NEW WAYS OF WORKING...
MANAGING THE OPEN WORKFORCE

CGMA® REPORT
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The converging forces of globalisation, technological advancement and continuing market flux are creating a need to draw talent from new sources, to do so more quickly and adaptably, and to be prepared to work more closely alongside people who are external to the organisation.

Organisations are increasingly finding themselves managing an “open workforce” – one in which talent and resources are spread across a complex mix of in-house teams, freelancers, contractors and external business partners. CIMA and the AICPA’s new research into this trend found that over one third of organisations plan to increase their use of business process outsourcing providers (38%), consultants and external advisers (34%), talent sourced via online exchanges (33%), and freelancers and contractors (37%) over the next five years.

In turn, these changes in the talent base will create new challenges for organisations. The new ways of working are currently outpacing most organisations’ ability to put in place the management structures and leadership skills required to take control of this new environment.

In particular, the research in this report reveals that as they move into the era of the open workforce, organisations are struggling to retain oversight of performance. They must enable effective decision making that combines the need to empower managers with the need to retain appropriate controls. They should be cognisant of new risks that arise because of the open workforce, in particular in terms of information leaks, a misalignment of corporate values, and the potential reputational damage that can arise from these issues. Above all, they need the corporate structures and management frameworks to help guide the new style of open organisation that is emerging.

Nowhere is this more true than in the world of finance – indeed we believe that tomorrow’s finance leaders will play a pivotal role in creating the frameworks and discipline required to unite today’s increasingly open organisations and their more fluid workforces. The vast majority of our survey respondents recognise that finance leaders at their organisations will have a huge role to play in guiding the new structures and principles that will govern these dynamic and open organisations. Almost 90% of our respondents said it would be beneficial to have stronger partnerships with the finance team when it comes to decision making.

This report provides a detailed analysis of how the emergence of the open workforce impacts organisations, delivering insights into the most effective means of managing such a workforce in order to unlock its full potential. We also outline the areas where we believe Chartered Global Management Accountants (CGMAs) will play a pivotal role in helping organisations to achieve this, and thrive in the new world of work.

As ever, we hope that our insights can help you in leading your organisations to long-term sustainable success.

Charles Tilley FCMA, CGMA
Chief Executive, CIMA

Barry C. Melancon CPA, CGMA
President and Chief Executive Officer, AICPA
EXECUTIVE SUMMARY

Businesses today are entering a new era in the way they are resourced and organised. The “open workforce” has arrived, and it has dramatic implications for every aspect of business.

Based on a programme of in-depth interviews, and a survey of over 1,100 senior executives from around the world, this report outlines the emergence of the open workforce, and investigates the new structures and principles that tomorrow’s market leaders will use to govern the open organisation of the future.

Some of our key findings include:

Organisations increasingly rely on external talent to deliver on mission-critical goals

More than one in four respondents reported that external talent such as contractors, outsourced service providers, temporary staff and freelancers, makes up greater than half of their organisation’s total workforce today. The research also reveals that the shift in resourcing from employees to external resources is set to accelerate over the next five years.

High-performing companies are using the open workforce to deliver competitive advantage

There is a strong correlation between companies that identify themselves as outperforming their peers, and those that have been quick to embrace the opportunities created by the open workforce. High performers are both more likely to be using external talent, and also more likely to have the tools, strategies and frameworks in place to leverage these complex structures more effectively.

Companies need to rethink how decisions get made

Today’s complex and highly distributed organisations need a new framework to govern decision making. In particular, they are finding it difficult to strike the right balance between control and empowerment, with 62% of respondents indicating that their organisations are either struggling to get the balance right or feel that they have got it wrong.

External talent makes up more than half the workforce for over a quarter of organisations

The new ways of working are spreading rapidly around the world

The US and Canada were first to embrace the open workforce, but companies in every region are beginning to move in this direction. Companies in Asia Pacific predict they will move rapidly over the next five years to increase their use of external talent.
Performance management has become harder yet more critical

Companies urgently need new tools to help them manage performance across today’s networks of employees and collaborators. That gets harder when you rely on people who don’t formally report to you. Nearly a third of respondents indicated that their companies lacked a clear line of sight over the cost and performance of their external talent. Organisations need a new approach to performance management to ensure that they are mobilising all their resources effectively.

One third say their organisation lacks information on the cost and performance of their external talent

New risks need to be managed

The open workforce exposes companies to risks that few have fully understood. In the survey, companies show concern over information leaks, whether because of cyber security issues or intellectual property (IP) theft. Less obvious – but equally challenging – are the reputational risks that arise when vital tasks are performed by people and partner organisations that do not necessarily share the organisation's values or targets for quality.

