

# Platform Sourcing

## How Fortune 500 Firms Are Adopting Online Freelancing Platforms

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# About this report

This report was written by Greetje F. Corporaal and Vili Lehdonvirta from the Oxford Internet Institute (OII) at the University of Oxford. The report was produced as part of the larger ERC-funded research project *iLabour: The Construction of Labour Markets, Institutions and Movements on the Internet*.

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# Executive summary

A wide range of platforms now enable firms to source work directly from freelancers on an on-demand basis, but little is known about how and why firms are making use of such platforms. We conducted nine case studies to examine how Fortune 500 firms and multinational enterprises are adopting platform sourcing as part of their business models.

We identified three distinct **motivations for adopting platform sourcing** among the enterprises that we studied: it provides easy access to a scalable source of labour, skills and expertise; it reduces start-up and transaction costs; and it eliminates conventional hiring barriers. Compared to conventional staffing agencies, enterprises furthermore experience the speed of contracting a freelancer and delivery of work outcomes as well as their quality as other important dimensions of value.

However, as firms decide to adopt online freelancing platforms, they are presented with **new challenges**. These may include: learning new practices to align internal work with external work; preventing increased coordination costs; overcoming internal resistance; developing tailor-made solutions to address risks; and creating new socio-technical infrastructures for platform organizing.

Key steps that companies are taking to **organize the platform adoption process** include: creating a programme management layer; creating a space for experimentation; allocating sufficient financial resources; and involving stakeholders and executive management early on. Further recommendations for **hiring and working with freelancers** online include: having a strategy to decide what work to source online; creating a freelancer-vetting programme; creating a bench of high-value experts; fostering a sense of community with freelancers; not hiring to replace in-house employees, but to complement them; and not blaming the freelancer for any poor work.

For platform sourcing to grow and mature, we recommend, among other things, that platform companies consider how to support the creation of sustainable ecosystems around platforms. Such ecosystems should make online freelancing one of many attractive and sustainable career opportunities for skilled workers, as well as a reliable and sustainable organizational model for enterprises.

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# Introduction

1 Digital technologies have fuelled a new wave of sourcing, where firms use online platforms to access freelancers on demand.<sup>1</sup> Online freelancing platforms are transforming work, organizations, and their business models. Ranging from startups to multinational enterprises (MNCs), platforms 2 enable firms to tap into resources and expertise beyond 3 their traditional boundaries. Drawing on findings from nine 4 case studies, this report addresses the question of how 5 Fortune 500 firms and MNCs adopt ‘platform sourcing’ as 6 part of their business models, offering recommendations for 7 this emerging field. 8

9 Online freelancing platforms such as Upwork, Freelancer 10 and PeoplePerHour offer digital marketplaces that connect 11 clients with freelancers and facilitate the remote performance 12 of a contract for which they set their own prices. Online 13 freelancing platforms differ from local gig platforms like 14 Uber, Deliveroo and TaskRabbit, which mediate on-site, in- 15 person services for a set price.<sup>2</sup> Online freelancing platforms 16 allow hiring managers to connect with millions of freelancers 17 around the world—doing so at a speed and scale that was 18 unimaginable just a few years ago. Between 2016 and 2017, 19 there has been a 26% increase in the number of projects 20 sourced via these platforms, with popular categories of 21 work being software development, design and creative, and 22 writing.<sup>3</sup>

While organizations are increasingly hiring and sourcing work from freelancers through platforms, we know little about how they address associated challenges, such as organizing for successful adoption of platform sourcing. One might think that hiring freelancers online is something that firms can simply decide to do. Yet implementing platform sourcing into existing organizational structures, processes, and practices often proves more complex in practice. Understanding both the opportunities and challenges

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1 Kuek, S. C., Paradi-Guilford, C., Fayomi, T., Imaizumi, S., Ipeirotis, P., Pina, P., & Singh, M. (2015). The global opportunity in online outsourcing (No. 22284). The World Bank.

2 Oyer, P. (2016). The Independent Workforce in America: The Economics of an Increasingly Flexible Labor Market. Upwork

3 The Online Labour Index is the first economic indicator that provides an online gig economy equivalent of conventional labour market statistics. It measures the supply and demand of online freelance labour across countries and occupations by tracking the number of projects and tasks across platforms in real time. See: <http://ilabour.oii.ox.ac.uk/online-labour-index/>

# Motivation, research questions, and methods

offered by this “new world of work”—or perhaps new way of sourcing work—is important for obtaining a realistic understanding of how work and organizations are changing in response to digital technologies and platforms, as well as how this trend can be turned into a reliable and sustainable sourcing model for enterprises and other stakeholders in the ecosystems created by platforms.

To answer these questions, we studied the motivations of nine Fortune 500 firms and MNCs that source work through online freelancing platforms, and the new organizational models, processes, and practices they developed as a result. The following sections cover the motivation for our study, the basics of platform sourcing, and a summary of our findings. We conclude with recommendations for this emerging field.

Compared with previous sourcing waves (i.e., staffing, outsourcing and global offshoring) the turn to online freelancing platforms brings work directly to where freelancers are located. Figure 1 shows the relative demand for different kinds of skills in the platform sourcing market across countries.

Early adopters of online freelancing platforms were mostly startups and small- and medium-sized enterprises (SMEs). More recently, however, large enterprises have started experimenting with platform adoption as part of their sourcing strategy. The existing research and practitioner literature helps us to define online freelancing platforms, understand the challenges that enterprises face when adopting them, and offer suggestions for how to address them. What is lacking, however, is an adequate understanding of how platform adoption—or rather implementation—takes place in actual practice. In other words, we already know *that* firms are embracing platforms as a new sourcing solution, but we do not yet fully understand the *why* and *how* of this emerging phenomenon. Empirical insight into the demand-side of online freelancing platforms is required to make informed statements about how work and organizations are taking shape in the platform economy.

To address this knowledge gap, we set out to study empirically the motivations and practices of enterprises that are adopting online freelancing platforms. Our guiding questions were:

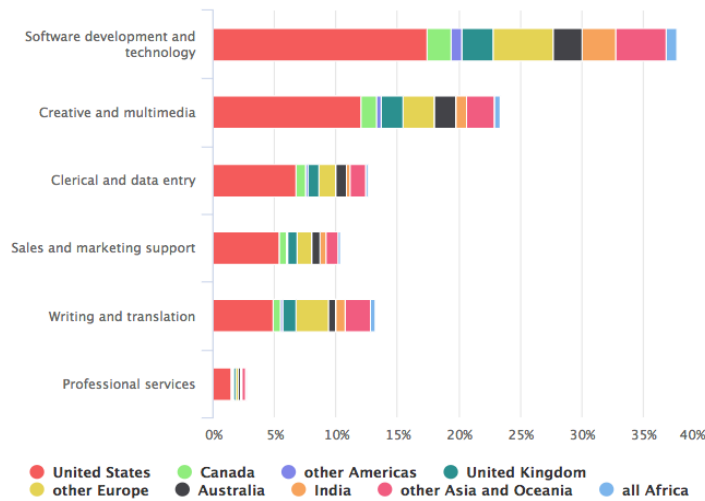
- *Why do enterprises adopt online freelancing platforms?*
- *How do enterprises organize for platform adoption?*
- *How can enterprises and platforms organize for sustained adoption and collaboration?*

We conducted a total of nine case studies with Fortune 500 firms (seven cases) and MNCs (two cases) that source work through one of the largest online freelancing platforms. The company that runs the platform participated in case selection and establishing initial contacts with participants, but the rest of the research was conducted independently.

