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The New Talent Ecosystem



FEATURE

The Gig Economy:
A Disruptor Requiring HR Agility

EXECUTIVE ROUNDTABLE

Growing Talent in a New
Workplace Environment

The Gig Economy: A Disruptor Requiring HR Agility

By Nick Horney



The era of digital disruption for chief human resource officers (CHROs) is often referred to as the “gig economy” (also known as contingent work, sharing economy, agile talent, non-traditional work relationships, or alternate forms of employment), with Uber and Airbnb receiving most of the attention from the press. Other gig economy “digital disruptors” include Lyft (ride sharing), UpCounsel (legal experts), Instacart (shopping and delivery), and TaskRabbit (odd jobs). The rapidly accelerating growth of the gig economy represents one of the most significant and all-encompassing challenges faced by human resources professionals. The fundamental question is whether human resources can demonstrate the agility to lead the change in culture, programs, processes, and policies originally designed for work completed by full-time employees to a new era when more of the work is being completed by a talent portfolio increasingly represented by contingent workers (also referred to as gigsters, free agents, temporary help, agency workers, on-call workers, contract workers, independent contractors, or freelancers).

Technology-enabled talent platforms are accelerating the disruption of the status quo for CHROs and creating a new era of business turbulence often referred to as VUCA (volatility, uncertainty, complexity and ambiguity). Illustrations of these talent platforms include Tongal, Topcoder, and Mechanical Turk, which better enable people to have more control over how they work—whether that’s better balance between work and home, choosing passion-driven projects, or being their own boss—the gig economy makes all those things possible on a scale like never before. As a CHRO, you will have to determine whether you will leverage these and other talent platforms to

successfully manage your entire talent portfolio, or leave that responsibility to the hiring departments or procurement.

Companies transforming to the new challenges of the gig economy realize that they must act in new ways about accessing and leveraging key talent and filling critical gaps in core capabilities. Although most executives want to get the most value possible from external talent, their organizations are not set up for it. They know that they must act, but it is not clear to them what needs to be done. So how can CHROs navigate this turbulent VUCA environment and help their management colleagues and HR team anticipate and act on the changes being driven by the gig economy on the policies, processes, programs, and culture impacting their talent portfolio? How fit is your HR team and organization to address those challenges that were created primarily for a workforce composed of full-time employees, not contingent workers? Transformations like this led by CHROs are by no means easy to achieve, but for many firms, they are a competitive necessity. CHROs have the opportunity to drive the agility and rapid innovation necessary to compete in the gig economy and demonstrate the change readiness in human resources, which impacts the entire organization. The frameworks proposed here will help guide the choices that CHROs must make to help transform their organizations in the face of the new and often uncharted challenges presented by the gig economy.

Business Context of the Gig Economy

Labor Laws

Many articles and white papers have been written on the challenges of the gig economy in light of outdated laws, some written in the 1930s, governing employers and employees. The growth of the gig economy and associated talent platforms have blurred the legal definitions of the terms “employee” and “employer” in ways that were unimaginable when employment regulations like the Wagner Act of 1935 and the Fair Labor Standards Act of 1938 were written. These and other federal and state labor laws were designed to govern the respective duties of workers and those that hire them. Most of these laws establish a minimum standard for how employers treat workers. They operate on the assumption that employers have most of the control and power in the relationship and that individual workers are unable to defend their interests. There is a growing public policy debate over how to regulate and measure new labor models given the growth of the gig economy. Earlier this year, John Boudreau, Ravin Jesuthasan, and David Creelman wrote a compelling book, *Lead the Work: Navigating a World Beyond Employment*, about how work gets accomplished, that focuses on the growth of the contingent workforce and the implications this emerging broader portfolio of talent has for leadership.

Number of Gigsters

Although the exact number of gigsters varies somewhat based on the information source (published reports, survey data, conference presentations, and U.S. Labor Department data), the findings point to a significant rise in the incidence of gigsters in the U.S. economy. The percentage of gigsters rose from 10.1 percent in February 2005 to 15.8 percent in late 2015, according

to research completed by Katz and Krueger (2016). Another research study by Freelancers Union, estimates the number of gigsters to be 54 million (Freelancers Union, 2015).

