



Focus your forces

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

Executive summary

Research in
collaboration with

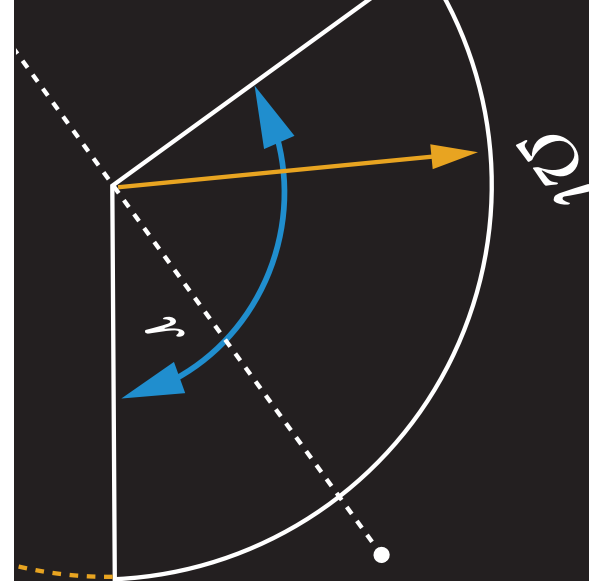


OXFORD
ECONOMICS

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THE BEST RUN





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.

Who's who in the extended workforce?

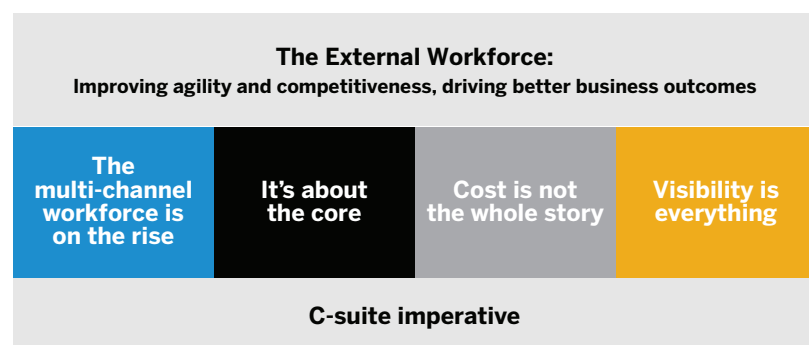
Non-payroll workers (contingent labor): individuals hired by a company to do work on its behalf, but not as traditional employees. They could include independent contractors, consultants, or temporary labor, and could be contracted via staffing agencies, through freelance marketplaces, or sourced directly.

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).

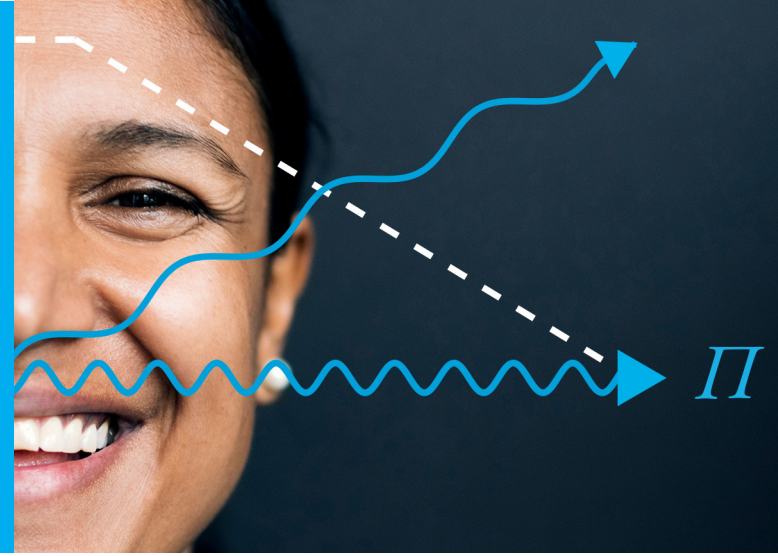
On-demand, online marketplaces for freelancers: digital platforms that provide a mechanism to engage talent and match buyers and sellers of services.

