In creating change-ready organizations, agile talent models become essential.
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**There’s No Time to Wait. The Future is Now**
Executive Summary

Agility and flexibility. Words echoed like a mantra across businesses worldwide as they race towards growth. So, what’s fueling the urgency? Technological innovations and uncertainty. As COVID-19 demonstrated, companies must be prepared for anything. Adding to the challenge, they must now do it with smaller budgets as CFOs cut costs to ride out the recession.

Being prepared requires that companies work with greater agility and adapt quickly to change. Across industries, traditional planning models are being replaced by nimble processes that support how businesses must run today: rapid prototyping, frequent reassessments, adapting plans on the fly, and team-based decision making.

If this sounds like something from an agile playbook, you’re right. Once a project management method used in IT, agile expanded to become a philosophy underpinning functions companywide.

However, the most calculated strategies and methodologies are useless without the skilled talent to support them. A dilemma that companies are contending with as a record-shattering number of workers were furloughed or laid off during shelter-in-place orders.

After the economy reopens, many of those workers will not be rehired as organizations stretch every dollar to survive the recession. They must figure out a way to get more work done with fewer employees:

• 39% of hiring managers have seen or expect layoffs at their organizations
• They predict only 53% of laid off employees will be hired back

Amidst all the challenges, there is hope for the future. While the country sheltered-in-place, one thing became clear: remote work works. What Time magazine called “The world's largest work-from-home experiment” forever changed how organizations function. A change that may provide the answer to how companies will not only climb out of the recession but also come out stronger.
Remote Work is Working

How we work was undergoing transformation long before COVID-19. In 2019, remote work was so widely adopted that experts predicted the majority (56%) of teams would have remote workers by 2020. Among knowledge workers, the pandemic likely exceeded that estimate.

Suddenly forced to operate remotely, the global collective opened up their minds to what really doesn’t have to be done within a central office’s walls; which was a lot more than previously imagined.

The awareness didn’t just change how companies operate, but it also shifted mindsets and raised compassion for alternative workforces. From the top down, people expanded their understanding of how to create supportive remote work environments that extend beyond a computer and secure network connection to include processes for clearer communication and inclusiveness.

As mindsets shifted, previous biases against remote workers began fading away. When people understood workers don’t have to be seen to be trusted and productive, the path to change became clearer.

**COVID-19 PROVED THAT REMOTE WORK, WORKS**

94% of hiring managers report their organizations utilize remote workers

56% say remote work has functioned better than expected

62% believe their workforces will be more remote than pre-pandemic estimates

Although a bruising journey, the great remote work experiment accelerated the acceptance of workforce strategies that were initially resisted. Talent management is changing, and it’s happening just in time.
The Next Evolution in Talent Management

Before the pandemic, technologies like artificial intelligence, automation, and robotics were already changing the nature of work, the dynamics of the workforce, and the notion of the workplace. Although 70% of companies were working on digital transformation strategies, progress was too little and too slow to protect them from the operational and economic difficulties brought on by COVID-19.

Now, companies realize survival depends on completing their digital transformation and doing it quickly. It’s a huge undertaking as it involves digitizing assets and processes across all functions from IT to marketing. Then reaching the holy grail of digitization: creating digital offerings.

In light of the lessons learned during the early months of the pandemic, digital transformation may also include transitioning some jobs to become permanently remote, and changing business models as supply chains and products digitize as much as possible.

There’s a lot of work to be done, but many organizations don’t have all the skills required to support their transformation. Hiring isn’t an option as nearly half (45%) of organizations froze headcounts to conserve cash during the recession. Yet, companies feel pressured to move forward knowing that if they fall behind now, they may never catch up again.

3 out of 4 organizations have skill gaps that are limiting their service levels and/or business growth (Source: Association for Talent Development)

It’s not lost on CEOs that perhaps more than ever before, a company’s success is determined by its talent. A McKinsey survey confirms that organizations are 1.5x more likely to report a successful digital transformation when they develop talent and skills throughout the organization.

Enlightened leaders understand that today, it’s the talent that dictates a company’s strategy and speed of innovation. Leaders also realize a company can’t move forward by sticking to an outdated talent model born from an age when tech evolved slowly and talent was predictable.
Professionals want more control

The pressure to update talent management practices isn't just coming from the top. Companies are also feeling tension from the ground level as technology, such as talent platforms, empowers individuals to work on their own terms. A trend that’s accelerating as COVID-19 and the resulting layoffs incite workers to diversify their income streams.

