andela

White paper

ADAPTIVE HIRING

The Digital Transformation of Talent

The Andela Manifesto for revolutionizing how digital talent is delivered globally to drive digital transformation.

“The rise of remote and hybrid work has created a truly global talent marketplace. Organizations can hire everywhere, and talented people can work anywhere. As a result, organizations across every sector and region struggle to attract and retain talent. Alternative employment options — such as the “gig” economy — are becoming more popular. Hiring, developing and retaining talent ranks first among the top three challenges software engineering leaders face today.”

JEREMY JOHNSON
CO-FOUNDER, ANDELA

How the world changed: The digital transformation revolution

Why is digital transformation so important? The benefits are substantial — increased efficiency, greater business agility and, ultimately, unlocking new value for employees, customers and shareholders. According to McKinsey research, "companies that successfully embrace enterprise agility can improve financial performance by 20–30 percent. This performance is underpinned by a 30–50 percent improvement in operational performance, a customer satisfaction score boost of 10–30 points, and a boost in employee engagement score of 20–30 points. Combined with their existing experience and client base, this enhanced performance, in turn, helps traditional companies catch up and compete effectively with digital disrupters."[1]

Prior to the COVID-19 pandemic, digital transformation largely focused on customer experience. Then, in 2020 everything changed — and accelerated. It became clear that enterprises that thrived had prioritized digital transformation initiatives, with agile and fast-moving organizations faring best. In addition to revenue growth, companies prioritizing digital initiatives ensured business resilience and continuity. Those able to adapt quickly and operate with agility could better endure external headwinds, weathering the global pandemic, geopolitical strife, and economic downturns. Now, digital transformation is the centerpiece of operational efficiency and innovation across the entire enterprise.

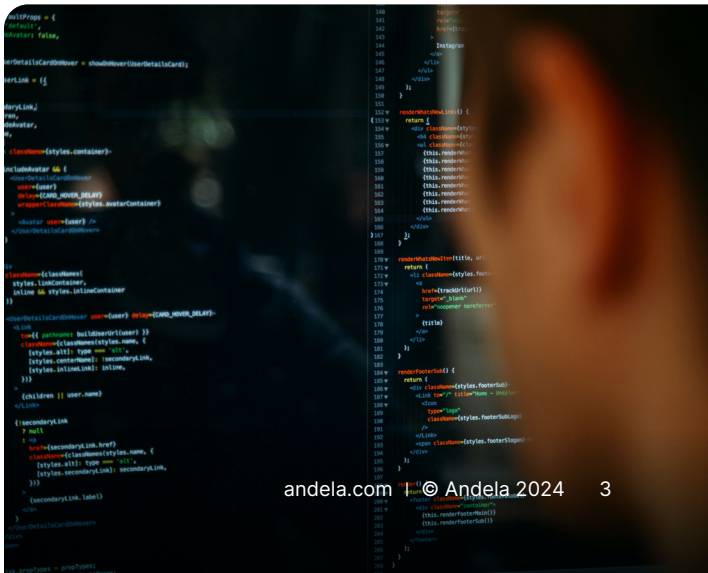
As a result, being digitally fluent has become the key to survival and growth. Today, all organizations are focused on becoming tech companies as they modernize legacy systems, migrate to the more efficient and cost-effective cloud, and build new web and mobile apps to engage their clients online.

This huge spike in digital transformation projects created a surge in demand for digital talent — cloud computing, data and analytics, AI/ML, etc. Nearly all tech leaders today are under pressure to deliver on digital transformation initiatives to drive competitive differentiation and revenue growth and create better customer experiences. This has radically increased demands on technology for speed, flexibility, reliability, security, and value.

The pandemic increased the pace of the shift, creating demand for technical talent that can build and maintain the requisite digital infrastructure. According to CompTIA's State of the Tech Workforce 2024 report, "job posting analysis trending reveals a dip following the hiring frenzy of 2022 before settling into a more normal range. Early Q1 2024 data indicates an uptick as employers re-evaluate hiring plans put on hold and eyeing growth investments requiring new skills and tech talent."

