External Workforce Insights 2018: The Forces Reshaping How Work Gets Done

Utilities Industry Report
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The external workforce: is it on your C-suite agenda?

New technologies. Competition from nontraditional players. A shifting regulatory environment. A retiring workforce. These are just some of the concerns that utilities face today. In order to scale effectively in response to environmental events, address skills shortages, and position themselves for success, utilities rely heavily on external workers and services providers.

External resources with very specific skills—engineers, line technicians, heavy equipment operators and more—make up the backbone of utilities organizations. With digital transformation coming into play, utilities are also engaging more highly specialized, in-demand resources in sectors such as IT. How can utilities and other companies gain better value from these non-payroll workers and services providers? To find out, we collaborated with Oxford Economics to survey 800 senior executives, including 50 utilities executives in more than a dozen countries. One-third are C-suite executives.

Given the findings, the rapid growth of the external workforce is one of the most important business stories of our time, with far-reaching implications for both employers and employees. Yet most companies—utilities included—are still figuring out the best ways to manage this extended workforce, and C-level executives are not paying close enough attention. Those who manage external labor effectively say it drives competitive advantage, yet others risk being left behind. In our full report, we discuss the performance of the “Pacesetters” (see page 17), companies that report markedly superior performance in extracting value from the external workforce.

The results provide an unprecedented deep dive into the ways the external workforce is sourced, managed, and deployed—and how it can add value.

Key themes from our research

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<th>The multi-channel workforce is on the rise</th>
<th>It’s about the core</th>
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<td><strong>The External Workforce:</strong></td>
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<tr>
<td>Improving agility and competitiveness, driving better business outcomes</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>C-suite imperative</strong></td>
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Who’s who in the extended workforce?

Non-payroll workers (contingent labor): individuals hired by a company to do work on its behalf, but not as traditional employees. They could include independent contractors, consultants, or temporary labor, and could be contracted via staffing agencies, through freelance marketplaces, or sourced directly.

Services providers: organizations such as consulting firms, marketing agencies, and facilities management companies. They are typically contracted to do project-based work via a Statement of Work (SoW).

External workforce: the combination of non-payroll workers and services providers (also known as an extended workforce).

On-demand, online marketplaces for freelancers: digital platforms that provide a mechanism to engage talent and match buyers and sellers of services.
Our research shows that approximately 42% of workforce spending in the utilities industry goes to contingent workers and services providers, close to the cross-industry average of 44%. These workers are deployed in a wide variety of roles across organizations. The shift to engaging the external workforce to do work is expected to continue in the coming years. As it does, the external workforce will become increasingly critical to business strategy.

The impact of these changes extends well beyond individual businesses. In fact, the growth of the external workforce affects the daily lives of millions of people—and even the performance of major economies. A 2016 study by the National Bureau of Economic Research, a prominent US nonprofit organization, suggests that net job growth in the United States between 2005 and 2015 was due entirely to contingent workers, including temporary and on-call workers, independent contractors or freelancers, and the fastest-growing group: contract employees.

**Fig. 1: There has been a big shift in the way work gets done**

What is the split of your organizational spend across employees, non-payroll workers, and services providers?
Mean responses shown
Our survey shows that companies are relying on numerous channels to access external talent. We call this use of talent sourced through a variety of channels the multi-channel workforce.

The multi-channel workforce: the way work gets done

The most widely used method of accessing external talent for utilities is services providers (64%), followed by sourcing talent themselves (62%), staffing agencies (44%), on-demand, online marketplaces for freelancers (42%), and alumni networks (16%). These channels are expected to show strong growth over the next three years, suggesting ongoing, and even increasing, demand and competition for external workers.

The top labor market trends for utilities respondents are the globalization of the labor supply creating greater access to talent, the availability of talent that prefers to work on a contract basis versus being an employee, and millennials and younger generations in the workforce.

76% of utilities executives expect to use on-demand, online marketplaces for freelancers in three years
Talent strategy is increasingly dependent upon sourcing strategy. Only 26% of utilities executives stated that they strongly agree that their organization has a talent strategy that encompasses employees and the external workforce, despite the latter comprising nearly half (42%) of their workforce spend.
In a global economy in which digital skills and other specialized capabilities can make or break a business, meeting the demand for talent at the right time and in the right place is essential. Our survey shows that external labor has become an important means of doing so, while also creating a rich well of talent for staffing core functions across the enterprise.

