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TOTAL TALENT MANAGEMENT

THE KEY TO THE
FUTURE OF WORK

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INTRODUCTION:

As companies face new pressures and priorities this year, they are thinking more critically about the future of their workforce. According to Aptitude Research, 80% of companies leverage contingent workers, and one in three companies plan to increase their investment this year. A flexible and extended workforce helps companies fill critical talent gaps, reduce costs, and improve overall productivity. It also helps companies adapt and adjust to changing business needs - especially during times of uncertainty.

Even as the demand for contingent workers increased this past year, the challenges around total talent management remain the same. Most contingent workforce strategies lack visibility, rely on antiquated technology, and erode business leaders' confidence. Companies understand the value, but they do not always see the results. Companies must shift their contingent workforce management strategies and technology to thrive in the next year. This study, based on data collected in 2020 and 2021, will highlight the following transformations in total talent management this year:



Shifts in ownership from procurement to HR



New technology options that drive greater results



Strategies to improve visibility into headcount, spend, and engagement



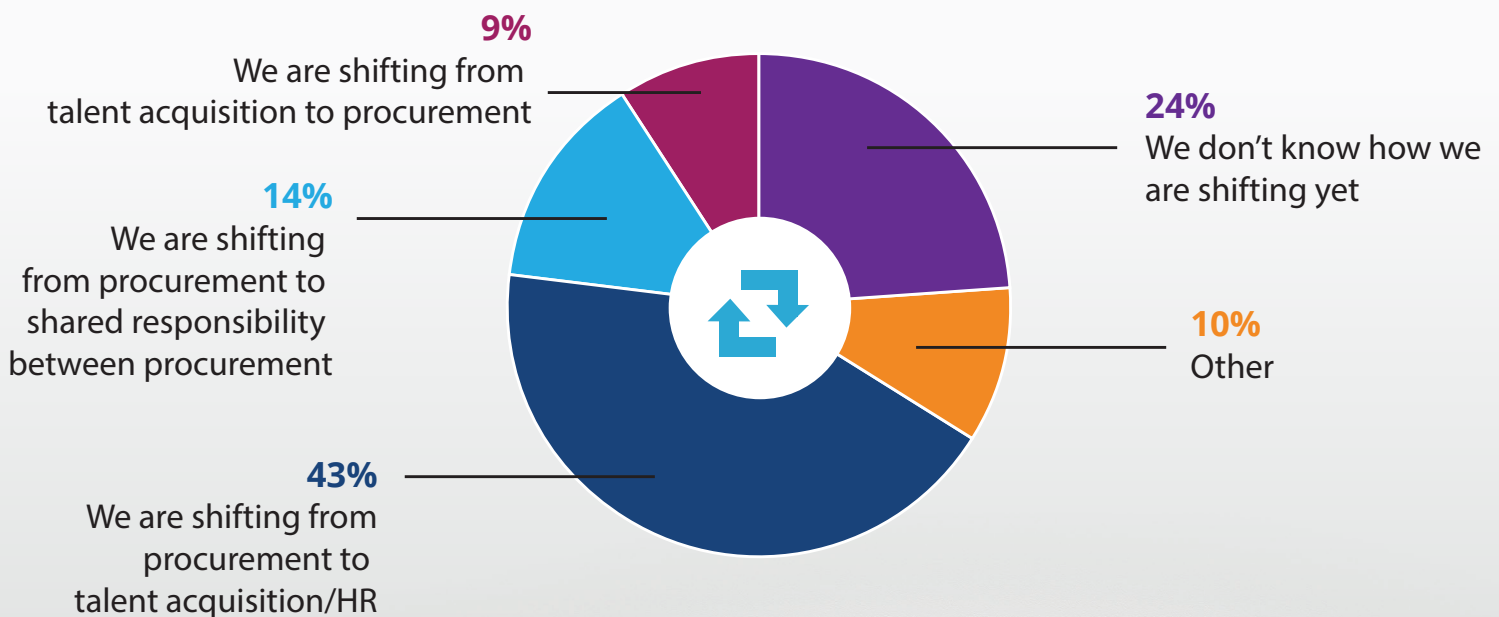
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A NEW LOOK AT OWNERSHIP

One question that often goes unanswered is who owns and is responsible for contingent workforce strategies. Historically, procurement has taken the lead, with HR having little to no visibility or input in the use of contingent labor. Thirty-five percent (35%) of companies are shifting their ownership this year to reduce overall costs. When asked how they are shifting ownership, 43% are moving this responsibility from procurement to HR, and 24% are moving from procurement to a shared services model (see Figure 1). This strategic shift from procurement to HR will enable companies to have a more holistic view of talent and create visibility into contingent and permanent hires.

