

Rise of the Human Cloud:

How Agile Talent Pools Will Transform Talent Management

Toptal

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The Future of Work: The Human Cloud

First, some context

The talent gap is real

Over 70% of CEOs describe **talent gaps** as a **significant impediment** to company growth and performance, and 75% believe that a **skilled, educated, and adaptable** workforce should be a priority.

- PwC's 2016 Global CEO Survey

77% of companies consider a **lack of digital skills** to be the **key hurdle** to their digital transformation.

- Capgemini, MIT Center for Digital Business

Toptal Future of Work Survey

78%

of respondents consider the ability to add the right talent to be one of the primary risks to their organization

Organizational models are changing

For any Exponential Organization, **having staff on demand is a necessary characteristic** for speed, functionality and flexibility in a fast-changing world.

- Exponential Organizations - Ismail, Malone, Van Geest

Within 10 years we will see a new Global 2000 company **with no full-time employees** outside of the C-suite.

- Accenture Tech Vision 2016

Toptal Future of Work Survey

Top 5 Drivers of Agile Talent

1. Flexibility (18%)
2. Access to Expertise (15%)
3. Speed (14%)
4. Cost (10%)
5. Innovation (9%)

More talent is moving to independent work

20 to 30 percent of the working-age population in the United States and the EU-15, or up to 162 million individuals, engage in independent work.

- McKinsey Global Institute

By 2020, 50% of the U.S. workforce will be freelancers.

- Forbes

And more work is being done remotely

Between 2012 and 2016, the proportion of Americans working remotely rose from 39% to 43%. The proportion who only work remotely went from 15% to 20%.

- Gallup State of the American Workplace Survey

85% of Millennials want to telecommute 100% of the time.

- Forbes, Flexjobs Annual Survey

Toptal Future of Work Survey

5%

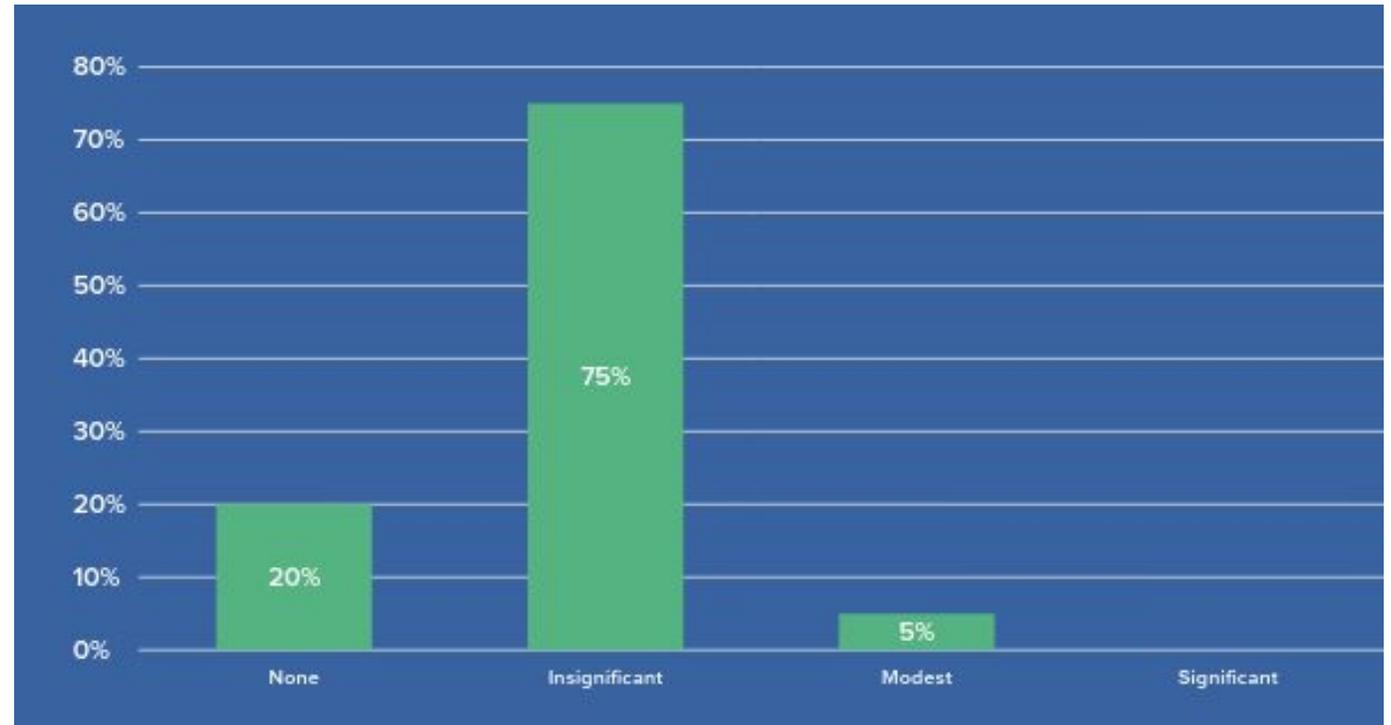
of respondents expect the use of remote talent in their organization to decrease in the next 2-3 years.

Now some questions

At the moment, HR is not involved

In the research for the book *Agile Talent*, HR leaders were asked to describe their time investment in agile talent.

95% indicated that they had little to no involvement in managing Agile Talent at their organization.



How many of your HR teams manage
outside talent today?

How many don't manage outside talent, but are thinking about it or moving towards that model?

How many believe that leveraging outside talent effectively is a strategic advantage?

How many believe that your organization actually leverages outside talent strategically?

New challenges and patterns
of work are emerging

1st Annual Future of Work Survey - 2017

- Over 1,000 executives and managers participated
- Broad range of functions and industries
- Small, medium, and large organizations represented
- All major geographic regions included
- Conducted by The Agile Talent Collaborative and Toptal

