

Kantata

The Changing Dynamics of the Modern Workforce

An In-Depth Look at the Professional Services Industry



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Introduction

The professional services industry is undergoing a radical and permanent transformation. People have demonstrated they want more agency over their workloads and professional development, and are taking life-changing steps to realize their goals.

As a result, business leaders are frustrated by how much time they must spend dealing with issues related to employee turnover and hiring instead of focusing on client services and business development. Those are some of the key findings of our recent research into the post-pandemic economy's impact on professional services organizations (PSOs). We commissioned Atomik Research to survey 1,502 services industry professionals across three groups:

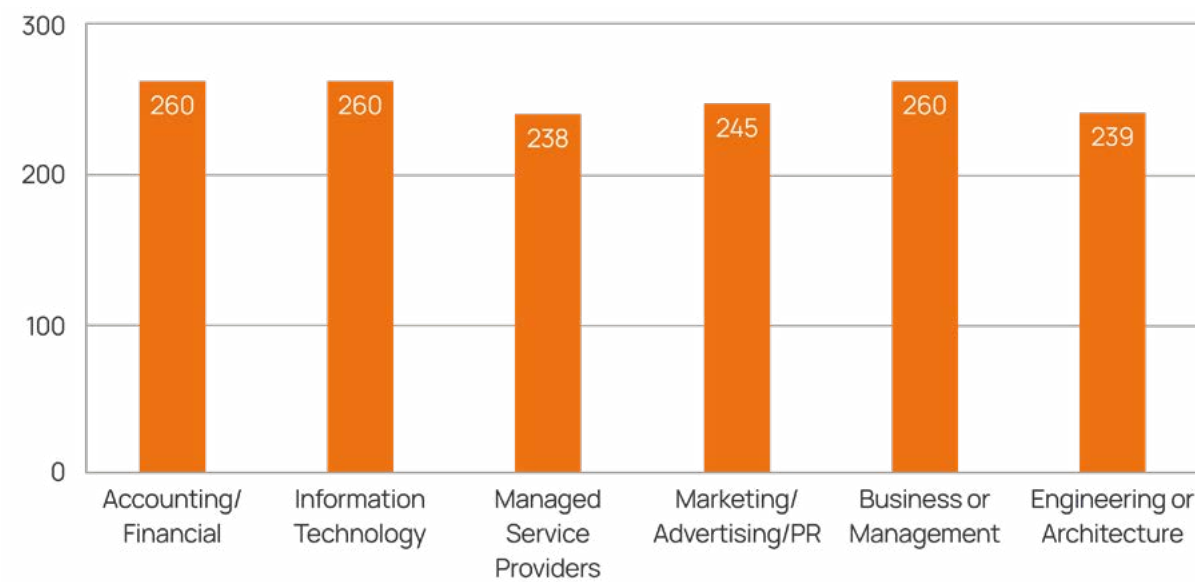
1. Business Leaders
2. Full-Time Employees
3. Independent Contractors

At first glance, the findings paint a picture of frustration among leaders and full-time employees (FTEs). But on closer examination, they also reveal several steps leaders can take to reduce churn, strengthen client relationships, and accelerate growth.

Research Methodology

Kantata commissioned Atomik Research to conduct an online survey of 1,502 full-time employees (FTEs), and independent contractors in the professional services industry. This included 502 senior leadership respondents, defined as director level and above, 500 full-time employee respondents, and 500 independent contractor and freelancer respondents. Senior Leadership and FTEs company sizes range from 200 to 2,000+. The fieldwork took place in June 2022. Atomik Research is an independent creative market research agency.

Industries represented



Business Leaders

The Great Resignation phenomenon has received a great deal of attention from media, analysts, and business leaders over the last couple of years. But among services industry professionals, the story isn't one of people leaving their full-time jobs to travel the world or pursue their passion projects. It's evolved to be more like the "Great Resignation from My Full-time Job to Become My Own Boss." 76% of independent contractors we surveyed say they were full-time employees just one year ago. Business leaders report that has made it more difficult for them to build and manage their workforces.



61% of senior leadership say they spend at least a third of their time each day trying to solve employee turnover issues, which is pulling focus from core responsibilities like ensuring exceptional client experiences and business development.

