



Creating Value and Impact through the Alternative Workforce

Executing Performance Management Strategies to
Unlock the Full Potential of Alternative Talent

Preface

COVID-19 considerations for performance management and the alternative workforce

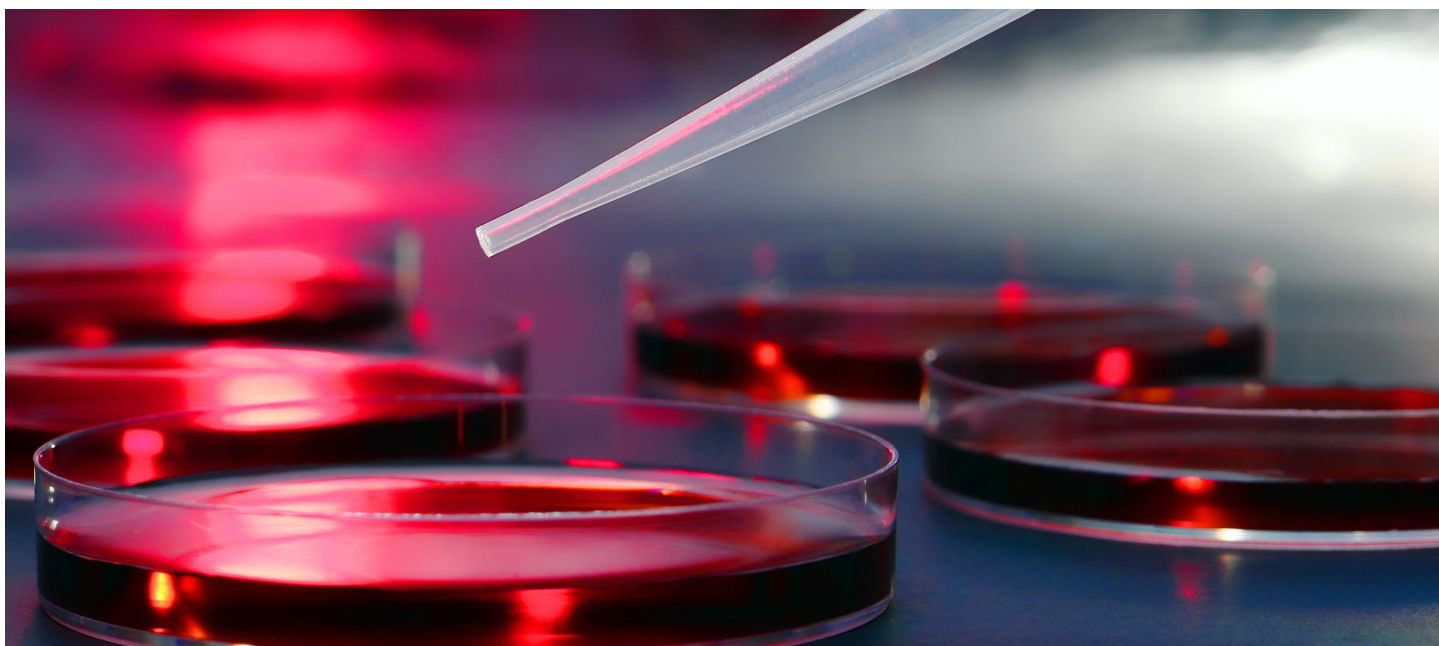
The abrupt onset of COVID-19 has accelerated talent trends and workforce experiences that have been on the rise over the past decade. For example, many organizations must now help their workforce make informed decisions about where to work (such as working remotely where possible, on-site, or in some sort of hybrid model) and how to best engage with their teams (such as creating cultures of greater transparency). While not everyone can work from home, leaders that shift their workforce to remote work have to set new expectations about workforce visibility and accountability and invest more time checking in with their teams instead of micromanaging their activity. As well, individual workers have to manage perceived pressure about active working hours. But productivity during a pandemic is measured in more than hours worked or

widgets produced—it often includes value derived from decreasing cost; expanding opportunities; and creating meaning for customers, the workforce, and the company.