Speaking at the Society for Human Resource Management’s Employment Law and Legislative Conference in 2016, Gene Zaino of MBO Partners (business advisors to self-employed) said there are 42 million free agents in the United States. According to MBO Partners, free agents annually contribute

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\$1.15 trillion to the U.S. economy. Intuit predicts that by 2020, 40 percent of U.S. workers will be gigsters. Filings of 1099-MISC forms, used for income earned from independent contract work, have risen faster than traditional W-2 filings over the better part of the past 15 years, according to the U.S. Department of Labor.

Leadership in the Gig Economy

The upheavals in the business landscape brought about by the gig economy will require CHROs who can help leaders in their organization become more agile in working with a broader talent portfolio. CHROs working with their business partners must be able to identify vital skills to survive and thrive in a VUCA world and identify the source of talent for those skills, whether full-time employees or contingent workers. Leadership development and executive coaching programs will need to emphasize the new challenges of leading in a gig economy. It is more difficult to lead a talent portfolio composed of a coalition of employees, contractors, and consultants than it is to lead a team of people who work for the same business.

Global Workforce

The global workforce has become more empowered as a result of cloud computing and greater mobility, and has facilitated the development of business frameworks where the workforce is increasingly external, project-based, and flexible, as noted in *Agile Talent* (Younger and Smallwood, 2016). These global trends have impacted the relationship between an employer and its workforce by creating significant change in an organization’s culture.

Eight millennial MBA students were interviewed for a presentation on the gig economy at the Annual HRPS Conference (Horney, Eckenrod and Prescott, 2016). These global MBAs were optimistic that the gig economy would offer them the types of project experiences that would encourage them to explore free agent roles.



Gig Learners— Millennials Speak Up!

- *U.S.*—Benjamin Dale, Trip McFall
- *France*—Georges Obolo
- *Columbia*—Nicolas Alladio
- *India*—Milita Rana
- *Romania*—Mariana Flores
- *Turkey*—Tunc Torosdagli
- *Ukraine*—Tamilia Vitko

Dr. Robert Prescott's Rollins College,
2016 MBA Class

philosophies supporting an entire talent portfolio. Some organizations have problems because they have treated contingent workers as totally separate and not equal to internal employees. The culture of most organizations would never allow treating free-agent talent like internal employee talent. CHROs need to develop managers to fundamentally change how they think about and manage the entire talent portfolio.

Shift from Talent Management to Talent Portfolio Management

The gig economy is demanding a fundamental shift in the typical talent management philosophy that historically focused on full-time employees to talent portfolio management, which represents both internal and external talent. How an organization manages the internal-external partnership has a lot to do with the successful management of the HR processes, policies and

Organizational Barriers to Transforming to the Gig Economy

Organizational barriers can prevent effectively managing in the gig economy. These barriers range from HR processes to organizational culture, as indicated in the graphic above. For example, existing HR processes for recruiting, onboarding, engagement, talent management, and so forth primarily focus on full-time employees with limited consideration for contingent workers as part of the organization's talent portfolio.

The procurement department, often responsible for negotiating contracts with contingent workers, may focus primarily on cost control and limit focus on the talent portfolio value that contingent workers bring to the organization.

Hiring managers are expected to manage the relationship with gigsters as part of their talent portfolio. The challenge for HR is to work with procurement and hiring managers on a more collaborative approach to acquiring talent in the gig economy. Talent platforms like Tongal will likely require procurement, marketing, and human resources to work together to access and coordinate a new talent portfolio which includes on-demand talent markets and crowdsourced competitions and more traditional in-house teams and outside advertising and creative agencies.

Steps to Developing Your HR Agility Fitness

The volume, velocity, and intensity of "noise" encountered in the gig economy requires the human resources function to

An Interview with a Global Talent Management Executive

Mary Eckenrod, former global vice president of talent for Cisco Systems, Lenovo, Johnson Controls, and Blackberry, recently spoke about her experience with the global gig economy and HR functional readiness to address its challenges.

Q. On a scale from 1–10, how would you rate the agility of most human resources functions to effectively address the VUCA challenges of the gig economy (scale: 1=completely unprepared and fragile; 10=currently prepared and agile)?