And senior leaders aren't finding it easy to fill the roles that are being vacated either. 53% of senior leadership admit they have a problem hiring full-time employees.

61%

of business leaders spend at least a third of their time each day solving employee turnover issues

53%

of business leaders have a problem hiring FTEs

For senior managers who admit they have a hiring problem, some of the issues they highlighted when it came to closing new FTE hires include:

42%

Healthcare benefits are not competitive

42%

PTO and vacation policy is hard to accumulate

39%

401k benefits are not competitive

35%

Lack of a continuing education benefit to support employees' professional growth

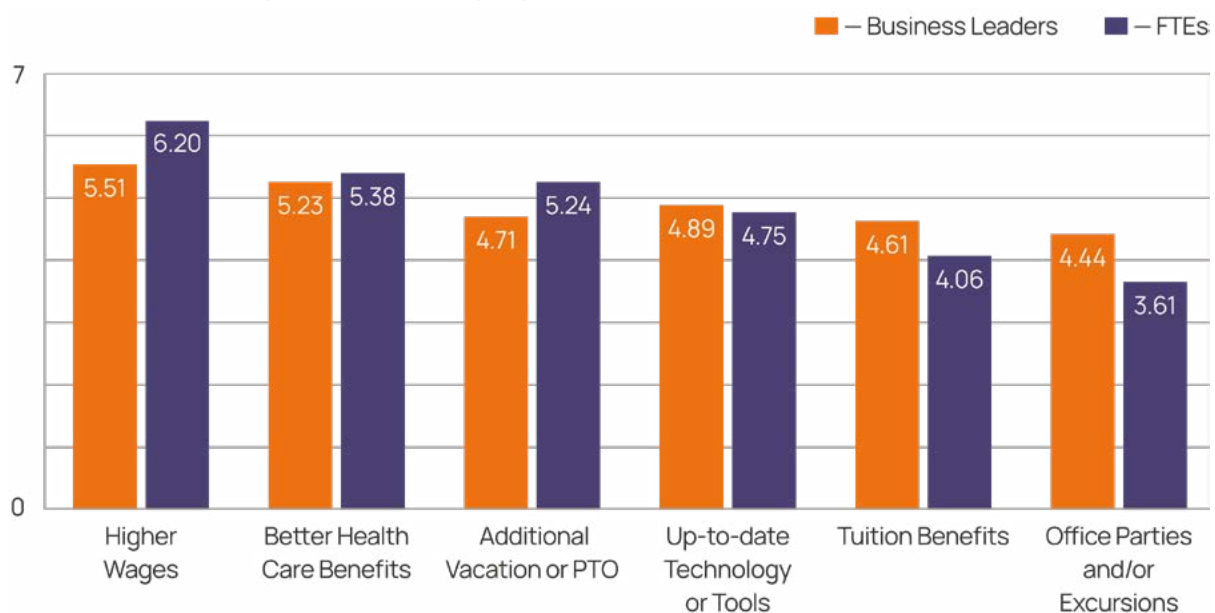
The Struggle to Retain and Hire Talent

Business leaders and full-time employees don't always see eye to eye

What Keeps Employees Satisfied

Business leaders and FTEs do agree on what keeps employees satisfied, with both groups ranking Higher Wages as most important, followed by Better Health Care Benefits

Rank in order of importance to employee satisfaction





Prioritizing Professional Development

But many FTEs don't know or don't believe business leaders are prioritizing professional growth.

Business leaders and FTEs both agree that structured professional development opportunities should be a core element of overall benefits

93% of business leaders agree

91% of FTEs agree

And FTEs say they would be more loyal to a company that invested in their professional growth by paying for certifications, continuing education, masterclasses, etc.

92% agree

But 32% of FTEs say they don't believe or they're not sure their senior leadership prioritizes employees' professional growth

18% don't believe

14% not sure

FTE Input on Tools and Systems

When it comes to seeking input from FTEs on tools and systems they need to be effective, a gap exists between what business leaders perceive they're doing and what FTEs see their business leaders doing.

