



Client of Choice 2020

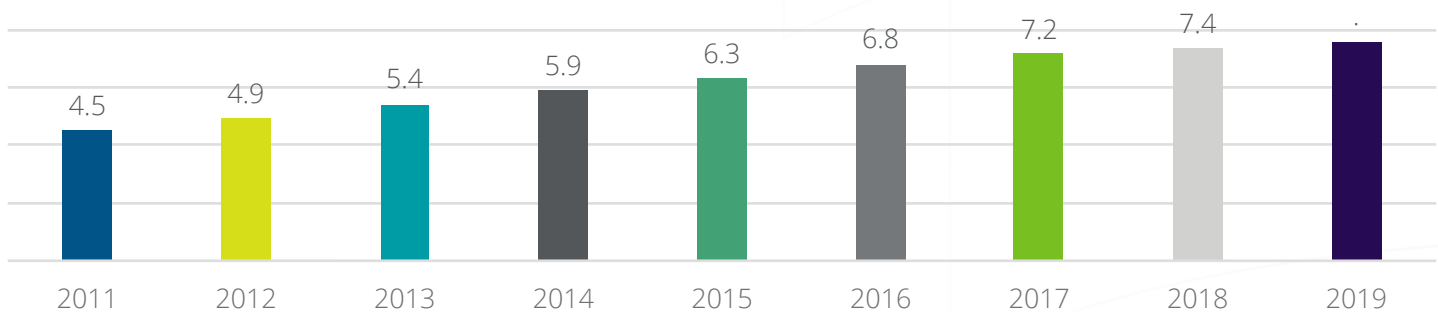
Today, 7.6 million independent professionals annually provide their skills to enterprise clients; they are a critical source of labor for key initiatives and strategic projects. In a post-COVID-19 world, it is imperative that enterprise organizations understand the motivations, needs, and desires of these in-demand workers in order to succeed.

The American workforce is remarkably dynamic, and one of the most compelling and persistent developments in the past decade has been the rapid and enduring growth of the independent workforce. This workforce is comprised of the 41 million Americans of all ages, skills, and income levels who work outside of traditional employment as independent consultants, freelancers, contractors, and other forms of solopreneurs.

The nature and culture of independent work has become more complex and sophisticated. We're not simply talking about the gig economy and side hustles. In fact, large corporations increasingly rely on a particular sub-sector of the workforce to bolster their competitive positions and get their work done: skilled independents. These are people who provide services to corporations on a regular basis as independent contractors and consultants, statement-of-work-based labor, and freelancers.

Even as the overall number of independents has remained level in recent years, the number of highly skilled independents has grown for eight years straight—at a pace almost four times more rapidly than overall employment in the U.S. The MBO Partners 2019 State of Independence in America study found that about 7.6 million Americans report that they work full-time providing professional services to corporations on a contract basis, up from 4.5 million in 2011.¹

U.S. Skilled Independent Business Professionals (in millions)



No longer a curiosity, such independents are “a critical mainstay of the workforce for a growing number of employers,” as the Deloitte 2019 Human Capital Trends report finds.² These professionals are more experienced, more educated, and better compensated than typical independent workers. And they can fill key positions in all functions, including hard-to-find skill areas such as specialized management consulting, engineering, IT, marketing, and innovation roles like research and product development.

The growth of this segment of the workforce presents both opportunities and challenges to large employers. On the one hand, they confront a significant and persistent skills gap and shortage of talent in key positions.

¹ MBO Partners State of Independence in America 2019. <https://www.mbopartners.com/wp-content/uploads/2019/06/MBO-SOI-2019.pdf>

² Deloitte: 2019 Global Human Capital Trends Report: <https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html>.

On the other hand, with each passing year, highly skilled independent workers are becoming more confident and assured—and in some ways, more demanding and selective. Companies in highly-competitive industries have long strived to be the employer of choice in their sector. Now, given the importance of highly skilled independents, they must figure out how to be the Client of Choice.

