Focus your forces

External Workforce Insights 2018:
The Forces Reshaping How Work Gets Done
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The external workforce: is it on your C-suite agenda?

The rapid growth of the external workforce—that is, the use of both non-payroll workers and contracted services providers to get work done—is one of the most important business stories of our time, with far-reaching implications for both employers and employees. Yet most companies are still figuring out the best ways to manage this extended workforce, and too many C-level executives are not paying close enough attention. Those who manage external labor effectively are finding it to be a driver of competitive advantage, but others risk being left behind as their rivals make better use of these critical human resources.

How can businesses gain better value from independent contractors, consultants, and temporary workers, and from services providers like consulting firms, marketing agencies, and facilities management companies? To find out, we collaborated with Oxford Economics to survey 800 senior executives—one-third of them C-suite leaders, including chief procurement officers and chief HR officers—in 16 industries and more than a dozen countries.

The results provide an unprecedented deep dive into the ways the external workforce is sourced, managed, and deployed—and how it can pay off for a business.

Key themes from our research

The External Workforce: Improving agility and competitiveness, driving better business outcomes

- The multi-channel workforce is on the rise
- It’s about the core
- Cost is not the whole story
- Visibility is everything

C-suite imperative

The external workforce is not a C-level issue at many companies. It should be. The effective use of non-payroll talent can be a strategic and competitive differentiator and a driver of organizational agility and competitive advantage in the digital age. This labor can be sourced through multiple channels, both traditional and digital, and can provide critical skills and capabilities essential for core operations and growth. Yet these vital assets are critically under-managed. That creates a new imperative for the C-suite: to increase their visibility of the external workforce—and the total workforce—in order to help their companies thrive.
Introduction

Our analysis of the survey data surfaced four key themes:

**The multi-channel workforce is on the rise**
Companies are using a wide range of channels to hire external workers, and the use of these channels is expected to grow. For survey respondents, the external workforce now comprises roughly 44% of workforce spending. That momentum should continue: the top labor market trends for respondents are the availability of talent that prefers to work on a contract basis (rather than as employees) and greater access to talent created by the globalization of the labor supply.

**It’s about the core**
The external workforce has become essential to core operations—and is increasingly critical to business strategy. Nearly half (46%) of respondents say that without an external workforce they would be unable to conduct business as usual. Around two-thirds (65%) say the external workforce is important or extremely important to operating at full capacity and meeting market demands.

**Cost is not the whole story**
While still important, controlling costs is no longer the principal driver for using an external workforce. Rather, the external workforce is now seen as essential to improving business performance. Two-thirds (66%) of respondents say it is important or very important to increasing speed to market; 64% say it is important or very important to increasing organizational agility; 62% say it improves overall financial performance; and nearly half (47%) say it allows them to compete in a digital world.

**Visibility is everything**
The external workforce is critically under-managed at most companies. Limited visibility and inadequate attention from the C-suite hinders effectiveness. Executives are generally not well informed about the who, what, where and when of their external workforce. About one-third (35%) of respondents are highly informed about who is doing work for their organization when it comes to non-payroll workers, and less than half (47%) when it comes to services providers. C-suite executives who are responsible for leading their functions are less in the know: just 25% are highly informed regarding non-payroll workers, and 35% about services providers. As a result, many companies are not realizing the maximum benefit from their external workforce.
Introduction

Pacesetters demonstrate superior performance in managing and extracting value from the external workforce

Our survey reveals a path forward for companies that need to catch up. Some respondents demonstrate much more deliberate approaches to managing the external workforce than their peers. These companies—we call them Pacesetters—make up about 10% of the survey population and stand out from the crowd in three important ways: their visibility into the external workforce, their effective management of this workforce, and the business impact of these workers (see page 23 for a detailed definition of our Pacesetter methodology).

Using these criteria, we were able to segment our survey respondents into four groups—Beginners, Followers, Fast Followers, and Pacesetters—each group represents an increasing level of rigor in the successful management of the external workforce.

It is important to note that while Pacesetters lead the pack now, even they still have much to do to fully capture the value—and mitigate the risks—of this dramatic transformation in the way work gets done.

