



Workforce Resilience: Preparing for the Unknown

Over the last few years, the war for talent has reached a fever pitch. During this time, employees embraced the concept of flexibility as the work-from-anywhere model evolved from pandemic lockdowns. Some workers also rationalized that a big-city company should pay big-city wages no matter where workers live. For jobs requiring attendance at a worksite, employees sought more flexibility in scheduling, higher wages, and more benefits — and still turnover remained high. Going forward, with uncertain economic conditions looming, the tables may be turning. But does that mean the end of workforce flexibility? On the contrary, now is the time for companies to embrace flexibility in new and creative ways to ensure operational resilience.

In today's environment, business resilience is critical to not just survive but thrive. Companies need to augment their organizational and talent management models to allow the flexibility to respond to ever-changing business scenarios — in other words, to promote resilience. Specifically, companies need to develop capabilities to:

- ▶ Accelerate decision-making
- ▶ Expand and contract the business as needed
- ▶ Access talent **and** address poor performance

Being at the helm of a business has changed dramatically in the last three years. Current leaders are being put to the ultimate test as they deal with challenges on multiple fronts: health and wellness concerns, global competition, technological advances / digital transformation, supply chain disruptions, inflation, acquisitions / integration, talent shortages, high turnover, global unrest and an overall level of uncertainty businesses haven't seen in decades.

From the early 1990s until recently, businesses operated in an environment with inflation of approximately 2% and only periodic financial instability. As such, companies successfully leveraged standard organizational models that generally mimicked hierarchical approaches inspired by the military and implemented by the WWII generation.

Today, pressure is mounting to reduce costs and increase productivity as competition on all fronts is fierce. To navigate these challenges, companies must become truly agile to respond with surgical precision, which brings up the fundamental question for business leaders: **How can I make my business more resilient?**

Questions for getting started on the path to resilience:

- ▶ Do you have a clear picture of macro-economic impacts to your business?
- ▶ Are you sure of the demand for your services / products in the next 3, 6, 12, and 24 months?
- ▶ Can you predict your workforce / talent needs in the short and medium term?
- ▶ How well is your company positioned to adapt to challenges?





REIMAGINING YOUR APPROACH TO TALENT MANAGEMENT

In recent years, both employees and employers have embraced and prioritized flexibility. Due to the recent talent shortage, companies have focused on providing employees with the flexibility to determine their preferred way of working, including (but not limited to):

- ▶ A variety of options for work hours and locations:
 - Working from home
 - Working anywhere: in another state, in an RV, in another country
 - Working anytime: 9-5, 8-4, 10-4 then 8-10, four 10-hour days, etc.
- ▶ Expanded benefit options that fit each employee's life stage such as: medical insurance options or time-off options for maternity, adoption, elder care, sabbaticals, etc.
- ▶ Career development support including defined career paths and financial or time-off considerations for those advancing their education while working.

Now, with a more uncertain economic future, companies need to use flexibility to their advantage – to create agility that allows them to quickly scale. This means much more than simply developing work-from-home policies.