Besides using the platform that had made introductions, some of the case firms also used other online freelancing platforms. The sample included both firms that were scaling up their use of platforms across the enterprise as well as firms where adoption was more localized, limited to specific areas in the organization. We conducted and analyzed a

total of 24 interviews with managers at the case companies (see Table 1). We also interviewed people in the platform company who worked with those clients. Interviews were complemented with documentary sources obtained from both the platform company and the case companies.

**Figure 1. Demand for skills on online freelancing platforms by region (source: Online Labour Index)<sup>4</sup>**



**Table 1. Cases included in the study (see note)**

Case	Sector	Platform adoption model	Interviews
Alpha	Technology	Localized	1 Hiring manager 2 Hiring manager Bruce
Bravo	Technology	Localized	3 Hiring manager
Charlie	Food, Beverages & Tobacco	Localized	4 Hiring manager 5 Hiring manager 6 Hiring manager
Delta	Technology	Localized	7 Department manager
Echo	Technology	Localized	8 Hiring manager 9 Hiring manager 10 Department manager 11 Hiring manager
Foxtrot	Health Care	Enterprise-wide	12 Category manager Rajeev 13-18 Hiring managers
Golf	Technology	Enterprise-wide	19 Hiring manager Gina
House	Household Products	Enterprise-wide	20-22 Hiring managers 23 Finance manager Jason
Samsung	Technology	Enterprise-wide	24 Senior Manager, Technology, Finance & Strategic Sourcing Cathleen

Note: With the exception of Samsung (who were happy to be named), pseudonyms are used for the case companies and people that participated in the research, in order to protect their anonymity.

<sup>4</sup> Kässi, O. & Lehdonvirta, V. (2016) Online Labour Index: Measuring the Online Gig Economy for Policy and Research. Paper presented at Internet, Politics & Policy 2016, 22-23 September, Oxford, UK. <http://ilabour.oii.ox.ac.uk/online-labour-index/>

# What is online freelancing?

## Defining online work platforms

Given the variety of online platforms that mediate relations between clients and vendors of digital work and services, it is helpful to start by defining what we mean by ‘online freelancing’. This entails making a clear distinction between the many crowdsourcing, outsourcing, microwork, and freelancing platforms that exist today—all of which facilitate some form of work online. This report is solely concerned with the last of these, online freelancing.

### Crowdsourcing platforms

Crowdsourcing platforms allow clients to source work simultaneously from a largely undefined group of people—often organized via contests, where multiple people can propose solutions to a problem. Crowdsourcing platforms like Topcoder, Innocentive and 99designs can be used to tackle complex and creative problems where the solutions and skills required are as yet unknown, and projects benefit from experimentation.<sup>5</sup>

### Outsourcing platforms

**Online outsourcing** involves clients sourcing and remunerating work from individual people or organizations rather than from a crowd. Instead of inviting parallel contributions from a self-selecting group of people like crowdsourcing, online outsourcing platforms match particular buyers with particular sellers. They are best suited for finding workers on an on-demand basis, for well-established categories of work that have clearly defined deliverables and skill requirements, and for tasks that are easy to modularize and evaluate.<sup>6</sup> Outsourcing platforms can be further divided into microwork platforms and online freelancing platforms:

**Microwork platforms** focus on the speed and low managerial overhead of the matching process, and are best suited for relatively simple, repetitive tasks that require

little training and coordination. Examples of microwork platforms are Amazon Mechanical Turk, CloudFactory, and CrowdFlower. Workers can usually self-select into tasks, provided they meet the requirements set by the client. This makes microwork platforms conceptually similar to crowdsourcing platforms, and indeed microwork platforms are sometimes classed as crowdsourcing platforms, even though the types of work transacted on Innocentive and Mechanical Turk are very different.

Online freelancing platforms such as Upwork, Freelancer and PeoplePerHour focus on more specialized and knowledge-intensive projects in categories such as software development, creative and design, and writing and translation. But in principle, clients can source any type of work that can be delivered online. Freelancing platforms place emphasis on the quality of the matches and the coordination and evaluation of the work. Some of the platforms also provide premium enterprise services to assist in sourcing, worker classification compliance,<sup>7</sup> and contracting. Table 2 compares microwork and online freelancing platforms on various dimensions.

While there are many possible workflows and processes, a typical contracting process on an online freelancing platform proceeds as follows. A client posts a project on the platform and interested freelancers<sup>8</sup> submit a proposal. The client then evaluates the proposals and conducts interviews with selected candidates via chat or video call. When the client finds a freelancer that fits their requirements and terms have been agreed, the platform helps the parties to form a contract for the work to get started. Deliverables are submitted through the platform. After evaluation and approval, the client releases payment to the freelancer.

5 Boudreau, K. J., & Lakhani, K. R. (2013). Using the crowd as an innovation partner. *Harvard Business Review*, 91(4), 60-9.

6 Boudreau, K. J., & Lakhani, K. R. (2013). Using the crowd as an innovation partner. *Harvard Business Review*, 91(4), 60-9.

7 For instance, the platform Upwork provides worker classification compliance services with its Upwork Enterprise solution. It also enables use of staffing agencies for employment assignments in addition to independent contractor engagements.

8 In this report, we use the term ‘freelancer’ in a broad sense thereby acknowledging that a freelancer on the platform can represent one person but also a 200-person company.

# Key insights from the management and innovation literature

**Table 2. Comparison of microwork and online freelancing platforms**

Dimensions	Microwork	Online freelancing
Size	Projects and tasks are broken down into smaller microtasks	Tends to involve larger projects and tasks
Complexity	Low task complexity	High task complexity
Duration	Task/project completion takes minutes or seconds	Task/project completion takes hours, days, or months
Entry barriers	Low—few specialized skills or expertise required	High—specialized skills and expertise are required
Coordination	Automated (algorithmic) management by platform	Manual (human) coordination by client
Compensation	Workers paid on a piece-rate basis	Workers paid on an hourly or milestone basis
Examples	Amazon Mechanical Turk, CloudFactory, Crowdflower	Freelancer, Upwork, PeoplePerHour

Although there is very little existing research on platform sourcing from an organizational perspective, closely related research in management and innovation studies can provide useful starting points for our study. This literature review provides an overview of some of the potential benefits and challenges of adopting online freelancing platforms as part of a firm’s sourcing strategy.

## Potential benefits of platform sourcing

Since the 1980s, management and industrial relations researchers have argued that firms are seeking a more flexible workforce. In particular, three types of flexibility are being sought after. **Numerical flexibility** refers to firms’ ability to rapidly adjust their workforce size, or the number of hours worked, in response to changes in product demand. **Functional flexibility** refers to the ability of firms to apply their workforce to different tasks as required, necessitating a variety of skills. And by **financial flexibility**, scholars refer to firms’ ability to adjust their human resource costs in response to changes in the external price of labour.<sup>9</sup> A typical workforce strategy thus consists of a ‘core’ of highly skilled and trained regular employees who provide functional flexibility, and a ‘periphery’ of flexible workers (e.g., contingent workers contracted through a staffing agency) who provide numerical and financial flexibility. Against this background, platform sourcing may present a new strategy for firms to balance their needs for functional flexibility on the one hand, and numerical and financial flexibility on the other, insofar as platforms provide them access to workers with specialized skills and expertise.

