INTRODUCTION

In our current volatile world, organisations find it increasingly important to be able to quickly align their talents to the demands of the market. Digitalisation and the introduction of new technologies have posed new challenges for the labour market and have also enabled new, flexible forms of labour. In a climate where employers are less able or willing to commit to lifetime employment, working with independent professionals or freelancers offers the potential to provide flexibility, since these forms of contracts can be initiated and terminated at a whim (Cappelli, 2008).

For a long time, work that was outsourced to independents tended to belong to what is called the peripheral tasks of the organisation, an umbrella term for every task that is, from a strategic perspective, not a core task of the organisation. However, times are changing, with examples of companies involving independents more frequently into the core of their business, think for instance of Apple or Hallmark involving independents in their core creative teams. This indicates that this population does not only operate on the fringes, but rather may be an integral part of healthy functioning organisations.

This raises questions as to the roles in which freelancers are typically appointed and how and by whom this external talent is managed. Whilst independents are, by nature of their contract, not a ‘fixed’ part of the organisation and whilst their contract is being governed by contract law instead of employment legislation, when they are working at the core of the organisation they are crucial to its success. This triggers the question how they are managed from a talent management perspective.

As we report in the first research report on this topic (Stuer, De Vos & Laurijssen, 2018a), almost every organisation today works with one or more freelancers, yet few of them have developed a formal approach regarding why, when and how to work with externals.

In this research report, we further elaborate upon the organisational approach towards engaging external talent, inspired by Peter Cappelli’s thinking about how to create and realize a “talent on demand” strategy (2008).
ABOUT THE STUDY

The findings reported in this paper are part of a large-scale current research exploring both the employer and individual perspective upon flexible talent within five European countries. It fits within the research agenda set by SD Worx and Antwerp Management School for the SD Worx Chair on “Next Generation Work: Creating Sustainable Careers”. Since 2011, as part of this chair research is being conducted on the changing career context, and what this implies for organisations and for the workforce. Through yearly surveys and qualitative studies we keep track of the people challenges the VUCA context brings along, the changing career and talent policies within organisations in response to these challenges, and the ways in which individuals are dealing with their careers.

In March 2018, we surveyed (1) a representative sample of 1,074 employers and (2) a representative sample of 1,874 independent workers in the following five countries: Belgium, France, Germany, The Netherlands and the United Kingdom.

Potential respondents were contacted using an online panel, with sampling based on size and industry for the employer survey and age and gender for the independent professional survey.

In the current paper we report data from the employer survey in which we surveyed HR managers or (in case of smaller organisations) business leaders about their workforce composition and workforce strategy, the strategic challenges they are facing as a company, the core competencies of their current workforce and their anticipated talent needs, and their HR approaches towards external talent.
According to Cappelli (2008), the challenge of talent management can be reduced to three questions that organisations must answer.

First, the extent to which human capital is or can be ‘built’ within the organisation. To flexibly respond to (new) organisational challenges, it is possible or even likely that employees’ current KSA’s (knowledge skills and attitudes) do not match rapidly changing requirements. To solve this problem, it is important for organisations to ensure that the competencies of their employees are future proof through training and development and that employees have a learning attitude and the willingness to adapt to changing circumstances. So in essence, the ‘build’-question refers to whether it is possible to respond to changing talent needs via training and development of current human capital.

Second, organisations need to address the ‘buy’ question, i.e. the extent to which it is most effective to fill in the need for new competencies through hiring on the external labor market rather than by growing it internally.

Third, the ‘borrowing’ questions refers to whether the most appropriate way to fill in the need for talent through contracting people on a temporary basis. Examples of borrowing include working with freelancers, involving temporary workers, or co-sourcing with other organisations.
Our research shows that the ‘borrow’ option constitutes an important part of the ‘average’ organisation, with 95% reporting that they work with independents and on average 31% of the workforce to be independents\(^1\).

Freelancers are working in all departments of the organisation, with freelancers being most frequently present in the IT, production and sales departments (resp. 36, 33 and 28%).