92%

of business leaders say they seek the input or advice of their FTEs

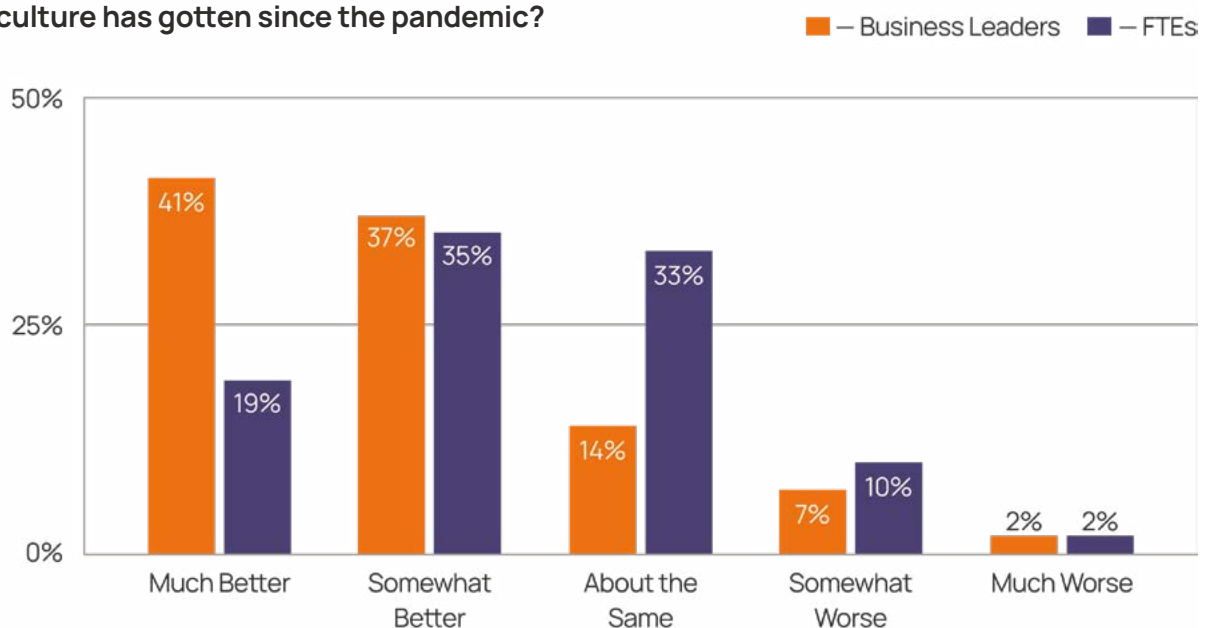
28%

of FTEs say business leaders do not seek their input or advice

Perspectives on Post-Pandemic Culture

Business leaders are much more likely than FTEs to think their company culture has gotten better since the pandemic.

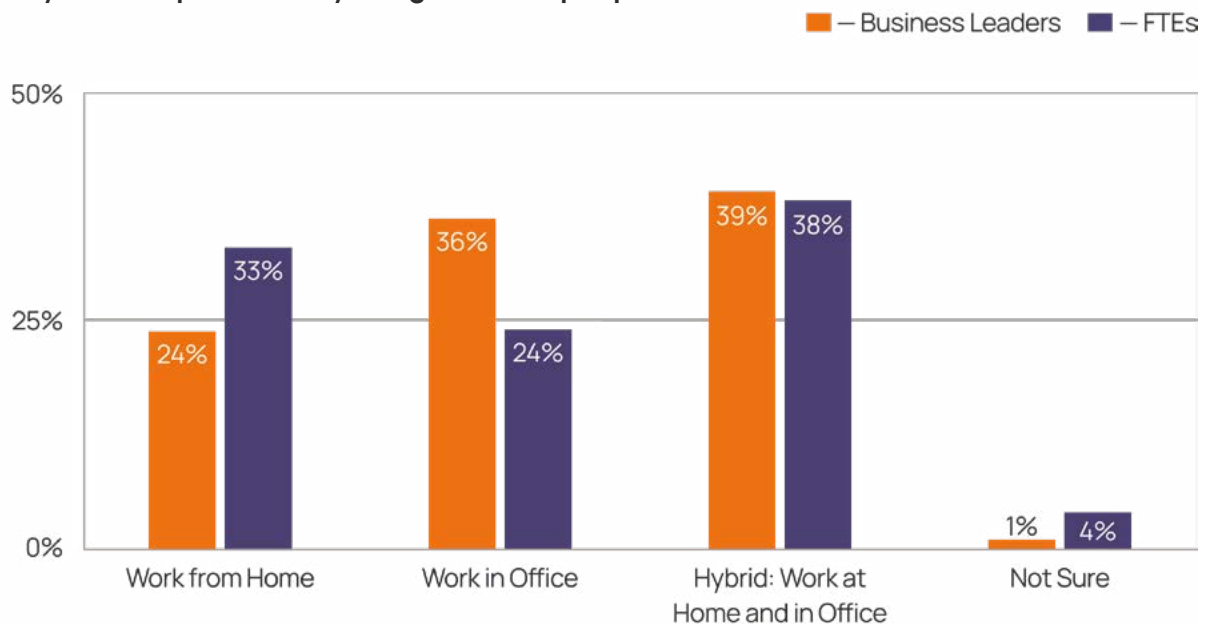
How much better do you think your company culture has gotten since the pandemic?



