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Engagement-style work is the business roadmap for the 21st century

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The pressure on businesses to deliver results and to simultaneously operate at ever-increasing efficiencies has never been greater. In order to effectively navigate these challenging times, it's imperative to transform the way businesses are run.

Driving this transformation is the need for companies to respond rapidly and flexibly to the increasing pace of change without adding to long-term fixed overhead costs.

This has tremendous implications on the way talent resources are deployed and managed, leading to what is now being referred to as engagement-style work.

The free agent phenomenon

In today's engagement marketplace, they are called by many names: free agents, freelancers, e-lancers, consultants and independent professionals – virtually anyone who works on a project basis for multiple clients.

While most people are familiar with self-employed graphic designers, computer programmers, publicists, owners of micro-businesses or even temp workers, today the real growth market is for the highly skilled, accomplished senior corporate leaders needed to fill the executive talent gap – those who are choosing free agency as an alternative to traditional retirement.

Free agents look for companies that provide better work conditions, higher degrees of satisfaction and personal gratification, greater recognition for their efforts, different kinds of compensation and balance and variety in their lives.

In addition, they know that they need current references. They are only as good as their performance on their last assignment. Therefore, the quality of their work must always be their best. These reasons for being loyal are all factors that can be difficult to find in traditional employment situations.

As free agents become increasingly important, companies that cling exclusively to traditional full-time employment models will fail to recruit from the highly skilled and rapidly growing pool of the independently employed.

Both business and personal outcomes are at stake, and enterprises that can successfully exploit the free-agent market to solve key strategic problems will enjoy a significant competitive advantage in the years ahead.

The evolving marketplace

This new engagement market is the result of a gradual evolution in employer-employee relations that's been taking place since the 1920s. In today's model, costs need to remain low but people need to be more highly valued.

“Value” itself has been redefined. Today’s value is about relevance, cost-effectiveness and business agility – people today deliver value and then move on to other projects or opportunities.

This is the foundation of the new engagement marketplace, in which the security of lifetime employment with a single company has been replaced by a different kind of security, that of providing value to many companies in order to avoid business downturns from a single source of work.

By spreading their efforts among multiple companies, people working in interim engagements reduce their overall risk of ever being totally out of work.

The old economic models were based on high, fixed human resource costs. In today’s economy, costs need to be more variable in order to manage profit margins. Companies continue to invest in people, but can no longer afford the permanent fixed costs of a large core staff.

Rather, companies are seeking to maintain smaller core staffs and leveraging a variable-cost, project-based model that guarantees agility and flexibility.

With this new type of interim engagement, companies gain the lower costs of right-sizing senior executive talent combined with an approach that highly values people and their contributions.

The marketplace is already showing significant movement toward this new way of working. The mix of employees to freelancers/consultants is shifting. The numbers of core employees have continued to shrink while the number of engaged project managers and executive free agents has grown.

The contingent work force – consisting of temporary, interim and project workers – is expected to grow by three to four times the rate of the traditional work force, making up 25 percent of the work force within the next five years.

According to figures produced by Jay Horsch, of Harvard Business School, and Thomas Tiernney, head of Bridgespan Group, in the 1990s alone, nearly 50,000 freelance independent consultants entered the market. Today, millions of U.S. workers are either self-employed free agents or are members of the contingent labor force.

This new model allows companies of all sizes to reassign executive talent quickly and frequently to meet changing business conditions. In fact, the structure of today’s corporate organization mirrors the increasingly collaborative style of work, in which teams are formed quickly “just in time” and disbanded at a project’s completion, enabling specialists to move on to other opportunities and challenges that require their skills and expertise.

Given the rising demand for executive talent and the demographic trends that are taking place, the companies that succeed will be the ones that move aggressively to tap the skills and experience of senior executives who prefer the engagement approach and just aren’t available any other way.

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