More recently, scholars have begun to realise that contingent work strategies may be about more than just flexibility. By making the boundary of the firm more permeable, contingent work strategies can allow knowledge to flow into the firm in novel ways.<sup>10</sup> Rather than seeing knowledge flows across

<sup>9</sup> Atkinson, J. (1984). Manpower strategies for flexible organisations. *Personnel Management*, 16(8), 28–31.

<sup>10</sup> Matusik, S. F., & Hill, C. W. L. (1998). The Utilization of Contingent Work, Knowledge Creation, and Competitive Advantage. *The Academy of Management Review*, 23(4), 680–697.

organizational boundaries merely as a threat, firms can make strategic use of it, allowing them to accumulate knowledge, innovate, and adapt faster to environmental changes. Online freelancing platforms allow firms to access workers with widely different skill sets, cultural backgrounds, and work histories, and are thus potentially an important new tool for knowledge creation and innovation.

## Potential challenges for successful implementation

As firms decide to adopt online freelancing platforms, they will be presented with new challenges. Firms tend to have extensive processes and practices in place for hiring and managing their employees, temporary workers, and existing sourcing solutions. The adoption of platforms tends to disrupt these processes and practices, pressing them to develop new organizational arrangements. With little guidance on how to approach this, successful adoption of platform sourcing can prove challenging in practice. By viewing platform sourcing as a new innovation, we can draw some useful insights from previous research on innovation adoption.

Innovation scholars have argued that firms often adopt innovations, but fail to successfully implement them.<sup>11</sup> Whereas innovation adoption refers to the decision to use an innovation, it is during implementation that people become increasingly skilled, consistent, and committed to its use in practice. This distinction between adoption and implementation is useful to understand the specific challenges of platform adoption. It is during implementation that organizational members explore and gain experience in hiring and working with freelancers online through platforms. An important question then becomes: What challenges prevent people from using these platforms effectively, and how can firms successfully address them? In our review of the innovation literature, we identified five common reasons why successful implementation can be challenging.

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11 Klein, K. J., & Knight, A. P. (2005). Innovation implementation: Overcoming the challenge. *Current Directions in Psychological Science*, 14(5), 243-246.

## Overcoming internal resistance

First, people at departmental levels may be inclined to maintain the status quo when they are uncertain about how the use of platforms will benefit them individually. While decisions to adopt an innovation are often made at executive management levels, its users are often found at departmental levels. Whereas executive managers strategize around how to achieve operational excellence through innovation, project managers, team leaders, and individual contributors tend to focus on “getting things done”, and therefore may be more skeptical regarding the merits of a particular innovation.<sup>12</sup> Moreover, employees may initially be reluctant to hire and work with freelancers online, for instance because of fears that it might replace their jobs.

## Developing tailor-made solutions to address risks

Second, a platform’s product offering may not automatically be a perfect fit and enterprises may need to develop tailor-made solutions. Many innovations are intentionally imperfect or incomplete by design, especially in fast-changing environments.<sup>13</sup> While platforms offer standardized solutions, successful implementation by a firm may require them to make modifications during use,<sup>14</sup> for example to address legal issues and information risks resulting from the involvement of external workers.

## Preventing increased coordination costs

Third, enterprises need to be strategic in deciding what work to source through platforms and in developing associated infrastructures to coordinate the work of

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12 Klein, K. J., & Knight, A. P. (2005). Innovation implementation: Overcoming the challenge. *Current Directions in Psychological Science*, 14(5), 243-246.

13 Garud, R., Jain, S., & Tuertscher, P. (2009). Incomplete by design and designing for incompleteness. In *Design Requirements Engineering: A Ten-Year Perspective* (pp. 137-156). Springer, Berlin, Heidelberg.

14 Rodgers, E. M. (1995). *Diffusion of innovations*. New York.



freelancers. Traditional transaction cost economics argues that economic activities with high coordination costs are best organized in hierarchies (i.e. organizations) rather than markets.<sup>15,16</sup> Digital technologies have significantly reduced the costs of organizing economic activity in markets,<sup>17</sup> yet coordination costs of platform sourcing are likely to vary across enterprises and industry sectors.<sup>18</sup> Hence, there may not be a one size fits all solution.

### **Learning new practices to complement internal with external work**

Enterprises need to develop new practices for using platforms to engage freelancers in the work processes of their in-house employees. When innovations comprise new technologies, people need time to learn and become competent in using them.<sup>19</sup> This is also true for enterprises that adopt online platforms for sourcing knowledge-intensive work. For instance, organizational members need to develop new practices around how best to divide work into concrete tasks, how to find and contract freelancers online, how to ensure the quality of work, and how to align internal with external workflows and their outcomes.<sup>20</sup> Platform adoption therefore requires investments in people, time and resources—possibly resulting in initial delays in getting work done.<sup>21</sup>

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15 Coase, R. H. (1937), The Nature of the Firm. *Economica*, 4: 386–405.

16 Williamson, O. E. (1981). The Economics of Organization: The Transaction Cost Approach. *American Journal of Sociology*, 87(3): 548-577.

17 Malone, T. W., Yates, J., & Benjamin, R. I. (1987). Electronic markets and electronic hierarchies. *Communications of the ACM*, 30(6), 484-497.

18 Kuek, S. C., Paradi-Guilford, C., Fayomi, T., Imaizumi, S., Ipeiotis, P., Pina, P., & Singh, M. (2015). The global opportunity in online outsourcing (No. 22284). The World Bank.

19 Aiman-Smith, L., & Green, S. G. (2002). Implementing new manufacturing technology: The related effects of technology characteristics and user learning activities. *Academy of Management Journal*, 45(2), 421-430.

20 Johns, T., Laubacher, R. J., & Malone, T. W. (2011). The age of hyperspecialization. *Harvard Business Review*, 89(7-8), 56.

21 Repenning, N. P. (2002). A simulation-based approach to understanding the dynamics of innovation implementation. *Organization Science*, 13(2), 109-127.

### **Creating socio-technical infrastructures for platform organizing**

New infrastructures may be needed to combine internal work processes, collaboration tools, and procurement systems with the tools and services offered by platforms. Online freelancing platforms have developed contracting and communication solutions and dedicated enterprise offerings that strengthen firms' capabilities to source work online.<sup>22</sup> However, for enterprises to truly benefit from the skills and expertise of freelancers, they need to ensure that the work of in-house employees and external freelancers is aligned, as well as to find a way to integrate related administrative and reporting processes. This is a delicate balancing act: whereas platforms will strive for standardization, enterprises will seek tailor-made solutions that fit their company culture and socio-technical infrastructures.

### **Potential ways of organizing for successful platform adoption**

A focus on innovation implementation makes apparent that anticipated benefits must be realized through people's active and coordinated efforts. Successful implementation is a *process* that enterprises can actively organize for. Our literature review suggests two key factors that are likely to shape the implementation process: creating a safe environment for experimentation and creating a supportive climate for implementation.

### **Creating a safe environment for experimentation**

One condition for successful implementation relates to creating a safe environment for experimentation. To assess the fit of a platform for the organization, and to support learning, enterprises can foster a strong orientation towards learning, allowing users to take risks but also experience failure.<sup>23</sup> Innovation implementation is rarely an immediate success, but an orientation towards learning can help overcome social and technological obstacles to platform

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22 Nanterne, P. & Daugherty, P. (2017). *Accenture Technology Vision 2017*. Accenture.