To maintain a focus on productivity and well-being, organizations should adjust their performance management strategies to account for market and workforce experience changes. Depending on the timing and cycles of performance practices, organizations may consider changes about how to handle regularly scheduled performance feedback and evaluation processes. While some organizations may postpone their performance management cycles, others may choose to limit their approaches. Limitations can range from reducing the number of feedback providers or focusing on essential evaluations (such as met or not met expectations) or

workforce segments (such as high and low performers). Even if organizations decide to spend less time and effort calibrating goals and evaluating performance, performance management practices need to be emphasized, especially now, to enable people to do their best work.

The organizational impact of the COVID-19 crisis on performance management can be even more pronounced for the alternative workforce as worker displacement can lead to increased competition and further uncertainty about the availability of work. To that end, organizations should develop and communicate a considered performance management strategy to address and support the performance management experiences of their whole workforce as part of the “next normal.”



A photograph of three business professionals in an office setting. On the left, a Black man with a grey beard and glasses, wearing a suit and tie, is looking towards the center. In the middle, a woman with brown hair and glasses, wearing a dark blazer, is looking towards the right. On the right, an Asian woman with dark hair and glasses, wearing a white shirt and dark blazer, is looking towards the center. They appear to be in a collaborative discussion. The background is a blurred office hallway with large windows and modern lighting.

Performance management: Engaging alternative talent to drive business outcomes

Shifts in global economic factors¹ and competition for in-demand capabilities have prompted many organizations to reevaluate their tactical workforce strategy to meet business objectives. As part of a broader workforce strategy, organizations that use the alternative workforce need a dynamic process to understand and manage their performance. Effective consideration of performance management practices supports an engaging workforce experience that can meet the alternative workforce needs in the present moment—and in the future.

1. Ira Kalish, Weekly Global Economic Update, Deloitte Insights, 2020, <https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html>.

As many companies increase their reliance on the alternative workforce to meet evolving talent demands, human resources (HR) and organizational leaders can take subsequent actions to adjust their performance management approaches to fit the needs of new worker types. Organizations should consider implementing the appropriate processes to understand the performance of the alternative workforce—not just in the present moment, but also as part of an effort to forecast how their talent needs may change moving forward. As part of the performance management process, organizational leaders should be able to clearly define work expectations, understand work outputs and deliverables, and evaluate these outputs for each of the various types of alternative workers² (contractors, gig workers, freelancers, crowd workers, and coemployment PEOs).

If alternative workers are projected to drive further business outcomes, then their objective performance toward those outcomes should be defined, evaluated along the way, and course-corrected where needed. This can include activities ranging

from the objective assessment of their output to the appropriate parties providing feedback to support their potential next assignment. Since the different types of alternative workers experience unique relationships to the organization, HR has the imperative to thoughtfully outline work while providing business leaders and managers with the tools, guidance, and resources to execute work and administer processes that deliver outcomes consistent with work expectations of the organization. Importantly, HR, business leaders, and managers should be mindful of the human experience, meaning the development of an ongoing relationship as appropriate while providing a positive experience for alternative talent.

Performance management for the alternative workforce

While the complexities involved with supporting various alternative worker types may be a recent challenge, organizations have long struggled with delivering an effective and engaging performance management approach. Too often viewed as an annual process of retrospective evaluations and seemingly subjective

54 percent of surveyed organizations today inconsistently manage or have no process to manage alternative workers.

Deloitte 2020 Global Human Capital Trends Report

assessments, performance management carries a negative stigma characterized by having a negative 60 Net Promoter Score (NPS®).³ However, the “rank-and-yank” methodologies of decades past have succumbed to more purposeful feedback approaches that occur on a continuous basis and, under best-case scenarios, make the experience feel just as much a part of workflows as work itself.



