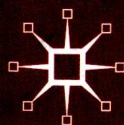


Talent Management of Knowledge Workers



Embracing the Non-Traditional Workforce

Edited by Vlad Vaiman



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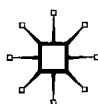
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Vlad Vaiman



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1

Managing Talent of Non-Traditional Knowledge Workers: Opportunities, Challenges, and Trends

Vlad Vaiman

In today's globalized world, the importance of acquiring and using the latest know-how is steadily growing, helping companies to gain an advantage over competitors. Decreasing geographical and cultural distances allow organizations to do business in the global market and to make their goods and services available to a greater number of consumers: new means of communication and transportation have facilitated rapid growth in international trade (Kotler *et al.*, 1999).

These developments have brought about tremendous changes in the business landscape and organizations must constantly learn, develop, and innovate in order to stay ahead of the competition. Undoubtedly, organizations cannot remain competitive without dynamic strategic flexibility as one of their main guiding principles. Being flexible not only means the constant updating and use of the most current technology, but also restructuring where necessary, while keeping core competencies in mind. Therefore, among other important factors, special attention should always be paid to knowledgeable and skilled human resources (HR) (Hitt *et al.*, 1998).

Organizational learning and the constant development of human capital are considered major investments in a company's success when they are targeted at building and retaining core competencies. In attempts to establish such flexibility, some companies are prepared to offer their employees conditions of employment specific to their personal circumstances, rather than adhering to conventional set-ups.

The traditional employment relationship has long been that of full-time work under an open-ended contract with a specific employer and protection against wrongful dismissal. Full-time employment is still considered the most prevalent type of employment, but since the early 1990s a new pattern has emerged. Employees hired under this new pattern of employment are most commonly known as *non-traditional workers*, but the group is also known by a variety of other terms – 'free agents', 'freelancers', 'e-lancers', 'solo practitioners', 'independent consultants', 'contingent professionals', 'home-based business operators', and so on. As such, the concept is not new

and can be compared with a modern form of 'day labourer', where labour is hired and paid if not by the day, then by the assignment.

For many economic, social, and demographic reasons, the traditional labour force seems to be decreasing, and a growing number of workers prefer to work as freelance contractors – this is especially true for knowledge workers. This development, combined with the popularity of outsourcing, is fostering growth in the number of long-term contracted contingent workers. By 2010, forecasts indicate that the labour market will effectively be split into two main groups: the traditional wage-earners and the contingent, non-traditional workers. Supporting this view, the Society for Human Resource Management predicts that the number of free agency employment relationships, both for projects and regular assignments, will increase in the future (Lockwood, 2006). The overall number of non-traditional workers worldwide cannot be estimated precisely, as there is no consensus on which categories of worker should be included in the estimate. The trend towards non-traditional work arrangements, however, is expected to increase considerably in the coming years – specifically within the professional services industry.

All firms can benefit from contingent workers because of the flexibility they provide in terms of an organization's freedom to expand and contract its labour force (Coolidge, 1996; Wysocki, 1996). With this flexibility, firms can adjust their staffing levels in accordance with fluctuations in demand or revenue (Matusik and Hill, 1998), which means that they need not deal with lay-offs of permanent workers. Moreover, contingent workers allow for substantial cost savings in terms of fixed costs, and might even provide new knowledge and insight for their employers (Marler *et al.*, 2002), since not every project can be completed without specialized knowledge from outside contractors. Lepak and Snell (1998) concur by arguing that, in order to survive in the increasingly global and competitive business environment, firms must seek greater flexibility and strict cost control: a contingent labour force might help with both of these concerns (Kunda *et al.*, 2002; Lautsch, 2002). Therefore, an increase in the number of contingent workers could be interpreted as a positive development, in the sense that it indicates greater flexibility of the labour market. On the other hand, however, the increase in the number of contingent workers is becoming a matter of growing concern for both employees and policy-makers, as it might reflect further weakening of the labour market position of those workers (De Grip *et al.*, 1997).

