

managing  
contingent

workers



## ABSTRACT

The main purpose of The Pause Scholarship Foundation report of 2011 is to deepen the practical knowledge about what consequences the use of contingent work has on management. The research question is therefore: What successful strategies can be found today within the information technology sector in Sweden and in the US when it comes to lead and manage performance and knowledge of contingent high skilled workers? The findings from research in this report is that the main motivators of consultants to go contracting, is money, enhanced autonomy, skill development and control over ones own time. To successfully manage consultants, research suggest that you should provide inducements according to what motivates them, be aware of wether they went into contracting by own choice and finally treat them as an important part of your organization.

The last section of the report covers the findings of 8 interviews with IT project managers with experience of managing consultants.

The findings reveals that they all depend heavily on contractors in their daily operation, that the consultant is a high performer but sometimes lack the whole picture, and that the loyalty of the consultant is sometimes questioned. The top five best practices of managing consultants suggested by this report is ti choose them carefully, introduce them thoroughly, create participation and commitment, keep regular employees on key positions and to transfer knowledge between consultants and regular employees.

# introduction

Flexibility has become a keyword in many firms and companies when it comes to improve competition, deal with economic cycles and fluctuating demand. That has in many cases lead to a decrease in the amount of full time employees. Their competence and commitment are replaced with temporary workers, employees from staffing companies, consultants and contractors. This was the background that was given for the 2011th scholarship given by the PAUSE Scholarship Foundation. The foundation gives out one of the largest scholarships in Sweden to professionals within leadership, management and HR. Its mission is to improve the knowledge in the selected areas of interest within swedish trade and industry in times of rapid global change.

This report will start by covering research on why companies use contingent high skilled workers. That will be followed by the motivators behind the choice of turning in to contracting, and last, with research on how to manage the commitment and performance of contractors. The last section will cover the data gathered from 8 interviews with project managers and managers within the IT industry in Sweden and the United States. First, on how they experience the reality of managing contingent high skilled workers (in the report mentioned as consultants or contractors) and ultimately, I will suggest five best practices as a conclusion from interviews and research on how to manage consultants successfully.

# why do companies contract?

The contingent (= temporary) workforce has developed rapidly the last decade due to the evolution from industrialism to a more knowledge based economy. There are several factors that has lead to the need for a more flexible, “just in time”, need-based use of labor. For example the fast technical innovations in the information technology industry and the competitive pressure on many companies due to globalization. The availability of cheap off-shore labor has lead to outsourcing of many back office services as well as manufacturing. The need for and preference of a lean, core-competence workforce has lead to the outsourcing of or hiring of temporary workers for example call center, customer service, back office or other administrative tasks such as payroll or accounting. Furthermore, companies may not always have the competence in-house that is needed to meet new technologies and their may be a shortage of supply of skilled workers.

This demand is met by a growing contingent workforce of independent contractors and consultants, often hired through specialized consulting firms. Due to the difference in what defines contingent labor and the many different forms of temporary employments that exists, it is hard to estimate how big the contingent

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workforce really is in different countries. A survey of more than four hundred vice presidents and human recourse managers in North America conducted by Olsten Cooperation,<sup>1</sup> revealed that more than one third ( 33%) of the companies used different kinds of temporary workers for various departments. In a swedish survey, over 80% of respondent sample of HR managers claimed to depend on temporary workers, staffing firms and consultants to manage their business. The swedish survey showed two main reasons for having to depend on contingent work labor, one being the need for skills and competence. The other reason was the need for flexibility and cost efficiency, by right sizing the amount of employees, having a slimmed organization and simply saving money.<sup>2</sup>

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[What can research tell us about the commitment and performance of these contingent workers? And what advice is there to be found to manage contingent high-skilled workers successfully?](#)

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It is general consensus that contingent labor is here to stay and that it will keep on growing. Globalization, competition and arising new technologies and industries are not likely to decrease, rather the opposite. Thus the need for a flexible workforce to meet fluctuating demands will continue to increase. The temporary workforce has in fact shown a significant growth in recent years and the most explosive growth has been in the use of temporary professionals in the high tech area. Large high tech hardware and software companies such as american Microsoft and swedish Ericsson, as well as banks and

telecommunications giants like American AT&T and Cisco rely more and more on temporary staff such as analysts, software developers, engineers and technical writers. Not only is this due to fluctuating demand and competition, but also due to demographic and unbalanced supply of labor since there is a shortage of properly skilled workers in many developed countries. According to an annual recruiting survey conducted by the Federation of Swedish Enterprise<sup>3</sup>, the demand of the right, specialized competence and education has increased over the last two years. Over 50% of the responding companies claim that it is difficult or very difficult for them to find the right competence.

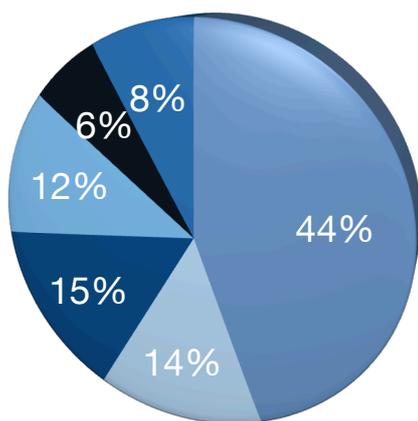
So, what consequences have this emerging use of temporary workforce within organizations? What can research tell us about the commitment and performance of these contingent workers? And what advice is there to be found to manage contingent high skilled workers successfully? Trying to find an answer to these questions, the next section of the report will cover the main motivators behind the choice of people going contracting.