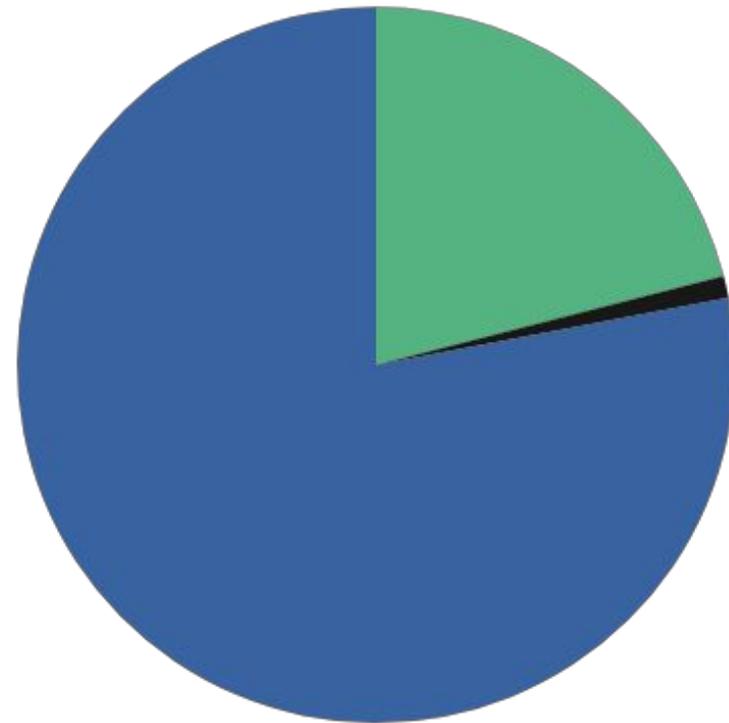
We identified 5 major themes

1. Talent is a critical risk factor across functions, industries, and geographies
2. To help address this gap, organizations are turning to agile talent and a blended workforce
3. Organizations are leveraging a wide range of talent providers, with limited success
4. Maximizing the value of the blended workforce requires new skills, measures, and ways of working
5. Agile talent working remotely offers several advantages and is inevitable, but change is hard

1. Talent is a critical risk factor across functions, industries, and geographies

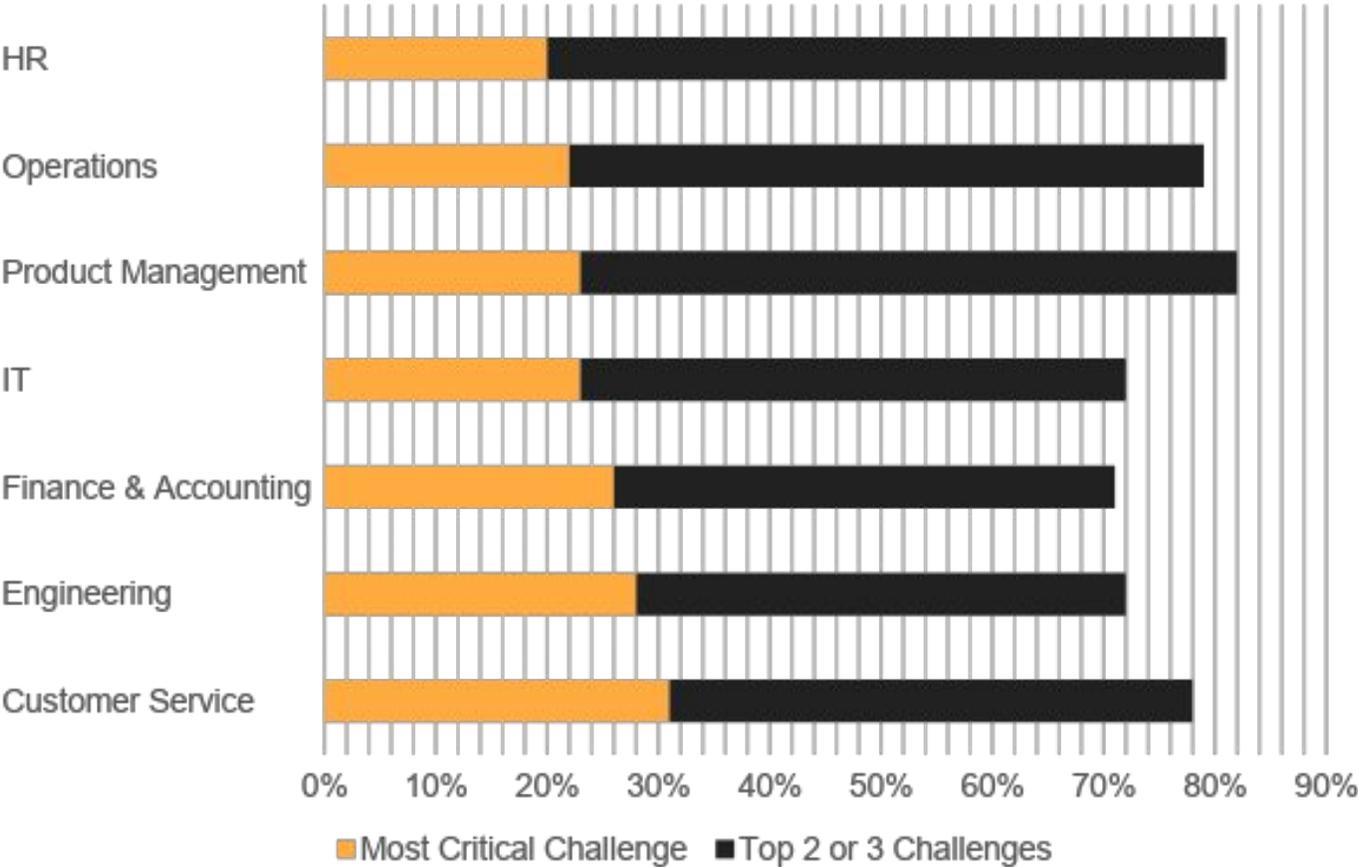
Finding the right talent is a top concern for the leaders in our survey

Do you consider the ability to add the right talent to your organization to be one of the primary risks to the success of your organization?



