/117

Companies that implement Total Workforce Management are already able to recruit more quickly nowadays

Figure 4: Question: On average, how long were these positions previously vacant? n = 51/121

Companies that have implemented TWM suffer less from the consequences of vacant positions

Figure 5: Question: What were the negative effects of these vacancies? n = 52/121
The average times for which the positions remain vacant are also shorter at companies that have implemented TWM. Regarding the category of exceptionally long waiting periods ("longer than six months and longer than 12 months"), only 32% of the companies have to bridge the gap for longer than six months.

Of these companies who are struggling for a long time before finding the adequate candidates, only 16% fall into the category of "longer than 12 months". This indicates that Total Workforce Management makes a difference.

Nevertheless, it is often difficult to illustrate the chain of positive effects of TWM. But why? One the one hand there are so many factors that come together and on the other hand their impact can vary, too, depending on the circumstances. In some companies the organisational changes related to TWM have a particularly strong effect. In other cases, the external service providers who are more closely involved in the recruitment process as part of the TWM strategy make the difference.

It must be kept in mind for this analysis that due to the selection criteria for the survey participants and the sample size, it is only possible to make statements with regard to trends. More than half of the participants in the trend survey have already implemented TWM. Therefore, the proportion of companies that already implemented TWM is overrepresented in the sample.

It is no wonder that the large companies, with over 3,000 employees, which were analysed in this study, implemented Total Workforce Management more frequently than the companies with between 1,000 and 3,000 employees. Particularly for large companies with strong functional, organisational and often also spatial separation the advantages of TWM as a management concept have very positive effects.
Experiences with Total Workforce Management

For successful companies, it is crucial to be able to act flexibly in a market environment that is characterised by a lack of qualified staff and brief, virtually unpredictable economic cycles. One key to coping with these challenges better than competitors, is to have a successful strategy for the management of your internal and external staff requirements. Of the companies that were analysed in this trend study, 55% already rely on Total Workforce Management.

In 56% of the cases, the HR Department carries the professional responsibility. In 28% of the companies, there is a mixed Project Management Office/Centre of Excellence. For 13% of the companies that use TWM, the Service Purchasing Department carries the professional responsibility. This is the case, for example, where a separate department for Total Workforce Management has been created – as for example is the case at Allianz since 2015.

From the point of view of the companies that were interviewed, support from company management is of great importance. On a scale of 1 = not very important to 10 = extremely important, 72% of the companies that have already implemented TWM, rate the importance of support from company management at eight or higher.

From a market perspective, this high rating is easy to understand, because most of the organisations do not create a separate department and furthermore, because cross-departmental cooperation is necessary, in order to implement Total Workforce Management. The fact that, in most cases, the HR Department takes over the professional responsibility, can probably be ascribed to the fact that Total Workforce Management generates particularly big strategic advantages for the HR Department, whereas Procurement benefits more on a tactical level. At the same time, Procurement is responsible for the management of the growing numbers of external employees and therefore it is also in possession of the relevant information regarding needs and planning. In this regard, it is advisable to intensify the cooperation between the HR and Service Procurement Departments before implementing a TWM programme.

MOTIVATION AND GOALS

In order to analyse which advantages companies hope to achieve through Total Workforce Management, the TWM users were asked about the goals and motivation for the introduction and implementation of TWM. It was possible for them to give multiple answers to a list of questions regarding their goals and motivation.

“Efficiency” took first place, with an approval rate of 91% - companies would like to improve the management of internal and external employees. Second Place went to “Quality” as a goal and a motivating factor, with a high rate of 88% of TWM users in agreement.

The issue of “Compliance” followed in Third Place, with a rate of 74%. “Compliance” has become increasingly important in recent years and is currently enjoying a great deal of attention, due to the new “Act for changes to the Temporary Employment Act and other laws”, which will come into force in Germany on 1 April, 2017.
Efficiency, quality and compliance are the most important motivating factors for TWM

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>91%</td>
</tr>
<tr>
<td>Quality</td>
<td>88%</td>
</tr>
<tr>
<td>Compliance</td>
<td>74%</td>
</tr>
<tr>
<td>Cost</td>
<td>63%</td>
</tr>
<tr>
<td>Transparency</td>
<td>58%</td>
</tr>
</tbody>
</table>