Productivity in Different Work Environments

While business leaders and FTEs are in sync on the value of hybrid working, FTEs are more likely to believe productivity is higher when working from home, while business leaders are more likely to believe productivity is higher when working in an office.

Do you think productivity is higher when people...?



Full-Time Employees

Survey responses highlighted two major sources of frustration and impediments to success for full-time employees. The first is inadequate technology that supports work needs. The second is a disconnect between leaders and employees. Both can quickly affect every department in a business.

Although FTEs and business leaders agree that structured professional development opportunities should be a high priority, a large portion of FTEs said they aren't seeing the programs that back that belief up - 32% of surveyed FTEs claim they are not sure, or they do not believe, senior leadership prioritizes employees' professional growth.

When it comes to the technology FTEs use to get work done, 16% of FTEs surveyed would describe the tools and systems their organization uses as outdated. While business leaders are confident they have put tools in place that make FTEs and contractors more effective in doing their jobs

(87% of business leaders surveyed), and believe they are diligent in asking for the input or advice of FTEs on the tools and systems they need to be more effective (92% of business leaders surveyed), the feedback of FTEs indicates there is more work to be done to ensure FTEs are satisfied with the technology they are being asked to use. For example, 28% of FTEs say leadership does not seek their input or advice on which tools and systems are needed.

When it comes to fighting the rising tide of turnover and implementing strategies that keep valued employees from looking for work elsewhere, factors like technology and professional development opportunities can have major impacts on employee satisfaction and retention.



Employees Are Wondering: “Should I Stay or Should I Go?”

FTEs are tempted by the benefits of the independent contractor lifestyle.

Considering Freelance Work

43%

of FTEs say they have considered becoming an independent contractor or freelancer

