Imagine that you’ve just received your business goals for the year. Your company is enjoying record growth. Your team was a driving force behind that growth, exceeding goals last year by jumping on ideas early, while creating new efficiencies for existing processes.

Today there is increasing pressure from industry competitors—both the familiar and the new. Executive leadership has set even more aggressive goals. Having led stellar performance year over year, the company is putting faith in you to repeat the performance. Your challenge is to grow your product portfolio and meet aggressive financial goals without adding headcount.

What are your options?

Leaders just like you are pondering that question, thinking about their options. Across most industries, companies are minding costs while projecting higher revenue. The challenge to deliver more innovations at a faster pace with the same or fewer people to do the work, leaves you with a talent gap. To meet this gap, you will need to look at ways to bring in highly skilled talent in a cost effective manner—a different talent management solution that includes the use of contract workers.

Over half of the respondents in a recent Deloitte survey said their need for contract workers will keep growing over the next 3–5 years.
WHY THE GIG (ECONOMY) IS UP

In the past decade, digital technology, economic changes and demographic shifts have overhauled business as usual. Today, we are fast. We are connected, agile and lean. We have access to unbelievable amounts of information. We care about doing good and having fun while making money. Business, as usual, has disintegrated, and new practices are emerging.

The disruption in how we do business has led to a disruption in how organizations manage talent in the flatter, faster, more collaborative workplace. The new talent model allows companies to have greater elasticity and breadth in their talent pool while saving costs at the same time.

THE RISE OF THE ON-DEMAND TALENT MODEL

Back in the 1990s, companies were outsourcing and “offshoring” to reduce costs. The outsourced group largely functioned independent of the company hiring the outsourced group, and the function was largely out of site, out of mind—unless there was a problem. Customer service roles were outsourced until companies realized that while they were saving costs, they were compromising their brand, not getting the talent with the right skills, and were diluting the quality of the customer experience. To take back control, companies began to pull out of outsourcing models, and while this was happening, in another seemingly unrelated lane, freelance creative professionals like graphic designers and web designers started to be more in demand.

The rise of the gig economy, with highly skilled on-demand labor at the ready, pushed the thinking of large companies to engage highly skilled on-demand workers with business skills. Business complexity has increased since then, and the digital landscape demands greater interconnection and higher skilled workers. The “gig” workforce—a body of workers encompassing independent contractors, freelancers and temporary workers who work 15 or more hours per week independently—is on the rise. Today’s contract workforce model encompasses a new talent model that:

- Engages highly skilled knowledge workers
- Integrates the company’s full-time employees and contract workers into a team, seamlessly
- Saves costs
- Delivers on the promise of the brand

Both the workforce and hiring companies have embraced this model. Research by Ardent Partners reveals that over a third of today’s workforce is made up of contract labor, and the trend is growing. The gig economy is getting hotter—a March 2016 paper by Harvard and Princeton researchers reports that those in alternative work arrangements in the U.S. rose from 10.1% in February 2005 to 15.8% in late 2015. This upward trajectory is so real that the city of San Francisco created a “Gig Taskforce” to provide insight and policy recommendations to the Board of Supervisors and the Mayor.

We are only at the beginning of the trend, which will likely see growth in the years to come due to an elastic economy and a culture of workers who prefer independence and flexibility. 73% of working adults look at flexibility as one of the most important factors when deciding where to work. 4
The contract labor force has continued to grow because everybody wins:

- Businesses drive down labor costs;
- Workers love their flexibility;
- Customers love the innovation and speed to market facilitated by the contract workforce.

MBO Partners predicts that independent workers in the U.S. will rise from 16.9 million people today, to 19.2 million people by 2021, and by 2021, nearly half of the private workforce will have spent time as an independent worker.\(^5\) Just as companies are driving demand of an on-demand workforce, workers are likewise expecting this flexibility, which is a far cry from years past.

**THE EMPLOYEE-EMPLOYER RELATIONSHIP IS EVOLVING**

Back in the 1950s, there was an implicit contract between the company and the worker. The worker would dress the part, show up on time, put in the hours needed, follow direction, and end their career with a comfortable pension and a reliable retirement. People did not think about leaving companies, or about being happy workers. Since then, the employee-employer relationship has changed.