It has been argued that the substantial increase in non-traditional work arrangements means that the implicit contract between employees and firms is weakened (Robinson and Rousseau, 1994), and that, in order to accommodate these changing arrangements, firms need to adjust their human resources strategies. With the transforming labour market and a growing number of non-traditional contingent workers, it might be necessary to formulate different strategies that focus on the specific needs, characteristics, and work motivation patterns of the non-traditional workers

in order to attract and retain staff. This book's aim is to take a closer look at the white-collar workforce – *knowledge workers* – who work on a project basis, rather than seeking traditional employer–employee relationships. The main premise upon which the contributors to this book are grounding their arguments is that these ‘freelancers’ possess a tremendous amount of knowledge, skills, and abilities, and that if the firms that employ them on a project basis wish to retain their expertise in the long run, they must reconsider their human resources management (HRM) strategies, especially with regard to recruiting, retention, and motivation. Together with these important factors, the text will also examine such essential HRM issues as loyalty and commitment, integration into the organizational culture, customer relations, and the like in light of their relevance to non-traditional employees.

In short, the main overarching theme of this book involves identifying, defining, and implementing talent management strategies aimed at facilitating effective management of non-traditional knowledge employees in an organization.

Who are the non-traditional workers?

In the literature, the term ‘non-traditional workforce’ includes a great number of alternative employment arrangements. In general, it refers to employees who do not have a ‘contract to stay with an organization for an indefinite period of time’ (Redpath *et al.*, 2007: 34).

According to Connelly and Gallagher (2004), the broad term ‘non-traditional workforce’ can be further broken down into four categories:

- temporary staff and leased employees
- independent contractors and freelance workers
- direct hires or in-house arrangements
- seasonal workers.

Other terms often used are ‘contingent workers’, ‘on-call workers’, ‘part-time workers’, ‘contract workers’, all of whom have either chosen this alternative work arrangement or simply cannot find traditional employment.

Actually, the term ‘contingent employment arrangement’ was first used in the 1980’s by Audrey Freedman, who defined it as ‘conditional and transitory employment relationships as initiated by a need for labour – usually, because a company has an increased demand for a particular service or product or technology, at a particular place at a specific time’ (Polivka and Nardone, 1989: 11). Whereas, initially, the phrase ‘contingent workers’ had a negative connotation, it is now also used for workers that voluntarily hold temporary jobs for personal reasons (Hipple, 2001). For example, Houseman and Polivka (1999) found that, in 1995, contingent jobs were seen as being an alternative to unemployment and, as such, less desirable than traditional

full-time employment. In 1999, however, contingent workers were more likely to provide a personal reason for choosing to accept their contingent jobs than were their counterparts in prior studies. So, from being terms related to low wages, lack of benefits, negligible job security, little training, and no possibility of advancement, the terms 'non-traditional employees' or 'contingent employees' are often used today consistent with the emergence of free-form career strategies stemming from employees' emphasis on flexibility, autonomy, and freedom.

A further differentiation of the term 'independent contractor' can be made between contingent workers who have been working on a temporary basis and seeking full-time employment and professionals who have *opted* for the flexibility of contingent work (Armstrong-Stassen, 1998: 112). The latter are referred to as 'skilled contingent workers' or 'independent professionals'.

Independent professionals represent a very special group of contingent workers – they are mainly contract employees, freelancers, self-employed staff members, or external consultants working on an entire project independently, supervising or counselling single tasks; or performing staff functions that they carry out on- or off-site. They provide their services either directly or through staffing agencies that help organizations to find the right contractors to meet their business needs.

The focus of this book is on the representatives of this independent professional workforce, which will be referred to interchangeably as 'independent contractors', 'contingent knowledge workers', 'non-traditional employees', and 'independent professionals' throughout the book, unless specified otherwise. The characteristics of these professionals are that they are not employed in the traditional way but, rather, bear the responsibility for their work arrangements. They need to find clients, define project details, execute the tasks specified, and reach defined goals (Cohany, 1996). One of the most challenging aspects in the skilled independent professional's career is keeping knowledge and skills up to date, and – even more important – remaining ahead of the competition. Because of the temporary nature of the working relationship, firms do not see it as their duty to invest in the human capital of such employees. On the other hand, however, they expect their contracting professionals to have top-notch expertise and training, as well as the latest knowledge in their particular field of work.

Non-traditional workers: a deeper look at the employment relationship

From an organizational point of view, firms have an ongoing need to complete customized projects, and are constantly faced with the dilemma of a tight candidate market when seeking highly skilled and experienced traditional employees. Therefore, companies are increasingly focused on hiring contingent workers. In addition, changes in terms of an ageing