



Ready for a boundaryless workforce?

**Contingent work is evolving into a true
alternative to traditional service delivery**

Service delivery shortfalls

kpmg.com/us/outsourcing





Imagine you are the leader of an electronics company. Competition is sky-high and you are feeling the pressure. To protect margins, you know you need to cut costs, and one area you see an opportunity for savings is your customer service processes. You decide to outsource customer service activities to a service provider, with the goal of saving money on staff and equipment while increasing operational efficiency.

One month goes by. Finally, you complete your evaluation of potential outsourcing partners. Negotiations take another three months, then six more to find the right resources. By this time, a disruptor has stolen quite a bit of market share and you are really desperate to start realizing the savings you envisioned. But you recognize it will take a little longer—processes have changed within your systems and you need to redo all of your onboarding and training documentation.

Does this sound familiar?

Outsourcing a simple process should be easy. But with traditional service delivery models, it is often not.

In today's challenging business environment, things change as quickly, forcefully, and regularly as the tides. Disruption is a constant, which means talent needs are always shifting. Customers are in control, pitting companies in a battle for the best people to meet their elevated expectations. Heightened pending restrictions on hiring immigrants create concerns about the viability of long-term sourcing agreements while empowered employees are demanding more control and flexibility over their work environment.

In light of these realities, companies across sectors and markets are finding it difficult to access and retain local talent to fill essential roles in the corporate back office, from finance to information technology (IT) to human resources (HR). Many turn to the same sorts of traditional sourcing arrangements that have existed since the 1980s, only to find the model does not fit current needs. Not only has every dollar been squeezed out of all internal functions, but traditional service provider contracts simply are not fast or nimble enough to respond to today's rapidly changing business environment.

Enter contingent workforce platforms

What if you could find the right talent for your company's need—right away—and get those resources up and running on important work in a matter of days and at a fraction of the cost?

You probably can. Contingent workforce platforms (or virtual freelance platforms) have arrived on the scene. They look to solve the speed and agility problems that established and well entrenched service delivery methods cannot always handle by using technology to connect enterprise clients with a global resource pool of general and expert talent who will perform work virtually.

Leading platforms such as Upwork, Catalant, Gigster, Toptal, Expert 360, Pivotal Labs, CloudFactory, and Freelancer.com have attracted significant funding in recent years—some exceeding \$75 million¹—for good reason. Contingent workforce platforms have become more attractive to companies as the need to stay nimble in a fast-paced environment outweighs the benefits of hiring full-time resources or using a service provider in a traditional manner. Research from the University of Oxford found a 26 percent increase in the number of projects sourced through contingent workforce platforms between the start of 2016 and 2017. Its study of seven FORTUNE 500 firms and two large multinational companies that have leveraged the model showed demand for work falling into six categories: software development and technology, creative and multimedia, clerical and data entry, sales and marketing support, writing and translation, and professional services. It also revealed the four primary motivations for adopting platform sourcing: easy access to a scalable source of talent, skills, and expertise; reduced start-up and transaction costs; and the elimination of conventional hiring barriers.²

Contingent workforce platforms offer a bridge for companies and workers to connect on job opportunities not possible before widespread Internet adoption. Freelancing has been available for decades, but it was usually constricted to regional or personal contacts. Now, as the technology behind online platforms advances, it has made it seamless and affordable to communicate quickly and securely with a remote workforce anywhere in the world. In this way, contingent workforce platforms allow freelancing to expand on a global scale by connecting the resource with the assignment—wherever that might be.

Workers are jumping on the bandwagon too. Professionals are drawn to contingent workforce platforms as they become increasingly aware that employment is no longer a guaranteed contract—even if they are high performers. Research from companies surveyed in December 2016 revealed that nearly half of companies (48 percent) utilize flexible workers such as freelancers and temp and agency workers, and only 9 percent of hiring managers say having staff in the same office is important to a new hire's success. Furthermore, 9 in 10 hiring managers are more satisfied with the skills of freelancers than their most recent full-time hire.³