Figure 1: *Shifts in Ownership From Procurement to HR*



As companies redesign their approach to who manages contingent labor and want to shift ownership to HR, there are a few questions to consider.

WHO Is Driving This Shift Today?

What has worked in the past for managing contingent labor will not work today. HR and shared services need to think more holistically about their workforce. They are held accountable for critical talent gaps and must fill positions quickly in a tight labor market. The move to remote work in 2020 has only amplified this pressure. The need for contingent data to be integrated with the overall talent strategy is critical. In our research, 76% of companies stated that senior leaders are driving this shift in ownership from procurement to HR, including KPIs, budget, vendor management, and engagement. Often, this decision is met with little internal resistance.

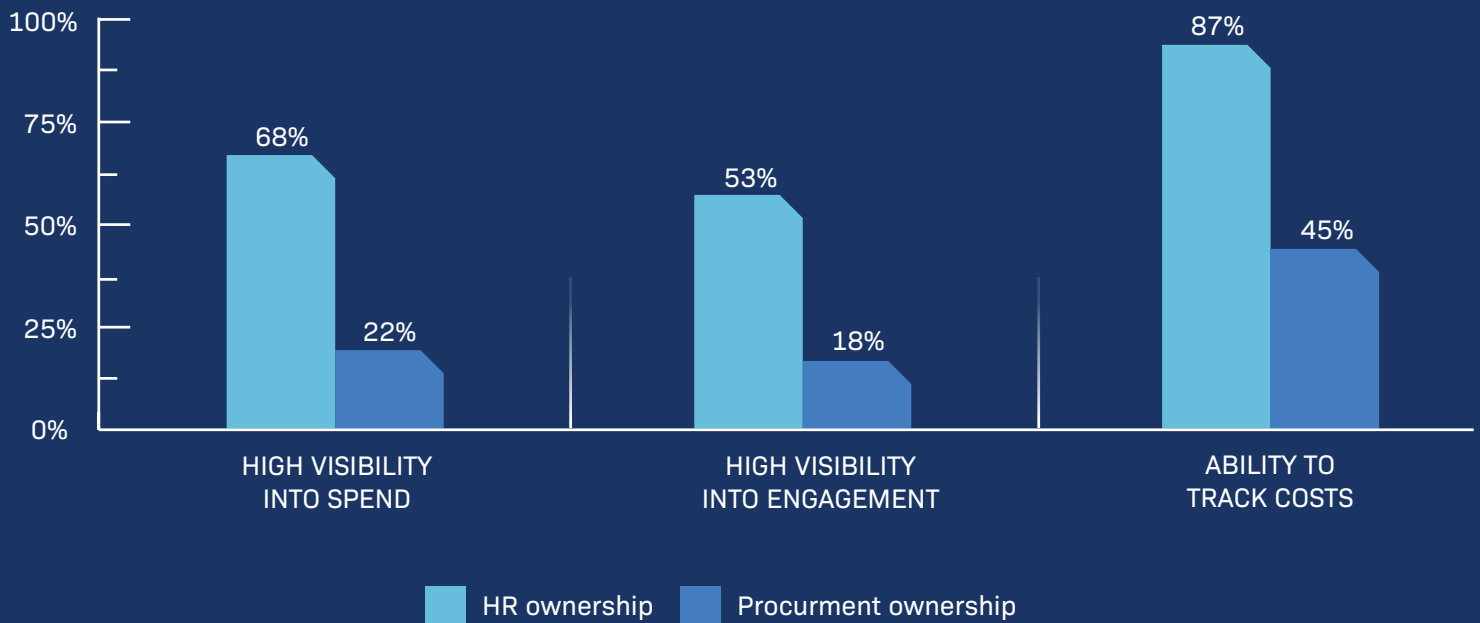
As an example, a multinational oil and gas company with 80,000 employees effectively transitioned with both procurement and HR “bringing different skill sets to the table.” Together, they collaborated and decided that HR would take more of a lead. This resulted in an increase in the use of contingent workers from 3,000 to 12,000 (at its peak). The shift was not an aggressive takeover but rather a partnership between procurement and HR on the best option for the business.”