As noted by McKinsey[2], digital means companies must focus on expanding their tech capabilities in seven key areas to keep pace with the new technologies and demands on IT:

- **1. DevOps:** agile product-life-cycle management, scrum management, agile coaching, continuous integration and continuous delivery (CI/CD)
- **2. Cloud:** multi-cloud and hybrid-cloud architecture, smart distribution/metering
- **3. Automation:** cognitive AI, robotic-process-automation (RPA) technologies, AI-enabled analytics
- **4. Data management:** analytics, data science, data engineering, use-case life-cycle management, automated Machine Learning
- **5. Customer experience:** design thinking, user research, journey mapping, test-and-learn at scale, prototyping
- **6. Platforms and products:** product ownership, life-cycle management across platform layers, Industrial Internet of Things (IIoT)
- **7. Cybersecurity and privacy:** data-protection laws and practices, shift-left security



[1] McKinsey, The five core IT shifts of scaled agile organizations, April 15, 2021
[2] McKinsey: How companies can win in the seven tech talent battlegrounds

The core problem: Highly skilled work is not getting done

The rapid increase in demand for high-quality technical talent has created a growing skills gap for the most sought-after skills. With digital transformation such a high priority, the ability to execute has become increasingly challenging. In fact, research shows that when organizations undertake a large-scale transformation, their efforts fail about 70% of the time.[3] The success of these strategic initiatives hinges on several key factors, most importantly having a workforce with the requisite technical skills to power and sustain those projects.

Compounding the problem is that key technology projects — such as strategic initiatives to improve system performance, data and cloud migrations, and business innovation — languish on the backburner. Typically, Chief Information Officers do not look to outsourcing as an option as this work is considered too technical or strategic, requiring in-house oversight. Shifting budget priorities, a lack of the requisite expertise, or just plain inertia have relegated this important work to the “on hold” queue.

Talent transformation and digital transformation are two sides of the same coin — each reinforces the other.[4] What is needed is an agile makeover of how tech teams are built, sustained, and trained. It requires a priority focus on three important characteristics:

01 **Secure high-quality talent regardless of their skill sets or where in the world they come from.**

02 **Hire with speed to get the requisite talent in the seats — hire fast, onboard fast, deploy quickly.**

03 **Ensure flexible talent deployment options across the organization for projects wherever and whenever needed.**

[3] McKinsey, Perspectives on transformation
[4] Forbes, Digital transformation starts with talent transformation

Agile has been applied in many other aspects of business process improvements, and now it is urgently needed in how talent is acquired (hired) and deployed. However, there are a few common problems that impede this:

⚠ LIMITED CAPACITY

It's no secret that we have a talent shortage in the tech field. According to Microsoft, the long-term disconnect between supply and demand for skills in the labor market appears to be driven by three primary factors:

01 The rapid emergence of AI-powered technologies that are propelling a new era of automation

02 The growing need for technological acumen to compete in a changing commercial landscape

03 The drop-off in employer-based training investments over the past two decades

The cost of talent shortages is staggering. Korn Ferry reports that by 2030, more than 85 million jobs will not be filled because there are not enough skilled people to take them.[5] For the tech industry, the labor-skill shortage will reach 4.3 million workers and an unrealized output of $449.70 billion globally.[6]

This gap means strategic initiatives focused on growth and digital transformation will be delayed and go unstaffed. As we consider the magnitude of the problem, it is important to note the possible impact on the technology sector for the US specifically. The US is the undisputed leader in tech, but the talent shortage could erode that lead fast; it could lose out on $162 billion worth of annual revenues in tech alone unless it funds more high-tech workers.[7]

⚠ SKILLS GAPS

The lack of technical talent will seriously impact the adoption of emerging technologies needed for companies to remain competitive. IT executives see the talent shortage as the most significant adoption barrier to 64% of emerging technologies, compared with just 4% in 2020, according to a survey from Gartner. A lack of talent availability was cited far more often than other barriers this year, such as implementation cost (29%) or security risk (7%).[8]

This recognition by IT leaders demonstrates that the skill sets needed to support digital transformation projects are in even higher demand and shorter supply. "Companies are still struggling to find all the digital talent that they need to drive newer, more innovation-focused initiatives," notes an article by Deloitte.[9] Andela's own Technology Skills and Sourcing survey, conducted with Foundry, found the most in-demand skills are core engineering (39%), cloud API (38%), and database (38%). And companies say some of these skills are also the most difficult to source.