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RIISING DEMAND FOR SKILLED INDEPENDENT TALENT

For the last several years, American employers have confronted a conundrum: the traditional labor market won't always supply them with the skills and the talent they need. The combination of a tight jobs market and increased demand for specialized skills has made the task of hiring managers much more challenging. In January 2020, the unemployment rate was 3.5 percent, and there were 6.4 million open positions (and only 5.9 million unemployed people).³ Now, at the beginning of May, the global COVID-19 pandemic is causing widespread business uncertainty and mass layoffs. Unemployment is expected to impact 20 percent of Americans, almost double the rates seen at the height of the 2008 Great Recession. While the outlook for a post COVID-19 workforce remains uncertain, it stands to reason that in order to remain agile and flexible, companies must seek arrangements other than full-time employment to access necessary skills, achieve strategic growth, and to fulfill business objectives. Outsourcing, contracting, and partnering have all been tried and true methods. A decade ago, Ardent Partners reported that nonemployee labor was only 16 percent of the average corporation's workforce. But its 2020 extended workforce study found that 43 percent of the average corporation's overall workforce is comprised of nonemployee labor.⁵ For many high-performing corporations, the nonemployee labor percentage is even higher. Half of Google's workforce, for example, consists of nonemployee labor. We expect that these numbers will only grow in the coming months and years as businesses seek to change and adapt in a "new normal" model post COVID-19.

Companies recognize that relying on such employees is likely to be more commonplace in the future. The global human capital consulting and services firm Mercer released their 2019 Global Talent Trends study, which found that 79 percent of executives expect that

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contingent and freelance workers will substantially replace full-time employees in the coming years. The use of independent talent has also become more strategic to corporations. Over half (53 percent) of corporate

³ Bureau of Labor Statistics Unemployment Rate: <https://www.bls.gov/news.release/pdf/empst.pdf>.

⁴ Bureau of Labor Statistics Economic Situation Summary: <https://www.bls.gov/news.release/empst.nr0.htm>.

⁵ Ardent Partners: The State of Contingent Workforce Management 2020: <http://ardentpartners.com/2019/09/announcing-the-state-of-contingent-workforce-management-2020/>.

HR and procurement executives interviewed by MBO Partners said independent workers were important or very important to meeting the strategic objectives of their business. Only 19 percent said they weren't important.

A RISING SUPPLY OF SELF-ASSURED TALENT

The good news for employers is that the pool of available highly skilled independent talent is growing. American workers—especially those with specialized skills—are increasingly choosing and pursuing the route of independent work along with the many lifestyle and professional benefits it offers. The number of skilled independent professionals—defined as those who provide services to businesses and, on average, earn more than \$76,000 per year working full-time—has risen for eight straight years. In 2019, some 7.6 million workers fell into this category, up from 5.9 million in 2014.

Attracting this type of talent has become an arena for competition among large firms that value the strategic insight these professionals bring. But companies must understand that they are dealing with a workforce whose motivations, goals, and needs may differ significantly from those of the traditionally sourced external workers they have retained in the past. These professionals are often able to pick and choose who they work for. And in considering clients, they are looking beyond the dollars and cents of a paycheck and into deeper emotional and personal rewards. It's not enough for employers to provide adequate compensation. They have to provide a sense of belonging and community, options for personal and professional development, interesting work and ease of access.

Our survey provides illuminating insights into the demographic, professional, and emotional make-up of independent professionals and how large organizations can offer the tangible and intangible returns they seek.