At no other time in history have professionals, especially those with in-demand skills, wielded such command over who they work with, the type of work they do, and how much they earn.

After the pandemic forced an estimated 80 million Americans to work from home, many first-timers discovered they prefer that lifestyle. It’s tough to miss long commutes, chatty coworkers disrupting their productivity, and office politics.

When you add on the many other benefits including less stress, more time for self-care and loved ones, it’s difficult to go back to rigid schedules. It’s not surprising that 24% say when it’s time to return to offices, they rather work from home more or entirely.

For companies that don’t provide a remote work option, there’s a risk it may push employees to leave once hiring opens up again. Or it may inspire workers to ditch being an employee altogether and hang up a shingle as an independent contractor.
Companies can’t rely on traditional staffing anymore

Before COVID-19, companies were taking an incremental approach to resolving talent gaps by engaging staffing firms to find the skilled help they need. Yet staffing firms were falling short.  

61%

of hiring managers are not fully satisfied with their staffing firms

Cost, quality, and time to fill were ranked as the biggest pain points of using staffing firms

Hiring managers’ dissatisfaction with staffing firms should be no surprise as their recruiters draw from the same sparse talent pool of full-time employment seekers and are affected by the same workforce trends as their clients.

It’s why, like their clients, most staffing firms (73%) rank talent shortages as their top hiring challenge. But a shared challenge won’t grant staffing firms any empathy. As companies become more digitized and automated, they will require more highly skilled and specialized professionals.

Unless the staffing industry undergoes a monumental transformation, the disparity between the talent companies need and what staffing firms can provide will continue widening. At the very least, staffing firms must create a platform infrastructure to access and manage quality talent. And that talent must be experienced in remote work.
Already contending with dissatisfied clients, staffing firms are further challenged by the crisis as companies implement cost-cutting measures and restrict temporary talent onsite. It’s no wonder that global staffing revenue is projected to drop by 14% to 37% in 2020, according to a Staffing Industry Analysts report.

It appears companies can’t count on traditional staffing firms anymore, but there’s a better alternative. Before the pandemic struck, growth-focused companies had moved onto the next evolution in talent management.

“As we continue to grow and move faster, we’ve found traditional staffing agencies aren’t a fit for us. They can’t offer the breadth of skills we need, and as quickly as we need, to keep up with market changes.”

Elizabeth Lages, SVP of People and Culture at Flexera
Next-generation talent sourcing is in the cloud

Since cloud-computing emerged over 10 years ago, the cloud concept spread to facilities, transportation, and the biggest value and cost center of all: talent. Today, companies are taking an agile approach to fill talent gaps by leveraging the next logical step in talent sourcing—the “talent cloud.”

Sourcing independent talent from the cloud, via technology such as freelancing platforms, provides businesses direct and cost-effective access to a large and varied pool of highly-skilled professionals, on-demand, and with proven remote experience. Talent whom companies may not be able to access otherwise because of cost or local availability.

What’s notable is this sourcing model cuts out the staffing middleman enabling companies to get more done with their existing budgets with higher quality outcomes. In turn, hiring managers maintain control, which grants them faster access to talent, at a higher quality, and significant savings. Managers also gain flexibility. They can engage talent when needed, for as long, as often, and as many as they need to scale up and down quickly. A boon for managers who must adhere to strict budgets while increasing operational agility.

COMPANIES BENEFIT BY USING TALENT CLOUDS TO OMIT THE STAFFING MIDDLEMAN

<table>
<thead>
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<th>TRADITIONAL STAFFING FIRMS</th>
<th>FLEXIBLE TALENT SOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average time to fill</strong></td>
<td><strong>20+</strong> days</td>
<td>1-3 days</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td>Up to 80% markup</td>
<td>Average <strong>30-50%</strong> savings</td>
</tr>
<tr>
<td><strong>Net promoter score (NPS)</strong></td>
<td>-2</td>
<td>66*</td>
</tr>
</tbody>
</table>

*2019 NPS score for Upwork
The benefits are so self-evident that years before COVID-19, companies were already sourcing through talent clouds. In fact, the practice was gaining popularity so rapidly that utilization of on-demand and digital technology rose nearly 300% over the past 3 years, according to an Ardent Partners report.

