

Tackling the Changing Workforce

Moving beyond the dilemmas of contingent work

We are in danger of becoming victims of our success, and most business leaders don't realize it. What success, you ask? Contingent workforce strategies have transformed the North American workplace over the past two decades, leading to great improvements in company performance and often to new freedom and flexibility for workers. Contingent work is a major part of the solution to a challenge the economy faced in the '80s: how to get big, slow firms to become more agile, flexible and responsive.

Today, we face new dilemmas, the most daunting of which is how firms can maximize their newfound speed and flexibility while retaining the worker loyalty, wealth of knowledge assets and scale of key operations needed to be a market leader. These challenges are playing themselves out in simple ways every day.

TWO EXAMPLES

In 2003, Hewlett-Packard was the target of a lawsuit by a pair of contract software programmers who charged that the company was demanding that they work more than 40 hours per week without additional pay. The lawsuit was similar to other cases involving high tech companies with exempt regular employees who often work long workdays. HP was charged with treating the workers like traditional employees while paying them like contractors.

During the two years preceding the lawsuit, HP had laid off thousands of workers in the wake of its merger with Compaq. It offered thousands more early retirement, many of whom were later hired back as temps.

One of them, a professional colleague of ours, was the company's director of customer insight before taking a buyout. As a valued senior consultant, he was soon rehired through a third-party company to work on projects for which he was uniquely qualified. Ever since, he has happily worked one to two days per week for the company, managing various product development projects. This has provided him with both valued additional income and ample time to build a new practice with other clients.

These examples illustrate how a company's contingent workforce strategy can produce remarkably different outcomes for different workers. In situations such as the first case, workers can feel abused and mistreated, potentially spreading dissatisfaction throughout the company and creating conditions for lawsuits. In the second

case, both the company and the worker win. The company holds onto an experienced and capable expert while lowering fixed costs and retaining flexibility. The knowledge worker gets to continue his or her trade while shifting to the next phase of career and personal life.

THE END OF THE JOB: HOW DID WE GET HERE?

Much as industrialization created the need and the means for the modern business organization, digital technologies have signaled its demise. The virtualization of work makes it possible to split apart interdependent process steps so they can be completed by entirely different groups of individuals in different locations at different times. Companies like Boeing rely on hundreds of design and manufacturing partners. JetBlue reservation agents work at home, linked to the company only by a phone line.

The forces driving this revolution are derived from economic issues and core changes in industrial design and will not be stopped. The most creative and productive organizations today

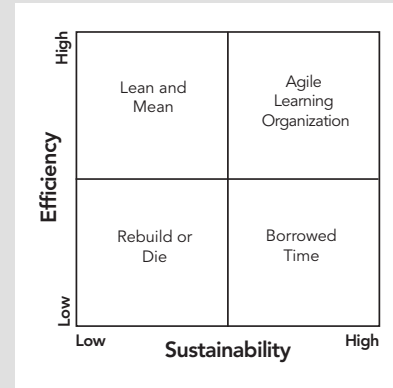
Level	Core Dilemma	
Worker	Choice	Quality of Work Experience
Company	Efficiency	Sustainability
Industry	Maximizing Current Competitiveness	Building Toward Future Success

Your Company's Knowledge Dilemma

The core dilemma concerns the balance between a company's short-term success based on efficiency and its long-term sustainability through investment in knowledge-based improvements. Plot your company and several of your main competitors on the quadrants of this grid based on how efficient and knowledge-oriented they are. The closer a

company is to the upper right corner of the matrix, the more successfully it is addressing this dilemma.

Either you are in the lead or you are slipping behind. If you are slipping behind, it may be time to rethink plans. Take a closer look at the strategies of competitors you believe are ahead of you in this race. ●



have looser, more permeable boundaries than companies have had in the past, and have flexible relationships with a host of partners that include groups of knowledge workers-for-hire.

This redefinition of work is ending the 20th century notion of the job as the means to personal wealth, stability and identity. Increasing numbers of people work on other than a permanent, full-time basis. Today, it is common for jobs ranging from janitor to bank teller to programmer to corporate legal counsel to be handled by a contingent worker.

