



The State of Contingent Workforce Management 2014:

A Framework for Success

Underwritten by:



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REPORT OVERVIEW



This independent research report seeks to present a comprehensive, industry-wide view into the current “state” of contingent workforce management (“CWM”) by drawing on the experiences, performance, and perspective of nearly 200 executives in the contingent workforce industry (including procurement, human resources, finance, etc.). The report is organized into the following chapters:

Chapter One – The State of Contingent Workforce Management: This chapter looks at the continuing evolution of contingent workforce management, its complex components, and what this evolution means for the modern organization. Chapter One also highlights the key pressures and challenges faced in the pursuit of CWM excellence, and how the years ahead will shape the contemporary enterprise’s management of contract talent.

Chapter Two – A Framework for Success: This chapter introduces Ardent Partners' Contingent Workforce Management Framework which enterprises can utilize to effectively build, develop and enhance capabilities, competencies and strategies for managing the three categories of contingent labor: traditional temporary labor, complex contingent labor and independent contractors.

Chapter Three – Best-in-Class Performance: Chapter Three provides a series of key performance benchmarks in the CWM arena and a profile of Best-in-Class performers and their distinguishing characteristics. The chapter also discusses the advantages Best-in-Class companies have over all others in regards to key capabilities and strategies for managing the many nuanced attributes of contingent workforce management.

Chapter Four – Strategies for Success: This chapter presents a series of recommended strategies and approaches for all organizations and professionals that are seeking to improve their contingent workforce management operations.

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CHAPTER ONE – THE STATE OF CONTINGENT WORKFORCE MANAGEMENT

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“Every generation needs a new revolution.” – Thomas Jefferson

The (r)Evolution of Contingent Workforce Management

Every business generation’s best days are a mix of past strategies, contemporary solutions and forward-thinking concepts. Twenty-first century organizations can cite several key differentiators that set their success apart from past endeavors and will point to various business aspects that have helped them transform their enterprises. In some respects, one of the “best” business strategies of this 13-year-old century is neither new nor unique...but rather, one that has finally been brought forward from the back of the corporate playbook to the forefront of business planning and development. And to think, this (r)evolutionary notion came about as a direct result of perhaps the toughest business and economic climate since The Great Depression.



Back in late 2008, as most enterprise executives were pacing the halls of their headquarters and wondering how to combat the economic downturn, a simple strategy came about to help those companies manage to existing demand for products and services while simultaneously ramping up production for when the crisis ended. Temporary labor (also known as contract or contingent labor) proved to be a formidable force in supplementing a depleted workforce in achieving then-current and post-downturn business goals and objectives. Contract talent helped many organizations fill critical project-based needs without the cost or financial (read: taxes and benefits) burden of full-time equivalents (FTEs). Add in the notion that, freelance workers and contract talent are often considered the “highest-level talent” in any given industry, and a winning business *and* workforce strategy shone through.

With the newfound reliance on contingent labor now an accepted slice of a multi-tiered business plan, organizations (at least over the past few years) have found that the simple “fill-and-run” contingent workforce strategy of choosing candidates when or where needed is not the ideal approach to this area. Contingent labor in 2013 is perhaps the most complex supply component that the modern organization will leverage, manage and utilize, and this thought is owed to the fact that that contract talent is split into three very intricate “layers” that each warrant their own specific set of capabilities, processes, strategies, services and solutions.

The Contemporary Scope of the Non-Employee Workforce

Ardent Partners defines the contemporary contingent workforce as falling into three main buckets, each of which has evolved significantly over the past half-decade:

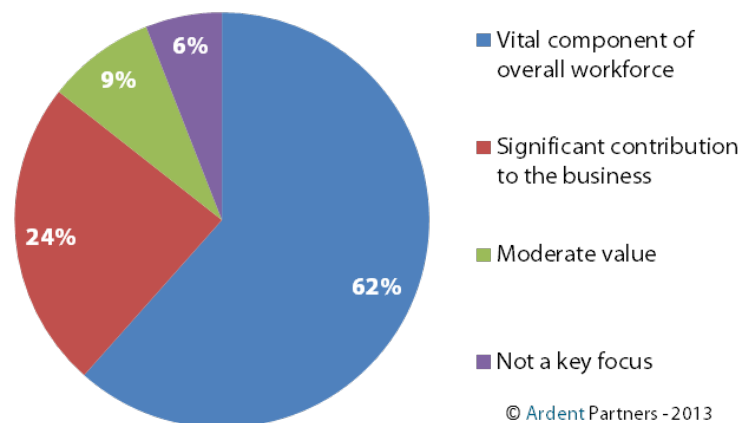
- **Traditional temporary labor** is the “classic” view of contingent labor and involves an enterprise sourcing a variety of short-term roles with candidates from staffing suppliers, agencies and vendors.
- **Complex contingent labor** includes statement-of-work-based (SOW) labor, professional services and non-professional services, and is perhaps the most “evolutionary” aspect of modern contract talent. These aspects are “complex” due to the fact that they touch various divisions within the typical enterprise and need to be managed from a variety of “angles,” including procurement, HR and finance.
- **Independent contractors** is the category comprised of freelancers, consultants and contractors. They are sourced directly by the enterprise. Independent contractors (colloquially known as ICs) carry a variety of risks (namely federal audits and co-employment) if misclassified, but often represent a superior level of talent.

It is within the three areas above that the average enterprise finds itself at a critical crossroads in regards to its non-employee workforce: the need for contract talent is pressing and will continue to rise, but the components of this workforce are growing more complex and require better processes, strategies and solutions to manage them. Ardent Partners research has determined that that the utilization of contingent labor will increase by **nearly 30% over the next three years**, further cementing the need for more robust capabilities within this arena.

The Vitality of Contingent Labor

It would be easy to dismiss the newfound complexities of contemporary contingent labor, if not for the current marketplace perception of contract talent and what it means for their business plans and achievement of corporate goals and objectives. Ardent Partners research has discovered that 62% of organizations cite contingent labor (and all its forms, from traditional to complex) as a vital component in achieving their primary goals and objectives this upcoming year (Figure 1). In the five-plus years since the economic downturn, contract talent has become just as critical as other key components of the average enterprise.

Figure 1: How Critical is Contract Talent?





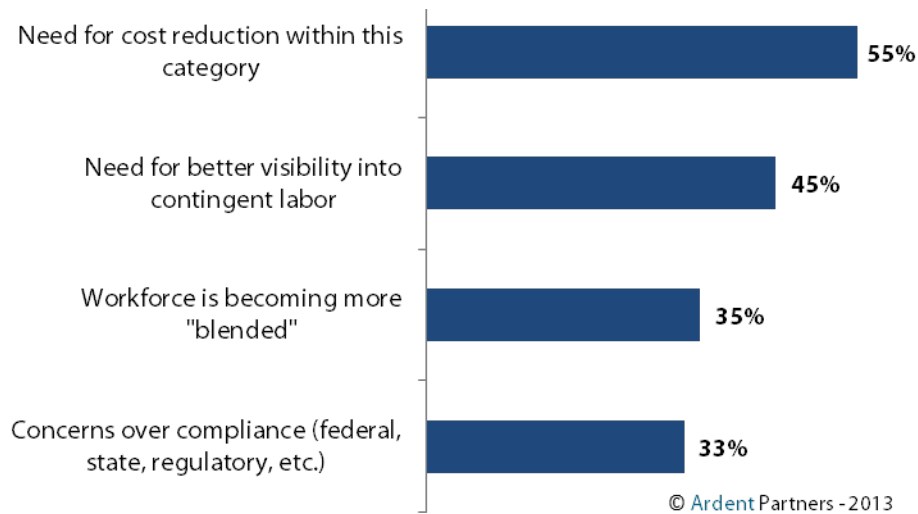
The research findings in Figure 1 represent a sharp positive turn in the perception of contingent labor since the pre-downturn days; there is recognized value in leveraging a non-employee workforce across enterprise projects and other key internal roles. A formidable strategy when times were tough, the contingent workforce is still actively driving corporate value for the modern enterprise and will continue to do so as this type of talent is linked to key organizational objectives.