This report explores these themes and survey findings in detail. We describe the behaviors that set Pacesetters apart, define some of the actions organizations can take to improve the way they manage the external workforce—and drive better outcomes for their businesses.
The multi-channel workforce is on the rise

The shift from traditional models of employment to external labor is a fundamental transformation of how work gets done, and it is well under way: our survey shows that nearly half of workforce spending now goes to contingent workers and services providers, and that these workers are deployed in a wide variety of roles across organizations. This shift is expected to continue in the coming years. As it does so, 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

![Pie chart showing the distribution of organizational spend]
The multi-channel workforce is on the rise

Our survey shows that companies are relying on numerous channels to access external talent. The most widely used is services providers, such as consulting firms, marketing agencies, and facilities management companies (cited by half of respondents), with nearly as many (48%) sourcing talent themselves, followed by on-demand online marketplaces for freelancers (38%), staffing agencies (35%), and alumni networks (9%). 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

These channels are expected to show strong growth over the next three years, suggesting ongoing, and even increasing, demand and competition for external workers.
Fig. 2: Strong growth ahead across talent channels

Through which of the following sources do you hire your external workforce today? In three years?
Respondents could select all that apply

<table>
<thead>
<tr>
<th>Source</th>
<th>Today</th>
<th>In 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services providers</td>
<td>50%</td>
<td>72%</td>
</tr>
<tr>
<td>Source ourselves</td>
<td>48%</td>
<td>75%</td>
</tr>
<tr>
<td>On-demand, online marketplaces</td>
<td>38%</td>
<td>74%</td>
</tr>
<tr>
<td>Staffing agencies</td>
<td>35%</td>
<td>78%</td>
</tr>
<tr>
<td>Alumni</td>
<td>9%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Importantly, Pacesetters are more likely than others to engage multiple channels to source talent, including services providers (used today by 75% of Pacesetters vs. 47% of others) and staffing agencies (60% vs. 32%), whereas Followers and Beginners are less likely to use these channels.

Pacesetters also are more likely to use on-demand online marketplaces for freelancers, both today and in the next three years. Online marketplaces and talent portals are increasingly important ways to find and hire an external workforce. While just 38% of respondents use them today (either frequently or always), putting them well behind established channels like services providers and self-sourcing, nearly twice that number (74%) say they will use online marketplaces and talent portals in three years’ time. These digital channels are essential to enabling companies to find and work with the best talent anywhere in the world, and are also a critical means of engaging digital natives and next-generation talent.

74% of executives will use on-demand, online marketplaces to hire external workers in three years.
Talent strategy is increasingly dependent upon sourcing strategy. Pacesetters and Fast Followers—the two groups most advanced in their management of the external workforce—are more likely to say their organization has a talent strategy that encompasses both employees and the external workforce (86% and 75% respectively, vs. 64% of Followers and 52% of Beginners).

The multi-channel workforce is on the rise

**Fig. 3: Growth of online talent marketplaces**

To what extent does your organization use on-demand, online marketplaces for freelancers today? In three years? “Very often” and “Always” responses

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>In 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginners</td>
<td>38%</td>
<td>63%</td>
</tr>
<tr>
<td>Followers</td>
<td>38%</td>
<td>72%</td>
</tr>
<tr>
<td>Fast Followers</td>
<td>34%</td>
<td>75%</td>
</tr>
<tr>
<td>Pacesetters</td>
<td>56%</td>
<td>83%</td>
</tr>
</tbody>
</table>

**Fig. 4: Leading organizations focus on total workforce strategy**

Our organization has a talent strategy that encompasses employees and the external workforce. “Strongly agree” and “Agree” responses

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginners</td>
<td>52%</td>
</tr>
<tr>
<td>Followers</td>
<td>64%</td>
</tr>
<tr>
<td>Fast Followers</td>
<td>75%</td>
</tr>
<tr>
<td>Pacesetters</td>
<td>86%</td>
</tr>
</tbody>
</table>
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.

Nearly half (46%) of respondents say that without an external workforce they would be unable to conduct business as usual, and about two-thirds (65%) say the external workforce is important or very important to operating at full capacity and meeting market demands.