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WHAT Is the Impact of Shifting Ownership?

We found significant improvements in visibility, satisfaction, and cost for companies that shift ownership from procurement to HR, with respondents stating they are two times more satisfied with their overall contingent workforce strategies. The chart below shows companies that have shifted ownership compared to those that have stayed the course and the impact on visibility into spend, engagement, and the ability to track costs. When HR leaders are more involved, they think about contingent and permanent hires holistically and need greater visibility. They need data and insights to feed into their current talent and workforce strategies to make better decisions for recruiting, developing, and retaining talent. Procurement professionals are not responsible for permanent hires, so they do not focus on broader talent strategies.

Figure 2: The Impact of HR Ownership

Engagement is a big driver of this shift in ownership as companies with engaged workers see impacts to productivity and absenteeism.

- **Employee engagement increases productivity in the workplace.**

Engaged employees outperform their peers who report that they are not engaged. Overall, companies with high employee engagement are 21% more profitable.

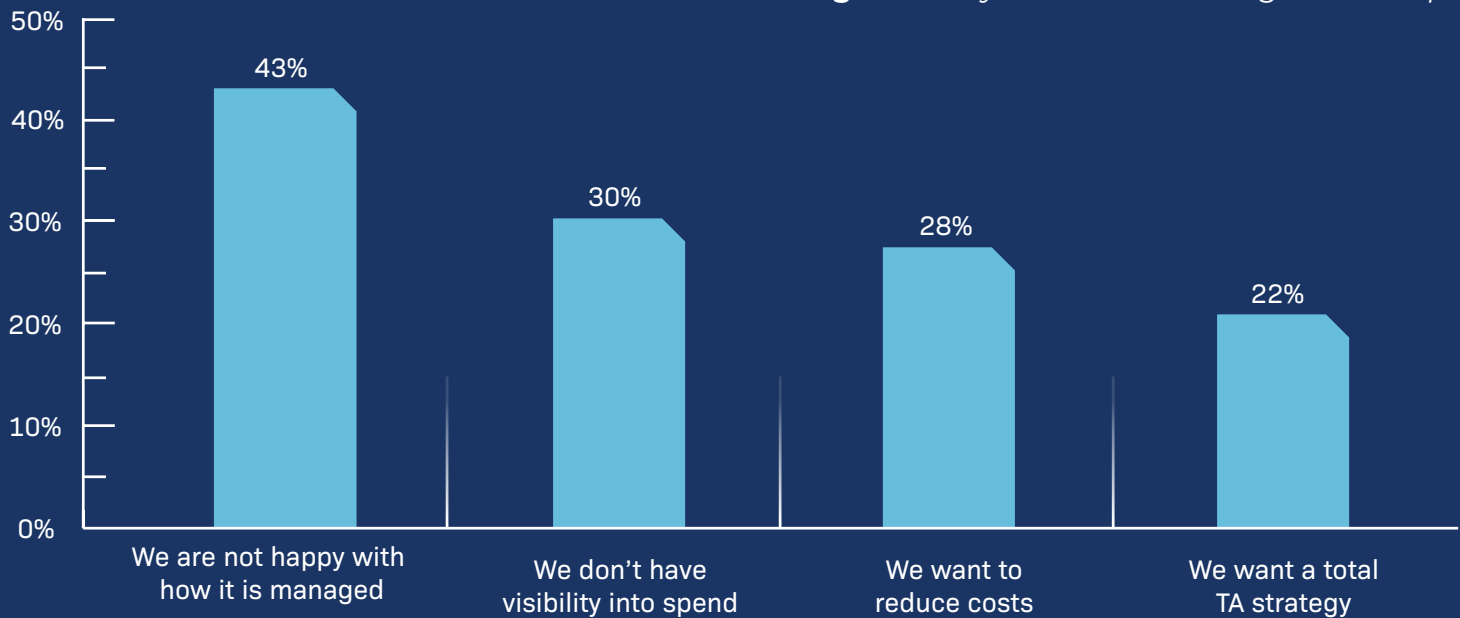
- **Employee engagement reduces absenteeism.**

A Gallup study shows that highly engaged workplaces saw 41% lower absenteeism.

