

# Workforce Planning

Making organizations more agile

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**I**N TODAY'S business environment, the ability to rapidly adapt to market shifts can be a key differentiator. Through workforce planning, an organization can anticipate changes in both the marketplace and the workforce, and mobilize appropriate resources. A disciplined approach to this process gives an organization the ability to change more quickly than its competitors and to more effectively maximize its return on investments in talent. As a result, workforce planning can be the difference between a successful business offering and a missed opportunity.

Many organizations take a limited view of workforce planning. For example, many companies see it as a process by which the business tells HR how many people it needs to hire, and HR figures out a plan to hire them. While certainly a necessary part of the process, this limited view robs the organization of the strategic value that well-executed workforce planning can provide.

This article outlines the key elements of effective workforce planning and gives an overview of how to make workforce planning a foundation for strategy achievement.

### Workforce Planning: definition

Workforce planning is the purposeful process by which an organization determines the future human resource requirements needed to achieve its strategic objectives. It requires an analysis of numerous factors, including current staff, long- and short-term needs and weaknesses in the talent pool. It also calls for a detailed understanding of the skills of the workforce and advanced decision support tools to help maximize the organization's talent pool. Its purview is the entire breadth and depth of an organization. Companies that maintain an effective workforce planning process

understand the capabilities and trends in the marketplace and can use that knowledge to make effective decisions about the talent pool.

World-class organizations are continuously executing workforce planning. The purpose of workforce planning is to enable the organization to meet its strategic objectives within the horizon of the strategic planning process. It lays the groundwork for prudent use of assets. As such, it is not a static process that takes place once a year, but rather a dynamic activity that responds to changes in the business and the environment.

### Workforce Planning: process model

The workforce planning model begins with three inputs: marketplace forces, workforce demographics and the company's strategic plan. Once these inputs are obtained, the HR team translates the business objectives into organizational capabilities, competencies and/or directional statements. Gaps between current and required future states are identified. Once the plan is created, it is communicated to the organization and used as a basis to provide feedback to the workforce planning and strategic planning processes (see Figure 1).

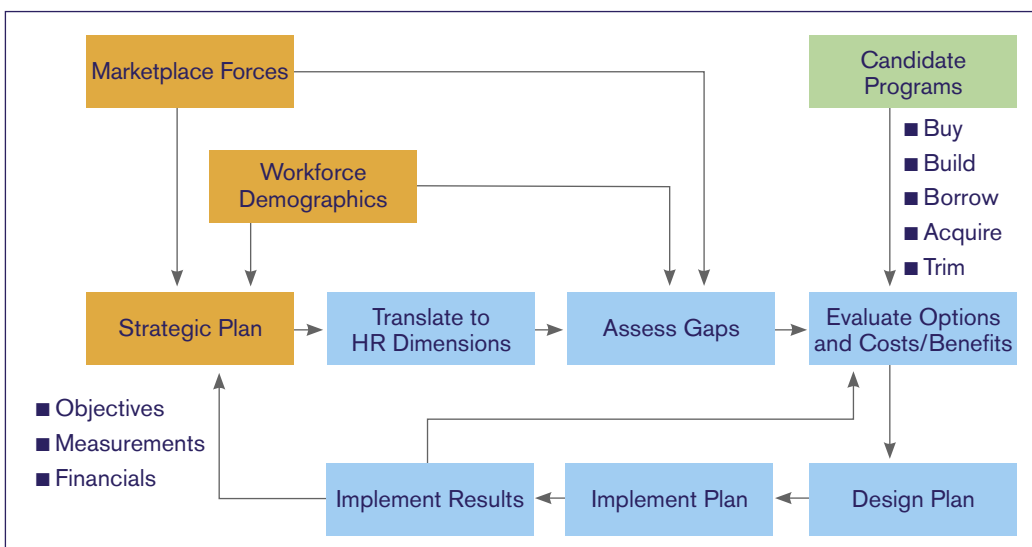
### Inputs to the Workforce Planning process

One of the most important inputs is the environment in which the business operates. Specifically, the workforce planning team must understand the marketplace forces that affect the organization. This includes labor pools; the competition for talent in critical locations (which may be different from the competition for products and services); the location of potential talent; local economic indicators (such as unemployment figures) in places where the company does

business; and the rate of new business growth in the relevant communities. In addition, an analysis of data related to the reputation of the organization, the perception of the company in the community and the relative importance of talent in the company's industry can be valuable.

When initiating workforce planning, an organization must take stock of its current workforce. Demographics (and not just data related to equal opportunity rules) need to be collected. To effectively execute a

**Figure 1: Workforce Planning corporate process**



workforce planning process, organizations need to know:

- Labor cost
- Location
- Skills/competencies
- Attrition. This includes information about voluntary and managed attrition.
- Dynamics history. This includes past data that describe elements such as employee turnover, hiring rates and types, and level of resource action activity.

Strategic planning output may take the form of specific business objectives or critical success factors that the company must execute in the next period, or it may be a higher-level blueprint. It is important to assess the affordability of options. The best strategies for filling talent gaps are useless if there is no money to fund them or if funding them takes resources away from other critical business investments. The practical nature of workforce planning requires a forward,

### Translating into HR dimensions

The first step of workforce planning is to translate the business objectives in the organization's strategic plan into HR dimensions. HR dimensions are strategic human-capital-related areas of focus, such as organizational capabilities, competencies and directional statements. HR leaders must consider the HR implications of executing each business objective and the capabilities necessary to support achieving the objective. Of course, this is not a process that HR undertakes alone. Once an HR dimension is identified, the workforce planning team must test the connection between having a particular capability and achieving a certain business objective.