As workforce and business needs evolve, so must talent models. As companies prepare for uncertainty, forward-thinking leaders are using talent clouds to gain an edge over their competition by solving problems faster, accessing highly-specialized skills, innovating at a higher level, and gaining efficiencies across their enterprise.

If you can’t build or buy skills, borrow them

Procter & Gamble (P&G), the consumer packaged goods giant with 97,000 employees worldwide, has a nearly 200-year history of building talent internally. While they still hold to that philosophy, P&G also realizes it must have options to scale teams quickly and extend capabilities when training someone or hiring a new employee isn’t possible.

The company created a “Build, Buy, Borrow” strategy for teams to access skills faster. In this strategy, building skills is done internally. Buying skills is the typical practice of partnering with agencies, independent professionals, and vendors. Borrowing skills is where independent talent comes in.

P&G worked with Upwork Enterprise to identify highly skilled independent professionals then the Upwork team created pre-vetted talent pools for P&G managers to quickly find talent on demand. Within a year, P&G completed nearly 2,000 projects ranging from design, programming, to video production.

Our design and business teams that work in our brands have found that both their budgets and their speed benefit greatly by using an Upwork contractor rather than outsourcing work to a traditional agency.

We see up to 60% savings compared to traditional agencies with some of these jobs.

Ann Schulte, P&G’s Global Leader of Talent Development.
Maintaining momentum with independent professionals

As discussed earlier, tightened budgets are preventing many companies from returning to full headcount after offices reopen. Of the companies that can hire, many are putting it off. The sobering reality is that as the economy continues trending downward, today’s open positions may no longer be needed in six months. However, there’s still work to be done now, so companies are looking to independent talent for help.

These independent professionals are cost-effective, provide specialized skills, and are adept at working remotely. Companies gain help without risking employee safety, and teams gain experts who can jump into projects and be productive almost immediately. The very nature of how they work is designed for how companies must move quickly and gain flexible access to skills.

Advances in technology also make it easier to work with independent professionals. Mature platforms like Upwork enable organizations to find and onboard talent from anywhere in the world within three days on average. And work with them for as long as needed, whether it’s a few hours to several months. Upwork’s transparent rating and review systems also help ensure quality engagements.

WHY HIRING MANAGERS PREFER INDEPENDENT TALENT VS. STAFFING FIRM

- **Increased productivity**: 62%
- **Access to highly skilled quality talent**: 49%
- **More cost efficient**: 53%
While office health and safety concerns are reducing interest in staffing firms, independent talent work remotely, so engaging them doesn’t pose any employee health risks. This is just one of many reasons why the demand for independent talent is rising. Nearly three quarters of hiring managers say they are continuing to use their independent talent or increasing use. And almost half (47%) are more likely to engage independent talent in the future as a result of COVID-19.
Hybrid teams aren’t just for IT anymore

An agile way to work with independent talent is through hybrid teams. In a hybrid team, employees focus on core work, the strategic part of their role that makes them experts at what they do. And independent talent handle peripheral work, such as the repeatable or highly specialized work that often gets pushed further down the to-do list as employees become busier.

Although startups, especially in tech, have worked in hybrid teams for decades, the practice reached mainstream before the pandemic hit. Nearly half (42%) of hiring managers engaged independent professionals in 2019, up 23% from 2017. And large companies, including Microsoft and Procter & Gamble, are gaining a competitive advantage by leveraging flexible talent through hybrid teams.

84% of teams would either delay, cancel or extend project workloads if unable to engage independent talent

The hybrid team model requires hiring managers and business leaders to become proficient at identifying what work is core to a role or company and what can be contracted out to external talent. As you can probably imagine, this necessitates changing mindsets around how work is broken down and organized. A mindset that may be easier to adopt now that managers experienced first-hand how to lead fully distributed (remote) teams while sheltered in place.

CORE-PERIPHERAL TALENT MODELS

- **Traditional**
  - Core Talent
  - Peripheral Talent

- **Agile**
  - Core Talent
  - Peripheral Talent
Independent talent enables business growth

59% of hiring managers will use some form of flexible talent in 2020.