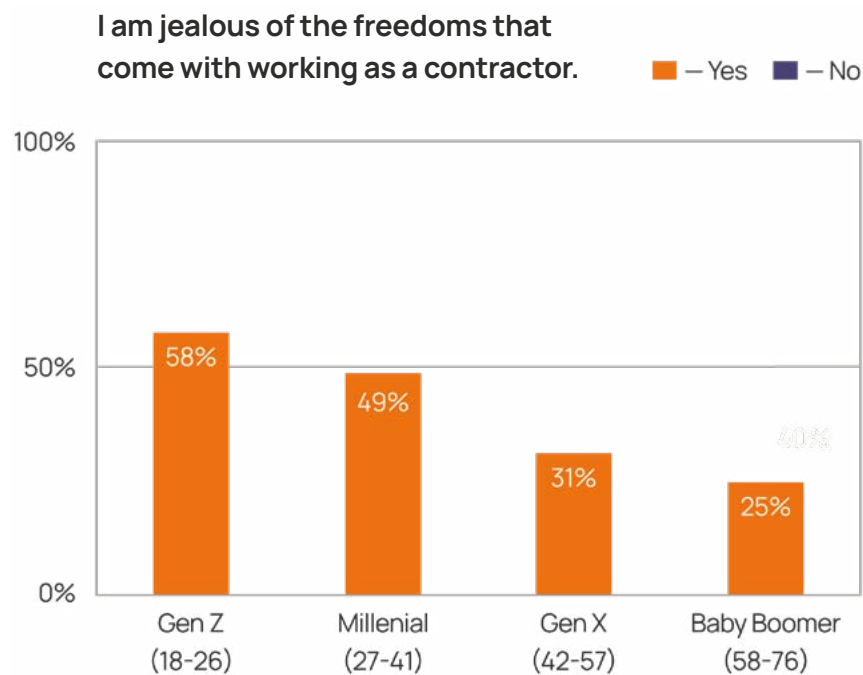
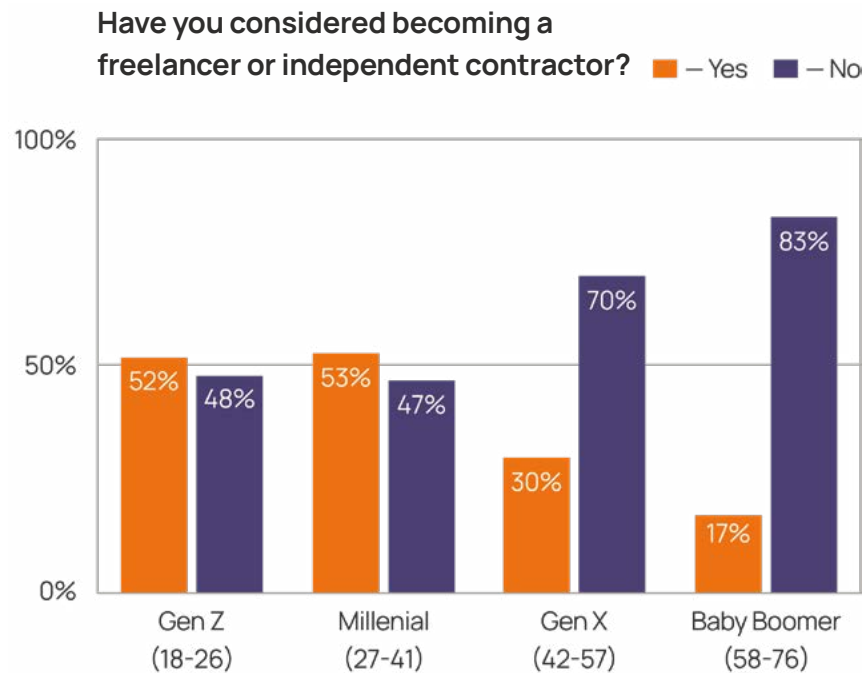
43%

of FTEs admit they are jealous of the freedoms that come with working as a contractor



The Generation Gap

There is a sizable difference in feelings about moving from FTE to contractor status between younger generations (Gen Z and Millennial) and older generations (Gen X and Baby Boomer).



What's Holding Employees Back?

43% of FTEs admit the safety of a steady paycheck is the main reason they haven't made the leap and become a contractor or freelancer

Other Factors:

29% Benefits (health/dental/vision insurance) concerns

16% Not sure where to start

10% Tax ramifications

The Role of Technology

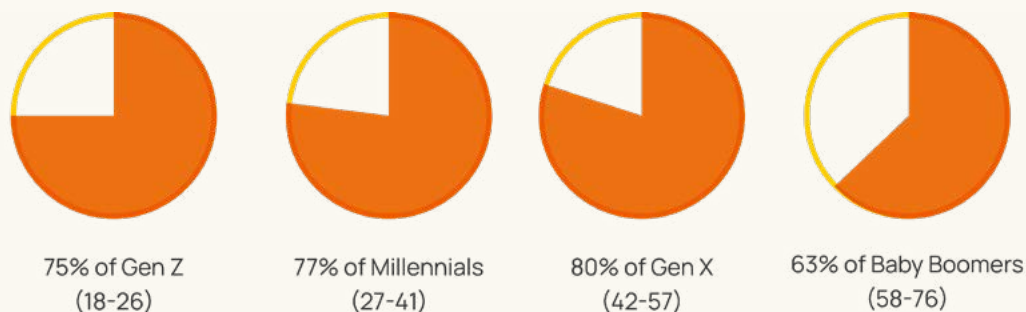
59% of FTEs say they believe that the adoption of remote work technology and practices spurred by the pandemic, including workforce collaboration, has made the idea of becoming a contractor more appealing

Independent Contractors

Considering 76% of the independent contractors and freelancers we surveyed indicated that they were FTEs only one year ago, it's likely that there are a lot of people in the contractor workforce who are getting their first taste of what it's like to operate independently. And while many FTEs admitted they were envious of the freedoms contractors enjoy (43%), our data shows that independent contractors feel they are often getting the short end of the stick when it comes to technology and onboarding.