For the process to truly work, the HR implications of the strategy must be understood. This includes the impact on headcount, labor cost, skills and locations. Analysis will determine which metrics support all the objectives and which support only some.

Cross-functional discussions about the link between talent and achieving objectives are crucial. For example, the company's strategy may call for an increased presence in the Asian marketplace. The HR leader, using the cross-functional workforce planning team, could translate that objective into expanding headcount throughout Asia. However, the workforce planning team must also be aware of potential conflicts in metrics.

Using the example above, a metric to assess the proposed expansion might be total workforce headcount. However, if the overall workforce is being reduced, this metric would not be appropriate because it would not indicate the success of the Asian expansion. The planning team or HR leader would need to identify a metric that accurately assesses the success or failure of the increased presence in Asia.

### Assessing gaps

The second step calls for a gap analysis. This includes a comparison of what the organization has with what it needs to meet the strategic objectives. In this step, the team balances long- and short-term needs by using the strategic plan as a guide.

The types of questions that should be addressed in this step are:

- Will structure changes better allow the organization to achieve its goals?
- Where are more people needed? Fewer?
- Which skills are lacking? In surplus? (a skills inventory)
- Will the tools used in the past support the future direction? Will the tools needed to support the strategy require new skills?
- How expensive will the change be?
- In which skills/location, etc., is the organization investing? Which areas should it de-emphasize?
- What are the critical positions? Where are the retention risks?

### Evaluating options

The third step is to determine which HR initiatives and programs are the best fit for the organization, which most effectively address gaps, and which have the most positive impact on the strategic plan. The workforce planning team needs to identify alternatives that will enable the organization to gain the necessary talent within the specific time frame to achieve the strategic objectives. To accomplish this, the team first inspects the overall mechanisms to change the workforce (see Figure 2). Selected methods for closing talent gaps should fit the organization's culture, marketplace, strategy and values.

Figure 2: Mechanisms to change the workforce

■ Buy - recruit & hire talent
■ Build - develop & promote talent from within the organization
■ Borrow - contact for talent
■ Acquire - purchase entire companies that contain needed talent
■ Trim - reduce number of employees

Next, each initiative must be evaluated on cost, benefit and value. The team should create budgets for each option, evaluate opportunity costs, determine capacity requirements and test affordability. Achievable options should be closely associated with financial goals and/or the organization's budget. The impact on the current organization also is taken into account.

### Designing the Workforce Plan

The fourth step is to determine and design the workforce plan itself. Plans vary from organization to organization but

# “ Effective workforce planning can mean the difference between average performance and market leadership ”

generally include many of the following elements:

- Links to business objectives
- Program/initiative description
- Timing of work efforts
- Targets and/or milestones
- Metrics
- Workforce dynamics forecast
- Workforce statics forecast
- Plan update process
- Feedback process
- Risks and contingencies

The goal of the workforce plan is to articulate what will be done, when and by whom. Since many stakeholders are involved, it is important to identify the owners of programs or tasks.

## Implementing the Workforce Plan

The fifth step is to implement the workforce plan. This includes communicating the plan across the organization, rolling it out and monitoring the status of the implementation.

In an organization with an ongoing focus on workforce planning, training the management team is straightforward. But in an organization new to this process, the task is complex. In the end, managers are the ones who determine the success or failure of any workforce plan, so this step is critical. Too many organizations assume the appropriate management capability and are disappointed in their workforce planning results.

## Interpreting results

The sixth and final step is to monitor results of the implementation and to assess their impact on the organization's workforce and strategic plans. Progress against the plan should be measured and reported regularly, this involves understanding the mechanism for tracking progress against workforce plan initiatives as well as updating and resetting the forecasts when necessary.

Depending on the difference between the strategy and the results, HR leaders should analyze why the organization fell short (or overachieved), understand the impact on the overall business and determine further actions. Depending on how much the plan has diverged from its original intent, HR leaders may need to update the workforce plan or even provide feedback on the corporate strategic planning process.

## Linking to other talent processes

Orchestrating all the talent management elements drives the effectiveness of HR programs and determines HR's ability

to support the organization's strategic objectives. Workforce planning influences all the other talent management processes, and these processes influence the plan itself. An organization must understand the impact its workforce planning process and plan have on recruiting, performance management, succession planning, scheduling/assignment, learning and development, and career development.

Many organizations fail in this area. Talent management processes disconnected from the workforce planning process are similar to strategic initiatives disconnected from the strategic plan – results will not align with where the company needs to go. Full integration of processes throughout the workforce planning and employment life cycle is critical but difficult to achieve. In most organizations, these processes have long been disconnected, and often HR does not have the tools to achieve full integration.

In such cases, robust talent management systems can provide a significant advantage. These systems not only help manage individual talent management processes, they also help integrate them into a comprehensive workforce planning framework.

## Conclusion

An effective workforce planning process is more than a few discussions about what the company will need in the future. It is a blueprint of how to put in place the kind of workforce the company needs, it sets out the structure, preparation and teamwork that will require. Companies that have adopted a disciplined approach to workforce planning have improved their readiness for change and their ability to respond to market shifts. These companies also better anticipate the needs of their business, their marketplace and their workforce.

HR leaders who provide a powerful, positive impact on corporate objectives see workforce planning as a key lever. Understanding the workforce, laying out a plan of action and implementing the workforce plan better enables the HR team, and the organization overall, to achieve the organization's strategic objectives. Effective workforce planning can mean the difference between average performance and market leadership. **W**



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