Seventy-two percent (72%) of utilities executives state that their external workforce is critical to operating at full capacity and meeting market demands, higher than the average of 65% for all industries. Fewer utilities executives report that they would be unable to conduct business as usual without an external workforce (34% of utilities executives, versus 46% for all respondents).

Fig. 3: The external workforce is critical to keeping the lights on

- 72% say their external workforce is critical to operating at full capacity and meeting market demands
- 34% say they would be unable to conduct business as usual without an external workforce
The demand for external labor is widespread across organizational functions. In utilities, the business functions that rely most heavily on the external workforce are facilities management, IT, and field services.

Fig. 4: The external workforce is being used widely across organizations

Which business functions rely most heavily on an external workforce?

<table>
<thead>
<tr>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities management</td>
<td>8%</td>
<td>30%</td>
</tr>
<tr>
<td>IT</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>Field services</td>
<td>36%</td>
<td>6%</td>
</tr>
<tr>
<td>Digital</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Customer service</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Legal</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>Finance</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>Sales/Seasonal sales</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Product development/R&amp;D</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Marketing</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Today, the external workforce is critical in utilities for support services (86%), outsourced projects (72%), and corporate staff (68%), with importance increasing in three years’ time. In fact, all respondents (100%) stated that the external workforce will be critical for sourcing corporate staff to meet business needs in three years.

The external workforce is also critical for sourcing skills in scarce supply. Sixty-two percent state that external workers are important or extremely important today, and virtually all respondents (96%) say this will be the case in three years’ time.

Fig. 5: Staying competitive in the digital age

How important are the following kinds of external workers to meeting your business needs today? In three years?
“Important” and “Extremely important” responses

<table>
<thead>
<tr>
<th>Kind of External Worker</th>
<th>Today</th>
<th>In 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support services</td>
<td>86%</td>
<td>92%</td>
</tr>
<tr>
<td>Outsourced projects</td>
<td>72%</td>
<td>94%</td>
</tr>
<tr>
<td>Corporate staff</td>
<td>68%</td>
<td>100%</td>
</tr>
<tr>
<td>Field services/manufacturing</td>
<td>54%</td>
<td>86%</td>
</tr>
<tr>
<td>Seasonal work</td>
<td>52%</td>
<td>66%</td>
</tr>
<tr>
<td>Staff augmentation</td>
<td>48%</td>
<td>64%</td>
</tr>
</tbody>
</table>

100% of utilities executives say the external workforce will be important for sourcing corporate staff in three years.
One of the big ideas behind the use of the external workforce is that it saves companies money, giving them the flexibility to scale their workforces up and down depending on demand—and reduce overhead in the process. Yet, our survey shows that other goals are more important to utilities companies in deciding to move beyond traditional employment arrangements.

About one-third (34%) say the external workforce is a key lever in enabling business performance—much lower than the cross-industry average of 55%; and 54% say the external workforce enables them to improve their company’s overall financial performance—again, lower than the cross-industry average of 62%.

### Fig. 6: The external workforce delivers on strategic goals

How important is the external workforce in meeting the following business goals?

<table>
<thead>
<tr>
<th>Business Goal</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing or improving products and services</td>
<td>78%</td>
</tr>
<tr>
<td>Increasing organizational agility</td>
<td>72%</td>
</tr>
<tr>
<td>Operating at full capacity/meeting market demands</td>
<td>72%</td>
</tr>
<tr>
<td>Increasing speed to market</td>
<td>68%</td>
</tr>
<tr>
<td>Managing costs</td>
<td>68%</td>
</tr>
<tr>
<td>Achieving sustainability goals/shrinking our carbon footprint</td>
<td>64%</td>
</tr>
<tr>
<td>Reducing risk</td>
<td>50%</td>
</tr>
</tbody>
</table>
This new and expansive outlook on the value of the external workforce includes the expectation that it provides the flexibility to respond to opportunities when and where they arise (50%), and nearly half (42%) say their external workforce helps them compete in a digital world.

**Finding value beyond the hard numbers**
Non-traditional work arrangements can improve company performance in ways that go beyond traditional business metrics. Utilities executives mostly report positive cultural benefits from the external workforce including challenging employees to do their best work (66%), raising the bar for employees by bringing in new sources of skills and talent (54%), and connecting their workforce to new ideas (52%). Less than half say the external workforce dilutes their culture by including people who are not invested in the company (38%), and creates uncertainty among their full-time workforce about job longevity and pay levels (38%).

