



The Expansion of the Contingent Workforce and **Global Compliance Management**

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The Expansion of the Contingent Workforce and Global Compliance Management

It is no secret that the today's contingent workforce, which is comprised of temporary staff, freelancers, independent talent, and SOW-based labor, is rapidly growing and evolving. As businesses continue to fight the "war for talent," they are frequently finding that flexible, contingent workers hold the necessary skillsets and expertise for critical enterprise projects and initiatives. With the contingent workforce moving to an "on-demand" format, where executives and professionals can engage independent talent via a variety of means (including social media, business networks, and private talent pools), many of today's contingent workers are sourced outside of standardized contingent workforce management (CWM) programs..leaving the enterprise exposed to a variety of compliance risks.

Evolution, Growth, and the Future of Work

The typical business strives for any competitive advantage it can in the greater pursuit of success and improvement. In an age of globalization and evolving eCommerce, the world has become an interconnected, networked economy that pushes away the limitations of the past. Globalization has allowed today's businesses to find, source, and engage talent like never before due to the advancements made in technology and the evolution of independent workers. The "future of work" is predicated on the idea that businesses can source the talent they require for critical initiatives in an on-demand manner.



As the contingent workforce continues to develop and grow (30% over the next few years, according to Ardent Partners research), companies are actively expanding their contingent workforce management (CWM) programs to not only engage more highly-skilled independent workers via innovative sources, but also magnify a presence in new regions and locales. However, as CWM programs face the tall task of global expansion, managers must realize that, in order to be highly effective and efficient, the realms of compliance and visibility are of the utmost importance.

Today's Contingent Workforce: Meet Your On-Demand Talent

There are many differences in the contingent workforce of 2015 compared to that of the past, namely the arrival of "on-demand" sources of talent that can link, in real-time, business needs/projects/initiatives with the workers, services and skillsets they require. Talent engagement in years past involved mainly manual methods of collaborating with staffing suppliers and agencies, as well as relying on the personal networks of internal staff, managers and executives.

Today's contingent workforce is comprised of the following types of labor:

- **Professional services and workers tied to a statement-of-work (SOW) or similar contractual agreement.** SOW-based labor has been making an impact on organizations for decades; however, the management of this labor type has been lacking in many businesses. As spending and reliance on this "subset" of contingent workforce management grew over time, companies realized that they required a

blend of talent management, workforce management, spend management, and supplier management capabilities and strategies to effectively manage this area. In the months and years ahead, more and more enterprises will reevaluate their existing competencies for managing SOW-based labor and projects as a means of boosting intelligence and visibility into costs, delivery dates, and performance against milestones.

