

The open talent economy
People and work in a
borderless workplace



Open for business

Each generation thinks it is living in an era of unprecedented change. They may all be right. What sets today apart is the pace and complexity of change. Leaders see trends rushing by, and they're constantly making choices: Where should we invest? Which should we ignore? Even a moment's reflection can be enough to miss a critical inflection point.

Welcome to the open talent economy—a collaborative, transparent, technology-enabled, rapid-cycle way of doing business. What the open source model did for software, the open talent economy is doing for work.

When it comes to talent, however, few organizations take that dynamic view. They have traditionally treated it as an expense—a static item to be monitored on the debit and credit columns of a balance sheet. Now, organizations are shedding this myopia. They're starting to treat talent as an investment that helps them realize business objectives.

An array of megatrends is driving this shift. Changes on a global scale have upended all those familiar patterns, and talent and employers now seek each other out, on more equal terms, from anywhere in the world. The evolving workforce is a mixture of employees, contractors and freelancers, and—increasingly—people with no formal ties to your enterprise at all, otherwise known as “the crowd.” *Harvard Business Review* estimates 1.3 billion people will work virtually in the next few years—almost one in five people living today.¹

Today, people move more freely than ever from role to role and across organizational and geographic boundaries. Global markets and products, driven by rapid innovation and postdigital disruption, demand a dynamic talent model that can be rapidly configured and reconfigured. Businesses expect agility, scale, and the right skills to be available faster than ever—even in real time.

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Some sources of open talent can be free. Others involve accessing the crowd and paying for their ideas. What's important is that in this new economy, access to talent is more important than ownership of talent.

Instead of needing a good reason and signatures in triplicate to cross an internal barrier, an open talent organization needs a good reason to erect a barrier in the first place. Barriers between organizations become permeable as well and give way to a borderless workplace. If today's employees occupy less sharply defined places in your structure, you may find some of tomorrow's employees on someone else's balance sheet—likely as not, their own balance sheets. Because there are fewer ties to keep a person from walking out the door, organizations can't ever rest in recruiting, developing, or managing their talent and leadership. Once, barriers kept people in. Today, a sense of organizational magnetism has to draw people in.

The open talent economy is not a fad, nor is it a reaction to an era of change. It's part of the change. Personal mobility, connected markets, social media, mobile technology, and analytics are already the global forces that affect virtually everyone in every industry. Doing business as if these forces didn't exist would be like operating by gaslight.

This means it's time to reframe the way we think about talent once again. We can no longer view talent as a business expense. It's an asset and should be managed as a strategic investment that can help supercharge performance through the business ecosystem. Like any investment, you must have a plan to engage and deploy it. And, of course, you must measure it. Only then can you determine the return you've earned. Only then can you adjust course for continuous improvement.

The open talent economy needs leaders who can manage complex ecosystems in real time. It gives leaders the vision to see change coming when they can, roll with it when they can't, and never settle for just reacting to it. Traditional questions haven't gone away; many of those boxes still need to be checked. But today there are new questions—some more urgent, some more sweeping—that must guide an organization's most important talent decisions.

Looking ahead a few years, a significant portion of the people who work “for” you may not be employees, or even contractors. That's a lot to absorb, but it's a change for the better—if you're ready.

Open talent and your employee ecosystem

Managing talent used to involve at least a few certainties. You knew what roles you needed to fill and where you could find the talent to fill them. When people worked for you, they came to your building in the morning and left at the end of the day. You could see and interact with them. And they could see you.

The open talent economy places organizations and talent in new relationships with one another, which offers both new benefits and new challenges. This parallels what we have already seen happen in technology, where open source coding leverages global talent to develop and refine software. The same principle drives a new phenomenon in resource management: “crowdsourcing.”

By reaching out to the broader community, crowdsourcers can address one of four basic needs: getting work done in a distributed way, securing funds, bringing expertise to bear on a problem, or soliciting feedback. For example, the research and development company InnoCentive accepts research problems on commission, posts them as open challenges, and pays cash to whoever solves them.²

We are already experiencing this with talent. The Australian telecommunications service provider Telstra uses a community forum, Telstra CrowdSupport, to encourage customers to help each other solve problems.³ More than 60,000 people visit the site each week to ask and answer questions, earning badges, status levels, and “kudos points” along the way.⁴ In addition to serving as a crowdsourced customer support function, the site also helps direct the company’s research and development focus. In another example, CloudSpokes is a cloud development company that uses the web to connect clients that need cloud work with available developers all over the world.⁵

It isn’t only employers who use the crowd model—employees are using it as well. Within Deloitte, a group wanted to use creative video to launch a new idea. To find the right animation artists to convey their vision, they didn’t scope out an RFP in black and white—instead, they reached out to the design community with their idea, budget, and timeline, and watched the ideas pour in.