A. Under most of the current conditions, I would rate HR at about a 6 since many have experience working with workforce agencies for temporary employment, project work, and help with identifying key full-time talent. However, as the need for key talent increases and can be accessed globally, the demand for a better way to plan for and manage the entire Talent Portfolio™, as you have referred to it, will require a broader view of talent including:

- Full-time employees
- Consulting and other partners
- Independent, on-demand workers
- Workforce agency, temporary/project workers
- Independent specialized consultants

I am concerned that most HR professionals and teams are not effectively anticipating the changes demanded by the gig economy and will be playing catch-up in the next few years. Therefore, I would rate their agility regarding the business imperative of the gig economy, to be much closer to a 2.

Q. Do you have any examples of how you had to overcome organizational barriers to attract and engage on-demand talent?

A. A good example is when I needed to hire an individual consultant, not a firm, and someone with multilingual experience was ideally suited to a specific project. However, I ran into procurement rules that were inflexible and treated every external resource as a “vendor” which required the same level of insurance as demanded of much larger firms. This roadblock was overcome by some creative solutions, but illustrates the cumbersome rules that we have for talent in the 21st century based on antiquated policies. It would be impossible to have a workaround for each outdated process.

Q. What are some of the actions that CHROs need to be proactively taking to address the challenges of the gig economy?

- A.**
- Understand company workforce practices and policies impacting independent workers
 - Understand regulatory restrictions impacting independent workers in countries where you employ talent
 - Accelerate initiatives to identify and keep your best talent (project work, rotations, flexibility, and collaboration)
 - Map and incorporate new demands for leaders into leadership development
 - Broaden workforce plans to include more external talent
 - Build collaborative processes and plans with talent acquisition and procurement
 - Think differently about “careers” in your organization
 - Start with a functional sponsor to build process and expertise
 - Educate senior management on the new workforce

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demonstrate agility in its policies, processes, and practices to enable the organization to transform to be more gig-economy capable. The secret to becoming more agile as an HR Team is to demonstrate that you can be focused, fast, and flexible, even in the turbulent circumstances. The AGILE Model* offers a framework to help attain and sustain an HR agility fitness target, while also serving as an agility fitness coach for others in the organization (Horney, Eckenrod, McKinney and Prescott, 2014). But it takes work to achieve this agility, just like it takes work to achieve your personal physical fitness goal. The HR Agility Process Audit figure at right represents the major elements of the HR agility transformation for the gig economy.

The matrix illustrated here, represents the types of questions used to identify the degree to which the talent planning process represents the entire talent portfolio or is solely focused on internal employee talent. It establishes a baseline of the changes needed to implement a comprehensive talent portfolio planning process.

Step 1. Anticipate change resulting from the gig economy by conducting an HR Agility Process Audit.

Implications for HR processes (e.g., job analysis, recruiting, onboarding, performance management, talent assessment, etc.). Example: Modify job analysis process to work analysis. HR will need to shift its reliance on job analysis to implement work analysis focused on the tasks involved in accomplishing the work, regardless of whether the worker is a full-time employee or a contingent worker. HR should consult with its internal

client functions to determine what work is best accomplished by full-time employees (e.g., work tasks involving sensitive intellectual property) and that work which can be accomplished by contingent workers).

Process mapping is used to identify the tasks and flow of work which should be accomplished by full-time employees and which ones could be done by contingent workers.

Step 2. Generate confidence in the changes necessary to thrive in the gig economy. Equip managers with the training and coaching to better understand how to more effectively lead in a gig economy where functional and project teams include contingent workers, consultants and full-time employees. An important element of the management training would include an updated process for conducting the talent review for high potentials and associated talent development.

Step 3. Initiate action to change the policies, processes, and philosophies of HR which relied on the assumption that organizational talent only consisted of internal full-time employees.

As described earlier, work analysis would include process mapping to identify the current and future tasks in each HR process. The illustration on page 22 provides the detailed tasks for the current recruiting process and the improved process focused on the entire talent portfolio. As this is a process that is continual and ongoing, the ability to alter processes and structures quickly is vital. This element is fundamentally about process improvement in HR processes to better equip HR for the gig economy.

Step 4. Liberate thinking by creating the environment for the HR team to think creatively about the how to redesign HR processes, policies, and philosophies supportive of the gig economy. Scenario planning can be applied to the talent review process where contingent workers would also be reviewed for performance and potential so that the organization's entire talent portfolio can be identified and developed. This represents a talent portfolio mix of full-time and contingent workers. Combinations of talent are likely to vary depending upon the strategic planning business scenario.