¹ Data gathered by the KPMG Innovation Lab in September 2017

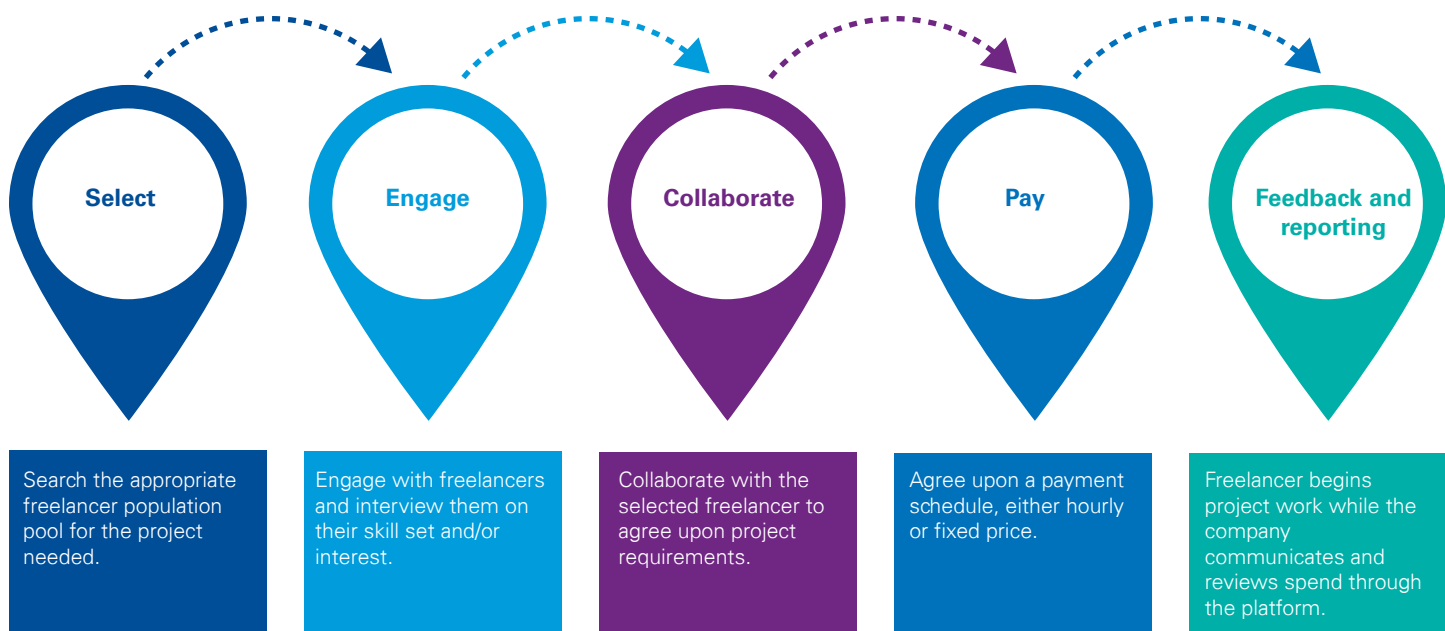
² Platform Sourcing: How Fortune 500 Firms Are Adopting Online Freelancing Platforms, Oxford Internet Institute, University of Oxford, August 2017

³ Future Workforce Report, Upwork, 2017

Contingent workforce platforms: A primer

How it works

Each contingent workforce platform works somewhat differently, but there is a general process for end-to-end delivery of freelance work product. This model of Upwork's platform serves as a good example:



Although most work sourced via contingent workforce platforms is contracted on an individual basis, a few platforms, like Upwork Enterprise, offer enterprise solutions or managed service operations that contract pools of talent on behalf of a company. Additional services include compliance, legal and/or contracting, communication technology, payroll, and reporting.



What work fits

Any work that can be done virtually can potentially be performed on a contingent workforce platform. There is no limit to the amount or type of work that can be sent through a platform—it is more of a matter of the compatibility and comfortability a company has with its freelance workers.

With nearly 50 percent of the global freelance market as of October 2017, software development and technology skills typically dominate the demand for online freelancing work⁴. However, there is a growing field of professional services work—typically performed in-house or by a service provider—that is now going to freelance workers through Internet-enabled outsourcing arrangements.

As an example of common use cases, below is an overview of the available talent on four leading virtual freelancing platforms.⁵

- **Gigster:** 400 plus developers, 200 plus project managers, 100 plus designers; 1 percent of applicants accepted
- **Toptal:** More than 100,000 applications in 2016; accepted the top 3 percent of developers, designers and finance experts
- **Catalant:** 40,000 independent experts, 90 percent of which have an MBA or PhD
- **Upwork:** More than 12 million freelancers in 100 plus categories

Benefits on both sides

In many ways, the contingent workforce model strikes a happy medium, bringing unique benefits to both sides of the relationship.