23 Klein, K. J., & Knight, A. P. (2005). Innovation implementation: Overcoming the challenge. *Current Directions in Psychological Science*, 14(5), 243-246.

use. Such an orientation can be fostered by viewing implementation as a collective learning process, in which users are encouraged to experiment with new practices and routines.<sup>24</sup>

### **Creating a supportive climate for implementation**

A supportive climate for innovation implementation is another important condition for an innovation's use in practice, especially when it requires users to establish new work relations.<sup>25,26</sup> When users view an innovation positively, they are likely to treat its implementation as a priority instead of a distraction. Managers can for instance provide teams with a strong narrative around their motivations for adopting online freelancing platforms and how it addresses their needs. This often goes together with the availability of sufficient financial resources (for training, experimentation, and support) and a long-term implementation orientation.<sup>27</sup>

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24 Edmondson, A. C., Bohmer, R. M., & Pisano, G. P. (2001). Disrupted routines: Team learning and new technology implementation in hospitals. *Administrative Science Quarterly*, 46(4), 685-716.

25 Sharma, R., & Yetton, P. (2003). The contingent effects of management support and task interdependence on successful information systems implementation. *MIS Quarterly*, 533-556.

26 Klein, K. J., & Knight, A. P. (2005). Innovation implementation: Overcoming the challenge. *Current Directions in Psychological Science*, 14(5), 243-246.

27 Klein, K. J., & Knight, A. P. (2005). Innovation implementation: Overcoming the challenge. *Current Directions in Psychological Science*, 14(5), 243-246.

# Why are enterprises adopting online freelancing platforms?

The existing literature provides us with some blueprints that can help guide the adoption of platform sourcing in enterprises, but how is adoption working out in practice? To advance our understanding of how adoption and implementation take place in actual practice, we conducted nine case studies with Fortune 500 firms and MNCs that source work through one of the largest online freelancing platforms. In this first section of our results, we focus on the question of what enterprises seek to gain from platform sourcing in the first place.

## Three key motivations

Among the enterprises that we studied, we identified three distinct motivations for adopting platform sourcing:

### 1. Providing easy access to a scalable source of manpower, skills and expertise

Platforms provide access to freelancers with highly specialized skills and expertise, making them an attractive option for organizations to quickly and flexibly complement the capabilities of their in-house employees on an on-demand basis.

### 2. Reducing start-up and transaction costs

Compared to traditional outsourcing vendors and contracting agencies, platforms substantially lower the start-up and transaction costs of a contract. This allows enterprises to quickly hire freelancers to address project needs.

### 3. Eliminating conventional hiring barriers

Platform technologies eliminate or at least reduce geographical, informational, and administrative barriers in the hiring process. This allows their use for projects of shorter length and scope. It facilitates the hiring of freelancers on a more flexible, on-demand basis, and allows managers to bring in new skills and knowledge to the organization that would otherwise have remained outside.

In line with previous research on contingent workforce strategies, enterprises thus seek numerical, functional, and financial flexibility from platform sourcing, but also advantages in knowledge creation and innovation. More

broadly, the rise of online freelancing can be understood as part of a larger transformation of organizational forms, where enterprises are moving from relatively static hierarchical structures based on fixed roles towards more open, fluid, and dynamic ones. Project teams are created dynamically, based on people's skills, knowledge and staffing needs.<sup>28</sup> This project- or task-based form of organizing provides enterprises with the necessary speed, flexibility, and efficiency to stay innovative and competitive in their industries.

## Categories of work sourced through platforms

The enterprises we studied used platforms in various ways. Some posted projects and asked freelancers to bid on them. Some used the platform's programme management layer to help find freelancers and set up contracts. Others used the platform's services and technologies to contract and work with their own freelancers. But what categories of work do enterprises source through platforms? Overall, the top categories of work that enterprises sourced through one of the leading platforms were writing (e.g., content marketing) and translation work (28% of projects), followed by administrative support and customer service (25%), design and creative work (14%), and software development (14%). But, as Table 3 shows, the categories of work sourced by the case companies in our study varied significantly.

## The value of platform versus agency-based sourcing

Firms have been using temporary staffing agencies to find and hire temporary workers for short-term assignments since the 1940s. Temporary workers were initially used to cover for their in-house employees when on leave. Today, many firms use agencies to hire temporary workers.<sup>29</sup>

28 Nanterne, P. & Daugherty, P. (2017). Accenture Technology Vision 2017. Accenture.

29 Smith, V., & Neuwirth, E. B. (2008). The good temp. Cornell University Press.

**Table 3. Top categories of work sourced by our nine case companies through a leading platform**

Enterprise	Sector	Categories
Alpha	Technology	Content marketing (73%) Software development (6%) Marketing automation (5%)
Bravo	Technology	Design (81%) Video production (8%) Content marketing (5%)
Charlie	Food, Beverages & Tobacco	Design (61%) Product management (14%) Project management (10%)
Delta	Technology	Data entry (37%) Content marketing (25%) Project management (10%)
Echo	Technology	Content marketing (44%) Software development (16%) Translation (15%)
Foxtrot	Health Care	Design (47%) Video production (27%) IT & Networking (9%)
Golf	Technology	Customer support (95%) Software development (5%)
House	Household Products	IT & networking (31%) Social media marketing (15%) Data science (14%)
Samsung	Technology	Data science (65%) Software development (17%) Marketing automation (10%)

Agencies offer firms some flexibility to temporarily scale up their workforce; they also provide firms with efficiency improvements and development opportunities. As a consequence, many Fortune 500 firms maintain long-term relationships with staffing agencies.<sup>30</sup> But how do online freelancing platforms fit into this picture? Our findings

suggest that the flexibility offered by platforms far exceeds that of conventional agency-based sourcing channels. Yet, the value of platforms is also broader: based upon our nine case studies, we identified six unique dimensions of value in platform sourcing compared to conventional outsourcing through agencies.

## 1. Cost

Hiring managers at Charlie and Delta indicated budgetary constraints as the determining factor in deciding whether to source work through a platform or to go to an agency. In its dedicated experiment with platform sourcing, House's manager Jason delivered 60–70% aggregate savings relative to House's conventional sourcing channels. Similarly, an Echo hiring manager reported that for temporary work, they could source the same work through platforms for a third of the price. According to Foxtrot's category manager Rajeev, part of the cost savings with platforms lay in the absence of overhead costs, which usually comprised 25–30% with traditional agencies, as well as through being able to choose a freelancer with the appropriate expertise level.

## 2. Speed

Participants in our study also experienced platforms as a faster way to find and contract freelancers, and generally obtained faster turnaround times. First, hiring online required a single email to a platform-support agent, in contrast to the multiple phone calls, meetings, and briefs required to get a project started with an agency. Participants suggested that it could take 6-8 weeks to hire a freelancer through an agency, whereas with a platform it took them 2-4 days on average. At House, hiring managers transitioned from ideation to talking to a freelancer within four days. A Samsung hiring manager hired a freelancer and completed a project within a two-day timeframe. Second, participants suggested that around 60% of the time work sourced through platforms was completed and delivered faster. Rajeev from Foxtrot gave the example of a software development project that would probably have taken a year to complete with their agency, but that was completed through the platform within six months. He noted that, with platform sourcing, it might take slightly longer to specify the project up front. Yet, given the fast turnaround times, he felt that this was worth the effort.