Key themes from our research





The multi-channel workforce is on the rise

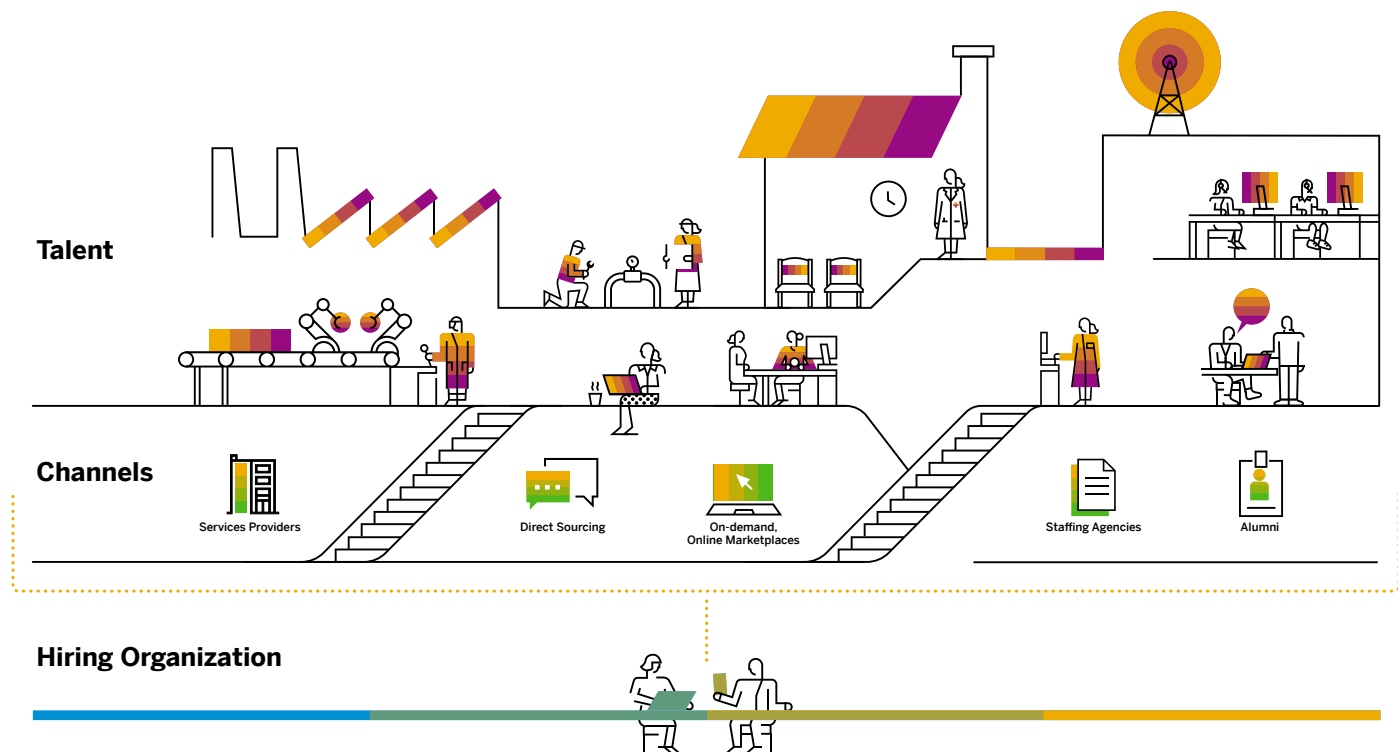


The shift from traditional models of employment to external labor is a fundamental transformation of how work gets done, and it is well under way: for survey respondents, the external workforce now comprises roughly 44% of workforce spending.