	Employers	Freelancer
Fair pay	Contingent workforce platforms cut out service provider fees, and local pay rates offer a number of geographical options to achieve a desired cost structure to meet the project budget.	Transparent information allows freelancers to search for projects with budgets above their local rates, with the best talent able to command premiums based on experience.
Increased flexibility	Companies take on less risk with a contingent workforce platform because the flexibility in the work arrangements reduces the burden of service or employment contracts.	Freelancers can select whichever work suits them best.
Jobs anywhere	Companies are not limited to their sites or a service provider's active locations—they have access to talent around the globe.	Freelancers now have access to jobs not previously available in their current job markets.
Project fluidity	Widening the pool of resources, employers now have access to many more options for talent, significantly reducing the wait time for the correct resource.	Freelancers easily apply and match themselves to new work, leading to less lag between projects.
Greater opportunity	Companies can identify resources with skill sets previously unknown or unavailable.	Freelancers have the ability to quickly build a portfolio of experiences to better position themselves for future opportunities.

⁴ Data gathered from the Online Labour Index (OLI) on October 30, 2017. The OLI is an economic indicator created by University of Oxford researchers which measures the supply and demand of online freelance labor across countries and occupations by tracking the number of projects and tasks across platforms in real time.

⁵ Data gathered by the KPMG Innovation Lab in September 2017

Setting the story straight

The business world has closely tracked the rise of contingent work since its infancy, yet industry stalwarts still do not widely recommend it for the corporate back office, and we have not yet seen broad enterprise adoption.

Why have not companies wholeheartedly endorsed this model?

We think many companies may not be fully aware of the progress that has been made in contingent workforce models to address initial concerns about their risks and costs. They may hold myths as fact, namely about four areas: administration and setup, onboarding, job quality, and cybersecurity.

Administration and setup

Perceived issue: A new way to contract work, contingent workforce platforms have not been fully adopted at scale in part because many business leaders fear that transferring large parts of a company's ongoing business operations will take significant setup costs as well as generate risks related to recruiting, contractor vetting, and payment.

The real story: Contingent workforce platforms are remedying administrative issues by assigning dedicated account managers to hiring companies in order to ease the transition of complex business functions. Companies can opt to have the account manager locate, vet, and setup payment and perform other administrative tasks for the freelancer, allowing the company to focus on what really matters—the seamless transfer of process work.

Onboarding

Perceived issue: When you hire a contingent worker pool to do your back-office work, you will need to confirm they are familiar with the needs of your company policies as well as the applications they will use to execute the work. Business leaders worry about the headaches that will ensue from having to onboard workers members who are not in the office—and who might be in another time zone—leveraging only technology to communicate. What will be lost in translation?

The real story: Contingent workforce platforms often provide easy-to-use onboarding tools, where companies make their project needs easily accessible to freelancers. While higher-complexity work does not transfer as easily, these remote onboarding solutions are designed to get freelancers assigned to lower complexity projects—i.e., transactional work such as processing payroll or certain deliverable-based work such as coding an app based on the company's predetermined requirements—up-and-running in no time.

Is your back office ready for contingent work?

For certain standardized skill sets, the contingent workforce platform model has been shown to work time and time again. For example, if you want to build a mobile app, you probably already considered outsourcing the work to an online freelancer.

But a contingent workforce platform is not for everyone—yet. To replicate its grand success in large enterprises—specifically the corporate back office—it needs to expand first into natural fit areas. For example, legacy companies that have not yet been through digital transformation may find effectively integrating virtual freelancers to be a challenge, while digitized companies that are already people light and tech savvy can likely more easily leverage this model.

Your success may also come down to the complexity of your operations and IT environment. If you need to hire resources to manage deeply customized, global finance processes that run off a multitude of different technology platforms, you might not be ready for this model. But if you are looking to staff talent to manage relatively standardized financial processes that run off a single, major technology platform, contingent work may prove to have a truly transformative effect on your operational efficiency and performance. In addition, this model would work well with a hybrid environment, where contingent labor handles a portion of the support requirements, leaving other locally centric duties to the existing resource structure.