Corporate structures will be transformed

The companies of the future will be increasingly open, agile, innovative, collaborative, automated and digitised. This new breed of company will require leadership that can unite a dynamically shifting, loosely affiliated network of talent around a coherent corporate vision and set of values.

The opportunity is huge

The open workforce allows companies to reduce costs but it also unlocks a whole range of opportunities. With open innovation strategies, we see companies increasingly collaborating with suppliers, customers and other business partners to deliver new products and services. The open workforce can also give companies much greater agility, so they can redeploy resources and augment their capabilities with unprecedented speed.

“...”

The workforce is evolving into a mixture of full-time employees, contractors, freelancers and increasingly, people with no formal ties to your enterprise at all.

Girish Bhat FCMA, CGMA
CFO, Gammon India
INTRODUCTION

The corporation as we have known it for the past century is being reinvented. The twin forces of globalisation and digitisation are transforming the way companies do business. But these megatrends have also given rise to a powerful new force in business, a phenomenon that we call “the open workforce”.

In the era of the open workforce, companies increasingly get the job done by using talent and resources that operate “off the payroll”. Whereas the traditional company relied on employees to undertake nearly all their most important tasks, new research for this report reveals that the organisations of the future will depend on a more dynamic talent base.

The new workforce that has emerged combines employed staff with a growing proportion of freelancers, contractors, outsourced service providers, business partners and a host of other participants in the value chain. What’s more, our research suggests we are reaching a tipping point. Over the next five years, many businesses believe that their external workforce will become at least as critical as their employed staff when it comes to resourcing tasks and delivering against key business goals.

Like many megatrends, the era of the open workforce has evolved gradually – but the new ways of working represent a momentous shift in how companies need to organise themselves to get work done. It is a shift that touches every aspect of the business: corporate structures, the way teams collaborate, decision making, performance and risk management – all these areas need rethinking.

Adapting to the needs of the open workforce will be one of the defining challenges for businesses over the coming decade. Our research reveals that while many businesses are still struggling to adjust to these new ways of working, a new type of organisation is emerging that is better placed to compete in this new environment.

Key definitions

The open workforce – Both employed staff and what we have called “external talent” which describes all the external resources used by the organisation, including outsourced service providers, suppliers, contractors, consultants, temporary staff, interns and freelancers.

High performers – These were respondents who rated their organisations as having performed consistently better than others in the same industry over the past two years.

Young managers – We included a subset of managers in our survey that held senior positions yet were under 36 years of age, in an attempt to highlight any differences in approach between this future leaders group and older, C-suite level managers.
THE OPEN WORKFORCE IS REAL, IT’S HERE, AND IT’S GROWING

Our research indicates that organisations are already heavily reliant on external talent. A majority of respondents (71%) indicated that external talent comprises at least one fifth of their organisation’s workforce. More than one in four respondents (27%) reported that external talent accounted for over half of the workforce.

“The workforce is evolving into a mixture of full-time employees, contractors, freelancers and increasingly, people with no formal ties to your enterprise at all. You have to work with people who move more freely from role to role across the organisation and across geographical boundaries,” says Girish Bhat FCMA, CGMA, CFO at Gammon India, the largest civil engineering construction company in India.

This reliance on external talent looks set to increase between now and 2020 – and will bring about a long-term structural shift in how organisations are managed.

Globalisation is a key driving force behind organisations increasing their reliance on an external workforce. Business is increasingly being done across borders, and with rivals growing in new markets, many organisations now need to put greater focus on international growth in order to compete and thrive. At the same time, technological advancements have made it easier than ever before for organisations to recruit talent from a global pool and deploy them in new markets.

Merike Henneman CPA, CGMA, Controller at Destination DC, an organisation tasked with promoting Washington D.C. around the world, says they are harnessing more and more external talent. “We are definitely taking advantage of the local workforce in the markets we’re trying to break into. We seek out tour operators and marketers already present in those countries. It’s easier to have

Figure 1: How do you expect your organisational structure to change over the next five years?

Source: CGMA New ways of working survey, August 2014
somebody that knows the market as we try to improve local interaction in China, Latin America and other new markets,” explains Ms Henneman.

Digitisation is the other megatrend pushing organisations towards the open workforce. T.V. Somanathan FCMA, CGMA, Director with the World Bank based in India, says new digital ways of working – such as virtual meetings, shared online workspaces and cloud technology – mean that organisations can gain competitive advantage by accessing previously lost talent in remote areas, or by employing skilled people such as young parents who may only be able to work from home.

