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Research

CONTRACT TALENT

Are Contractors Included in Strategic Talent Management Initiatives?



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ABOUT THIS RESEARCH

This research was conducted between September and October 2010. A survey of 32 items was open to all members of the Human Capital Institute, over 170,000 world-wide. 354 completed surveys were received. The results of the survey form the basis of this research and are summarized in this paper. In addition, in-depth interviews were conducted with corporate practitioners with contract talent management responsibilities. To supplement the primary research methods described above, HCI researchers also reviewed relevant information from a variety of secondary sources, including white papers, articles, books, interviews, and case studies. Many of these are cited in the report and all are referenced in HCI's Contract Talent Research Practice Area, to which interested readers are encouraged to visit for additional reading and online events.

The Human Capital Institute partnered with members of its Contract Talent Practice Area — Allegis Group Services, Emptoris, Fieldglass, Guidant Group, IQ Navigator, MBO Partners, and TAPFIN — (see **Appendix 1** for company descriptions) to conduct background research, a survey, and interviews to answer these questions. The resulting paper is intended to aid HR, other talent professionals and business leaders in further developing their contract talent strategies and plans.

Interested readers can also find a summary of survey respondent demographics in **Appendix 2**.

EXECUTIVE SUMMARY

Over the course of the last three years, the Human Capital Institute has explored through research, events, thought-leader directed webcasts, articles, and other media, best practices related to the use and management of the contract workforce. For the most part, this investigation focused either broadly on the benefits of such a worker population, or closely on very specific aspects of its application, such as how to administer across a global workplace or where one can generate the most return on investment.

This new research report aligns contract talent directly to talent management practices and draws specific conclusions about how and to what extent today's organizations are integrating this rapidly growing segment of workers into their overall talent plans. Each phase of a talent wheel or talent lifecycle, as defined by the Human Capital Institute, is examined. The initial hypothesis was that most organizations would focus on integration at the planning and acquisition phase, and thereafter inclusion would decline rapidly. This report reveals that assumption as being both correct and incorrect.

Further, several key best practices are identified for both the organization looking to improve inclusion and those simply seeking to enhance contractor management or quality.

CONTRACTORS: WHO ARE THEY AND HOW MANY ARE THERE?

The Human Capital Institute has previously defined the concept of 'contract talent'¹, which is referred to as CT in this paper.

"Organizations use a combination of resources and talent to accomplish critical objectives. This mix includes full-time employees, part-time employees, and a host of independent contractors who are not part of an organization's regular, traditional workforce. This category includes freelancers, temporary help, interim executives, subcontractors and consultants within an organization that are sometimes referred to as the 'contingent workforce or labor' or the 'extended workforce.' Organizations call upon this segment of workers when there is an immediate and direct demand for a particular set of services and skills that are not available, or not available in sufficient supply, in-house."

In a recent article², Dr. John Sullivan, Author, Advisor to HR management and Professor at San Francisco State University, wrote, "It's quite possible that more than 50% of the work executed for your organization to deliver its good and

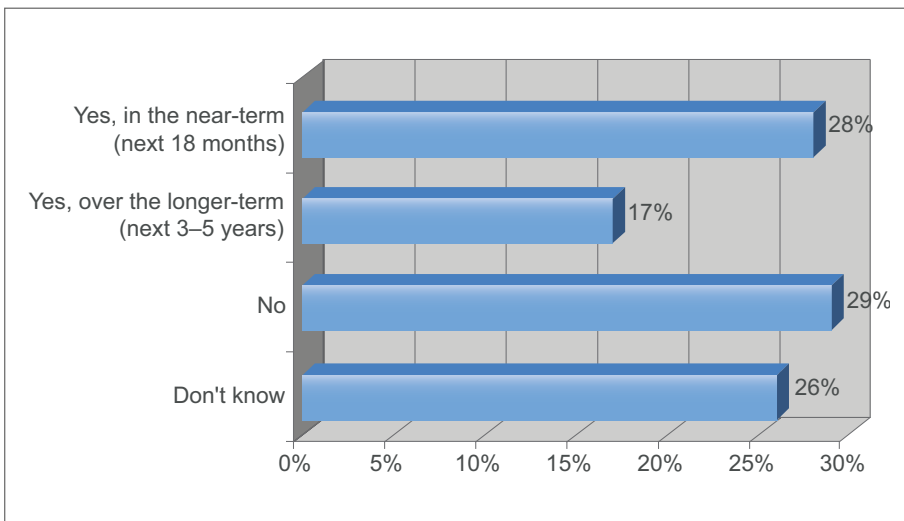
¹ *Contract Talent: An Imperative for Talent Management in the New Normal*, 2010, Human Capital Institute

² *Measuring Performance Across Your Total Workforce*, 2010, ERE.net

services to market is accomplished by a non-employee.” It is, in fact, difficult to get a completely accurate representation of the true number of these types of workers, but it is estimated to be roughly between 30–50%³ of the total workforce in the U.S. alone. Regardless of the exact percentage of individuals performing an organization’s work, each organization must account for the fact that a) this number continues to grow for a variety of factors, including unemployment rates, lifestyle preferences and globalization, and b) because they are performing, in many cases, the critical work of the organization, talent management responsibility must be assumed.

THE IMPETUS OF THIS STUDY

Why does this report focus on the integration of contract workers into talent management programs? In 2008, HCI found that the link between management of contract talent and strategic planning was inconsistent. In fact, more than half of the respondents to that study, 54% reported that their organization’s strategic business planning and workforce planning efforts did not include the contract talent segment of the workforce. Of those individuals that were responsible for procuring contract talent, only 48% were also responsible for the strategic planning of the business.⁴



(n=206)

In the follow up to that study, conducted earlier in 2010, 28% of respondents planned to move their organization towards a more integrated talent management model, including contract talent, within the next 18 months, while 17% planned to do so within the next three to five years. This prompted

Figure 1.0: Does your organization plan to move toward a more Integrated Talent Management model which includes Contract Talent acquisition in the overall strategy?⁴

³ *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification*, 2006, GAO

⁴ *The State of Contract Talent Management and the Role of HR*, 2008, Human Capital Institute

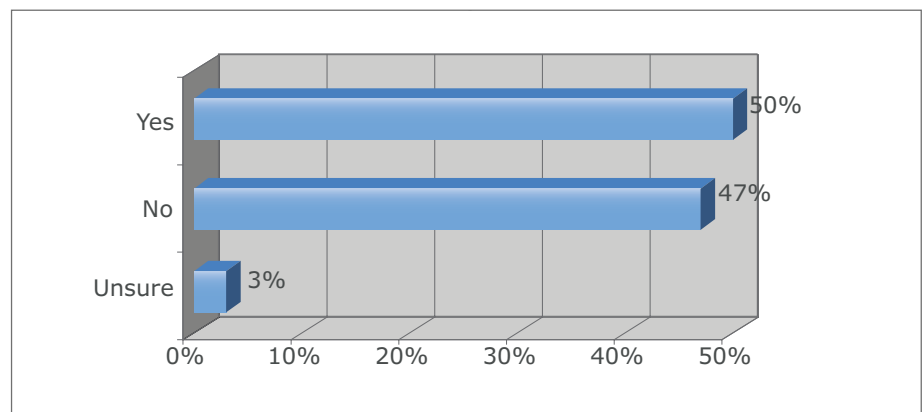
the following questions: to what extent are organizations currently integrated contract workers into their talent programs? Are there certain components of talent management where this is more easily accomplished? What impact does integration have on the overall evaluation of contract talent performance?