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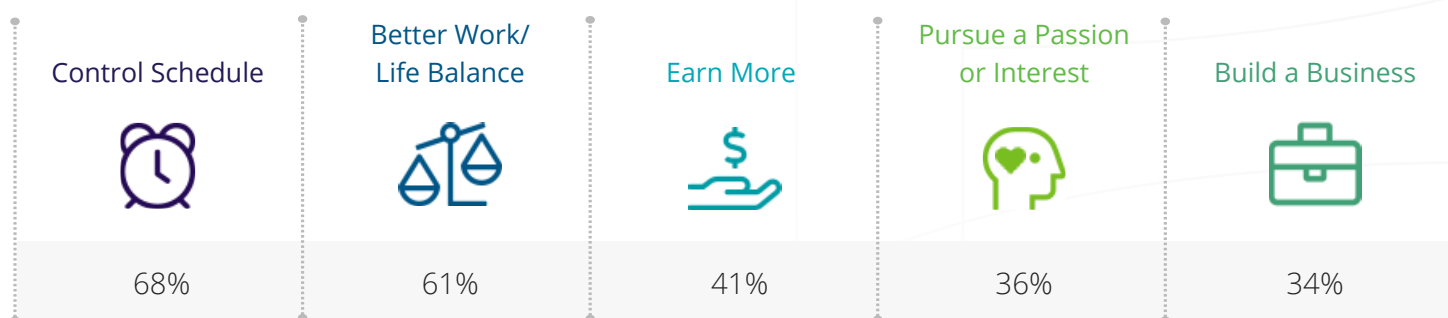
MEET THE INDEPENDENT PROFESSIONALS

Independent professionals are older, better educated, and have higher incomes than both the general independent workforce and the American (traditional, full-time) workforce at large. Independent professionals skew male (61 percent male to 39 percent female) and have an average age of 49 (compared with 41 for all independents). Some 71 percent have four years of college or more, a significantly higher proportion than all independents (39 percent), and more than double the rate of all American adults (34 percent). Three in ten independent professionals (30 percent) possess graduate degrees. In 2019, independent professionals

reported an average income of just over \$76,000. The average independent professional has 9.5 years of experience working independently, works with 4 to 6 clients at a time, and has been working with existing clients for an average of 3.6 years.

Why do they pursue this path? In a word: choice. On every major issue related to choice and control, independent professionals expressed a greater preference than the independent workforce at large. Among the top reasons cited by these workers for pursuing this path are a desire to control their schedule (68 percent), greater work/life flexibility (61 percent), and being able to work on projects they like (40 percent). Forty-one percent said they do so to make more money. Smaller proportions said they work as independents because they want to pursue a passion or interest (36 percent) and because they want to build their own business (34 percent).

What Factors Matter to Independent Professionals



Where do independent professionals work? The top three professions in which independent professionals work are consulting, coaching, and research (17 percent), creative services (16 percent) and information technology (13 percent). Other popular professions include education and training (8 percent), sales and marketing (7 percent), and healthcare and sciences (8 percent). The common denominators among these roles are that the work is knowledge-based and that the skills they represent are often difficult to source through traditional labor markets.

Freedom to choose projects and clients is often correlated with satisfaction. Independent professionals are remarkably enthusiastic about their work: 89 percent say they are highly satisfied (78 percent) or satisfied (11 percent) with their path, and 83 percent said they are happier working on their own than at a full-time job.

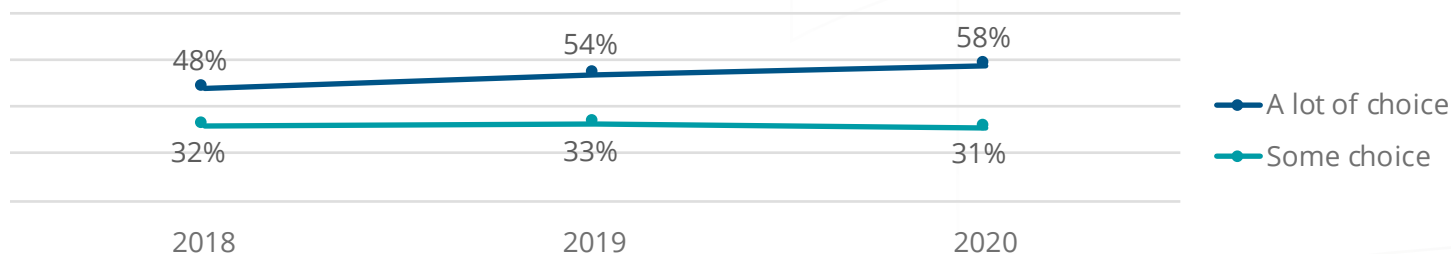
Independent professionals are generally pleased with the choice they have made and are intent on continuing their path. A large majority—79 percent—say they plan to continue as an independent worker and 74 percent are optimistic about the future of their careers. Fifty-nine percent said they wouldn't choose to go back to a traditional job and only 21 percent said they'd rather have a traditional job than work independently; only 11 percent said they plan to seek a traditional job over the next year.