In 2024, it's technical skills that count. Widening the talent pool will bring big advantages to organizations. With so many important skills gaps to close, we expect businesses to focus on the skills they need to bring on and develop now, and they will need to take a different approach to find them.

[5] Korn Ferry Report, Korn Ferry: The $8.5 trillion talent shortage
[6] The Financial Times, Tech industry talent shortage could reach $449B globally by 2030, May 2022
[7] Korn Ferry Report
[8] Gartner, Gartner survey reveals talent shortage biggest barrier to emerging tech adoption
[9] Deloitte, Tech talent and skills gap make recruitment difficult, August 2023

⚠ SHIFTING BUDGET PRIORITIES

Last year, Gartner reported that "while CIOs are looking to expand their IT teams, many have faced roadblocks in hiring due to economic conditions. Due to prevailing economic volatility, 41% of CIOs report slow hiring for IT roles, 35% report decreasing overall IT budget and 29% report an IT hiring freeze."[10]

Persistent or worsening economic conditions that started mid-2022 have handcuffed executives in their efforts to hire for important digital projects and skill sets. This uncertainty has created an urgent need for flexibility for labor cost optimization that does not involve FTE hiring.

As tech executives face requests for zero-based budgets, many are putting important infrastructure projects on hold because they cannot staff teams with the right skills to continue the work. These circumstances are expected to be problematic for the balance of 2024 and beyond, requiring executives to turn to talent acquisition strategies that create a variable cost optimization model that offers more flexibility and control.

⚠ DISRUPTIVE NEW TECHNOLOGIES

Digital transformation continues to reshape our expectations of technology. With the acceleration of digital and modern technologies since 2020, the demand for speed, flexibility, reliability, security, and value has intensified. Innovative tools and large language models (LLMs) like Co-Pilot and ChatGPT are making their mark. They can produce highly sophisticated text responses to human prompts and promise to speed up digital transformation. But even before the latest wave of AI advances, most large-scale digital transformation projects failed to deliver value, resulting in wasted resources.

These tools have stirred up the C-suite, even prompting reevaluation of product roadmaps, as executives strive to comprehend and leverage the potential of GenAI.

"Many business leaders, however, lack the digital skills they need to orchestrate digital transformations, leaving many projects without clear business objectives. Little wonder so many fail."

ÖYKÜ IŞIK
PROFESSOR OF DIGITAL STRATEGY AND CYBERSECURITY AT IMD[11]

[10] Gartner, Survey finds 81% of CIOs expect to grow their IT teams in 2023, June 2023

[11] IMD

The consequences of today's dilemma

It's clear that successful digital transformation does not happen without successful talent transformation. To meet your business goals, you need the right people with the right skills at the right time and location. In today's hyper-fast and changing global business environment, talent recruitment, deployment, and training need a modern and adaptive model to bring speed, agility, and greater flexibility to how successful digital teams are built.

But how do we get there? Finding candidates with the required skills, especially for roles involving rapidly evolving technologies, is a major challenge. Here are some of the reasons why:

The hiring process takes too long and is costly

Surveys conducted with our clients show that the process of hiring high-demand tech roles takes up to 12 weeks (three months) or more and comes at the expense of team productivity. Our experience shows that each IT hire consumes $25,000 to $30,000 of the tech team's time during the hiring process.[12]

Since the demand for skilled talent is so high, the hiring process requires looking at more candidates. Many targeted candidates end up taking other positions, increasing pressure to decide on one of the remaining candidates, even though they may not be a top choice.

As a result, important high skill positions go unfilled for many months, disrupting project timelines and deliverables, often requiring a reallocation of developers off other projects to maintain timely delivery of critical product initiatives. This reallocation process causes frustration across all teams and results in a growing backlog of important development projects.