WHO “OWNS” CONTRACT TALENT?

In both the 2008⁵ and 2010⁶ research reports, the question of who was principally responsible for the procurement and management of contract talent garnered mixed responses. In 2008, 23% of respondents reported a shared responsibility for contract talent, and the other 77% mentioned several different departments and business units as being accountable. In 2010, nearly 40% of respondents reported that contract talent was a shared responsibility among Human Resources, Functional Managers and Procurement.

Additionally, in a 2005 paper, HCI reported that evidence suggested that Europe was slightly ahead of the U.S. in terms of managing contract workers as an integral part of the workforce. “Part of this may be because HR tends to play a more active role in Europe than in the U.S., it may also be because the governments are more active in protecting the rights of temporary workers.”⁷

Figure 2.0: The overall contract workforce in my organization is administered by Human Resources.



(n=406)

The majority of respondents to this new study indicated that the overall CT in their organizations is administered by Human Resources, with a slight edge, at 50%. The trend of sharing management responsibility between different groups seems to be declining, with 21% administered by some combination of Human Resources, Procurement, the Business Unit or some other internal group.

⁵ *The State of Contract Talent Management and the Role of HR*, 2008, Human Capital Institute

⁶ *Contract Talent: An Imperative for Talent Management in the New Normal*, 2010, Human Capital Institute

⁷ *Beyond Our Borders: Contingent Workforce Management Outside the U.S.*, 2005, Human Capital Institute

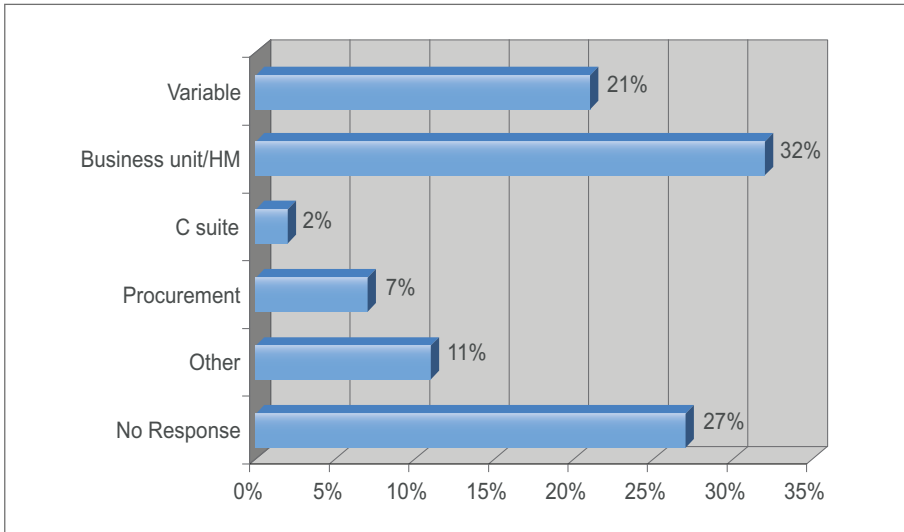


Figure 3.0: If no: Who does have responsibility?

(n=162)

This ownership by Human Resources was echoed in the corporate practitioner interviews. Tim Keefe, Director of Enterprise Talent Acquisition and Deployment at CH2M Hill Companies, Ltd.: "Procurement has no involvement in the workforce strategy; they focus on managing contracts and invoices. The overall management of contingent workforce reports to me."

If CT isn't currently administered by Human Resources, interviews indicated it would be soon. "Our team is in the process of taking over responsibility for all contract labor at Southwest. We're still defining the scope, but it will probably include any non-employees," said Greg Muccio, Team Leader in the People Department at Southwest Airlines.

HCI Talent Wheel: Talent Management Aligned with Strategy

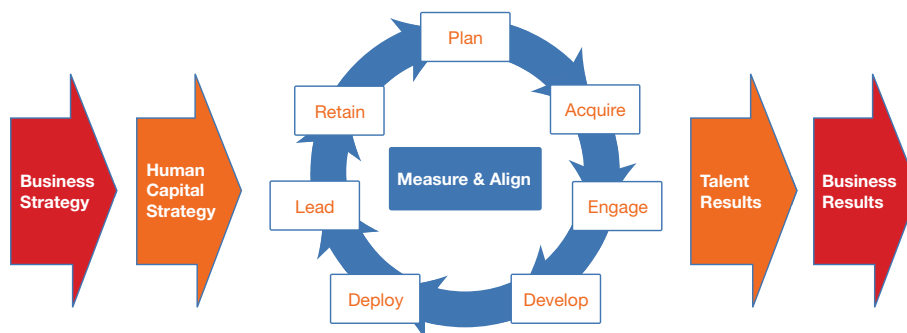


Figure 4.0

The talent wheel is central to the Human Capital Strategist Course⁸, a certification program designed and facilitated by the Human Capital Institute. It is a simple, but useful, framework for an integrated and comprehensive view of talent management. It considers each component of the talent lifecycle: workforce planning, talent acquisition, engagement, talent development and deployment, managing and leading talent, talent retention and evaluation and metrics.

The inputs and outputs to the talent wheel are vital. All talent practices, including the use of CT, must be aligned with the strategy and direction of the organization or else they are useless. Strategy leads to human capital requirements, which dictates the best use of talent practices, which results in an engaged, productive and committed workforce, and in turn, yields measurable outcomes.

The key work is alignment; all of these pieces must be synchronized and working together for the organization to maximize the potential energy of its talent. This horizontal alignment is not present at many organizations and this explains why so few excel at executing strategy.

The talent wheel can be used as a diagnostic: how is alignment working inside the organization? Are all of the talent practices being performed effectively? Is there a seamless connection between the various talent practices? Are measures in place to judge how effective the practice of talent management is?

It is also central framework for the investigation performed in this research study. Survey respondents and corporate practitioners were questioned to see just how incorporated CT is into each phase of the talent wheel itself.