**Loyalties have shifted**

Today, the average years worked at a company is about 4 years. According to the Bureau of Labor Statistics, the median number of years a salaried worker stayed at their company was 4.6 years, but tenure was different for younger versus older employees, with older employees sticking around for about 10 years, and younger employees sticking around for about 3 years.\(^6\) Employee tenure is shrinking. Loyalties have shifted away from the company, and toward the team, the manager, or the project.

**THE MILLENNIAL EFFECT**

Millennial workers are entering and ascending in the workplace in droves. By 2020, Millennials will make up over half of the U.S. workforce, and by 2025, they will make up 70-75% of the workforce. Their style and workplace preferences will become the status quo of the future—they are giving the employee-employer relationship a makeover. Technological, economical, and historical factors have shaped this generation.

**The new digital world**

As digital natives, Millennials grew up in a time of rapid technological innovation. Their generation has used social media to share their ideas and learn just about anything from vast online communities and searches. This has led them to be independent thinkers eager to learn from a world they know is capable of teaching them. They crave personal and professional development and ongoing feedback.

**Economic factors have also shaped this generation**

Millennials saw their parents and friends lose their jobs or take pay cuts in a volatile market, and they know money isn’t everything. Millennials want meaning and purpose in their work, and they are more apt to prioritize meaningful work over money. Authority does not, de facto, win their trust—they are loyal to great managers, great ideas, and a company culture that supports their way of working. And that way of working includes living in a world with less rigidity around work and personal lives.

Millennials like to collaborate with good people while having the flexibility at work to remain engaged in their fully connected lives. They can shift gears quickly, and they have...
an entrepreneurial spirit. These cultural and generational trends make contract work that offers continuous learning, fast impact, and flexibility appealing to this generation.

**BABY BOOMERS AND GEN X HAVE JOINED IN**

It’s not only the Millennials who want flexible and more engaging work. Baby Boomers, many of whom saw their retirement savings shrink in the recession or who simply want to remain engaged in work, increasingly favor contract work—having more independence in taking assignments a few months at a time, without the restrictions of full time work. And for Gen Xers in the nesting years, it’s often appealing for both spouses to work, with the option for one or both spouses to work from home or work intermittently as needed or as desired. In a recent survey by Chandler MacLeod, 52% of companies surveyed did not have generational specific talent management strategies.7

**Career security is valued above job security**

Additionally, loyalties from all generations have shifted. People have become disillusioned by the idea of job security. It doesn’t exist. Companies need to be nimble and change quickly, and that includes having a nimble and fast changing workforce. In response, today’s knowledge workers want career security, not job security. Millennials, who want to learn and grow quickly in what they know to be a fast changing workplace, seek greater internal mobility and diverse project work to keep their skills and networks vibrant.

**THE FLEXIBLE CUSTOM CAREER PATH**

In years past, when you showed up for your first day of orientation at a company, there was a career path laid out before you. There was a title track. A promotional track. You were to climb the ladder and then, often, be stuck in a role for the rest of your career.

Today’s employees want to customize and fast track their careers. It’s like college—workers want to try different subjects, different roles, different teams, see what they like, learn more, and then expand again. They are happy to take on successive projects because it will help them to build key skills and further fuel their career development.

Career pathing is highly customized. It is less about creating a path with a clear destination and more about creating a dynamic career with a portfolio of interests and skills that enable workers to solve the big problems of the world. Enter the contract talent model, where workers who want more autonomy and self-direction in their careers are attracted to flexible work that allows them to try different roles over time.

**Talent is everywhere**

What it means to be an employee is changing. Companies can find flexible, highly skilled talent outside of the full time employment pool—people who prefer working on a temporary or project to project basis. Agile companies need on-demand employment to scale up and down with highly skilled labor, as needed—to test creative ideas, implement strategy quickly, and handle complex projects and initiatives that keep the leaner full time workforce focused on bigger strategic issues.
MAKE THE GIG ECONOMY WORK FOR YOU

Emerge’s research and practice, in working with companies to engage the contract workforce, has led us to understand four business accelerators that result from using contract “gig” workers. In this report, we have outlined those business accelerators and have shared some powerful case studies that exemplify the business impact of using this approach. The four benefits of leveraging a contract workforce are:

1. Stay Productive While Protecting Your Core. Allow your employees to stay focused on core work, products, and services while a contract workforce enables your company to expand.