Fig. 5: The external workforce is critical to keeping the lights on

- 46% say they would be unable to conduct business as usual without an external workforce
- 65% say their external workforce is critical to operating at full capacity and meeting market demands
This high demand for external labor comes from functions across companies, including areas as diverse as customer service, IT, and facilities management.

Nearly three-quarters of respondents are using an external workforce for support services, and well over a third are doing so for field services/manufacturing, corporate staff, and outsourced projects. Interestingly, Pacesetters are least likely to say they use an external workforce for staff augmentation (13%), while Beginners are most likely to do so (37%). This may well be because staff augmentation is one of the easiest places to start using an external workforce.

**Fig. 6: The external workforce is being used widely across organizations**

Which business functions rely most heavily on an external workforce?

<table>
<thead>
<tr>
<th>Function</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service</td>
<td>15%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Facilities management</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Field services</td>
<td>15%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>IT</td>
<td>12%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Digital</td>
<td>10%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Finance</td>
<td>9%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Legal</td>
<td>4%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Marketing</td>
<td>7%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Product development / R&amp;D</td>
<td>2%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Sales / Seasonal sales</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>
The external workforce is critical for sourcing hard-to-find skills. Nearly three-quarters of executives cite the importance of these workers in sourcing skills that are in scarce supply, with virtually all respondents (91%) saying this will be the case in three years’ time. Respondents experiencing the fastest revenue growth (20%+) cite challenges in accessing specialized skills (e.g., AI and machine learning, data science, industry-specific expertise) as the number one market trend impacting their business (31% vs. 18% for others).

The importance of non-traditional labor sources is expected to continue its rapid growth. Our survey shows that executives think it is increasingly important to meeting business needs in a wide range of areas, both today and in three years’ time, including support services (77% today vs. 94% in three years), corporate staff (63% today vs. 94% in three years), and field services/manufacturing (63% today vs. 88% in three years).

**Fig. 7: Companies depend on the external workforce**

How important is the external workforce in operating at full capacity/meeting market demands?

<table>
<thead>
<tr>
<th>Category</th>
<th>Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginners</td>
<td>49%</td>
<td>17%</td>
</tr>
<tr>
<td>Followers</td>
<td>44%</td>
<td>20%</td>
</tr>
<tr>
<td>Fast Followers</td>
<td>40%</td>
<td>22%</td>
</tr>
<tr>
<td>Pacesetters</td>
<td>42%</td>
<td>34%</td>
</tr>
</tbody>
</table>

The fastest revenue growth companies (20%+) state that challenges in accessing specialized skills (e.g., AI and machine learning, data science, industry-specific experience) is the **#1 labor market trend impacting their business**.
Heading for a skills shortfall?

Many companies do not have the skills they need to stay competitive. More than half of the respondents to our survey report talent shortfalls in critical areas such as data-driven decision-making (60%), design thinking (59%), new product development (58%), user experience (58%) and intellectual property protection (53%). Yet all these skills will be increasingly important in developing digital products and services.

Fig. 8: Staying competitive in the digital age

To what extent does your organization have the skills it needs in the following areas today? In three years?

“Not quite enough” and “Major shortfall” responses

<table>
<thead>
<tr>
<th>Area</th>
<th>Today</th>
<th>In 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newer technologies (AI, machine learning, blockchain, automation, cloud, Internet of Things)</td>
<td>68%</td>
<td>48%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>60%</td>
<td>41%</td>
</tr>
<tr>
<td>Data-driven decision making</td>
<td>60%</td>
<td>37%</td>
</tr>
<tr>
<td>Design thinking</td>
<td>59%</td>
<td>44%</td>
</tr>
<tr>
<td>New product development</td>
<td>58%</td>
<td>47%</td>
</tr>
<tr>
<td>User experience</td>
<td>58%</td>
<td>35%</td>
</tr>
<tr>
<td>Risk management/intellectual property protection</td>
<td>53%</td>
<td>47%</td>
</tr>
</tbody>
</table>

The numbers are no better when it comes to the technology skills required to fulfill broader digital transformation agendas. About two-thirds of respondents lack skills in newer technologies—artificial intelligence (AI), machine learning, blockchain, automation, cloud, and the Internet of Things. And while they believe their preparedness for these technologies will improve, about half still anticipate having insufficient skills in these areas in three years’ time.