WORKFORCE PLANNING

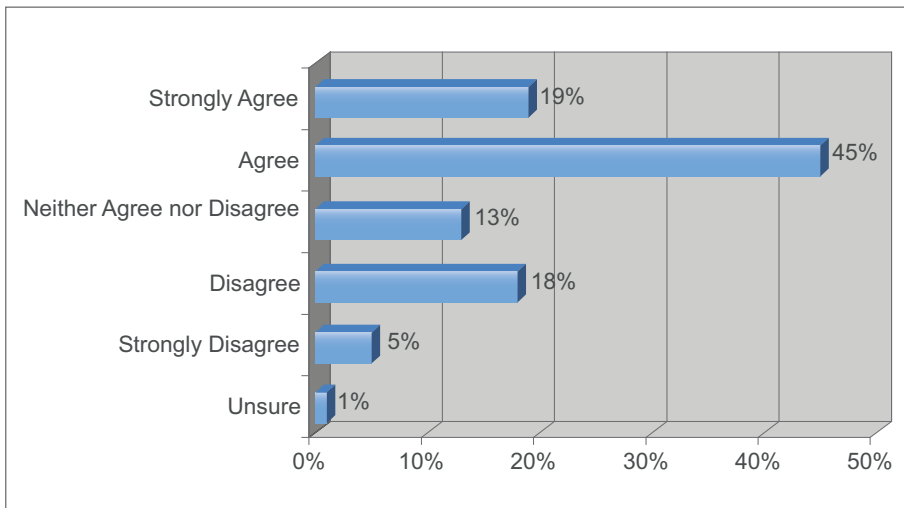
Workforce planning focuses on the strategic front end of the talent wheel, but also has impact throughout integrated talent management. The first step in alignment is to synchronize business strategy to human capital strategy. If this is not done, talent becomes disconnected from the focus and direction of the organization. All strategies have ramifications for the human capital of the company, so they must to be documented and articulated. When a human capital plan is in place, the impact on the workforce can be addressed. When this is done properly, the rest of the Talent wheel works more effectively. Talent practices are aligned and focused on what is important for the present and future success of the enterprise.

⁸ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

The workforce planning process starts with the organization’s strategy and objectives. It then defines the critical roles or jobs that are required to execute the strategy, as well as the individual competencies for these roles. Once these requirements have been defined, then the supply and demand of talent is addressed. Both internal and external factors are considered. Finally, the strategies for closing the gap are delineated through the alternatives of buy, build or borrow.

The critical part of the workforce planning process is that it must be anchored in the strategy of the organization. If workforce planning is divorced from strategy it is useless, or worse, even harmful to future success. Everything flows from strategy.⁹

“Given the economic and demographic trends impacting today’s workforce, organizations can no longer rely on former models of talent strategy, where various labor categories were managed by disparate groups. Today, a successful workforce planning strategy requires that Talent Acquisition work closely with Hiring Managers, Procurement, and others responsible for employing any type of resource in order to ensure a talent management approach that takes into account the pros and cons of each labor type and identifies the optimal labor mix for the organization as a whole,” said Kip Wright, President of TAPFIN, a COMSYS Company.



(n=162)

The majority of respondents, 64%, do factor both for contract talent and its availability into their overall workforce plan. While this indicates a positive progression for the integration of CT, the result was puzzling in the context of other responses. For instance, when asked if they had an enterprise technology

Figure 5.0: *My organization considers our contract workforce and the availability of contract talent in the labor market as part of our workforce planning efforts.*

⁹ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

or system to view metrics and statistics like cost, headcount and contract personnel data, only 35% of respondents said yes. This didn't vary dramatically based on enterprise size or industry, and does appear to be trending upwards, as a similar question asked in 2009 revealed only 25% of respondents were using a vendor management system (VMS).¹⁰ These two statistics are intriguing when considered together. How effective can an organization truly be at factoring for CT in the workforce plan if a full quarter of respondents don't have an enterprise system to even know how many workers are engaged at one time?

"Across the board we need to get better at identifying when roles should be filled permanently versus contracted and how much we're spending. But right now we're lacking central oversight and technology to manage this aspect and make these decisions," said Greg Muccio. Other companies interviewed described outside factors, like the Great Recession, as fluctuating too wildly to plan effectively, or bluntly asked, "What's workforce planning?"

Still, many organizations are factoring for CT and its availability in their strategic workforce plans..

"We ask, what is our core workforce? What is our most strategic need? We allow that 20% of our workforce will be contingent, and this allows us to scale up and down based on our business," advised Tim Keefe.

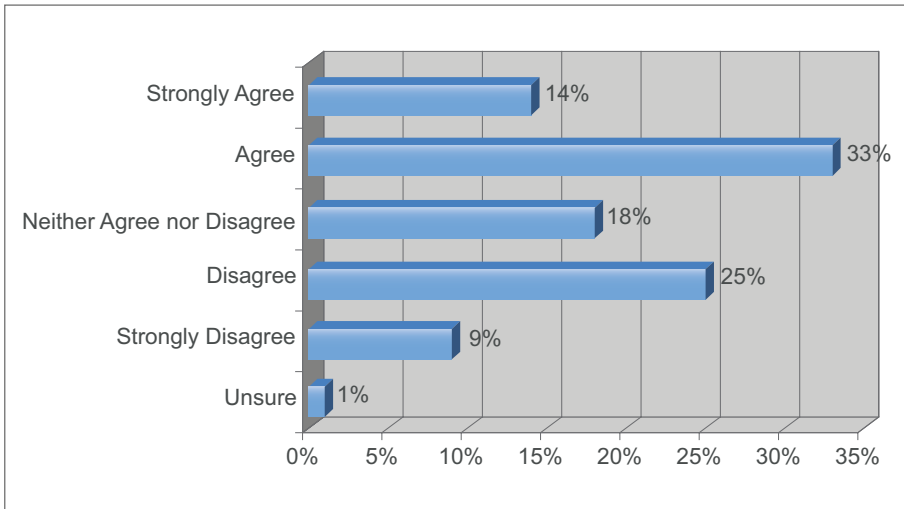
Elizabeth Mashakas, Director of Recruiting for Orbital Sciences, concurred. "We plan for 10% of our workforce to be contractors; if things get lean, we have ways to reduce labor spend. We also review our upcoming programs and decide on staff appropriately- if the program is for less than a year, for instance, it doesn't make sense to bring in talent we may not need full time. We don't want to be in a position where we have to let go of the permanent workforce."

TALENT ACQUISITION

The second practice on the talent wheel is Talent Acquisition. This practice relates directly to an organization's ability to hire the right person for the right job. It's not about hiring the smartest person, the most experienced or the friendliest. It is a question of the right "fit." With McKinsey reporting that only 23% of executives feel confident that they are able to attract the top talent they need, this remains a top issue in the minds of global businesses.¹¹ Truly, an organization's ability to attract the right talent is a major competitive advantage, and is not less so because the talent is short-term or doing specialized work. If a Talent Acquisition leader is to be viewed as a strategic partner, it is critical that they have a thorough understanding of and expertise in the attraction, selection, reporting, and management of CT.