# why do contractors contract?

Motivation is a big determinant of performance, and this section covers research on what motivates the contingent high skilled worker. One study shows results of a sample of 52 professional IT-contractors in Silicon Valley <sup>4</sup>, revealing the motivation behind going contracting, the expected rewards and how the anticipated rewards actually was delivered on. It also reveals the perceived drawbacks of the life as a contractor as well as indicating that in contrary of the general expectation of lower commitment with contractors, they do show commitment.

As shown below, the anticipated rewards of turning into contracting was mainly money, as many as 44% thought they would make more money. Many of them had seen co-workers being laid off and coming back as contractors, earning up to three times as much than before. The anticipated higher pay led the informants to let go of all other benefits of full time employment, such as security, benefits and the possibility of climbing the ladder. Other expectations were to have more autonomy at work and being able to develop new expertise. Both push and pull factors lead the informants to turn contracting. They viewed themselves as experts and wanted to exert that expertise with more autonomy, not having to deal with the politics that full time employment contained. Their discontent with middle management, experienced inequity of workload and the trigger of consultants around them earning more money, made them finally take the leap.



- Money 44%
- Autonomy at Work 14%
- Skill development 15%
- Control own time 12%
- Entrepreneurialism 6%
- Job Variety 8%

## the reality of contracting

Contracting proved to have its drawbacks to the respondents in the Silicon Valley study. The chart below shows the experienced rewards and downsides of contracting.

### *Independence vs Outsider*

Many of the contractors did indeed experience a more independent work life after going contracting, for example they expressed freedom of professional opinion and no longer having to deal with organizational politics. As many of them had several different assignments, they also reported an enhanced job variety. On the other hand, many of them also experienced that they had become an outsider, who couldn't speak in the clients name and were treated differently from full time employees. Some of them were actually cut back from more interesting assignments, a drawback from the very reason they went contracting in the first place. The client wanted to use the existing competence of the contractor, and did not want to pay for the developing of new skills.

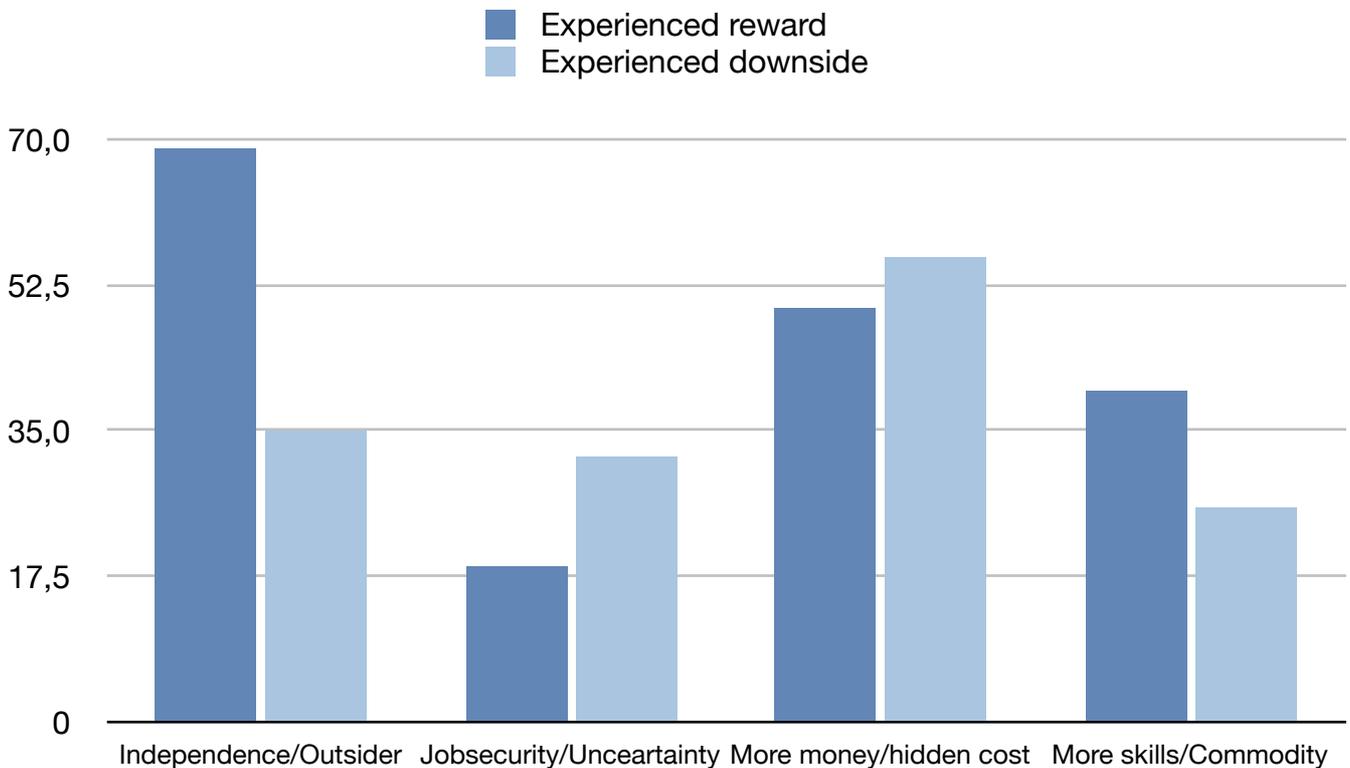
Contractors also discovered that it was frustrating leaving a client just as they had built up the relationship.

