



INSTITUTE
FOR HUMAN
RESOURCES

Workforce Planning Today and Tomorrow

Written by

Dr. Jac Fitz-enz

Sponsored by





INSTITUTE
FOR HUMAN
RESOURCES

IHR Research Paper

Workforce Planning Today and Tomorrow

A Short History	3
Definitions	4
Current State	5
Other Research	7
Risk Management	8
Human Capital Supply Chain	9
Planning Applications and Supports	10
Conclusion	11
Survey Questionnaire	12



INSTITUTE
FOR HUMAN
RESOURCES

Workforce Planning Today and Tomorrow

Strategic Workforce Planning (SWP) or simply Workforce Planning (WP) is somewhat similar to ocean tides. Both come and go. The main difference is that tides are totally predictable. The popularity of SWP waxes and wanes in tune with unexpected or unpredictable market changes. Part of the reason that planning is difficult to launch and maintain is its complexity. Beyond matching future jobs to the business plan, a strategic workforce plan must include tasks such as environmental scanning and capability analysis as well as taking into consideration resource allocation and supply chain management.

A Short History

SWP had its start after WWII. Coming out of the War, American industry took off on what was to be an uninterrupted 20 year run. In 1946 the United States was the only developed country whose manufacturing base had not been bombed to the brink of extinction. Anything we could make we could sell and name our price. In addition, the science of management was just emerging. Prior to the War, a number of books on management theory had been written by Henri Fayol (*Administration Industrielle et Générale*)¹, Frederick Taylor (*Principles of Scientific Management*)², Chester Barnard (*Functions of the Executive*)³. During the War, Peter Drucker published his study of General Motors (*Concept of the Corporation*)⁴ followed by (*The Practice of Management*)⁵. All this, along with prominent research studies such as the Hawthorne Project at Western Electric in 1928-32,⁶ spurred a post war movement to shift management toward a practical model.

Planning grew slowly until the mid-1970s when American industry discovered that in many sectors it was no longer globally competitive. Thereafter, planning was pushed aside as executives concentrated first on survival, namely improving productivity and then quality. Over the next 30 years planning came and went:

- **Mid 1980s** planning reemerged as America came out of stagflation
- **1989** planning sunk by the first round of layoffs that lasted into the mid-1990s
- **1998** the War for Talent drove organizations to plan ahead, but this arrived at the same time as the dot.com and Y2K movements, which again overwhelmed many companies
- **2002** dot.com crashed and slowly planning began to be discussed
- **2007** the credit crunch again stole the spotlight and absorbed management's attention

1 Fayol, Henri, *Administration Industrielle et Générale*, 1916
 2 Taylor, Frederick W., *Principles of Scientific Management*. New York and London, Harper & Brothers, 1911
 3 Barnard, Chester, *The Function of the Executive*, 1938
 4 Drucker, Peter, *Concept of the Corporation*, John Day, 1946
 5 Drucker, Peter, *The Practice of Management*, Harper, 1954
 6 Hawthorne Works, Wikipedia



INSTITUTE
FOR HUMAN
RESOURCES

IHR Research Paper

Workforce Planning Today and Tomorrow

Definitions

It was 2009 before planning resurfaced as a viable topic for more than a very few companies. Today, planning is slowly gaining attention. Because of its inconsistent history, planning is subject to a range of definitions.

HR.com defines it as:

Workforce Planning is the business process for ensuring that an organization has suitable access to talent to ensure future business success.

Access to talent includes considering all potential access sources (employment, contracting out, partnerships, changing business activities to modify the types of talent required, etc.). By talent is meant the skills, knowledge, predisposition and ability to undertake required activities including decisions making.

Strategic Planning considers the business risks concerning insufficient, disrupted, mis-deployed talent on the organization's business priorities. Workforce planning is considered an iterative discipline. The cycle of workforce planning includes filling resource requests, analyzing resource utilization, forecasting capacity, managing and identifying the resources (human) to fill that capacity, and then re-starting the cycle.

CedarCrestone in its annual HR technologies survey looks at planning from a technology perspective describing it as:

- applications to help create planning scenarios that balance acquisition, development and retention to meet current and future strategic need.⁷

Mercer takes a broad view describing it as:

- the business capability to identify, based on business strategy, the supply and demand of roles and capabilities, both currently and in the future to determine optimal solutions to close identified gaps in workforce quantity, quality, timing, cost and location

Outside of business, planning has always been a popular topic. It has attracted the attention of persons as widely different as Scottish poet Robert Burns and American movie maker Woody Allen.

*"But, Mousie, thou art no thy lane,
In proving foresight may be vain:
The best-laid schemes o' mice an' men
Gang aft a-gley,
An' lea'e us nought but grief an' pain,
For promis'd joy!"⁸*

Robert Burns

On a somewhat lighter vein:

*"If you want to make God laugh
tell him about your plans"⁹*

Woody Allen

7 CedarCrestone 2011-2012 HR Systems Survey available at www.cedarcrestone.com/research

8 Burns, Robert, To a Mouse, 1785

9 Allen, Woody, date unknown



Workforce Planning Today and Tomorrow

Current State

In the course of researching this topic, I reviewed related literature and interviewed and surveyed over 30 persons who have significant experience in the planning field. The survey was designed to answer three basic questions. First, what does the expert group see as the central activities in a planning system? That is, what would be an operational example of workforce planning? Second, what are the past and current issues that are inhibiting the development of robust planning systems? Are these legitimate reasons or simply excuses for not trying harder? Third, how do they see the near-term future of this activity? You can view the full survey document in the Appendix.