Job quality

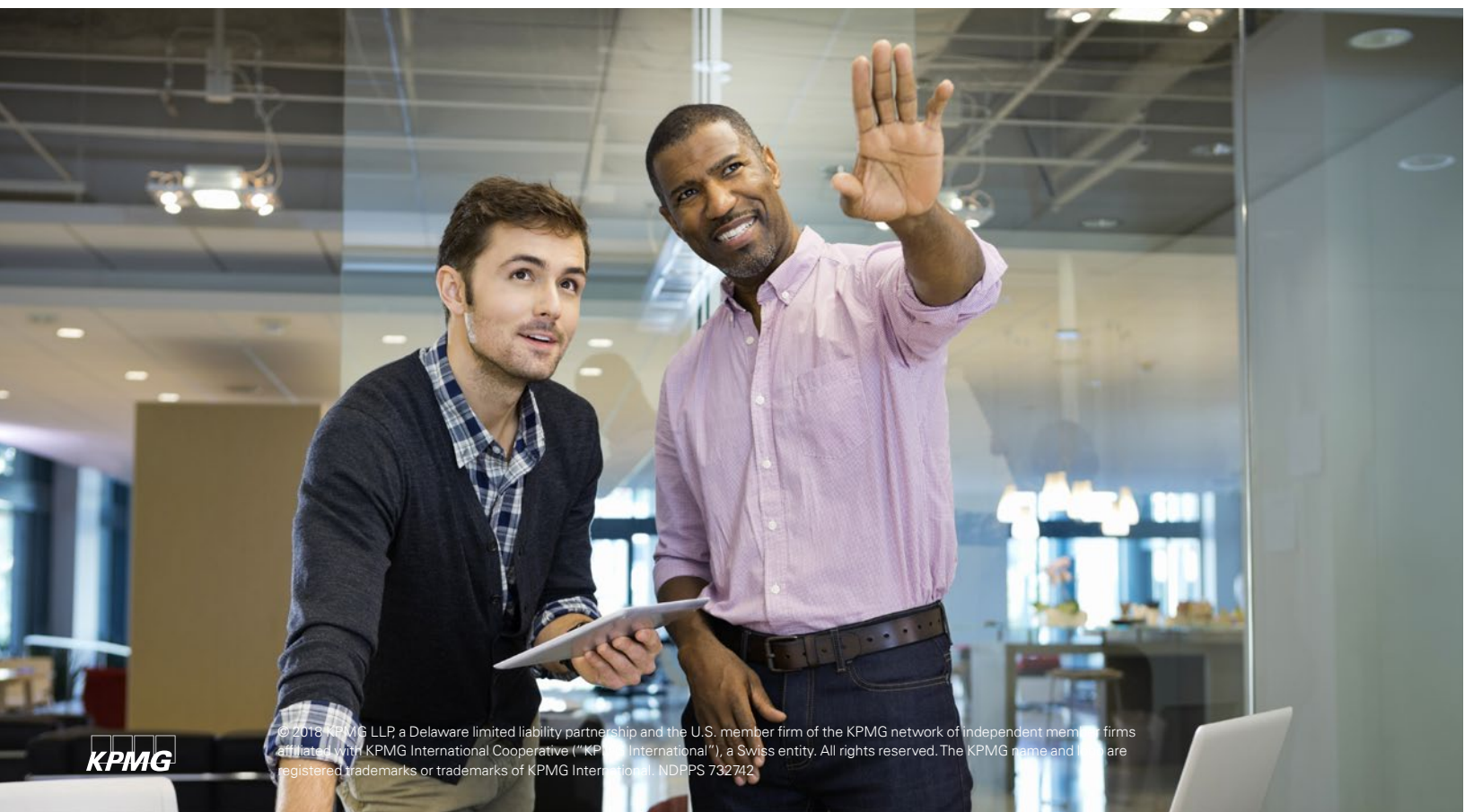
Perceived issue: Freelancers are not bound by traditional outsourcing contracts, nor are they tied to formalized training processes. And since contingent workforce platforms are essentially online marketplaces, they are not responsible for tracking job performance. So what is to stop freelancers from botching the job? Some business leaders believe there is no way to verify freelancers' work or measure their productivity—at least without a lot of extra time and effort—and that ultimately they have nothing to ensure accountability on the part of the person they hire.

The real story: First and foremost, contingent workforce platforms actually offer greater transparency than almost any other service delivery model into the talent they source. Companies know, for example, how many jobs a freelancer has performed in a specific area and how other companies rated them for that work. Companies truly understand what they are getting when they hire a worker from the platform; they do not have to rely solely on the word of a recruiter or outsourcing firm representative, or the worker himself, that he or she has the requisite experience. Additionally, freelancers are publicly rated. It is in their best interest to do a good job as it directly affects how much they can charge for subsequent projects and their reputation is on the line. Contingent workforce platforms also use built-in technology to verify the freelancer's work while he or she is working for the client. For example, Upwork offers technology that tracks billable time, records completed work, counts keystrokes, and takes screenshots of the freelancer's screen, so that progress can be verified. Real-time messaging allows clients to share feedback directly with the freelancer. And freelancers are not paid for fixed-price contracts until the work is completed to the satisfaction of the client. Funds are maintained in escrow accounts until the release is authorized or disputes are resolved, if there are any discrepancies on work quality.