### *Job security vs Uncertainty*

Close to a fifth of the informants actually thought that they had enhanced job security by going contracting. They explained that the real job security is having the marketable skills and network to be able to find a new assignment, rather than putting all your trust in a full time employment. Many of them however, still felt that uncertainty lured, and they spent more time and energy looking for next assignment.

### *More money vs Hidden Costs*

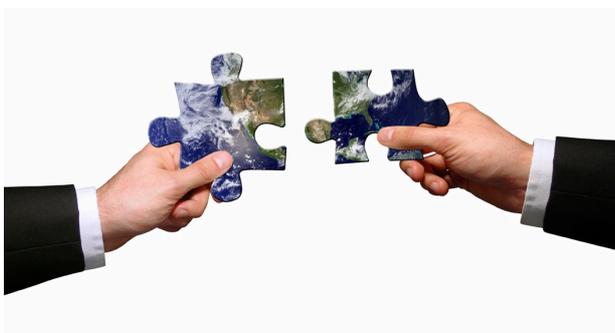
Over 50% of the contractors stated that the anticipated enhanced income was realized. They estimated making between 30-300% more than regular employees in the same job, and although they had to take care of their own social security, health insurance, pension and other benefits, they still made profit out of contracting. They also experienced less downtime (without contract) and were paid for every



hour they worked, in contrary to before, when they often had worked overtime without getting payed accordingly.

### **Professional expertise vs Commodity**

As mentioned earlier, contractors hoped to focus more on technical work and developing their skills by going contracting, and 29% of the informants claimed that this was realized. Nearly a fifth claimed that their new skills was marketable and had brought them respect and influence with clients. However, many of them also stated that if they failed to educate themselves, they might end up stuck in the same old techniques and not being able to get new assignments to develop new skills. They had discovered the importance of keeping marketable skills up to date and keeping themselves employable.



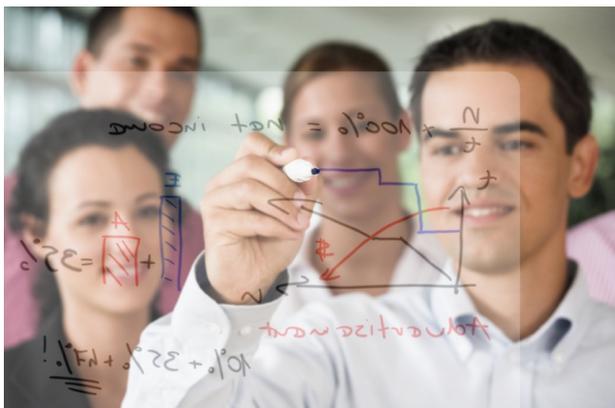
# the commitment and performance of contractors

Many studies on high skilled professional workers has examined their commitment and performance by using the psychological contract as a theoretical tool, in order to find out the best managing practices. The psychological contract is the unspoken expectation of the exchange of work and reciprocation from the employer/client, and if the “contract” is strong, so are the commitment and performance. <sup>5</sup>

One study examined the differences in the psychological contract and commitment between regular employees and temporary consultants of a high-tech firm. <sup>6</sup> Scholars found no significant differences in the perception of the psychological contract between regular employees and temporary workers. One reason for this they suggest could be that members of both groups had been with the firm equal amount of time and been treated the same way, thus the perception of the psychological contract didn't differ. In their implications for managers they conclude that work-status has less impact on performance, than the actual managing practices. They suggest that

managers should do whatever is necessary to improve the work environment of all employees, regular or contingent, to develop commitment and job satisfaction, thus a positive outcome on performance.

Other studies, for example one conducted on contingent and regular engineers in an aerospace firm, showed no difference in commitment between the groups, in fact, the results showed higher levels of commitment from the contingent engineers.<sup>7</sup> The scholars suggest this positive attitude can be due to the fact that the contingent worker might have engaged in a temporary arrangement out of lack of better options. To improve his chances to get a permanent position or a renewed contract, he does more than is expected of him by the formal contract.



Another related finding is research on the importance of choice.<sup>8</sup> Individuals who have chosen a temporary work status are more likely to be committed and have a positive attitude towards their work than those who have been forced into contingent labor by for example lack of full-time job opportunities. Although they might show a positive attitude at first, if regular work status is something they expect by this behavior, the performance is most likely to decrease when the expectation is not realized.

In a study published in *The Journal of Labour Research* in 2005,<sup>9</sup> a questionnaire was distributed to 1 500 professional high skilled temps on long term assignments in ten american staffing firms with the objective of examining their commitment and performance and the co-relation with the staffing firm. A majority were software developers, and the common motivations for joining a high skilled staffing firm were money, time flexibility and skill enhancement as well as discontent with their experience of regular employment. This co-relates with the Silicon Valley study referred to above.