2. Faster, Faster—Speed to Market. A contract workforce allows companies to quickly scale up so your ideas go to market fast, saving development time, and optimizing financial opportunity.

3. The Intrapreneurial Test Kitchen. Your biggest dreamers don’t always have the skill or capacity to turn innovative ideas into an operationalized business reality. A contract team can take an idea, create a business case and infrastructure for the idea to have life, test the idea, and bring it to market.

4. Reimagine Your Org Structure. Today’s organizations are fluid, adaptive, and collaborative, allowing seamless entry and exit on teams that respond to market changes and customer needs quickly. A contract workforce meets this need.

STAY PRODUCTIVE WHILE PROTECTING YOUR CORE

The Great Recession of 2007 stoked waves of layoffs at companies across the country. According to the Bureau of Labor Statistics, 8.8 million jobs were lost as a result of the recession. Unemployment rose rapidly from 5% in December 2007 to over 10% in October 2009. As the recovery continues and unemployment drops, leaders across the United States are now operating in a competitive environment in which they are challenged to do more innovative work but with leaner teams.

From startups to large multinationals, companies are operating with fewer employees driving innovation and execution. Rather than strain these employees by asking them to operate with a broader range of skills that might not be their strong suit, companies can empower core employees to focus on their key strengths by leveraging an elastic workforce. This contingent labor allows the business to continue to stretch into new ideas, products and services without overburdening its core employees.
One of our clients is a thirty-two year old global high tech company that continuously innovates and ideates ways for technology and data to drive growth and efficiency for its customers. To enable this process, the company leveraged a skilled contract workforce through Emerge.

**Translating science into an operational business proposition**

Our contract workers partnered with our client’s core employee teams to develop technology solutions that would translate technical innovations into business cases with business outcomes. Doing this allows our client’s engineers to focus on the science, while skilled contract workers translate the science into an operational business proposition.

**Accelerating product introductions**

Recently, the same client engaged Emerge on a project to accelerate product introductions. Because the process to set up and get a product “ready-to-order” in the supply chain system typically takes several weeks, Emerge and client teams worked together to identify ways to improve the product launch process, increase efficiency and move products to market faster. Ultimately, the combined teams were able to streamline the end-to-end data processes and eliminate manual steps and hand-offs, reducing the timeline from weeks to 48-72 hours. The financial rewards of this innovation are in the millions. This project improved launch cycle time and speed to market, while also creating opportunities to explore additional cost-savings and speed-to-market improvements. The brightest technical minds have partnered with Emerge’s brightest business minds to create a business case for this innovation, pursue funding and design processes to operationalize the project.

The company is allowing their engineers to focus on innovation, while contract workers who specialize in product management, six sigma program management and Kaizen problem solving methodologies, distill complex ideas into clear-cut business processes. This allows:

- Engineers to be engineers
- A contract team to make a fast business impact on a project with a clear beginning and end
- The company to innovate and streamline processes with impressive cost saving results

One of their business leaders noted, “Engaging Emerge talent has made a fast business and financial impact on my team. With their partnership, we are moving an essential project forward while freeing my technical team to focus on what they do best.” This partnership is a win on all sides.

**Flexibility yields innovation**

Organizations need to enable the greater freedom and agility that yields innovative business solutions. One lever for increasing engagement and flexibility, as demonstrated by the companies mentioned above, is to strategically engage a contract workforce to quickly relieve the tactical burden many highly skilled employees in top companies are facing. On an as-needed and on-demand basis, the contract workforce helps companies keep labor costs down while preserving employees’ energy and focus so they are not constantly shifting attention and resources from initiative to initiative, doing things they are not trained to do and diluting their effectiveness. Ultimately, this leads to more job satisfaction and helps companies retain their high-performing employees.