Gone are the days in which companies merely turn to temporary workers for seasonal demand or to backfill administrative leaves...in just a few years, a contingent workforce revolution has begun. It is now falls to enterprises to develop effective, multi-tiered programs that leverage the right strategies and solutions to ensure that the revolution continues.

The Global Challenges in Contingent Workforce Management

General complexities are not just the only issues faced by enterprises in their utilization of contract talent. While each layer of contemporary contingent labor encompasses its own unique attributes (an area that will be addressed in the next chapter), there are a series of global challenges that every enterprise faces in its management of its non-employee workforce (outlined in Figure 2, below).

Figure 2: The Challenges of Modern-Day Contingent Workforce Management



There are several interesting discussions that arise from the findings in Figure 2. The first of which is the fact that, while contingent labor is clearly evolving into something that requires the expertise of many potential stakeholders, the hardest-felt pressure in the market today is the driving need for cost savings. This, of course, plays to the strengths of the procurement department. The contingent workforce category is growing, opening a significant opportunity to drive financial value and manage cost savings. Second, the need for visibility is a direct result of



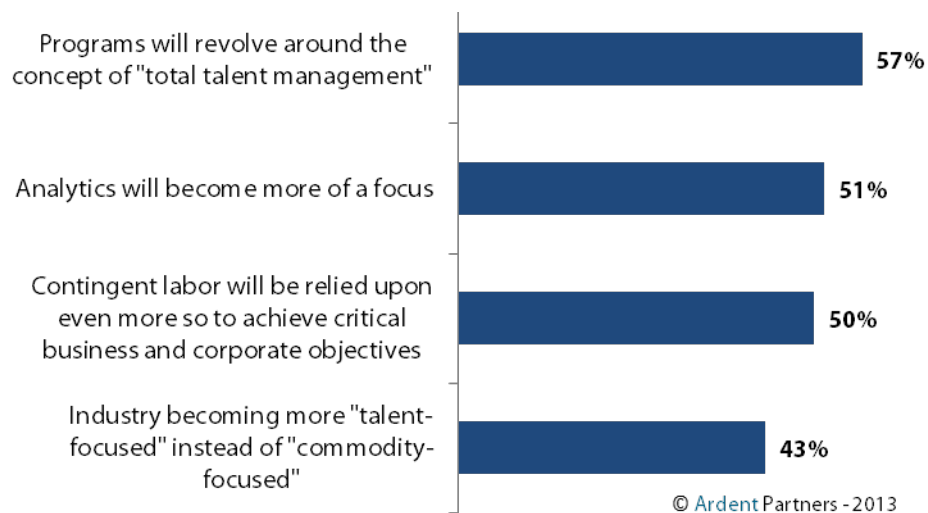
the strategic revolution of contingent labor: many new and varied forms of talent, spread across dozens (if not hundreds) of critical projects, are connected to various expenses, milestones and objectives. There is a dire need for a more holistic series of processes for managing this talent, as enterprises will require a program that can generate visibility and value from the new forms of talent that comprise the contemporary contingent workforce.

It is only when the next-highest issue is viewed alongside cost and visibility that a full, clear and current picture of contingent labor is seen. Thirty-five percent (35%) of organizations are actively experiencing the residual business effects of their workforce becoming more “blended,” in that both traditional and contract talent are dynamically mixed together. This attribute is forcing companies to implement new strategies and solutions to effectively balance the myriad challenges of this new workforce with an efficient series of capabilities and processes that can drive down costs, improve visibility and maintain quality and performance.

The Continuing Evolution of the Contingent Workforce

While the current perception of contingent workforce management may spark interesting dialogue and speak to the veritable excitement regarding the future of talent management, the fact remains that companies across the globe will require more advanced strategies, solutions and capabilities for managing the continued revolution of this truly dynamic and multi-faceted category. In looking at how contract talent will further progress, enterprises must be prepared to address even more complex challenges than the ones they have faced in the recent past.

Figure 3: How Will Contingent Workforce Management Change Over the Next Two Years?



It is no secret that the average workforce is becoming more blended, featuring a mix of traditional employees and contract talent working together for the common good of the greater group. Within this aspect is the rise of “total talent management,” a concept that 57% of companies in the

State of Contingent Workforce Management research survey touted as the top industry-level change to come in the greater scope of contingent workforce management.

Total Talent Management

Total talent management (TTM) may be the most evolutionary concept in today's current workforce. TTM programs involve leveraging a singular set of processes, strategies and technologies for managing both traditional and contract talent under a centralized banner. TTM is a growing concept in today's business environment and requires a strategic mix of various solutions, such as RPO, MSP and VMS working in a collaborative manner.

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With contingent labor expected to increase significantly over the next few years, many organizations are focused on utilizing similar strategies and processes from their management of traditional FTEs into their strategic plan for contract talent. Total talent management (TTM) is expected to be the top development in the coming years for this industry (57%, Figure 3), as TTM benefits include total visibility into all enterprise projects that utilize talent, robust performance-tracking of both contractors and traditional employees, and proper succession plans (for services / talent that exit the company in any fashion). Due to the general prowess of the human resources group, it is expected that management of the non-employee workforce, combined with the rise of TTM, will place HR as a critical collaborator.

Visibility into overall contingent workforce management is an area that needs improvement for the typical enterprise, as indicated earlier in this chapter. However, what many enterprises do to improve their visibility can be counterintuitive to their deep need for information. Analytics has become one of the more powerful tools in the modern executive's arsenal over the years as the non-employee workforce has evolved. In fact, analytics and reporting rank as critical components of a successful CWM program as more and more enterprises realize the value of linking contingent workforce data to greater business planning and budgeting. As contract talent continues to be utilized in high-leverage enterprise projects, data and intelligence related to these initiatives becomes more useful in helping understanding total corporate performance.

And, on that last note, organizations in this research study echo the vitality of contingent workforce: 50% of enterprises believe contingent labor will be relied upon even more in the future as more and more critical enterprise projects utilize this type of talent. With contract talent as a key cog in the next-generation business machine, enterprises will require a series of capabilities, competencies, processes, strategies and enablers to effectively manage their non-employee workforce.



Contingent Workforce Spotlight #1: Identity Management (Where Are Your Workers?)

The evolution of contract talent is certainly beneficial for the modern organization, but it does not come without risks and wrinkles. High-level temporary workers are often linked to critical enterprise projects yet frequently come and go from the organization in a matter of weeks or months...and most enterprises overlook the rigor needed to effectively control contractor access to enterprise systems, hardware and information / data. Ardent Partners research has found that while the majority of organizations across the globe are implementing some intermediate measures to control their on-site contract talent, there are significant gaps in the typical CWM program that may result in adverse identity management ramifications. For example:

- While nearly 64% of organizations institute regular reviews of contract labor compliance against requirements (federal, regulatory, etc.), only 43% include detailed, written assumption of risk (company vs. supplier) of work completion ownership in SOWs and other agreements. This lapse can present a significant issue of risk management in an adverse event (supplier / service goes bankrupt, shuts down, etc.) and leave critical enterprise projects in the wake.*
- Although nearly 70% of enterprises have visibility into system access by SOW-based service workers and contract talent, a mere 44% have implemented proper compliance measurement during the offboarding phase. It's important to note that maintaining current visibility is not enough; it is critical for organizations to, , ensure that temporary IDs, usernames and passwords to enterprise systems (such as ERP, A/P, general ledger, etc.) are deactivated to mitigate the risk of losing intellectual property or sensitive financial information during the offboarding phase for all contractors and services.*

CHAPTER TWO: A FRAMEWORK FOR SUCCESS

“Change is not a threat, it’s an opportunity. Survival is not the goal, transformative success is.” - Seth Godin

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Today, the contingent workforce has traversed well beyond the boundaries of simplicity. The modern enterprise now requires a robust series of complex processes to effectively balance the delicate stability of cost efficiency, talent quality and enterprise performance. As the contingent workforce industry continues to evolve, it becomes critical for enterprises across the globe to build and develop a proper program that can effectively address all layers of contract talent and support the overarching capabilities that link these layers together under a cohesive umbrella and improve performance and corporate value.