30 Koene, B. A., Galais, N., & Garsten, C. (Eds.). (2014). Management and organization of temporary agency work (Vol. 27). Routledge.

### 3. Flexibility

A related dimension of value, reported by participants, was the greater numerical flexibility provided by platforms, for instance allowing them to rapidly scale up and down project teams. At Echo and Foxtrot, platforms enabled teams to become more agile, as external resources were frequently needed to complete the work on time. For Delta's marketing team, the platform had become their go-to place whenever they needed to get things done but were under-resourced in terms of available in-house employees or temporary workers.

### 4. Organization

A fourth dimension of value provided by online freelancing platforms is the relative ease of contracting and working with individual freelancers. A hiring manager at Charlie mentioned that from an 'organizational perspective' he appreciated the high-level service and responsiveness of the platform's programme management layer. Delta's hiring manager recognized the organizational advantage of having fewer contracts.<sup>31</sup> Echo and Foxtrot hiring managers mentioned the streamlined process of platforms—from recruiting to payment. With their agency, they had to fill out an extensive requirements document and do a significant amount of administrative work, while not being able to choose with whom they ended up working. For Echo's hiring manager, platforms resolved payment issues when working with individual freelancers. Through their conventional channels for contracting temporary workers, payment was often delayed, incorrect or failed to come through at all. Compared to this 'nightmare' they loved how quickly they could process payments through platforms.

### 5. Expertise

Access to expertise and highly-qualified freelancers unavailable in firms' immediate environments constituted another important form of value. This access allowed

enterprises to bring in skills and expertise they otherwise would have no access to (e.g., specific programming frameworks or languages), constituting a new opportunity to drive knowledge creation.

### 6. Quality

Participants reported the high quality of the work that was delivered by freelancers hired through platforms. In House's experiment, finance manager Jason found that 60% of the time freelancers hired through platforms delivered similar or higher-quality work compared to their conventional sourcing channels. Samsung's finance manager Cathleen suggested that in some cases the cost was similar to that of their original vendor, yet the work sourced through the platform demonstrated higher quality. According to a Delta hiring manager, the value added by platforms was "being able to get things done right while still being cost-effective".

In sum, participants suggested that the unique value of online freelancing platforms lies in providing them with flexible and timely access to a global pool of skilled labour, enabling them to get high-quality work done in a cost-effective manner. However, it is important to bear in mind that our participants were all early adopters of platforms, and that they experimented with how best to utilize this new sourcing solution. For many other managers, the dominant pathway often remained hiring a temporary worker through conventional staffing agencies. Participants further acknowledged that there would still be situations where they preferred to source work through staffing agencies. Such situations for instance concerned instances when the work should be performed onsite, when someone was needed full-time and for a sustained period of time, or when it was difficult to specify and evaluate the work. Furthermore, participants realized that sourcing through platforms required a different way of communicating and managing expectations with freelancers, which not every hiring manager was comfortable with. Thus, while participants were still figuring out when to use what sourcing solution, they all agreed that platform sourcing is a rapidly growing phenomenon in a space where staffing agencies have traditionally been important players.

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<sup>31</sup> This hiring manager points at the enterprise contract her organization had signed with one platform. Whereas temporary workers are often hired via several agencies, freelancers can all be hired and paid through the platform, for which each quarter a budget was agreed upon.

# Practices of successful platform adoption

In the previous section we examined *why* enterprises are adopting platform sourcing, but *how* do they go about doing so? The stories of two Fortune 500 firms, House and Samsung, offer important insights to answer this question. Table 4 describes the different pathways the two firms followed in adopting platform sourcing. House’s primary motivation was access to talent. As Jason explained, managers at House realized they were now able to draw not only on in-house employees and temporary workers hired through agencies, but also on the skills and expertise of freelancers that they could access through platforms:

*“It doesn’t necessarily mean that the 10,000+ House employees today aren’t going to be 10,000+ House employees in ten years. It could mean that they’re leveraging an additional 10% of folks [online] to do work differently. The point is we’re going to have the ability to tap into this pool of very skilled talent in a way we never could before.”*

To explore this new sourcing solution, the company signed an initial contract with one of the leading online freelancing platforms and started experimenting with sourcing work from freelancers through the platform. The experiment was a tremendous success and House proceeded with expanding their platform usage into new areas.

By contrast, the primary motivations of Samsung were speed and flexibility. As Finance manager Cathleen explained, project leaders often did not have enough staff to deliver ad hoc work within the two-week timeframe specified by company headquarters. To find a freelancer, Samsung’s agencies needed six weeks on average, after which the actual work still had to get started. To address this challenge, project leaders at Samsung started exploring different alternatives, one of them being online freelancing platforms. They then started a pilot programme with one of the leading platforms.

**Table 4. Timeline of platform adoption at House and Samsung**

Months	House	Samsung
1-3	Managers studied online freelancing. Contract signed with one of the leading platforms	Managers learned about online freelancing and started discussions with platforms and internal stakeholders
4-6	Employees failed to use the platform to access freelancers	Pilot programme with a platform started
7-9	An internal programme layer was created and an experimentation programme designed	Formal discussion started with leading platform and contract signed
10-12	Employees started experimenting with working with on-demand talent	Managers collaborated with the platform to customize workflows and develop scalable organizational processes. A kick-off event was organized to launch the new sourcing solution
13-15	Programme and platform spending were gradually expanded to prove the benefits and provide credibility to the project in other parts of the organization	Audience gradually expanded to test the new solutions before scaling up the use of freelancers in the organization

## Seven elements of successful platform adoption

Though the motivations and initial steps of platform adoption differed for the two companies, they also showed similarities. Both companies learned that platform sourcing was not simply a decision they could take but actually required some organizing. We summarize below the steps that they took in the following seven practices:

### 1. Doing your homework

As Cathleen described, Samsung started out with studying what online outsourcing and crowdsourcing comprised, identifying the different platforms that were available online, and how they addressed their needs. Samsung's hiring manager then contacted their platform of choice to learn more about their processes of working with freelancers online and how that related to Samsung's established sourcing processes and practices.

### 2. Creating space for experimentation

Jason from House considered it a key reason for its success that it treated online freelancing platforms as an innovation. This, he argued, provided employees with a safe environment to test and learn, ideate and iterate, as well as to fail, in order to learn about every aspect of the sourcing process.

### 3. Designing the experiment

Samsung's three-month pilot programme involved 13 teams across software development, finance, accounting, and human resources. To generate comparable experiences and outcomes, Cathleen instructed the groups to use the platform for relatively small, low-risk engagements that varied in duration between two days and two weeks. Jason started House's 100-day experiment with 15 project managers in the innovation department who were each asked to conduct 10 projects to assess the value of sourcing work from online freelancers.

### 4. Creating a programme management layer

House learned that instead of delegating platform adoption to busy junior managers across the organization, it was more effective to create a programme management layer around platform adoption inside the innovation department. Jason was appointed to a managerial role, to serve as an "internal

advocate" and take the day-to-day lead in the adoption process. Similarly, Samsung learned that it was useful to have a manager who was trusted on the work floor, and who had in-depth knowledge of platforms. This, Cathleen explained, allowed for conversations around how this new sourcing solution related to the needs of organizational members.