Meanwhile, at TD Bank in the US, Head of US Strategy and Corporate Development, Paul Young CPA, CGMA says the organisation is working towards offering more flexible ways of working. “We are implementing systems whereby our workforce can operate from any of our offices across our footprint, or from home,” says Mr. Young. “It means there’s more effective sharing of knowledge and an improved employee experience across the different geographies we are located in, while we also reduce our real estate costs.”

As we move more processes onto electronic and mobile platforms, we are coupling this with HR policies to allow people to have more flexible working hours and to enable more people to work away from a fixed office environment. This initiative will help us to attract and retain people with young families and to accommodate employees over the course of their careers as their family priorities change.

Yvonne Chan FCMA, FCPA, CA
CFO, Maritime and Port Authority of Singapore

The “lights out” workforce

The major shifts taking place in the workforce are not just about people. Over the next five years, 48% of our survey respondents also expect to see increased use of machines or software to automate work currently performed by people.

The Asia Pacific region stands out here, with two-thirds expecting to see an increase compared to their counterparts in Europe and the US and Canada that sit at about two-fifths. This finding is consistent with other research indicating that in China, for example, employers are increasingly incentivised to use robots in place of labour as wage costs rise and robot sales have boomed.1

While we already have “dark factories” – an allusion to “lights out” manufacturing run without any human input – the question arises as to whether we are approaching the age of the “lights out” workforce, where human input is confined to tasks that require social interaction such as personal care and legal representation. Even for these tasks, human input will be supported more than ever before by automation.

A recent study suggests that computerisation and automation could eliminate as much as 47% of current employment in the US over the next decade or two.2 Automation is being applied more and more widely beyond routine manufacturing tasks, for example, to legal writing and medical diagnostics. It’s sobering to think that over the space of six years, the autonomous driverless car moved from “impossible” to “on the road”.

And we are going to have to get used to seeing more robots around, performing a wider range of tasks, such as assembling smart phones for instance. Robot prices have been declining by 10% annually, with sales booming.
The open workforce around the world

Our research shows that while the open workforce is becoming a reality for organisations the world over, there are some clear regional distinctions in the way the trend has manifested to date.

The US and Canada have progressed furthest in their usage of external talent: 38% of respondents say that the workforce in their organisations is at least 50% comprised of external talent today. The figure for Europe is 27%, while Asia Pacific stands at 21%.

While both the emerging markets and Europe predict a major increase in the use of external talent over the next five years, the US and Canada will continue to lead the way.

This perhaps explains in part why respondents from the US and Canada are more alert to the challenges presented by the shift to a more open workforce. It is notable that 17% of these respondents score themselves at the lowest level in terms of their ability to monitor performance and productivity delivered by external resources. In addition, 37% express a moderate or high degree of difficulty in ensuring that the internal and external workforce is aligned to clearly defined goals and a shared vision, versus 29% in Asia Pacific.

Different regions also appear to prioritise different benefits in relation to the open workforce. Cost is the top benefit cited in Europe (50%) and the US and Canada (53%), while in Asia Pacific, cost is an important factor for 63% of respondents, though greater exposure to new ideas and specialist knowledge (74%) and improved organisational agility (67%) trump this.

“We look for win-win situations when outsourcing, where organisations perform activities that are not our core business better than we could, but also for less than we could do it ourselves,” says the World Bank’s Dr. Somanathan.

High performers embrace the open workforce

Respondents who reported their organisations as having performed consistently better than others in their industry appear to be more prepared for the new era of working than low performers. While no one has mastered the challenges of managing an open workforce yet, high performers in the survey view the era of the open workforce as an opportunity to drive competitive advantage, and they feel they have the tools and strategies required to succeed.

**Figure 2: Organisations that rely on a workforce of more than 50% external talent – regional variance**

Source: CGMA New ways of working survey, August 2014
The fact that these organisations are readily embracing this shift, reinforces the importance that an open workforce will have when it comes to future performance and success.

“To be the best at what we do, we need help from some of the foremost engineering experts in the world,” says Girish Bhat, CFO at Gammon India. “Globalisation is opening new ways of acquiring, developing and managing the talent in the workforce and we understand the need to adopt a global approach when assembling our workforce.”

Multi-generational, multi-cultural

For organisations, the open workforce does not just pose questions relating to increased reliance on external talent. In-house teams will become both more generationally and culturally diverse, as a new generation of digitally savvy millennials enters the workplace, existing employees of the “baby boomer” generation keep working longer, and talent is drawn from a wider geographical pool.