With these notions in mind, Ardent Partners developed its *Contingent Workforce Management Framework*. This unique, industry-first framework was designed to help enterprises evaluate the current state of their contingent workforce operations and develop a series of processes and capabilities to effectively manage the three major layers of modern contingent workforce management.

By developing a clear view into the scope of activities within each category in the Framework and understanding what resources and systems are utilized and what processes are followed, those professionals tasked with managing contract talent will be enabled to implement standardized and centralized competencies enterprise-wide. Companies that utilize the Contingent Workforce Management Framework will also have the ability to identify any gaps in their current CWM programs, pinpoint the obstacles to improving performance, and ultimately be able to build a proper business case for investing in the myriad technologies, services and solutions currently available in the contingent workforce arena. Ardent's Framework will allow these organizations to effectively balance the delicate stability of cost efficiency, talent quality and enterprise performance and follow a clear path to Best-in-Class performance.

Ardent Partners' Contingent Workforce Management Framework was designed to reflect the current industry layout of contemporary contingent labor's many moving parts, as well as the capabilities, processes and strategies required to best-align an enterprise's resources and efforts. Each "category" of the Framework (Traditional, Complex and Independent Contractors) includes its own series of goals and objectives (what companies hope to achieve by utilizing each labor type), capabilities (the three or four most valuable competencies to effectively manage each labor type), the critical performance metrics needed to gauge program effectiveness, and the underlying enablers (technologies, services and solutions) that can support the overall objectives, processes and strategies of contingent workforce management.

Figure 4: Ardent Partners Contingent Workforce Management Framework

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Ardent Partners Contingent Workforce Management Framework		
Traditional	Complex	Independent Contractors
Source		
Agencies Suppliers Vendors	SOW Services Contract basis	Personal network Freelancers Consultants
Goals and Objectives		
Low-to-mid-level talent Fill short-term roles Manage costs	Drive / supplement projects Recurring / non-recurring activity Frequent utilization due to expertise	High-level talent Address specific project needs Trusted talent and expertise
Key Capabilities		
Supplier management Supplier consolidation Standard analytics and reporting Standardized day-to-day operations	Single MSA Project-tracking (expenses, milestones, etc.) Agile / advanced analytics Supplier onboarding and offboarding	Assessment management Regular risk and compliance reviews IC-specific analytics and reporting Centralized warehouse of IC intelligence
Key Performance Metrics		
Percentage of workers that achieve goals Cost savings Onboarding length Quality Index Score	Percentage of projects that meet milestones Percentage of SOW / services-based projects accounted for in budgeting Quality Index Score	Percentage of ICs that meet objectives Regulatory / state / federal compliance Contractor classification compliance Quality Index Score
Solutions and Enablers		
Managed Service Provider (MSP) Vendor Management System (VMS) E-procurement Recruitment Process Outsourcing (RPO) Integrated MSP / VMS	MSP VMS Services procurement platform RPO blend (w/ MSP or VMS) Integrated MSP / VMS	Independent Contractor Engagement Specialist (ICES) Online labor marketplace Contractor compliance automation Some VMS providers

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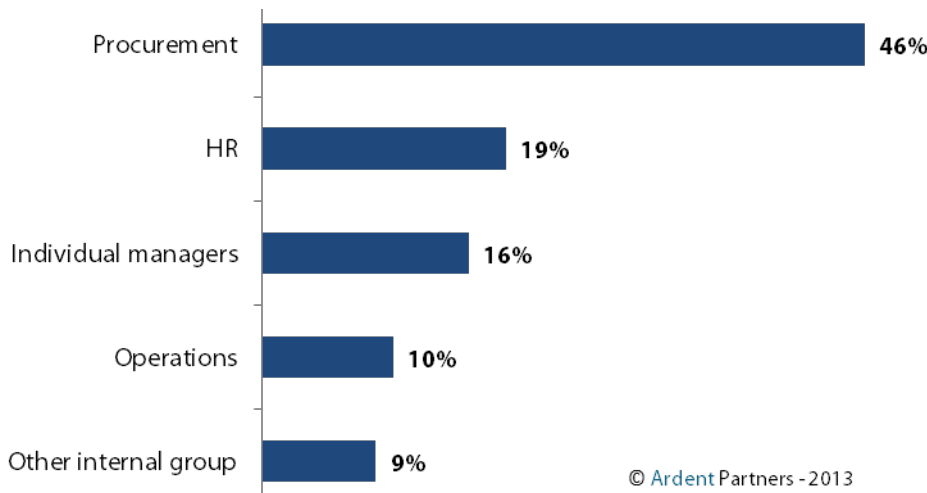
Category One: Traditional Temporary Labor

Definition: When organizations hear the terms “contract labor” or “contingent labor,” they generally think of “traditional” temporary labor, which is sourced via staffing suppliers, agencies or vendors, and is typically leveraged to fill low- or mid-level roles (administration, light accounting, industrial, etc.) for a short period of time (employee absence or leave, seasonal need, etc.). Traditional temporary labor is often utilized as a short-term, cost effective workforce option in light of great cost reduction efforts and can be considered the catalyst for the strategic rise in contingent labor during the economic downturn of 2008.

Traditional Temporary Labor: Core Capabilities

When it comes to effectively managing traditional temporary labor, most enterprises typically look no further than their own procurement departments for best practices, expertise and deep knowledge. Since the vast majority of traditional temporary labor is sourced via staffing suppliers and agencies, procurement’s expertise in supply management can be quite effective in supporting a core capability in the Framework: supplier consolidation. In fact, Ardent’s research has found that procurement is the primary group that holds the chief responsibility for managing outside talent vendors (i.e. staffing agencies).

Figure 5: Chief Responsibility for Managing Outside Talent Vendors



While more advanced supplier management tactics are reserved for the second category of the Contingent Workforce Management Framework (complex contingent labor), basic supplier management strategies, such as supplier consolidation to drive volume-based discounts and supplier performance management, can be quite effective in driving down overall contingent labor costs and improving visibility into this spend category.

Within traditional temporary labor management, basic business intelligence and analytical capabilities will be critical in determining the scope of staffing suppliers and how they fit into the greater contingent workforce management program. Analytics can dig deep into spend and supplier data to give program leaders a clear picture of how this slice of the Framework supports the entire enterprise.

Traditional Temporary Labor: Key Performance Metrics

Measuring the performance of traditional temporary labor involves a three-tiered approach:

1. How much are our short-term labor needs costing the enterprise?
2. How long does it take our temporary workers to be productive?
3. Are our temporary workers achieving core milestones and goals?

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At the highest level, cost savings may seem to be the most critical item to track in this regard. Most often, traditional temporary labor is viewed as a “stop-gap” in terms of cost and effectiveness; the ability to measure year-over-year cost savings in this area of contingent labor can help executives understand how effective capabilities and strategies are in consolidating suppliers and driving greater efficiencies.