A MATTER OF CHOICE

For several years, especially when it comes to in-demand skills and capabilities, the balance of power has slowly been shifting away from employers and towards workers. In the last few years, we have noticed a substantial increase in the self-confidence and self-assurance of independent professionals. Between 2017 and 2019, the proportion of independent professionals who said they have a lot of choice in picking their clients jumped from 48 percent to 58 percent (the percentage saying they have some choice remained essentially flat at 31 percent). Not surprisingly, the higher the rung on the income ladder, the more the professional is able to exercise choice.

Among independent professionals making more than \$100,000 annually, 64 percent said they have a lot of choice in picking clients and 29 percent said they had some choice. The data suggest independent professionals successfully curate their clients, as 86 percent say they are either very satisfied (72 percent) or satisfied (14 percent) with their client relationships and only 1 percent say they are dissatisfied. Companies are also reporting this shift. In our interviews with HR and procurement executives, 57 percent reported finding skilled independent talent challenging or very challenging. Only 16 percent said it was not challenging.

Independent Professionals' Choice in Picking their Clients



A BASIS OF COMPETITION

In a real sense, the onus falls on companies to distinguish themselves so they can remain attractive partners for these sought-after workers. Fortunately, our survey highlights the attributes and practices that selective independent professionals are seeking. Independent professionals are very clear, even emphatic, about the factors that influence why they choose the projects and clients they work with.

And it's not just about the money or how many hours or projects they get. In fact, independent professionals express an overwhelming need or desire to get personal satisfaction from their work, with 77 percent saying that it is more important to do something they like than to make the most money. More broadly, independent professionals choose their clients based in part on how they are treated, regarded, and spoken to. Here are some of the key factors that independent professionals seek:

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TREAT ME AS PART OF THE TEAM.

Independent professionals seek to combine the positive reinforcement associated with traditional employment even as they enjoy the freedom and agency that independent work provides. They don't want to be treated like “temps”, part-time help or strangers. Rather, they want to feel as if they are an integral part of the teams they work with and that their strategic contributions are valued.

As was the case last year, 90 percent of independent professionals list being treated as a part of the team as either a very important (52 percent) or important (38 percent) factor in deciding who they work for. They want companies to include them in team activities and, when legally allowable, treat them like employees. Companies should recognize that independence does not mean isolation and consider how they can make independent professionals feel like they are members of teams. This could mean providing more information on business goals, invitations to team events, or giving appropriate feedback on their contributions to the company's strategic performance.

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VALUE MY WORK.

Almost 90 percent of independents report that making a difference with their work is one of the key reasons they work independently. For the fourth year in a row, “valuing my work” was the single most important factor independent professionals list in deciding who they work for; 95 percent listed it as either very important (74 percent) or important (21 percent). Systematically providing feedback mechanisms and helping independent professionals understand why their work matters will lead to a greater likelihood of becoming a destination client.

Whether it is making people feel part of the team or being responsive to questions, elements relating to communication chart high on the list of needs. When asked why they are satisfied with their clients, 78 percent of independent professionals said appreciating the quality of my work, 74 percent cited treating me as a valuable team member, and 70 percent said liking the people who supervise my work. When asked about key satisfaction drivers, 84 percent identified responsiveness, and 78 percent cited a company's ability to listen to and act on feedback and input as important.