Maximizing the value of the external workforce calls for thoughtful and effective management. This includes training and educating these workers, and integrating them into the company culture. Given the size and expected growth of the external workforce—and 72% of utilities executives state that it is critical to operating at full capacity and meeting market demands—it should be on the C-suite agenda.

**Fig. 7: Cultural impacts of the external workforce**

<p>| To what extent do you agree with the following statements about the impact of the external workforce on your organization? “Agree” and “Strongly agree” responses |</p>
<table>
<thead>
<tr>
<th>Utilities industry</th>
<th>Cross-industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenges our employees to do their best work</td>
<td>66%</td>
</tr>
<tr>
<td>Raises the bar for our employees by bringing in new sources of skills and talent</td>
<td>54%</td>
</tr>
<tr>
<td>Connects our workforce to new ideas</td>
<td>52%</td>
</tr>
<tr>
<td>Improves our culture by bringing in new people with different backgrounds and experiences</td>
<td>50%</td>
</tr>
<tr>
<td>Creates uncertainty among our full-time workforce about job longevity and pay levels</td>
<td>38%</td>
</tr>
<tr>
<td>Dilutes our culture by including people who are not invested in the company</td>
<td>38%</td>
</tr>
</tbody>
</table>
A fundamental truth of business is that you can’t manage what you don’t measure. That makes the lack of visibility into the external workforce a serious problem for most companies. New work arrangements require a new kind of management, and senior executives—the C-suite included—are not paying close enough attention.

Utilities executives are generally not well informed about the who, what, where, and when of their external workforce. Less than half (48%) of respondents are highly informed about who is doing work for their organization when it comes to non-payroll workers, and even fewer (42%) when it comes to services providers. Just over half (56%) know the responsibilities of non-payroll workers, and even fewer (42%) for services providers. The C-suite executives who are leading their functions are generally much less in the know with regard to their non-payroll workers, yet more informed on some details regarding services providers.
Visibility is everything

Fig. 8: Poor visibility goes all the way to the top

How informed are you personally about the following details of your non-payroll workers? “Highly informed” responses

- Labor rates
  - Utilities: 56%
  - Cross-industry average: 50%
  - Pacesetters: 81%

- Responsibilities (what they are doing)
  - Utilities: 56%
  - Cross-industry average: 46%
  - Pacesetters: 83%

- Access to systems and confidential company information
  - Utilities: 50%
  - Cross-industry average: 35%
  - Pacesetters: 55%

- Duration of work (tenure)
  - Utilities: 50%
  - Cross-industry average: 45%
  - Pacesetters: 73%

- Who they are
  - Utilities: 48%
  - Cross-industry average: 35%
  - Pacesetters: 43%

- Number of resources
  - Utilities: 46%
  - Cross-industry average: 43%
  - Pacesetters: 74%

- Access to facilities
  - Utilities: 44%
  - Cross-industry average: 40%
  - Pacesetters: 45%

- Compliance with negotiated rates
  - Utilities: 40%
  - Cross-industry average: 47%
  - Pacesetters: 71%

- Quality of work
  - Utilities: 40%
  - Cross-industry average: 45%
  - Pacesetters: 61%

- Compliance with required licenses and certifications
  - Utilities: 32%
  - Cross-industry average: 36%
  - Pacesetters: 40%

- Where they are located
  - Utilities: 32%
  - Cross-industry average: 38%
  - Pacesetters: 34%

How informed are you personally about the following details of services providers doing work for your organization? “Highly informed” responses

- Access to facilities
  - Utilities: 58%
  - Cross-industry average: 46%
  - Pacesetters: 62%

- Contract terms
  - Utilities: 56%
  - Cross-industry average: 51%
  - Pacesetters: 65%

- Quality of work
  - Utilities: 50%
  - Cross-industry average: 42%
  - Pacesetters: 60%

- Duration of work
  - Utilities: 48%
  - Cross-industry average: 49%
  - Pacesetters: 75%

- Access to systems and confidential company information
  - Utilities: 44%
  - Cross-industry average: 43%
  - Pacesetters: 52%

- Responsibilities (what they are doing)
  - Utilities: 42%
  - Cross-industry average: 53%
  - Pacesetters: 84%

- Who is doing the work
  - Utilities: 42%
  - Cross-industry average: 47%
  - Pacesetters: 82%

- Compliance with required licenses and certifications
  - Utilities: 34%
  - Cross-industry average: 35%
  - Pacesetters: 45%

- Where they are located
  - Utilities: 30%
  - Cross-industry average: 35%
  - Pacesetters: 35%

- Progress against milestones and/or deliverables
  - Utilities: 28%
  - Cross-industry average: 41%
  - Pacesetters: 57%
Fig. 9: Management challenges abound

How challenging are the following aspects of managing your external workforce?