Open economy: An economy that allows the unrestricted flow of people, capital, goods and services across its borders; the opposite of a closed economy.⁶

– The Economist

The Deloitte example shows how crowdsourcing can pass through the old boundaries that divided the inside of an organization from the outside. Imagine how much potential would be unlocked if people at every level of an organization were empowered to reach beyond its walls to build and harness broader communities.

Even among employees who do reside within one organization, the open market model is making inroads, bringing greater transparency and mobility along with it. For example, individual Pfizer, Inc. employees can use a program called PfizerWorks to “farm out” everyday work tasks to outside companies over the web, freeing their time for more strategic uses.⁷

Many other organizations are already experimenting with this increasingly sophisticated approach to sourcing global talent. What started as outsourcing and off-shoring has now morphed into a new supply chain for employees. It’s increasingly common for companies to rely on people who have no formal relationships with them.

Deloitte research has shown that we’re living with a talent paradox: Some businesses are having trouble filling critical workforce roles even as unemployment remains high.⁸ As Senior Director Piers Cumberlege of the World Economic Forum noted, “Today’s high unemployment rates mask longer-term talent shortages that may affect both developing and developed countries for years.”⁹ But have you wondered why?

No one just circles entries in the “help wanted” ads anymore, and the existence of an open position doesn’t lead directly to a person who wants to fill it or has the skills to fill it. Instead of hoping to fit in with an employer on its terms, today’s younger, connected, globally mobile people are managing their careers on their own terms. Where their parents may have sought compensation and security, the younger generation is seeking engagement and meaning. This is creating new opportunities to leverage untapped talent potential in the marketplace.



Trends and megatrends: forces far and near

The world as change engine

What is causing this shift from closed to open talent? Several global megatrends are driving a cascade of changes that propel the open talent economy around the world and in virtually every sector. These trends don't necessarily arise in the talent sphere, and they affect other business decisions as well. But they are fundamentally changing the structure of talent and work.

It may seem obvious to assert that an organization's talent profile changes based on global, regional, and local forces. After all, everything in business does. But too many businesses focus their trend awareness on decisions that are more tangible and easy to measure—like supply chains, taxation, or sales patterns. When it comes to the human sphere of talent strategy, those seismic shifts are just as important in helping leaders design and implement solu-

tions. The talent decisions you make today will determine what kind of organization you run tomorrow.

Global talent megatrends

There's no place where you can hide from these worldwide changes, and no industry or sector that confers immunity from them. Every organization that aims to adapt to the open talent economy must assess how each of the megatrends below has rewritten the rules. No matter what you do or where you do it, these megatrends will affect your business strategy.

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Global talent megatrends



Globalization

The emergence of a global talent market across an increasing number of fields and disciplines is opening the world to new ways of acquiring, developing, and managing talent and work. The open diffusion of ideas, practices, and technologies—and above all, people—lets different parts of the world influence and depend upon one another in new ways.



Technology

The growth in computing speed, storage, and power is making global, real-time collaboration possible in almost every discipline. When people can learn, share, and work anywhere in the world, our traditional talent assumptions are open for review. In HR, technology once powered "systems of record," but now powers "systems of engagement"—yet the average HR system today is seven years old.



Mobility

Today's critical workforces are freer to work where they want, making career moves more seamless—and potentially more frequent. For their part, organizations expect people to be productive while on the move, which requires more new skills in balancing priorities than ever before.



Social business

When people can connect, share information, and build communities online, power shifts from the traditional organization to dynamic human networks. Organizations now must use social media not only to innovate their talent brands, but also to connect and deploy people who relate to the organization in widely different ways.



Education

Rapidly growing pools of talented manufacturing, services, and knowledge workers around the world continue to reshape global talent networks. We are witnessing a new wave of innovation, driven in part by MOOCs (massive open online courses): Leading universities are making high-quality courses, taught by world-leading professors, available to tens of thousands of students around the world.



Analytics

Rather than looking only at historical data to make decisions, employers can now use data analytics for both predictive and prescriptive purposes. Those who can effectively mine large pools of employee and business data for hidden insights and apply them will perform more powerfully in the open talent economy.