Figure: Question: What are/were the main motives for your company to introduce Total Workforce Management? n = 65 (all companies)

In the past, users of TWM had to go through a great deal of effort to integrate many systems

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate systems - integration of selected reports</td>
<td>58%</td>
</tr>
<tr>
<td>Own development - linking of all required systems</td>
<td>34%</td>
</tr>
<tr>
<td>Completely integrated systems by an external software provider</td>
<td>8%</td>
</tr>
</tbody>
</table>

Figure 7: Question: What type of software do you use/plan to use for your Total Workforce Management? n = 64 (all companies)

The professional responsibility for TWM is mostly that of HR

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR (Human Resources)</td>
<td>56%</td>
</tr>
<tr>
<td>Mixed project management office/ Centre of Excellence</td>
<td>28%</td>
</tr>
<tr>
<td>Procurement</td>
<td>13%</td>
</tr>
<tr>
<td>Other business areas</td>
<td>3%</td>
</tr>
</tbody>
</table>

Figure 8: Question: In your opinion, who should take over the professional responsibility for TWM? n = 64 (all companies)
Support from Top Management is very important

![Support from Top Management is very important](image)

Figure 9: Question: In your opinion, how important is the full support of top management for the implementation of Total Workforce Management? n = 64 (all companies)

Other important goals of the companies are to reduce “Costs” (63%) and to benefit from increased “Transparency” (58%).

SOFTWARE SOLUTIONS IMPLEMENTED

Seen from the point of view of the market, TWM is currently in a phase of technological generational change. This subject has already been present for several years in other software sectors and is closely related to Cloud architectures.

The TWM early adopters that wanted to gain advantages through TWM had to implement complex software projects in order to generate the required information from existing systems or, alternatively, they had to programme individual solutions.

The participants in the study clearly reflect this picture. To date, only 8% of the companies are using “fully integrated systems from external software providers”. These solutions, which are created in an environment of modern HR solutions, such as external talent management and services procurement platforms (VMS) for the management of external service providers, represent the new technology generation.

A majority of 58% of the TWM users work with “separate systems and the merging of selected reports”, another 34% operate with their “own developments” that “combine all the required systems”. Due to the high proportion of individually developed TWM solutions, it is not surprising that the effort required for reporting is comparably high.

Of the TWM users, so far only 9% are able to rely on highly automated analyses via an external talent management and services procurement platform or VMS system.

Conversely, in the case of the more wide-spread “semi-automated analyses from various data sources and software solutions”, usually manual preparation and analysis times are involved, which have to be repeated for every reporting cycle. As a result, the information is not available in real time, as is the case with highly automated reports.

To reduce manual efforts, 22% of the TWM users have therefore “highly automated” their analytical process from the various data sources. But in doing so they face the challenge of having to adapt their individually programmed automation functions regularly, for example in the case of new software releases in the relevant source systems. These adaptations can often only be implemented within the framework of a development project, together with the IT Department.

Especially when it comes to reporting, modern Cloud-based HR and external talent management
and services procurement platform prove to be advantageous, because the analytics functions are already integrated into the software architecture.

As another benefit of modern cloud architectures, data integration becomes easier, too. Via so-called Micro-Cloud services, data can be more easily synchronised between the systems that are in use. Furthermore, the implementation effort is greatly reduced for every user company if the software provider has already developed interfaces and made the required interfaces available.

INFORMATION AND REPORTING EFFORT

The information that the companies use for analysis within the framework of TWM, mostly involve the “Qualifications of the individual external employees” (98%), the “Number of employees according to departments and legal entities” (94%) and the “Number of external employees according to contract types” (90%). These key figures dominate the current information requirements of the TWM users. Further information that is analysed by TWM users involves the “Qualifications according to qualification groups” (59%), the “Seniority Groups/Experience Categories (Junior, Senior, Expert Level) according to work experience in years” (57%) and the “Development of the needs according to qualification groups” (39%).

If one takes into account the major implementation effort that has been required until now, a lot speaks for the fact that this additional information has not been used very comprehensively so far, mainly due to the technological hurdles of data integration. Because, especially in view of the developments regarding the needs according to qualification groups, important conclusions can be drawn with regard to the personnel development strategy.

