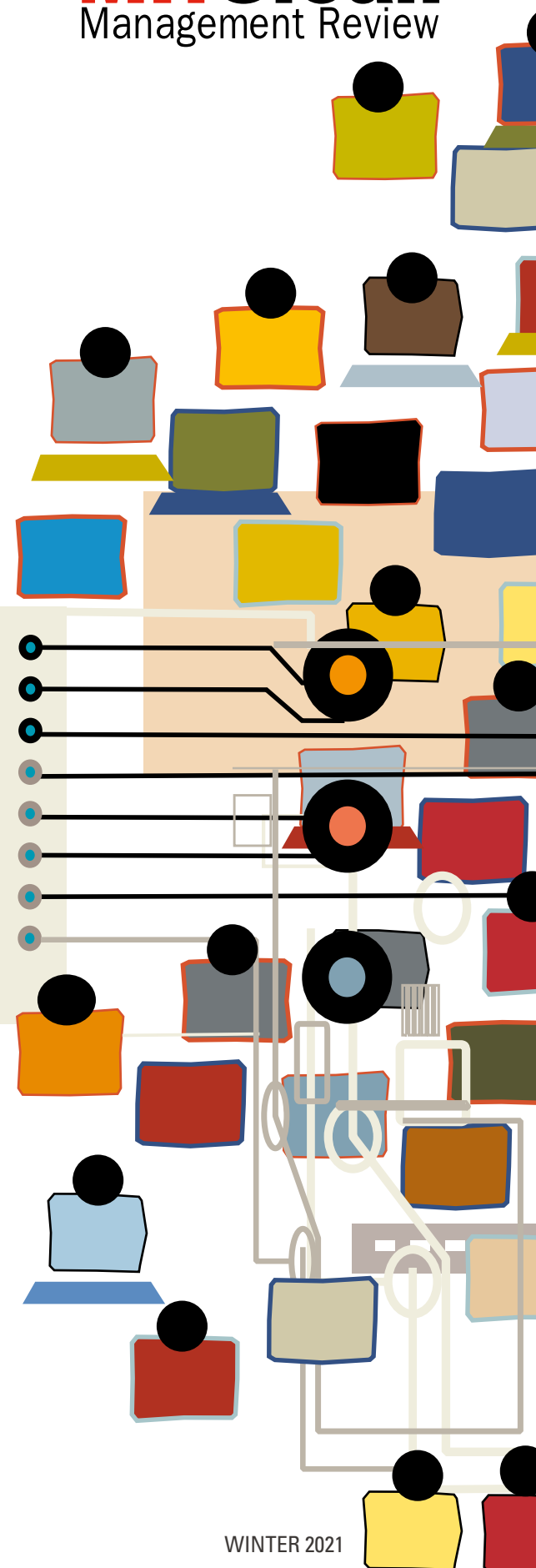


RESEARCH HIGHLIGHT

The Future of Work is Through Workforce Ecosystems

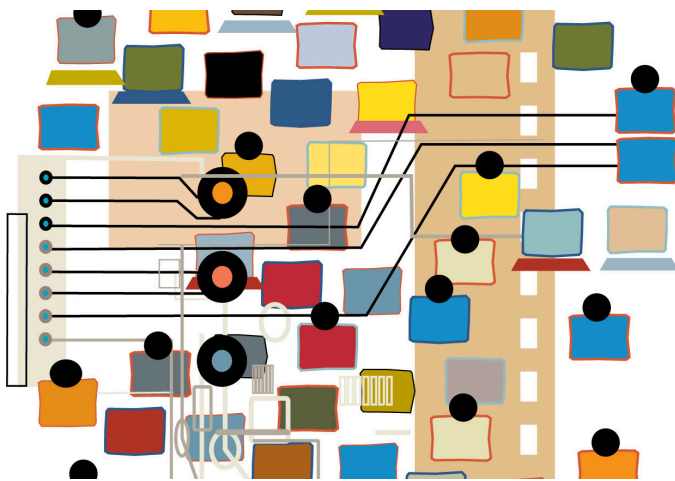
By Elizabeth J. Altman, David Kiron,
Jeff Schwartz, and Robin Jones



The Future of Work Is Through Workforce Ecosystems

Elizabeth J. Altman, David Kiron, Jeff Schwartz, and Robin Jones

Workforce ecosystems can help leaders better manage changes driven by technological, social, and economic forces.