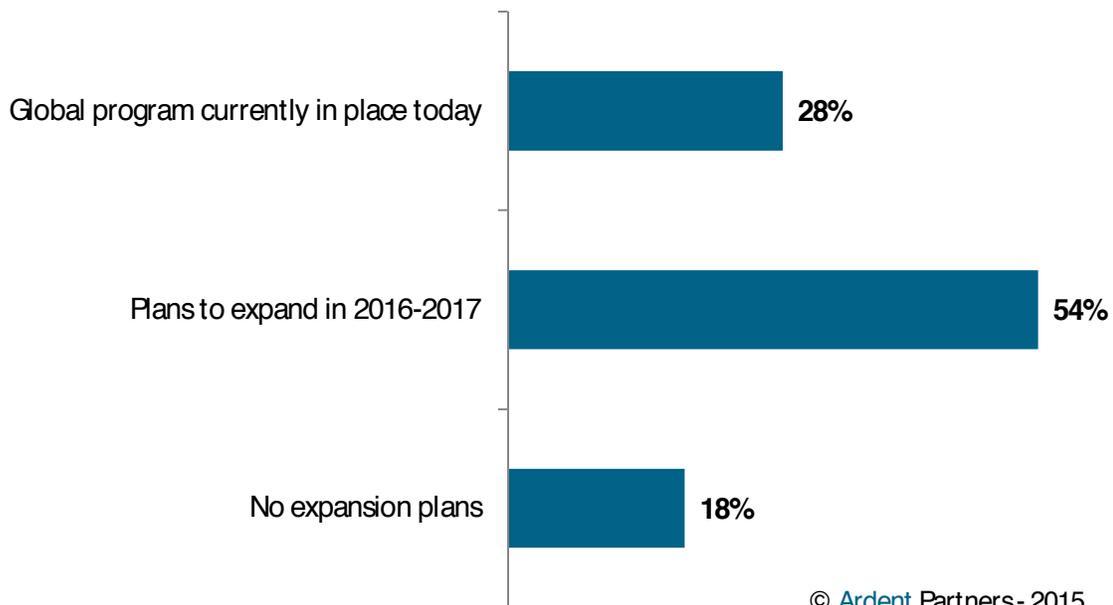
- **Freelancers and independent contractors.** This subset of the contingent workforce has significantly risen in prominence in recent years for two main reasons: more and more talented workers desire a flexible work lifestyle, and the businesses that engage these workers require their special and unique skillsets. With many independent workers being sourced via new, on-demand means (such as online labor marketplaces, social media, the “human cloud,” etc.), enterprises are finding that it is easier than ever before to find specific skillsets for mission-critical projects. The concern is that many are ignoring or are unaware of the compliance risks that plague businesses who mismanage their independent talent.
- **Traditional temporary workers sourced via staffing suppliers, agencies, and vendors.** The most “classic” sense of contingent labor and the form of contingent workforce that most organizations think of when they hear the phrase “contingent labor.” Although many businesses may have mastered the art of managing this category of the contingent workforce, it is critical to leverage the potential of procurement in controlling costs, maintaining visibility, and generating a better alignment between temporary workers and the initiatives they support.

Going Global: The Expansion of Today’s Contingent Workforce

Today, enterprises are interconnected in new and exciting ways, with nearly every business process or capability (such as financial operations, supplier collaboration, and dozens of others) fully-automated and linked in real-time. Utilization of contingent workers has also reached the realm of “global,” since companies will look outside of their local sources to find the specialized skillsets they require for specific initiatives. Subsequently, there is a growing number of organizations that will take their contingent workforce management programs “global” in the years ahead to expand the reach of their CWM capabilities on a bigger scale. According to Ardent Partners research, 28% of companies today have a global CWM program in place that has been formalized and standardized, and holds the necessary

capabilities for finding, engaging, sourcing, and managing talent on a global scale across various heographies. Over the next few years, however, an additional 54% of businesses will follow suit and develop a global CWM program (Figure 1, below).

Figure 1: Global CWM Program Expansion Plans



At the core, “going global” is no easy task. Since most Best-in-Class CWM programs rely on collaboration between key stakeholders (such as procurement, finance, and HR), involving other regions (especially those that may not have historically been collaborating with other teams) in the program can take a significant amount of time. Even the most dysfunctional organizations will realize that they need to expand the reach of their CWM programs into other regions. It is naive to think that the best-aligned skillsets and talent will be always waiting outside the home office’s front door. With the dispersement of talent spread across the world and accessible via networked and social means, today’s contingent workforce is not just comprised of local talent, it is made up of *global talent*.

“..today’s contingent workforce is not just comprised of local talent..it’s made up of global talent.”

Global Compliance Management and Evolving Risks

For enterprises that are just starting down the path towards a global contingent workforce management program, the excitement over an untapped world of talent should not outweigh a cautious, compliance-first approach towards global CWM expansion. Historically, businesses have placed the reduction of costs, the improvement of visibility, and/or the enhancement of processes as their main priorities for CWM programs. However, the realm of compliance, in this day and age, cannot be ignored. Freelancers, independent contractors, and other forms of flexible talent are primarily utilized for cost- and talent-related reasons. However, compliance should be a prime area of focus as enterprises begin the push towards global contingent workforce management due to the complex issues faced when leveraging talent from other regions. There are many reasons and risks associated with leveraging a global contingent workforce, such as:



- Complex and frequently changing local tax codes
- Shifting legal requirements concerning independent labor
- Localized and culture-specific labor laws

By now, many organizations understand the risks of leveraging contractors. For years, many household brands and businesses have fallen victim to federal audits, the reclassification of workers, and the pitfalls associated with non-compliance and mismanagement of independent talent. At the end of the day, while the real skill impact of contractors can leave a lasting impression, significant compliance gaps can leave a financial scar. As local and global labor laws shift and evolve, enterprises that are “going global” must understand the ramifications of global compliance and ensure that their programs are consistently addressing this area.