KEEPING OR SHARING? AVAILABILITY OF TWM INFORMATION

With regard to the daily usage intensity of TWM, the question of who should have access to the information becomes particularly relevant. Only 4% of the user companies have a completely open information policy. In these companies, the information is available to all the departments. In 74% of all cases the information is available in part to all departments. 21% of the companies do not make the information freely available.

However, there is a high demand for more information: 81% of the companies would like an exchange of information across functions and departments. Of those companies in which there is at least a partial inter-departmental exchange of information, 62% make the information available to the respective, responsible departments. In 38% of the companies the exchange of information only takes place between “HR, functional business departments and Procurement”.

In order to analyse which obstacles are getting in the way of cross-functional exchange, participating companies were able to agree to a list of factors in the frame of multiple answers. The results indicate that it is not so much the amount of effort required that is the problem. Only 41% of the companies mention this as a factor. In 84% of the companies “Data Protection” is the factor that is mentioned most often. “Other specialist departments have not reported a need” applies to 64% of the companies. However, this factor brings up questions as to how important the issue of TWM is on the company agenda and how it is communicated. In practice, other specialist departments often are not even aware of what information is available from Total Workforce Management. In this regard, the fact that other specialist departments have not reported a need for such information does not necessarily mean that there is no need for it.

This situation is also reflected in the aspect “Lack of culture of cross-functional exchange of information”, which was mentioned by 56% of the companies. After all, 23% of the companies do not have appropriate analysis options in place.
Particular focus on information on the number of external employees according to departments and qualifications

- Qualifications of the individual external employees: 98%
- Number of external employees according to departments and legal entities: 94%
- Qualifications according to qualification groups: 59%
- Seniority groups/experience categories (Junior, Senior, Expert Level) according to years of work experience: 57%
- Development of the needs according to qualification groups: 39%

Figure 10: Question: What information about external employees is transparently available for evaluation in your company? n = 118 (all companies)

There is room for improvement with regard to the level of automation of the analyses

- Semi-automated analyses from various data sources and software solutions: 69%
- Highly automated analyses from various data sources: 22%
- Highly automated analyses from a VMS system: 9%

Figure 11: Question: How is the data gathered, analysed and shared? n = 120 (all companies)

The information is shared in a targeted manner

Figure 12: Question: Is this information available to everybody? n = 117 (all companies)
The majority of the companies make the information available to the respective responsible departments

- The respective responsible department: 62%
- Shared cross-functionally between HR, Business departments and Procurement: 38%

Figure 13: Whom is the information made available to? n = 84 (all companies)

Information should not be limited to functional boundaries

- Yes: 81%
- No: 19%

Figure 14: Would you like to have a cross-functional exchange of information regarding needs, qualification groups and their development? n = 83 (all companies)

Up until now, data protection, knowledge regarding the need and a lack of the appropriate culture hamper the exchange of information the most

- Data protection: 84%
- Other Business areas have not reported a need: 64%
- Lack of culture of cross-functional exchange of information: 56%
- Great effort: 41%
- Lack of analysis options: 23%

Figure 15: Why has the cross-functional exchange of information failed until now? n = 107 (all companies)
Prospects: Modern software architecture for TWM 4.0

Shorter product lifecycles and uncertain economic parameters make business planning more difficult. Added to this, companies have to battle with a structural lack of qualified staff. In the face of these developments, company flexibility is becoming increasingly important as a competitive advantage.

Companies that want to position themselves as flexible and fit for the future face the challenge of having to break down traditional, functional separations. They have to begin viewing and managing the HR Strategy and the effective, efficient management of the partner ecosystem as integrated entities.

This is the approach followed by Total Workforce Management as a management model. Whereas in the past it was only possible to achieve the advantages of Total Workforce Management with a lot of organisational persuasion and complex development projects, this has now at least changed on the technological front.

Essential key technologies, such as service-oriented software architectures or Cloud solutions, have contributed towards easier exchange and processing of data between software systems.

External talent management and services procurement platforms were the forerunners of this technological development towards Cloud solutions. Conceptualised as a new discipline in business software, in order to allow companies to manage their external service providers as transparently as was the case internally, based on ERP solutions, the providers were able to develop the external talent management and services procurement platform without any historical architecture relics.