- Finding high-quality resources at the right time and in the right place
  - Extremely challenging: 34%
  - Really challenging: 36%
  - Somewhat challenging: 20%
  - Minimally challenging: 10%

- Tracking resource and project quality
  - Extremely challenging: 24%
  - Really challenging: 50%
  - Somewhat challenging: 22%
  - Minimally challenging: 4%

- Managing digital/cybersecurity
  - Extremely challenging: 8%
  - Really challenging: 54%
  - Somewhat challenging: 28%
  - Minimally challenging: 10%

- Managing physical security
  - Extremely challenging: 18%
  - Really challenging: 32%
  - Somewhat challenging: 40%
  - Minimally challenging: 10%

- Compliance with local tax laws, labor laws, regulatory, and privacy requirements
  - Extremely challenging: 10%
  - Really challenging: 48%
  - Somewhat challenging: 42%

Financial issues also abound. Thirty-eight percent (38%) of utilities respondents report compliance issues (higher than the cross-industry average of 29%); and 36% report physical security breaches, on par with the average. Thirty percent (30%) say they have experienced overcharges and payment redundancies, digital security breaches, and quality issues regarding resources and/or projects—all in line with the average across industries. However, utilities executives report lower than average unauthorized spend without approval of procurement (16% versus the cross-industry average of 28%) and rates that deviate from an agreed-to rate card or master services agreement (18% versus the average of 25%).

The fact is that a workforce managed ineffectively won’t deliver on its full potential. While most respondents say their company considers all types of labor when starting new projects, and that they look at the total workforce strategically, in reality the current lack of visibility means management does not have a truly holistic view.

How can that visibility be improved? One solution may lie in technologies like advanced analytics and machine learning, which can give companies better insight into their external workforces.

Visibility is everything

70% of utilities executives say that finding high-quality resources at the right time and in the right place is really or extremely challenging
Utilities executives are ahead of the cross-industry average in their use of data and analytics to inform their workforce strategy (74% versus 68% cross-industry), and understand the effectiveness of particular talent strategies (58% versus 48% cross-industry). They are also ahead in their use of predictive analytics to anticipate talent shortfalls (62% versus 56%). However, the utilities industry is generally not as advanced in their use of AI/machine learning to inform overall workforce decisions.

**Fig. 10: The utilities industry’s use of advanced technologies to inform workforce decisions**

To what extent do you agree with the following statements about your use of analytics and artificial intelligence (AI)/machine learning to inform your overall workforce decisions?

“Agree” and “Strongly agree” responses

<table>
<thead>
<tr>
<th>Statement</th>
<th>Utilities</th>
<th>Cross-industry average</th>
</tr>
</thead>
<tbody>
<tr>
<td>We use data and analytics to help inform our workforce strategy</td>
<td>74%</td>
<td>68%</td>
</tr>
<tr>
<td>We use predictive analytics to anticipate talent shortfalls</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>We use AI/machine learning to get real-time visibility into payroll and rate data to inform workforce decisions</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>We use predictive analytics to inform workforce scenarios</td>
<td>44%</td>
<td>53%</td>
</tr>
<tr>
<td>We use AI/machine learning to inform workforce scenarios</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>We use AI/machine learning to anticipate talent shortfalls</td>
<td>34%</td>
<td>41%</td>
</tr>
<tr>
<td>We use AI/machine learning to source talent</td>
<td>32%</td>
<td>49%</td>
</tr>
</tbody>
</table>

50% of utilities executives use AI/machine learning to help inform their workforce strategy.
The external workforce: a C-suite imperative

Take a moment to consider that on average, utilities executives report that 42% of their overall workforce spend is on non-payroll workers and services providers.

We believe the external workforce must now be a C-suite imperative—not only because of the sheer numbers involved, yet also because it enables such an impressive range of business outcomes such as increasing organizational agility and speed to market.

Utilities also see contingent workers and services providers as a means to access the critical skills and capabilities essential for core operations, and to position themselves for future growth.

At the same time, these vital assets are often critically undermanaged. The key question for every business is this: shouldn’t the same rigor you use to manage your internal workforce be applied to your external workforce? In other words, shouldn’t the external workforce be on your C-suite agenda?