Some of the issues this creates were revealed by our survey:

• Nearly three-fifths (57%) of our respondents feel that staff will increasingly expect to have access to the latest digital technologies in their daily work
• Over half (54%) think that talented workers will increasingly seek to work for brands they admire
• Talent will become much more fluid – 69% agree that people joining the workforce now will have a greater number of jobs during their career than previous generations.
MANAGING THE OPEN WORKFORCE

Organisations are encountering major challenges in adapting to the era of the open workforce. The difficulty lies in understanding how to extract the almost limitless potential of a workforce that can now encompass a diverse range of talent, skills, knowledge and experience, yet at the same time ensuring that an appropriate degree of oversight is maintained as the team becomes more disparate and dynamic.

Our research has identified four key areas where organisations must focus their attention if they are to ensure effective management of the open workforce:

- Performance management
- Decision making
- Risk management
- Organisational structure

Performance management

Senior managers within organisations are not trained or fully equipped to command an open workforce alone – it is a new challenge for them and they will need help to define the best approach.

One difficulty is that as the combination of in-house and external talent becomes more complex, as well as increasingly disparate, the ability to retain oversight of costs and performance is compromised. In our survey, around 30% of respondents admit to low levels of oversight over the cost, quality and quantity, and the performance and productivity of their external talent and resources.

Vodafone’s Group CFO, Nick Read FCMA, CGMA, says the company has had to become more sophisticated in its approach to outsourcing to ensure the necessary quality levels are maintained. “We found that we lost a degree of control when we outsourced whole activities and the quality, speed and cost weren’t at targeted levels. We have now rebalanced our relationships ensuring that key knowledge areas, such as architectural design, project definition and programme delivery activities are retained in-house as core skills.” explains Mr Read.

The telecommunications multinational has reaped the benefits of becoming more strategic in the way it establishes a partnership with its external suppliers. “We tend to have a select number of strategic partners that understand our business deeply. This, in turn, leads to higher quality, continuous innovation, greater service focus through a more stable work force, and ultimately greater productivity.” says Mr Read.

While detailed and strict service level agreements (SLAs) and key performance indicators (KPIs) are important when outsourcing any activity, the emergence of the open workforce puts even greater emphasis on getting these right. Organisations must ensure they are well communicated, easily adapted and tailored to the different requirements of external partners and talent, can be closely monitored, and that clear consequences are laid out in case of failure to meet with them.

“...we have a select number of strategic partners that understand our business deeply. This, in turn, leads to higher quality, continuous innovation, greater service focus through a more stable work force, and ultimately greater productivity.”

Helen Weir CBE, FCMA, CGMA Finance Director, John Lewis Partnership

“...we have a select number of strategic partners that understand our business deeply. This, in turn, leads to higher quality, continuous innovation, greater service focus through a more stable work force, and ultimately greater productivity.”

Gammon India’s Mr Bhat

“We have to clearly define our SLAs and KPIs based on whether we are doing certain designing work, engineering work and so on. It’s a question of having open communication and a clear understanding of expectations,” explains Gammon India’s Mr Bhat. “Sometimes, when you’re evolving solutions to a complex problem you may fail, so even for failure you have to assign the cost and how to share it.”
If organisations are to fully harness the wealth of talent and skills that an open workforce promises, they must be prepared to give a greater say in decision making to those who bring value in new ways. Similarly, they must be ready to implement new technologies, undergo cultural change and develop more open relationships with external partners to nurture greater collaboration. In our survey, however, we found that many organisations are finding such change challenging. As their organisation grows more open and complex, respondents highlighted increased difficulties in:

- Ensuring consistent quality decision making at all levels of the organisation
- Creating the right incentives to both secure and retain talent, whether internal or external
- Ensuring good collaboration across in-house and external talent
- Ensuring the internal and external workforce is aligned to clearly defined goals and a shared vision.

It is also proving particularly difficult for organisations to strike the right balance between control and empowerment. Just a third of our survey respondents feel that they have got the appropriate levels in place, while 62% are either struggling to get the mix right or feeling that they have got it wrong.