The three major attitudes and behaviors found among the consultants were a positive attitude towards the staffing firm, a positive relationship with the client and professionalism. The high skilled workers demonstrated a self reported enthusiasm and a sense of belonging to the staffing firm. They showed a positive attitude towards work and this indicates a commitment and a strong psychological contract to the staffing firm enhancing the performance. Client satisfaction was important to the respondents although they were independent, temporary consultants. The respondents showed willingness to share expertise with the employees of the client, to maintain a good reputation with clients and a willingness to help replacing a teammate in the middle of a project. Respondents knew that new projects and repeat business are crucial for the staffing firm, and that efficiency, confidentiality and post-contract services are important to remain a good reputation. Of course it was in their own best interest to do all this, nevertheless, it indicates that a strong psychological contract with the staffing firm can be of great benefit for all three parties, including the client.

# summary of research

Research has given us an indication of what can be the main motivators for contingent high skilled workers, where money, autonomy and control as well as skill development are among the most mentioned. Also, we have learned about the actual outcome that consultants experience after taking the step to contingent work status. The main downsides are that one can experience being an outsider, discovering hidden costs of both benefits and developing skills, and also suffering from the uncertainty of not having a full time employment. When examining the commitment and performance of contingent workers, some findings suggest no difference in the performance between consultants and regular employees when they are treated the same way. Scholars have found that whether or not the consultants have chosen their work status can be a determinant of performance in two ways. First - if the consultant has been forced in to temporary work-status he might show a higher performance to improve the chances of regular employment. On the other hand, other findings suggests that if the consultant went in to contracting by own choice; he will be more committed and show a higher performance. Theories about motivation suggests that the motivation is higher among those who are motivated by the job itself, rather than by external factors such as pay. That suggests that the consultant who made an active choice to go contracting would in fact be more motivated than the one who was forced in to it by lack of other options.

This gives managers a good hint about what needs to be considered when employing high skilled contingent workers in their organization. They need to keep in mind that it is the anticipated rewards that needs to be met in order for the psychological contract to be strong, and thereby fostering commitment and performance.

What many scholars seem to agree on is that when you treat your temporary workers with the same or similar inducements as with your regular employees, there is no difference in commitment and performance. To summarize we might draw the following conclusion from the research on contingent high skilled workers and performance:

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- Find out what motivates your contingent workforce and provide those inducement to build a strong psychological contract.
  - Be aware of the importance of whether your temporary worker has gone consulting by choice or not, and the impact this have on the performance.
  - When you treat your contingent workforce as an important part of your organization, they are likely to be more committed.
  - Temporary work-status it self is not a single determinant of performance.
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# the reality of managing consultants

To address the main purpose of this report, which is to immerse the practical knowledge of managing contingent workers, the following pages will provide you with data from 8 interviews carried out with swedish and american IT-project managers and IT-managers all engaged in the high-technology area of business. The focus of the interviews was to find out what strategies and best practices organizations actually use to manage teams and projects that consist with both regular employees and consultants. The interviews provides both an insight of the reality of using contractors according to my respondents as well as the top five best practices.



The respondents are mainly IT-project managers and works at big IT-departments at large banks, retailers and telecommunications-companies in both Sweden and the US. The interviews are conducted between april and november of 2011. These main findings about the reality of using contractors will be examined further in the following pages:

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- They all depend heavily on consultants in their daily work
  - Consultants are loyal to the task at hand, not necessarily to the client
  - Consultants are high performers but sometimes lack the whole picture
  - Consultants become more valuable the more time they have spent with the client
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## **They all depend heavily on consultants in their daily work**

Many of my respondents have revealed how heavily they rely on contingent high-skilled workers in their companies. One IT-manager at a global telecommunications company based in San Francisco has outsourced a whole service-desk department having between 60-80 consultants reporting to him. Overall at this company, they employ about 64 000 regular employees and about 28 000 contractors worldwide. At a large retailer, my respondent estimates that the company's IT-department has around 50% of the workers on a contingent basis, and at the IT-department of a large swedish bank the percentage is around 55% regular employees and 45% consultants. At some departments of that same bank the percentage of consultants can be as much as up to over 70%. A smaller swedish retailer has also relied heavily on consultants at the IT-department during a period of heavy growth.

What many of them claim to be dependent on is the access to the skills they need, often in times of heavy development. One respondent explains the mix of skills that he sought for by hiring consultants and that the goal is not to have just regular employees at his team. Also, some of

the respondents testify that sometimes the reason for hiring a consultant is the difficulty of finding the right skills to fill a regular position, as well as being restricted from their upper management to hire more regular employees due to a strict head count even if they claim the need. Some of the respondents indicates that the high percentage of consultant is not considered healthy, due to the cost, the high risk of losing valuable knowledge, or losing control. It seems to me that top management on most of the companies I have talked to wants to decrease the dependency, sometimes by restricting the use of consultants, but that the actual practice is something else. This confirms the picture given by both the Olsten report and the Swedish survey telling that most organizations rely heavily on a contingent workforce and that this situation is not likely to decrease in the near future.