Onboarding length can be a tricky metric to track, as every organization may have a different view on where to “start” measuring. The industry standard measurement begins with a start-time that begins at the point an open requisition is officially filled and ends when the temporary worker begins his or her first day on the first assignment. Onboarding length is a great indicator of how quickly temporary workers are brought up-to-speed, given the tools and training to do their (temporary) jobs effectively, and are actually productive and contributing to the greater organization.

Quality is often a difficult problem to tackle for a traditional temporary labor program: how can organizations put a quantitative spin on a qualitative measure? By tracking and monitoring the percentage of temporary workers that meet or exceed communicated (and well-defined) goals and objectives, a company can gain a sense of how effective their traditional temporary labor is performance companywide.

Traditional Temporary Labor: The Enablers

The vast majority of technology enablers, solutions and services in the contingent workforce management arena were originally designed to help organizations manage traditional temporary labor:

- **Managed Service Providers (MSP).** MSPs are more of a consultative offering than a true technology platform. However, the third-party expertise offered by the MSP solution is ideal in helping organizations manage the day-to-day operations of contingent workforce management. In the realm of traditional temporary labor management, MSPs assist their clients with understanding the cost, spend and supplier ramifications of temporary workers across the greater organization. Ardent Partners research has found that users of

- MSP solutions have achieved a 21% higher instance of temporary workers meeting or exceeding pre-defined and communicated goals and objectives.
- **Vendor Management Systems (VMS).** Founded on the premise of e-procurement technology, VMS systems were initially designed as a catch-all, automated platform for managing the wide swath of staffing suppliers that fit into the average contingent workforce management program. While VMS technology has heavily progressed over the years (as noted in the next Framework discussion), the original purpose of these offerings still rings true today as a single platform for gaining visibility into all aspects of traditional temporary labor. Ardent Partners research has found that VMS users have a 20% higher instance of contingent workers being accounted for in greater corporate financial budgeting, planning and forecasting than non-VMS users
 - **Integrated MSP / VMS platforms** combine MSP and VMS solutions together under a single offering, providing users with total visibility and linkage between MSP and VMS processes and capabilities..
 - **Recruitment Process Outsourcing (RPO).** Historically leveraged as an offering built for managing the acquisition / recruitment aspects of FTEs and non-contract employees, RPO has been gaining steam as an effective means of supporting the notion of “total talent management,” a concept that includes the “best” strategies of traditional and contract talent management under one umbrella. RPO attributes, such as tailored interview and engagement methods, can be leveraged in the contingent workforce world to engage and retain top talent. (See the next chapter for a deeper discussion of RPO’s effectiveness in total talent management.)

Category Two: Complex Contingent Labor

Definition: Coming out of the economic downturn, organizations found themselves relying more and more on contract talent to achieve core business objectives. When discussion of “evolution” arises, it is often referring to the inclusion of “complex contingent labor” into the scope of contract talent. Statement-of-work (SOW)-based labor and services (professional and non-professional) are the core components of this level of the Contingent Workforce Management Framework and involve the engagement of third-parties on a recurring or non-recurring basis as support for greater corporate initiatives and enterprise projects. Due to the multi-faceted nature of this type of labor, more complex strategies are required to manage it effectively (i.e. project milestones, project expenses, supplier risk aspects, etc.).

Complex Contingent Labor: Core Capabilities

When it comes to managing complex contingent talent, a multi-tiered program is the best approach. Complex contract talent is often linked to critical enterprise projects, and any hiccup within those projects due to mismanagement of services or SOW-based labor can cause dire

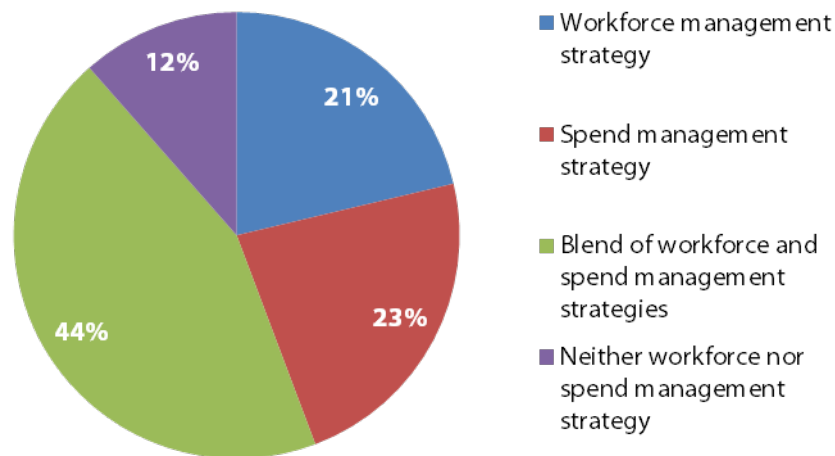
ramifications, placing additional emphasis on this level of the Contingent Workforce Management Framework.

Project management capabilities are an ideal approach to managing complex contingent labor, as this area of the Framework requires robust project-tracking capabilities. Since the bulk of services and SOW-based labor are working and collaborating based on an enterprise-supplier agreement, executives must implement measures to effectively track, monitor and gauge:

- Performance against milestones within the agreement (i.e. project phase completion)
- Performance against key delivery dates
- Adherence to pre-negotiated expenses and other financial aspects

The Contingent Workforce Management Framework’s second Category recommends that organizations take a layered approach towards management of complex contract talent by blending workforce management strategies (i.e. onboarding, offboarding, talent management, etc.) with spend management strategies (supplier management, supplier identification, leveraging consistent contract language, developing a single master services agreement (MSA), etc.). Respondents to this report’s research survey indicated their willingness to adopt this approach, with 44% of companies (Figure 6) currently blending workforce and spend management strategies to manage complex contingent labor.

Figure 6: Strategies for Managing Complex Contingent Labor



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The use of “agile” analytics (a term Ardent utilizes to describe the “next generation” of data reporting) can be incredibly helpful in managing complex contract talent, as “deeper” analytics will traverse beyond simple spend or supplier data and capture project-specific information to help executives gain a superior perspective on how SOW-based projects and services are performing, ideally as close to real-time as possible. Agile analytics are an ideal capability for both

procurement and HR, and offer value to both of these units in terms of intelligence (i.e. spend data is useful to procurement execs, while talent engagement data is ideal for HR).

Complex Contingent Labor: Key Performance Metrics

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Much like the first Category of the Contingent Workforce Management Framework, a quantitative spin on qualitative information is required to gain a proper performance perspective in regards to complex contingent labor. Leveraging a quantitative angle on quality, executives can understand the true effectiveness of SOW-based projects and services by measuring the percentage of these services / talent that meet or exceed the milestones and delivery dates that were outlined in an agreement or contract.

Because complex contingent labor touches various units across the greater enterprise, it is crucial to measure the financial impact of these projects and services on the entire enterprise. Thus, by measuring the percentage of SOW-based projects and services that are actually accounted for and included in corporate planning, budgeting and forecasting, program executives are afforded a true picture of:

- How complex contingent labor affects the company from a financial perspective
- When specific project expenses and costs will hit (or need to be paid)
- Future financial ramifications of contract talent from a forecasting perspective

Complex Contingent Labor: The Enablers

Complex contingent labor management “borrows” many of the solutions utilized in the first Category of the Contingent Workforce Management (traditional temporary labor), and then takes these offerings to “the next level” in terms of functionality:

- Much like **MSPs** offer day-to-day operational excellence for managing traditional temporary labor, users can leverage these same groups in how to attack the complex contract talent layer of their CWM programs. MSPs assist executives in understanding the best “mix” of service suppliers and align resources to projects that require specific talent. MSP users are nearly 50% more likely than non-MSP users to have the ability to measure the performance of SOW-based services against key milestones and delivery dates.
- **VMS technology** has evolved in recent years to become more of a comprehensive platform for managing all aspects of Ardent's Contingent Workforce Management Framework. VMS offerings provide a robust analytics dashboard for tracking spending and suppliers, and help CWM programs accurately track and monitor the performance of services and SOW-based labor against key milestones and delivery dates. VMS users are 45% more likely than non-users to have supplier identification, onboarding and offboarding capabilities enabled within their contingent workforce management program.