¹⁰ *The ROI in Enterprise Contract Talent Management*, 2009, Human Capital Institute

¹¹ *The War for Talent*, 2001, McKinsey



(n=407)

Figure 6.0: *The method for sourcing and hiring contract talent is centralized and standardized across the enterprise.*

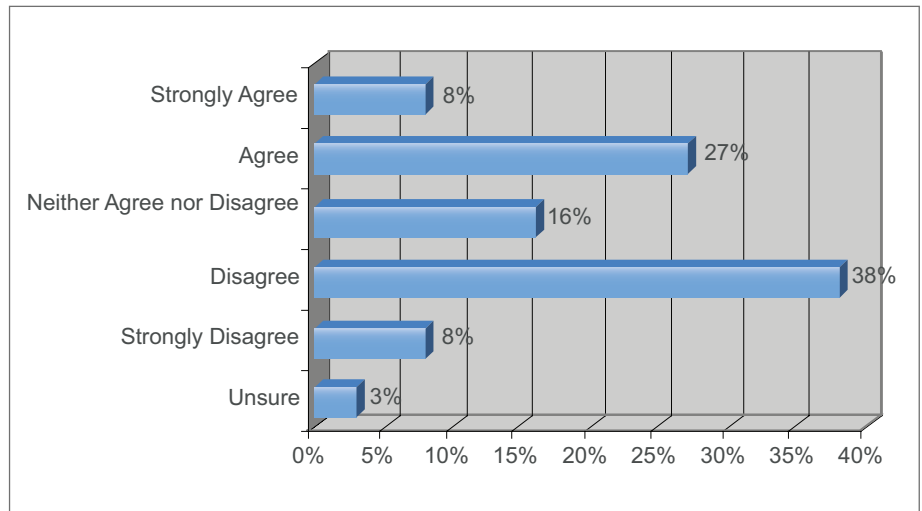
While 47% of all respondents have a centralized and standardized sourcing and hiring method, when HR manages the contract workforce this number increased to 63%, and decreased to only 33% when some other group or combination of groups manage CT.

“Contingent workforces, like permanent workforces, can represent significant organizational challenges in the form of cost, control and risk. Now more than ever, contingent workforce management has moved well beyond staff augmentation into maximizing return on talent investment across the entire human capital landscape,” said Jennifer Beck, Senior Vice President and Managing Director at Guidant Group.

In previous research¹², HCI was able to make a clear recommendation in favor of centralized Contingent Workforce Management (CWM), because of its efficacy in the realms of cost savings, reduced compliance risk, time savings, and enterprise reporting and visibility. That centralized management improves selection rigor and quality can now be added to that list.

¹² *The ROI in Enterprise Contract Talent Management, 2009, Human Capital Institute*

Figure 7.0: *The contract selection and hiring process is as rigorous as that of my organization's system for permanent hiring.*



(n=387)

If CT is between 30–50% of the current workforce, it is discouraging that only 35% of organizations feel selection is as rigorous as for permanent talent. It is apparent that CT selection rigor declines without a centralized system, as 18% of respondents reporting negatively. The majority of respondents, 50%, reported that their organizations did not have a formal system to measure the quality of contract selection and hiring.

Centralization and standardization of the procurement of CT seems to be a key tenet to a successful corporate program. “We used to be weak in this area,” commented Elizabeth Mashakas. “Each business group had a different process, but now it’s centralized, and we used to have compliance issues. It has taken 14-16 months, but finally everyone is working off the same set procedures.”

Firms rightfully question how to source the best contract talent. At CH2M Hill, Tim Keefe reported that they are very successful at identifying CT when needed for one of their core roles, like skilled engineers. But when it comes to sourcing talent for non-key jobs, the right approach for their organization has been to outsource this function. Added Greg Muccio, “We’re potentially even looking at sourcing talent internally for contract,” as Southwest Airlines redesigns its contract talent programs.

ENGAGEMENT AND RETENTION

HCI considers these two talent practices together, even though they are distant on the wheel, because they are so tightly related. Engagement is a critical leading indicator of retention. The concept of engagement was not really important in past economies, says management guru Gary Hamel.¹³ It was

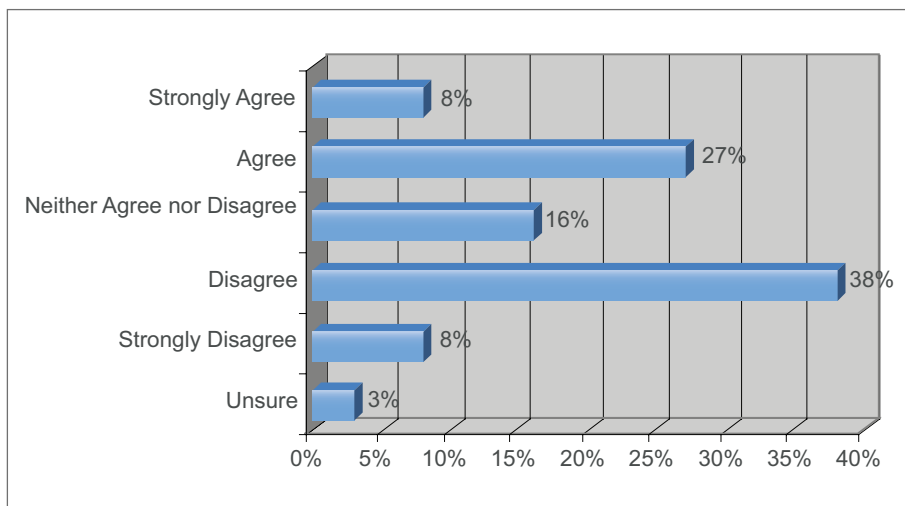
¹³ *The Future of Management*, 2007, Gary Hamel

at best a 'nice to have' quality. If engagement is ignored, it is so one's peril, because without engagement, employees, and contractors, may be unwilling to invest their full human capital into the organization. Engagement is the extent to which a worker believes in what they do, commits to the organization and is willing to spend his or her best efforts to make the organization successful. Engagement is not the same thing as satisfaction.¹⁴

"Engagement and productivity are important, but we feel we can't do anything formal because we're worried about co-employment issues," said Elizabeth Mashakas. This sentiment was repeated by other corporate practitioners and was shared by survey respondents as well.

When asked if CT was offered the same engagement opportunities as that of permanent talent, the majority, nearly 50%, of respondents said no. An even larger majority, 56% of organizations, keeping talent engaged and motivated was not enough of a priority that it receives resources, executive support and is measured. Is the lack of engagement opportunities because of a lack of resources and support, or vice versa? Those that do offer engagement opportunities were asked to share examples, and the types of inclusion activities were non-cash rewards, like company parties, events, perquisites, and wellness programs, followed by participation in strategy and planning discussions, then training and development offerings, and finally, at the bottom of the list, was permission to apply for internal career opportunities.

Onboarding should be considered the 'gateway' to effective engagement.



(n=384)

Figure 8.0: *We send contract talent to our corporate onboarding program or to one specific just for contractors.*

¹⁴ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

Overall, respondents reporting negatively, that no, they don't send contract talent to any onboarding program, dropped only to 63% from 71% when Human Resources manages CT. Why is onboarding such an overlooked aspect of engagement? This question was cross-referenced in several different ways in an attempt to understand the answer.

Of those organizations that don't offer any onboarding program, less than six percent positively indicated that they receive resources and support to keep contract talent engaged, compared with 54% who send CT to their corporate onboarding program, 30% who send workers to CT-specific onboarding program, and 16% whose business units conducted a local onboarding of CT.

Does a relationship exist between onboarding and the availability of engagement opportunities? Of those organizations that allow CT to participate in engagement opportunities, 48% reported a formal onboarding program. Of those that do not include CT in engagement opportunities, only 17% reported a formal onboarding program.

Clearly, a best practice for those organizations wishing to increase engagement amongst CT should be inviting and allowing this population to participate in a formal onboarding program.