Moreover, they also perform a large variety of tasks, ranging from peripheral (22%) and short-term tasks (43%) to core and long term assignments (29%). About half of the organisations report that they frequently work with independents for highly specialised tasks.

This is consistent with the earlier reported finding (see Research Report 1) that an important reason for organisations to work with a freelancer is his or her unique skill set.

Interestingly, our figures reveal that freelancers are working substantially more in core tasks than peripheral tasks, meaning that this ‘borrowing’ of talent is not only seen as a feasible option for tasks that are deemed to be relatively unimportant, but also for tasks that are at the heart of the organisation.

In slight contrast, many organisations still seem to consider these as stop-gap measures, using them frequently for tasks that are either short term, as cover for employees being absent (28%) or for one-off tasks (35%).

\[^1\] This number may be subject some bias, since the majority of companies has less than 20 employees working in them, meaning that even one independent might constitute a significant proportion of the population, but still this implies a large number of independents working for organisations.
INDEPENDENTS, STRATEGY, AND HUMAN CAPITAL: IMPORTANCE OF CONTEXTUALISATION

The independent workforce is not a new phenomenon in the labour market, yet for long it has been a largely ignored group when it comes management research. Therefore it is rather unclear how organisations are dealing with the independent professionals working for them and whether their approach towards independent professionals is contingent on the organisational strategy.

Whilst it may be clear that the independent workforce has the potential to provide more flexibility to organisations, currently only a minority has a formal strategy when it comes to involving independents (see also Research Report 1).

In order to further understand the role of independents in an organisation, it is important to understand its specific context, such as strategy of the organisation, current composition, etc.

Organisational strategy often involves a precarious balance between innovation, i.e., the exploration of new technologies and business models, and exploitation of current organisational resources. Organisations that successfully keep the balance between these two are said to be ambidextrous. Our current data suggests that the focus of organisations is more leaning towards exploitation rather than innovation. For instance, a large majority focusses on monitoring and improving customer satisfaction (resp. 74% and 77% agrees that they focus on this), whilst a substantially smaller number of organisations places their focus on exploring and developing new technologies (resp. 54% and 60%) and the creation of innovative products (63%).
In order to ensure that strategy is properly executed, the right composition of human capital is required. In our study, one third of organisations (36%) agrees that the majority of their employees are able to perform tasks outside of their current job and 30% agrees that the majority of their employees have relevant competencies to foster innovation. These rather low numbers might help to explain the decision to work with independents.

Moreover, about one third believes that the majority of their current employees would be difficult to replace (31%) or that their employees’ current competencies would be difficult to find on the external labour market (33%).

Given these data, it might not be surprising that a substantial portion of organisations in our sample raise concerns about their capacity to fulfil future talent needs, with 20% expecting future mismatches in skills, 31% expecting shortages in internal talent needed to execute their strategy, and 30% indicating to be uncertain about the organisation’s future. Slightly less than half of them is convinced that they will face no difficulties in attracting talent in the coming 3 years.
Over the next three years, ...

- the organisation’s operations will be at risk because many employees are set to retire 25.3%
- ... people will have to be made redundant due to a mismatch in skills 19.7%
- ... we will not have a problem with attracting new talent 45.3%
- ... we will face a shortage in talent required within the organisation to achieve our ... 30.5%
- ... the future of the organisation will be uncertain 24.5%

INDEPENDENTS: WHO HIRES THEM ANYWAY?

The decision to hire independents can be taken at many levels of the organisation, but it might be difficult from a strategic HR perspective to take good, responsible policy decisions with regards to freelancers if they are not involved in the process of hiring freelancers.

From our study it appears that the mere decision of hiring an independent contractor is often done while bypassing HR, with only 10% involving HR directly and only 16% involving HR together with management, meaning that in a majority of organisations HR is not being involved at all. Furthermore, in one fourth or organisations surveyed, HR is seldom to never consulted in the sourcing process.