It's expensive to hire the right talent

Tech-related roles have seen significant wage increases, as much as 15–20% higher than pre-COVID levels.[13] The reason for the higher costs is two-fold: the rise in demand due to growth of digital transformation projects, and the talent shortage and skills supply. In North America, hiring an experienced technologist for any of the more sought-after skill sets can be as high as $200,000 salary plus benefits. The competition for the scarce talent is fierce with too many companies chasing too few candidates.

It's also true that paying top dollar does not (necessarily) ensure the best developer for the job. Of all hires across the enterprise, it's hardest to predict the performance of technologists. It's common for a tech talent's likability during interviews to misrepresent their true job competence.

When you find them, they leave too soon

With escalating demand for top talent, we are witnessing job-hopping like never before, where high performers or talent with specific skill sets are routinely enticed by more lucrative opportunities elsewhere. The high demand is causing the best

[12] Forrester Total Economic Impact Study commissioned by Andela, June 2024

[13] Dice, https://www.dice.com/technologists/ebooks/tech-salary-report/salary-trends.html

talent to leave before they have delivered value, sometimes within months of being hired. McKinsey research indicates this is the largest contributor to the high failure rate of digital transformation.

The subsequent costs from hiring mistakes and staff turnover, including locating and training replacements, can amount to six to nine months of a skilled developer's salary of $160,000. That equates to around $80,000 to $120,000 to hire and train a replacement.[14] When we factor in all direct and indirect costs, it can cost the organization 1.5 to two times their compensation.[15]

Aside from the costs noted above, the more detrimental impact is that key infrastructure projects lose momentum, get put on the back burner or are cancelled altogether. In these situations, many organizations are unable to opt for outsourced talent due to the work being too technical or requiring in-house oversight from already strained resources.

It's clear that the scarcity of tech talent is hindering businesses' ability to innovate, develop new products/services, adopt emerging technologies, and complete critical projects, ultimately impacting productivity, competitiveness, and revenue potential.

We have seen these challenges repeatedly with enterprise brands. **Mastercard Foundry**, the innovation engine and hub for new product development at Mastercard, needed to rapidly expand its engineering teams to scale up global products that have shown promise in key markets. However, hiring full-time engineers was challenging due to fluctuating project needs and a lengthy candidate assessment process that took eight to 12 weeks.

Similarly, **GitHub**, the world's largest community of developers, required rapid localization of their platform to reach diverse global markets as part of their international expansion initiatives. To achieve this goal, they needed to establish new teams focused on building localization support; a task that demanded skilled engineers with specialized experience.

To close the technology skills gap, IT leadership needs a new model

Let's face it: the talent shortage and skills gaps are significant and getting worse. Digital transformation has become a competitive necessity that requires rethinking your strategy for hiring technical talent. You need a modern approach for talent transformation that explores entirely new models with high quality, global talent in untapped geographies offering lower costs, faster delivery, and agile talent deployment options. An adaptable, flexible, and diverse tech workforce that can help bridge the talent skills gap and prepare companies for future challenges and opportunities.

Our industry research, which includes hundreds of client conversations, indicates that the new model must address IT organizations' most pressing needs to get those backburner tasks done.

CLIENT NEEDS

Faster way to get projects done with results

- **High quality talent options**
- **Deliver to anywhere from everywhere**
- **When gaps pop up, fill them quickly**
- **Scale, grow, and shrink as needed**
- **Flexible delivery models**

[14] Forrester Total Economic Impact Study commissioned by Andela, June 2024
[15] Leadership Support blog, The real cost of employee turnover, January 27, 2022

The next revolution: Adaptive Hiring – the transformation of digital talent

Because digital transformation is difficult to achieve without talent transformation, acquisition and retention of highly skilled digital talent remains the holy grail of the tech evolution.

"Few executives would debate the importance of talent or the difficulty that many have in attracting and keeping top people. But companies nevertheless aren't treating tech talent with the urgency it demands. Respondents to a recent McKinsey survey report more significant impact from talent transformations than from any other technology-based play. Yet talent transformations are relatively rare."[16]

The 2023 Gartner Board of Directors Survey on Business Strategy in an Uncertain World lists "transforming ways of working and talent strategies" within the top two areas where non-executive boards of directors are willing to take more risks to increase growth and profitability.