MODERN HR CLOUD SOLUTIONS CLOSE THE TECHNOLOGICAL GAP FOR TWM

Meanwhile, these modern architectures have also become established in the HR software sector and the HR Department. This has made it possible that issues, which were previously very complex, such as data exchange for TWM, no longer have to be developed individually by the user companies with a great deal of effort. In the case of TWM and the implementation projects there has been a shift from individual software development towards integration and customising, according to the definition of the business requirements on a technical level. Important prerequisites for this are that interfaces be made available by the producers of the software.

This reduces the duration of projects and project risks significantly, compared to the individual projects of the past, with siloed old software. Both workflows and security requirements are also easier to implement on the basis of standardised Micro-Cloud services.

The management model, Total Workforce Management, poses organisational, cultural and technological challenges for companies, which makes the implementation of this model somewhat complex.

On a technological level, the entry barriers have been reduced in the meantime. At the same time, the level of suffering has increased in many companies, because, for example, companies have been unable to
fill important internal positions for long periods. The increasing compliance requirements have also increased the urgency to act.

TWM 4.0 AT THE CENTRE OF DIGITAL WORKFORCE AND SERVICE PROVISIONING ECOSYSTEMS

The initial successes that companies achieve with TWM are better negotiation data points for operative negotiations and strategic service provider management in the Purchasing Department. The HR Department profits from better planning data for the creation of personnel development and recruitment strategies. In end, external partners such as Managed Services providers, providers of Recruitment Process Outsourcing and other temp work agencies or consulting companies are often more closely integrated into the management process.

But what opportunities arise for companies that want to move their TWM up to the next level, on the basis of modern Cloud-enabled solutions? Derived from the term Industry 4.0, which refers to the Internet of Things, machine-to-machine communication, robotics and increased automation, the term TWM 4.0 could describe a model of the future in which TWM is not only at the centre of one’s own company planning.

Without Total Workforce Management, the cross-functional overview of internal and external employees is lacking.

![Figure 16: Example of illustration of functional task separation without TWM](image-url)
Data integration is simplified via Micro Cloud Services

In fact, via intelligent networking, digital workforce and service ecosystems can be created, which enable the client companies to make use of dynamic information regarding the availability of candidates for permanent employment, external employees and freelancers.

If, for example, it appears that it would be very difficult to recruit someone with a specific qualification for a permanent position, labour leasing or a freelancer could be an alternative interim solution. Information, which is available at an early stage reduces waiting periods, overtime and delayed projects.

Be it job boards, job advertisement robots, hybrid business networks, personnel service providers with modern service platforms or freelancer portals: The list of platforms that offer relevant candidates for internal or external workforce or information regarding availability is long – and it’s time for Total Workforce Management 4.0.
Method and statistics

For the purposes of the trend study, a total of 127 companies with over 1,000 employees, from Germany, Austria and Switzerland were interviewed from August till September 2016. 68% of the companies have their headquarters in Germany, 17% of them are situated in Switzerland and 16% are based in Austria.

Besides the minimum size of 1,000 employees, another selection criterion was that more than half of the companies should already have had experience with Total Workforce Management. This applies to 55% of the companies. Another 15% plan to introduce Total Workforce Management in the near future. 30% of the participating companies have no experience with Total Workforce Management and do not presently plan to introduce any appropriate programmes in this regard.

The interviews were conducted by telephone (CATI), in a cross-industry manner, in the industrial, banking, insurance, trade and logistics sectors.

In order to analyse the perception and assessment of HR managers and those responsible for Procurement, the interviews were to be conducted with these two target groups.

This goal was achieved. HR Directors and HR managers were the interview partners in 67% of the cases, and 33% of the interview partners were Directors of Purchasing or people responsible for strategic purchasing of services.

On the one hand, the analysis of the study was conducted based on the average values of all 127 companies.

Furthermore, cross-sectional analyses were also conducted, for example, in order to examine various assessments based on the interviewee’s position.
More than half of the companies that participated in the survey have had some experience with Total Workforce Management. Interviewees according to ...