High performers are more confident in their capability in this area. For example, 22% are very confident that they have effective oversight and control over the performance and productivity of their external talent, compared to just 9% of lower performers. Nevertheless, these figures are worryingly low. There is therefore a need for a new approach to performance management to ensure that organisations are mobilising and monitoring all their resources – both internal and external – as effectively as possible.
The high-performing companies are doing better here than the lower performers, however. Although most are still struggling, many more of the high performers feel that they have managed to strike the right balance. Ammar Alhassan FCMA, CGMA, CFO for Bahrain-based retail, distribution, and contract supply group, BMMI, says the organisation’s philosophy is to empower decision making as close as possible to where business is conducted, but that achieving the right balance between control and autonomy can never be an exact science. “I don’t think there is one formula that can be applied to any particular instance,” argues Mr Alhassan. “I think there are many factors that should be considered when deciding how much empowerment to give and at what stage.”

According to Mr Alhassan, such factors should include:

- How strong is the shared value between external parties and the organisation? The stronger it is, the more empowerment can be given.
- How much risk tolerance is the organisation willing to bear to benefit from empowering others?
- How much transparency is there within the organisation? The more mature an organisation is with respect to transparency and reporting, the easier it is to empower people further down the chain.

“We have a philosophy of empowering local leadership and we have been doing this progressively, but empowerment is provided to a certain level at a certain time. Only when we are comfortable and only when all of these conditions are satisfied, do we provide further empowerment,” says Mr Alhassan.

Young managers are also less sure that their organisations have struck the right balance between empowerment and control, with only 26% agreeing they have done so, compared to 37% of the C-suite. It is perhaps surprising that although a quarter of young managers felt that there was too much focus on control, others felt that the pendulum had swung too far the other way and that there was too much autonomy. For the survey as a whole, there was a surprising amount of consensus between the different generations of managers, but as we will see, young managers delivered a few surprising results (see box: Are young managers more controlling than the C-suite?)

“...We need to empower our employees to innovate because it helps to speed this process and keeps costs down. We’re in the process of trying to flatten our organisational hierarchy at the moment.”

John Lo FCMA, CGMA
FCPA (Australia), FCPA (HK)
CFO, Tencent
Risks arising from the open workforce

In view of the greater complexity and turbulent external conditions facing organisations, it is hardly surprising that risk management has become such an integral and important part of the corporate agenda. Organisations need to build long-term resilience by ensuring that they are aware of all the material risks that could derail their strategy and business model. Our survey shows that they need to raise their game here, when it comes to addressing the risks arising from the open workforce.

Top of the list of potential risks were information and data security breaches, along with disclosure of competitively sensitive information, identified by 45% and 41% of all respondents. There was a significant regional split here. Just over a third of respondents from Europe and the US and Canada indicated these as concerns, in contrast to responses ranging from 49-60% in all other regions, with the highest response coming from Asia Pacific.

Furthermore, a lower than expected percentage (30% or less), identified cultural mismatches and communication difficulties, together with the ability to make timely decisions, as potential risks. However, there were some interesting regional variations here. For example, while only a fifth of respondents from Europe and the US and Canada perceived cultural mismatches and communication difficulties as an issue, half of their counterparts in the Middle East and North Africa did so. In terms of their ability to take timely decisions, respondents in the Middle East and North Africa well outstripped the global average of under 30% – with 55% identifying this as a risk.

The open workforce gives rise to a new range of risks, but these need far more attention right across the board. While risk management practice has developed considerably over recent years, it seems clear that organisations need to take a broader approach to risk management to ensure that they factor in the greater complexity of the open era. One approach to this is to use the organisation’s business model as a basis for identifying risks and opportunities within the context of the external environment.

Nick Read, Group CFO of Vodafone comments on key risks arising from the open workforce.

“With the development of strategic suppliers, we have to be very clear about intellectual property (IP). This is especially true in our business where we create IP with some of our key partners in dedicated innovation labs. Accordingly, we are very clear with our supplier partners from the beginning, ensuring what IP we will or won’t own from the outset and making this contractual, as it is a lot easier to have that conversation before you’ve awarded the business!

With respect to the open workforce that comes with these suppliers, we have a lot of people that are virtual members of the Vodafone team, providing services to our customers or teams with access to important data. We have very strict user access management rights and physical security provisions in place. The requirements for protecting data are fully embedded in our contractual relationships with partners and they are very aware of our compliance requirements which are non-negotiable.”
A structure for the future

If the traditional model for the corporate organisation is no longer fit for purpose, what kind of organisational structures can we expect to emerge? And what solutions will companies need to put in place to manage the kind of dynamically shifting talent base that we have described?

These are big questions that defy simple answers. And as we have seen, business leaders are divided on some of the major issues, such as whether the new working environment requires more centralised control or more autonomy at the fringes. On issues such as these, companies must judge what represents the right balance, given their own unique needs and circumstances. However, the research sheds light on some of the key areas where companies need to evolve, and allows us to get a glimpse of what the organisation of the future might look like.