WHY Are Companies Shifting Ownership?

For companies changing ownership, the most obvious reason is the value of having a unified view of both contingent and full-time employees. But we found other factors influence the decision to switch ownership, including greater collaboration between HR and procurement and more alignment between HR and business objectives.

When asked what is driving this change, companies cited dissatisfaction with how their contingent workforce is currently managed, lack of visibility, desire to reduce costs, and the need for a total talent acquisition strategy.

Figure 3: Key Drivers for Shifting Ownership

Every company is at a different stage in its contingent workforce journey. For companies looking to have a more effective strategy with greater visibility and a broader view into total talent needs, shifting ownership to HR can bring tremendous value. For HR to take the lead on their contingent workforce, companies must also reevaluate KPIs, their technology stack, and available resources. Procurement has relied on outdated VMS that are not designed for the modern HR leader. A shift in ownership allows companies to reevaluate their talent strategies and emerging solutions.

BETTER TECHNOLOGY OPTIONS

Every organization is going through some type of transformation in response to today's realities and to prepare for the future of work. Technology plays a critical role in helping organizations through this change. As companies reevaluate their talent and workforce technology, contingent workforce management must be part of the equation. According to Aptitude Research, 44% of companies invested in new talent technology in 2020, and one in four companies plan to increase that investment in the future. Companies want innovative solutions that will improve efficiency, effectiveness, and the overall user experience.

Unfortunately, many companies still rely on old-fashioned solutions to manage their contingent labor. Forward-thinking organizations are shifting to solutions that provide better visibility, greater engagement, and reduced costs.

Current State: *What Are Companies Using?*

Despite advances in contingent workforce management technology over the past few years, we found that 71% of companies still rely heavily on antiquated solutions and even manual processes like Excel spreadsheets to manage their flexible workforce needs. The primary system that companies use to support contingent workforce management is a Vendor Management System (VMS). These systems are transactional and designed to help organizations stay compliant. They don't provide visibility, simplify the experience for busy managers, or support total talent management efforts. Companies use a VMS to remain compliant and automate certain aspects of contingent workforce management, such as procuring, managing, and analyzing contingent labor. But the truth is they are only managing a small fraction of that contingent spend and often don't capture SOW workers, independent contractors, freelancers, or other non-employee labor.





When companies feel frustrated with the limitations of these systems, the tendency is to go out and find another VMS without exploring alternative options. This cycle creates more dissatisfaction and little value. We found that one in two companies are looking to replace their provider in 2021, and only 29% of companies are satisfied with their existing provider. The major challenge with the VMS is that these systems were designed for procurement professionals rather than HR. They solve tactical business challenges but fail to address the challenges of the modern workforce, including total talent management, diversity and inclusion, and engagement. Fortunately, companies today have better options. Next-generation solutions can provide more visibility, flexibility, and a great experience without compromising compliance.