... TWM as a strategy

- Yes: 55%
- No: 30%
- Planned: 15%

... employees worldwide in 2015

- More than 3,000 employees: 50%
- 1,000 up to 2,999 employees: 50%

... country

- Germany: 68%
- Austria: 16%
- Switzerland: 17%

... position

- HR Directors (Human Resources) / HR Managers: 67%
- Procurement Directors / Strategic Procurement Managers: 33%

... industry

- Production industry: 71%
- Trade: 9%
- Banking: 8%
- Logistics: 6%

Figure 18: Statistical data regarding the participants
It’s time for Total Workforce Management in real time

Mikael Lindmark, Senior Vice President EMEA Fieldglass

Lünendonk: Total Workforce Management (TWM) as a concept has been around for several years. Why is it now time for TWM?

M. Lindmark: There are several reasons why. In an economy where more and more tasks are being done by external service providers and temporary project employees, an overview of the entire workforce is steadily gaining in importance.

There are many companies that use 30% or more external workforce. As a result the external service providers are highly important for the success of the company. Accordingly, HR Directors want to know which skills the company needs in the future.

Which skills need to be provided by internal staff and which by external employees, and in what numbers in order to secure the company’s future success. Companies finally want to be able to have a view into the blind spot that has prevailed in personnel planning up till now.

A second reason is that the technology, which is available today, enables a pervasive view of data. Due to SAP having taken over Fieldglass and Successfactors, two leading providers in the relevant domains “External Workforce” and “Human Resources”, within the framework of its Cloud strategy, companies can resort to market-leading solutions for the first time from a single source. And we have ensured that the two solutions can communicate with one another. This makes Total Workforce Management realisable at a manageable effort. This is also a significant change and enabler for the management concept of TWM.

Lünendonk: How important are Cloud based applications for TWM 4.0?

M. Lindmark: This trend helps significantly. The HR Department is currently catching up quickly in this regard. In the past, many internationally active companies had to go through a great deal of effort in
order to analyse data across various units. In this respect, Cloud based applications are very useful because they reduce the technical barriers in several ways.

These modern software architectures enable standardised ways of data exchange. In this respect, SAP Fieldglass can also communicate with other Cloud-enabled HR solutions. However, the interfaces for the linking of SAP Fieldglass and SAP Successfactors are already available and this facilitates the projects even further.

Lünendonk: In Total Workforce Management, HR and Services Procurement have to work closely together. Who should take over the leading role?

M. Lindmark: We notice that in most cases it is the HR Department that takes over the lead. This is not absolutely necessary, but based on the goals, tasks and advantages for both departments in relation to TWM, it is understandable. For HR Directors the strategic goal of a holistic approach to workforce management is key. Procurement Directors benefit from tactical advantages through better negotiation data.

In the past it was sufficient for HR to have an overview of the internal employees for purposes of workforce management. Due to the trend of the proportion of external employees becoming considerably larger, the importance of the external workforce for the company has also increased strongly.

At the same time, due to the functional separation, the HR Department is only minimally included in the commissioning and management of the external workforce. They are included, for example, when external employees are commissioned via labour leasing, because in these cases, the Works Council has a right to information and co-determination. With regard to the external experts, specialists and unskilled workers, who are active as temporary workers, by service contracts or SOW, it is of great interest to the HR Director of Personnel to know more about the number and qualifications of external employees within the total workforce. An HR Director once said to me: “Ah, the externals. Until recently, I didn’t consider them as employees.” This kind of thinking is beginning to change.

Lünendonk: What advantages can companies draw from Total Workforce Management in practice?

M. Lindmark: The advantages are manifold. Concerning the cost of the external workforce, well-positioned companies can achieve reduced cost structures through more comparable external offers. But that is only the beginning. At the same time, they can also improve the supplier quality through more transparency. Higher ratios of filled positions in projects and less delay in projects are particularly important.

Another important example are higher recruitment ratios and less waiting time until vacations are filled. Plus, by considering interim solutions for positions that should be filled with permanent employees, projects can start earlier and teams are unburdened. The results of this trend study also indicate this: Before certain positions can be filled six months or more can easily go by.

If a company cooperates closely with the external personnel service providers and service partners, it usually knows in advance if the qualifications that are being sought are difficult to find on the market. Then the HR Department can begin the recruitment process, extend the scope by including external recruiting partners and at the same time seek an interim solution for the vacancy together with the external providers that are managed by Procurement. For companies that are positioned internationally, the possibilities are even more far-reaching. This way, highly qualified employees can say, for example: This
project is really exciting. I would like to help build up the project in Asia over the next few years. The issue in this regard is mobility of the workforce and employer attractiveness in the face of increasing globalisation.