THREE LEVELS OF CONTINGENT WORKFORCE DILEMMAS

“Dilemmas” is a useful way to characterize difficult choices and focus attention on what is most important. Dilemmas are more than merely choices between options, either this or that. In strategic business terms, the dilemma sets the context for productive exploration of an issue. Often the outcome is neither of the original alternatives, as new and superior directions emerge from the process.

Too often, leaders try to put off dealing with big dilemmas, hoping they will somehow resolve themselves.

Sometimes they are lucky, but responsible and effective leadership is not about luck. In most cases, denial and avoidance only postpone the problem; often they make it worse. Altering traditional roles and relationships has created a new set of challenges that employers must tackle if they are to be successful. These workforce dilemmas manifest themselves at the level of the company, worker and the industry.

1. The company dilemma:

Companies need to find the right balance between efficiency and sustainability. To save money in a crisis, management can cut experienced staff, as airlines have done recently. But often the result is reduced quality of service. Experienced workers have internalized knowledge of systems and customer needs that new hires need years to understand.

2. **The worker dilemma:** The shift to contingent work often makes workers uneasy. They fear that the freedom of contingent work may not be worth the loss of the security of a steady job. Such concerns can be well-founded, and workers need to equip themselves with the training and

personal attributes that keep them in demand.

3. **The industry dilemma:** CEOs and leaders have to be concerned about the conflict between ensuring they are competitive today and the need to renew their businesses, partners, customers and even competitors. All companies exist as part of a much larger business ecosystem. For that ecosystem to be healthy, it must have the right kinds of workers in the right quantities available. As an example, the recent furor over outsourcing has caused computer science enrollments to drop in the United States, perhaps jeopardizing the future IT workforce.

Addressing all three of these dilemmas involves trade-offs between short- and long-term actions. That's hardly surprising; the contingent workforce mechanism is part of a long-term redefinition of employment, yet it is being applied with a short-term orientation. Another way of saying this is that the right solution has been identified, but is too often being applied poorly, and for the wrong (short-term) purpose.

Your Contingent Workers' Dilemma

Contingent workers' core dilemma involves the tension between self-determination, or "choice," and the quality of their work experience. Identify several of the different types of contingent worker in your company and plot them on the matrix.

The ideal situation for workers is to be able to make choices about their employment and to perform work they

find satisfying (upper right quadrant). For contingent workers falling into the other three quadrants, consider how their work is structured. Ultimately, you as the employer are measured on conditions like fairness, respect, safety and openness. Are there ways to add choice or a better work experience to these situations? ●



THE COMPANY'S KNOWLEDGE DILEMMA

Knowledge management experts have been lamenting for more than two decades now that a significant proportion of a company's key assets, its intellectual capital, walks out the door each day in the heads of its employees. Most large companies now have innovative and often elaborate knowledge systems in place to preserve and share critical knowledge.

This challenge is considerably greater in companies that depend upon contingent workers, particularly in skilled, knowledge-based positions. The core contingent workforce dilemma for companies involves striking a balance between short-term success based in efficiency, and low cost and long-term sustainability through investment in knowledge-based improvements and innovations. Japan's eminent business thinker, Ikujiro Nonaka, recently described this dialectical tension as the 21st century leadership challenge.

Today's corporations face higher turnover due to worker mobility and greater use of contingent workers. This suggests that the challenge of losing knowledge key to the business will only get worse.

THE CONTINGENT WORKER'S CONTROL DILEMMA

Up to 30 percent of the workforce today consists of contingent workers, broadly defined as temporary workers, contractors, agency, on-call and part-time workers. For some, things have never been better. These are the high-priced, in-demand subject experts and the part-timers who only want a bit of work, ideally on their terms in a way that fits neatly into their life.

For many others, though, conditions are unrewarding and unstable. They no longer are certain of when or where their next work contract will materialize. This group includes trades-people and a variety of relatively unskilled laborers. To many of them, the old world of a steady job looks sweet.

What is the difference between these two experiences? Self-determination. To many individual workers, the most critical employment need is the ability to predict and influence their future. Take this away, and the need only intensifies. The observation of this phenomenon by early industrial psychologists like Frederick Herzberg and Abraham Maslow has helped to define organizations and work processes for more than half a century.