Step 5. Evaluate results. How has the transformation to support the gig economy impacted key performance indicators

Organizational and HR Barriers to the Gig Economy

HR Experience Barriers

- Limited strategic business competencies
- Emphasis on technical/administrative competencies
- People programs not aligned to support business objectives or desired behaviors

Organization Culture Barriers

- Reactive service offerings not anticipatory
- Focus on compliance issues
- Resistance to change
- Conflict between corporate control and local autonomy
- Lack of HR credibility with senior management

HR Structure Barriers

- Ineffective, redundant decentralized function
- Unclear and overlapping roles and responsibilities
- Large, fragmented centralized function
- Limited tools/data to make effective HR resource allocation decisions

HR Process Barriers

- Ineffective, redundant processes
- Low customer satisfaction
- Insufficient measurement processes
- Outdated processes
- No sharing of best practices

HR Technology Barriers

- Inflexible, incompatible HR information systems
- Limited access to critical information
- Little leveraging of technology to streamline work processes

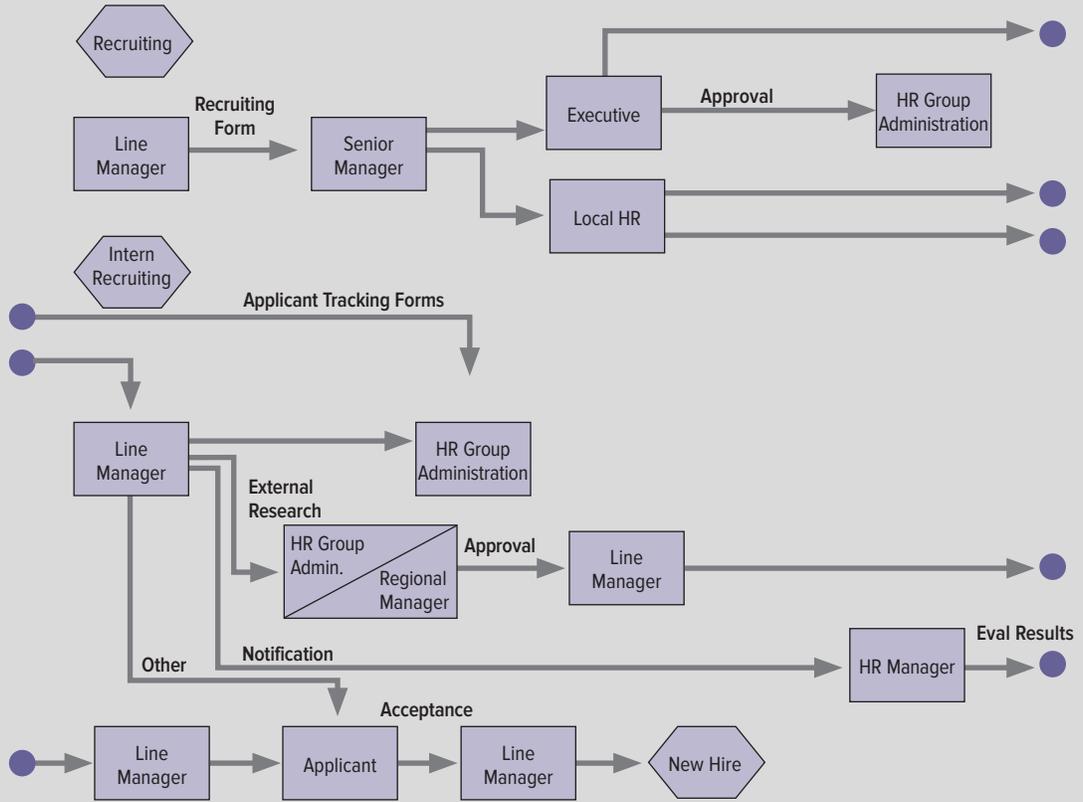
HR Agility Process Audit™ — Planning for The Gig Economy (Illustration)