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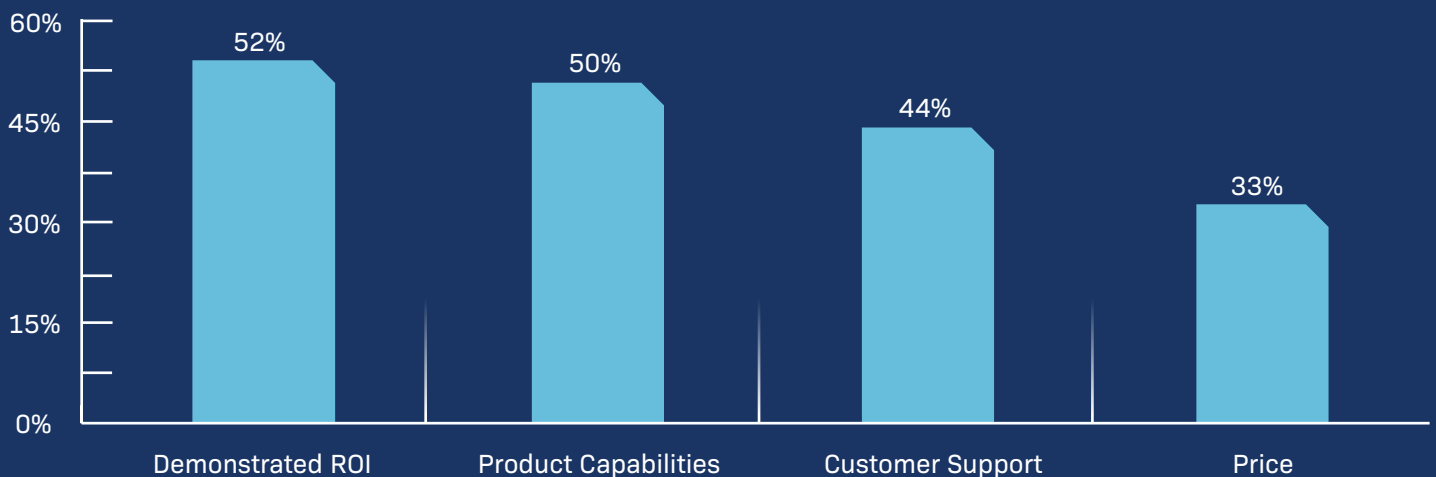
Figure 4: *Traditional VMS Solutions vs. Next-Generation Contingent Workforce Management*

	Traditional VMS Solutions	Next Generation Contingent Workforce Solutions
 <p>Compliance</p>	Helps organizations stay compliant when classifying, paying, and communicating with workers.	Helps organizations stay compliant when classifying, paying, and communicating with workers while providing visibility into these areas
 <p>Reporting and Analytics</p>	Dashboards on headcount, sourcing, and compliance.	Real-time dashboards and scorecards that provide visibility into headcount, spend, total talent, and planning.
 <p>User Experience</p>	Complicated experience designed for procurement professionals with low adoption from hiring managers.	Simple and engaging experience for hiring managers, suppliers, and workers including integration with core HCM solutions.
 <p>Visibility</p>	Low visibility into spend, headcount, and effectiveness.	Transparency and visibility into spend, headcount, data, suppliers, and effectiveness.

Future State: What Should Companies Consider?

Companies unhappy with their current VMS or contingent workforce management strategy should consider their unique requirements and look for alternatives. With nearly 50% of companies looking to replace their VMS, they should consider providers with deep domain expertise in a flexible workforce and a simple and engaging experience for both managers and workers. The top reasons companies move away from their VMS include demonstrated ROI, product capabilities, customer support, and price (see Figure 5). It is interesting to note that providing value (through ROI) and product capabilities are more important to most organizations than finding a more affordable option. Companies want to understand the costs and benefits of these solutions and consider how these solutions can support their current and future needs.

Figure 5: *Reasons That Companies Leave their VMS*



The next-generation of contingent workforce solutions gives companies better insights and visibility and improves the worker experience. Unlike the VMS, which is only designed for the employer, today's solutions consider the individual worker and allow them to manage their own profile, own their data, and consider redeployment opportunities.