If the supply of skills remains unchanged, many companies may be less prepared than they expect in the coming years. With nearly everyone expecting to increase their hiring, the competition for skilled talent will make the ability to source, recruit, and retain non-payroll workers even more important than it is today.
One of the big ideas behind the use of the external workforce is that it saves companies money: it gives them the flexibility to scale their workforces up and down depending on demand—and reduce overhead in the process. These are non-trivial means of cost control, and spending discipline remains one of the important benefits of adopting the external workforce. Yet our survey shows that other motivating factors are now more important in deciding to move beyond traditional employment arrangements.

We asked respondents how important the external workforce is to their ability to meet a range of business goals. The top answers were developing or improving products and services (with 68% saying this is extremely important or important), increasing speed to market (66%), operating at full capacity/meeting market demands (65%), and increasing organizational agility (64%). Managing costs is close behind at 60%, ahead of reducing risk (54%).
Fig. 9: The external workforce delivers on strategic goals

How important is the external workforce in meeting the following business goals? “Important” and “Very important” responses

<table>
<thead>
<tr>
<th>Business Goal</th>
<th>Pacesetters</th>
<th>Fast Followers</th>
<th>Followers</th>
<th>Beginners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing or improving products and services</td>
<td>68%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing speed to market</td>
<td>66%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating at full capacity/meeting market demands</td>
<td>65%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing organizational agility</td>
<td>64%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieving sustainability goals/shrinking our carbon footprint</td>
<td>62%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing costs</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing risk</td>
<td>54%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This reveals a new and expansive outlook on the value of the external workforce. More than half of respondents say it is a key enabler of business performance. A similar proportion say it provides them with the flexibility to respond to opportunities when and where they arise. And nearly half say their external workforce helps them compete in a digital world.

Pacesetters stand out from the crowd

Pacesetters show their true colors when it comes to realizing value beyond cost control. Nearly 80% of this elite group report that the external workforce is a key enabler of business performance, followed by 71% of Fast Followers, 35% of Followers and 18% of Beginners. About 60% of Pacesetters and Fast Followers say their external workforce allows them to stay competitive in the digital age, while only 32% of Followers and 18% of Beginners make the same claim.
Finding value beyond the hard numbers

Non-traditional work arrangements can improve company performance in ways that go beyond traditional business metrics. Our survey shows that well over half (61%) of respondents say the external workforce challenges employees to do their best work. Over half (54%) say it improves their culture by bringing in people with different backgrounds and experiences, and 49% say it connects the workforce to new ideas.

Maximizing this kind of value calls for effective management of the external workforce. That includes training and educating these workers, and integrating them into the company culture. This is another area where Pacesetter companies, with their stronger management strategies, stand out from the pack. These companies are more likely to say their external workforce raises the bar for other employees (66% vs. 34% of Beginners) and are more likely to say it is important that their company is viewed as a good place to work by external workers (74% vs. 31% of Beginners).

Fig. 10: Soft benefits accrue with deliberate management

To what extent do you agree with the following statements about the impact of the external workforce on your organization?

“Strongly agree” and “Agree” responses

<table>
<thead>
<tr>
<th>Statement</th>
<th>Beginners</th>
<th>Followers</th>
<th>Fast Followers</th>
<th>Pacesetters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raises the bar for our employees by bringing in new sources of skills and talent</td>
<td>34%</td>
<td>44%</td>
<td>60%</td>
<td>66%</td>
</tr>
<tr>
<td>Improves our culture by bringing in new people with different backgrounds and experiences</td>
<td>51%</td>
<td>53%</td>
<td>54%</td>
<td>60%</td>
</tr>
</tbody>
</table>

61% of executives say the external workforce challenges employees to do their best work
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.

