

# The Talent Shift: Align Your Business with the Future, Now



## TALENT STRATEGY

### HCI White Paper

March 12, 2007

By Amy Moore of Aardvark Writing



## EXECUTIVE SUMMARY

Many experts believe that there is a major shift taking place in the way that companies hire and utilize talent. Many organizations, particularly larger Fortune 500-type companies are finding benefits in using independent contractors, especially for specific projects or challenges.

Gene Zaino, President and CEO of MyBizOffice, Inc., explains: "It's clear when you hear a lot of the pundits and experts claiming that the number of contingent workers will expand at a rate that's three times faster than traditional employees, you wonder, why are they saying that? Why are business leaders ranking the shortage of highly skilled people as their number one challenge? This happened for the first time at the Fortune 500 summit that happened just a few months ago."

"For the first time, the shortage of highly skilled people became the number one challenge, outranking the rising cost of healthcare, which has been the number one issue for CEOs for many years."

"Why are these things happening? There's obviously some kind of dynamic going on in the workforce, certainly in the United States."

## THE WORKFORCE IS TRANSFORMING

There are several indications that the workforce is, indeed, transforming. For example, many experts agree that the contingent workforce will likely grow three times as fast as total employment over the next decade.

Additionally, talent trends are shifting from a tradi-

tional employer-centric career model to a skills-centric resume model; in other words, away from the traditional use of full-time employees and towards the use of independent contractors and consultants. Finally, the instance of transient, talented independent workers is also on the rise.

Zaino explains that this talent shift is likely caused by several decades of change. The 1960s and 1970s were years of "social transformation" in which society challenged government and big business. During the 1980s and 1990s, a technology revolution took place: "PCs and the Internet laid the groundwork for a lot of new businesses and disrupted traditional business models. These two movements set the stage or foundation for changing long-time employee-employer relationship."

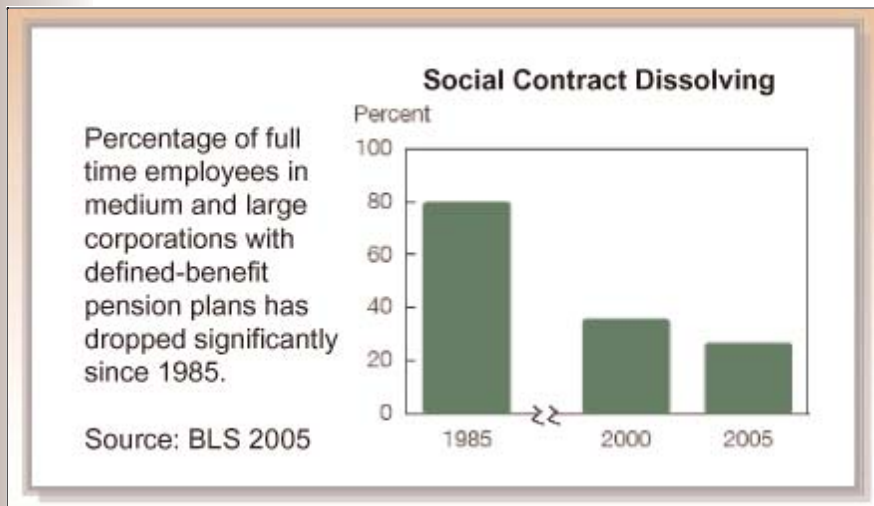
Zaino says, "In our culture and our society, employers have had a traditional responsibility for certain social elements of their employees - a responsibility for their healthcare, for providing vacation time, for providing retirement and so forth."

He adds, "It's interesting to look at the hard, empirical data from the Bureau of Labor Statistics that was published last year." This data, illustrated in Figure 1 on the following page, indicates a breakdown in employers' social contract.

## THE REASON FOR THE SWITCH

According to Zaino, the reason for the change in the employers' role regarding social responsibilities is because companies have to compete in the global marketplace. "When they compete with other countries that don't have that type of social cost responsibility, it creates a competitive problem."

Figure 1



"The commitment of employer to employee has really changed," says Zaino. Basically the trend for the workplace is evolving to a point where everyone is out to protect their own interests.

"It is becoming very easy for individuals to build their own personal businesses. And with our dual-income households, there is often a need for one of the income-earners to have a more flexible non-traditional way of work, and they tend to either go into business for themselves or do some kind of non-traditional employment so they can balance their work with their personal lives, so those are other drivers."

According to an article in *The Economist*, half of the top people at America's 500 leading companies will retire over the next five years. "That alone is going to create a huge vacuum of talent that needs to be filled one way or another, and there are lots of thoughts on how that is going to happen," says Zaino.