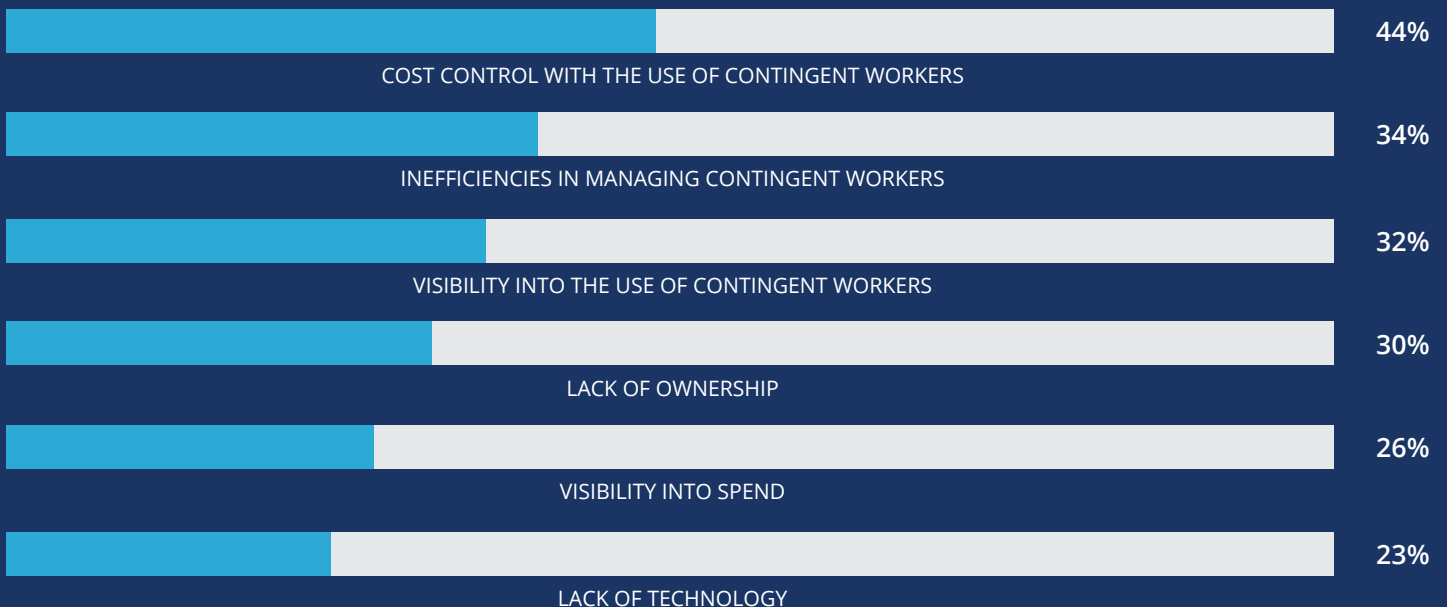
Companies shifting their technology away from a traditional VMS to next-generation solutions see improvements in how they manage their contingent workforce. These solutions can help companies scale rapidly, improve visibility, mitigate risk, and provide an improved experience for both employers and workers. The future of contingent workforce technology comes from providers looking to disrupt this market by offering one unified platform to source, engage, and pay non-employee workers and measure and manage spend.

STRATEGIES FOR IMPROVING VISIBILITY IN CONTINGENT WORKFORCE MANAGEMENT

As companies start to reevaluate ownership and technology, they need to consider visibility. One of the greatest challenges that companies face when managing their contingent labor is the lack of visibility into spend, headcount, and vendor management. This lack of visibility creates chaos and confusion for companies looking to make better decisions on both permanent and contingent talent. Many companies second guess their hiring and talent management decisions when they do not have insights into how, when, and why they use non-employees.

When it comes to contingent workforce management, companies are constantly asking, “Are we doing this right?” This is often difficult to answer and nearly impossible to measure. According to Aptitude Research, cost control, visibility into use and spend, inefficiencies, and lack of ownership of technology were identified as the top challenges in contingent workforce management (Figure 6).

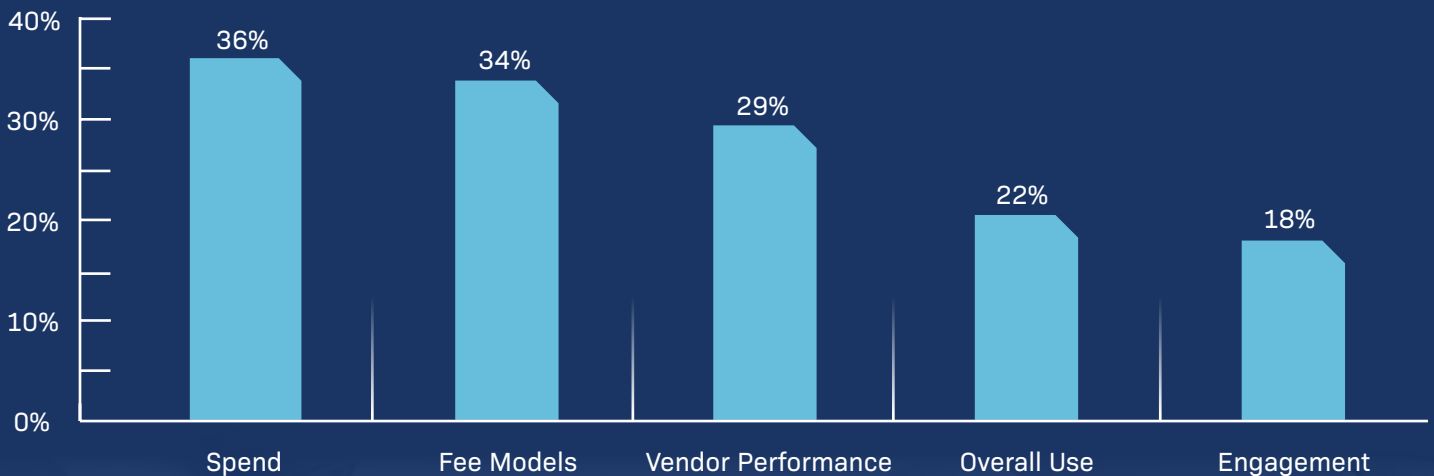
Figure 6: *Top Challenges In Contingent Workforce Management*