As the economy contracts and expands cycle after cycle, executives see that the labor market does, too. As such, companies increasingly expect to engage contract workers in their talent strategy.
Our client, a global manufacturer of medical devices and services, wins in the market by creating and innovating essential products for the healthcare market. If they develop but are unable to deliver these superior products, they will miss significant high dollar opportunities.

**Learning lessons from a history of failed product launches**

Over a five year period, this company introduced thirty innovations into the market, yet only two were successful, relative to the product’s business projections. In an effort to close this gap, the company explored the internal root causes of these disappointing outcomes. They found that the sales team was wary of actively promoting new products to customers for fear of missing the mark and creating disconnection between themselves and their customers. Knowing the legacy products in depth, having a predictable sales cycle and knowing their projected commissions incented the sales force to focus mainly on their core offerings.

This insight was extremely valuable to the client. When they got a call from a hospital letting them know that the hospital would stop using a cleaning product and replace it with a better product from a key competitor, they realized that complacency had caused them to lose a million-dollar customer. Not ready to let go of this important account and the associated significant revenue, the company was determined to win back the hospital and to not lose any additional customers to a superior product.

To do this, they created and launched a superior detergent product that cleaned faster than the competitive product, and was more effective—it removed more complex bioburden and twice as many proteins from critical surfaces. Surely this superior product would fly off the shelf. In actuality, despite a sales force equipped with information to sell the product, for four months after the official launch, nothing happened. The product did not sell.

The medical device manufacturer knew that they needed to take a different approach to win back business. Since sampling is a highly effective way to win sales in the medical supply industry, they targeted the top 2,000 U.S. hospitals with a 20% penetration goal. But they knew the existing sales team did not have the bandwidth to get these samples into the market.

**Sampling program plus a contract sales team equals success**

To get 400 samples of their superior product into the hands of their buyers, the company engaged Emerge’s Business Process Outsourcing group to meet their goal.

In just eight weeks, the Emerge team hit a goal that the sales force had been unable to reach in four months, and helped the company realize a monthly run rate that projected annualized sales of $3 million. Additionally, the original hospital that inspired the change learned that our client had brought a superior product to market and switched back to our client’s solution.

Emerge’s external talent base allowed the company to reach their goal without distracting the sales force from their core products. The company’s VP of Marketing for North America considered this project a huge success saying, “I was delighted that Emerge delivered all 400 samples within an 8 week period. This allowed our sales team to focus on sales of existing products while at the same time delivering the single most successful product launch in the last five years.”

Allowing talented employees to focus on what they do best, while leveraging a highly skilled contract workforce, allows companies to move forward with innovative ideas and products—and realize financial wins.
FASTER, FASTER—SPEED TO MARKET

Contract talent not only allows companies and employees to focus on their core; it enables companies to bring their innovative products to market faster, optimizing financial rewards. It’s often challenging and distracting for a salesperson to focus on their customer’s essential needs while also launching a new product or service to the same customer, who might not even have the need for the new product. By creating a focused and customized sales launch process run by an external contract team, companies can significantly reduce the time needed to deliver their business goal.

Contract labor gives companies the benefit of speed-to-market—when a full-time labor force remains focused on the core while leveraging a flexible workforce to execute quickly on a new idea or product. Speed-to-market optimizes business opportunities. Incremental change and product innovation is important in business, but the ability to move with speed and to scale at rates that allow a business to leap ahead of its competitors is vital. If companies don’t have the capacity to make these leaps, great ideas and innovations fizzle. When a strategic window opens, companies must change and adapt fast.

Talent on-demand is in demand

Think of Netflix, Uber, Rent the Runway, GrubHub, and AirBnB—a new and growing industry of on-demand products and services that customers happily buy into. On-demand business is thriving, and on-demand talent management will work in tandem with this new business model. Our data driven information economy has created new opportunity for an on-demand talent market. The digital age created a massive shift toward opening up organizations to a great deal of information at every level, and relying on collective wisdom. This widening pool of insight naturally ripples into the way organizations manage and engage a broader, highly specialized on-demand talent base.

Flexibility is key as insights and customer demands rise and fall

The innovation economy and the knowledge worker naturally carry a shifting and often unpredictable workload. Most companies today are run in offices, not factories. It became fairly scientific to predict the inventory, the machines, and the workers needed on a factory line. However, today’s knowledge worker does not perform repeatable tasks, making it more difficult to predict when and how much work their thoughts will create. This makes working with contract workers, scaling up and down as needed, a key solution.