Cybersecurity

Perceived issue: Would you give the keys to your core finance enterprise resource planning (ERP) software to a contingent worker in, say, East Asia? Many companies would not. They think contingent workforce platforms are not secure, whether using on-premise or cloud solutions to protect data. They see nothing that would prevent freelancers from stealing confidential information and using it for their own gain.

The real story: Contingent work platforms are making large strides in data security and privacy, often employing their own data centers and requiring secure VPN connections while freelancers are accessing company data. Further, many contingent workforce platforms are exploring the use of virtual machines so no information is required to be stored on a freelancer's physical machine. Finally, in most platforms, freelancers are required to sign nondisclosure and confidentiality agreements before they begin client work. As with any program that allows outside access to your data, KPMG recommends review by legal and cybersecurity professionals before any access is allowed.



Contingent workforce platforms in action

Case study: Live chat freelancers lower customer support costs by five times



Problem

A company's call center volume was growing faster than the company's team could handle.

A company connects more than 200,000 local professionals, spanning 1,100 services, with more than 5 million customer project requests (anything from a painter to a life coach) each year. Recently, the company built a 230-person operations center in Salt Lake City to answer customer questions. But the company grew so rapidly, the center nearly reached maximum call capacity within months.



Solution

The company diverted call volume to Philippines-based live chat freelancers.

In addition to their Salt Lake City phone center, the company leverages online, live chat support from the Philippines. Online shopping trends show customers prefer live chat because it helps them feel connected with the company and because it efficiently gets their questions answered in real time. So the company ran a pilot test guiding more phone volume to live chat. For faster ramp up, the company wanted experienced, English-speaking customer service representatives. The company turned to Upwork Enterprise, a contingent workforce platform, for its broad talent source and cloud-based platform that makes it easier to onboard and work with talent worldwide.



Result:

The company achieved 92 percent customer satisfaction scores at one-fifth the cost.

The company onboarded more than 130 customer service freelancers from Upwork's global talent marketplace. The initial live chat pilot was so successful, customers rated it at 95 percent satisfaction, which matched the company's phone support rating in Salt Lake City. In fact, live chat proved so efficient, the company maintained its high service levels after the rollout, garnering customer satisfaction scores of 92 percent—and it did so at one-fifth the cost per customer interaction.



How KPMG can help

Contingent workforce platforms are fast becoming an alternative to traditional work environments. While it is currently not the Holy Grail for the entire spectrum of back office, it has evolved into a compelling solution that warrants review when thinking through the structure of your back-office service delivery model, particularly in hybrid models that align needs with the various capabilities currently available in the market.

KPMG helps clients test contingent workforce platforms for existing or future back-office work. Our **Shared Services and Outsourcing Advisory practice** is recognized as one of the world's leading sourcing advisory services. Our experienced, trusted advisers have deep experience helping clients of all shapes and sizes validate workforce strategies, understand costs, build the business case, align stakeholders, evaluate options, and manage vendor selection and negotiation.

If you are interested in exploring contingent work as a potential workforce model, please reach out to our team.

Meet the authors



Ron Walker

**Principal, Shared Services
and Outsourcing Advisory**

T: 760-703-2076

E: rwalker@kpmg.com

Ron is a lead principal in KPMG's Shared Services and Outsourcing Advisory practice where he serves as the Technology, Media, and Telecom industry head and coleads the Global Business Services and Transformation practice areas. His years of experience in management consulting, shared services, outsourcing, global business services, and G&A transformation allow Ron to offer a uniquely balanced view.



Jason Scott Miller

**Senior Associate, Shared Services
and Outsourcing Advisory**

T: 650-465-2497

E: jasonsmiller@kpmg.com

Jason has deep experience in shared services, outsourcing, and crowdsourcing. He specializes in using financial models and industry knowledge to assist global clients in making sound sourcing decisions and achieving operational and process efficiencies. Jason is a certified outsourcing professional.



Atul Shahi

**Director, Shared Services
and Outsourcing Advisory**

T: 781-219-8498

E: akshahi@kpmg.com

Atul has more than 11 years of business experience helping global companies transform their finance and supply chain processes, evaluate and formulate strategic sourcing arrangements, and achieve aggressive cost-savings targets. Atul has extensive experience working across the shared services value chain.

Contact us

Learn more

Access our latest research and thought leadership from the KPMG Shared Services and Outsourcing Institute at <https://institutes.kpmg.us/institutes/shared-services-outsourcing-institute.html>.

For information on our services, visit www.kpmg.com/us/outsourcing.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 732742