Technology is a major reason many people feel confident enough to enter the contractor workforce. The widespread adoption of new technology that supports remote teams is instilling confidence in the long-term viability of remote work. This hasn't just meant that FTEs are able to work from home more freely, but that the jump to contract work is less intimidating, as 59% of full-time employees believe that the adoption of remote work technology and practices spurred by the pandemic has made the idea of becoming a contractor more appealing.

Percentage of contractors who were full-time employees 1 year ago, by generation:



However, contractors don't feel as good about the tools and systems they are asked to use by organizations as their FTE counterparts do. While independent contractors are more likely to describe technology their organization uses as "cutting edge" - a promising sign - they are also more likely to describe the technology their organization uses as "outdated" or "poor," and are less likely to describe the technology as "efficient," "satisfactory," or "poor" (see data in the "Contractors Are Struggling to Stay in the Loop" graphic below).

Independent contractors are also significantly less likely to believe onboarding programs are effective than FTEs. Only 51% of independent contractors say they would rate their company's onboarding process as effective, a sharp contrast with business leaders and FTEs (83% and 77% respectively).

Contractors Are Struggling to Stay in the Loop

Independent contractors feel behind the curve on technology and onboarding.

Business Leaders Perceptions

Business leaders are confident they've put the right tools in place to support their internal and external workforce.

Do you believe that you have implemented technology and changes that have made full-time employees and contractors more efficient and effective in doing their job?

87%
Yes

Do you believe that you have the right technology to manage full-time employees?

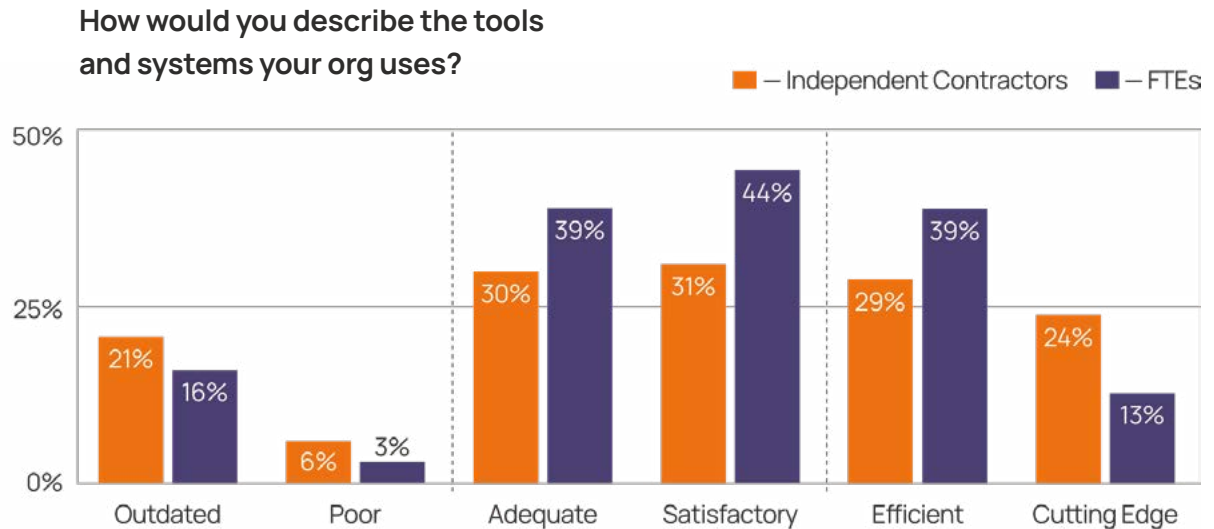
87%
Yes

Do you believe that you have the right technology to manage contractors?