The ability to quickly scale up and down with a contract workforce creates a fast pipeline of project workers and employees. According to a recent Glassdoor report, it takes an average of 22.9 days for a candidate to go through an interview process in the U.S., which could include a phone screening, one-on-one interview, group interview, background check, personality tests, and a presentation. Interview times are longer for more highly skilled jobs that require judgment, technical skills, and creativity. The size of the company also factors in. Larger companies with more layers of the screening process also taking more time to hire. At a site like Upwork, a platform for on-demand freelancers, time to hire is 3 days. Hiring fast, on-demand labor, will drive speed to market for innovative ideas that will keep customers, workers and companies thriving.

EXAMPLE

Kaggle is a company that boasts the world’s largest community of data scientists—17,000 PhD level thinkers—who compete with each other to solve data science problems for businesses in financial services, energy, and IT. It’s a win—win—win. Curious people innovate. Businesses gain insight. Kaggle hosts the competition and earns fees for reigniting in the data solutions. This business would make no sense and could not survive with 17,000 employees.
THE RISE OF THE GIG ECONOMY

THE INTRAPRANEURIAL TEST KITCHEN

Often, teams and leaders can identify business synergies and opportunities that would lead to business growth, but lack the time or resources to bring those ideas to life. Contract workers can take these great ideas and operationalize them within a team or business. Companies seek cost-neutral ways to bring innovations to their customers without disrupting the processes already in place.

Bring new ideas to market

A company can bring in contract teams that test and operationalize new ways to engage customers. Contract teams can create business processes for new ideas, services, and products, and even design the systems to launch the ideas into the market. Leveraging the contract workforce then frees the core employee to focus on their key initiatives, while giving the business a competitive advantage to continuously improve and build upon existing offerings. The results have been strong, with these contract organizational incubators generating millions of dollars for businesses.

Test business solutions

In this process, a small team is created to test and validate a new strategy or idea with customers, get real-time feedback that empowers the company to refine their approach, and then scale up the test team to broaden the scope of the test kitchen. As ideas are refined, the contract team increases their focus on the strategies that test well, allowing for higher success of ideas.

Create flexible business profiles

Companies of the future can create flexible talent profiles for contract workers, and base these talent profiles on the business cycle of a given project. Imagine a talent profile for a contract worker who is a digital marketer on a project team. A digital marketer needs expertise in content marketing, Search Engine Optimization, Pay Per Click, social media, and brand management. Beyond these core competencies and skills, how would skills differ for a digital marketer on a 6-month project team that launches a new product? How would the competencies differ for a digital marketer on a 3-month remote project to advise a company’s growing marketing team on new cutting edge technology? How would the skills differ for a 1-year project in a large non-profit scaling up its digital marketing internal capabilities?

As companies test, pilot, execute, scale up, and scale down, they can develop and attract contract workers based on where they are in their business or project cycle to ensure clarity and alignment of all involved. The contract workers can further specialize and target their skills to the cycles and skills that most excite them; while feeding their knowledge and resources back to the organization in an open and transparent way.

As ideas are refined, the contract team increases their focus on the strategies that test well, allowing for higher success of ideas.

The results have been strong, with these contract organizational incubators generating millions of dollars for businesses.
REIMAGINE YOUR ORG STRUCTURE

The “test and learn” model can disrupt the way we structure organizations and teams. The top down org chart many of us are accustomed to was first drawn in 1855 by civil engineer George Holt Henshaw, and was a tool used by the New York and Erie Railway to communicate to their 5,000 employees. Later adopted by the military and major corporations whose cultures matched the top-down command and control aspect of the org chart, this tool organized groups of people into clear reporting relationships.

Today’s organizations are fluid, adaptive, and collaborative; the org chart from 1855 no longer fits. Top-down organizations cannot survive in an economy that demands quick responses to market changes and customer needs. Dynamic social networks are replacing hierarchical structures—this new collaboration and connection among peers defies the old way of working.