Ask leaders today how they define their workforces, and you'll immediately hear some version of "Well, that has become a very interesting question, and even more so recently." Today's workforces include not only employees, but also contractors, gig workers, professional service providers, application developers, crowdsourced contributors, and others.

Effectively managing a workforce comprising internal and external players in a way that is both aligned with an organization's strategic goals and consistent with its values is now a critical business necessity. However, legacy management practices remain organized around an increasingly outdated employee-focused view of the workforce — that it consists of a group of hired employees

performing work along linear career paths to create value for their organization.

Seventy-five percent of respondents to our 2020 global survey of 5,118 managers now view their workforces in terms of both employees and non-employees. Growth in the variety, number, and importance of different types of work arrangements has become a critical factor in how work gets done in (and for) the enterprise.

We see many companies experimenting with ways to manage all types of workers in an integrated fashion. Several novel management practices have emerged across the business landscape. Even so, few — if any — best practices exist for dealing strategically and operationally with this distributed, diverse workforce that crosses internal and external boundaries. Executives seeking an integrated approach to managing an unintegrated workforce are left wanting.

We contend that the best way to conceptualize and address these shifts and related practices is through the lens of workforce ecosystems. We define *workforce ecosystem* as a structure that consists of interdependent actors, from within the organization and beyond, working to pursue both individual and collective goals.

Managing a workforce ecosystem goes beyond efforts to

unify the dissimilar management practices currently organized around employees and non-employees. It's a new approach to a new problem that demands a fresh solution. Our view draws upon two years of research that includes two global executive surveys and interviews with leaders and academic experts. This brief article introduces the concept of workforce ecosystems and discusses how they can help managers rethink the way they align their business and workforce strategies.

Four Reasons to Focus on Workforce Ecosystems

Below, we highlight a series of shifts — driven by technological, social, and economic forces — that current management practices do not sufficiently address. Our emerging research suggests that workforce ecosystems can enable managers to deal more effectively with these changes.

Shift 1: More non-employees are doing more work for business. By some estimates, non-employees are responsible for performing more than 25% of work in the enterprise. Many sources indicate that this dependence is expected to grow, facilitated in large part by a rise in platforms that make it easier to engage workers for on-demand, task-specific work (a type of work that is itself expected to grow).¹ This shift coincides with another: growth in the number of highly skilled creative or technical workers (such as data scientists) who prefer to work on specific types of projects for one or more companies.

These workforce trends pose several strategic challenges:

1. A majority of organizations report that they “inconsistently manage or have no process to manage alternative workers” across functional domains.²
2. Access to a greater variety of workers intensifies the need to make strategic choices around whether to recruit or temporarily engage people with new skills and capabilities.
3. Maintaining an organization's alignment with its values and creating a consistent culture can become even more difficult when large proportions of the workforce are not

employees.

Adopting a workforce ecosystem can enable managers to make an integrated set of choices about these challenges. New questions become possible: What does a consistent set of management practices look like across our workforce ecosystem? What identity do we want our workforce ecosystem to embrace? And how do we decide whether to attract (and hire) or externally access the talent and capabilities that we require within our workforce ecosystem?

Shift 2: The nature of work is evolving. Job descriptions anchor traditional management systems. Semiannual reviews and annual merit increases are predicated on employees remaining in jobs for extended periods and generally pursuing prescribed, linear career paths. However, we are not alone in seeing a shift toward more short-term, skills-focused, team-based work engagements in which automation and technology free up people's capacity.³

At the same time, we are also seeing compensation approaches under pressure as people increase their skills and their expectations for increased opportunities and income. In response, companies are adopting internal talent marketplaces so that employees can move fluidly through an organization, building skills and gaining experiences without having to seek opportunities externally. When these marketplaces simultaneously empower employees and create robust opportunities for managers to find talent for specific projects, they become opportunity marketplaces.⁴ Despite their appeal, the value of internal talent markets is limited by the company's existing stock of talent and managers' tendencies (and incentives) to hoard talent. A workforce ecosystem structure enables organizations to extend internal markets to incorporate external workers.