84%
Yes

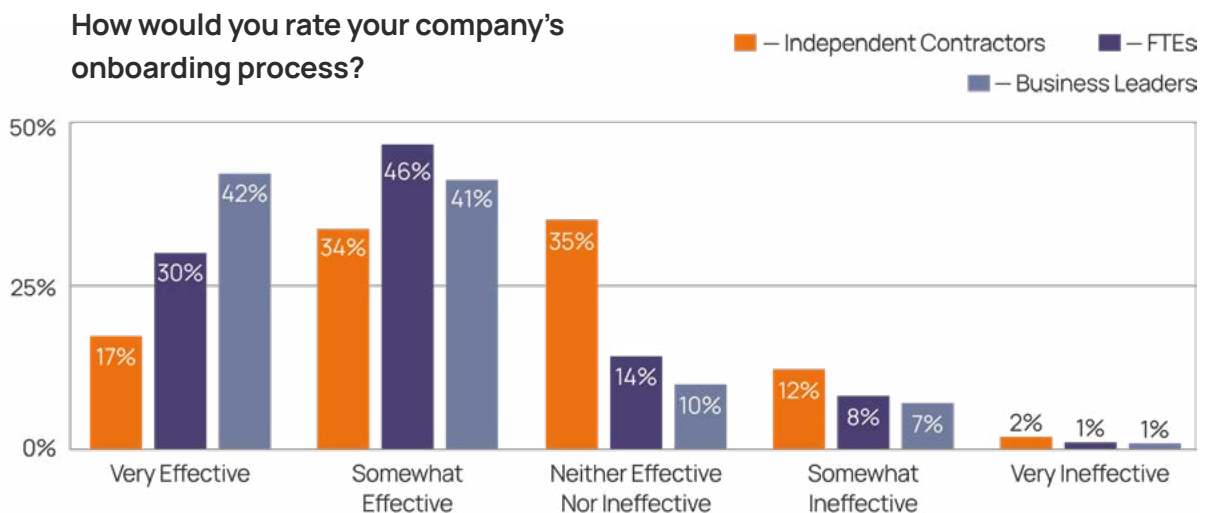
Behind the Technology Curve

Independent contractors have stronger negative associations with the tools and systems their organizations use than FTEs. Here's how they describe the tools and systems their organization uses.



Behind the Onboarding Curve

Nearly half of independent contractors would not rate their company's onboarding processes as effective.



Contractors Need Professional Development Opportunities to Stay Ahead

72%

of independent contractors agree that structured professional development opportunities should be a core element of overall benefits

76%

of independent contractors say they would be more loyal to a company that invested in their professional growth by paying for professional development opportunities like certifications, continuing education, and masterclasses



Kantata's Recommendations on How to Build a Modern Workforce

Yes, these findings paint a somewhat bleak picture and remind us that the Great Resignation isn't a temporary phenomenon. The modern workforce has shifted dramatically in the last few years. It's crucial that leaders understand today's workforce isn't simply going back to previous job expectations, but are instead waiting for businesses to catch up to their modern demands.

But fear not — these findings also create a roadmap business leaders can follow to reduce churn and accelerate growth. The following steps can help business leaders build a modern workforce where internal and external talent are working in lockstep, with the infrastructure needed to support both their daily work needs and their professional growth desires.

01

Give Employees and Contractors More Agency

A business's workforce isn't just made up of resources who will fill open roles on projects and generate revenue. These are people, each with their own goals, preferences, career aspirations, and learning objectives. Whether they are employees or contractors, every person wants to feel like they are the author of their career trajectory, and when people feel like they lack that agency, they are much more likely to seek opportunities elsewhere.

Both FTEs and independent contractors say they would feel more loyal to companies that invest in their professional development goals by paying for development opportunities like certifications, continuing education, and masterclasses. Building this loyalty will be a key factor in reducing the impact of churn, ensuring business leaders can spend less of their day struggling with employee turnover and hiring processes.

Structured professional development programs are an essential component of this - more than 9 in 10 business leaders and FTEs agree this is true - but don't discount the value of more informal ways of granting agency to talent, such as providing them a way to "raise their hand" for work that interests them. Publishing open roles to relevant employees and contractors has many benefits - it makes them feel

like they have more control over the work they're doing, it increases opportunities for on-the-job training for people looking to leverage projects as a means of skills acquisition, and it helps resource managers identify resources who would be a great fit for a role but who might otherwise slip through the cracks.

02

Include Your Workforce in Decision-Making

Major decisions, like the adoption of a new tool that will be rolled out across internal and external professional services teams, will have major impacts on the engagement, satisfaction, and ultimately, retention of your talent. While the data in this report makes clear that business leaders believe they are seeking the input of their teams,



many workers don't feel it's clear enough that those opportunities to provide input and guidance exist.