Employer Needs

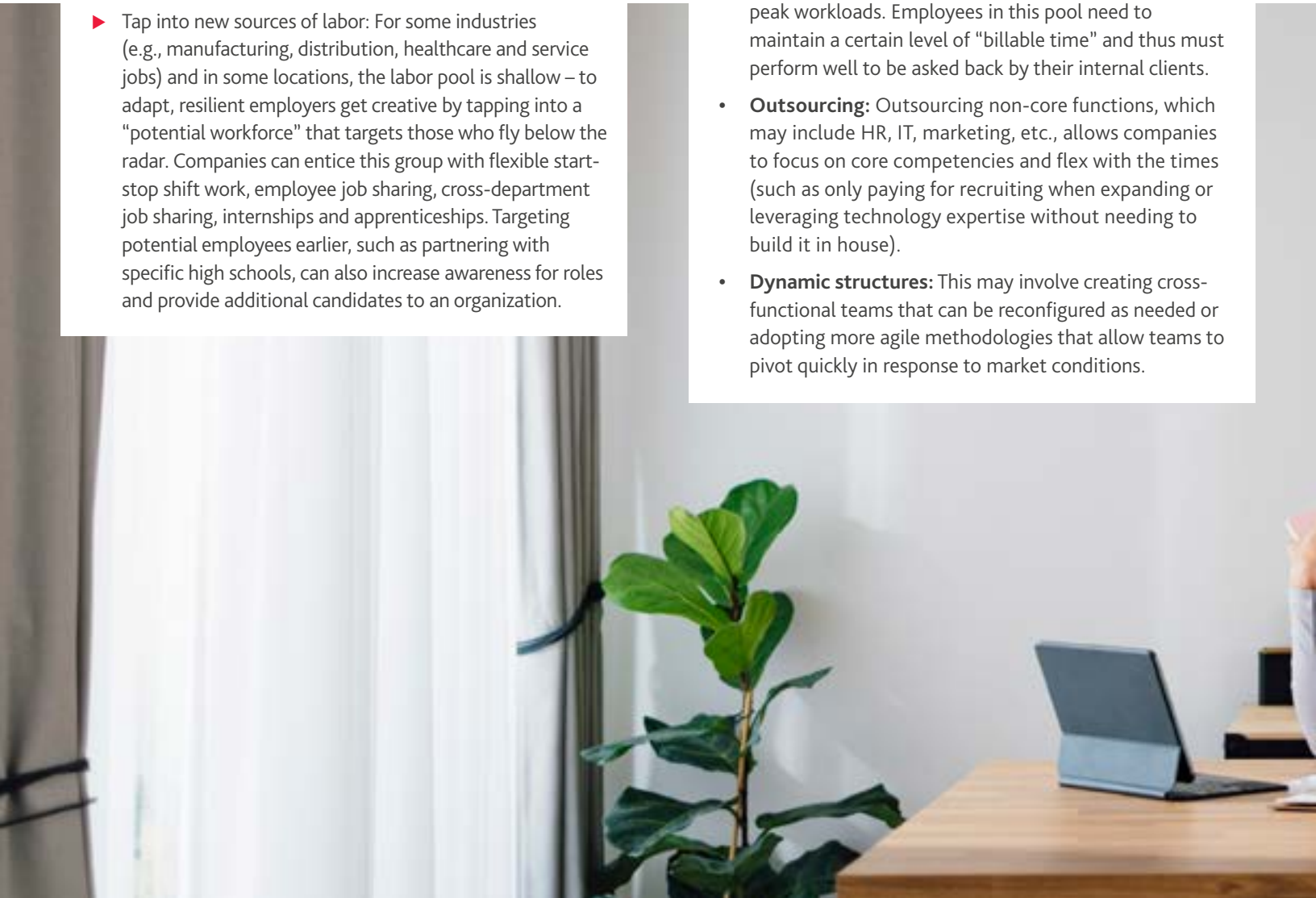
- ▶ Meet Stakeholder Expectations
- ▶ Business Agility
- ▶ Sustainable Revenue
- ▶ Adaptable Talent Management

Employee Needs

- ▶ Flexibility to Meaningfully Contribute Professionally and Personally
- ▶ Connect to Company Purpose
- ▶ Sense of Belonging
- ▶ Professional Mastery

Flexible and dynamic work arrangements come in many forms; the most common approach, remote work, aims to capture the best talent regardless of location. At the far end of the flexibility spectrum are companies that capitalize on the “gig economy” to minimize fixed costs. As challenges mount, resilient companies will:

- ▶ Design flexible work arrangements based on cost and productivity analysis:
 - For some roles, in the not-too-distant future there will likely be ample talent (due to factors such as automation, artificial intelligence, changing needs) – for these employees, flexibility will be at the convenience of the employer. If it is cost effective (e.g., balancing real estate cost with productivity) for employees to work at home, the practice may continue. Otherwise, employees will likely be called back into the office.
 - For mission-critical roles with highly sought-after skills, there will continue to be a talent shortage (for instance, in the field of artificial intelligence) and companies will need to continue to provide employees with more dynamic and fulfilling work experiences to improve talent attraction and retention rates.
- ▶ Tap into new sources of labor: For some industries (e.g., manufacturing, distribution, healthcare and service jobs) and in some locations, the labor pool is shallow – to adapt, resilient employers get creative by tapping into a “potential workforce” that targets those who fly below the radar. Companies can entice this group with flexible start-stop shift work, employee job sharing, cross-department job sharing, internships and apprenticeships. Targeting potential employees earlier, such as partnering with specific high schools, can also increase awareness for roles and provide additional candidates to an organization.
- ▶ Leverage non-traditional talent sourcing and contingent workforce models: These tools, which enable companies to expand and contract in any area as needed without massive restructuring by capitalizing on the gig economy, are foundational to agility and resiliency. In addition, service level agreements take the place of performance management and ensure that companies focus on compensating those who perform. Examples include:
 - **Contract workers:** Tapping into a contract workforce for specialized expertise, short-term projects, or to fill in talent gaps allows compensation costs to expand and contract with needs and talent strategies to map with company strategy. Legal counsel should be included in these discussions to ensure no misclassification of workers.
 - **Insourcing:** Maintaining a group of resources within the company that can be tapped by any department or location to assist with projects and / or fill in during peak workloads. Employees in this pool need to maintain a certain level of “billable time” and thus must perform well to be asked back by their internal clients.
 - **Outsourcing:** Outsourcing non-core functions, which may include HR, IT, marketing, etc., allows companies to focus on core competencies and flex with the times (such as only paying for recruiting when expanding or leveraging technology expertise without needing to build it in house).
 - **Dynamic structures:** This may involve creating cross-functional teams that can be reconfigured as needed or adopting more agile methodologies that allow teams to pivot quickly in response to market conditions.



Using these approaches to create an agile workforce enables companies to continue to thrive under a variety of economic scenarios, from ramping up in response to growing demand, to quietly reducing costs during an economic downturn, to redistributing teams to support a change in strategy.

Which of the following describes your company's agility efforts?

- ▶ **Very limited - example:** your company has a traditional structure that has not really changed. If times are tough, people are laid off.
- ▶ **Limited - example:** you have incorporated some flexible work arrangements and other flexible approaches, such as the use of contractors or flex start and stop times for shift workers.
- ▶ **More than most - example:** you outsource a few sub-functions.
- ▶ **Fully agile - example:** you use insourcing, outsourcing, work from home, job sharing, etc. If it fits, you are using it. When times are tough you have a number of levers to pull beyond laying off people.

A FLEXIBLE TALENT MANAGEMENT APPROACH IMPROVES RESILIENCE

Given that many U.S. companies are in the service sector¹, the total dollars spent on the workforce adds up to a significant impact on a company's bottom line. Companies need to spend those dollars hiring and compensating productive, creative people who will help the business to thrive. This also applies to manufacturing, distribution, healthcare and other industries that may have a large portion of their costs tied up in equipment and real estate.

Traditional talent management models run the risk of perpetuating a cycle of growth, talent acquisition, cost reductions, headcount reductions, restructuring, etc. This is exhausting to manage and disruptive to the company culture and the overall business.

What is your personal experience with organizational restructuring?

- ▶ Have you been employed by a company during a restructuring?
- ▶ Have you been employed by a company that went through significant layoffs?
- ▶ Have you been part of a restructuring team?
- ▶ If you have experienced an organizational restructuring, how do you feel it went?

¹ [Service sector of the U.S. - statistics & facts | Statista](#)