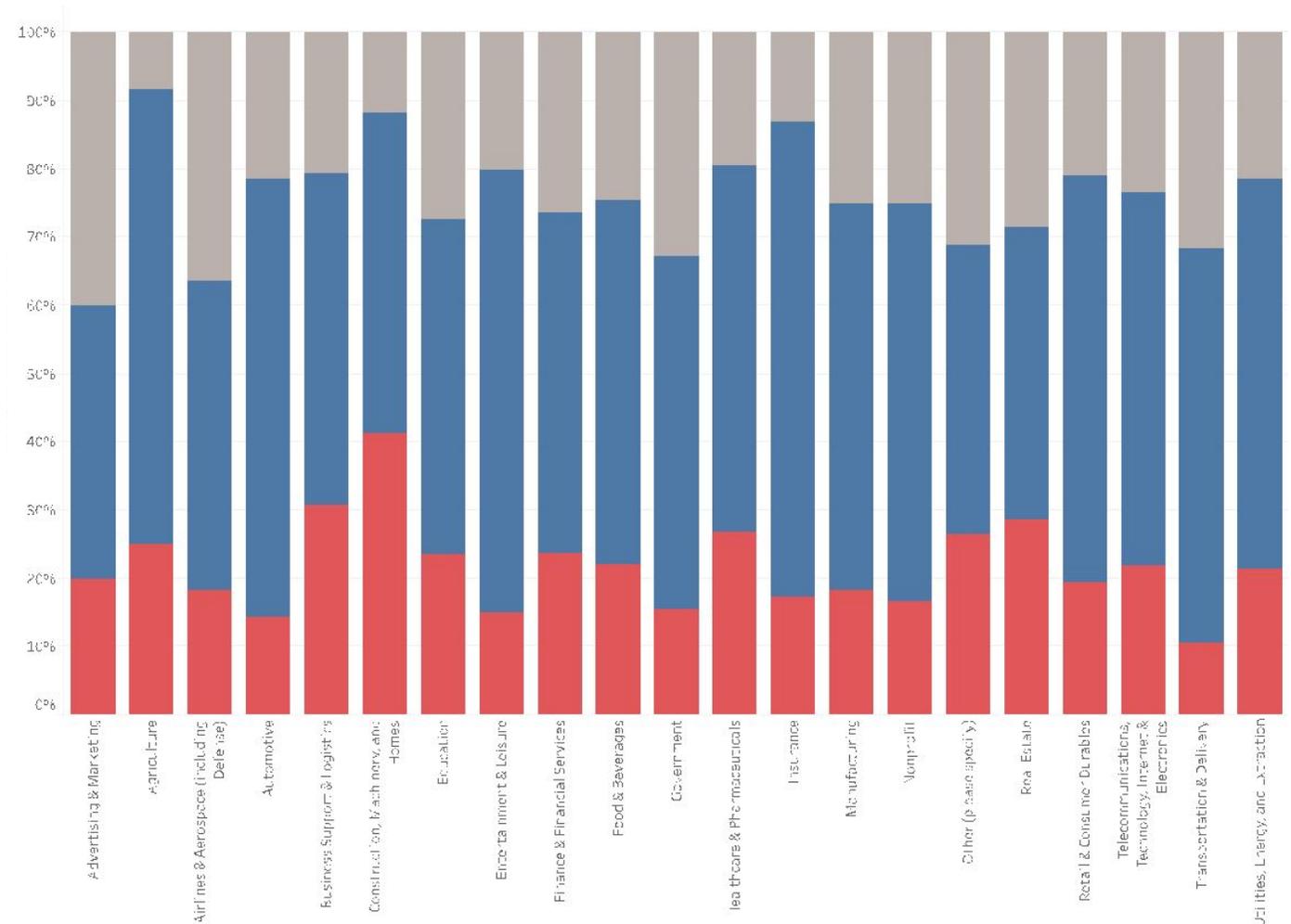
This risk is consistent across all areas of the organizations we surveyed.....

Do you consider the ability to add the right talent to your organization to be one of the primary risks to the success of your organization?



....and it is consistent across all industries

Do you consider the ability to add the right talent to your organization to be one of the primary risks to the success of your organization?



■ Most Critical Challenge
 ■ Top 2 or 3 Challenges

2. To help address this gap, organizations are turning to agile talent and a blended workforce

Who Are Agile Talent?

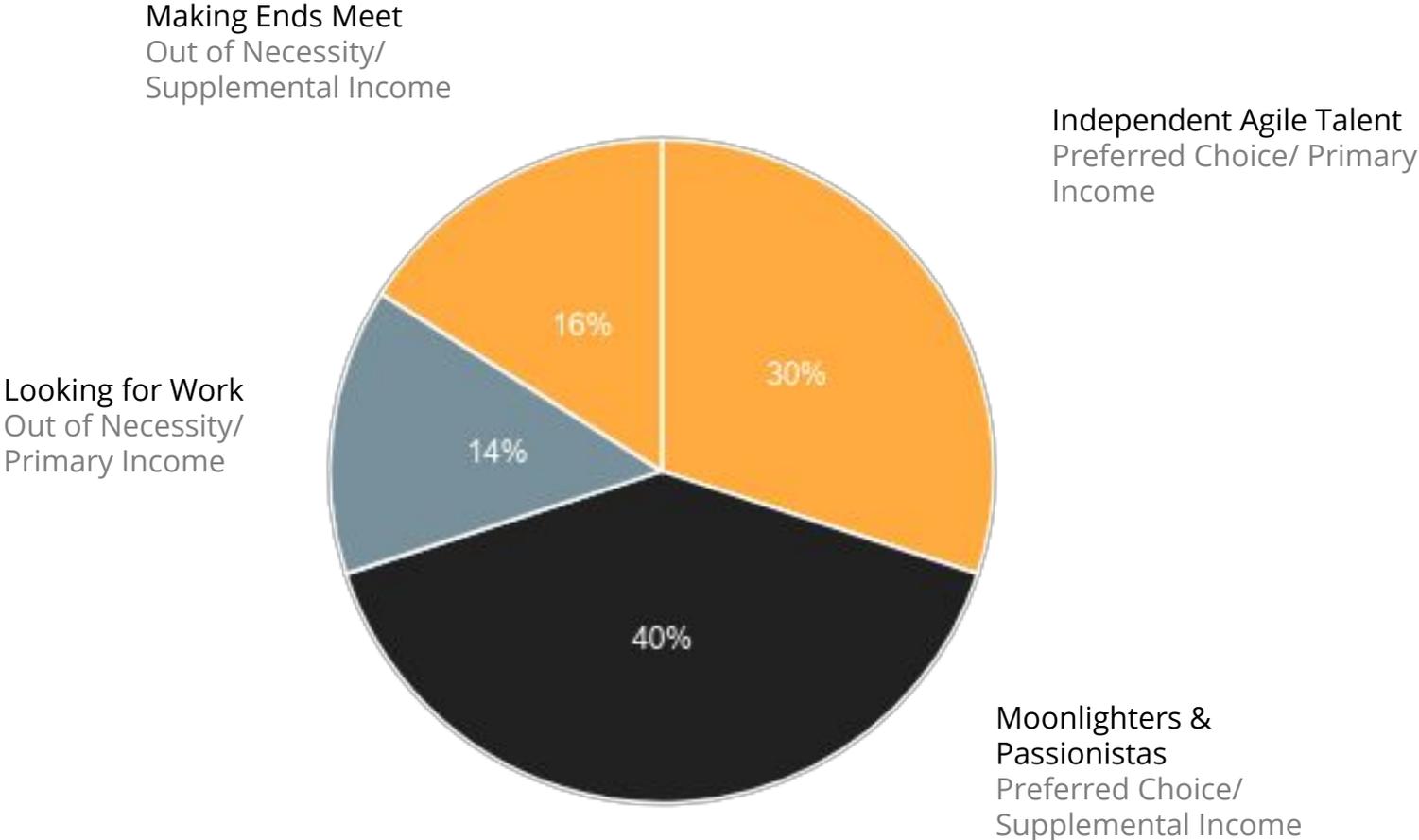
Individuals who:

- Are outside talent, working in collaboration with internal employees to drive outcomes
- Often prefer autonomy and flexibility in determining their workload and work portfolio
- Extend the strategic capability of their client organization through their expertise and experience
- Typically engage in project-based relationships with finite timeframes

Agile talent is a growing source of talent relief

Research by McKinsey estimates that 162 million people in the U.S. and EU-15 engage in independent work, which is 20-30% of the working-age population.