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GIVE ME CONTROL OVER MY WORK.

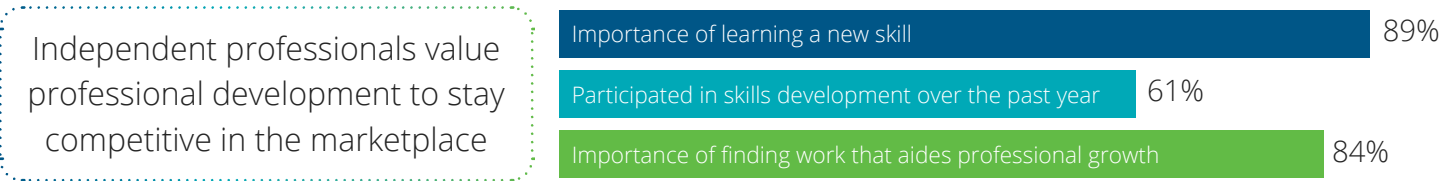
Independent professionals seek a combination of autonomy and connection. As was the case in previous years, independent professionals were nearly unanimous in identifying “control over my work” (64 percent very important, 34 percent important), “allowing me control over my schedule” (59 percent very important, 32 percent important) and “allowing me to work on tasks I enjoy doing” (57 percent very important, 38 percent important) as drivers of satisfaction.

Also in keeping with broader workforce trends, there is an increasingly growing importance in the ability for independent professionals to work remotely. The average independent professional spends 63 percent of their time working remotely; in fact, only 22 percent report client sites as their primary work location.

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PROVIDE ME WITH THE OPPORTUNITY TO LEARN AND BUILD SKILLS.

Independent professionals are keenly aware of their unique value in the marketplace and appreciate the demand for their hard-won skills. As a result, they know that they need to keep building new skills and capabilities if they are to continue on their path. Eighty-nine percent of independent professionals say learning new skills is either very important (51 percent) or important (38 percent) to their careers. Independent professionals pursue skills development on their own, with 61 percent reporting having participated in skills development or education over the past year. While they don't necessarily look to employers to equip them with the skills they need, they do seek opportunities for growth through the challenging work they do for their clients. Eighty-four percent of independent professionals say finding work assignments that help them grow professionally is either a very important (52 percent) or important (31 percent) factor in choosing clients.



COMPENSATE ME FAIRLY AND QUICKLY.

Surprisingly, compensation is not among the top reasons independent professionals choose their clients, but the content and the mechanics of compensation are important. In their personal lives, independent

professionals see how easy it is to transfer funds and make payments. Their expectations are accordingly rising as to how quickly and easily they will receive payments. Paying well was listed as very important by 52 percent of independent professionals and important by 34 percent.

SHOW ME THE MONEY.

However, quick payment terms are important to independents overall, with 55 percent saying it's very important and 39 percent saying it's important. Having a fast and efficient contracting and onboarding processes, which includes defined project goals and objectives, and having automated systems to limit paperwork were both cited as important factors in influencing client choice and satisfaction.

PROVIDE ME WITH REASONABLE PROCESSES AND PROCEDURES.

One finding that continually emerges in the survey are the human motivations—emotions, and feelings of agency and control—that propel independent professionals. Effective processes are important, and technology can remove friction from working arrangements, but many attributes cited as influencing client choice and satisfaction have to do with the working relationship. Companies that recognize this idea attack unnecessary bureaucracy with a vengeance and try to create as much of a frictionless engagement process as possible.