### **Consultants are loyal to the task at hand, not necessarily to the client**

Another topic that has come up during the interviews is the issue of loyalty of the consultants. This is due to the fact that the consultant is often employed by a staffing firm that needs to make money, and that the work they carry out is with a client. Most of the respondents expect and get loyalty from the consultants in regards of their performance in the project at hand and to their fellow team-members. Most of them also mention that the loyalty of the consultants lies within the actual task, in doing a good job. One respondent says:

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*“The loyalty of the consultants is closer to the project. Employees ... are more loyal to the company as a whole.”*

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Another reason for the consultants to show loyalty is that if they do not perform they won't get another assignment. Some of the respondents mention that it is not a good manner of a consultant to behave in a way that would make the client question their loyalty, and that most consultants are very well aware of this. This is how one of them describes what drives consultants to perform:

*“I think ... when you hire consultants, they usually have the knife at the throat and they know that they need to perform, otherwise they are interchangeable, and that if anything fosters commitment.”*



The consultant, however, is not always loyal to the client, and some of my respondents talk about a potential conflict of loyalty. This conflict could arise if the consultant is more loyal to their own staffing firm, and its desire to make money. Some do say that it is something you need to monitor and consider when hiring consultants. An IT-manager at a smaller retailer says that he always has to keep an eye on the tendency of

stalling consultants, or staffing-firms that makes suggestions on enhancement of the system that they consider to be “crucial”.

Yet another IT project manager puts words on the matter:

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“You should never have to question if there is a commercial background as to why the consultant is proposing certain things.”

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Most of the respondents seem to agree that the consultants are loyal to the task at hand, to the team and some even testify of exceeded loyalty shown by the consultants. Looking at the result of Silicon Valley study, this confirms the picture of the positive attitude towards the client and the professionalism exhibited in that group of consultants. Whatever the reason behind the loyalty of the consultant to the task and/or the client, the outcome is performance. One can assume that when the consultants show a high performance, the sought after rewards on behalf of the consultant is met by the assignment, thus a strong psychological contract exists.

### **Consultants are high performers, but sometimes lack the whole picture**

Most of the respondents perceive consultants as being hard working and ambitious. Many of them think that the high expectations they have on the consultants is a possible reason for this enhanced performance.

*“The expectations of a consultant is usually higher than on an employee. One can ask more of a consultant. ... a consultant can pretty easily get rid of their assignment ”*

They also agree that the nature of the short term assignment and the fact that the consultant always need a renewed contract affects their

performance positively. Many of my respondents also mentions two things that can effect the performance of their consultants negatively. First, that the consultant sometimes lack the whole picture, and second, the nature of the short-term assignment. The IT-project manager at the smaller retailer explains one of the downsides of having consultants who lack the whole picture. He had difficulties getting the consultants in key-positions to make decisions according to the over all goal of the project. Even if he tried to empower the consultants with the overall goals and vision of the project, they would still come to him as the main project-manager to make the decision for them.



The consultant can also be too much of a specialist, only looking at his particular part of a project and therefore not performing in accordance of the guidelines or visions of the company. Also the very fact that the consultant is hired for a shorter period of time, can affect the feeling of responsibility. This is how another IT-project manager saw it:

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“One challenge can be, ...that some consultants do not take full responsibility. And they only think short term”

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Lacking the whole picture and avoiding responsibility is indeed two things that decreases the performance of the consultant. The reasons might be that the nature of the short term contract might not be self-chosen, and it does not give the organization time to integrate the consultant accordingly, two aspects that can decrease performance according to research.

### **Consultants become more valuable the more time they have spent with a client**

Consultants tend to stay for a long time at the companies my respondents work at, and it is not unusual that they renew the contract over and over again of a consultant who has done a good job. The knowledge a consultant gains about the culture and business-practices of the company seems to be one of the reasons of a renewed contract; the knowledge seems to help the consultant do a better job. One respondent says:

*“Some consultants, we have had here...for five years or something like that.... And that's really people you would hire, but we can not.”*

The same respondent explains the tendency of keeping consultants that has been with them for a long time already; they present the best performance due to the fact that they have been with the company already for a long time. They know the business, know the people, and get a long with the organization in a successful way, and that makes it an easy choice to renew their contract. One project manager says:

*“I have two consultants who are among my most important resources, and would I lose any of them maybe everything would fall apart, competence-wise...”*

To rely this much on the competence of a consultant is not always seen as a positive thing for my respondents, one IT-manager says:

*“ It is quite common that you have some people who you will never get rid off, because they have special knowledge about a system and because they know your business very well .. so you continue work with them. “*

This respondent also claim that they sometime terminate consultants just due to the fact that top management don't want to rely so heavily on a consultant, and because of the high cost.

Would one take in count a longer time-frame, one could assume that most organization after a while would need new, up-to-date skills from outside, instead of just renewing the contracts of the same consultants over and over. Access to the latest skills and competencies is after all one of the main reasons for using high-skilled consultants.



### **Conclusions**

The reality of using consultants according to the respondents in this study is that they are high performers, they seem to be loyal to the task at hand and they become more valuable the longer they stay with the client. Also, they sometimes lack the whole picture, avoid responsibility and the respondents sometimes question their loyalty. This contradicting picture leads me to believe that it is the match of every

individual assignment, consultant and organization that predicts the performance of the consultant.