## THE ENTREPRENEURIAL PLAYERS

There are several different types of people that will benefit from this talent vacuum that is expected to

take place. These players include:

1. Niche experts with specialized talent. These are individuals that are not concerned about working up the ladder. Careers are focused on their own skills or resume.
2. Baby Boomers "un-retiring" and becoming consultants. They will obtain flexible work with former employers or form small

businesses (28% higher than adults in general)

3. Young entrepreneurs - "the innovation generation". The number of entrepreneurial degrees is on the rise and has increased dramatically in last 10 years.
4. Women business owners; business ownership among women is growing at twice the rate of business owners in general due to dual-income needs and government subsidies.
5. Immigrant entrepreneurs with international networks; they start an extremely high proportion of new successful U.S. businesses.

"There absolutely is a new workforce and a trend that's happening where talent is shifting far more into the individual contract, individual business, entrepreneurial mode, which is really a combination of individual needs, business needs and globalization, and certainly the demographics of the population of the United States, of which 78 million people are going to be retiring over the next 10 years."

## ROUNDTABLE DISCUSSION WITH INDEPENDENT CONTRACTORS

**Question 1: Why did you decide to become a con-**

### **tract talent provider?**

Tarik S. Nasir, founder of The Nasir Group says, "I think the biggest reason why I wanted to become a contractor is because I wanted to basically provide a different style of talent to employers and wanted to have more control over my career. Working traditionally, you find your employer tends to limit how far you can go... I decided I wanted to have an unlimited career and experience a lot of different corporate cultures, and a lot of different things in my career."

John Pattison, founder of Info et Cetera Consulting responds, "I made the choice to go into independent contracting pretty much right out of college...I like the ideas of working with a wider variety of companies. In addition, I wanted to continue focusing on my education, likely at a pace that would be a little more aggressive than a company would want to invest in me. For me, going into independent work was a way that I could spread out that education investment over multiple clients and really keep myself on the cutting edge, while also keeping things interesting, working with a lot of different projects."

### **Question 2: Would you prefer traditional employment?**

Chad Palman, a certified SAP BASIS Consultant says, "No...The benefits of being a contractor are just too great. To give you an example, about 15 years ago I started hearing about the demise of pension plans, and that Social Security wouldn't be around when I retired. So being in IT, I decided to write a program that would help try to project how much money I'd need to retire....When it spit out that lump sum, I was fairly shocked at what I saw. If I were to jump ahead 10 years as a traditional employee, even maximizing my 401K every year,

my retirement savings seemed to be growing much too slowly. As a contractor, the IRS allows me to contribute up to \$45,000 per year. If I was over 50, I could contribute up to \$50,000 a year instead of being limited to \$15,000 a year with a small company match. By becoming a contractor, I can more than double the amount I can stash away."

### **Question 3: What challenges do contractors face?**

Stan Saladyk of the Paladin Consulting Group replies, "I think one of our biggest issues with clients is that the legal and HR groups often think of us as the traditional contractor - which we're not. Meaning, they want someone to work 40 hours a week to do something that their own employees are doing, but they don't want to bring that person on board. In reality, we are a group that works on projects and helps them solve problems. So often we have to do a lot of explanation to the legal and HR folks when we try to position ourselves. Fortunately, we are almost exclusively working with senior executives, so we always have the door open to go in and do that."

Saladyk adds, "As far as our executive contacts, what we find is that very often people are consumed by the day-to-day operations of the company, and when they finally recognize the problem, they are very often looking for what I call 'the magic solution.' They want to bring in someone that can solve a long-standing problem and do it in 30 or 60 days."

But Saladyk feels there is substantial help out there for independent contractors. "MyBizOffice makes handling your own business operations easier - it is basically a contractor's administrative arm."

Regarding the challenge of managing a work-life

Regarding the challenge of managing a work-life balance he comments, "Quite honestly, the technology that's been introduced in the last 10 years makes us all - whether we're employees or contractors - constantly connected. When you're, in effect, in business for yourself or have a small group, one of the biggest challenges is being able to try to turn those connections off so you can, in fact, have some work-life balance."

Bill Craib, Vice President of HCI Communities adds, "It's hard to work from home because you never go home from work."

Pattison feels his challenges involve outsourcing administrative tasks, such as accounting and legal. He is also concerned with "selling new work and managing existing clients." Pattison notes that it requires flexibility from clients' side "so you don't have to work 80 hours a week and so you're not sitting around with nothing to do." He adds, "It's always difficult to hang up the Blackberry and have some time away from work. I think the important thing there is to have good relationships between the contractors and the client."

Palman, however, says, "I actually find it easier working with clients as a contractor. I'm not concerned about moving up the corporate ladder. I'm more focused on the task at hand, working together as a team. Overall, I just feel like I'm a much happier employee."