The discussion of engagement quickly turns to turnover and talent retention because they are so closely related.

When it comes to retention, many organizations struggle with too little or too much turnover, and rates vary widely by industry. Most strive to keep turnover below 15%, but the retail food industry has a 125% annual turnover, for example. Turnover is certainly lower in tough economic times.

When managers are asked why people leave, most will say it is because of money; when those same workers are asked, they will say it has nothing to do with money. It is vital to get at the real reasons people leave, not just the stated reason or one that will not "burn bridges."

The top three reasons that people leave organizations has remained similar for decades and across generations. The most telling reason is a poor relationship with the direct manager. The second is the lack of opportunity to grow and develop new skills, and the third is the lack of challenging and meaningful work.¹⁵ Are contractors asked about why they complete an assignment or leave early? How does CT retention affect an organization?

¹⁵ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

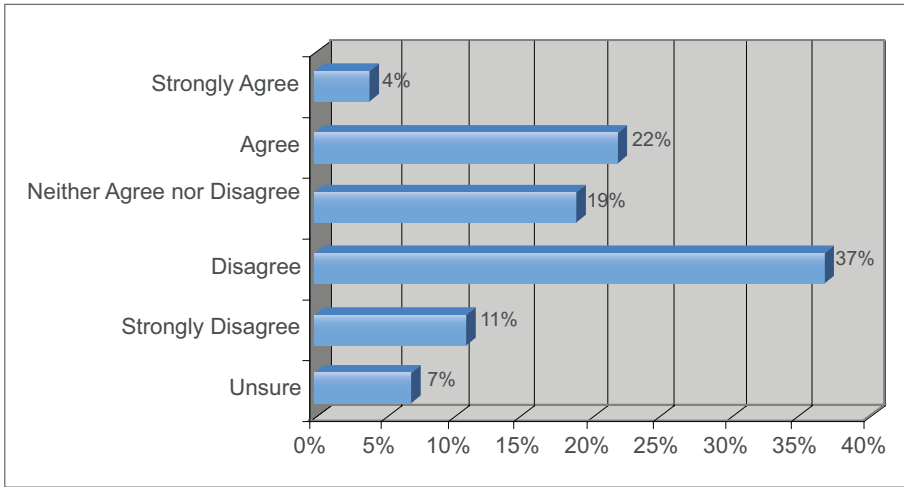


Figure 9.0: *We formally ask contractors about their experience working with our organization, and use their feedback to improve our contingent workforce program.*

(n=356)

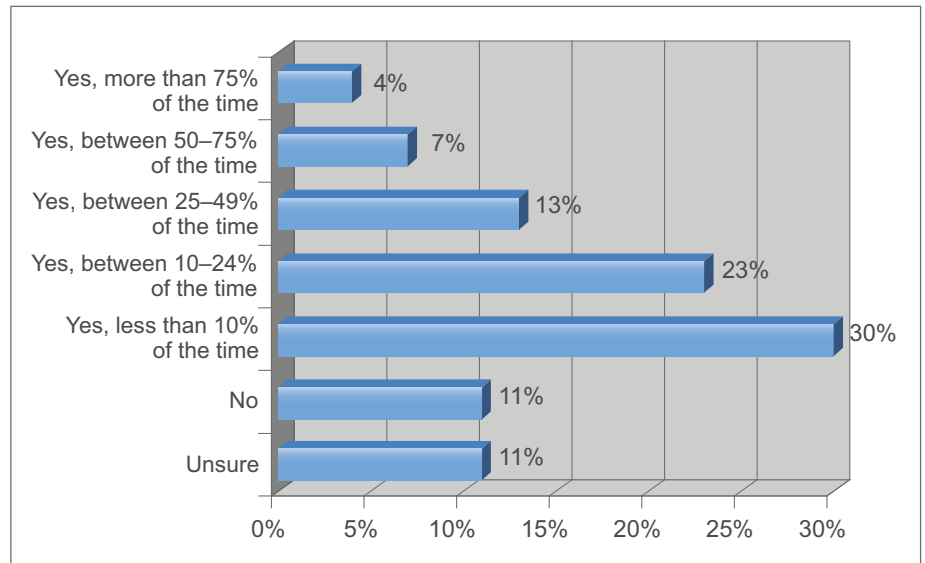
Feedback, regardless of whether it comes from an employee or a contractor, should be a contributing voice to any talent program. If an organization is struggling with retention of CT, or simply desires to improve the CT management, it should ask about the experiences of this workforce on their site.

During an interview, a corporate practitioner from a large insurance company said on the condition of anonymity, "One of our biggest challenges is being able to retain our contractors. We've talked about providing incentives at the end of the project. The question for us is: how do we keep them for the right amount of time and keep them coming back? In our experience, most people want a permanent position."

Other organizations have found that the use of strategic partners, like a managed service provider (MSP) independent contractor engagement specialist (ICES), or portable employer of record (PER), along with technology like a vendor management system (VMS) has significantly impacted retention and turnover. "Turnover has dropped considerably working with vendors because the quality is so much better. The more we measure and give feedback, the more it improves," contributed Tim Keefe.

Some organizations are in a unique position of attracting career contractors, like Orbital Sciences. "We've never had an issue with keeping the right contract talent, but a good deal of our contractors are 'professional' contractors that don't want permanent, full-time work. When the assignment ends, often those that did it out of dire need for work find they loved working contract and keep doing it. We've also heard that many employees don't think anything is permanent anymore and talent in general has a lack of faith in full-time opportunities," shared Elizabeth Mashakas.

Figure 10.0: My organization converts our contract workers to permanent employees.



(n=354)

Said Karen Merrill, Services Procurement Practices Executive at Emptoris, “Our customers, in virtually every industry, often rely on critical and scarce talent which, for a host of reasons, may not fit in a permanent employment model. From a talent management perspective, the retention and development of this high-end talent pool is often just as important as employee retention and development to the success of the organization. Contract talent can be a competitive advantage and managing that talent should be a part of a company’s strategy.”

It is curious that the majority of respondents, 53%, converted CT less than 24% of the time. Yet simultaneously, they indicated they are effective at keeping the best CT on assignment, with 59% reporting yes, and 78% reporting between 50-100% of CT complete their assignments.

This perspective was offered by Holly Olszewski, Manager, Americas, Global Procurement at BMC Software. “We convert a fair number of contingent workers to FTE (full-time equivalent) and see this as a viable pipeline for permanent jobs.”

Are onboarding and retention connected for CT, like they are for permanent workers? The experiences a worker has when first on a job significantly contribute to his or her overall performance and job satisfaction. While respondents overall reported a high conversion rate of contractors to employees, the highest number came from those that send contractors to corporate onboarding, with 88% of that audience reporting a conversion rate of 50-100%, and then declining; 80% of those with CT-specific onboarding convert 50-100%, while 76% convert 50-100% in those organizations with either

onboarding in the business unit or no onboarding. Clearly, organizations wishing to convert a higher number of CT to permanent status should consider sending them to their formal onboarding programs.