Forbes suggests that 50% of the U.S. workforce will be freelancers by 2020.

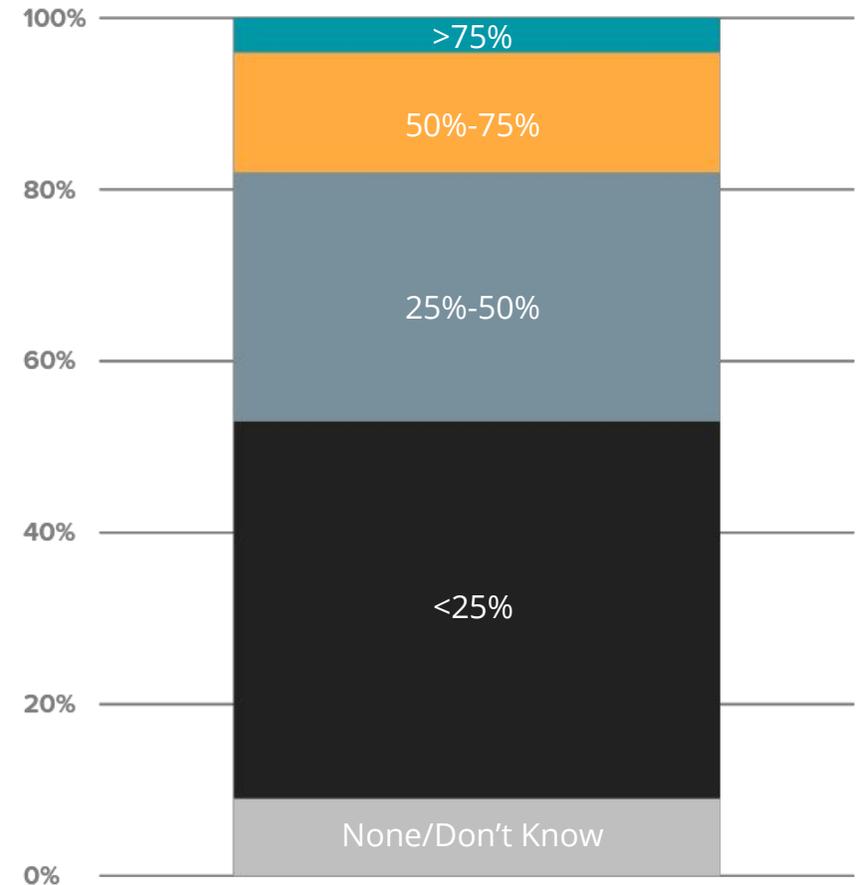


Source: Adapted from McKinsey, 2016

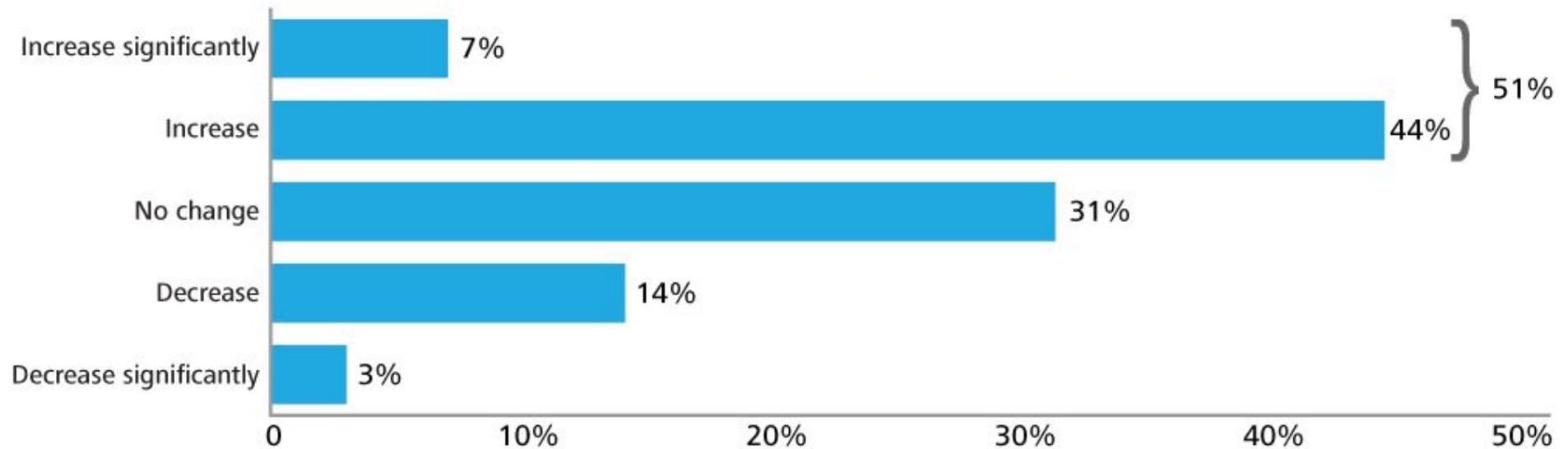
Our survey results support the idea that it is already prevalent in business

What percentage of the talent in your organization are currently agile talent (outside talent)?

91% of the organizations surveyed leverage agile talent.



The view that the use of agile talent is going to increase is not new



Note: Percentages may not total 100 percent due to rounding.