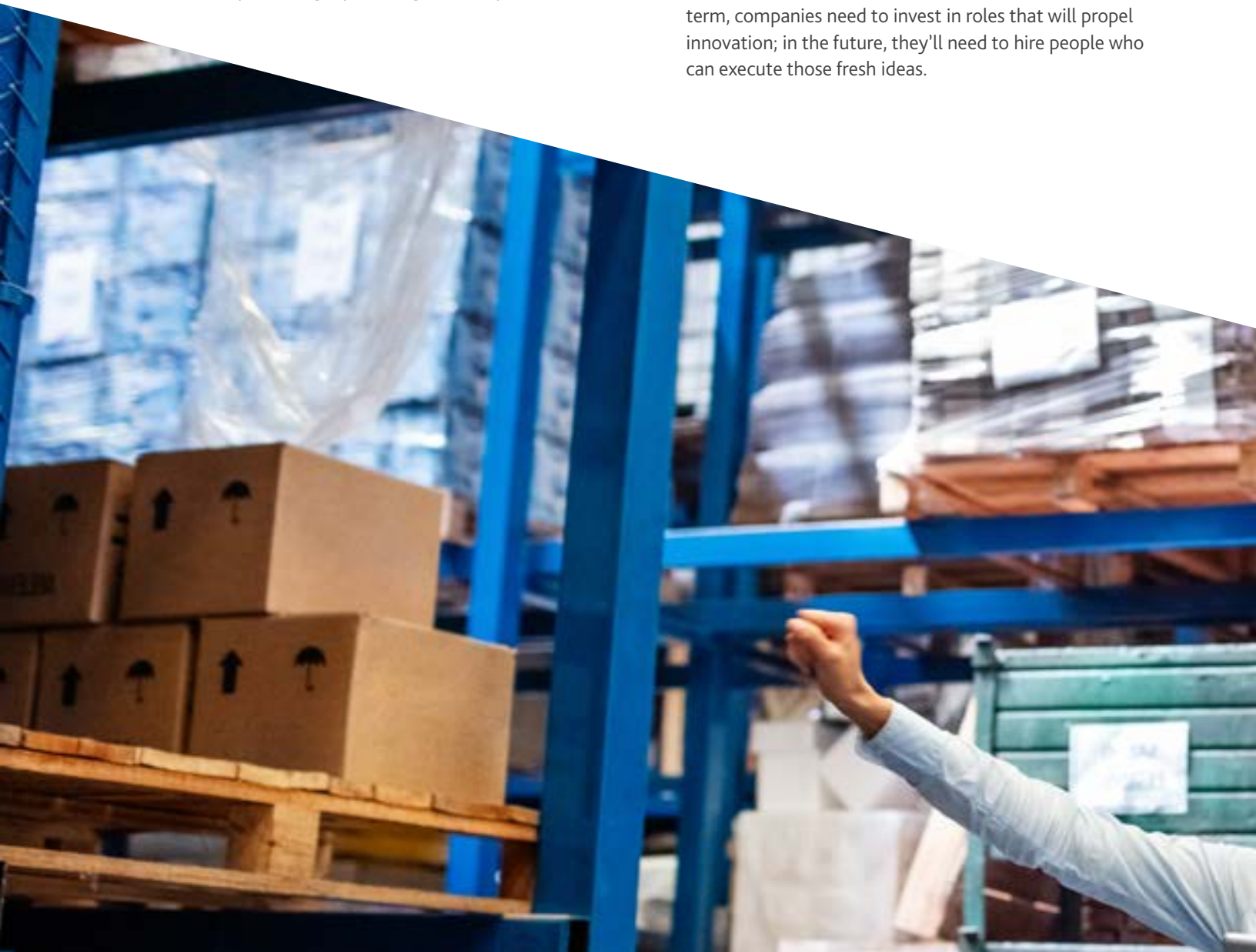
A FLEXIBLE TALENT MANAGEMENT MODEL BENEFITS A COMPANY THROUGH:

Improved Financials

- ▶ **Better resource allocation:** Companies can reduce costs by optimizing resource allocation (including office space) and reducing redundancies. For instance, working from home and also having access to an office at the workplace may prove to be too costly and inefficient. Companies need to analyze their requirements to find the right balance.
- ▶ **Increased productivity:** Employees with more autonomy and opportunities for growth and development generally have greater job satisfaction and engagement. However, resilient companies do not focus only on engagement — they also ensure that it translates to higher productivity.
- ▶ **Increased agility:** Companies with flexible talent management adapt more quickly to changes in the market or business environment. This can be especially important in industries experiencing rapid change or disruption.

Enhanced innovation

- ▶ **Customer focus:** Agile companies become more customer-focused and better able to meet customer needs by breaking down silos, encouraging collaboration and using customer-focused metrics in incentive plans. These companies also redefine talent needs in “real time” based on their evolving strategy.
- ▶ **Effective collaboration:** Agile companies also employ tools that facilitate greater collaboration and cross-functional work. They evaluate whether working from home fosters innovation and creativity within the company. They balance the flexibility that employees desire with the need for team collaboration.
- ▶ **Forward-looking recruitment:** Resilient companies will look ahead to identify which skills and competencies their teams need now and in the future. In the near-term, companies need to invest in roles that will propel innovation; in the future, they'll need to hire people who can execute those fresh ideas.