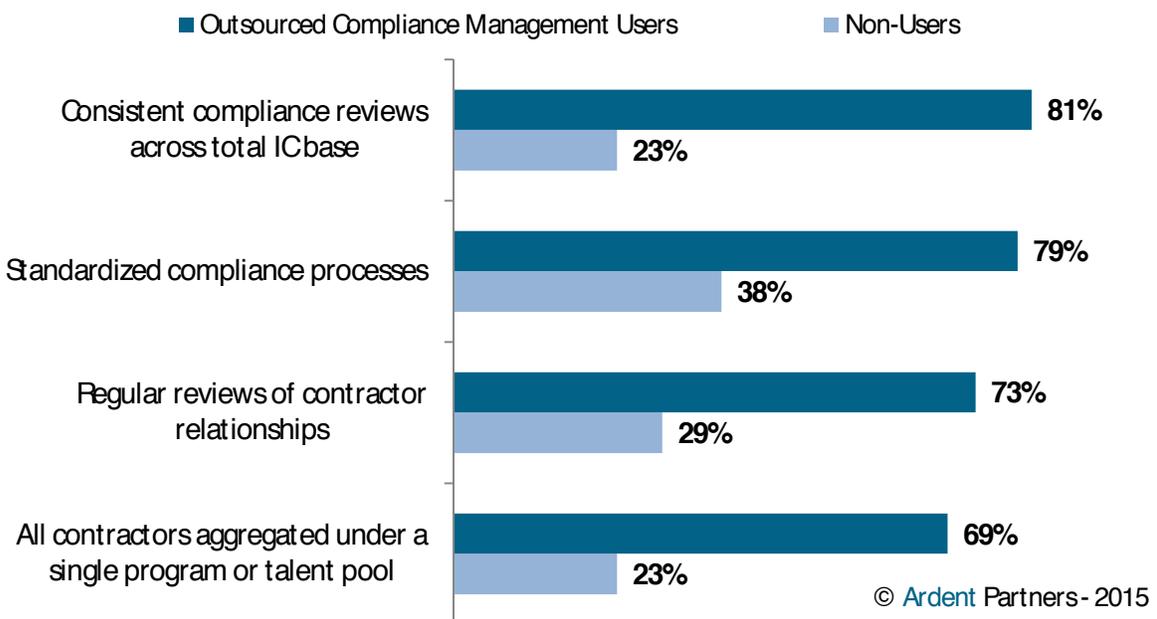
Outsourced Compliance Management

Many of today’s CWM programs are built on a foundation of technology, automation, and third-party services that enable key processes, support core capabilities, and link the management of the varied types of contingent labor. Solutions such as Vendor Management Systems (VMS), Managed Service Providers (MSP), and Freelancer

Management Systems (FMS) have revolutionized the way organizations engage and manage their contingent workforce from spend management, talent management, and supplier management perspectives. As businesses begin to “go global” and expand their contingent workforce management programs, they may find that there’s a level of expertise and control that is lacking as they attack new global regions from a talent engagement angle.

Outsourced compliance management solutions can assist organizations as they tap into the global talent pool and utilize independent skillsets from around the world. These offerings are built with global expertise, efficiency, and compliance in mind. Outsourced compliance management solutions provide services for contractor administration (taxation, remuneration, requirement management, etc.) and assist users in engaging freelance and independent talent without the worry of compliance risks. Ardent Partners research has found that businesses utilizing these solutions are more likely to be enabled with important capabilities and strategies for managing global compliance (Figure 2).