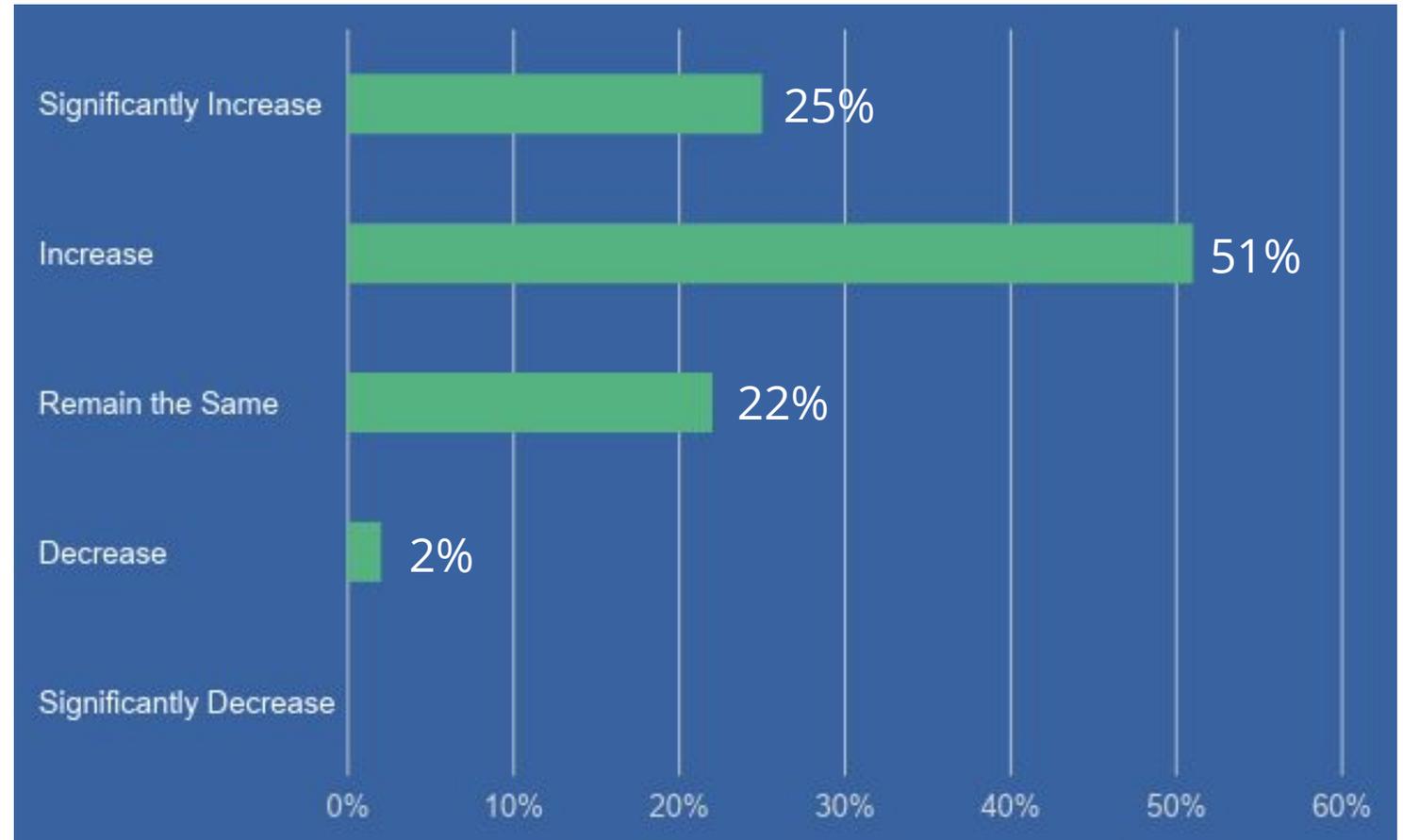
Graphic: Deloitte University Press | DUPress.com

A survey by Deloitte in 2014 asked respondents about their plans for the use of contingent workers over the the next 3 to 5 years, with the majority expecting use to increase.

Our research supports that theme, and shows that usage is accelerating

Over the next 2-3 years, is the use of agile talent in your organization likely to increase or decrease?

76% of the respondents expect their organization's use of agile talent to increase.



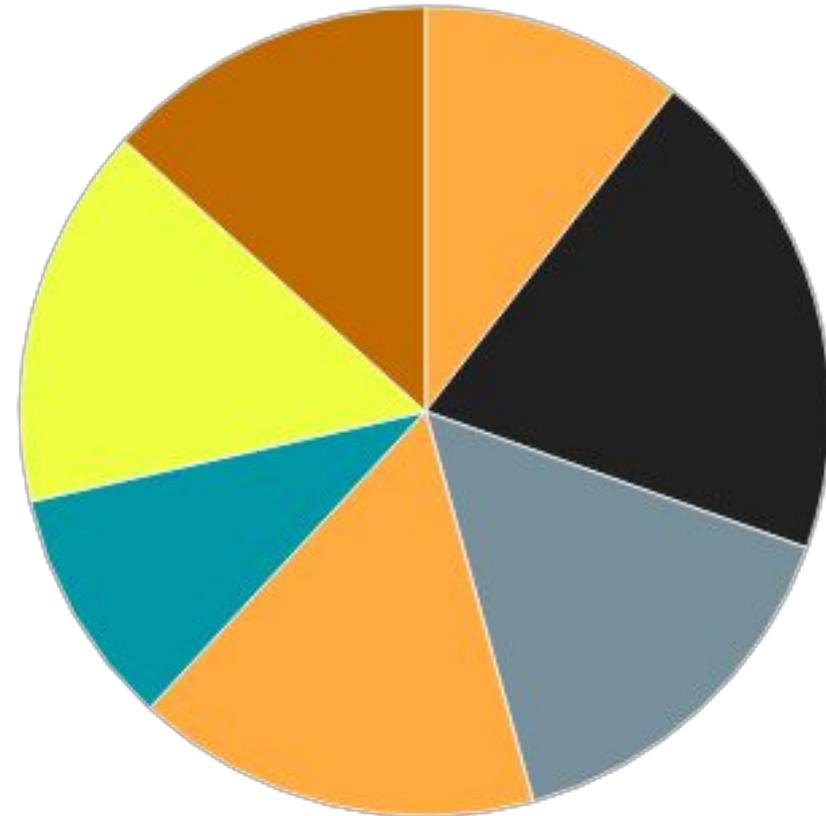
Flexibility and access to expertise are the primary drivers of the blended workforce

Top 5 Drivers of Agile Talent Use	% of Responses
Flexibility	18%
Access to Expertise	15%
Speed	14%
Cost	10%
Innovation	9%