- **Services procurement solutions** (sometimes offered as part of a larger supply management suite) present an ample procurement-led spread of functionalities for project management, spend management and supplier management. With complex contingent labor requiring both workforce management and spend management strategies, these modules are ideal in shoring up both sides of the greater initiative. In fact, many services procurement solutions are now evolving to include more human capital capabilities to engage users in collaborative reviews of candidates and allowing executives to measure quality and effectiveness of both temporary workers and SOW-based projects / services.

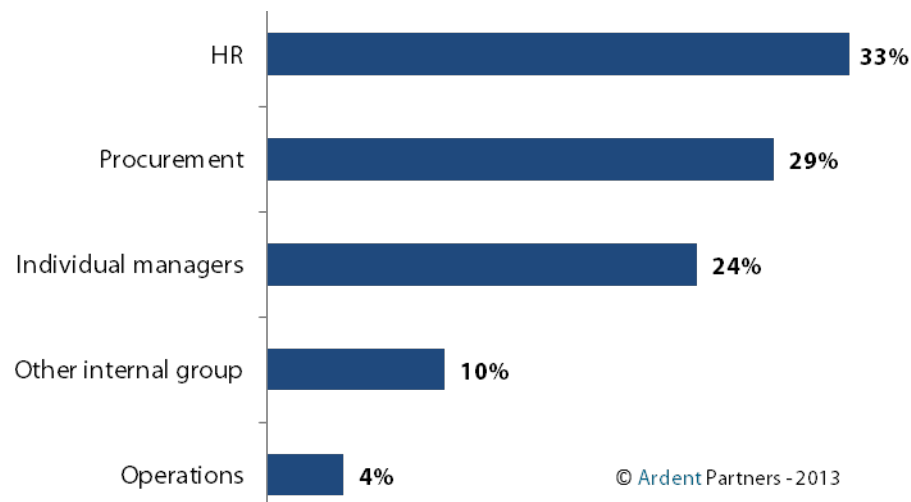
Category Three: Independent Contractors

Definition: While traditional and complex contingent labor remain viable options for supplementing an existing workforce, companies sometimes seek an infusion of top-level talent for critical enterprise projects. When this talent is not offered via a service or staffing agency, executives may source freelancers or other contractors directly from a personal network or an internal pool of “already-known” talent. Independent contractors (ICs) may be known as a high tier of contract talent, but utilization of these workers comes with a variety of risks, including federal audits due to contractor misclassification, as well as co-employment.

Independent Contractors: Core Capabilities

There is one main reason why ICs carry so much risk: the enterprise often carries the burden of misclassification. Unlike the utilization of services or temporary workers, the enterprise is left to its own devices to manage relationships with one-off ICs, and, if those relationships should happen to traverse into traditional enterprise-employee grounds (including holding performance reviews), the company may be liable for various financial and tax burdens (Social Security, health care, etc.). Any time the federal government deems an enterprise-IC relationship as misclassified, it can open a Pandora’s Box of financial crisis.

With the level of risk associated with using ICs, it is concerning to see (in Figure 7) that the main responsibility for managing this Category of the Contingent Workforce Management Framework is not consistently relegated to a single, dedicated unit that can establish or leverage industry best practices.

Figure 7: Responsibility for Managing ICs (Engagement, Risks, Etc.)

It is critical for enterprises to maintain a heightened level of rigor when it comes to core capabilities for independent contractor engagement and management. While the findings in Figure 7 represent a “muddled” approach to IC engagement and management, organizations can take a step in the right direction by:

- **Focusing on assessment management.** Assessments are the purest means to understanding the internal relationships with ICs and how the organization is performing in regards to policy / guidelines compliance. Maintaining a deep portfolio of assessments can help in tracking, in real-time in some instances, potential cases of independent contractor compliance risk.
- **Conducting regular reviews of IC compliance.** The best means to avoid a non-compliant scenario is to conduct regular / frequent reviews of IC and enterprise relationships and gauge them against compliance regulations. Any instances that may be cause for alarm should be elevated immediately.
- **Maintain a central repository of “deep” IC-related intelligence.** Analytics and IC-specific dashboards can assist in enabling this critical capability, which creates a virtual “paper-trail” in the event of an audit or misclassification case. Any and all information, going as far back as initial email dialogue between an enterprise and an IC, is incredibly useful in resolving a potentially non-compliant scenario.

Independent Contractors: Key Performance Metrics

There's no great surprise that the two most critical key performance metrics in Category Three of the Contingent Workforce Management Framework revolve around the notion of compliance. Both classification compliance and adherence to federal / state / regulatory guidelines are the crux of independent contractor engagement and management. Weak performance in either of these arenas opens the door for a misclassification suit or a federal audit...two situations that can quickly (and painfully) negate the benefits of ICs.

Independent Contractors: The Enablers

IC engagement and management is more of a niche area than Categories One and Two of the CWM Framework. In fact, there is a pointed, focused solution designed specifically for this area: independent contractor engagement specialists (ICES). ICES solutions were designed on two levels: for ICs and for enterprises. ICs and freelancers can leverage ICES offerings as a way to handle mundane business tasks (taxes, financial implications, etc.) so they can focus on finding the right short-term position, assignment or task.

ICES for the enterprise serve as a veritable "brick wall" between misclassification and adherence to compliance guidelines / policies. ICES often assume the risk, handle payroll (and other financial avenues), and offer a robust reporting and dashboards for tracking relationships and gaining visibility into contract talent. Ardent Partners research has found that users of ICES solutions experience a nearly 36% higher frequency of ICs meeting or exceeding pre-defined and communicated goals and objectives than companies not currently leveraging these solutions.

In some instances, larger and integrated contingent workforce management solutions (i.e. MSP / VMS hybrids, specific contingent workforce services offerings, etc.) include IC engagement and compliance functionality as part of their overall suites. In these types of solutions, data can be linked across all three levels of the Contingent Workforce Management Framework for maximum visibility.

Online labor marketplaces are rising in prominence as a means of sourcing high-level freelance talent. The concept behind these portals is known as enterprise-workforce-as-a-service (eWaaS), which entails an organizational process of picking-and-choosing talent as needed in a straightforward manner. While online labor marketplaces remain an ideal way of engaging talent, the sourcing of these freelancers (and ICs) often occurs in a manner outside of the CWM program, running major compliance and cost risks. It is incumbent on the enterprise to ensure that utilization of these marketplaces falls directly in line with programmatic competencies to avoid misclassification cases and unwanted corporate expenses (as well as a lack of visibility into contract talent).

CHAPTER THREE: BEST-IN-CLASS PERFORMANCE

This chapter is designed to enable the reader to do the following:



1. Benchmark their performance to industry averages and understand how they are performing relative to the average contingent workforce management program in the marketplace.
2. Understand what operational and performance metrics define Best-in-Class performance levels for contingent workforce management programs today.
3. Understand the wide range of capabilities (SOW, IC, CWM, etc.) that Best-in-Class procurement departments use to outperform the market.
4. Gain insight into how contingent workforce management performance is measured by leading enterprises from around the world.

Best-in-Class Contingent Workforce Management Performance

World-class contingent workforce management programs do not solely rely on a single slice of the Contingent Workforce Management Framework to measure their performance; rather, these Best-in-Class enterprises have proven themselves in the performance arena by generating results across a wide spectrum of key metrics in the CWM spectrum (Table 1, below).