Agility Drivers	Key Agility Processes	Talent Portfolio Planning (0-100 Points)
Anticipate Change	<ul style="list-style-type: none"> • Scan horizon for trends/forces of change • Actively monitor competitors • Maintain trend monitoring system • Regularly recalibrate focus based on trends • Build flexibility for rapid change • Introduce market defining paradigm shifts 	<ul style="list-style-type: none"> • Are we ready to discuss shifting from job analysis to work analysis? • How rigorous is HR in identifying areas where on-demand talent are required? • What critical capabilities are best achieved through on-demand talent? • How well has HR defined the scope of initiatives for on-demand talent? • How is the mix of the talent portfolio determined? • How does Human Resources continuously update the organization's shifting talent portfolio based on trends and patterns impacting the organization's strategy?
Generate Confidence	<ul style="list-style-type: none"> • Communicate clear vision & mission • Build teams & cross-functional collaboration • Create culture of employee engagement • Continually check priorities for alignment • Actively communicate via multiple methods • Give and seek feedback about change • Ensure integrity & honesty 	<ul style="list-style-type: none"> • How has HR been involved in defining performance expectations for the talent portfolio? • How well is performance measured and discussed across your entire talent portfolio? • How has HR equipped management to effectively manage their talent portfolio? • What is the organization's strategy on talent deployment for maximum business impact? • How are capability gaps of the talent portfolio resources identified? • How confident is the organization that its talent portfolio management process is dynamic and reflects the fluid nature of our business environment?
Initiate Action	<ul style="list-style-type: none"> • Align priorities, resources & accountabilities • Make fast decisions based on emerging trends • Shorten cycle times in all processes • Make speed of learning a competitive advantage • Demonstrate resilient capability in all areas • Apply plug and play action teams 	<ul style="list-style-type: none"> • How does HR proactively address the management of its talent portfolio? • How has HR proactively addressed conflicts between internal and external talent? • How fast can the organization flex its talent portfolio to meet VUCA demands? • How does the organization use recruitment and selection information to form early development plans for its talent portfolio? • How do individuals receive feedback from others beyond their direct manager? • How does the organization strengthen relationships in its talent portfolio?
Liberate Thinking	<ul style="list-style-type: none"> • Create empowering environment that fosters fresh, innovative thinking • Continuously search new ways to communicate and collaborate • Make creative and effective use of ideas expressed by others • Continually seek use of new technology, processes and alliances 	<ul style="list-style-type: none"> • How is HR creatively addressing the cultural fit of its talent portfolio? • What does the onboarding process look like for the talent portfolio? • How does the HR department build skills in talent portfolio management to be able to offer targeted assistance to the organization? • What does the organization do to provide the individual with a formal opportunity to share his or her perspectives on the organization?
Evaluate Results	<ul style="list-style-type: none"> • Scorecards continually reviewed for data concerning key processes • Systems provide rapid feedback on changing conditions • Coaching provided for on-going improvement • After action reviews conducted • Key metrics are aligned with rewards 	<ul style="list-style-type: none"> • How bureaucratic are the HR policies in dealing with external talent? How engaged are the external talent compared to full-time employees? • How are the long-term costs of not developing the talent portfolio determined? • How does the succession management process include a review of how well leaders are deployed to realize strategic priorities? • How accountable is line management for the results of its talent portfolio? • How does the organization learn from talent portfolio management in order to support dissemination of best practices?
Totals		

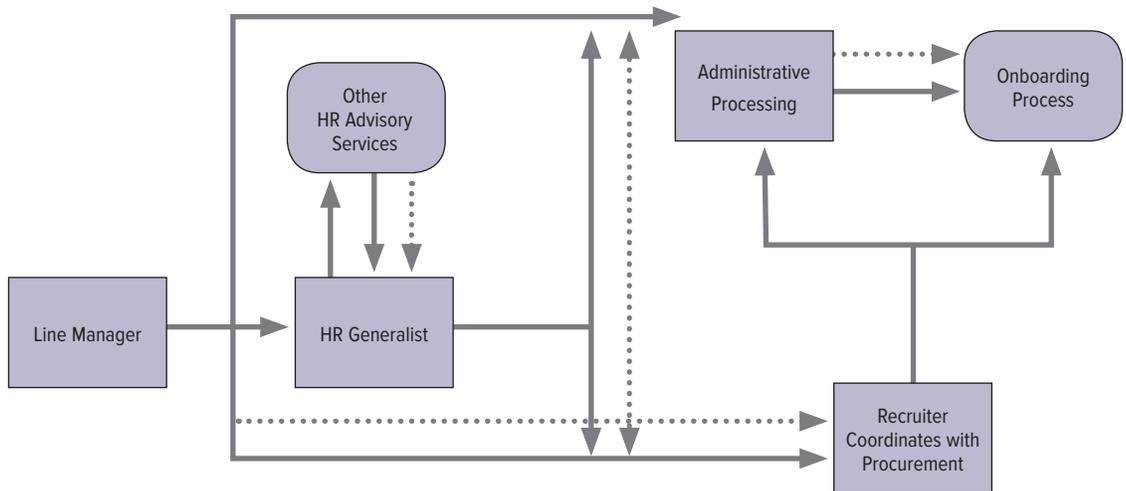
*The AGILE Model® is a register trademark of Agility Consulting and Training.