The benefits of building a more structured process for getting feedback and buy-in from the people who will be expected to use new tools and systems are two-fold. Providing a forum for feedback, questions, and concerns doesn't just ensure talent feels heard; it also makes businesses less likely to adopt solutions that will not meet the needs of their users.

Opening up conversations with your employees and contractors about what they need, what they want, and what they feel is holding them back will help business leaders make informed decisions and improve the overall satisfaction of their talent network.

03

Audit Compensation and Benefits Packages

Business leaders and employees agree about one thing - wages and benefits continue to have a tremendous impact on satisfaction, attrition, and hiring. Business leaders were clear that benefits like healthcare, vacation policies, and 401Ks were make-or-break factors in the hiring process. Competitive healthcare and compensation become even more important during an economic downturn as people

seek security for themselves and their families. Businesses need to find tactics to battle the common perception that the best way to ensure you are compensated fairly is to leave your current role and seek new work elsewhere.

It is important for every business to audit their compensation and benefits practices to ensure that they are competitive and will be attractive to both existing and new talent. If those practices and standards are not meeting or exceeding the standards of the industry, businesses stand to lose more from the missed opportunities that come with high turnover and ineffective hiring than the cost of adjusting compensation and benefits packages.



04

Make It Easier for Talented Contractors to Work With Your Business

Considering the massive shift towards the contractor workforce the data in this report highlights, it seems fair to state that contractors will be more important to the success of services businesses than they've ever been before, and that trend is likely to continue. Some of the best talent on the market - people with the ideal skillsets to tackle the work businesses need done - have made the jump to the contractor workforce and they're not looking back. Many more FTEs are considering making the same move. The modern workforce - and the workforce of the future - is a hybrid workforce, not just remote and in office, but also an extended talent network of trusted internal and external resources.

With all that in mind, every business needs to be equipped to work effectively with contractors and freelancers. Our research shows clear gaps in contractors' perceptions of the technology and onboarding processes they are being provided. External talent can often be an afterthought when it comes to technology strategies and process optimization, but they can't be an afterthought going forward if businesses hope to thrive in the networked economy.

For businesses to build a stable bench of contractors that they can rely on to provide high quality work, that trust needs to go both ways -

external team members need to feel that they can rely on businesses to offer them access to technology and processes that keep them on the same footing as internal team members. If they don't trust that that will be true, they will use the freedom that independence affords to look for work elsewhere.



05

Implement Purpose-Built Technology

For many of these recommendations, the path to sustainable workforce optimization is only possible with purpose-built technology - that is, SaaS solutions that have been specifically designed to address the unique challenges that professional services organizations face. Not every solution on the market is built to handle the demands of the professional services workforce. Adopting generic solutions that

don't address the specific needs of services organizations can hold businesses back from their workforce optimization goals by making it difficult to systematically build structured professional development plans, gauge the interest of resources in upcoming work, get clarity into the availability and capabilities of external talent, and keep internal and external team members on the same page while collaborating on projects.

Only the best providers of professional services software are able to equip their clients with the solutions and expertise they need to stay ahead of shifting talent demands while efficiently and effectively managing their operations. The vendors that lead the charge into a new era of professional services technology will have the specialized focus and domain expertise to understand the evolving challenges professional services organizations face, as well as the scale to translate those challenges into ground-breaking solutions.

The businesses that adopt software that is purpose-built for the professional services industry will have a competitive advantage, and an advantage in the fight to attract and retain the best talent. FTEs and independent contractors need purpose-built software to maximize productivity and streamline collaboration so that they can be more effective in their roles and more likely to thrive in their careers. And business leaders gain invaluable short- and long-term visibility into the insights and key performance indicators they need to improve resource management, shorten business development cycles, and build their optimal talent network.

Conclusion

Fully leveraging both the modern workforce and the purpose-built technology they demand can be a challenge, but the results are worth it. The companies that succeed in these efforts will be in a position to strengthen client relationships, reduce churn, accelerate growth, outpace competitors, and build a truly modern workforce - inclusive of a network of trusted independent contractors.

Learn more at [Kantata.com](https://www.kantata.com) →