The contingent workers' core dilemma is choosing between "good work" and security. The last generation in the West to feel this strongly about the shaky economic ground it was standing on was the group who lived through the Great Depression of the 1930s. For many contingent workers today, that sense of imminent danger and loss of control has returned. The social context that was provided by the company gives way to feelings of disaffection and competition among disgruntled contingent workers. Under such conditions, performance ultimately suffers.

Employers inherit this "worker" dilemma with every contingent hire. While many companies have rewarding relationships with their contingent workers, the potential that this dilemma will affect their organization remains real and needs to be recognized. Anxious, poorly motivated workers are a prescription for problems and suboptimal performance.

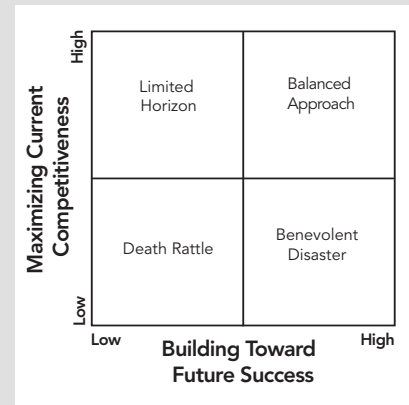
THE INDUSTRY'S RENEWAL DILEMMA

Companies compete within and across industries for customers and scarce resources. Economists have long understood the importance of good

Your Industry's Dilemma

Is your industry creating the conditions for future success while maximizing the potential of current trends? Plot your industry along the Future (X) and Current (Y) axes to see where it falls. What steps can industry groups take to address future problems?

This is hard, and may require some counter-intuitive thinking. Your biggest ally here is probably your major competitor. Start a dialogue that looks beyond short-term needs and engages the insights and creativity of knowledgeable industry leaders. 🗣️



competitors who can share the responsibility of creating market awareness and helping to protect and grow industry resources.

The core industry-level contingent workforce dilemma concerns renewal and sustainability. This is reminiscent of the Tragedy of the Commons scenario, whereby each competitor overuses shared or common resources until they are no longer available for anyone. As industries become modularized, it is increasingly unclear who looks after basic and advanced training, ethical practices, and shared knowledge. This dilemma is playing itself out on two stages: the domestic “dumbing down” of work (the “McJob” syndrome), and global outsourcing to the cheapest labor market. Both are capable of contributing to industry erosion as the best and brightest candidates are attracted to more promising areas.

CONCLUSIONS

Businesses that do not find answers to these dilemmas today will not fail immediately, but it is crucial they begin the process of posing the right

questions in the right way if they are to thrive in an increasingly complex competitive context. The strength and value of these dilemmas lies in their ability to spur our thinking to go beyond daily problem-solving.

Contingent workforce strategies are being adopted at a rapid pace, and can easily exceed the limits of workers and companies to adjust. Perhaps here, as is so often the case with serious dilemmas, the answer lies not in one of the obvious choices but in inventing new directions. For example, Thomas Malone and Robert Laubacher of MIT’s Center for Coordination Science have put forward the view that third-party support structures akin to the old guilds may be a big part of the answer. These would provide employees with continuity in benefits, training, and peer relationships as they transition in and out of various work situations, while simultaneously offering businesses a resource for locating qualified project staffing.

At the company level, leaders need to maintain a balanced outlook that fairly weights short- and long-term

concerns and priorities. Low cost structures must be protected with competitive intelligence and innovation. Leaders need to generate options other than continual cost-cutting, which runs the risk of destroying morale and the firm’s knowledge base. And organizations need to keep in mind that just like regular employees, contingent workers are continually refining their assessment of their employer and their personal options. How do you lock in loyalty and availability from the best and most critical of contingent workers the firm relies upon?

Finally, industry survival is everyone’s business, but company owners and leaders have the opportunity here to take the initiative in establishing healthy practices for the greater good of their industry. Those industries that can attract, train and retain the most talented people will be the most competitive and vital over the long run. 🗣️

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