2. Deloitte Consulting LLP, *Creating Value and Impact through the Alternative Workforce: Aligning Technology, Strategic Communications, and Workforce Operational Excellence to Enable the Alternative Workforce*, 2020, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-creating-value-and-impact-through-the-alternative-workforce.pdf>.

3. Kathi Enderes and Matthew Deruntz, *Seven Top Findings for Enabling Performance Management in the Flow of Work*, Deloitte Consulting LLP, 2018.

Just as many organizations began advancing and improving their performance management processes, they were handed the challenge of adapting them to support the performance needs of the alternative workforce. Incidentally, most organizations today either manage alternative workers inconsistently or have no processes for managing them at all.⁴ Specific to performance management, an average of 17 percent of organizations surveyed extended the processes of setting performance goals, providing regular feedback, and granted access to learning resources to alternative workers.⁵ With global organizations incorporating the use of alternative workers beyond the traditional extent of the IT function,⁶ there is a sizable gap between the performance management needs of the alternative workforce and the experiences and processes that organizations are able to offer to them today.

Challenging gaps in a new workforce model

Nuances that exasperate the already complex relationship between organizations and alternative workers highlight the reason to review current performance management models and practices. As well, organizations

Only 15 percent of surveyed organizations provide regular performance feedback to alternative workers.

High-Impact Performance Management Research, Deloitte Consulting LLP, 2018

cannot just extend the same management approaches that they may have spent much time and effort designing for their traditional employee workforce. Due to those relationship parameters, management practices require careful consideration, and simply shifting the goal-setting, feedback, and evaluation processes will likely not apply. Instead, organizations need to focus on leveraging the alternative workforce deliberately around the work they are engaged to execute.

Performance management approaches have become increasingly worker-focused, helping people better understand their role-based expectations and providing opportunities for development. The most mature organizations see development and growth of their workers as the ultimate goal of performance management.⁷ Furthermore, the shift of focus to supporting alternative talent requires the processes to become increasingly work-focused. Starting with the goal-setting process that most traditional workers embark on at the beginning of their talent year or cycle, many organizations provide their traditional workers with role or business-based goals to which individuals can autonomously align while being supported by their manager. Alternative workers also need to have goals, and some organizations have begun to establish them by focusing their guidance and instruction in the form of clearly defined expectations, contracts, or statements of work. Importantly, these goals should not outline how the work needs to be accomplished, but rather specify the expected deliverables or outputs of work, quality parameters, and timelines, with additional behavioral expectations provided to enable successful teaming.



4. Deloitte Consulting LLP, Global Human Capital Trends: The Alternative Workforce—It's Now Mainstream, 2019.

5. Deloitte Consulting LLP, High-Impact Performance Management Research, 2018.

6. Deloitte Consulting LLP, Global Human Capital Trends: The Alternative Workforce—It's Now Mainstream, 2019.

7. Enderes and Deruntz, Seven Top Findings for Enabling Performance Management in the Flow of Work.

Regarding performance feedback, organizations have made strides in helping their workforce elicit more recurring, immediate, and multisource feedback on their performance instead of waiting for annual or biannual review cycles and entirely depending on each person's manager as the sole feedback provider. While the situation is contractually defined for alternative workers, the process for collecting more continuous feedback can still occur in a similar manner. The significant shift is how and by whom that feedback information is delivered to the alternative worker. In some cases, teams that receive support from alternative workers can gather their perceptions of the quality of work being completed, as well as the experience of interactions with the alternative worker. Then, organizations must take care in either providing that consolidated information directly to the worker or to the worker's agency or contract manager, depending on the type of alternative work agreement.