TALENT DEVELOPMENT AND DEPLOYMENT

The next part of the wheel addresses talent development and deployment. These are crucial talent practices for both engaging and retaining valued workers and continuing to enhance organizational capability. The foundation of a great company is how it develops people. It only makes sense to develop and grow the most enduring asset. If people and their skills are allowed to atrophy and decline, then the organization will soon follow.

If an organization commits to developing and enriching a worker's skills and experiences, then the worker will, in turn, commit to the organization. The best security any person has is to continue to strengthen his or her skill sets for their next career step—either with the current organization or another. If companies deliver on the development promise, there is less reason to leave or seek another opportunity.¹⁶

But how exactly does this apply to workers who aren't employees? What obligation does an organization have to this population? The next parts of the research examine if organizations are looking towards developing CT and what barriers may exist to doing so.

When it comes to independent contractors, the line of delineation between training or not is clear. As defined by the IRS, the payer has the right to control or directly only the result of the work done by an independent contractor, and not the means and methods of accomplishing the result. This leads many organizations to interpret that offering any development activity to an independent contract would signal that the contractor was not actually independent and should be an employee of the firm.

Greg Muccio on the concept of developing CT: "This is very hard to pull off without risking co-employment. I'll be looking for long-term contract partners and examining whether they are true employers. My expectation is that the staffing provider will fill that gap. I don't want the contract worker to be left out."

Co-employment is a legal doctrine which applies when two businesses exert some control over an employee's work or working conditions. Relationships between temporary staffing agencies and business clients are typical examples and consequently, easy targets for lawsuits initiated by temporary or other contingent workers.¹⁷

¹⁶ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

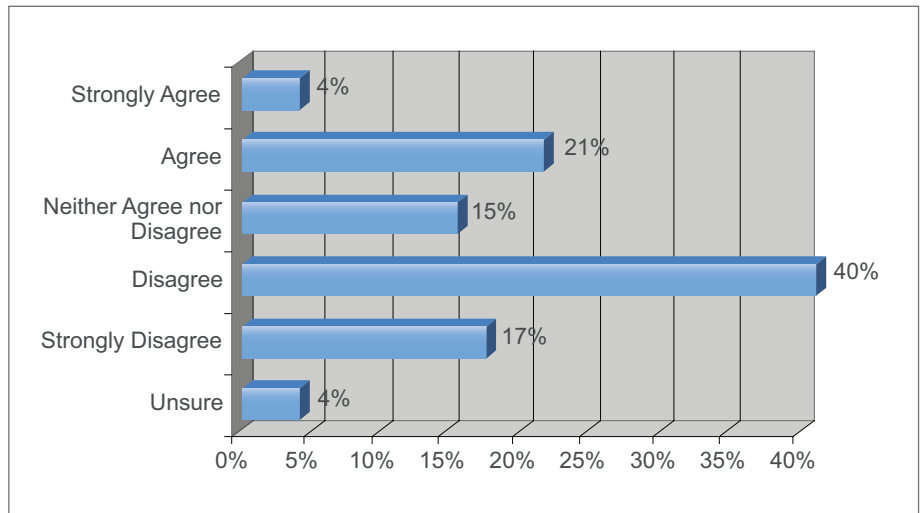
¹⁷ *Co-employment Raises New Legal Risks in Contingent Workforce Management*, 2005, Ronald E. Wainrib, Esq.

The issue of co-employment is fairly tricky to resolve, as different government agencies, including the Department of Labor and Internal Revenue Service in the U.S., oversee regulating its use. Yet many organizations have found what they believe to be a 'happy medium' between protecting the firm from risk and enhancing worker skills and experience.

"Our legal department has said 'hands off'," said Holly Olszewski. "We can train contract talent on products, but we can't train on a skill set they should already have."

Tim Keefe added, "We focus on technical training, systems, culture, etc., but don't focus on development specifically because of the risk of co-employment."

Figure 11.0: We monitor our contract talent's need for on-going training and development.



(n=360)

Other organizations have taken a decidedly more involved approach. "It doesn't make sense to bring in a worker with expertise and then tie their hands. For us, monitoring training and development is mandatory because of the nature of engineering work within aerospace. We include contract workers in the training database and have them go through the same training and FTE. If we can't train them in house, we'll make external training available to them," stated Elizabeth Mashakas.

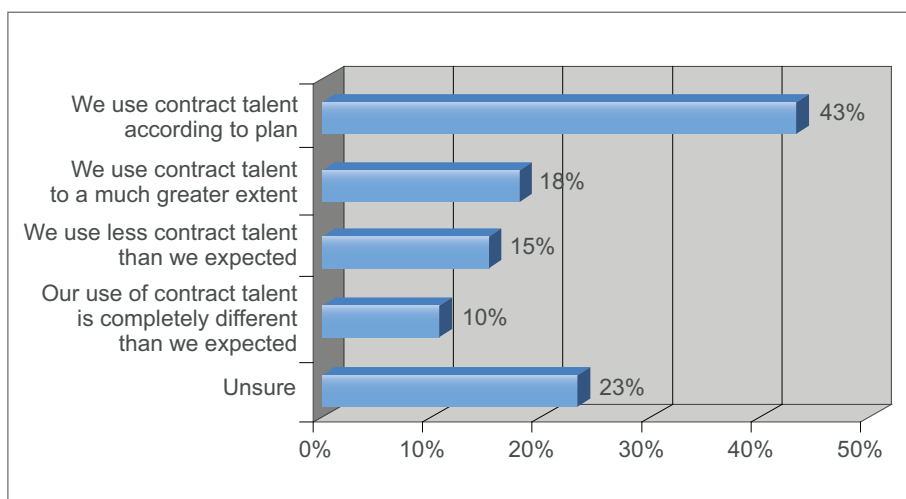
Development and deployment are closely intertwined because development is so closely linked to new experiences.

One aspect of deployment is enabling workers to choose projects, topics or teams they want to work on. This fosters development and growth and contributes to innovation and capability. It also can combat the feeling the people are stuck in their jobs and can't work on interesting projects. The overarching idea is that people will become more engaged and passionate about initiatives that they choose to work on—not those that they are directed to work on.

Another aspect of deployment is career mobility and flexible work arrangements—which enable employees to deploy in different ways over time. Given the five generations in the workforce today, organizations have to be more flexible in how work gets accomplished.¹⁸

The concept of deployment of permanent talent is strategically different from CT. Because CT is engaged, usually, for specific work, many contractors are self-deploying by choosing the company, and therefore, project, topic or team, that they'll work on, by either accepting or declining a contract. Contractors also choose where and how they'll work. The expectation, therefore, is that CT will already be engaged and passionate without much input from the firm or management.

Deployment in this research is examined as the way in which CT is used throughout the organization, given the above understanding. In the 2010¹⁹ survey results, 95% of respondents indicated that they use CT to supplement their traditional workforce today, and a full 85% of surveyed organizations believed that their use of CT will either remain the same or increase.