At Andela, our clients have adopted an Adaptive Hiring model that enables us to provide the exact high-quality digital talent they need when and where they need it. As a result, key projects are getting done 33% faster and under budget, due to hiring talent 66% quicker. In addition, projects on hold or relegated to the back burner are being prioritized and resourced with the skilled talent required to keep pace with business demands and overcome budget constraints.

What is Adaptive Hiring?

Adaptive Hiring gives technical leaders the agility to secure quality talent with the right skills at the right time — for any business objective or product initiative. It's a transformative approach enabling companies to respond quickly to market changes. This innovative methodology is different from traditional hiring, such as filling FTE roles, outsourcing, or finding freelancers, and focuses on flexible, skills-based hiring for specific project requirements.

Digital talent: from anywhere delivered to everywhere

The post-pandemic workforce is vastly different — remote has become the new normal. With this shift, it is now possible to prioritize skill sets over location to hire the most qualified candidate, regardless of where they live. Our clients have discovered that technical brilliance is borderless. Rather than competing for the same limited, local developer talent, a global approach creates a competitive advantage. Expanding the pool to include untapped markets offers more choice, value, scale, quality, and flexibility.

This approach means IT hiring managers do not sacrifice quality to get the talent they need and can select technologists in geographies and time zones best suited for their global operations and projects. Organizations can staff for a follow-the-sun strategy that increases team productivity while reducing project timelines. Simply put, widening the aperture to consider all candidates with the requisite skills (regardless of location) means faster time-to-hire and accelerated delivery.

Speed to benefit: hire with intelligence

When organizations remove geography from the hiring equation, the talent pool is everywhere, expanding your options exponentially. Couple Andela's large global talent marketplace with an intelligent talent cloud that leverages artificial intelligence and machine learning (AI/ML) and organizations can find the best developers far more quickly to rapidly fill roles for critical skills to keep important projects moving forward. In particular, the recruiting and screening stages are streamlined with the organization free from having to create job listings and reach out and sort through candidates.

Our dynamic "decision engine" learns from thousands of touchpoints across the hiring journey to pinpoint the best engineers for the roles and skills required. Advanced matching algorithms assess a broad data set including skills, experience, title, geography, work preferences, language proficiency, candidate interactions, client feedback, and more. Not only is it mathematically impossible for a single human to evaluate so much data at speed and scale, but these algorithms also assess talent without the unconscious bias of humans. With an intelligent talent cloud, qualified candidates are surfaced based on merit and how well their skills and experience match the role requirements.

Agile deployment: Increase workforce agility

With rapidly changing business requirements, IT hiring managers need a more flexible and agile approach to staffing so they can work the way they want. An adaptive delivery approach focused on onboarding talent in days not weeks or months means you can accelerate your innovation initiatives and reduce

[16] McKinsey, How companies win in the 7 tech talent battlegrounds

backlog by onboarding fully certified, ready-to-go talent when and where you need it. An agile, responsive model ensures you have the right expertise at the right time to drive immediate impact and results.

Scale to meet demand

The ability to navigate changing priorities challenges organizations to staff their teams effectively while meeting project timelines. Adaptive Hiring allows organizations to pivot quickly to adjust in lean times and scale rapidly in periods of heavy investment to manage through ambiguity. This creates competitive advantage because IT leaders can optimize their hiring budgets without impacting project timelines. As business priorities change, project staffing priorities can shift in lock step.

Cost optimization

With the continued economic uncertainty, the pressure has increased for CIOs to justify spending especially for tech talent. Stewart Buchanan, VP analyst at Gartner stated that, “Ten or 15 years ago, the complaint was that IT costs are fixed so you can’t do anything. The challenge now is to unfix those costs, embrace variability and move to a more flexible spending model.”