Finally, as most organizations utilize performance evaluations to communicate to their traditional workers how their performance and contribution stacked up against expectations, they can also implement a similar approach for evaluating the performance of alternative talent. High-performing organizations conduct these evaluations more frequently and transparently than others and use performance ratings not just for compensation and promotion, but also for development and growth.⁸ Mirroring the goal-setting shift to work expectations, the performance evaluation process for alternative workers centers around evaluating the output compared with the agreed-upon contract or statement of work. If the work is satisfactorily completed to parameters (such as quality and volume), then compensation can be issued—whether in standard issuance or pay for performance

evaluation. While the traditional evaluation process may focus on developmental needs for individuals to prepare for the next step in their career progression, alternative workers usually would not receive such guidance. However, the evaluation of their work can lead to the consideration of whether that worker would be considered for future

alternative work engagements with the same organization. Further, evaluation of such work can help the organization determine if the alternative worker arrangement is still a suitable talent model, compared to leveraging traditional workers or other labor options (such as outsourcing or automation).



8. Kathi Enderes, Pete DeBellis, and Matthew Deruntz, *Evaluating and Designing Ratings and Reviews Approaches*, Bersin, Deloitte Consulting LLP, 2020.

Navigating performance by worker type

With an established need for considering how performance management processes should be adjusted for alternative workforces, organizations also need to better understand the limitations of those processes given the nuanced nature of such relationships. As discussed early on in our series, there are five categorizations of alternative workers,⁹ and each alternative worker type has a specific set of considerations for handling performance management processes for their unique classification. While these descriptions provide suggested considerations, organizations should consult with their legal and risk teams to understand the full extent of parameters for their workforce ecosystem.



Contract and contingent workers

Contract and contingent workers are employees of third-party organizations. While their engagements can be project- or team-based, performance expectations, feedback, and evaluations should be consolidated and communicated to the agency or employer, who then chooses how to deliver that information to the contracted worker in the means deemed relevant by their organization. The expectations for work quality and output should be clearly defined by statements of work developed with the contracting agency, and any continued relationship between the worker and the organization is contingent on the negotiated relationship with said agency. As an example, one technology organization collects communication and task management information to both analyze the performance of contract workers compared with traditional talent models and to identify other teams within the organization that could also leverage effective alternative workers.¹⁰



Gig workers and Freelance/Independent workers

While gig workers differ from freelance and independent workers based on the scope and duration of specified work, the two types of workers are similar in how organizations can think of managing their performance. Whether working with a contracting agency or with an independent contractor or gig worker, organizations should clearly define the expectations of work to be completed, including an objective expectation of quality, timeliness, and interaction with the team leader and teams. The teams that engage with the independent or gig worker can gather their collective perspective of experience working with the individual, and the team leader can course-correct both on the output of the work and on the behavioral element, as needed, to support successful completion aligned with organizational expectations. In such instances, the feedback delivered to the individual would be more of an evaluation of successfully meeting the work expectations rather than developmental evaluations of how to improve performance in the future. Finally, evaluation of the completed work could be gathered and shared directly with the individual. Transparency in comparing performance to the established work expectations can help to clearly determine both payment and future eligibility of work with the organization.

For some gig-based work, the organizing platform for connecting workers with tasks allows both organizations and gig workers to rate their experience. These are often task-based ratings that constitute microfeedback, which identifies areas of improvement for both parties. As an example, one multinational manufacturing company brings back retired employees as experienced consultants to support specific projects or portions of projects. These independent workers receive satisfaction scores from the projects they support and additional feedback on their coaching of project resources.¹¹



Crowd workers

Crowd workers that participate in competitions are likely to receive performance feedback related to the sufficiency of their work meeting the requirements of the competition. As an example, technology companies often host developer competitions to design an application or algorithm to solve a certain problem. Multiple individuals or teams compete based on the competition rules. If participants win the work engagement, their work was satisfactory. If they did not win the engagement, then their work was deemed unsatisfactory to the requirements or insufficient compared with their direct competitors. The organization requesting the work can determine through the work instructions whether they will provide more directive feedback or explanation to participants on their work submissions. Expectations, feedback, and evaluations are likely to occur in a group setting rather than individually.