Research concludes that if the expectations of the consultant is met, for example that they can develop their competence and avoid dealing with the “politics” of the organization, the commitment and performance will be high. However, if the assignment is short and does not meet their competence, and if the consultants perceive the attempts of sharing the “whole picture” as merely politics, the match is bad and the performance will decrease. The behavior of the consultant can for example be avoiding responsibility and not aligning ones work to the business practices. If on the other hand, the consultant expects to have an impact with his knowledge, and to be a part of a team, and this is something that is met by the assignment, the performance will be high. The respondents in this study seem to have experienced both good and bad matches between expectations and reality and this gives a dual picture of how they perceive using consultants. So how can this knowledge help us manage consultants successfully?

# top five best practices of managing consultants

This section provides you with a summary of what I have found to be the five best practices to succeed in managing consultants. The conclusions are drawn from both existing research and the actual practices of the respondents in this report. These are the 5 best practices that will be examined further in this section:

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- Make sure to chose your consultants carefully
  - Introduce your consultants professionally
  - Create participation and commitment among your consultants
  - Keep regular employees on key positions
  - Transfer knowledge between your consultants and your regular employees
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## **Make sure to choose your consultants carefully**

Talking to most of the respondents, one thing they bring up as to what makes them succeed in hiring and managing consultants, is that they make sure to choose carefully. They do this both by having a personal traits as an important part of the selection process, and by clarifying expectations of the assignments. They also repeatedly terminates consultants who does not perform or align with the organization.

To examine the expectations of the consultant in the hiring process is one way to find out if the assignment is a good match. Make sure to explain if it is a short-term or a long-term assignment and what the consultant can expect to work with competence-wise.

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Research tells us that if there is a good match between expectations and reality of the assignment, the higher the performance of the consultant.

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Many of my respondents points out that one of the advantages of hiring consultants is that you can hire them very quickly, and also terminate them in a week if they don't meet your expectations. Most consultants are well aware of this reality, nevertheless, it might be a good idea to examine how they feel about it. Are they motivated by this and will show a high performance, or will this make him/her not take proper responsibility or fail to align his work to business practices?

With high-skilled consultants in the IT-sector, one can assume that it is their own choice going contracting, something that can be a determinant of high performance according to research. However, one good practice can be to

ask a few questions of the reasons behind them going consulting, thus finding out even more about their expectations. Research tells us that if their is a good match between expectations and reality of the assignment, the higher the performance of the consultant. And even if you are hiring consultants short-term or long-term, if their performance is crucial to the overall results, it can be a good idea to be aware of this in the hiring process.

## **Introduce your consultants professionally**

Just as important as with regular employees, it is to clarify roles, expectations and goals with consultants in the process of introduction. One good practice is to make sure to have an efficient way of putting the consultant to work by providing the basic conditions like a functional workplace and necessary work tools. This step is very easy to overlook or neglect with consultants, since the decision of hiring one can be very fast. However, not having everything in order costs money and this is an incentive of my respondents to make this work. They also consider the effect on performance it has on the individual that comes in to a workplace where nothing is prepared.

It seems that the more of a controlled and efficient process my respondent has of their overall business, managing projects and systems, the more efficient the introduction of consultants. One respondent has a governing document a "project contract" of every role, goal, project and deadline of his department. It is required of every consultant to read this document during their first week and comply to it just as regular employees. He claims that this has clarified the roles and responsibilities for everyone on his team and that it also helps the

consultants to know what is actually required of them.

The second step is to introduce the consultant to the company culture and business practices. Introducing to the actual culture of the company seems to be more of a natural effect of integrating the consultants as equal members of the team, according to some of my respondents.

Consider that if you treat your consultants as an important part of your organization, you are more likely to get the performance you need. Even when, and maybe especially when, it is only a short term assignment; if the results are important and it needs to get done fast, spend proper time on introducing your consultant.

### **Create participation and commitment among the consultants**

Not only do most of the IT-project managers that I have interviewed take measures to introduce their consultants properly, they also actively engage in creating participation and commitment among the consultants. This is done mainly in three different ways. First, they make sure to integrate the consultant with the whole picture of their project, the consequences of their work and how it affects the customers of the organization. Second, they trust their consultants and give them the responsibilities they need to do their job, and third, they treat them as equal team members in every aspect but one, and that is the information they share.

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- Integrate your consultants with the whole picture of the project
  - Show trust and high expectations
  - Treat them as equal members of the team
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This section will provide you with a description of each of the three steps of creating commitment.

### **Integrate your consultants with the whole picture of the project**

One of the findings from the interviews on how my respondents perceive the performance of consultants, is that they sometimes lack the “whole picture”, that they fail to see the long-term consequences of their work, and that this can decrease their performance. Also, the very nature of a short term contract can affect the feeling of responsibility of the consultant, making him not take in count the long term consequences of his work.

Most of my respondents try to enhance the performance of their consultants by integrating them to the goals and practices of business.