### 5. Securing executive support

Executive involvement is important for assessing whether online freelancing presents the right direction for the company. At House, the head of human resources was the executive sponsor for developing the firm's on-demand talent strategy. He was part of the programme management layer, which helped to break down barriers and secure buy-in from legal and human resources. This provided the necessary support to experiment with how work could be done differently.

### 6. Allocating sufficient resources for experimentation

Lack of funding can form a significant barrier to experimentation. House started off by allocating \$100,000 to project managers to explore the possibilities of the platform they chose, and its potential for generating value.

### 7. Involving stakeholders early on

Functions such as finance and human resources have responsibilities that have a bearing on platform adoption. At House, human resources expressed concerns about employment issues and proper freelancer classification. Legal was concerned with information security when freelancers could access internal systems or sensitive data. To create a governance structure where these concerns could be addressed appropriately, Jason created a team of internal partners, consisting of attorneys, labour relations experts and HR professionals. Cathleen likewise involved Samsung's heads of HR, legal, and finance. By teaming up with these internal stakeholders early on, both managers developed sound adoption models that prevented roadblocks at later stages of the adoption process.

## Hiring and working with freelancers

The stories of two hiring managers from Alpha and Golf illustrate well the adoption of platform sourcing in the areas of content marketing and customer support. Hiring manager Bruce adopted platform sourcing as part of his content marketing strategy. Alpha hired Bruce because of his experience working with freelancers online and his vision on how platform sourcing could be utilized within content marketing. When he started working for Alpha, his team published 50 marketing articles a year. To overcome time constraints of his in-house team, he paired them with researchers and writers sourced through one of the leading platforms. This model resulted in a significantly increased output over two years, reaching 1,500 articles published annually.

In comparison, Gina adopted a platform to create 24-hour global customer support teams for one of Golf's mobile services. A significant disadvantage with offshoring customer support in previous years had been the inability of Golf employees to communicate directly with customer support agents at their overseas call centers. This prevented the company from improving its customer support experience. Having previously worked as a freelancer, Gina suggested exploring a model where customer support was organized with online freelancing platforms. Over time, Gina created 10 global customer support teams, comprising a total of 150 freelancers. Gina described how together the teams managed to improve the customer support experience while also working more cost effectively.

## Do's and don'ts for hiring and working with freelancers online

Hiring managers Bruce and Gina offered rich insights into the *how* of platform sourcing, summarized in the following "do's and don'ts":

### 1. Identifying what work to source online

Online freelancers can be deployed in many ways, shapes, and forms, and consequently it becomes important to think strategically about what work tasks to source online. For instance, how can freelancers best support the activities of a core team? Hiring manager Bruce approached this issue by regularly assessing the key constraints that were holding back the performance of his team. Often, he suggested,

the easiest and fastest solution was to bring in an external expert to support the team. In his view, a bad strategy is to hire a freelancer to do work that you actually would like to do yourself, as it carries the risk of micromanagement. This, in Bruce's experience, does not work in the long term.

### 2. Creating a vetting program

Upon project approval, hiring managers are tasked with getting their team together, often consisting of both in-house employees and external people, working on different aspects of the project. For regular jobs posted on the platform, Bruce screened and vetted 10 freelancers. But for jobs that required highly specialized expertise, he sometimes had to go through a hundred proposals—and so it became important to have established a vetting programme. While conventional HR processes were informative for understanding how to hire good freelancers, Bruce suggested that there were some 'twerks and tweaks' unique to platform hiring, and that helped to determine if someone had the qualities that were being sought after. For instance, Bruce sometimes asked applicants to submit their applications in a pre-specified format, to easily assess whether they followed his instructions—a number one quality he was looking for in freelancers.

### 3. Starting small, with rapid prototyping

Instead of going through an interview process, an alternative way to think of freelancer selection for standard tasks is to hire and pay your initial selection of freelancers for a small starting project. When you know the basic process for assessing their work you can then easily select freelancers and take them to the next level, while the work is moving along. This is what Bruce called 'rapid prototyping':

*"It's like rapid prototyping . . . Depending on the quality and the complexity of the job, I might have two to ten hoops that they have to jump through before I fully feel that they're on my bench. So, they go through initial Q&A (question & answer) of a day. Then I bring them to a project that they have to work for a week. Then maybe a project of two weeks or a month that they have to do. And I'm still kind of looking at them, looking at their working style, and things like that."*

### 4. Creating a bench of high-value experts

Realizing the expected benefits of platform sourcing requires firms to successfully align online freelancers with the everyday work practices of their in-house members. While



online freelancing platforms may seem like a marketplace where managers can easily find and hire anybody to scale their teams, hiring managers like Bruce actually preferred to work with freelancers they had worked with before. The idea of having a small group or “bench” of high-value freelancers to add to your teams on an on-demand basis is gaining ground. As Bruce explained, developing a resource bench of “go-to people” has been tremendously valuable for his team:

*“In the last three years, I started to open my mind to a whole different type of application of freelancing talent. Let’s say that you’re working on a project, a high-level programme for automation or design or something, and you come to this block where [neither] you nor your team has the appropriate talent to do this. So, either one of us can sit down for six months and figure out how to do it, figure how to do this coding thing or figure out how to design. . . The solution is going to the platforms and paying for a quick contract where somebody comes in to help us, train us in order to achieve what we’re doing.”*

## 5. Embracing a learning mentality

Working with people remotely will be a first-time experience for many hiring managers. Similarly, working with enterprise clients will also be a new experience for many freelancers. One way the hiring managers in our study addressed this challenge was to be open about testing out this new sourcing model. To make the model work, both parties should embrace an attitude of learning, as hiring manager Gina instructed her freelancers:

*“They know that if they speak up and say [that] something’s not working, that I’m going to say okay, let’s not do that then. [Similarly,] I tell my freelancers every day: ‘I don’t care if you make a different mistake every single day as long as you learn from it and you grow’ . . . We’re fostering the security and they’re understanding that you have to do a good job if you want to work here. We’re going to reward you if you do a good job [and] when we end their contract, it’s for something that they’ve genuinely done poorly.”*

## 6. Fostering a sense of community

Fostering a culture that embraces freelancers is important for realizing high-quality outcomes. Creating a community spirit can be achieved by actively recruiting and evaluating freelancers for their team contributions as well as by

organizing team-building activities. Gina for instance described the Christmas activities her team engaged in:

*“One team got together and everybody got on a video and they sang a Christmas song together. They did it individually but then they intertwined it together into a YouTube video and they sent it to us. They’re like: This is from our team and it was so interesting because it was people from Romania and the Philippines and then they had their families involved, people were singing around the Christmas tree and so that again, it’s about building that family environment and it’s absolutely amazing.”*

## 7. Don’t penny pinch

Hiring manager Bruce noted that a number one error made by new users of the platform is to think that there are freelancers who “work for pennies on the dollar”, and so cut too deep, setting themselves up for a poor-quality outcome. Instead he recommends starting off with half the budget you usually assign for agency work. In that way “you can find a lot of great quality people who would love to write for that amount of money.” A strategy that Gina adopted when somebody applied to a job with a low rate, was to ask the freelancer whether they thought their work deserved that rate: “The first thing I always ask them is: ‘Do you think you deserve \$4 an hour, is that what your work is worth? Because if that’s what your work is worth, I don’t want to hire you, right?’” Often this lead to a very different conversation, Gina explained, in which they came to an agreed-upon rate that equaled the country’s living wage and so: “They automatically care about working for us because they know that we’re going to take care of them.”