An ecosystem framework to guide talent strategy

Talent investments, talent returns

What does it mean to advance beyond theoretical discussions and actually do business in the open talent economy? The principal difference is in the range of talent-related strategic decisions organizations will make, and in how they will measure the costs and returns associated with those investments. In some cases, old challenges will require new answers. In others, the broader view of a global talent marketplace will reveal other challenges no one considered part of the talent question before.

Whether they're in the old paradigm or the new one, companies struggle to measure the value they realize from the talent investments they make. Even defining the terms of measurement can be difficult. The Open Talent Economy Framework below brings together three components:

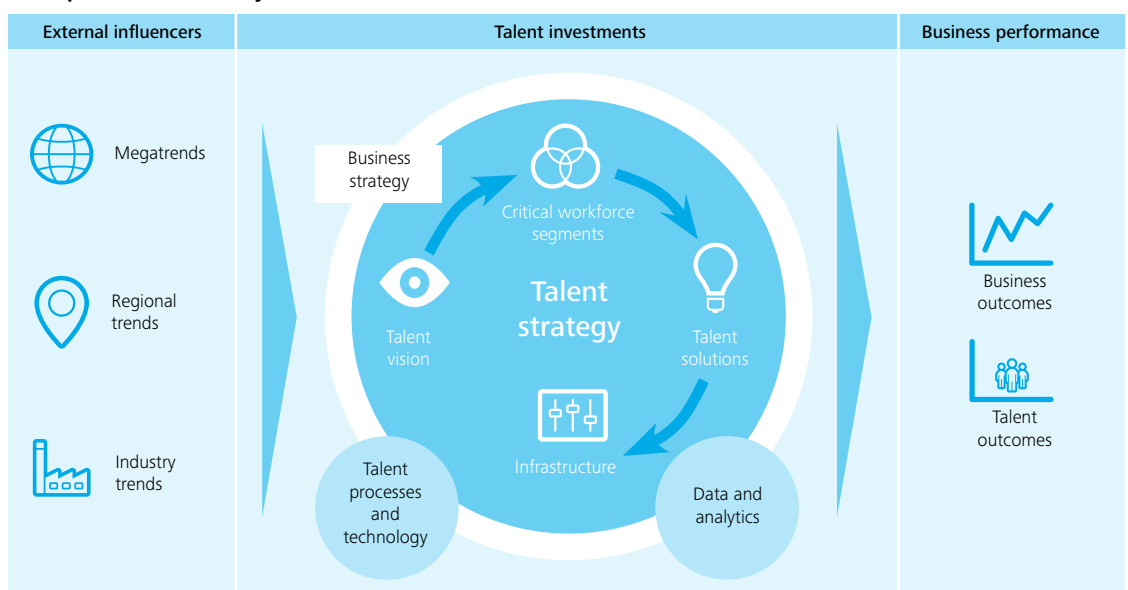
- **External influencers** (the global megatrends, along with regional and industry trends)
- **Talent investments** (the strategies, programs, and infrastructure solutions available to an organization)
- **Business performance** (the measurable business and talent outcomes of the investments an organization has chosen)

Just as any organization has a functional strategy (e.g., technology or finance) and an operational strategy (e.g., research or sales), so must it have a talent strategy. And just like any strategy, the talent strategy starts with geographic and industry-specific trends that drive business direction. The challenge is to translate those trends, and the decisions they drive, into quantitative outputs an organization can measure and learn from.

All too often organizations start in the middle of the model. They choose and apply talent solutions based on a narrow set of symptoms they observe without first posing the questions: *How does our talent strategy support our business strategy? What business problem are we trying to solve? What results are we trying to achieve? How can we make measurable progress toward those results?*

These questions in turn help to answer a critical question for any talent strategy: *What are the critical workforce segments in my organization that will drive results?* There are two key dimensions to critical workforce segments. First, they drive a disproportionate value in the organization. Second, they are difficult to find and retain. These are the workforces where talent investments should

The Open Talent Economy Framework



be made to drive business results. Forming a strategy to guide those investments will also incorporate employer brand, talent program enablers, and the way talent considerations align with the business infrastructure.

Next, we need to assess which talent solutions are required to help these critical workforces be effective. We must also assess how well the organization delivers on these solutions. These talent solutions will be the investments the company makes in the critical workforces.