Companies are using multiple channels to hire external workers. **We call this the multi-channel workforce.** The most widely used is services providers (50%), with nearly as many sourcing talent themselves (48%), followed by on-demand online marketplaces for freelancers (38%), staffing agencies (35%), and alumni (9%). These channels are expected to show strong growth over the next three years, suggesting ongoing, and even increasing, demand and competition for external workers.

44%
of workforce spend
is on the external
workforce

The multi-channel workforce: the way work gets done





It's about the core

The external workforce has become essential to core operations, providing a rich well of talent for staffing functions across the enterprise—and it is expected to continue its rapid growth. 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.

Executives say the external workforce 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).

The external workforce is critical for sourcing hard-to-find skills.

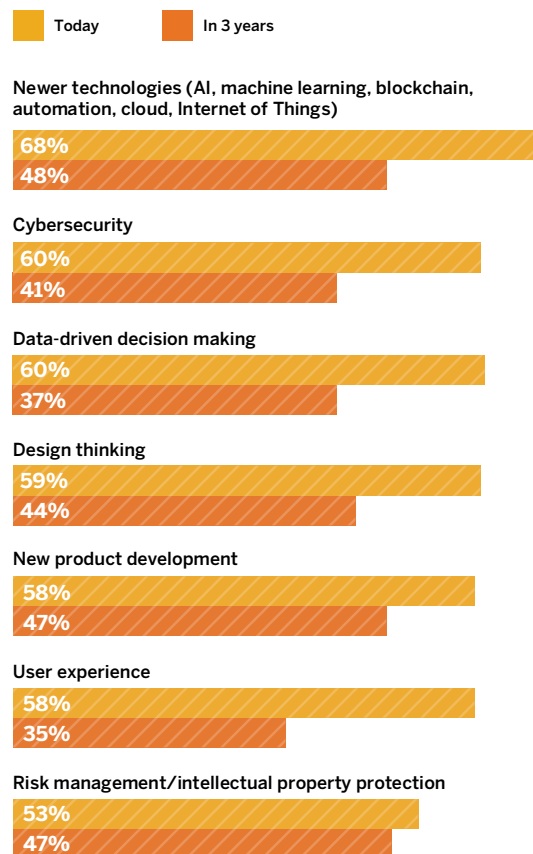
Nearly three-quarters of executives cite the importance of these workers in sourcing skills that are in scarce supply, with virtually all respondents (91%) saying this will be the case in three years' time. Digital skills and other specialized capabilities can make or break a business in the global economy, so meeting the demand for talent at the right time and in the right place is essential.

65%

say the external workforce is important or very important to operating at full capacity and meeting market demands

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





Cost is not the whole story



While still important, controlling costs is no longer the principal driver for using an external workforce. 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 motivating factors are now more important in deciding to move beyond traditional employment arrangements, and more than half of respondents say the external workforce is seen as essential to improving business performance.

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

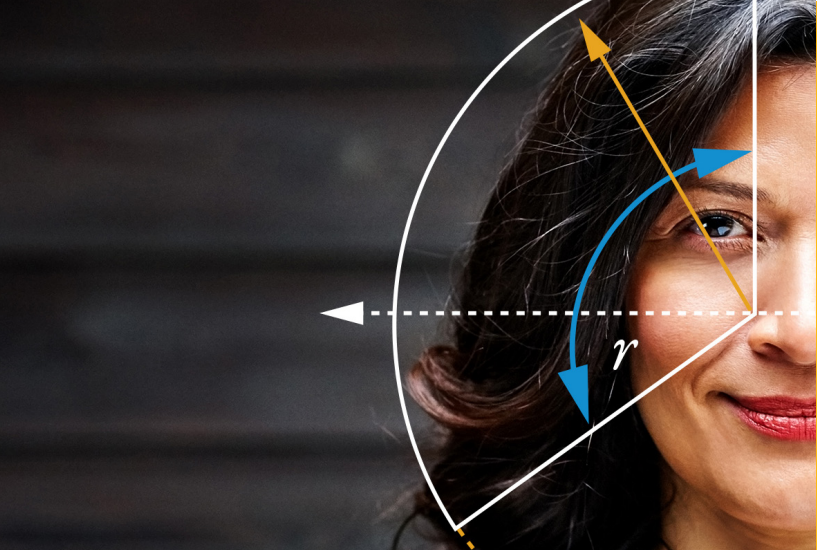
“Important” and “Very important” responses