Top jobs using independent talent

Here’s where hiring managers say they’ll engage more independent talent in 2020:

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>46%</td>
</tr>
<tr>
<td>Creative / Design</td>
<td>58%</td>
</tr>
<tr>
<td>Writing</td>
<td>58%</td>
</tr>
<tr>
<td>Web, mobile and software development</td>
<td>51%</td>
</tr>
<tr>
<td>IT/networking + database admin</td>
<td>55%</td>
</tr>
<tr>
<td>Engineering</td>
<td>33%</td>
</tr>
</tbody>
</table>

It seems pretty clear that the boundary of the firm is changing in significant ways. I hear the ‘core-periphery’ idea a lot here in Silicon Valley.

Melissa Valentine, Assistant Professor at Stanford University in the Management Science and Engineering Department and co-director of the Center for Work, Technology, and Organization (WTO).
The New Agile Company

Agile isn’t just for tech anymore. Digitization, automation, and the pandemic are dramatically changing what people do and how they get it done. Out of necessity, agile is becoming the philosophical foundation influencing how companies handle everything from hiring, delivering services, to developing their people.

WHAT IS AN AGILE COMPANY?

An agile company is one that is quick in responding to changes in the marketplace and its environment. A highly agile company responds quickly to the emergence of new competitors, rapid advancements in technology and sudden shifts in overall market conditions.

A key component of company agility is establishing workforce agility. Because a company can’t move with speed and flexibility if it doesn’t have the talent to execute work with equal adaptability and responsiveness. Put another way, it must have the right people, doing the right work, at the right time.

Think about accessing knowledge, not talent

An agile workforce is made up of core employees, who provide the essential skills needed for the survival and growth of an organization, and peripheral talent who help provide specialized knowledge and support scaling projects. In an agile workforce, skills, especially those that are highly specialized, are seen as modular and adaptable units of knowledge that can be quickly slotted into a project, or part of it, as particular expertise is needed.

The model is less about accessing individual talent and more about accessing specialized skills and doing it cost-effectively.

Instead of treating external talent like—well, external, companies structure themselves to engage all knowledge workers in dynamic project-based teams. Through this intentional collaboration, companies benefit from the full weight of their expertise, ensure all talent is contributing at optimal levels, and that they’re working efficiently.
It’s important to note that for an agile talent model to succeed, companies can no-longer treat independent talent as second-class citizens. At least not if they want to access all the skills they need. As these highly-skilled professionals choose which projects to work on and for which company.

*The Technology Fallacy: How People are the Real Key to Digital Transformation*, written by Gerald C. Kane, et al, underlines this point. According to the authors, companies can only ensure consistent access to skills and attract top talent when they treat independent professionals as “integral contributors to the company’s strategic objectives...and invest in the long-term health of the talent pool.”

> This is the moment more than ever for agile, cross-functional teams who share values, have a common mission and can iterate and optimize and be data-driven. We need teams to move quickly and get 80% right, testing and learning a lot. Teams who really trust each other and practice common rituals and the like.

Michelle Peluso, CMO at IBM
Intentionally design teams

Dyan Finkhousen, Future of Work Consultant and Business Advisor, spent 23 years optimizing how enterprise organizations and their clients work with flexible talent. She teaches that in creating an agile workforce, companies aren’t just managing or leveraging talent resources. They are also designing teams to intentionally drive productivity and efficiency.

This requires managers to think differently about how work is done, how talent is sourced, how their skills are applied, and how work and talent programs are managed. To think differently, managers must stop viewing independent talent from a supply chain mentality.

Instead of reaching for contingent workers to plug a hole, reach for a contingent worker to fill the right (most strategic) skills gaps. Ask questions like what skills do I need to get the work done? What skills exist inside my company now? What does the team do well? How long do I need those skills? Then you’ll see where to place talent to perform work that makes the highest business sense.

Companies that embrace agile, or hybrid, teams early on are shifting how their leaders think about work, which develops a competitive advantage over those who wait. Because those leaders are learning soft skills that are characteristic of digitally maturing organizations: how to be more agile, how to source for critical skills, how to assemble distributed teams and get them up and running quickly, how to collaborate in a physical and virtual world, and how to use decision support tools to effectively meet their goals.
The inhibitor to innovation is not the ability to learn new things but the inability to unlearn mindsets, behaviors and methods that were once effective but now limit success.