Failing to get a clear picture of non-payroll workers and services providers

Only half of the respondents to our survey consider themselves well informed about the labor rates charged for their contingent workforce. Other key data points appear even more opaque to these executives, including compliance with negotiated rates and contingent workers’ responsibilities, tenure, quality of work, headcount, and access to facilities (with only 40%-47% saying they are “highly informed” about these issues). Visibility dips further still when it comes to contingent workers’ location, compliance with required licenses/certifications, access to systems and confidential company information, and identity (35%-38%).

A similar pattern emerges for services providers. About half (51%) of respondents consider themselves well informed about the contract terms for their services providers. Only 53% are “highly informed” regarding their responsibilities, and even fewer know the duration of work, access to facilities, systems and confidential information, work quality, progress against milestones and/or deliverables, and compliance with licenses and certifications. Notably, across the board, Pacesetters are much more informed about these issues than their counterparts.
While respondents admit that their visibility of the external workforce is often poor, they rate the C-suite executives who lead their functions even worse. This lack of transparency into a vital labor resource could be a question of poor data sharing: most companies manage their external workforce by functional groups and lines of business and may not be sharing information effectively with the C-suite.
How informed are you, and the C-suite executive who leads your function, about the following details of non-payroll workers doing work for your organization? 
“Highly informed” responses

<table>
<thead>
<tr>
<th>Details of Non-Payroll Workers</th>
<th>You personally</th>
<th>C-suite executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of resources</td>
<td>43%</td>
<td>32%</td>
</tr>
<tr>
<td>Who they are</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>Responsibilities (what they are doing)</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>Where they are located</td>
<td>38%</td>
<td>21%</td>
</tr>
<tr>
<td>Labor rates</td>
<td>50%</td>
<td>44%</td>
</tr>
<tr>
<td>Compliance with negotiated rates</td>
<td>47%</td>
<td>37%</td>
</tr>
<tr>
<td>Duration of work (tenure)</td>
<td>45%</td>
<td>33%</td>
</tr>
<tr>
<td>Compliance with licenses, certifications, etc. required to perform their role</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Quality of work</td>
<td>43%</td>
<td>39%</td>
</tr>
<tr>
<td>Access to systems and confidential company information</td>
<td>35%</td>
<td>28%</td>
</tr>
<tr>
<td>Access to facilities</td>
<td>40%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Unsurprisingly, these shortfalls translate into some serious management issues. Well over half (60%) of executives surveyed report that tracking resource and project quality is a big challenge. Managing digital (59%) and physical (56%) security also creates headaches for many companies, and physical security breaches (acknowledged by 37% of respondents) and digital security breaches (31%) are distressingly common.
Financial issues also abound. A third of survey respondents report overcharges and payment redundancies, and a quarter say they have experienced rates that deviate from agreed-to rate cards or master service agreements (MSAs). Similar proportions have had to deal with unauthorized spend without approval from procurement (28%) and compliance issues (29%).

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.

Procurement and Human Resources must align

Cross-functional collaboration needs work at most companies. Our survey shows that only 4% of respondents say that collaboration is seamless for contingent workers, and just 10% of respondents say that collaboration is seamless for services providers.

The rigor of a company’s approach to its external workforce is highly relevant here: 78% of Pacesetters say that collaboration between procurement and HR regarding non-payroll workers is seamless or effective (vs. 51% of Fast Followers, 44% of Followers, and 37% of Beginners).
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. Yet just 15% of respondents strongly agree that their company uses AI/machine learning to inform their workforce strategy. Even fewer say they are using predictive analytics, big data, or AI to inform workforce scenarios, better understand the effectiveness of talent strategies, and get real-time visibility into payroll and rate data.

**Pacesetters show more effective management**

Clearly, senior management has much to do before it can realize the full value of the workforce revolution. And our Pacesetters show just how much other companies could benefit from more effective management. Compared with our Beginner companies in particular, Pacesetters find it much less challenging to perform a wide range of external workforce management duties effectively. That includes tracking resource and project quality, managing inconsistencies in talent or project quality, ensuring underperformers are not re-engaged, and remaining compliant with local tax, labor, and privacy laws and regulations, as well as managing unauthorized spend, administrative issues, and digital security. Pacesetters are also less likely to be challenged by inadequate technology in managing external labor, and are more likely to say both they and their C-level executives are informed about their contingent workers and services providers.
The external workforce: a C-suite imperative

Take a moment to consider one of the standout data points from our survey: today, nearly half of respondents’ workforce spend goes outside of the traditional payroll. That is nothing short of a transformation in how work gets done. And we may well have a long way to go in the growth of the external workforce.