HR Process Example: Recruiting for Full-time Employees and Contingent Workers

AS IS (Full-time Employees Only)

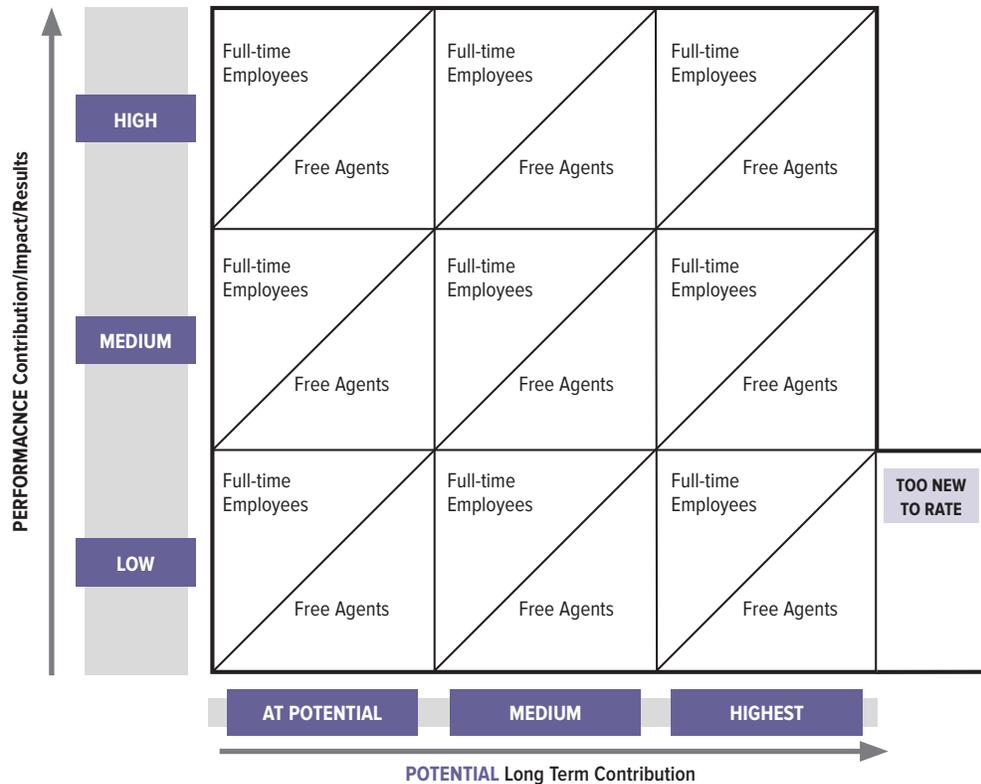


To Be (Includes Contingent Workers)



Talent Portfolio Management

Talent Portfolio Management (TPM) Training describes how to manage full-time employees and free agents as well as how to complete the 9-box talent portfolio assessment and how to assign performance and potential



of human resources? Key performance indicators can be tracked and monitored to determine if the HR agility initiatives are having the desired impact on the organization.

Summary

The growth of the gig economy has implications for the labor market and more importantly, CHROs. Agility may be a key draw for many workers to the gig economy, lifting labor force participation and topping up incomes, but it is also likely to present challenges for workers who seek the benefits and income stability of traditional work arrangements. As technology platforms that support contingent workers become more ubiquitous, additional data will be needed to measure the extent and impact of the gig economy. In the meantime, CHROs have the opportunity to take the lead in developing HR Agility within their teams and HR processes to more effectively compete in the gig economy with a company that is change ready. 🏗️

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