

HOW IR35 IS SHARPENING SOURCING STRATEGY IN CHANGE

Is dealing with the looming IR35 legislation changes simply about re-contracting contingent labour onto an 'employed' basis? Well, no. Any organisation adopting this approach risks being left behind by the market. More enterprising competitors are using IR35 as a trigger to adopt a more strategic approach to sourcing the expertise they need to manage and deliver change.

Here's what they are doing. Are you?

THE BASIC IR35 CHALLENGE

IR35 presents both a cost and risk challenge to the delivery of change. From a financial perspective, the imminent change in legislation due in April 2021, requires businesses to change the contracting basis with contingent labour, to protect themselves from the risk of tax liabilities.

Equally, IR35 significantly increases the delivery risk around major programmes and projects. Key team members could choose to leave, and key skills could be harder to source creating disruption, delays and ultimately further cost exposure.

Over the last few months, these threats have prompted many organisations to undertake reviews of their contracted workforce and implement new measures to mitigate the challenges.

Furthermore, whilst the current COVID-19 pandemic had caused the implementation of IR35 to be postponed for 12 months, if companies didn't take action before, by asking suppliers for IR35 indemnities, they need to do so now.

So, what are they doing to get ready?

THE DRIVERS OF CHANGE — IR35 PLUS

Dig a little deeper into the reasons why many organisations are reviewing their sourcing strategies and you find a number of other drivers for change – not just IR35:

- Concerns over the variable quality of contract resources. Sure, there are many excellent freelancers in the market, but also a significant volume of less dynamic individuals who require significant direction from their customer to deliver the right outcomes and add real value
- Frustration over the overhead costs of selecting quality contractors, overseeing contracts, swapping out underperforming individuals or dealing with the aftermath when a key contractor serves notice
- Dissatisfaction over the absence of any coherent top-down sourcing strategy, instead of, resulting in a crowded and unregulated supplier landscape
- Concerns over the commercial set-up of supplier contracts, with too many "time and materials" arrangements that leave the customer holding all the commercial risk.

So, how are new sourcing approaches responding to these challenges?

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NEW SOURCING STRATEGIES FOR CHANGE

Organisations are therefore using IR35 as a prompt to take a step back from their historic sourcing approaches and adopt a more strategic approach.

In doing so, they are typically adopting a three-step approach.

1. Developing a change capability strategy

Essentially, this entails identifying the change skills that are core to the business, driving excellence in change and ultimately business differentiation. Examples include programme leadership, business change, architecture oversight or IT infrastructure management.

It also involves assessing the volatility of demand for these key skills. Consistent levels of demand enables talent to be recruited with confidence, as resources will be fully utilised. More volatile demand means that such skills will need to be sourced on a flexible basis.

The objective in all this is that important 'core' change skills need to be recruited or sourced through trusted change partners who provide reliable quality. 'Non-core' skills are less important to retain internally and can be sourced in the market through flexible, cost-effective resource augmentation arrangements.

2. Pick the right partner to bolster your core change skills

Ultimately, this is about considering the risks the business owns when managing and delivering change. Common examples of these include:

- Overseeing and optimising the enterprise change portfolio
- Shaping and mobilising key change programmes, setting them up for success
- End-to-end leadership of change programmes
- Owning the overall change solution
- Governing and controlling delivery across all impacted stakeholders, locations, delivery partners etc.
- Directly managing third-parties involved in delivery, e.g. System Integrators
- Driving business change and benefits realisation
- Directing the development of in-house change capability.

Key change skills are needed to cover each of these areas, so the right partner must demonstrate they can source the required talent, whilst providing the necessary IR35 indemnities.

Businesses also need to find partner organisations with whom they can strike long-term, trusted relationships – essential for the core services being provided. This means partners who will:

- Deal with you candidly, with no hidden agendas
- Fit in easily with the business culture and act as role models
- Take proper ownership for their services and the change outcomes to be delivered
- Assure their work, quickly course-correcting assignments, should the need arise
- Actively support the development of customer change capability
- Keep commercials simple and effective
- Be easy and fun to work with.

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3. Create the right commercial framework

The change partner relationship needs to be underpinned by a commercial framework that supports the objectives of the partnership itself.

Typically, this entails:

- Straightforward agreements that can be accessed easily and scaled quickly
- Win-win commercials that work for both parties, e.g. discounted rates for greater volume of services
- Options to flex commercials based on the context of the assignment, e.g. fixed price, time and materials, fees at risk
- Clear and regular governance of demand and supply for services.

IN SUMMARY

Leading organisations are using IR35 as an opportunity to completely reset their sourcing strategy for change management and delivery. They are implementing third-party partnerships that will give them fast, easy access to the critical change leadership skills that improve their ability to safeguard their key change investments. And in doing so, they are only working with partners who can indemnify them against the costs and risks of IR35.

If this doesn't apply to your organisation, then you may need to rethink your strategy, or risk being left behind by the market.

At Project One, we have over 20 years' experience supporting our customers to achieve their most-critical change and transformation programmes. We operate a fully-employed model and provide our customers with peace of mind by providing an IR35 indemnity. If you'd like to find out more about Project One, please get in touch:

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