## 8. Don’t hire to replace in-house employees

The hiring managers we spoke with argued against using online freelancers to replace in-house employees. The fear of replacement is one of the factors holding people back in exploring platform sourcing. But this, hiring manager Bruce warned, “is the wrong way to look at it [and] a horrible idea.” He continued to explain that a core group of people were necessary to create a culture into which freelancers could be socialized. Instead of replacing in-house employees, freelancers should therefore be deployed to enable and enhance their capabilities:

*“You should look at your core group and ask: What is it that they are really good at and what would we never outsource? What is our core team capability and how can we surround that with scalability, with other resources,*

*in order to enable them to do their work better than expected? All these people don't have time to do their core jobs. Why and what can we do to build them teams that enable them to do that?"*

## **9. Don't blame the freelancer for poor work**

Working with freelancers online is different to working with in-house employees. Freelancers have differential access and commitment to the organization. As hiring manager Bruce explained, "you're missing the boat" when you blame the freelancer for poor quality outcomes. You need to have a healthy relationship with your freelancers to be able to rehire them in the future. Hence, instead of blaming them for poor work, Bruce argued that you should look for and identify the flaws in your model:

*"You need to look at yourself, your processes and say: What did I instruct them [to do] that forced them to deliver this type of quality? . . . If it doesn't satisfy you, you need to go back to the drawing board and either instruct or hire just a little bit differently. And if you keep with that over and over and over again, you're going to have success, you just have to be patient with the process."*

Hiring manager Gina also recognized that poor performance was not necessarily the freelancer's fault. However, when things did not work out with a freelancer, and she had to end their contract, Gina gave them a bonus and one month's notice:

*"What that does is two things: One, it fosters that sense of security again because they know . . . if I continue working and continue to do my job plus look for another job, this is going to be helpful to me in the long run . . . It also gives me time to on-board a new agent and not really miss out on anything as far as schedule. There's been some people where . . . they've improved. At the end of that time I'm like, hey, you know what, I see that you've improved and so if you want to stay on, I'm going to give you that opportunity."*

# Looking forward: organizing for sustained adoption

## Structuring the platform sourcing process

The platform sourcing model is based upon a network of people and organizations. Implementing platform sourcing implies a change in the roles and role relations of organizational members, as well as establishing new socio-technical infrastructures to coordinate interactions between enterprise clients, platforms, and freelancers. Such processes are likely to differ depending on which area of the organization is guiding the adoption and implementation process, and whether firms aim for localized or enterprise-wide adoption.

With enterprise-wide adoption of platform sourcing, firms are intentionally developing organizational structures and processes inside the organization as well as in relation to the platform. In our study, Foxtrot, Golf, House, and Samsung were actively searching for models to support enterprise-wide adoption of platform sourcing. Yet, we also observed instances where adoption was less planned, such as in Alpha, Bravo, and Delta (see Table 1). In such instances, specific areas of the organization adopted platform sourcing with only a few hiring managers working with freelancers—often because of their previous experience working with platforms or as a response to conventional sourcing solutions being of limited availability or use. Alpha hiring manager Bruce explained that the bottlenecks and constraints that platforms help alleviate were often found at lower levels of the organization. Since these were not always visible at top management levels, a decision to move forward with enterprise-wide adoption remained out. When making platform sourcing an enterprise-wide and scalable solution for on-demand work, it becomes important to think about what the organizational process should look like, as Finance manager Jason from House recognized:

*“We’re designing it for the entire enterprise. We knew that we needed a programme management layer, not just on House’s side [but] also with our vendor (the platform). [...] And now what we’re learning is that whole engagement model, how can you scale that? I need to make sure that the activity system and engagement model is robust enough so that it can withstand the weight of potentially hundreds of engagements at the [same] time, if not more.”*

Already for many years, category manager Rajeev had been in charge of managing the platform sourcing model at Foxtrot. Having created awareness within the organization and increased the scale of engagement with the platform for jobs in, for instance, writing and graphic design, he now tried to expand the platform adoption in other categories, such as in IT, HR, and finance. Recognizing the growth opportunity, Rajeev outlined Foxtrot’s sourcing model, and how he tried to more deeply integrate and expand the use of platforms to work with freelancers:

*“That’s the journey we’re starting now—to really expand and look at some of the other non-traditional freelancing areas, how can we tap into that and use platforms to provide some services there. . . And I think this is a long journey. We’ve been kind of in the forefront, especially with the traditional type of freelancing jobs. But I think for these new ones that we’re looking at some of these niche areas. . . Who is able to do that and can we harness some freelancers for that type of work?”*

In developing scalable infrastructures for Foxtrot’s platform sourcing process, Rajeev emphasized the importance of having a process in place that made people comfortable and guided them in working with freelancers, for which he went through several key steps outlined below.

## Creating scalable infrastructures

### Involving procurement to manage platform relations

When platform sourcing expanded within Foxtrot, Rajeev became involved from procurement to build partnerships and manage contractual relations with platforms. Procurement also played an important role in exploring how to grow and create awareness of the platform-sourcing programme inside the company, and to expand into new categories.

### Developing a triage process

From a procurement perspective, they had to set up an infrastructure to assess which types of work can be sourced through what platforms. Whereas Foxtrot had a programme for contingent labour, they didn’t have one for platform

sourcing. Rajeev therefore developed a tool to triage whether work can be sourced through platforms and identify the platform that would be the best fit. The triage process asked the hiring manager about the type of work that was needed and a couple of follow-up questions, such as (1) whether the work could be done remotely or requires one to be onsite for a sustained period of time; and (2) whether it was an hourly project or a deliverables-based one that could be done based on milestones. Rajeev pointed out that the triage process was continuously evolving: “We’re constantly modifying it. As we see process steps where there could be some gaps, we try to adjust and make changes.”

### **Conducting a feasibility study for category expansion**

In developing this structured approach to platform sourcing, Rajeev then set out to identify the business need, in order to define the scope of how platforms were currently used and in what other categories platform sourcing could be introduced. He conducted a feasibility study, identifying areas of work that could be done remotely by freelancers. At the same time, Rajeev also started to look into other platforms that they could leverage, such as strategic consulting platforms: “We’re starting to look at that as well to penetrate that category because I think there’s a lot of opportunity there.”

### **Conducting pilot experiments in new categories**

Once possible categories and areas of work had been identified, Rajeev proposed conducting some pilot experiments:

*“Let’s see if we can find two or three freelancers to do that work and let’s see how it goes. If you think it’s feasible and it works well, then let’s start with small engagements, small projects.”*

### **Creating a programme management layer for execution**

The next step was to organize the execution phase. One challenge Rajeev encountered was how, with many different

platforms entering the market, he could ease the process of finding and hiring freelancers? He proposed to set up a programme management layer that provided hiring managers a ‘white glove service’ by going into each of the platforms and presenting them the top three results. As Rajeev explained:

*“This single platform layer can speak to them (hiring managers) to say okay, what’s the real need here. Let me go find you a freelancer. And they’ll log in, do the searches and find one from one platform, one from another, and present the top two or three to the hiring manager.”*

With such a programme management layer in place, Rajeev believed, platform sourcing could really take off, allowing Foxtrot to hire more specific skills while reducing some of the complexity.