Overall, a flexible talent strategy enables companies to be more adaptable, innovative and customer-focused, while also improving employee engagement and reducing costs. Flexible work models can also improve wellness among employees, which often contributes to greater productivity. However, for leadership and managers, implementing and managing a flexible workforce can seem daunting because it means diving into uncharted territory. It begs many questions about how to manage culture, productivity, teamwork, training and more. Ultimately, it's important to remember that flexibility offers opportunities to create a nimbler and more performance-driven company. By embracing flexibility, leadership can devise ways to expand and contract the company as needed, change gears or move in a new direction without having to restructure.

Opportunity: Creating an Organization Responsive to Employer and Employee needs



Challenges

- ▶ Modulating the work to reflect the demand
- ▶ Alignment of human capital needs with revenue
- ▶ Responding to changing markets
- ▶ Accommodating employee work / life needs
- ▶ Engaging employees with evolving career goals

Opportunities

- ▶ Re-envisioning the workforce with built-in flex
- ▶ Flexibility that enables expansion and contraction
- ▶ Flexibility that allows for redistribution of assets
- ▶ Flexibility to help employees manage work/life balance
- ▶ Flexibility to accommodate baby boomers, Millennials, Gen X and Gen Z





IMPLEMENTING FLEXIBLE TALENT MANAGEMENT MODELS

While there are many ways to apply flexible talent management principles within an organization, the scope of possible approaches narrows according to each individual company's circumstances (e.g., hospitals require the vast majority of their staff to work at the hospital, but often tap contract staff to fill in during peak demand or during worker shortages) and job function (e.g., factory or fulfillment center workers cannot work remotely, but sourcing from an employment agency may reduce internal workload).

While it might be challenging to conceive of all these models in the context of your own business, consider these examples:

- ▶ A hotel chain maintains a core stable of staff who can be assigned to a variety of sites based on the demand / bookings of each individual hotel.
- ▶ A professional services company maintains a group of paraprofessionals and professionals with strong transferable skills (Excel, Word, Power BI, Workday, SAP, project management, etc.) to be tapped by departments to assist with projects and fill in for employees on vacation or during periods of peak workload.
- ▶ A tech company uses contract programmers or data analytics specialists to supplement its core IT staff.

By tapping alternative resources on an as-needed basis, the company checks several boxes:

- ▶ Core staff have access to resources to avoid being overworked, which keeps projects on schedule.
- ▶ Contractors can enjoy the flexibility of working when and if they need while companies only incur costs as needed.
- ▶ Performance is easily managed, as a poorly performing contractor or insourced staff will not be asked to help the team again.
- ▶ Flexibility to expand, contract and focus needs as strategic priorities change minimizes the need for layoffs.
- ▶ Employees with critical institutional knowledge or highly sought-after skills who need flexibility may be able to avail themselves of these alternative career choices, maintaining the company's access to their needed competencies.

DECIDE TO MOVE FORWARD, THEN TAKE THE FIRST STEP

How is your company going to weather uncertainty? The historical talent management models are not the answer. Choosing flexibility is a win-win for employees and employers alike, but making significant changes to long-standing policies requires careful consideration.

First, it's important to realize that even within a single company, there is no one-size-fits-all approach. The way a company approaches flexible talent management will vary by function and level within the company. This diagram illustrates one company's approach to flexibility:

Example Approach to Flexible Talent Management



HR: This is not this company's area of expertise. To ensure compliance, the company outsources HR to a reputable firm. To support day-to-day needs, they have an in-house HR generalist at each manufacturing location and at corporate headquarters.

Manufacturing: XYZ company has special expertise in manufacturing of its products. Its process is efficient, so they will retain control; however, some specialized resources are needed that are too expensive to obtain, maintain, and upgrade, so that aspect of their manufacturing is outsourced. The company offers flexible start / end times when processes allow.

R&D: This is a core competency of XYZ company. It is retained for that reason and to ensure confidentiality of intellectual property.