We believe that the new business environment will be characterised by organisations which are:

- **Open** in terms of how talent is sourced and organised, as well as their exposure to innovative ideas
- **Agile** in their ability to respond to local needs and the changing external environment
- **Innovative** in the way they use digital technology to communicate, collaborate and innovate
- **Collaborative** in working across a more diverse workforce and external business partners
- **Automated and digitised**, where humans and machines are interacting to a greater extent than ever before.

Above all, these organisations will possess highly permeable boundaries. Key projects and tasks will flow seamlessly across a complex and constantly shifting network of employees, collaborators and business partners. As they become more dependent on the open workforce, companies will need to work like an

![Figure 4: New corporate models in the era of the open workforce](image-url)
orchestra in which a diverse collection of individuals is united into a harmonious unit. The talent base will change as a new requirement arises, just as members of an orchestra will swap to play a different piece of music.

Inevitably, technology will be both a key driver and enabler of this transformation. Companies are also looking to develop a new generation of collaboration tools and techniques to help knit the open workforce together. According to our research, they are particularly keen to exploit knowledge-sharing platforms, mobile devices and project management software to help improve performance. These kinds of innovations will be broadly welcomed, especially by younger members of the workforce. Other technological developments are likely to be more disruptive (see box: The “lights out” workforce).

At Unilever, the tax department is investing more in technology, working more closely with external providers, to increase efficiency and reduce compliance risk. “We increasingly use LiveMeeting with external parties so that we can talk through a presentation or a slide deck. For example, a deck that we’re trying to take to a tax office meeting, we might share that through LiveMeeting, as that can be critical in prepping for a meeting with tax officials,” says Elizabeth Anderson ACMA, CGMA, International Tax Director, South East Asia and Australasia, Unilever.

Similarly, Mr Alhassan, at BMMI, says his organisation is keen to take advantage of technology where possible, to improve collaboration with external partners. “We use SharePoint so that different people can collaborate on documents from different locations via the cloud. We use Lync and we also hold regular workshops and meetings to bring people together, both internal and external, in a very structured manner, but there’s still a lot of room for improvement here,” he says.

Open and competitive: Why high performers excel in the new era

High-performing organisations in our survey understand that the open workforce requires a new approach to performance management, decision making and the governance of risk. Such organisations also grasp that harnessing the potential of the open workforce helps them drive competitive advantage.

Our research reveals a strong correlation between companies that outperform their peers, and those that have embraced the open workforce. So what can we learn from this group?

- High performers are more likely to predict a shift to an open workforce and are much more likely to use machines or software to automate work currently performed by people.
- High performers are more likely to view the era of the open workforce as a key opportunity to drive competitive advantage.
- High performers are better at balancing control and autonomy. They also have better oversight of their external talent.
- High performers are much more confident that they have the right tools and strategies to enable effective collaboration across the open workforce.
- High performers are much more likely to invest in training for their external talent and to use external talent to gain competitive advantage.
- High performers are more likely to see the need for organisational change to leverage the opportunities of the open workforce.
- High performers strongly agree that flatter hierarchies improve workforce performance.
- High performers demonstrate a greater appetite for frameworks and processes to communicate decisions throughout the organisation.
- High performers also have a greater appetite for a stronger partnership with finance to support effective decision making.
**Best practice for the open workforce**

As we have seen, companies face many difficult decisions about how to balance risk and opportunity, and balance issues of oversight versus flexibility in the workforce. But there is a clear appetite for processes that can help manage the open organisation. Nine out of ten respondents are looking for:

- A framework to communicate decisions throughout the organisation
- A process to gather insight from both financial and non-financial data to inform decision making
- A process for modelling value creation to help identify risks and opportunities more clearly.

Improving delivery of projects is also a key area of concern in this new environment, with over half of survey respondents emphasising the importance of specially trained project managers and best practice project management methodologies and systems.

Of course, it is one thing to have a wish list for tools and processes, and another thing to be able to implement these changes in a coherent and disciplined manner. The transformation described in this chapter will require substantial investment, both in terms of resources and also management time.

**Leadership for the open workforce**

What leadership qualities will be required for success in this new environment? We have already suggested that organisations are like orchestras where diverse players are brought together to create a unified whole. Does this mean that they need to be led by the “heroic” chief executive, who should behave like the master conductor?

