Strategic Workforce Planning

Agenda

- What is Strategic Workforce Planning?
- Why do we need Strategic Workforce Planning?
- The evolution of Strategic Workforce Planning
- Practical framework to mitigate workforce risk and deal with the challenges of change
- Challenges of implementation
- Building a business case

What is Strategic Workforce Planning?

- People support most of the strategic capabilities and people have the skills needed to deploy the strategy

‘People make the strategy happen’

- Strategic workforce planning is the practice of mapping an organization’s people strategy with its business strategy so they work in sync.

Two Critical Advantages

- It helps leaders understand whether they have or can obtain the workforce to execute their business strategy.

- It also assists HR leaders in reorganizing, shaping, and deploying the workforce to deliver on their companies’ business objectives.
Why do we need Strategic Workforce Planning?

What Does the Future Hold?

Will They Stay or Will They Go?

Increasing Importance to organizations

- **Workforce Demographics**
  - Loss of "baby boomers" from the workforce and lower birth rate means the workforce will decline by 29% by 2050

- **Changing Career Patterns**
  - Traditional retirement in the early sixties has been replaced to an undefined retirement age
  - Expectations of greater job fulfilment, flexible employment patterns are majorly shifting career paths
Strategic Workforce Planning

Did you know?

60% of the jobs in the 21st century require skills possessed by 20% of the workforce.

Increasing Importance to organizations

- Current and Projected Labour Shortages
  - Despite investment in higher education, there are significant skills gaps in scientific, technical, engineering and maths disciplines.
  - Some 80 per cent of the talent gap in organizations stem from a lack of appropriately qualified candidates.

Increasing Importance to organizations

- Globalization/Flexible Workforce
  - As the mix of employment arrangements becomes more diverse, managing these relationships and evaluating the costs and benefits of different staffing scenarios becomes important.
  - Many company’s businesses shift to emerging markets, which means employers must weigh the costs and benefits of shifting their workforce to these locations.

Increasing Importance to organizations

- Mergers and Acquisitions
  - As the result of a merger or acquisition, companies need to assess gaps and redundancies and expand their talent management strategy.

Increasing Importance to organizations

- Evolution of Technology and Tools
  - As technology becomes more sophisticated, and organizations succeed in integrating their IT systems and databases, they reach a higher plane of possibility, for example: workforce analytics, metrics.

Increasing Importance to organizations

- Plan for Uncertainties and Anticipating Change
  - Companies will need to adapt, so they can keep the business running smoothly with one hand, while preparing for a different future with the other.
    - Political uncertainties
    - Regulatory changes
    - Economic conditions
    - Market/Industry changes

The Evolution of Strategic Workforce Planning
Strategic Workforce Planning

Evolution of Workforce Planning

Headcount Planning
- Workforce analysis is on internal factors only
  - e.g., supply/demand gaps
- Assumption that a stable environment exists
- Business decisions made at this stage exposes a larger amount of risk
- Forward looking time plan is very short
  - e.g., recruitment plans to address gaps
- No linkage to the business strategy

Evolution of Workforce Planning

Workforce Analytics
- Focus on internal trend analysis
  - e.g., metrics, relationships among key variables
- Measures of turnover, engagement and performance review data to determine upward/downward trends
- May include data from Finance department
- Data examined is longer term and both present/past
- No linkage to the business strategy

Evolution of Workforce Planning

Workforce Planning
- Both internal trends and external factors are considered for impact on labour
- May include data from Risk Management or Budgeting department
- Begin to focus on predictive capabilities, creating forecasts incorporating multiple ‘what if’ scenarios (Forecasting and Scenario Modeling)
- Still disconnected from business strategy

Evolution of Workforce Planning

Strategic Workforce Planning
- Identifies roles that have greatest impact on business objectives
- May include data from Marketing department
- Aim to protect and develop those skills to ensure a pipeline for future (hard to fill or skills that take a long time to develop)
- Business strategy drives business objectives

State of Workforce Planning

- SWP remains in its infancy in many organizations and those leading the workforce planning function have realized that it is a journey of several years both in execution and leadership adoption

A Practical Framework for Strategic Workforce Planning
Strategic Workforce Planning

Building a Framework

- When developing the framework for your organization's strategic workforce plan, there is no 'one' official framework.
- The framework can be quite simple. Complexity is added when you try to execute each of the steps within the existing framework of your business.
- Most planning is structured as a 3-5 year plan.
- Plan length varies by market instability, industry maturity, technology adoption, business growth, etc.

Strategic Workforce Planning Framework

1. Determine roles of interest
2. Establish the current state and analyze historical trends
3. Determine desired forecasting scenarios
4. Perform gap assessments (in headcount and skills)
5. Establish action plans

Step 1: Roles of Interest

- Focus on roles that yield the most value (which ones are critical or pivotal to the company?)
- Assess the roles and not the people in the roles.
- Classification of roles can be impacted by corporate culture.
  - For example:
    - Silos = all roles are important
    - Difficult financial times = nervous
- May be easier to explain "looking" at roles tied to the execution of the business strategy in the next 3-5 years.