He adds, "Employees look to me as a technical resource to help them through their issues, through their problems. They don't necessarily look at me as their competition, being a contractor on the project."

#### **Question 4: What do contractors look for in their client relationships?**

Nasir, laughing, says, "One who pays on time." But he adds, "One who respects the discipline and the advice which you provide to them, I think, makes a very good client. One who understands the value that you bring to the table and grows to rely on that and appreciate your contribution."

Palman states he looks for "the length of the contract. The goal is usually to have a long-term contract. I like to set up rate schedules which allow me to know precisely what my hourly rate is from year to year. As an employee, I always wondered what my rate would be. As a contractor, I like to take that out of the equation and just work on providing a service for the client. Finally, treating contractors like peers" is an important factor for Palman.

#### **Question 5: In what ways is the world of consulting and independent contracting changing? What trends do you see?**

Pattison says, "I think that technology has really been a driving factor in changing and creating a more global workforce. For example, if I were limited to the close geographic region around me where I work, I probably wouldn't be able to do what I do. But because I can do a lot of work remotely, for a wide variety of companies, it opens up the pool of jobs that I have access to and that also allows me to become more highly skilled and professional in what I offer... It allows me to be a little more picky with my clients which ends up having a better match between me and my clients."

He adds, "I see a trend kind of moving towards using independent contractors for their strengths but not completely treating them as just a vendor."

Saladyk replies, "I think a trend that started a number of years ago that continues to move forward, and in fact accelerate, is that there are fewer internal resources available to do the kinds of things that we do, which are primarily diagnosing issues and mapping out solutions to them. Corporate staffs, primarily because of pressures on the bottom line, are continually being looked at and often those resources are just reduced or eliminated. Because of the focus on quarterly returns for the analysts or the stock market, management and their staff seem to be totally consumed by day-to-day operations, and they have limited time available on the mid- to long-term issues. And all of those provide opportunities for us."

He also notes, "Acceptance by senior management of a candid diagnosis about what's going on seems to be greater from an external voice than it does from an internal voice. I think it's because they know you come at it with fresh eyes - you don't have a political axe to grind, you're not thinking of your own career, and you're viewed as more objective."

## RETOOLING YOUR ORGANIZATION

Zaino explains that employers need to make their organizations more flexible and friendlier towards the independent contractor community. "It's very difficult for individuals to work with organizations. There tends to be lengthy and pretty big contracts that need to be signed. There are various risks. There's a lot of legal issues ranging from intellectual property to tax issues to benefit issues, and all of these create a lot of friction, a lot of hurdles, and a lot of cost."

He suggests that companies post requirements for

contractors on their corporate website, as they would for traditional, full-time employees. Other suggestions include:

- o Make the organization friendly to independent contractors
- o Make it easy to engage and disengage
- o Manage risk
- o Engage in education and flexibility
- o Think outside the box

"These are the types of things that really bring organization into another level to take advantage of what's going to be a very valuable resource. I think companies need to align themselves now to maintain a competitive advantage."

John Silver, Vice President, Development and Alliances at HCI adds, "There's quite a bit of knowledge that is gained by going company to company, trouble-shooting issues, and there's a certain kind of expertise that an independent contractor brings that a full-time employee wouldn't." Additionally, he feels that retired employees that become independent contractors can provide the future workforce with knowledge ingrained by working at the organization for 20 or 30 years.

## CONCLUSION

Due to the globalization of the workforce, the volume of baby boomers reaching retirement age, and the advances in technology and communication, independent contracting and consulting is becoming a fast-growing employment trend.

This talent shift allows people to become more focused on their own personal skills and less concerned with climbing the corporate ladder. Larger companies have been using independent contrac-

tors for specific projects or challenges for quite a while, and they have learned how to manage the risks of doing so. But smaller organizations will likely have to learn those lessons in order to stay competitive in the future.

---

Based on the Human Capital Institute webcast, The Talent Shift, of March 12, 2007.

## PRESENTERS

### **Tarik S. Nasir, MBA**

Mr. Nasir is the founder of The Nasir Group, LLC consulting, awarded an 8(a) certification by the U.S. Small Business Administration. Before starting his own professional services practice, Mr. Nasir was a consultant at Accenture.

### **Chad Palman**

Mr. Palman serves government and commercial clients and has over 10 years experience in systems architecture and complex enterprise systems. A certified SAP BASIS Consultant, Mr. Palman manages a Department of Homeland Security Indefinite Delivery, Indefinite Quantity (UIDIQ) contract and currently holds a DHS Full BI Clearance.

### **Stan Saladyk**

Mr. Saladyk and Paladin Consulting Group provide business process, change management and problem solving areas of Business Operations, Sales Process, Consulting Delivery Services, Software Development, Customer Training, and Customer Service.