Holocracy—the new org structure

Today, organizations are experimenting with holocracy, where teams collaborate based on knowledge and skills, power is distributed to all individuals and a decision maker is simply a person with a decision making role on that particular project. As team and org structures are disrupted, and collaboration and openness become the norm, folding external contract workers into a highly collaborative system in which project teams are continuously changing based on the nature of the project, becomes much more natural and seamless.

The manager’s role has evolved

It is no longer the manager’s role to plan, organize and direct. Today’s manager engages workers, gives them a voice and facilitates collaboration, creative thinking and operating. Today, the leader’s role is to enable the future organization—and to question whether the current organizational structure supports the desired goals of the project, function or development of a new idea. People are more willing to serve an idea, an invention, a positive group process and an ideal with meaning. This cultural change will birth more self-managed teams, where leadership is demonstrated and earned rather than appointed from above, and where contract workers can seamlessly integrate with full time workers. In the digital age, leadership and followership often arise organically, as thought leaders share innovative ideas that others are excited to implement.

With this cultural shift underway, self-managed teams or teams without hierarchical ties to the top are more permissible. Flexible, self-managed teams can come into a company, flex the org structure and challenge the way things have always been done. This allows for new, different, and even revolutionary collaborative models of working, in which flexible teams can work on focused projects and function in a self-sufficient way, independent of other teams in the organization. This new way of working leads to all workers needing to develop and hone different skills and behaviors—self-directing leadership and learning, focusing, embracing changing roles, being stellar communicators, and being more open to learning and not knowing (versus being an expert).

Shared services

Even companies not ready to dip their toes into the new waves of organizational structure can take advantage of external resources who are adept at blurring organizational boundaries, allowing a freer flow of ideas and skills to support business operations.

Example

Emerge’s global technology client uses a Shared Service Model, in which a third party sources, hires, and manages a contract workforce in
business areas, from project management to program management. To meet the business needs of continuing to leverage great contract talent in a cost effective way, they started to identify skills in contract workers that could be leveraged across additional groups across the business, further engaging the worker to do new and interesting work, while adding business efficiencies.

For example, a contractor manages a service desk that places interpreters in high-level face-to-face business meetings and phone meetings. While this is a much needed service, there was opportunity for Sam to leverage his project management and vendor management skills and apply them to two different groups on an ongoing and as needed basis. Now, Sam spends 70% of his time in interpretation services, 15% of his time project managing marketing localization programs, and another 15% with a vendor management group. These three areas overlap in that they use the same system and tools to manage resources, projects and vendors, so it was an ideal fit to create a shared service component which ultimately led to process and budget optimization and efficiencies.

The Shared Service Model is cost-conscious, spreads great ideas, and keeps people like Sam engaged in interesting projects with various teams. This model meets both financial goals while also leveraging a less boundaried contract workforce. To date, about 20% of the contract workforce at the company has participated in the Shared Service Model, and that number is growing. As companies continue to innovate, shared learning and resources across boundaries will be leveraged even more.

CONTINUOUS RELEASE

How many iPhone versions are there today? A lot. People who grew up in the digital age grew up in a time of abundance, with a continuous release of new products, technologies, and ideas. Social platforms enabled individuals to freely share what they were working on or thinking and garner followers fast. Little companies could compete with big companies. The balance of power shifted from the institution to the individual, from the big to small.

As game changing technology and business innovations continued to unleash in many iterations, the older generations and businesses still investing their time in learning yesterday’s ways were being surpassed by those willing to focus their attention on what was next. It’s time to drop the mic. The next wave of talent management is helping both people and companies learn and release amazing things rapidly, and then move on. A growing flexible workforce is here to create something new and fresh, learn from the past, protect the core of your business, and help you to move on to create innovations of the future.

Emerge’s experience in engaging a contract workforce along with a host of data outlined in this report indicates that the contract workforce is growing in
Imagine succeeding in a business of rapid change, fast launches, and lean operations by strategically partnering with contract workers. This strategy has worked for countless companies, and will continue to keep businesses productive and focused, enable speed to market, and provide test kitchens for refinement of great business ideas. Where there is business opportunity, there is a potential connection to contract workers: a powerful resource to accelerate business growth.

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