Table 1: The 2013 Contingent Workforce Management Benchmarks

Metrics	Best-in-Class	All Others
Percentage of contingent labor that is accounted for in corporate budgeting, planning and forecasting	88%	30%
Compliance to federal / regulatory / state guidelines	89%	76%
Compliance to IC classification requirements	85%	74%
Ardent Partners' Quality Index Score™	7.1	4.9
Cost savings	10.2%	6.8%

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Best-in-Class organizations have a distinct performance advantage over all other organizations, and can cite financial, quality, compliance and visibility edges over their peers. These leading enterprises:

- Have achieved a 193% advantage over all other organizations in regards to the percentage of contingent labor that is actually accounted for in greater corporate budgeting, planning

and forecasting. This aspect allows Best-in-Class organizations, at any time, to truly understand the multi-faceted ramifications of contract talent across their enterprises.

- Cite a 45% higher CWM Quality Index Score™ than all other enterprises. This unique, industry-first performance metric (scaled on a 1-to-10 ranking, with 1 being the lowest and 10 being the highest) is an amalgamation of quality- and effectiveness-related indicators (performance against milestones, delivery dates, objectives, project goals, etc.) and reinforces the notion that, due to the Best-in-Class capability advantage over its peers, holding many of the competencies in the official Contingent Workforce Management Framework results in higher-quality contract talent.
- Experienced a 43% higher rate of year-over-year contingent workforce cost savings as a direct result of efficiencies and capabilities within the CWM spectrum.
- Driven 17% and 15% higher rates of federal / state / regulatory compliance and independent contractor classification compliance, respectively.

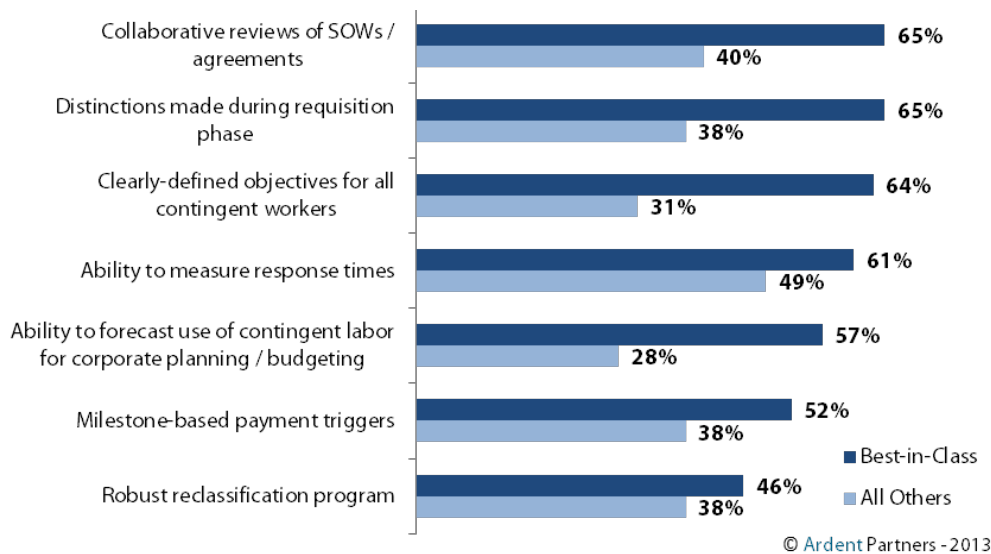
A Look Inside the Best-in-Class CWM Program

Best-in-Class organizations have achieved their advanced level of success via a variety of means. Taking a deeper look inside their contingent workforce management programs, it can be deduced that advantages across several key areas (namely general capabilities, complex contingent labor management capabilities and IC engagement / management capabilities) have resulted in their superior level of CWM success.

General CWM Capability Advantages

The Best-in-Class contingent workforce management program includes a wide range of programmatic capabilities, as described in Figure 8.

Figure 8: CWM Program Capabilities, Best-in-Class vs. All Others

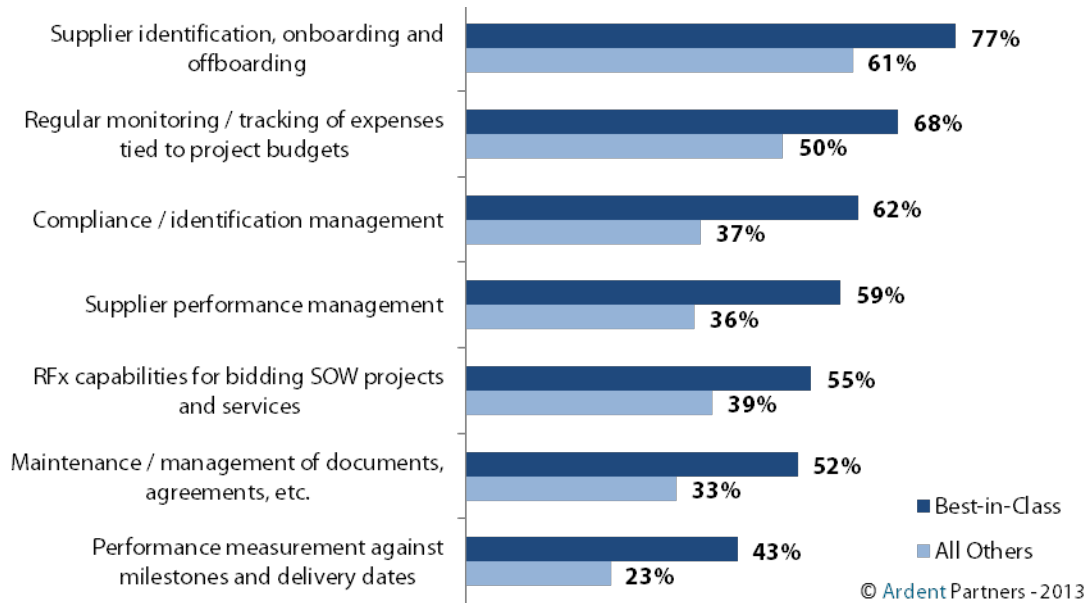


Attributes such as collaborative SOW and agreement reviews ensure that consistent corporate language is utilized for maximum risk mitigation, while milestone-based payment triggers keep projects on-budget without falling behind on financials. One very critical capability in the figure above is the Best-in-Class ability to forecast the use of contingent labor; with the category exceeding expectations and becoming more of a strategic component of the contemporary business, it is crucial for executives to be able to plan ahead for future demand of contract talent. This capability is especially useful for year-end planning and development, helping to set program and project budgets that may utilize specific types of talent (including services and freelancers).

Complex Contingent Labor: The Best-in-Class Approach

The myriad requirements for effectively managing complex contingent labor can make-or-break the performance, quality and effectiveness of corporate projects that utilize SOW-based projects and services. It is important for organizations to follow the Best-in-Class approach to this level of the Contingent Workforce Management Framework and utilize the capabilities listed in Figure 9.