Barry O’Reilly, Best-Selling Author, Entrepreneur, Business Advisor
Reskilling the Workforce

In recent years, workforce reskilling ranked as a top priority for most business leaders as technology, especially in automation and machines, continued advancing at swift speeds. Then COVID-19 increased the urgency for reskilling as jobs become permanently remote, new roles and activities are created, and companies digitize further.

Employees will need to level up their skills to not only work with new technologies but also within new business models. For example, a Gartner survey shows 75% of CFOs intend to transition up to 20% of their previously onsite workers into permanent remote positions as part of their recession survival strategy.

Those who want to succeed in the new business environment must learn how to thrive in distributed teams. This may require strengthening tech skills and soft skills such as coaching self-directed workers, building culture in remote teams, and managing in a results-based work environment.

Although the majority (85%) of hiring managers agree that it’s important for a company to reskill or train its workforce, we’ve got a long slog ahead.
To retrain or not to retrain?

Before companies invest in massive training programs, they must first consider whether it makes sense. Consider that the half-life of a skill is five years. This means 75% of what you learned 10 years ago is obsolete. And only half of what you learned five years ago is useful today.

All things considered, retraining may not be an efficient solution depending on the skills required.

Retraining takes time. And time can be a liability to an agile company that is defined by speed. In some situations, it may be more strategic to contract an independent specialist than reskill an employee. Especially as independent talent are nearly twice as likely as employees to complete skills training in the last 6 months.

This does not indicate a bleak future for employees. The old adage of people being a company’s biggest asset is still truthful today. But companies must balance future-proofing its workforce and integrating flexible solutions to access critical skills on time.
While companies figure out how to build an agile workforce, here are practical steps you can take to help move teams forward.

- **Identify skills gaps.** Identify work that is not being completed or being delayed in delivery due to a scarcity of talent. Rank them by the degree of difficulty or priority and how it impacts projects being completed on time, or not at all.

- **Look for opportunities to flex.** Gather your core team and brainstorm opportunities to expand your workforce capabilities with independent talent. A good place to start is by identifying work or projects that cannot be completed with your core team.

- **Build for agility.** Consider wider changes to the company. Break away from traditional functions and processes to support the rapid assembly of project teams. Give people greater autonomy and decision making power as they shift from functional roles to collaborative team contributors. Interject new leadership capabilities to encourage experimentation and risk-taking.

"We’re at a turning point now where companies are thinking more broadly about the business impact they want to achieve and empowering employees to reach them by accessing independent talent with specialized skills."

Zoë Harte, SVP of HR and Talent Innovation, Upwork
There’s No Time to Wait. The Future is Now

There’s been a lot of talk about the future of work, but the current business environment and workforce shifts all indicate that the future of work is already here. Technology, including AI, multi-cloud computing, and predictive analytics, is transforming how we work and the type of work we do. Younger generations are favoring an independent career over a traditional job. And as a result of the pandemic, 62% of organizations are shifting more jobs to remote.

So, what does all this mean? Companies that become adept in workforce agility will gain a formidable advantage over those who don’t.

A [KPMG](https://www.kpmg.com/) survey shows a majority of global CEOs and business leaders believe if they fail to adapt to a constantly changing and disruptive world, their business will become irrelevant. As evidenced by the record unemployment, number of business closures, and bankruptcies filed by household brands as a result of COVID-19.

Now—not later—is the time to start future-proofing your company. But future-proofing doesn’t hinge on reskilling employees.

For businesses to adapt quickly, they must build an agile workforce. Growth-focused leaders know when a company adopts an agile organizational structure and powers it with an agile workforce, the company can respond swiftly to change while remaining stable. As Kane, et al, concludes in *The Technology Fallacy*, “Individuals may come and go, but the on-demand talent market should be nurtured and maintained with an eye toward the future.”
About Upwork

Upwork is the leading online talent solution empowering businesses with flexible access to quality independent professionals and agencies, on demand. Businesses gain access to a global pool of proven talent in over 8,000 skills—from creative & design to software development.

Learn more about how Upwork can help your business succeed by visiting us at: upwork.com

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