The outcome of our survey seems to hark back to an earlier era. It suggests that there is still strong reliance across the generations on the idea of the “Visionary Leader” – and particularly so in the Asia Pacific region. However, “Talent Aggregators”, who have a strong focus on talent engagement and bringing out the best in their team, are very popular in Europe, while “Analytical Leaders”, who put strong emphasis on evidence-based decision making win out in the US and Canada.

Ultimately, success is about cultural as well as technological change. Today’s leaders are finding it ever harder to unite a multi-cultural, multi-generational workforce around a common set of goals and values. It is a daunting challenge, but leading organisations around the world are already showing what can be achieved with the right framework and processes to channel the wealth of talent they now have at their disposal.

**Are younger managers more controlling than the C-suite?**

The younger generation wants greater autonomy and less hierarchy – right? Well no, actually. In our survey, future leaders were much less likely to:

- Agree that a flat structure was more effective for managing the open workforce – 47% compared to 59% of C-suite respondents
- Support a high degree of empowerment at all levels of the organisation – 55% compared to 62% among the C-suite.

There may be a combination of reasons for this surprising finding. Quite understandably, future leaders are still building their management skills and competencies. The greater complexity of the open workforce adds extra challenge to this development process, so they may need more time and support to gain proficiency and experience. At the same time, younger managers will normally be overseeing operational rather than strategic tasks, and in this context a more directive “top down” style may still feel more appropriate to them.
CONCLUSION: TOWARDS THE OPEN ENTERPRISE

Companies are in the throes of a quiet revolution in terms of how they resource, manage and deliver on their strategic goals. Not surprisingly, many companies in the survey are struggling to understand the full implications of the new ways of working, and most of them are a long way from implementing the right strategies to compete in this testing new environment.

Our research tells us that organisations need to harness a multi-generational and culturally diverse workforce. To do so, they must use innovative technology and collaborative processes to orchestrate a complex mix of talent and resources.

The open workforce also requires a new approach to management. Tomorrow’s leaders need to excel in uniting diverse and disparate groups around a common purpose. As with any process of change, it is important that organisations embrace the future, without losing sight of fundamental business principles.

However, as we have seen from the high-performing companies in our survey, new structures are emerging that can help organisations to thrive in the era of the open workforce. In particular, we have seen that companies must focus their efforts in seven key areas:

1. **Map your talent base.** Our research reveals that many companies struggle to track every aspect of where and how work is being done across their organisations. Companies need better ways to monitor resourcing levels and forecast how shifts in demand will require them to reconfigure the mix of in-house and external talent.

2. **Embrace open ways of working.** The new ways of working can help companies save money, but the long-term benefits are more about creating organisations that know how to collaborate, innovate and adapt to deliver a competitive advantage.

3. **Understand the risks.** The open workforce creates new vulnerabilities. There are trust issues when working with external talent – sensitive information needs to be protected, service and product quality needs to be upheld. Ultimately, companies need to put the policies and controls in place to ensure proper governance extends across the open workforce.

4. **Develop new approaches to performance management.** Performance needs to be made visible and measurable across all elements of the open workforce. Managers need a new set of “carrots and sticks” to motivate the right behaviours.

5. **Create a new system to govern distributed decision making.** This will entail striking the right balance between empowering talent to make the right decisions, while maintaining strong controls to manage the risks.

6. **Master diversity and inclusion.** Develop new strategies to attract and incentivise the multi-cultural, multi-generational workforce of the future.

7. **Build a blueprint for the new ways of working.** Create a strategy and framework that helps to unite the open workforce around shared goals and common values – and which is backed by the tools and metrics required to coordinate this complex organisation.

Building out the organisational strategies and structures to fulfil those goals is a massive task. It is also a huge opportunity – companies that excel in the seven areas above will have the talent, tools and organisational agility required to master the new ways of working (see Appendix: the open enterprise toolkit).
Finance charts a new course

We believe that CGMAs have an opportunity to play a pivotal role in the transformation that lies ahead. Finance professionals need to take a leading role when it comes to:

- Developing tools and frameworks to support effective decision making, and risk and performance management within the context of the open workforce
- Communicating and collaborating effectively with colleagues in other functions by contributing to the development of a common vocabulary and shared conversation, for example, in terms of managing external talent
- Sharing their experiences of managing an open workforce, given the recent trends towards outsourcing in the finance function.

In our survey, almost 90% of respondents said that a stronger partnership with the finance team in the decision-making process would be helpful in better managing the organisation, and this was even higher for high performers at 93%.

CGMAs have the skills to thrive and meet the needs of organisations in this new world of work. They guide critical business decisions, understand and respond to change, protect corporate assets and promote operational efficiency and effectiveness. They continually evaluate new trends and ideas, to be ready for the future of business.