(n=357)

Figure 12.0: *Our use of contract talent matches our initial workforce plan.*

¹⁸ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

¹⁹ *Contract Talent: An Imperative for Talent Management in the New Normal*, 2010, Human Capital Institute

58% of respondents said that their organizations understand, in advance, when, where, why and for how long they'll need contracted workers. Of those that said yes, to what extent does actual usage of CT match the initial plan? 59% indicated that they use CT according to plan, while 45% of those that said they didn't understand how they would use CT were unsure of its usage.

When considered together, these results ring the alarm even louder for an enterprise system or technology to manage oversight into the usage of contract talent. Simply put, if 95% of organizations use contract talent, roughly half actually know in advance how it will be used and can report back if it was or wasn't used in the manner in which they expected.

"At Allegis Group Services we work closely with our Consulting Services, MSP and RPO clientele to help integrate best practices for both regular and contract labor programs. Recently, as a result of these turbulent economic times, we are noticing that our clients are planning to balance their workforce with a mix of regular and contract workers. Customers are reporting a significant increase in contract workers within their overall workforce plan, meaning that our clients are no longer just looking to the contract workforce to supplement during peak periods but as part of a strategic plan for Total Talent Acquisition Management (TTAM)," advised Maria Goyer, Vice President of Business Solutions at Allegis Group Services, Inc.

"We're now looking at contract talent under the lens of 'total talent,'" shared Tim Keefe. "As the hiring manager decides how to structure the employment relationship, along with input from Human Resources and Recruiting, this addresses engagement by ensuring the relationship is structured the right way to begin with."

Elizabeth Mashakas added, "We've used more contractors, historically, than projected, because we like to err on the side of caution until the 'ink has dried' on programs, but in 2009 we had a dramatic dip temporarily. Only now are we feeling the impact of the recession because funding has dried up."

MANAGING AND LEADING TALENT

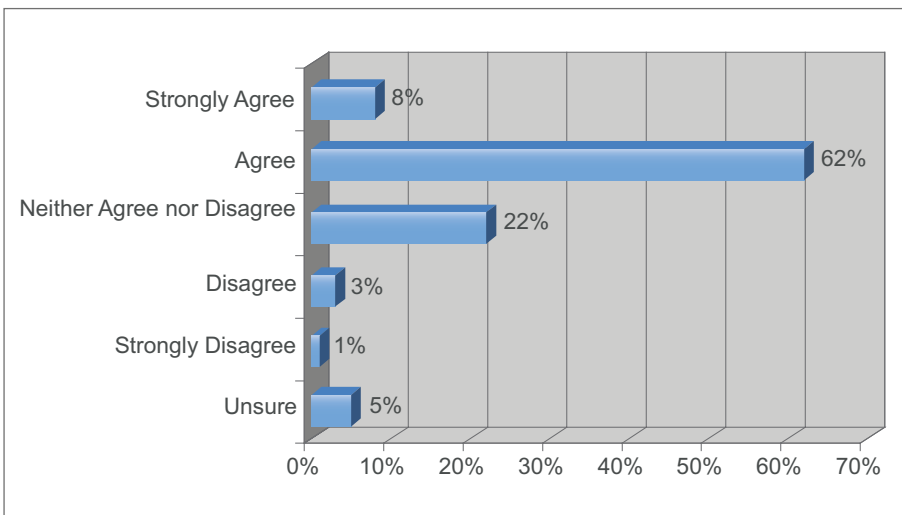
If leaders and managers do not have an abiding talent mindset, progress toward a high performing culture and the talent age will be slow. Leaders and managers are on the front lines in the war for talent.

The performance management process is a key part of this process, and its purpose is to identify the key talent across the enterprise, not just in one department, location, or type of worker. Talent is, after all, an organizational asset.

It is too easy to focus exclusively on the C-suite or highest leadership levels, but many other people contribute value and are critical to a successful organization.²⁰ It is fine to first address the executive level, but then leadership practices must cascade down the organization to affect others. Strong high-performance cultures all have “leaders at all levels” within the organization.²¹

We believe the central tenet to managing and leading contract talent revolves around performance management. How are organizations reviewing performance of the contract workforce? As has been demonstrated, most organizations can’t empirically define CT performance because of a lack of enterprise technology.

“At CH2M Hill, the hiring manager gives input to us at the enterprise level, with reviews on talent, performance, turnover, etc.,” shared Tim Keefe. “There isn’t a difference in the performance we get from contingent workers or FTE.”



(n=359)

A very high degree of quality is reported. Yet most of these organizations neither communicate feedback with the workers themselves or with their staffing partners. Most survey respondents, 64%, don’t have a program in place that allows them to include contractors in performance management initiatives or to provide this feedback to their Staffing Supplier. Additionally, when asked if they compared the performance results of contractors to those of the permanent workforce, the majority again, this time 47%, said no. Finally, the results were nearly split, with 31% answering positively and 36% answering negatively, when asked if the organization itself, or its staffing provider, had a system or process in place to recognize the best contract performers.

Figure 13.0: *My organization achieves quality results from our contract workforce.*

²⁰ *Leaders At All Levels*, 2007, Ram Charan

²¹ Human Capital Strategist (HCS) Certification Course, V2.0, 2010, Human Capital Institute

The results revealed by this question appear to be at odds with what has been learned thus far about performance management of contract talent at most organizations. While firms feel they achieve quality results from CT, they don't have any actual way of backing that sentiment up with data.

"This new data from HCI shines a floodlight on a disturbing trend: too many organizations lack centralized management and visibility into the use of independent contractor talent. An organization cannot hope to mitigate the potentially devastating risks of reclassification and co-employment if they don't have enterprise visibility and effective worker classification processes in place to manage independent contractor compliance and engagement," commented Jay Lash, Vice President of Market Strategies, MBO Partners.

CONCLUSION AND BEST PRACTICES

It would be inappropriate to conclude this research report without offering best practices that were either revealed or reinforced as a result of this undertaking. Most of the best practices are strategic and over-arching, to be applied regardless of where in the talent wheel an organization or talent leader would like to see improvement or even if that organization wants to integrate CT more fully into its overall talent practices.

First, although previously recommended, it is worth repeating the advice that an organization must use some enterprise-level system or technology to manage CT. As noted, this usage has positive bearings and return on investment in the areas of risk and compliance, time and cost savings, and contract talent quality. It is also an essential tool for managing basic aspects of site or location security, emergency management and headcount.

Secondly, talent management leaders should be pushing every day for a centralized and standardized method for the procurement and selection of CT, whether that method is in-house or through a partner like a Managed Service Provider (MSP). A centralized and standardized approach is not only easier to manage internally, but also contributes positively to CT quality and retention.

Human Resources, the keepers of human capital management inside of an organization, should administer to the human capital needs of contract talent, and when it does, phases of the talent lifecycle like acquisition quality, engagement, and retention are all improved. It shouldn't be overlooked that Legal and Executive Support of contract talent integration are similarly important. Human Resources should be in a position within organizations to advocate for and garner this support, more so than any other group or management arrangement for CT.

Finally, a more tactical and specific best practice surfaced as a result of this research. Appropriate onboarding of contract talent, that is, a formal welcoming, introduction to culture, systems, and resources, plays a vital role in engagement and retention and shouldn't be ignored to the degree that it is today.