Finally, every organization needs the infrastructure to track these resources and measure how well they—and the investments—are performing. The observed outcomes drive constant reassessment and adjustment of the talent strategy. That takes analytics, which requires both data and the technology to collect and use it.

By bringing these elements together, an organization can develop a specific talent strategy that is measurable, tied to business results, and applicable to a feedback cycle of informed improvement. It’s hard to convince executives that talent is no longer an expense but an investment upon which they can expect a return. This framework can turn those words into an operational reality and guide an organization in making hard-dollar decisions.

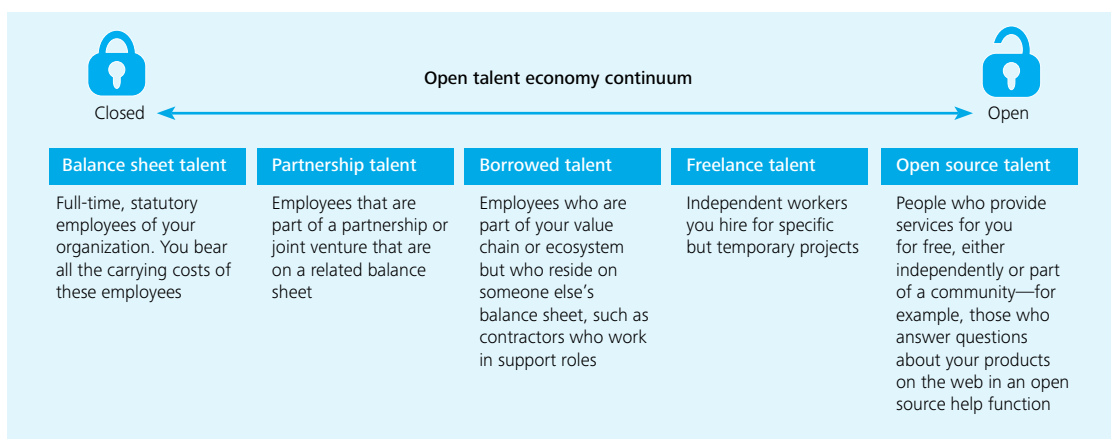
The open talent economy continuum

For some organizations, embracing the open talent economy will be a long struggle. Others already find themselves more closely aligned with the new way of managing talent, either through foresight or good fortune—or some combination of the two. Every organization is somewhere on a continuum of maturity between the old way (statutory employees fixed on a balance sheet) and the new way (the agile use of open source talent).

What is your starting point—and how far must you travel to become a full participant in the open talent economy? Consider the continuum below:

- How open is the talent economy in your organization?
- On which balance sheet do your employees reside?
- From where do they work?

Elements we think of as “open” and elements we think of as “closed” co-exist in every company. The question is in what proportions. As companies move along the continuum, the talent world opens up and offers new and innovative possibilities for closing talent gaps.



The talent strategy imperative

There are four questions at the heart of formulating a talent strategy.

1. What is your talent vision?
2. Who are your critical workforces?
3. Which priority talent programs will you invest in as you progress along the open talent economy continuum?
4. What infrastructure is required to support your investments?

Think of the talent landscape as a “before” picture—the world as you find it. Think of your talent vision as an “after” picture—the world as you wish to make it. The differences between them, and the resources you are able to bring to bear on those differences, define a talent strategy. To carry out that strategy, you must identify and deploy the individual talent solutions that correspond to your needs and gaps. There are many levers. The question is which ones you need to pull.

An organization defines its talent strategy by prioritizing investments in talent (people, process, program, and infrastructure) based on what is required to execute the business strategy. Actively planning and sequencing these priorities is critical to making the most of a company’s financial and operational returns.