## **Building platform ecosystems for online freelancing work**

The ecosystems created by online freelancing platforms enable firms to source work from freelancers. However, with platform sourcing, firms also increase their dependence upon their environment for getting work done. To make such platform ecosystems<sup>32,33</sup> reliable and sustainable, enterprises realize that they, the platform, freelancers, and other stakeholders had to acknowledge their interdependencies. Some of the enterprises that search for enterprise-wide adoption actively reached out to fellow firms to discuss their use of platforms. House’s finance manager Jason for instance described how he tried to facilitate such discussions by creating a community of practitioners:

*“I’ve been spending a lot of time talking to other companies and learning what do they do, how are they*

32 Moore, J. F. (1993). Predators and prey: a new ecology of competition. Harvard Business Review, 71(3), 75-83.

33 Tiwana, A. (2013). Platform ecosystems: Aligning architecture, governance, and strategy. Newnes.

*attacking this [new phenomenon], what works, what doesn't work, what are the sticking points . . . I feel that a rising tide rises all ships. The more we as practitioners can understand how to operate in this space, and learn from each other, the more the whole industry evolves and the future gets here."*

Enterprise hiring managers observed that some platforms tended to act like dating sites, in the sense that they didn't take responsibility for the consequences of a bad match. Yet, as Jason noted: "You want to find that model where everybody is stepping up and looks over the edge. That's where you both start to learn and grow and create something that works for the enterprise." Embracing the idea of an open ecosystem, Jason realized that the more he talked and worked together with other stakeholders in this space, the faster they would come to collective solutions:

*"How [do] you create [platform] products in a way that more work can get done? . . . Not just about where enterprises are going but also about where freelancers are going. What are their needs and making sure that this is happening in a way that we think is right from a supplier perspective, not just from a demand perspective."*

Thus, to align their efforts, enterprises were searching for a way to organize multi-stakeholder interactions that allowed for the development of a shared direction in platform sourcing that is mutually supportive and beneficial for all stakeholders in platform ecosystems.

# Conclusions and recommendations

Today, a wide range of platforms enable firms to source work directly from freelancers on an on-demand basis. While it is known that online freelancing platforms are an attractive sourcing model for firms, little is known about how and why they are making use of them. This is especially true for larger enterprises such as Fortune 500 firms and MNCs. We conducted nine case studies of how these large enterprises adopted platform sourcing as part of their business models. Our findings suggest that enterprises are adopting platform sourcing to benefit from numerical, functional and financial flexibility, but also to gain advantage in knowledge creation and innovation, as platforms provide access to freelancers with widely different skills and expertise. Platforms are challenging traditional contingent workforce providers in many areas such as turnaround times and overhead costs, but both models retain unique value propositions.

As for how enterprises use platforms, one of the key findings was that successful platform adopters intentionally created a space for experimentation and learning inside their organizations. Their members could try out different ways of working with platform sourcing, to identify valuable uses and practices, and to align the efforts of platform-based and in-house teams. As with implementing any new innovation, failure was readily tolerated, but results were measured in order to identify best practices and disseminate them across the firm. One successful practice was to establish a “bench” of expert freelancers who had experience working with the organization and could be called upon when needed. Consistent with the core-periphery model of a flexible firm, participants suggested that freelancers should be used to augment rather than replace regular employees. Among other things, regular employees were important for maintaining the organization’s culture into which freelancers can be socialized. Protecting regular employees also helped to prevent internal resistance to the adoption of platform sourcing.

In most of the cases that we studied, firm adoption of platform sourcing was still at a relatively nascent stage. But managers leading organization-wide adoption efforts were in the process of creating internal infrastructures around platform sourcing that could scale up to hundreds or thousands of simultaneous engagements. These infrastructures also take into account how platform sourcing fits into the broader picture of the firm’s human resource and procurement strategies. Moreover, managers also recognized that for platform sourcing to grow in a sustainable way, it will be necessary to create ecosystems around online freelancing work that are mutually supportive and beneficial for all

stakeholders. To this end, enterprises are searching for ways to organize multi-stakeholder interactions that would allow for the development of a shared and mutually beneficial direction.

On the basis of these findings, we can offer the following recommendations to enterprises, platforms and researchers conducting future research in this area.

## Recommendations for enterprises

- Reflect upon the value you seek to generate with adopting online freelancing platforms. How does platform sourcing fit into your current human resource strategy and portfolio of sourcing solutions, and how can you organize for a scalable sourcing process?
- Reflect upon your adoption model—are you adopting platforms to alleviate localized pain points or do you seek a new enterprise-wide solution for sourcing work externally? Is the aim to allow individual hiring managers to complement their teams with freelancers on an on-demand basis, or is there potential for deeper strategic adoption?
- Explore how you can allow department managers and their teams to experiment with platform sourcing. Creating a space for experimentation allows for new practices to emerge, and which can create the necessary fit with your company culture. It can also bring to the surface potential challenges and obstacles to wider adoption. Viewing platform adoption as innovation may help to anticipate some of the challenges that enterprises may need to address when considering platform sourcing.
- Be intentional in developing a strategy for introducing platform sourcing into other parts of the enterprise as well as developing appropriate infrastructures to organize the platform sourcing process.
- Consider the quantity and quality of training available to members to use platform sourcing and make it work for their teams.

## Recommendations for platforms

- Consider how enterprise offerings can be customized and made compatible with the existing sociotechnical infrastructures of enterprises.
- Consider ways of supporting enterprise pilot programmes. Introducing a new channel alongside established agencies and vendor management systems (VMS) requires substantial time and financial investments from enterprises. Are there ways of allowing managers to experience some of the benefits of working with the platform prior to concluding a complex contracting process?
- Consider ways of supporting enterprises in educating their members about platform sourcing and working with freelancers online. One of the key challenges that enterprises face is getting their members to think differently about the organization of work. Are there ways in which platforms can support the training and education of enterprise employees about the possibilities of sourcing work through platforms and how they can organize and manage work processes with freelancers?
- Consider developing a playbook for enterprise hiring managers to educate and support their teams in the adoption and implementation of platform sourcing. Also, is it possible to train employees—or perhaps attract a group of freelancers—that can assist enterprise hiring managers in learning about platform sourcing and the online freelancing process?
- Consider how to support the creation of sustainable ecosystems around platforms. Such ecosystems should make online freelancing one of many attractive and sustainable career opportunities for skilled workers, and an attractive and sustainable organizational model for enterprises.

## Recommendations for future research

- More research is needed on how enterprises build a strategy around platform sourcing. How does the success or failure at implementing platform sourcing in one team or category spread through organizations? How can enterprises move from localized to enterprise-wide adoption?
- Do we see industry-specific models emerging in the ways enterprises adopt and use platforms as part of their sourcing strategies?
- At the micro-level, more is to be learned about the specific organizational processes and practices that enterprises develop for working with freelancers hired through online platforms. In particular, further research is necessary to understand how the work of freelancers can be aligned with the work of in-house employees. The micro-level issues around platform sourcing are partly similar but partly very different from conventional outsourcing and non-standard employment.
- Platform sourcing blurs and reconfigures traditional distinctions between hiring and procurement, staffing and sourcing, firm and market, technology and labour. So, too, must researchers dare to step across boundaries and integrate different perspectives, ranging from labour and industrial relations to technology management, supply chains and innovation research.
- New approaches are especially needed for understanding platform ecosystems and their managerial and policy implications.

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