3. Organizations are leveraging a wide range of talent providers, with limited success

There is no clear dominant provider category for agile talent

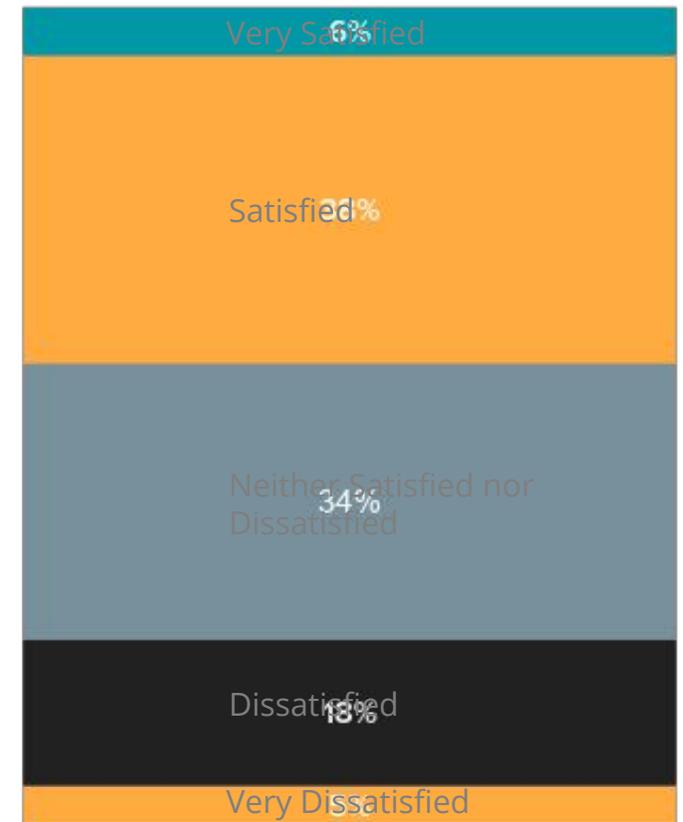
When you seek agile talent to complement your full-time employees, which of the following providers are most regularly used by your teams?



Customers aren't happy with the status quo

How satisfied are you with the processes by which you currently add agile talent to your teams?

Less than half of our respondents (44%) are satisfied with their current processes to add agile talent.



Quality is almost twice as important as cost when choosing a provider

When you engage agile talent providers, what are the 3 primary factors that drive your selection of provider?

Criteria	% of Responses
Quality of talent	27%
Experience level of talent	18%
Cost	15%
Speed (time to fill)	11%
Reputation of talent provider	8%

4. Maximizing the value of the blended workforce requires new skills, measures, and ways of working

Setting clear expectations with the best possible talent drives success

In your experience, what are the top 3 success factors for using agile talent effectively?

Top Success Factors	% of Responses
Set expectations	18%
Find the best possible talent	15%
Rigorous performance measurement and feedback	11%
Ongoing communication	11%
Ensure cultural fit	11%

As the blended workforce grows, concerns follow

What are the top 3 concerns you have about working with agile talent?

Top Concerns	% of Responses
Quality of talent	15%
Onboarding time to productivity	13%
Cultural fit	12%
Security of proprietary information	10%
Time and effort required to source agile talent	9%
Availability of suitable talent to meet our needs	9%
Cost of agile talent	8%

Quality is always the top concern, other concerns vary by company size

Top 5 Concerns About Agile Talent					
Company Size	1 (Top Concern)	2	3	4	5
< 500	Quality	Cultural fit	Time to onboard	Availability	Security
500-1000	Quality	Cultural fit	Security	Time to onboard	Provider service
1000-5000	Quality	Time to onboard	Cultural fit	Security	Availability
5000-10000	Quality	Time to onboard	Cultural fit	Security	Sourcing time/effort
Over 10000	Quality	Time to onboard	Cultural fit	Availability	Security

For senior leaders, culture matters - at the team level, it's all about productivity

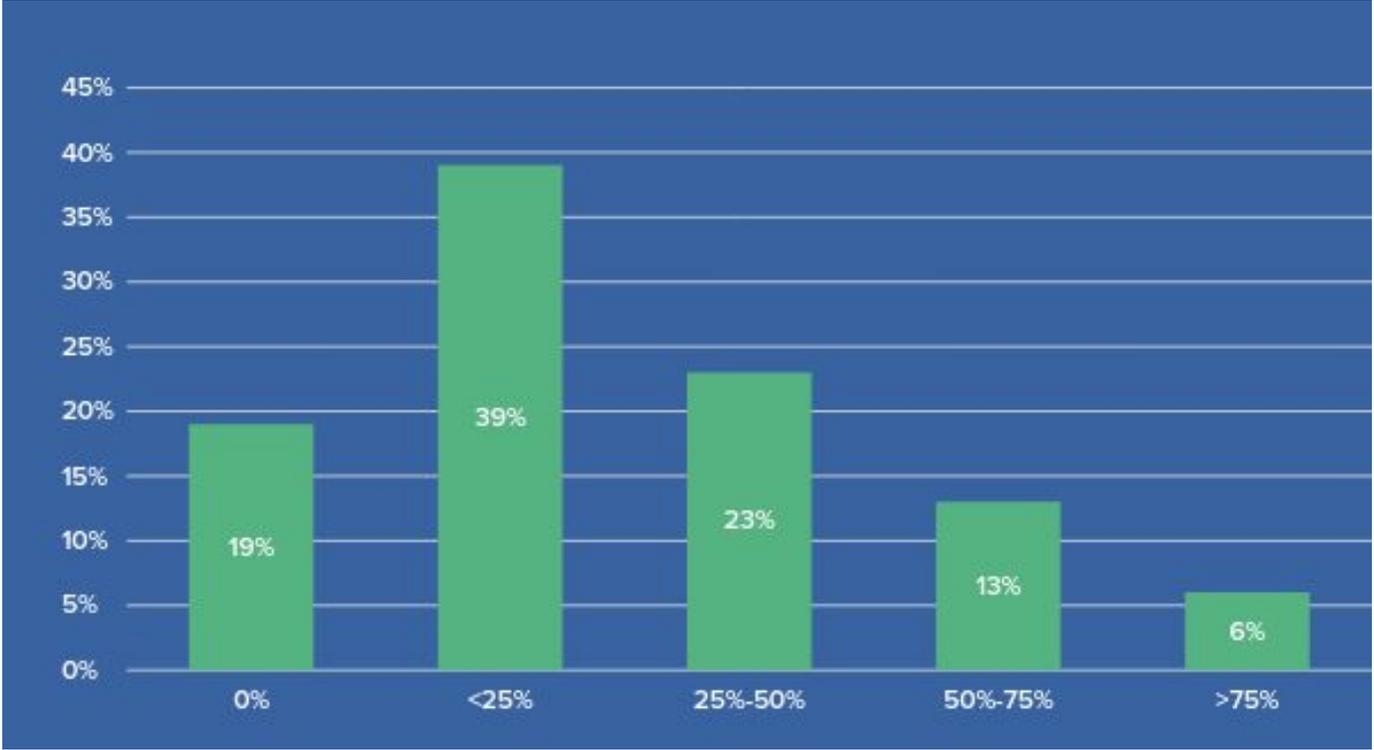
Top 5 Concerns About Agile Talent					
Level/Role	1 (Top Concern)	2	3	4	5
CEO	Quality	Cultural fit	Time to onboard	Security	Provider service
VP	Quality	Cultural fit	Time to onboard	Security	Availability
Manager	Quality	Time to onboard	Security	Availability	Sourcing time/effort

5. Agile talent working remotely offers several advantages and is inevitable, but change is hard

Agile talent work is frequently remote, offering both benefits and challenges

How much of your agile talent works outside of core company locations (remotely)?