Coemployment¹² PEOs

In coemployment arrangements with professional employer organizations (PEOs), the organization requesting work enters a shared contractual arrangement for specific work responsibilities to another organization. If the individual is coemployed, either organization can apply its traditional performance management practices as it would for a traditional employee, depending on the nature of the contract (such as cosupporting certain administrative tasks and activities for multiple organizations) and including all elements of goal-setting, performance and development feedback, performance evaluations, and rewards.

9. Creating Value and Impact through the Alternative Workforce: Aligning Technology, Strategic Communications, and Workforce Operational Excellence to Enable the Alternative Workforce, Deloitte Consulting LLP, 2020.

10. Deloitte Consulting LLP, Global Human Capital Trends: The Alternative Workforce—It's Now Mainstream, 2019.

11. Deloitte Consulting LLP, Global Human Capital Trends: The Alternative Workforce—It's Now Mainstream.

12. Kristen Hoppe, "What is Co-employment? A Quick Guide for Companies," Justworks, <https://justworks.com/blog/what-is-co-employment-quick-guide>.

Getting started

With more organizations leveraging the alternative workforce, those organizations should consider prioritizing efforts toward adapting performance management processes to build appropriate engagements with workers. To effectively leverage alternative talent, organizations should begin to look strategically at managing alternative workers deliberately and well. This includes understanding the appropriate information and interactions to prepare and share with workers—either directly or through third-party employers (such as agencies). Moreover, to get started with this process, organizational leaders should consult their legal, procurement, and HR teams about the extent of these relationships to collaboratively identify the performance management approach for each worker type.

Here are some key considerations to explore as you implement performance management practices to engage the alternative workforce:



Understand your worker options

Connect with your talent, risk, and legal teams to best understand the different types of alternative workforce relationships that your organization is willing and legally prepared to support. You likely have processes and procedures in place to manage and support contract workers, so explore whether and how similar processes account for the other types of workers in the alternative workforce ecosystem.



Define work to be completed

Regardless of the type of alternative worker engaged to complete the work, organizations need to clearly define the desired work inputs, team touchpoints, outputs, timelines, and quality expectations. The process of determining the work allocated for alternative workforce may uncover realizations that the tasks or projects are better suited to be aligned with other labor models.



Set clear expectations

Along with the clear statement of work to be completed, outline expectations of the work process, including quality, timeliness, and any status reports or interactions with team members. While the extent of supervisory control will be contingent on worker type, understanding the organizational expectations for alternative worker performance will support the objective evaluation of work completed.



Prepare performance procedures

Just as you outline the detailed specifications for statements of work, also look to qualify the extent and how performance management procedures will be adapted for alternative workers. This preparation should include the process for defining statements of work and expectations, approaches for collecting and delivering feedback by worker type, holistic evaluation of work performance, and how this translates into compensation or payment.



Support team leaders and team members

In addition to outlining the procedures for adapting performance management to the alternative workforce, you should carefully prepare the managers of workflows that will engage alternative workers. Even the best-defined policies can be ignored if they are not well communicated to the managers and teams that should be using them. Focus on clarity and provide a way to ask questions, remove obstacles, and check in with alternative workers, as managers may be unsure about how to proceed.



Consider how technology can be utilized

While only a small portion of organizations are ready to extend their performance management processes to the alternative workforce, close to 90 percent of HR technology solutions that handle performance management activities are ready to support alternative workers.¹³ Based on the organization's procedures outlined for managing the performance of the alternative workforce, turn to the technologies you use for the traditional workforce to see how they can best be used for activities like collecting feedback from multiple sources.

13. Kathi Enderes and Matthew Shannon, Performance Management Solutions: Market Findings, Deloitte Consulting LLP, 2019.

Let's talk

If you'd like to learn more about developing a performance management strategy to engage the alternative workforce, we'd welcome the opportunity to talk with you.

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