Figure 2: Outsourced Compliance Management: Users vs. Non-Users, Key Capabilities



Those enterprises currently leveraging outsourced compliance management solutions have a better handle on global compliance management than those that are not using these offerings. In fact, consistency (via consistent reviews, a capability inherent in nearly 2.5 times more companies using outsourced solutions than those not using a provider) and standardization (in place in nearly twice as many companies currently leveraging outsourced solutions) are the two key attributes that these solutions are currently supporting in their user base. With global compliance becoming more of a strategic imperative as companies expand their CWM programs, consistent reviews and standardized compliance management processes help businesses focus on the talent quality and effectiveness aspects of the contingent workforce and let outsourced compliance management solutions worry about the day-to-day and operational risks.

Ardent Partners research has also discovered that companies currently utilizing outsourced compliance management solutions are actively driving independent contractor compliance rates that are nearly 60% higher than those organizations not using these solutions, as well as a achieving a 30% higher rate of compliance to global compliance requirements, regulations and laws concerning independent workers.

Recommendations for Action:

Today's contingent workforce frequently demands that enterprises expand their contingent workforce management programs into new global regions as a way to tap into new and unique talents and skillsets. However, compliance is a critical consideration (and an ongoing challenge) in the pursuit of global CWM, and must be prioritized across all stakeholders involved with managing independent talent. Ardent Partners recommends the following actions and strategies to assist organizations in "going global," with their CWM programs and ensuring global compliance during that expansion.

- **Understand the impact of globalized processes on the greater CWM program.** Developing and launching an enterprise-level global globalized strategy can be challenging; as the contingent workforce continues to grow and evolve, core capabilities and competencies are continually shifting. "Going global" will necessitate an approach that must be aligned with greater contingent workforce management efforts in order to maximize the real value of leveraging independent talent.

- **Balance the excitement of new talent and opportunities with a rigor for being “safe.”** When a business decides to expand its CWM program, it often focuses on the new skillsets and unique talents that may be tapped in new global regions. However, non-compliance is a real issue and one that should not be ignored. As such, it is critical to prioritize the education of possible compliance risks as the program begins its early expansion plans, as well as how to mitigate those risks.
- **Outsourced global compliance management solutions can add another “layer” of protection as companies go global.** Businesses frequently lack the expertise in local labor laws and other legal requirements concerning independent talent as they move into new regions. A knowledge gap in this area can trigger non-compliance events and expose the enterprise to unnecessary risks and liabilities ranging from hefty fines to the payment of back taxes and other benefits. Global compliance management solutions utilize their localized experts, vast global knowledge, and indemnification guarantees to absolve their clients of all compliance risks, often allowing the business to focus more on talent engagement than constant compliance pressure. These solutions can also accelerate the CWM program’s global expansion process.

Conclusion

The contingent workforce of today is quickly progressing and expanding as both globalization and the notion of “on-demand” talent impact programs around the world. As this workforce expands and businesses strive to tap into new and emerging regions for talent and specific skillsets, enterprises must prioritize global compliance as a key initiative during CWM expansion efforts. Outsourced compliance management solutions, as well as the capabilities enabled by these services, can transform how businesses operate the day-to-day operations of their global compliance management programs. The “future of work” is an exciting concept in today’s fast-paced, talent-first business world, but enterprises must, nonetheless, ensure that compliance does not get lost in the overall approach and management of this fast-growing arena.

APPENDIX

ABOUT ARDENT PARTNERS

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 to (and discounts on) Ardent Partners research at ardentpartners.com/newsletter-registration/ and [join its LinkedIn Group](#).

ABOUT THE AUTHORS

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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 evangelizes the evolution of complex spend management and 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 over the last eight years. 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 was named an "Analyst Superstar" by HRO Today magazine in both 2013 and 2014 for his work in the contingent workforce management industry, and was also recognized by Supply and Demand Chain Executive Magazine as a "Pro to Know." 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 or Twitter ([@CJD Ardent](#)).

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