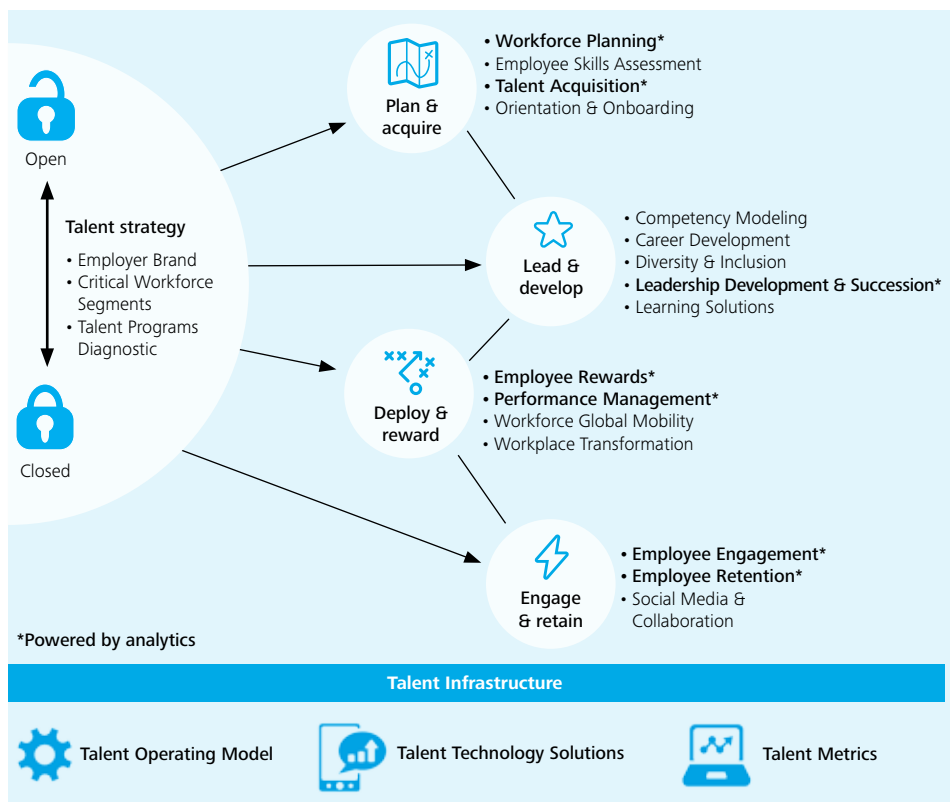


Life in the open talent economy: Changes and readiness across the employee lifecycle

Once you are more proficient at recognizing global mega-trends, selecting talent investment levers, and charting your place on the open talent maturity spectrum, there's another axis of change to account for. Because the global mass of available talent isn't the only thing in motion. Individual workforces are in motion as well—passing through the natural phases of a talent lifecycle. At any moment, your organization has employees at each phase in this cycle as they move through their careers.

An organization's talent strategy must account for these lifecycle phases and the way they influence the types of talent it needs. The ways in which you acquire, develop, reward, and retain your talent will differ according to the openness of your strategy.

The Talent Lifecycle in the Open Talent Economy



Conclusion: Execute and measure

Execute and measure: How do you know if you've invested wisely?

When you invest in a solution, you are likely to put a microscope on it. And it is important to monitor exactly what each talent solution has cost you and exactly what each has delivered. But too much time with the microscope can lead to myopia.

To make sense of the heavy information volume a modern HR/Talent leader sees every day, it pays to use an integrated talent analytics model that brings together the relevant data points and helps illustrate a company's maturity levels—not only for talent overall, but also in discrete areas like workforce planning, segmentation, recruiting, retention, and leadership.

You aren't only managing a portfolio of talent solutions. You're managing a business. That means it's important to evaluate each talent solution in two contexts: How well did it perform on its own terms? We call these results talent outcomes. And how well did it enhance the overall performance of the enterprise? We call these business outcomes.

Taken together, measurements along these two scales come together to chart the value of the talent lever investments you have made. That scorecard stands alongside the actual business valuation as a way to evaluate, adjust, and reapply your talent investment strategy going forward.



Business outcomes such as...

- Innovation
- Growth
- Profitability



Talent outcomes such as...

- Critical talent retention
- Top talent acquisition
- Employee productivity

Why it matters, what happens next

The world is waiting

The Open Talent Economy: This is just the start of a new era. In the coming months, Deloitte will be exploring the impact and opportunities of the open talent economy on business, innovation, structure, and the range of people, talent, and HR issues. Today's talent is open and ready for business. So are we.

The functional point of this thinking lies in the talent investments an organization makes. When forces combine to give each company a talent outlook as unique as a fingerprint, designing responsive steps becomes a custom process. This includes work redesign, automation, technology, and leveraging talent beyond the walls of an organization.

On every level—strategy, program, and infrastructure—an organization should make the investments that move it along the path from the past to future state. The result will be a more agile stance that doesn't eradicate change or even control it, but makes it a force to harness instead of a problem to manage.

Ultimately, an organization that embraces the concept of the open talent economy will be poised to embrace its opportunities and immerse itself more effectively in the entire global talent market—the part it manages directly, the parts it hopes to influence, and the places where it wants to gain new access.

Endnotes

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