2x2 Grid Method

- Importance to the Business
- Difficulty to Obtain

<table>
<thead>
<tr>
<th>Strategic HR</th>
<th>Tactical HR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitors in same area</td>
<td>Across organization boundaries</td>
</tr>
<tr>
<td>University produces graduates in field</td>
<td>Adapts to changing circumstances</td>
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Segmentation

<table>
<thead>
<tr>
<th>Role Category</th>
<th>Drives strategy</th>
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</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Directly supports strategic core</td>
</tr>
<tr>
<td>Core</td>
<td>Needs to be in place to move forward</td>
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<tr>
<td>Supportive</td>
<td>Redeploy</td>
</tr>
<tr>
<td>Misaligned</td>
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</tbody>
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Differentiated Workforce

1. Assess the Strategic Choice
   - How will we compete?
2. Identify Strategic Capabilities
   - What must we do exceptionally well to win?
3. Identify Strategic Positions
   - Is there significant amount of variability in the performance levels of employees in these roles?
4. Identify behaviours to classify employees as A,B,C
   - Remove C's from A roles, place A's in A roles, set development targets for B's in A roles.
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Step 2: Current State and Historical Trend
- Create a master list of significant past events
- Determine impact of events on critical roles identified (added or subtracted from headcount)
  - e.g., acquisition, restructuring, outsourcing, economic decline forcing a hold off of retirement plans, added new skill set requirements to the role, could link to turnover
- Typically, 3-5 year timeline

Step 3: Forecasting Scenarios
- Run scenarios of the future, focused on critical roles identified
- SWOT analysis can be useful
- Determine scenarios with internal customers
  - e.g., factors affecting the business may already have been analyzed to determine strategic objectives or financial plans
- If HR tries to develop these scenarios on their own, they are less likely to be viewed as credible

Step 4: Gap Assessment
- Headcount gap – determine internal supply
  - Natural attrition rates (approx. 5-year trend)
  - Retirement predictions
  - Internal career moves
  - Acquisitions, consolidations and opening new locations
  - Revenue growth/decline, efficiency gains (redundant talent)
- Competencies gap
  - Skills/competencies of today and tomorrow

Step 5: Action Plans
- Identify who is impacted by the scenario outcomes and create an action plan for each
  - Recruitment team, training group, IT department for computer/software needs, finance budgeting, benefits group for financial/administrative impact
- Establish costs associated with each action plan
  - Implementation cost vs. more than a one-time cost
  - e.g., Hire from outside or train staff, cost of loyalty of remaining staff if termination vs. retraining
- Identify risks of action plan
  - If it’s cheaper to buy talent, is talent available?

Challenges to Successful Planning
- Strategic Workforce Planning is Complex
  - A workforce does not behave in linear fashion; it flows as people are promoted or transferred, take sabbaticals, resign, and retire
- Business Conditions Change Swiftly
  - HR strategies also must be reviewed and updated regularly to account for opportunities and threats as they arise
- Lack of Resources
  - Collecting information is an ongoing activity and can take several years to see results

What are the challenges of implementing a Strategic Workforce Plan?
Strategic Workforce Planning

Challenges to Successful Planning

- **Technologies**
  - Inconsistent numbers can destroy strategic workforce planning’s credibility. Technology is needed to establish consistent, organization-wide data collection.

- **Environment**
  - Developing sound models and proving their reliability is more difficult in business units or functions where headcount and turnover rates are lower.

- **Strategic HR Partner**
  - Identifying business strategies: It’s here that HR develops or deepens understanding of the business plans, and helps the business leader think through the people impacts.

Building a Business Case

What’s the Rationale?

- Aging demographics is probably the number one justification for workforce planning today.
- Business units are more able and willing to work with HR to identify specific roles that, if left unfilled, could damage the organization’s bottom line and simultaneously deliver greater returns if properly filled.
- Large mature organizations may have areas of growth and areas of decline – a need to gain efficiencies to maintain profitability.
- Growth modes and releasing talent on downturns – savings on shortages and surpluses.

Tie to the Business Plan

- Learn the business logic.
- The forecasted economic conditions.
- The impact of possible political uncertainties and elections.
- Market and industry conditions.
- Changing technologies.
- Possible changes in regulations.

How does it deliver value?

- Supports the budgeting process.
- Supports the strategic/business planning process.
- Acts as a mechanism for identifying critical roles.
- Identifies shortage of qualified talent to fill critical roles.
- Serves as a mechanism for identifying critical talent.
- Identifies skills gaps in the workforce.

54% of organizations have recruiting as one of their top three priorities.

47% of organizations have goal and performance management as the next priority.

PwC Annual HR Technology Survey

40% of organizations have goal and performance management as the next priority.

39% of organizations have recruiting as one of their top three priorities.

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7 Tips for SWP Leaders

1. Build a business case to convince importance to the company’s future over other initiatives

2. People doing SWP work are typically one level below the people who support and fund the concept, find allies in functions outside of HR

3. Leaders may not know what they need. Logic first, numbers later

4. Build on previous success, such as succession planning, or pilot SWP in select business units

5. Establish definitive and consistent data that will be used company wide

6. Create a common language to describe competencies, jobs and other workforce data

7. Ensure that data is updated regularly

“Bringing together the right information with the right people will dramatically improve a company’s ability to develop and act on strategic business opportunities.”

—Bill Gates, former chief executive and current chairman of Microsoft

Summary

- Be proactive of right people, right place, right time and cost
- Determine critical roles
- Establish the current state and analyze historical trends
- Determine desired forecasting scenarios
- Perform gap assessments (in headcount and skills)
- Establish action plans
- Build your case