As trends discussed in the beginning of this report indicated, global use of contracted talent will continue to rise. At the same time, individual workers are looking for more meaning in and connectivity to the jobs they perform, regardless of employment status. Given that these two scenarios are true, it only holds that organizations that use contract talent must be concerned about getting the most and best work out of this population, for however long they might be engaged. It should be Human Resources responsibility to see that it will.

APPENDIX A ABOUT THE RESEARCH PARTNERS:



Human Capital Institute: The Human Capital Institute (HCI) is a catalyst for innovative new thinking in talent acquisition, development, deployment and new economy leadership. Through research and collaboration, our global network of more than 175,000 members develops and promotes creativity, best and next practices, and actionable solutions in strategic talent management. Executives, practitioners, and thought leaders representing organizations of all sizes, across public, charitable and government sectors, utilize HCI communities, education, events and research to foster talent advantages to ensure organizational change for competitive results. In tandem with these initiatives, HCI's Human Capital Strategist professional certifications and designations set the bar for expertise in talent strategy, acquisition, development and measurement. www.hci.org



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Whether you're looking to optimize the use of your contingent workforce program, outsource your organization's recruitment needs or want to analyze key market trends to better serve your business needs, Allegis Group Services can help. Through distinct service offerings, we employ industry best practices and our experiences to assist our customers in maximizing the efficiency and effectiveness of their workforce programs. Transforming the Way the World Acquires Talent. www.allegisgroupservices.com



Emptoris: Emptoris is a world leader in strategic supply and enterprise contract management software solutions that empower enterprises to realize best value and accelerate profitable growth. Emptoris solutions are used by successful Global 1000 companies in every industry. Emptoris customers include American Express, Boeing, ConocoPhillips, GlaxoSmithKline, Kraft, Motorola, Syngenta and Vodafone. www.emptoris.com



Fieldglass: Fieldglass, Inc. provides the leading SaaS platform to procure and manage contingent workers, services such as statement of work projects, independent contractors, and specialized talent pools. The highly-configurable product suite provides transparency into the entire workforce and helps companies optimize program performance and make more strategic labor decisions.

Backed by proven experience and the industry's largest customer base, Fieldglass serves Global 2000 firms in nearly 70 countries. Customers such as Johnson & Johnson, Monsanto, salesforce.com and GlaxoSmithKline realize greater efficiencies, control spend, improve quality and enforce compliance. For more information, visit <http://www.fieldglass.com>.

Guidant Group: Guidant Group is a managed services and consulting company dedicated to developing comprehensive and integrated talent acquisition programs for its clients. Please visit www.guidantgroup.com for more information. www.guidantgroup.com

IQNavigator: IQNavigator is the leading provider of services spend management software and managed services that enable global companies to gain visibility and control over a significant and strategic corporate spend category. With proven domain expertise and innovative technology solutions, IQNavigator helps turn complex services spend into a new source of value, competitive advantage and continuous bottom-line improvement. For more information, visit www.IQNavigator.com.

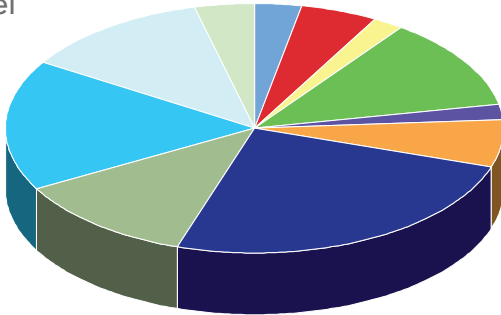
MBO Partners: MBO Partners makes it easy for independent consultants and their clients to work together. For organizations that use contingent or contract talent, the Enterprise Solutions division of MBO is an Independent Contractor Engagement Specialist (ICES) providing independent contractor payrolling, 1099 risk mitigation, alumni and retiree programs, and independent contractor compliance solutions. With their proprietary business and financial infrastructure, the MBO Partners platform is the leading alternative to self-incorporation for SOW consultants and independent contractors. <http://www.mbopartners.com>.

TAPFIN: TAPFIN Process Solutions, a division of COMSYS (CITP), is a leading business process outsourcing provider of end-to-end human capital fulfillment and management solutions. Drawing on experienced delivery teams, industry best practices and innovative technology, TAPFIN develops and implements customized workforce solutions that deliver streamlined and transparent processes across the fulfillment, management and optimization of direct and contingent workforce. TAPFIN's suite of solutions includes vendor management services, recruitment process outsourcing, services procurement management, human resource outsourcing and executive search that can be tailored to companies of varied sizes and industry focus. For more information, please visit www.tapfin.com.



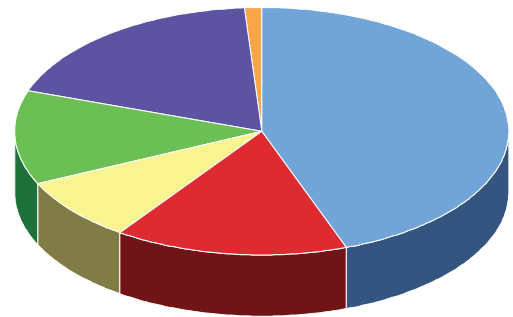
APPENDIX B — DEMOGRAPHICS

Level



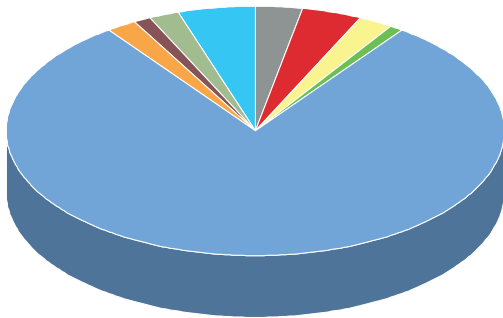
- 3% President
- 2% Senior Vice President
- 2% Executive
- 25% Director
- 17% Manager
- 4% Other
- 5% C-Level (CEO, CHRO, CIO)
- 12% Vice President
- 6% Senior Director
- 12% Middle Manager
- 12% Team Member

Number of Employees



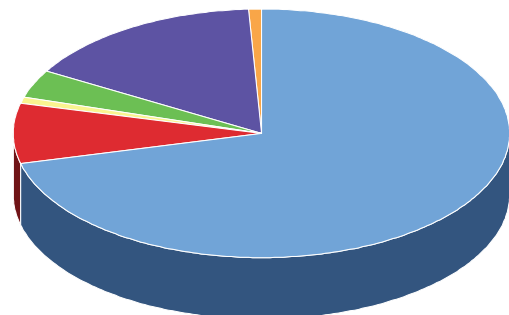
- 43% < 1,000
- 8% 3,001–5,000
- 18% 10,001–100,000
- 15% 1,000–3,000
- 12% 5,001–10,000
- 5% 100,001 +

Function



- 3% Operations
- 2% Research & Development
- 25% Human Resources
- 1% Marketing
- 5% Other
- 4% Development/Strategy
- 1% Customer Service
- 2% IT
- 2% Sales

Region



- 81% United States
- 1% Pacific Rim
- 3% UK/Europe
- 9% The Americas (Non U.S.)
- 4% Asia
- 1% Middle East