This is the practice of one IT-project manager:

*“I always try to explain that ... if you build this service, we get this functionality... so that we hopefully get a better deal. That put things in context, and also builds a team.”*



He continues to explain that the key to a good performance is to spread information and knowledge and that it also helps foster a feeling of responsibility; with the consultants, as well as with regular employees. He has had feedback from consultants that this is the reason they have succeeded in their assignment, the clarity

in what needs to be delivered and what is expected of them. Another IT-project manager feels that contractors spend too much time talking details and that his organization can improve by talking more long-term consequences with their contractors:

*"I would say that we need to ..step back and look at what the tomorrow is. ....we must look at the whole entire picture."*

Yet a third respondent have experienced that if he gives responsibility to his consultant, they reciprocate by thinking of the long-term perspective and that the big picture also motivates them to a better performance. A forth respondent explains how he has made everyone on his project, consultants as well as regular employees, well aware of the overall goals and vision of the project, every deadline and what they are trying to achieve, and that he has made no difference in who he has integrated with this information. He says that:

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*" ..., that has probably been a pretty important part, everyone has been fully integrated, shared knowledge and shared information all the way"*

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### **Show trust and high expectations**

Closely related to the practice of making sure to introduce their consultant to the whole picture of their work, is the practice of trusting their competence and actually give them proper responsibility. This might not always be the common thing to do with consultants. One might expect project managers not to trust people who just came to the project a week ago and will leave in 6 month with great responsibility, bit this seems not to be the case

with my respondents. This is yet a management practice that does not differ from the way my respondents manages their regular employees. One IT-project manager explains:

*".... people feel there is a reliance on their skills. ... I have a humble attitude towards those who are experts in software developing...of course I trust that they know what they are doing. "*

He continues to explain that he has equally high expectations of consultants taking responsibility as with regular employees. Yet another IT-project manager answers the question of what he does to make the consultants on his team perform:

*"It is to make team members feel very involved and are given the responsibility that is needed. And also that you....., show the same..high expectations of everyone, including the employees."*

Research says that one of the main motivators of consultants going contracting is to be able to focus on their competence and staying true to the technique. The practice of showing trust is a good way of meeting that expectation; trusting the skills of the consultant and valuing the knowledge they bring. This practice is also a way of treating the consultants equal to the regular employees which is also something recommended by research.



## **Treat your consultants as equal participants of the team**

Several of the IT project managers who participated in the study talks about creating a good performing team as an important part of managing consultants. They actively take measures not to make the consultant feel like a “commodity of competence” that they just use and then throw away. The consultants are a natural part of their companies, they give verbal praise to them just as with regular employees, and the consultants participate in social events. One of them says:

*“.. we see consultants as employees, or I do anyway, ... We try to ... stick together, because we are a team and it is as simple as that.”*

Another IT-project manager treat consultants as equal members of the team by making sure to integrate the goals of the project into all team-members to avoid any kind of goal conflict on part of the consultant and to make sure that they stay loyal to him. This is how he perceives the advantages of creating a team of both the participating consultants and the regular employees:

*“...you get an easier co-operation. You will reach decision faster, as it is less formal. And it will of course create a loyalty between team members ..... that will make them deliver on time. “*



Another advantage of creating a team is that decisions that needs to be taken by consultants, are more likely to be in favor of the project that way.

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Most of the project managers in this study tries to integrate their high-skilled consultants on their teams. This is something they have experienced enhances the performance of the consultants

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However, most of my respondents still keep the consultant out of some of the things that regular employees participate in, like sharing information about the company as a whole. None of my respondents claim to have had any problems due to withholding this kind of information from consultants; one respondent says that his consultants very much seem to like this arrangement. Another IT-project manager excluded his consultant from a team building exercise that he had with regular and short term employees on his project that he said had a huge impact on the efficiency of the team. He had several key persons as consultant and he feels that including them in the exercise would have enhanced the efficiency of the team as a whole.

Most of the project managers in this study tries to integrate their high skilled consultants on their teams. This is something they have experienced enhances the performance of the consultants and also something that research indicates is a good management practice.

One of the drawbacks of contracting experienced by the consultants is to feel like an outsider and not being an equal part if the team. One could imagine that if this is something that

they expect and do not get, their performance will decrease.

Two contradicting needs lies within contracting; on one hand a more independent work life and avoiding politics, on the other the social need of belonging to a team. Many of the consultants of my respondents seems to come back to their client over and over again, and I have to think that consultancy for them is the perfect alternative. They are fully integrated in the team, they get appreciated for their competence, they can still leave at any time, and they don't have align to the organization as fully as regular employees. And if they enjoy this arrangement their performance is high and the client will keep renewing their contract.

For consultants on shorter assignment, the community of the staffing firm might not always be enough to meet their social needs. If they are not integrated in the team of the client, the social need is not met at all. One can also suspect that their full competence is not taken advantage of. This situation might lead to a decrease of performance, for example by a lack of responsibility, lack of alignment to business-practices lack of and cooperation. The case of not integrating the consultants on a team exercise is a clear example of the drawbacks of not integrating your consultants fully.

### **Keep regular employees on key-positions**

Most of my respondents claims that the overall practice to keep valuable competence in-house is to place regular employees in key positions. It is not always possible to staff those positions with regular employees, it might as well be a consultant. One respondent explains that the reasons they want to keep regular employees on key positions is that are responsible for the strategic development and that he wants to

keep that knowledge in-house. He also wants to have regular employees facing the internal customers in the organizations to maintain a high service-level. Another reason is not to loose control over important decisions, and to make sure decisions are made in accordance to the goals of the company, something he feels is easier with regular employees than with consultants.