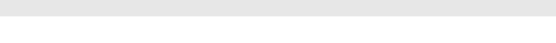


Sales & Marketing: XYZ company has an in-house sales and marketing team. Marketing utilizes external design and communications resources. They also conduct extensive data analytics of their markets and industry technological advancements. The need for this expertise is cyclical, so only a few data analysts are retained as full-time employees and contractors are tapped as needed. Across the firm, work from home and remote work options are utilized as practical to ensure access to the best talent while balancing that with the need for team collaboration and maintenance of the culture.

Finance: Retains in-house financial department to ensure control over its own finances but taps experts for specific needs. Data analysts are shared with the marketing department.

Distribution: XYZ company utilizes an external distribution network for certain sales channels as well as direct sales for others.

In addition, deciding on whether to incorporate flexibility into your organization requires analyzing the appropriateness of outsourcing for each function under consideration. The below decision matrix provides an example of how to perform these assessments. In practice, the criterion would be customized for each organization and each function. The aggregate perspective of the marks across the spectrum indicate if a fully in-house, outsourced or hybrid model is appropriate for the specific function and organization.

Example Decision Matrix: Outsourcing Function XX

Criterion	Retain	Spectrum	Outsource
Strategic importance	High		Minimal
Core competency	Yes		No
Operational importance	Vital		Commodity
Financial impact	Revenue		Cost
Cost of developing expertise in house	Low		High
Length of time to effectively implement	Short		Long
Frequency of need	Part of everyday operations		Infrequently
Associated risk (only answer for those items that are not of high strategic importance and / or are not a core competency)	Low		High

Frequently asked questions about flexibility and talent management:

- ▶ What forms of flexibility do we use today?
How do we feel they are working?
- ▶ What additional forms of flexibility could work in our organization?
- ▶ Is outsourcing right for us?
- ▶ How do we ensure fair and cost-effective pay practices across flexible types of work?
- ▶ Are we using our real estate cost-effectively and efficiently?
- ▶ How do we manage career development?
- ▶ How do we want to think about benefits for flex roles?
- ▶ How do we continue to manage pay and performance for our traditional roles?



A CALL TO ACTION

Historically, “resilience” meant “redundancy,” with companies relying on backup workers and ad-hoc approaches to business continuity. Today, flexibility and modularity offer organizations a more sustainable framework for building resilience and adjusting quickly to changing dynamics. A modern organizational resilience strategy includes the following key elements:

1. Organization, operating model, and people cost.
2. Talent, skills and capabilities which exist today and are needed for tomorrow.
3. Culture and change management.

A strategy that addresses all these elements will better position an organization to address multiple threats, issues and other challenges brought on by ongoing economic uncertainty. BDO's Organizational Resilience Assessment can help businesses uncover opportunities to improve across all three areas. It includes testing and grading for each topic:

- ▶ Organization, operating model and people cost
 - Benchmark the people cost structure.
 - Evaluate modularity and agility of resource structure.
 - Validate scalability of organizational structure (i.e., ability to increase and decrease capacity as work demand fluctuates).
 - Manage your talent pipeline like a supply chain.
- ▶ Talent, skills and capabilities
 - Assess the skills and capabilities needed to succeed today — and tomorrow.
 - Gain clarity on the talent and skill shifts needed.
 - Identify gaps for upskilling and redeployment.
 - Test employee value proposition to attract and retain talent during times of change.

- ▶ Culture and change management
 - Leverage involvement from all levels of management during change program.
 - Confirm leadership and organizational capacity for change.
 - Build communication plan that is purposeful, emotional and compelling in narrative.

The completed assessment delivers a roadmap to help each individual company improve the following capabilities and attributes:

- ▶ **Strategic adaptability:** the ability to handle changing circumstances successfully, with minimal disruption.
- ▶ **Agile management:** methodologies for taking measured risks with confidence and responding quickly and appropriately to both opportunity and threats.
- ▶ **Robust governance:** processes for accountability across organizational structures, based upon a culture of trust, transparency and innovation, ensuring integrity of company vision and values.

As with any new concept, a flexible talent strategy needs to be socialized within the organization and you must identify a team that will move the process forward.

Businesses can't prepare for every possible scenario, but they can adopt practices that allow them to adapt to economic turmoil, shifts in the marketplace and other unexpected challenges. As you engage in this process, look for additional articles on workforce resilience from BDO. To learn more about implementing flexible talent management practices at your company, get in touch.

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