Workforce planning boosts productivity and efficiency

By Kennedy Information. An aging workforce and an emerging "baby boom" retirement wave are driving more companies toward "strategic workforce planning,"

The Conference Board reports in a new study, Strategic Workforce Planning: Forecasting Human Capital Needs to Execute Business Strategy. Strategic workforce planning involves analyzing and forecasting the talent that companies need to execute their business strategy.

This management process is increasingly used to control labor costs, assess talent needs, make informed business decisions, and to assess human-capital needs and risks as part of overall enterprise risk management. Strategic workforce planning is aimed at helping companies make sure they have the right people in the right place at the right time and at the right price.

Other forces driving strategic workforce planning include: current movement and projected labor shortages; globalization; the growing use of contingent, flexible workers; the need to leverage human capital to enhance return; mergers and acquisitions; and the evolution of workplace technology and tools.

"In many companies, traditional workforce planning is an onerous process that HR imposed on management," says Mary B. Young, senior research associate, The Conference Board, and author of the report. "Too often, the net result is a humongous report, blinding spreadsheets, and a dizzying amount of data that provides very little value to the business."

Methodology is rapidly advancing in response to changing business needs, and new tools and technology. Some organizations have enhanced the simple gap analysis (workforce demand versus supply) that constitutes traditional workforce planning, the study finds, by adopting the logic and analytical tools of other corporate functions, such as finance, strategic planning, risk management, and marketing.

But the crux of strategic workforce planning is conversation and the inquiry process rather than spreadsheets and number crunching. To engage senior executives in workforce planning, the process must focus on understanding the strategic business plan and its broad implications for the company's workforce. Establishing consistent, organization-wide data is a prerequisite to winning executives' confidence in strategic workforce planning's results.

"Strategic workforce planning enables the organization to slice-and-dice its workforce data to discover critical issues, compare different groups, understand patterns and trends, home in on critical segments of the workforce such as mature workers and top performers, and customize its approach to managing different segments of its workforce," says Young. "By enabling leaders to see across lines of business, workforce planning can leverage talent within a company. Ultimately, the same workforce planning database tools will enable employees to shop for new jobs, assess their own developmental needs, and prepare for career moves inside the organization."

How Five Major Firms Do It

The traditional approach to workforce planning analyzes supply/demand gaps and creates a plan to address future staffing needs. Providence Health System uses this method.

The workforce analytics approach mines current and historical employee data to identify key relationships among variables and between workforce and business data. Dow Chemical has favored this approach throughout the 10-year evolution of its workforce planning process.

The forecasting and scenario modeling approach uses data to create forecasts incorporating multiple what-if scenarios, which enable executives to evaluate strategic options. A “major bank” described in the study can decide where to locate a new call center based, in part, on this kind of analysis and forecasting.

Human capital planning - as used by Corning - segments jobs based on their “mission-criticality,” and makes different levels of workforce investment in each segment. It focuses on broad trends over a three to four year period, rather than a precise headcount and near-term plans.

Hewlett-Packard and IBM are two companies committed to relying on strategic workforce planning that is customized to the specific conditions and needs of each company.

“While no organization claims to have achieved it yet, many believe that the ultimate payoff from strategic workforce planning will be a vibrant, internal job market that transcends the boundaries between business units and geographies,” concludes Young. “The company will be able to mine employee data to locate talent anywhere in the organization, woo passive job candidates, and find the best use for each employee.”

Workforce Planning Paybacks

Most companies are still in the process of fully implementing strategic workforce planning or realizing its ultimate potential. Yet even organizations that say they’re “not there yet,” report that strategic workforce planning is already delivering value by:

- Generating insights and knowledge executives can use to make business decisions.
- Providing a deeper and more nuanced understanding of workforce dynamics than was previously available.
- Enabling organizations to manage human capital more efficiently, for example, by evaluating the long-term impacts of various staffing options and creating a stronger internal job market.
- Enabling HR to realize its long-held desire to become a player and a valued contributor to high level business strategy decisions.

Source: The Conference Board