Challenges with onboarding, security, and performance measurement remain, but managers' abilities to search in an integrated manner within their employee base and beyond to meet objectives makes the effort worthwhile. This is especially true with new AI-based talent software that dramatically improves the quality and speed of searches and matches.

Shift 3: There is growing recognition that a diverse and

inclusive workforce can deliver more value. Research supporting the view that a more diverse and inclusive workforce leads to better outcomes continues to grow.⁵ By adopting a workforce ecosystem structure, especially one enabled by digital collaboration technologies, organizations can attract candidates they have never seen before. Opening opportunities to workers of all types, including those who can engage in short-term projects and who may be geographically dispersed, connects companies with people of varied backgrounds, races, ethnicities, gender orientations, and abilities.

An executive at a global professional services organization relayed that because of the COVID-19 pandemic, the company moved its internship program online, enabling it to offer three times the usual number of internships. It also relaxed constraints on geography and expertise levels. As a result, it attracted a startlingly more diverse internship cohort. From this expanded cadre, the organization will likely hire (and retain) a group of more diverse employees in the coming years. Its wide-ranging approach to virtual internships opened managers' minds to accepting different types of candidates. Companies can use workforce ecosystems to build more diverse talent pools they can tap for projects on an as-needed basis.

Shift 4: Workforce management is becoming more complex. Organizations have engaged external IT workers for years. More recently, companies are not only using contingent resources in IT, but also leveraging them widely in areas such as marketing, R&D, human resources, customer service, and finance.⁶ Organizations typically have separate, unintegrated approaches to managing internal versus external workers. Responsibility for internal employees rests with HR, while procurement and other departments orchestrate external workers. Few companies manage or can see their entire workforce in an integrated way.⁷

At a governance level, questions addressing the entirety of an organization's workers tend to go unanswered. That's a problem. During the COVID-19 pandemic, one organization required an accurate worker count to address pay continuity, absenteeism, IT requirements, and benefits needs for its newly remote workforce. Managers quickly realized that it was impossible to calculate the total number

of workers. HR could provide an employee head count, but no one had a full view of everyone contributing to the company; the process of engaging workers was just too decentralized.

A workforce ecosystem approach can address this issue by raising governance of the entire workforce to a higher organizational level, such as the board of directors and the C-suite. In addition to helping ensure that critical management processes are deployed in a coordinated fashion, adopting a workforce ecosystem allows leaders to consistently take measures so that organizational values and norms are considered and applied across worker types. The most forward-thinking companies are adopting workforce ecosystems that implement cross-functional systems, including HR, supply chain/procurement, business unit leaders, finance, and others. For example, some organizations offer development opportunities not only to their own employees but also to those in their greater ecosystem community. Others recently extended pay continuity to external contributors. Additionally, we see opportunities for businesses to create strategic partnerships with labor platforms, enabling a more integrated and accelerated process for managing their overall workforces.

Elevating Strategy With Workforce Ecosystems

Executives face critical choices about how to manage their workforces. They can either continue to manage employees and non-employees through different, and often parallel, systems, or they can develop a new, more holistic workforce approach that spans different types of workers and capabilities.

Our research strongly suggests that the workforce ecosystem approach has many strategic benefits. With workforce ecosystems, executives can both identify and develop interdependencies among employee and non-employee workers. We recognize that this approach does have potential downsides and calls for caution across issues such as labor laws, worker benefits, diversity and inclusion, and organizational culture. Still, this integrated perspective enables more efficient and effective collaboration among

workers, which in turn enables new perspectives on what work is possible for the organization. Consequently, workforce ecosystems flip a perennial strategic question. Instead of (only) asking, “What workforce do I need for my strategy?” workforce ecosystems enable leaders to ask, “What strategy is possible with my workforce?”

This flip elevates and unites business strategy and workforce strategy. That is the promise of workforce ecosystems. If current trends continue and non-employees increasingly perform substantive work in the enterprise, the ability of companies to compete may be determined by how well they can achieve that promise.

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