Take action today

Capture the full value of the workforce transformation by managing your external workforce more effectively:

- Ensure your leadership has visibility into the scope, activities, and quality of your external workforce, the challenges at hand, the benefits realized—and those that could be realized.
- Know the true value of your external workforce, whether they are most critical to getting products to market faster, providing difficult-to-access skills, driving digital transformation efforts, or controlling costs.
- Anticipate the skills you will need in the future—and those in short supply. Determine a strategy to acquire, retrain, or source these skills through the multi-channel workforce.
- Apply workforce strategies to all labor sources, both external and traditional. Embrace the external workforce for the skills and ideas that this talent brings and make them a part of organizational objectives and purpose.
The Pacesetters lead the pack

The journey to better business outcomes

Around one in ten companies that responded to our cross-industry survey demonstrate markedly superior performance in managing and extracting value from the external workforce. These “Pacesetters” are charting the way forward for others in this still evolving field. They stand out from the crowd in three important ways:

- **Their visibility** into the external workforce. Pacesetters are much more informed on details regarding their non-payroll workers and services providers and are more likely to say that their C-level executives are informed as well.

- **Their effective management** of this workforce. Pacesetters find it much less challenging to perform a wide range of external workforce management duties more effectively.

- **The business impact** of the external workforce. Pacesetters are more likely to say their external workforce enables them to improve their company’s overall financial/business performance and/or compete in a digital world.

These Pacesetter criteria were used to assign each respondent to a particular group. Even the Pacesetters have much to do to fully capture the value—and mitigate the risks—of this dramatic transformation in the way work gets done.

<table>
<thead>
<tr>
<th>Beginners</th>
<th>Followers</th>
<th>Fast Followers</th>
<th>Pacesetters</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 Respondents</td>
<td>290 Respondents</td>
<td>372 Respondents</td>
<td>77 Respondents</td>
</tr>
<tr>
<td>8% Do not meet any Pacesetter criteria</td>
<td>36% Meet 1 of 3 Pacesetter criteria</td>
<td>46% Meet 2 of 3 Pacesetter criteria</td>
<td>10% Meet all 3 criteria</td>
</tr>
</tbody>
</table>

Are you a Pacesetter? Access our full report at [externalworkforce.fieldglass.com](http://externalworkforce.fieldglass.com) for a detailed definition of our Pacesetter methodology.
About the research

Oxford Economics conducted an in-depth telephone survey with 800 senior executives from mid-sized to large companies including 50 from the utilities industry. Executives in more than a dozen countries were surveyed in late 2017 and early 2018. The survey focused on labor trends, including the use and management of an external workforce, today and in the future, and its impact on business and financial performance.

Visit externalworkforce.fieldglass.com to access the full report and shareable content including an executive summary, SlideShare and infographics.

About Oxford Economics
We are a world leader in economic analysis for business and government. Founded in 1981 as a joint venture with Oxford University’s business college, we specialize in evidence-based thought leadership, forecasting, and economic impact analysis. Headquartered in Oxford, with offices around the world, we employ more than 250 people, including over 150 economists, industry experts, and business editors. Oxford Economics has a worldwide client base of over 1,000 corporations, financial institutions, government organizations, professional firms, and universities.

About SAP Fieldglass
SAP Fieldglass, a longstanding leader in external talent management and services procurement, is used by organizations around the world to find, engage and manage all types of flexible resources. Our cloud-based, open platform has been deployed in more than 180 countries and helps companies transform how work gets done, increase operational agility and accelerate business outcomes in the digital economy. Backed by the resources of SAP, our customers benefit from a roadmap driven by a continuous investment in innovation.

Survey demographics

Countries: Australia, Belgium, Brazil, Canada, France, Germany, Italy, Japan, Mexico, the Netherlands, the Nordics, the Philippines, Spain, the United Kingdom, and the United States.

Industries: aerospace and defense, banking, capital markets, construction, consumer packaged goods, healthcare, high-tech, industrial manufacturing, insurance, life sciences, oil and gas, professional services, public service, rail, retail, and utilities.

Executives interviewed: procurement (55%), HR and talent management (30%), IT (10%), and finance (5%). A third were C-suite executives; a further third were their direct reports; and the final third were director-level leaders.

Company size (USD):
- $500 million–$1 billion: 10%
- $1 billion–$5 billion: 35%
- $5 billion–$20 billion: 40%
- $20 billion+: 15%