62%

of executives say their external workforce enables them to improve the company's overall financial performance

This new and expansive outlook on the value of the external workforce includes the widespread expectation that it provides 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.



Visibility is everything

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%) say this about services providers. C-suite executives who are 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.

This lack of visibility is a serious problem for most companies. A fundamental truth of business is that you can't manage what you don't measure, so these new work arrangements require a new kind of management.

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

Extremely challenging Really challenging Somewhat challenging Minimally challenging Not a challenge

Finding high-quality resources at the right time and in the right place



Tracking resource and project quality



Managing digital/cybersecurity



Ensuring non-employees or suppliers who do not perform well are not re-engaged



Compliance with local tax laws, labor laws, regulatory, and privacy requirements



59%

of executives cite managing digital security as a challenge

The external workforce: a C-suite imperative

The external workforce should be a C-suite imperative, because of the sheer numbers involved and also because it enables such an impressive range of business outcomes.

Yet these vital assets are critically undermanaged. 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.

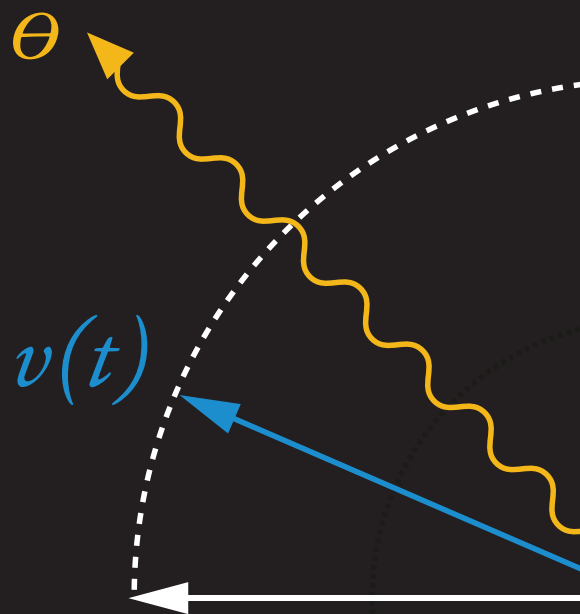
The key question for every business is this: shouldn't the same rigor you use to manage your employees be applied to your contingent workers and services providers?

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.

Continue to explore the forces impacting the way work gets done. Visit externalworkforce.fieldglass.com to access our full report.



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. 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.

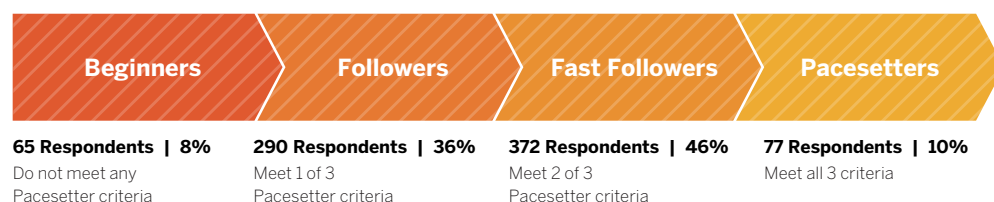


Their **effective management** of this workforce. Pacesetters find it much less challenging to perform a wide range of external workforce management duties more effectively.



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.



Are you a Pacesetter? Access our full report at externalworkforce.fieldglass.com for a detailed definition of our Pacesetter methodology.

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 the full report and shareable content including 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%

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