As IT executives face requests for zero-based budgets, many are seeking to mitigate the risk of FTEs with contractors and create a variable cost model that offers more flexibility and control. This automated and streamlined approach reduces friction in the hiring process and allows you to pay only for the skills required when and where they are needed. The benefit is significant labor costs savings compared to fixed, in-house hiring making it easier to adjust as priorities

From rigid to resilient – the shift to Adaptive Hiring

TRADITIONAL HIRING	✦ ADAPTIVE HIRING
Mostly Local Limits hiring pool and diversity of ideas	**Borderless** Larger hiring pool and more diversity
12+ Weeks Lack of global network and matching tech	**48 Hours** Global network and tech powers fast hiring
Lagging ROI Slow onboarding periods for new talent	**Quick ROI** Talent onboards in days, not months
Limited Scalability MSA limits ability to scale up and down	**Maximum Scalability** Scale up and down with business demands
High Turnover Highly-skilled talent turnover up by 30%	**Low Turnover** Talent retention is 25% higher

Real world examples

Companies like GitHub, Mastercard Foundry, and Mindshare have adopted a more distributed workforce model to match their global expansion.

mastercard

Expanding Mastercard Foundry into new products

App Development • Data Science

Mastercard Foundry partnered with Andela to expand its engineering teams and scale products. Over four years, Andela led key projects focused on financial inclusion, helping Mastercard speed up commercially viable products on a global scale.

"When we get a profile, we know that they're already vetted for the skills we're looking for."

EDWIN KADUKI
DIRECTOR OF SOFTWARE ENGINEERING

70% Faster to hire than traditional methods

10 Engineers from Andela's global marketplace

4yrs Engagement featuring new initiatives

MINDSHARE

Leveraging predictive analytics to optimize global ad spend

Cloud & DevOps • Data Science

WPP's Mindshare partnered with Andela to grow its data science and engineering team for Synapse, a global marketing analytics platform. Andela quickly provided digital experts to help Mindshare expand Synapse's capabilities and reach.

"Andela is a good partner in helping us identify the right talent that is fit for different purposes."

IKECHI OKORONKWO
HEAD OF BUSINESS INTELLIGENCE

67% More productive than traditional hiring

8 Engineers from Andela's global marketplace

3yrs Engagement featuring new initiatives

GitHub

Rapid localization to reach diverse global markets

Data Science & AI • App Development

GitHub partnered with Andela to rapidly scale its engineering team and accelerate localization efforts for emerging markets. GitHub was able to assemble a specialized team with deep platform knowledge and expertise in Ruby localization support.

"Andela is tapping into an emerging market that people have not paid attention to."

DANA LAWSON
VP OF ENGINEERING

50% Cost savings compared to full-time hiring

20+ Engineers from Andela's global marketplace

5yrs Engagement featuring new initiatives

By working with Andela, you have a partner that bridges the skills gap, offering cost-effective access to a global pool of skilled professionals, with the agility to scale teams, drive innovation, and integrate seamlessly into your existing workflows. Andela Talent Cloud unlocks Adaptive Hiring — providing unprecedented access to global talent and tools to quickly source, qualify, and scale teams up and down.

Conclusion

Adaptive Hiring is a new way to get work done. By bringing agile principles to technical hiring, it's possible to secure quality talent with the right skills at the right time — for any business objective or project. Reimagine your tech hiring strategy today and adopt the Adaptive Hiring approach necessary to transform your business.

To learn more about Adaptive Hiring and how Andela's human + AI approach can help you deliver on key projects, **contact us** today.

Here are the results you can expect to receive from Adaptive Hiring

Validated by Forrester Consulting[17]

Accelerated time to hire talent by 66%

- Saves 106 hours on hiring efforts per talent brought onboard.
- 2,000 hours saved in year 1 and over 5,200 hours by year 3.

Accelerated timelines and high-quality work results in additional revenue

- Scale up talent quickly, leading to a 33% acceleration in project timelines.
- Faster time to market and reduced rework due to Andela's high-quality talent.

Avoided compliance infraction risk

- Andela handles contractor paperwork and legal compliance, reducing the organization's risk of misclassifying employees and avoiding significant fines.

Avoided $300,000 costs for replacing talent

- By using Andela's talent, the organization avoids turnover-related costs such as loss of knowledge, training, and productivity.
- Estimated turnover cost avoidance of $300,000 per employee.

Recognized cost savings of 40% per talent hired from Andela

- Talent from Andela is 40% more cost-efficient than hiring independently.
- Allows the addition of more workers within budget constraints, helping meet project delivery goals.

[17] Forrester Total Economic Impact Study commissioned by Andela, June 2024