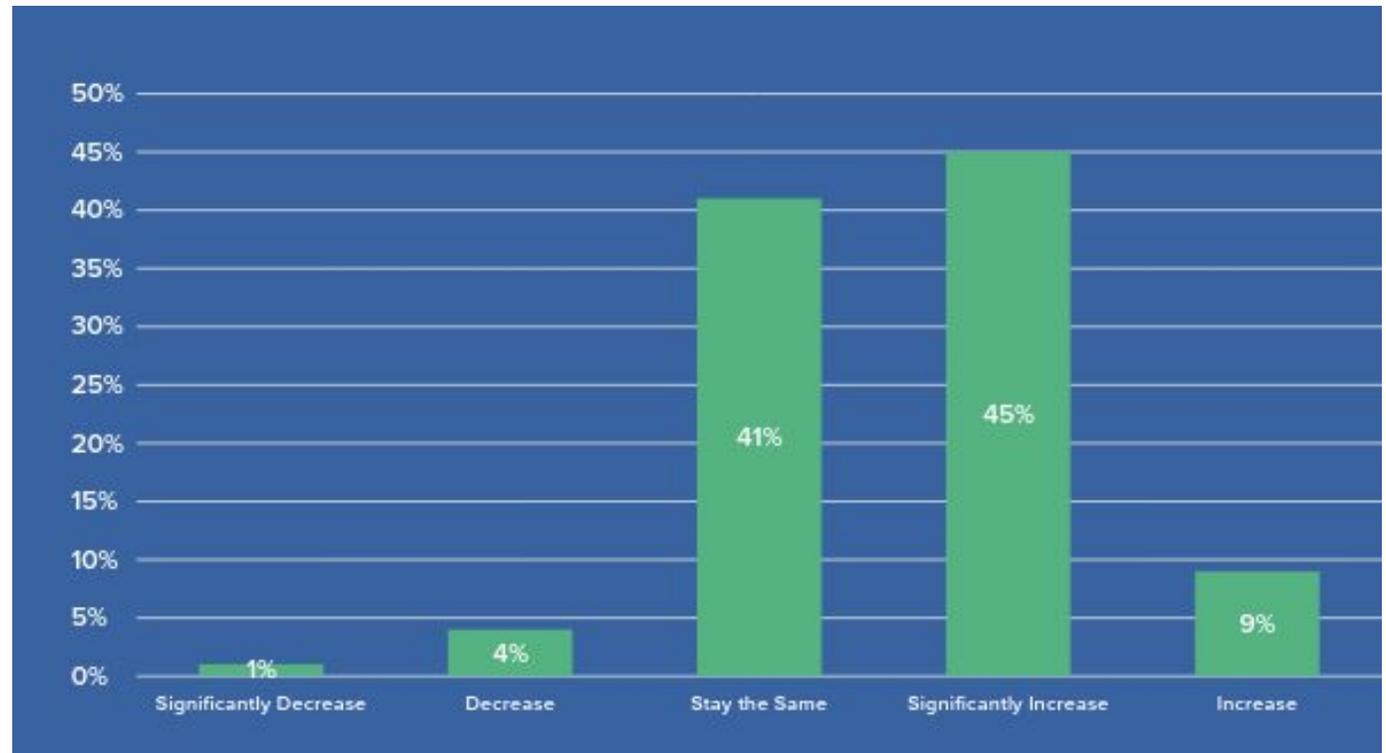
42% of respondents report significant remote work by agile talent.



Growth of remote work is inevitable, despite the challenges

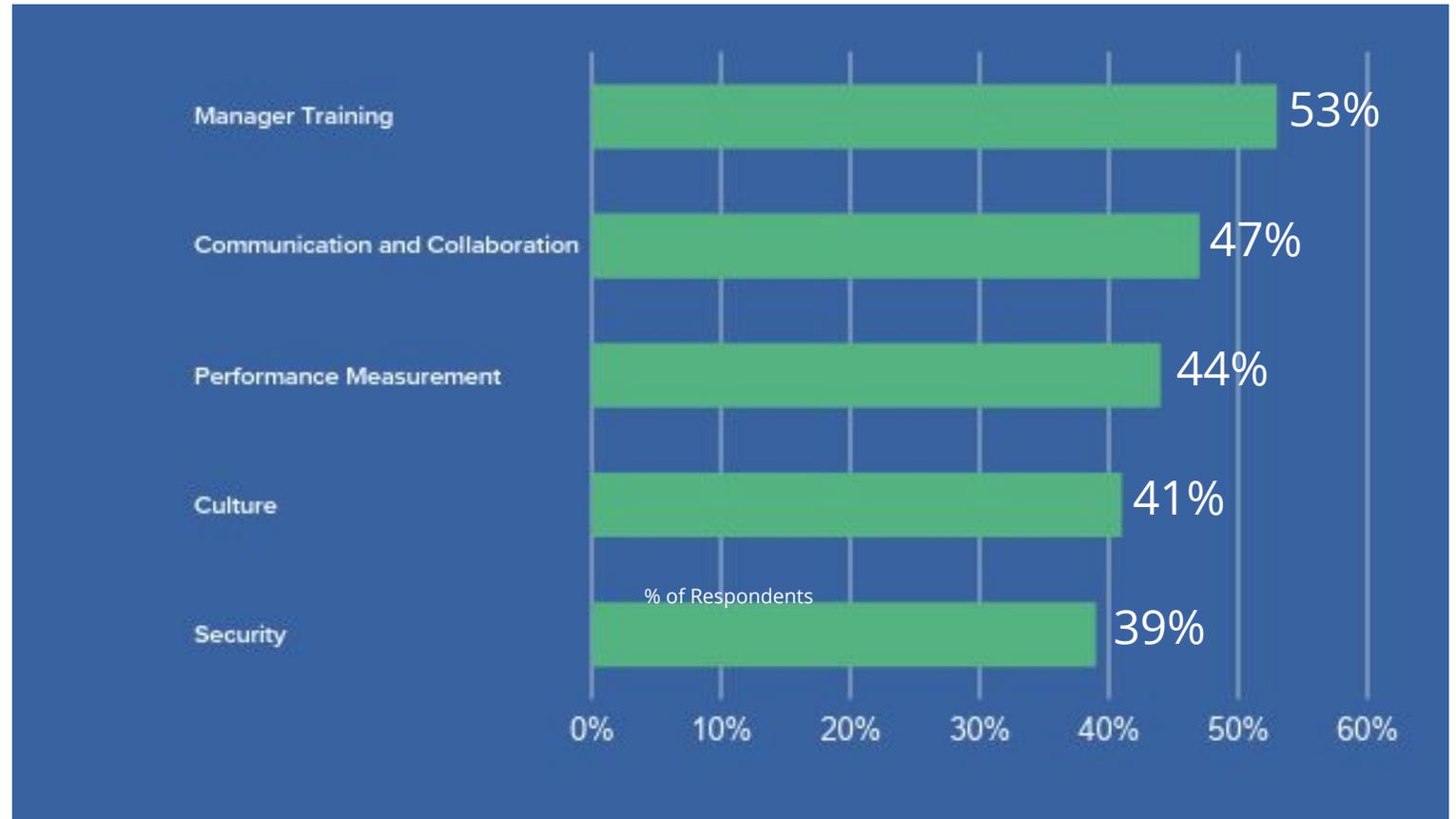
Over the next 2-3 years, is remote or distributed work in your organization likely to increase or decrease?