Most of my respondents claim that to the outcome of their specific project or assignment, it does not matter whether they staff with a regular employee or a consultant, as long as the competence is right, and that there is a key positions to verify decisions with and align the work with existing guidelines. However, one respondent says that the control on his team is better when he uses regular employees on key-positions.

Keeping regular employees on key position seems to be a strategic decision in the companies my respondents works on to keep valuable knowledge in the organization. Two of my respondents also says that control and decisions are better with regular employees on key positions. Most of them sometimes have to staff these key positions with consultants due to lack of the right competence or during parental leaves. There are also a lot of other roles that my respondent sometimes staff with consultants, roles in which you are required to make decisions, work closely with the organization and in accordance with existing guidelines. Those roles are best staffed with consultants who are already aligned with the organization.

## Transfer knowledge between consultants and regular employees

Many of my respondents depend on the competence of consultants. The consultants develop not only critical skills on a certain product, but also benefits from working with the same object for a longer period of time, developing knowledge that very few possess. During that time, they also develop a kind of “know-how and who” about the client, a knowledge of business practices and culture, that makes them even more valuable and prone to get a renewed contract.

Keeping track of how the consultants have actually developed a product and keeping that knowledge within the organization seems to be the main reason for my respondents to transfer knowledge. Besides from trying to keep regular employees on key positions, there are two other practices my respondents have to keep valuable knowledge in-house. One is to have integrated teams with consultants and regular employees, and the other is to have a process of documenting and transferring knowledge when a consultants leaves.

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- Keep consultants and regular employees integrated to enhance knowledge-transfer
  - Keep a thorough processes of documentation and knowledge-transfer
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The first practice is to include consultants in the teamwork and sharing information about the project. One IT-project manager at the IT-department of a bank works with sharing knowledge in meetings and lessons-learned where consultants is natural participants. He found that it was not expected from the consultants to join in in these lessons-learned

sessions and first, they hesitated to participate, but once they discovered that he listened to them just as he did with his regular employees, they too started to participate. This way, knowledge was transferred between everyone on the team. Yet another consequence of this practice is actually showing organizational support to consultants.

The second practice is to have an actual process of documenting and handing over the work. Most of the respondents says that documentation is an important part of project-work and that it is always required from consultants to hand over their work to a key position. However, it does happen that neither the key position, nor the successor is a regular employee, hence the documentation and history of what has been developed sometimes is sometimes transferred to yet another consultant.

## discussion

There seem to be a similarity between what research tells us on how to manage high skilled temporary workers and the practices of the IT project managers in this study. However, there are many aspects that this study does not cover. We do not know if the consultants on the companies that my respondents work share the same view on what is successful management practices. Neither do we know any of details about the assignments of the consultants that has participated in the research, whether the assignments are short or long term, if they work for staffing firms or as independent contractors.

Still, the report hope to give a valuable summary of the best practices of managing contractors.



The contradiction between hiring consultants as fast as possible and at the same time needing them to align their work to business practice seems to be one of the main challenges. The need for the consultant to align work to business practice (policies and procedures) depends on the nature of the assignment. A manager of high skilled workers would be wise to try to value the need for alignment in every assignment and adjust the integration of the consultant accordingly. Even small, short assignment might be crucial and needs to be aligned to existing procedures.

Also, the issue with loyalty can be a challenge. Loyalty fosters commitment and commitment is a determinant of performance. If the assignment is short, the introduction non-existing, and the impact of the consultants work is low, the only hope a manager can have on any kind of loyalty from the consultant, is that he or she is loyal to the staffing firm. That the consultant wants to keep up a good reputation

and present a good performance to be able to get a renewed contract. Of course - if the consultants does not except anything else from the assignment, the performance does not have to be lower.

My conclusions is that the knowledge of the general motivators behind going contracting can help managers to adjust their management practices accordingly. Knowing that the main motivators of consultants can be enhanced autonomy, being able to concentrate on the technique rather than politics and to develop ones skills, can help managers meet those needs. One can argue that with consultants, you should not have to bother meeting their needs at all, since they are responsible for their own development and often have their own employer. However, if you depend on people to perform for you, their motivation is something you cannot ignore. As with managing regular employees, to get the performance you need it is crucial to know each and everyones motivation. And as with any generalization of motivations of a whole group, neither can one argue that all consultants are motivated by the same thing. Therefor, finding out about the expectations of every individual is necessary.

This report wishes to enhance the practical knowledge of managing consultants, by giving an insight in the world of IT-project managers, and cover existing research. My hope is that the purpose as been fulfilled and that it raised as many questions as it gave answers, since every consultant, project manager and organization is individual and needs to find out its own best practices.

# footnotes

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# interviews

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- 2011-07-06, IT project leader, bank/insurance company, Stockholm
- 2011-07-26 IT Manager, retail company, Stockholm
- 2011-08-10 IT consultant, management consultant company, Stockholm
- 2011-11-21 IT project manager, telecommunications company, San Francisco
- 2011-11-21 IT project manager, retail company, Stockholm
- 2011-12-01, IT project manager telecommunications company, San Francisco
- 2011-12-07, IT manager, bank/insurance company, Stockholm

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