Who decides whether to recruit staff or work with freelancers or self-employed persons in order to complete specific tasks?

- HR together with the line manager or management team | 15.6%
- HR | 9.7%
- The executive board | 34.1%
- the line manager | 16.2%
- the mgmt team / director of the relevant dept or business unit | 24.4%

More than 50% of employees has competences ...
Is the HR department or personnel manager involved in the sourcing process when working with a self-employed professional?

- No, this generally not the case: 14.2%
- Sometimes: 22.3%
- Usually: 19.5%
- Always: 33.4%
- Seldomly: 10.5%

Hiring power and sourcing processes aside, what further compounds the problem of positioning HR towards independents, is that in 22% of organisations surveyed HR is not informed when an independent gets hired. Moreover, in only 35% of organisations HR is responsible for the actual contracts with independents.

These numbers imply that in quite some organisations, there might be blind spots in HR towards this potentially important workgroup.

Is the HR department informed when the decision is made to bring a self-employed professional into the department?

- No, this generally not the case: 12.6%
- Seldomly: 9.1%
- Sometimes: 17.8%
- Usually: 14.5%
- Always: 45.9%
As the labour market becomes more flexible, it is important to realise that making use of independents is more than a mere transaction of service in return for a fee. Especially given the reasons for working with independents mentioned above, underscoring the importance of their critical competencies or ability to fulfil specialist tasks. This implies that independents’ skills are not a commodity and that they are a valuable resource – albeit temporarily – for an organisation. Seen from this perspective, it is important for HR to consider the extent to which it is needed or feasible to have inclusive HR practices for this group. Providing an inclusive work environment will not only brand the organisation as a good place to work for independents, but should also result in a more engaged independent workforce. HR plays an important role in developing a policy and setting the house rules with respect to independents, thereby also respecting important legal constraints. It brings them in a paradoxical situation: whilst freelancers fall under ‘contract legislation’ and whilst it is even illegal to provide them with the same support as payroll employees, both from a strategic organisational perspective and from the independent’s sustainable career perspective it might be critical to have supportive HR practices for this group as well.

Our results suggest that most organisations report their HR policies to encompass more than only their payroll employees: 42% mentions they do not draw a distinction between internal and external employees and 33% reports that they have a separate policy for external employees.
Inclusion is not only measured at the overarching policy level, it involves important relational aspects that are separate from the transactions stipulated in the contract. Furthermore, it speaks about both the formal and informal ways that independent professionals are structurally and socially embedded in the organisation. In the current sample, we find that certain practices are more common than others. For instance, a majority of organisations report to agree upon objectives regarding their job (75%) and to keep them up to date on relevant developments taking place within the organisation (73%). Practices that are less frequent include the provision of targeted training for independents (46%) or providing them the opportunity to discuss career-related questions (58%).
Finally, we note a substantial correlation between employee turnover and the use of freelancers. Organisations with a higher turnover rate are more frequently working with freelancers than those with a lower turnover rate. A high turnover rate might urge organisations to quickly respond to the need for people when a person leaves the organisation and working with freelancers allows to fill in this need more easily compared with starting a hiring process. However, it might also be the other way around, i.e., when organisations are working more with freelancers this might signal to internal employees a lack of career prospects for them, making them more inclined to search for other career opportunities outside the organisation. In this regard we find that organisations that indicate high levels of staff turnover have 1.7 times more freelancers in their organisations compared to organisations that indicate low levels of staff turnover (resp. 42% vs 25%). It is important for organisations to understand if and how working with freelancers might affect the commitment and engagement of their payroll employees, because environmental turbulence might send ambiguous signals to the fixed workforce.

![% freelancers vs total staff](image_url)
CONCLUSION

Our findings show that freelancers are not a marginal population within most organisations and in this sense they are a valuable group of talent that needs further consideration. This is important not only from an employer’s perspective but also from the perspective of the freelancers themselves. In our third research report we will further elaborate upon why and how freelancers engage in an independent career and what are critical factors for their sustainable career development.