Figure 9: Best-in-Class Complex Contingent Labor Management Capabilities



Many of the capabilities highlighted in Figure 9 revolve around greater procurement, sourcing and supplier management principles, such as:

- Supplier identification, onboarding and offboarding, which greatly assists with ensuring that new suppliers of professional and non-professional services are aligned properly to enterprise projects and are able to get up-to-speed quickly and efficiently. The

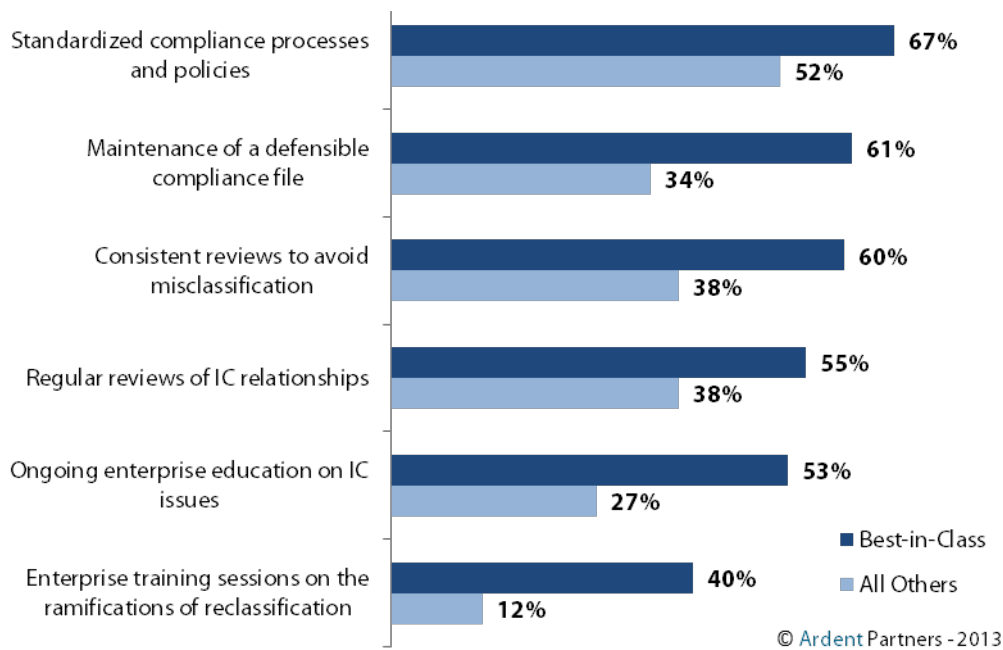
offboarding phase of this capability is designed to deter the loss of intellectual property and sensitive enterprise information.

- Regular monitoring of expenses and project budgets provide a robust aura of cost effectiveness to complex contingent labor management. Best-in-Class companies are apt to gauge how projects that utilize contract talent are handling expenses related to SOWs and other agreements.
- Performance measurement against milestones and delivery dates can boost the CWM Quality Index Score™ of complex contingent labor by ensuring that SOW-based projects and services are actively performing well against pre-negotiated and communicated objectives / goals. This frequent monitoring can forecast when projects may exceed budget, or, worse yet, fail to reach specific objectives.

IC Engagement and Management: The Best-in-Class Approach

As detailed in Chapter Two, the third level of Ardent’s official Contingent Workforce Management Framework entails a variety of risks, including misclassification, federal audits and co-employment. The State of Contingent Workforce Management research study has found that top-tier organizations are actively leveraging a series of capabilities to combat these risks and drive value from their IC-related talent.

Figure 10: Best-in-Class IC Engagement / Management Capabilities



The Best-in-Class approach to IC engagement and management is simple: maintain valuable intelligence regarding IC relationships, consistently review relationships to avoid misclassification

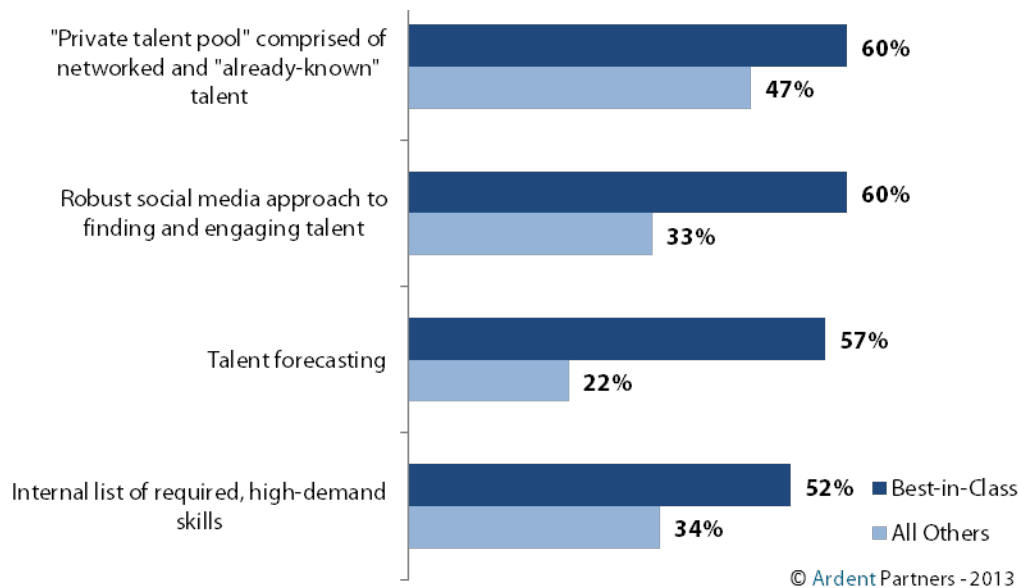
and implement rigorous education initiatives within the enterprise. Top-performing companies are actively standardizing compliance processes and policies, an understated capability that can ensure that all divisions and business units utilize a consistent method of measuring and monitoring IC compliance.

A defensible compliance file, built utilizing intelligence that is linked to IC assessments and communications, can often be a first line-of-defense in any audit or misclassification case. By holding training sessions and ongoing education initiatives more frequently, Best-in-Class enterprises are actively ensuring that all employees are aware of the many risks associated with ICs and know what to do to avoid the pitfalls that so many companies experience in leveraging this type of contract talent.

The Talent Wars: How Do Best-in-Class Enterprises Respond?

Findings, engagement and retaining talent is quickly becoming the critical focus of every contingent workforce management program. The need for top-tier talent and unique skill-sets often trumps cost in the greater scope of contingent workforce management, and this aggressive push for expertise is often referred to as the “talent wars.” Ardent Partners research has found that Best-in-Class enterprises are responding to this struggle by leveraging a distinctive set of talent acquisition, engagement and management capabilities (highlighted in Figure 11, below).

Figure 11: Best-in-Class Talent Management Attributes



By relying on a “private talent pool,” which consists of contractors already in a network amongst retirees and past employees, Best-in-Class organizations can easily align high-priority openings within their organization with “already-known” talent. This private talent pool can avoid the calls

to staffing agencies or the search for a professional service, and, with some level of trust already built into these relationships, will solidify a firmer grasp on quality and effectiveness.

Social media is now playing a significant role in how enterprises find and engage their contract talent. With the multiple platforms available in the social media market, such as LinkedIn, Twitter and Facebook, executives have new and interesting options to use in the pursuit of top-tier talent. Social media can easily connect purveyors of talent with “social sourcing,” and help supplement or enhance greater recruitment strategies by fusing them with a social media mindset.