Without insights into how to manage non-employee labor, companies can't really value the strategies or technology they have in place. They often view their approach to contingent labor as reactive rather than strategic. Instead of looking ahead and planning for workforce needs, they tend to seek contingent workers only when they have an immediate void to fill. Increased visibility can help turn contingent labor into a more strategic initiative.

Headcount, however, is not the only area where companies want more insights. We found that over 60% of companies lack strong visibility into spend, fee models, vendor performance, and worker engagement (Figure 7).

Figure 7: *Visibility into Contingent Workforce Management*



Why Is Visibility a Challenge?

Companies that lack visibility into contingent labor may not have clearly established who owns this initiative, invested in the right partners, or clearly defined their performance metrics. Visibility is not just a challenge for employers. The BLS has difficulty reporting on contingent workers or tracking all categories of the extended workforce. Additionally, companies also lack insights into costs and rates.

Some of the reasons that companies lack complete visibility into contingent workers include:



Lack of Planning:

Companies often make last-minute decisions around non-employees based on project needs or demands during different times of the year. Staffing vendors will typically increase costs without providing any visibility or standardization.



Inconsistent Pay Rates:

Companies may have inconsistent pay rates for the same level of resources within an organization, or vendors may change pricing without providing an explanation. As pay rates vary, companies do not always have a clear picture across their organization.



Inability To Forecast the Budget:

Companies think about contingent needs in the short-term without looking at what they are currently spending, what they have left to spend, or preparing for future projects.

What Should Companies Consider?

With greater visibility into contingent workforce management, companies can better control costs, manage vendors, and empower workers with a better workplace experience, which in turn helps them attract and retain top talent. Companies should consider partners that offer complete visibility and can establish and report on clear metrics for success across the entire workforce. We also found that companies should consider the following:



Support Two-Way Visibility:

Companies should consider suppliers and vendors that will provide visibility into spend and headcount. But visibility and transparency needs to be bi-directional. Companies should also provide visibility to suppliers, so that they can get talent quickly and with less administrative work.



Understand Cost Control:

Most companies do not pay attention to cost until it is too late. According to this study, 39% of companies are not tracking costs for contingent workers and 42% of companies looking to reduce spend are just trying to control these costs. Controlling costs represent a growing concern that companies may be spending more than they should. Many aspects of managing contingent labor can impact program spend, including lack of budget visibility and how budgets are being allocated.



Invest in the Right Provider:

Traditional VMS providers and contingent workforce solutions do not provide enough visibility to empower organizations to make better decisions around spend and vendor management. Companies should consider providers that offer deeper insights, real-time dashboards, and workforce planning capabilities.

CONCLUSION:

As the demand for contingent workers continues to increase, what has worked in the past will no longer work today. Companies need greater visibility around their headcount, spend, and engagement. They need to respond to changes in the overall business with a clear understanding of their current and future talent needs. By shifting ownership and reevaluating technology options, companies are better able to improve visibility and overall results.

ABOUT US



Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, The Aptitude Index Report: Talent Acquisition Systems (2021), delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with our consulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at www.AptitudeResearch.com or connect with us on [Twitter](#) or [LinkedIn](#).



Utmost Extended Workforce System is the talent-focused, next evolution of vendor management software. With Utmost, enterprises gain full visibility into their extended workforce which enables data-driven talent decisions across HR, Procurement, Finance, and IT. The software enhances the productivity of workers, hiring managers, HR partners, and staffing firms while ensuring compliance.

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