The Global Management Accounting Principles® developed by CIMA and the AICPA, set out the fundamental values, qualities, norms, and features of management accounting, to help organisations apply and communicate relevant insight and analysis that drive better decision making.

The CGMA Competency Framework is designed to help finance staff at all levels understand the competencies needed to drive successful business, to help identify and train staff, keep track of professional development and stay ahead of the curve in the marketplace.

Further resources
For more on the new trends shaping the future of business visit cgma.org/ready

Nearly 9 in 10 respondents want a stronger partnership with finance in the decision-making process
APPENDIX: THE OPEN ENTERPRISE TOOLKIT

Businesses that excel in the open era will combine the right talent and tools with the agility to respond to a dynamic environment. Here are some questions to help assess your organisation’s readiness for the future ways of working:

Questions to consider

1. Do you have a clear picture of the current composition of your open workforce – and how it is changing?

2. Does your organisation have a framework to help and support the organisation and the workforce – both internal and external – to make and communicate effective decisions?

3. Does your organisation have a clear picture of different workforce models and which could provide the greatest value to your organisation?

4. Do you have a clear line of sight and control over:
   • The number of external resources used
   • The overall cost of your external resources
   • The quality of your external resources
   • The performance and productivity of your external resources?

5. Are you confident that your external talent is sufficiently aware of your organisation’s values, principles and best practices?

6. Are you doing enough to ensure that your internal and external talent is aligned to clearly defined goals and a shared vision?

7. Is your internal and external talent able to collaborate effectively? Are you providing effective tools, techniques and frameworks to enable effective collaboration? Do you have a good understanding of what works best? Ideas to consider:
   • Specially trained project managers
   • Best practice methodologies for project management
   • Standardised performance metrics

8. Are you incentivising your external talent effectively to support your organisation’s goals?

9. Are you investing in training your external talent?

10. Are you comfortable that you have struck the right balance between oversight/control versus empowerment/autonomy?

11. Are you confident that you are managing the following risks arising from the open workforce effectively?
   • Information and data security breaches
   • Disclosure of competitively sensitive information
   • Fraud and corruption
   • Weakening of loyalty and engagement across workforce
   • Potential brand or reputational damage
   • Loss or theft of intellectual property
   • Inadequate training and development
   • Hollowing out of in-house capabilities
   • Loss of oversight and control
   • Project failure
   • Cultural mismatches and communication difficulties
   • Less timely decision making.

• A framework of principles to guide how work gets done
• Sharing expertise via a central knowledge hub
• Virtual team-building.
About the research

This report is based on a survey commissioned by CIMA and the AICPA, and conducted by Longitude Research, of more than 1,100 senior executives from 35 countries around the world. It was conducted in August 2014. Respondents were derived from companies of a range of sizes. Almost half (46%) of respondents held C-suite positions, with 18% of those at CEO level. The largest portion of the sample was drawn from the US (23%), followed by the UK (16%), India (8%) and China (6%), with the remainder of responses coming from South Africa, Russia, Canada, Brazil, Egypt, Germany, Mexico, France, Nigeria, Japan, Malaysia, UAE, Oman, Singapore, Tanzania, Ghana, Costa Rica, Australia, Philippines, Switzerland, Qatar, Turkey, Colombia, Panama, Algeria, Saudi Arabia, Tunisia, Argentina, Dominican Republic, Kuwait and Namibia. The survey data was supplemented with in-depth interviews with senior Chartered Global Management Accountants (CGMAs) including CFOs, business unit leaders and directors, among others, drawn from Asia Pacific, Europe, the Middle East and the US including:

Ammar Aqeel Alhassan FCMA, CGMA, CFO, BMMI
Elizabeth Anderson ACMA, CGMA, International Tax Director South East Asia & Australasia, Unilever
Girish Bhat FCMA, CGMA, CFO, Gammon India
Yvonne Chan FCMA, FCPA, CA, CFO, Maritime and Port Authority of Singapore
Merike Henneman CPA, CGMA, Controller, Destination DC
John Lo FCMA, CGMA, FCPA [Australia], FCPA (HK), CFO, Tencent
Nick Read FCMA, CGMA, Group CFO, Vodafone
Dr T.V. Somanathan FCMA, CGMA, Director, The World Bank
Helen Weir CBE, FCMA, CGMA, Finance Director, John Lewis Partnership
Paul Young CPA, CGMA, Head of US Strategy and Corporate Development, TD Bank

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