Lünendonk: What prerequisites are important so that Total Workforce Management can be successfully established?

M. Lindmark: Total Workforce Management is complex because it cannot be implemented independently by one department within the company. Primarily, it comes down to common goals and close cooperation between HR and Procurement. The functional business departments must also be included in the implementation process.

Often, cross-functional project teams are put together for the implementation of TWM. Thereafter, key people from within these teams also take over the operative management. Therefore, it is advantageous if those responsible for TWM are strong communicators who are well-connected within the company. From an organisational point of view a strong mandate by the board or management also helps in order to rethink priorities, if necessary.

From a technical perspective, modern architectures of HR and external talent management and services procurement platforms are important. This facilitates the exchange of data between the solutions and also presents the opportunity to link new channels, such as freelancer or job portals, in order to increase the range of possible new candidates and service providers.

Again from a technical point of view, Cloud-to-Cloud-Micro services facilitate the roll-out of new TWM services enormously today, compared to the highly individual implementation effort for each and every customer five years ago.

Lünendonk: What challenges and obstacles are typical during the course of a project?

M. Lindmark: It is important that project managers maintain strict requirements management in order not to lose sight of the core goals. If the various departments make too many demands, it sometimes becomes difficult to reduce the high expectations to the relevant project goals again. Further, in relation to TWM projects the works council should also be informed in good time, otherwise questions regarding employee monitoring could surface, because TWM involves the analysis of staff qualifications and qualification data of external employees. It is clear that the goals of Total Workforce Management are completely different. Nevertheless, good, open and early communication is existentially important.

Compliance requirements are also among the important tasks that need to be fulfilled. In the SAP Fieldglass solution, we work with pre-checks, for example, in order to ensure correct service classification and legally appropriate types of contracts for the external workforce. Unlike common practices in the HR Department, in TWM Projects relatively little data regarding qualifications, service times etc. is required. But one thing is clear: Companies must face data protection. Legally sound implementation is always to be found in practice. Other obstacles appear very small at first: Various methods of time-keeping or the type of budgeting and personnel planning can lead to arguments. But those are issues that are easy to solve in practice. Companies that are on the way to implementing TWM reap sustainable benefits from more knowledge, which they can use for the development of their internal and external workforce. And that is just the beginning. Soon SAP Fieldglass will be in a position to provide our customers with additional, anonymous, external comparative data from many industries and worldwide markets.

Lünendonk: Thank you very much for the interview.
COMPANY PROFILE

SAP Fieldglass

SAP Fieldglass provides the industry’s leading technology for services procurement and external workforce management. More than 400 businesses leverage SAP Fieldglass’ intuitive, cloud-based services solution to gain visibility into its external labour, project-based services including Statements of Work (SOW), independent contractors and additional flexible talent pools.

The SAP external talent management and services procurement platform is used by organisations across all industries and geographies to achieve total workforce visibility and ultimately maximise cost savings, worker quality, compliance and programme efficiencies. SAP Fieldglass offers customers a competitive advantage by seamlessly integrating to many back-office solutions, leading the industry in total integrations. Procurement and HR professionals from companies including GlaxoSmithKline, Johnson & Johnson, Monsanto and Rio Tinto partner with SAP Fieldglass to develop sophisticated talent and spend management strategies necessary to create best-in-class workforce programmes.

SAP Fieldglass has a long history of innovation. Founded in 1999, the company developed one of the first true Software-as-a-Service (SaaS) solutions. Many of its first-to-market offerings are now industry standards, including its services solution and technology that truly supports programme needs in complex regions worldwide. SAP Fieldglass has been recognised by the CODiE Awards, Stevie Awards, Illinois Technology Association, Ernst & Young and Staffing Industry Analysts, among others.

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Lünendonk & Hossenfelder GmbH, (Mindelheim), analyses and consults companies across Europe from the Information Technology, Consulting and Service Provider sectors. With their Kompetenz3 concept, Lünendonk & Hossenfelder offers independent market research, market analysis and market consulting from a single source. Since 1983, the Market Analysis Department has been responsible for the Lünendonk® lists and studies, which are considered as barometers of the market as well as the entire Market Observation Programme.

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