

Leading Work Not Just Employees

By John Boudreau

Appeared in CFO Magazine, January 2015

Your job as an organization leader is to create success through the work of others, but if you only think of leading your employees, you will miss important leadership opportunities and challenges

Have you heard phrases like “non-employment work arrangements,” “freelance talent platforms” and “labor market intermediaries?” They reflect an emerging trend in which work and workers exist “beyond employment.” Most leaders have hardly noticed the rising frequency with which these terms crop up in discussions about the future of work. For many CFOs and other leaders, “non-employment work arrangements” sounds like something to be delegated to specialists in procurement or personnel. Are these new arrangements just simple extensions of cost-reduction techniques we’ve seen for years, such as outsourcing, temporary contract workers and consultants?

In fact, these new approaches to getting work done may well fundamentally change the way you compete and generate economic value in your organization. Leaders who overlook them risk making the same mistake that taxi services made when they dismissed the emergence of the Uber ride-sharing service. A world where work moves “beyond employment” will challenge fundamental strategic assumptions in virtually every industry and sector. Leaders would do well to pay attention.

Getting a handle on these new work arrangements is difficult, because the vast majority of accounting and HR systems in organizations assume that regular full-time employment is the way work gets done. The combination of leader indifference and system myopia puts you in danger of missing significant opportunities and challenges, until it’s too late. When work is done by non-employees, you need to rethink what it means to be a leader, to engage your workers, and to match the right workers with the right “job.”

If you rely on technology, you need software coding. Should you recruit and employ computer coders? The freelance platform called Topcoder awards over \$25,000 in prizes, and its parent company, [Appirio](#) provided freelance support to [consolidate the legacy HR system for Four Seasons hotels](#). When Apple introduced its new iOS system, a Topcoder contest was running within days, motivating thousands of application developers to learn the new system and compete to showcase their skills.

If your business pivots on product or advertising design, should you employ designers and advertising producers or hire an ad agency? You might first want to look at what the freelance platform called [Tongal](#) is doing to advertising. As my colleagues and I noted in a [recent HBR online article](#), Tongal doesn't employ any of the creative talent they use to make ads. Instead, Tongal's talent platform connects advertisers with free agents who make ads. Clients like Nestle, Lenovo and Ford send work to Tongal, which offers service at low prices they can't match. But, low cost is just the start of the story. Tongal has access to thousands of workers, not just a few in your organization or an ad agency. Tongal's platform is a system for organizing the work, including crowdsourcing the ideas and videos with a contest, picking the best ideas, having those video producers pitch their approach, and then the winner gets to make the ad. Tongal simultaneously protects creative talent from client demands that exceed the original scope, and helps the ad buyers find and track the quality and reliability of the freelancers.

Even when work is done by employees, do they really need to be your own employees? Enel S.p.A. is an Italian electric utility company, the second-largest in Europe by market capitalization; it takes around 180,000 workers to run a company that size; but it does not need nearly that many employees. [Over 100,000 of the workers are contractors](#). For Enel, most of the work has escaped the employment contract. When Siemens created an innovative hearing aid for children, it didn't hire employees to devise its marketing campaign. Instead [it borrowed employees at the Walt Disney Company through an alliance](#), and the Disney employees came up with packaging that included a comic book and a children's story about coping with hearing loss.

These examples are just the beginning. Non-employment ways to get work done include things I've written about in a prior column including [talent trading among companies and using unpaid video gamers to solve scientific puzzles that eluded scientists](#). My forthcoming book, "Beyond Employment," with Ravin Jesuthasan and David Creelman describes these examples and more, and offers leaders a framework to help optimize decisions about using them.

These are not simply ways to outsource work and cut costs. They change how you and other leaders get work done. You need to systems that help you make good decisions about these options. That means your management systems must look beyond regular full time employees, and your accounting systems must look beyond tracking the cost of freelancers, contractors and temporary employees, because cost savings are often just the tip of the iceberg. It means you need to understand when employment is the optimal choice for speed, quality and innovation, and when some non-employment arrangement is better. It means developing decision

frameworks that help you optimize these emerging new approaches to the fundamental task of leaders: Getting work done through others.

Today's organizations, largely based on the idea of having regular employees, evolved because they were the most effective ways to bring workers and work together to achieve social and economic value. That's changing fast.

Are you prepared to define your organization's value chain to include getting work done on platforms, through freelancers, through alliances or creative contracts? Do you have a good idea what it means to "lead" when those you lead are not your employees and may work only on short-term projects? Can you clearly say when it's best to get work done through employees and when the optimum approach is "beyond employment?"

[John Boudreau](#) is professor and research director at the University of Southern California's Marshall School of Business and Center for Effective Organizations, and author of [Retooling HR: Using Proven Business Tools to Make Better Decisions About Talent](#).

###