The majority of respondents expect the amount of remote work to increase, and only 5% expect it to decrease.



Surprisingly, the most significant barrier to remote work is manager training

What are the top 3 barriers preventing your teams from better leveraging remote agile talent?



A new way to engage talent:
The Human Cloud

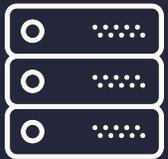
History offers a window into the future



Factories used to have their own sources of power before we developed power distribution at scale, providing reliable power on demand



Software was once purchased and installed on corporate servers or personal computers, but now most of our software is purchased as a service, available on demand



Technology infrastructure was built on expensive, hosted, inflexible infrastructure before computing power was moved to the cloud, available as needed and on demand



Why would talent be any different?

Enter the Human Cloud

Current employment and organizational structures, which are slow, rigid, and cumbersome, are unable to keep up with the pace of change in business and society.

The Human Cloud allows organizations to engage exactly the talent they need, exactly when they need it, to build teams on demand.



Models must change to support this shift

For organizations to engage on-demand talent at scale, models must change to reduce friction, improve certainty, and increase speed.



Discovery



Speed



Cost



Validation



Administration



Quality & Fit



Flexibility



Visibility

What is driving the shift to on-demand talent?

Increased demand for skilled individuals, coupled with an increase in the pace of change in business, is driving this shift.

However, key developments, particularly in technology, have enabled this trend to accelerate:

Cloud-based Software allows teams to easily collaborate, scale, and work from anywhere.

Cloud-based Infrastructure allows individuals to work independently on common environments, while compartmentalizing access, increasing ease of distributed use, and enabling consistency.

Improved Collaboration Tools allow teams to collaborate easily from anywhere, in real time.

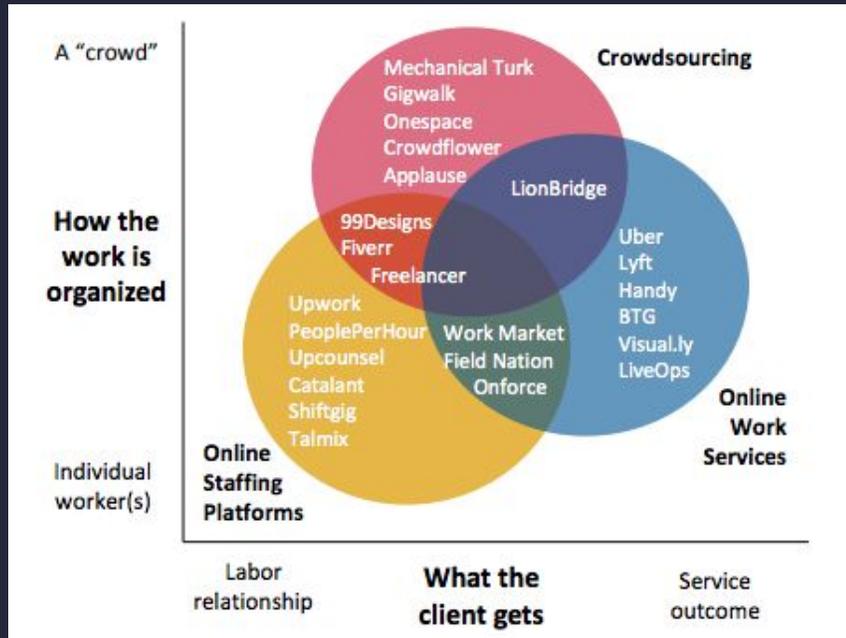
Improved Work Management Tools allow managers to set tasks and track progress, and allow teams to share work products and work cross-functionally, from anywhere in the world.

Increased Broadband Penetration allows people to work effectively from anywhere, leveraging the enhanced technologies to collaborate in real-time.

We are in the early stages, with many models

Human Cloud Categories - Staffing Industry Analysts (SIA)

Global Talent Platforms - Staffing Industry Analysts (SIA)



Staffing Industry Analysts estimates that the total revenue generated by Human Cloud companies globally was \$46B - \$51B in 2016, doubling in size in one year.

Flexible work patterns will continue to grow, especially as a new generation of talent enters the workforce

But that doesn't mean we will all work in the
"Gig Economy"

The two gig economies

Gig Economy	Talent Economy
The platform is the differentiator, the talent is an enabler	The platform is an enabler, the talent is the differentiator
The work is commoditized	The work is differentiated
Talent is commoditized	Talent is the central value point
Downward wage pressures are high	Skill gaps are high
The platform controls the talent's experience	The talent controls their experience
Limited growth potential for the individual	High growth potential for the individual

For organizations, on-demand teams will be critical

Building flexible, on demand teams that are a blend of internal and external talent must become a core competency of leading, innovative, nimble organizations.

What does this mean for HR?

Get Involved

Agile Talent is leading to new workforce models

Traditional

- Agile talent is limited and discretionary
- Organizational preference for traditional employee relationships

Strategic

- Agile talent is core
- Expansive use of agile talent to augment internal strategic work

Transformative

- Agile talent is base
- Few internal resources - organization is assembled from agile talents

How do we build and manage blended teams?

1. Communicate a **clear vision** of the blended workforce you are creating
2. Enact the blended workforce as a **core competitive advantage**, not a one-off tactic
3. Establish a **compelling employer brand**
4. **Focus on outcomes** and performance management
5. Develop a **strong network of partnerships**
6. Architect organizational **readiness and alignment**
7. Invest in strong and aligned **leadership skills**
8. **HR must be in the game** and play a strong leadership role



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