That is why we believe the external workforce must now be a C-suite imperative—not only because of the sheer numbers involved, but also because it enables such an impressive range of business outcomes, from developing or improving products and services to increasing speed to market. **Our survey results are clear: businesses increasingly 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, it is clear these vital assets are often being critically undermanaged. Those respondents to our survey who manage external labor most effectively—the Pacesetters—stand head and shoulders above the rest in terms of reaping value from the non-payroll workforce, with nearly 80% saying the external workforce is a key enabler of business performance. These Pacesetters lead the pack in terms of visibility into their external resources, managing them effectively, and realizing a positive impact on their businesses.

The goal for every company should be to emulate or surpass the Pacesetters and manage the external workforce as effectively as possible. Getting there means embarking on a journey. It will not happen all at once, and there is no silver bullet. But those organizations who abandon ad-hoc approaches and put deliberate processes and measures in place to harness their external resources for better business value will ultimately reap the rewards. In the end, the key question for every business is this: shouldn’t the same rigor you use to manage your employees be applied to your contingent workers and services providers? 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 that will be 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 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.

By assessing performance in three distinct areas—visibility, effective management, and business impact—we segmented respondents into four groups reflecting the rigor of their external workforce management and the stage of their journey to better business outcomes. The Pacesetters lead the pack, followed by the Fast Followers and then the Followers. Those at the start of their journeys are designated Beginners. Our segmentation was based on responses to the following survey questions:

### Visibility

**How informed are you personally about the following details of your non-payroll workers?**

Pacesetters are “highly informed” about 5 of the 8 areas identified as “very important” by at least half of respondents:

1. Labor rates/pay rates
2. Compliance with negotiated rates
3. Responsibilities
4. Duration of work (tenure)
5. Quality of work
6. Number of resources
7. Compliance with required licenses and certifications
8. Access to systems and confidential information

**How informed are you personally about the following details of services providers doing work for your organization?**

Pacesetters are “highly informed” about 4 of the 7 areas identified as “very important” by at least half of respondents:

1. Responsibilities
2. Contract terms
3. Duration of work
4. Who is doing the work
5. Access to facilities
6. Access to systems and confidential information
7. Compliance with required licenses and certifications
How challenging are the following aspects of managing your external workforce?

Pacesetters find at least 5 of these 8 categories easier to manage than the others. A key point: even Pacesetters find several of these issues difficult to manage.

1. Finding high-quality resources at the right time, in the right place, at the right rate
2. Tracking resources or project quality, or inconsistencies in those areas
3. Ensuring non-employees or suppliers who do not perform well are not re-engaged
4. Administrative issues (e.g., overcharging/duplicate charges, invoice reconciliation, complicated payment structures)
5. Unauthorized spend (i.e., spend without approval of procurement)
6. Compliance with local tax laws, labor laws, regulatory requirements, candidate privacy requirements, and worker compliance issues (e.g., licenses or certifications required to perform their role)
7. Lack of adequate technology to manage external labor
8. Managing physical security (e.g., access to facilities) and digital/cybersecurity (e.g., access to systems and confidential information)

To what extent do you agree with the following statements about your organization's use of an external workforce?

Pacesetters “agree” or “strongly agree” with:

1. Our external workforce enables us to improve our company’s overall financial/business performance and/or
2. Our external workforce helps us compete in a digital world

These Pacesetter criteria were used to assign each respondent to a particular group. A company meeting none of the criteria is a Beginner. Companies meeting one or two criteria are designated Followers and Fast Followers, respectively. A company meeting all three criteria is considered a Pacesetter.
About the research

Oxford Economics conducted an in-depth survey with 800 senior executives from mid-sized to large companies in 16 industries and 14 countries plus the Nordic region of Europe 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 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%