### **John Pattison**

Mr. Pattison started Info et Cetera Consulting after graduating from Worcester Polytechnic Institute in 2000. Info et Cetera Consulting has grown, and is

now a Microsoft Gold Certified Partner. As a Microsoft Certified Professional Developer, John focuses on custom software development for small businesses in niche markets.

### **Gene Zaino**

President and CEO of MyBizOffice, Inc., Gene pioneered the industry's most innovative contract talent solution. A former consultant of KPMG, Mr. Zaino is an Ernst & Young Entrepreneur of the Year finalist, a Certified Public Accountant, and holds a Bachelor in Economics from the University of Pennsylvania's Wharton School of Business.

## ADVISORY PANEL

### **Terri Gallagher**

**National Account Manager**

**Taleo Corp.**

### **Sean Rehder**

**Principal**

**Rehder Talent Logistics**

### **John Silver**

**Vice President, Development and Alliances**

**Human Capital Institute**

## MODERATOR

### **Bill Craib**

**Vice President, HCI Communities**

**Human Capital Institute**

Prior to joining the Human Capital Institute, Bill was the Founding Director of AIRS Human Capital Solutions, and served as Director of Training and Curriculum Development from 1997 to 2003. An early Internet adopter and advocate of its far-reaching potential, Bill developed his practical experi-

ence by establishing an Internet-centric executive search practice focused on telecommunications. This endeavor helped lay the groundwork for the significant contributions he has made to the core curriculum of AIRS. Bill earned a BS Degree from the Newhouse School of Public Communications at Syracuse University and spent 10 years as a journalist working for several media organizations, including ESPN and the Rocky Mountain News, before entering the recruiting industry.

### ACKNOWLEDGEMENTS

This White Paper is made possible by MyBizOffice, sponsors of HCI's Contingent Workforce Learning Track.

### ABOUT MYBIZOFFICE



MyBizOffice ([www.mybizoffice.com](http://www.mybizoffice.com)), a leader in contract workforce engagement and administration solutions, provides a global service that delivers significant economic benefits and improved productivity to professional contract workers and their client organizations. MyBizOffice provides individual professionals with streamlined and "portable" engagement, billing, employment, benefits, and payment services, while providing their client organizations with consolidated contract workforce engagement, payment processing, and reporting services. These services help clients save over 20% on service supply chain costs while enhancing their ability to attract and administer contingent workers. Founded in 1986, MyBizOffice has served thousands of contingent workers and over 90 of the

Fortune 1000 companies and other large organizations.

### ABOUT THE HUMAN CAPITAL INSTITUTE



The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.

The Human Capital Institute gratefully acknowledges the financial and volunteer contributions of our Underwriters. They include:

- ADP: VIRTUAL EDGE
- AIRS
- AUTHORIA
- AXIOM CONSULTING PARTNERS
- AXSIUM
- BATRUS HOLLWEG INTERNATIONAL
- BERNARD HODES GROUP
- BEST SOFTWARE
- BROADBOOK TECHNOLOGIES
- BUCK CONSULTANTS
- CENTER FOR KNOWLEDGE MANAGEMENT
- CENTER FOR TALENT RETENTION
- CORNERSTONE
- CUSTOMINSIGHT
- DBM

- DNL GLOBAL, INC.
- DOUBLESTAR, INC. - HYPERION
- FIRST ADVANTAGE CO.
- HCR SOFTWARE
- HEWITT
- HR CONSULTING
- HUMAN CAPITAL MAGAZINE
- HRSMART, INC.
- IBM
- INSALA
- JOBSTER, INC.
- JWT EMPLOYMENT COMMUNICATIONS
- KELLY SERVICES
- KENEXA
- LOMINGER LIMITED INC.
- MONSTER CANADA
- MENTTIUM CORPORATION
- MONSTER GOVERNMENT SOLUTIONS
- MONSTER.COM
- MONSTERTRAK
- MONSTER JOBS
- MULTI-HEALTH SYSTEMS
- MYBIZOFFICE, INC.
- ORACLE
- PEOPLECLICK
- PLATEAU SYSTEMS LTD
- PREVISOR
- RECRUITMENT AGENCY ASSOCIATION
- SABA SOFTWARE, INC.
- SELECTMINDS
- SEQUENT, INC.
- SKILLSNET CORPORATION
- SOFTSCAPE
- SUCCESSFACTORS.COM
- TALEO CORPORATION
- THELADDERS
- THE RIGHT THING
- THE NEWMAN GROUP
- TALENTTRACK
- TMP WORLDWIDE
- TOWERS PERRIN
- UNICRU
- VANGENT
- VELOCITY RESEARCH GROUP
- VURV TECHNOLOGY, INC.
- WEBHIRE
- WORKBRAIN
- WORKSTREAM, INC.