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Contingent Workforce Management Spotlight #2: Analytics, Analytics, Analytics

Analytics, reporting and business intelligence are critical components of Ardent's Contingent Workforce Management Framework, playing a role in all three levels and driving information across a wide spectrum of CWM channels. Ardent Partners research has found that Best-in-Class enterprises are actively leveraging a series of analytical capabilities to drive their top-tier performance in the contingent workforce arena. These top-performing companies are:

- Nearly twice as likely as all other organizations to have the ability to benchmark data against peers and the wider industry, an intelligence capability that can help understand how a CWM program stacks up against like peers and spur performance improvement initiatives.***
- 41% more likely to have the ability to evaluate the performance of talent suppliers within their networks, a capability that contributes to the overall visibility into enterprise projects and initiatives that leverage contract talent.***
- Nearly 40% more likely than all other enterprises to be able to view contingent labor spending in real-time against corporate budgets, a factor that can help the executive team make more informed and strategic decisions regarding future utilization of contract talent.***

CHAPTER FOUR: STRATEGIES FOR SUCCESS

“Action is the foundational key to all success.” – Pablo Picasso

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General Recommendations

As stated throughout this State of Contingent Workforce Management research study, the contemporary scope of contract talent is rapidly evolving and forcing organizations to institute more complex measures to drive ultimate value from their non-employee workforce. Beyond utilizing the components of Chapter Two’s Contingent Workforce Management Framework, Ardent recommends the following strategies and approaches for those enterprises seeking to improve their contingent workforce performance:

- **Understand the ramifications of contract talent.** Where is contingent labor currently being utilized? Which projects are tied to contract talent? What are the milestones and delivery items attached to those projects? Do we have a clear picture of our contract workforce? These are all valuable questions to ask; those organizations that cannot answer these inquiries are the ones that do not have the capability to drive value from their contract talent and properly align these workers with the enterprise projects that require their skillsets.
- **Apply the Ardent Partners Contingent Workforce Management Framework to the current CWM program.** The Ardent’s CWM Framework is an industry-first structure designed specifically to help enterprises understand the scope of modern contingent labor and the capabilities required to manage it more effectively. Compare your current program’s competencies with that of the CWM Framework; are there gaps? Are there specific capabilities or solutions missing from the equation? Then, take action.
- **A little “help” goes a long way.** Solutions such as MSPs and VMS offerings are designed specifically for the contract workforce industry and offer veritable value in managing contract talent. MSPs are well-known experts in managing day-to-day operations for all contingent workforce management processes, while VMS technology is the ideal solution for driving efficiencies within complex contingent labor management (via deep analytics, dashboards and SOW / service-specific functionalities).
- **Compliance initiatives need to be top-of-mind.** In the pursuit of top-shelf talent, enterprises are turning to independent contractors. The risks of ICs have been discussed in-detail throughout the course of this report, and for companies to extract the most value out of this high-level talent, it is imperative to implement robust compliance measurement strategies to ensure that ICs are properly classified and managed. After all, any value from the IC component of the CWM Framework is easily negated with an audit or reclassification case.

- **Analytics is the key to an intelligence goldmine.** Many enterprises sit on a goldmine of contingent workforce data, most of which can be leveraged to improve the greater CWM program and gauge the performance of key contingent workers. “Agile” analytics represent the next wave of business intelligence within this industry and will help enterprises drive multi-functional value out of contingent workforce data. Procurement can utilize spend and supplier data, while HR will benefit from talent management intelligence.
- **Procurement’s influence will continue to be felt across the contingent workforce spectrum.** The very core of complex contingent labor management involves pure procurement principles, such as strategic sourcing and supplier management. Services procurement solutions and supply management suites will become genuine options for those organizations looking to revamp the cost / financial aspects of contingent workforce management.
- **Identity management capabilities must be streamlined and enhanced to avoid the loss of intellectual property and sensitive information.** Too many contractors and temporary workers walk off-site with continued access to enterprise systems. Controlling on-site contract talent is just as important as engaging it and leveraging it; beefing up offboarding processes can go a long way in securing IP and sensitive financial data / information.

Recommendations to Prepare for the Future of CWM

The above recommendations are proven drivers that enterprises can and have used to improve their existing contingent workforce management programs. The recommendations below will help organizations best prepare for what’s up ahead in the contingent workforce industry:

- **The “blended” workforce is real, and total talent management is an ideal strategy to manage this talent mix.** The lines are becoming blurred between traditional and contract talent, as more and more enterprises blend these two very different workforces together for the greater good of the organization. RPO will arise as an important offering in the pursuit of total talent management, as its engagement functionalities will prove to be a positive force in managing the modern “blended” workforce.
- **The pressure to find, engage and retain top-tier talent will intensify.** The talent wars will continue to rage, and enterprises across the globe will see their need for unique skillsets increase as the months pass by. Social sourcing and social networking will be ideal strategies in the next generation of contract talent acquisition.
- **eWaaS will throw a wrinkle into contingent workforce management.** “Enterprise-workforce-as-a-service” (or “eWaaS”) is the freshest tactic in the CWM toolbox, and organizations will seek to source more contract talent from online labor marketplaces.

However, executives must be diligent in applying the same level of rigor to this contingent workforce management aspect as all other levels in the Contingent Workforce Management Framework to effectively balance cost, compliance risks and talent.

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Conclusion

The contemporary enterprise has the distinct opportunity to overhaul their contingent workforce management program and prepare themselves for the future of this fast-growing, exciting and evolving industry. With the introduction of Ardent's Contingent Workforce Management Framework (see Chapter 2), organizations are now armed with the necessary and programmatic knowledge to streamline operations within all three levels of contingent workforce management (traditional, complex and independent contractors), build a business case for implementing technology and other services / solutions, and developing a multi-tiered plan for managing the continued revolution of the contract talent industry.

APPENDIX

ABOUT ARDENT PARTNERS

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Ardent Partners is a Boston-based research and advisory firm focused on defining and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent also publishes the [CPO Rising](#) and [Payables Place](#) websites. Register for exclusive access (and discounts) to Ardent Partners research at ardentpartners.com/newsletter-registration/.

ABOUT THE AUTHOR

Christopher J. Dwyer, Research Director and VP of Operations, Ardent Partners



Christopher J. Dwyer is considered a premier thought leader in the world of supply management and a renowned expert in contingent workforce management, travel and expense management, and meetings/events management. He is the preeminent source of thought leadership in these areas and evangelizes the evolution of complex spend management. Over the last eight years, Christopher has written hundreds of research reports and interviewed, advised, and benchmarked thousands of end-user professionals and executives in regards to their complex spend management operations. Christopher joins Ardent from the Aberdeen Group, where he spent more than seven years tracking the progression of complex category spend management strategies and solutions while helping to educate the global market. At Aberdeen, Christopher led Aberdeen's Global Supply Management practice and oversaw and contributed to the company's coverage of procurement, strategic sourcing, spend analysis, ePayables (accounts payable automation) and supplier management.

Christopher leads Ardent's coverage of complex spend management, including the evolution of contingent workforce management, T&E expense management, and all other complex categories of spend and provides research and advice so that end-user organizations can enhance their capabilities and competencies and make the smart decisions that will ultimately improve their performance. He welcomes your comments at cdwyer@ardentpartners.com, on LinkedIn (www.linkedin.com/in/christopherjdwyer), or Twitter ([@cjd_ardent](https://twitter.com/cjd_ardent)).

RESEARCH METHODOLOGY

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Ardent follows a rigorous research process developed over years spent researching the supply management market. The research in this report represents the web-based survey responses of 189 business leaders as well as direct 30-60 minute interviews with more than 20 finance, procurement, operations and HR professionals (all of whom took the survey). These participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class contingent workforce management performance and understand what levers the leading groups pull to obtain their advantage. Respondents also shared the way that contingent workforce performance is measured within their enterprise. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included below.

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REPORT DEMOGRAPHICS

The research in this report is drawn from respondents representing the following demographics:

- **Job Function:** 51% procurement; 26% HR; 9% IT; 7% supply chain; 5% operations; 3% finance; 6% other
- **Job Role:** 22% VP-level and above; 30% director-level; 40% manager-level; 8% other
- **Company Revenue:** 61% Large (revenue > \$1 billion); 14% Mid-market (revenue between \$250 million and \$1 billion); 26% Small (revenue < \$250 million)
- **Region:** 72% North America; 16% EMEA; 10% Asia-Pacific; 1% South America
- **Industry:** Nineteen distinct industries are represented. High-Tech represented the largest industry (19%). Health Care, Public Sector, Education, Financial Services, IT Services, and Manufacturing are the other largest industries in the survey pool.

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