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EMBRACING THE FUTURE

Not all companies may feel that engaging with independent professionals more intimately and frequently is necessary, or easy. But just as is the case with other powerful trends—globalization, AI, data analytics—companies can't afford to ignore the reality of the changing way of work. Every day, companies face real challenges in optimally staffing their operations for competitive advantage. Regardless of how the economy performs in the short-term, the persistent skills gaps and labor shortages are unlikely to disappear. As they strive to build agile and resilient operations, organizations will need to build greater flexibility into their talent strategy. At the same time, the cadre of independent professionals who many companies already rely on, is continuing to grow—in numbers, in maturity, and in self-confidence. As the basis of competition changes, companies cannot simply depend on the same talent strategies they used ten or even two years ago.

To engage with independent professionals effectively, companies will have to think more creatively about their talent strategy and the role of external talent. Rather than simply figuring out how to access labor, companies need to figure out how they can become the Client of Choice for highly skilled workers. They will have to give the same in-depth thought and effort to working with independent professionals as they do to

attracting, retaining, and developing full-time employees. They can do so by understanding what motivates skilled independents and then tailoring their strategy, processes, and ways of working to appeal to this pool of talent. Companies should be prepared to pay a premium for highly skilled professionals. And to keep these workers happy, satisfied, and engaged, they will have to integrate them into their teams and culture to the fullest extent possible while meeting their very human needs for connection and development.

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5 STEPS ENTERPRISES CAN TAKE TO BECOME A CLIENT OF CHOICE

As enterprises look for ways to remain agile and competitive, they are shifting their workforce strategies to include top independent professional talent. But in order to attract and retain this elite group of workers, organizations must understand what motivates this pool of talent and then modify strategies and processes to meet those needs. Here are five steps enterprises can take to become a Client of Choice— independent professionals' top choice in client partnership.

1. Incorporate them into your team

Independent talent are looking for a meaningful work environment where their coworkers respect, trust, and engage them. Encourage positive reinforcement, provide feedback on performance, and include them in team activities when legally allowable.

2. Provide opportunities for learning and building skills

In order for independents to provide their clients with the very best results, they need to keep their skills updated. Encourage independents to grow professionally and help them push the boundaries of their project assignments.

3. Build a positive work environment

Independent professionals have the legal right to dictate how, where, and when they work. Respect their ability to control their work and schedule. By giving them the freedom and flexibility that their choice of work status allows, organizations will be more likely to attract and retain the skilled talent they are looking for.

4. Value their work

Independent professionals have skills that are in high demand—they are true experts in what they do. Treat them with respect and provide honest feedback. Let them know that the contribution they are making to your company is appreciated.

5. Create reasonable processes and procedures

Independents are looking for clients who make it easy to work with them. Build a standard process for engagement that incorporates quick and fair compensation in line with market standards, and a streamlined onboarding process that limits paperwork and provides straightforward guidance on company policies.

METHODOLOGY

The 2020 MBO Partners Client of Choice Study is the 4th consecutive year this study has been conducted. For the 2019 study 3,985 residents of the U.S. (age 21 and older) completed an online, panel-based survey. In addition to the surveys, 31 human resource and procurement professionals from large corporations were interviewed. 1046 of the survey respondents were independent workers and 503 of these respondents were Independent Professionals, which is the group this report is focused on. The data was weighted to reflect U.S. demographics. The margin of error for the data related to independent workers is +/-2.8% and the margin of error for the data related to Independent Professionals is +/-4.1%. The 2019 survey results are generally statistically consistent with the survey results from the prior 3 years of this ongoing study. The MBO Partners Client of Choice study is part of the broader MBO Partners State of Independence study series, which is in its 10th year.

ABOUT MBO PARTNERS®

MBO Partners delivers solutions that make it safer and easier for enterprise organizations and top independent professionals to work together. Through its proprietary platform, MBO has built a comprehensive workforce ecosystem that fuels both sides of the independent economy. MBO strengthens relationships, minimizes risk, and maximizes value for its clients. Its unmatched experience and industry leadership enable it to operate on the forefront of the independent economy and consistently advance the next way of working.

To learn more, visit mbopartners.com.