1. Inclusion in Planning. The first question was:

Realistically, which functions do you include when you think of a fully functioning WFP system?

- Skills inventory/assessment
- Succession planning program
- Analyzing resource utilization
- Supply and demand forecasting
- Risk analysis
- Scheduling
- Turnover analysis
- Workforce analytics
- Scenario modeling
- Gap analysis
- Workforce demographic trends
- Workforce profiling
- Environmental scanning
- Cost analysis

Figure 1 below shows the frequency of occurrence of each function.

Forecasting	20
Workforce analytics	20
Gap analysis	20
Workforce demographic trends	20
Turnover	18
Scenario modeling	17
Environmental scanning	17
Skills inventory/assessment	16
Cost analysis	16
Risk analysis	14
Succession planning program	13
Analyzing resource utilization	13
Workforce profiling	12
Scheduling	4
* 21 respondents	

Figure 1. Frequency of selection



Workforce Planning Today and Tomorrow

2. General Practice. The second through fourth questions were about the state of the art in terms of what percent of the Fortune 1,000 have a fully functioning system. They were divided into three levels as follows:

Fortune 1 to 100 Fortune 101 to 500 Fortune 501 to 1,000

Only three of the respondents believed that as many as 25 percent of the companies in any group were running significant planning programs. The other eighteen raters believed that not more than 10 percent of the companies had significant programs. If further surveys were taken with much larger populations and achieved similar results the picture would be pretty bleak for planning.

3. Focus. Question 5 asked if the planning program emphasis was on filling jobs or generating capabilities.

Overwhelmingly (17 vs. 4) respondents believe that the focus is still on tactical headcount issues such as filling jobs rather than on the more strategic challenge of building long term talent capabilities.

Question 6 was a follow up asking if the respondents had seen many instances of a strategic approach combining human, technology, customer and/or financial modeling. Here, only two persons reported any examples.

4. Examples. Question 7 asked which companies have effective planning programs/ systems.

Thirty-six companies were cited. Those receiving more than one mention included:

General Electric	6
IBM	6
Starbucks	4
Hewlett Packard	4
CH2M Hill	3
3 M	3
US Army	2
Ameriprise	2
Boeing	2
ATK	2

As we would expect, these companies are large and, with the exception of Starbucks, have been around for many decades. Obviously, it takes time and experience with staffing shortages before most companies will commit resources to planning. In the current and foreseeable market short-term ROI is top management's driving decision criterion.

5. Since it is obvious that planning is not viewed by many as a core function, the question is what are the reasons or inhibitors given for not having a robust planning system?



INSTITUTE
FOR HUMAN
RESOURCES

IHR Research Paper

Workforce Planning Today and Tomorrow

Inhibitors most often cited were, in order of frequency:

- Senior management and HR are not strategically committed to human capital management, and related to that: management does not see the payoff
- HR lacks the skills and experience to design and maintain a system
- Budget limitations
- Rate of change and lack of knowledge about the future
- Lack of reliable and valid data

From this we can deduce that talent management, for all its attention, is still not being managed from a long- term, strategic viewpoint.

6. Progress. Ending hopefully on a positive note we asked for signs of progress.

Here the picture brightened slightly. Most of the respondents saw some positive although mixed signs. They noted that lately there are more jobs available for planners, which is a sign of management commitment. Along that line it was claimed that non-HR people are being tapped to fill many of these positions. Personally, I can confirm that. In several instances of advanced programs that I have seen, the leader and some key staff have come from outside of HR. Conversely, some respondents stated that a slow but gradual appreciation for talent as a competitive advantage is emerging. Supporting these trends is an increase in resource commitment including budgets. The introduction of predictive analytics and improved software also was mentioned by some. Finally, service providers are bringing to market more new planning related offerings than in the past.

Other Research

CedarCrestone conducts an annual survey of HR systems adoption and deployment for over 40 HR technologies. The 2011 report covered 700 respondents worldwide. From this it was learned that workforce analytics adoption is at a 25 percent level, workforce planning adoption is at 15% and predictive analytics is still below 10%.

The study also showed that early adopters of emerging technologies outperform those without the technologies. Where financial data was available, the early adopters outperformed in sales growth, net income growth, revenue per employee and profit per employee.

On the so-called soft side of management Sharkey and Eccher reported in *Optimizing Talent*¹⁰ that companies who have a structured commitment to optimizing talent are twice as likely to be listed as a best place to work and 2.5 times more likely to be on the most admired companies list.

Although the picture is rather bleak for those who do not plan, as a whole there are signs of awareness and some commitment. When vendors start introducing more products on a topic that is usually a sign that they see a shift in a positive direction. They don't commit resources to issues in which they do not see near-term potential sales.

¹⁰ Sharkey, Linda & Eccher, Paul, *Optimizing Talent*, Information Age Publishing, Charlotte, NC, 2011



INSTITUTE
FOR HUMAN
RESOURCES

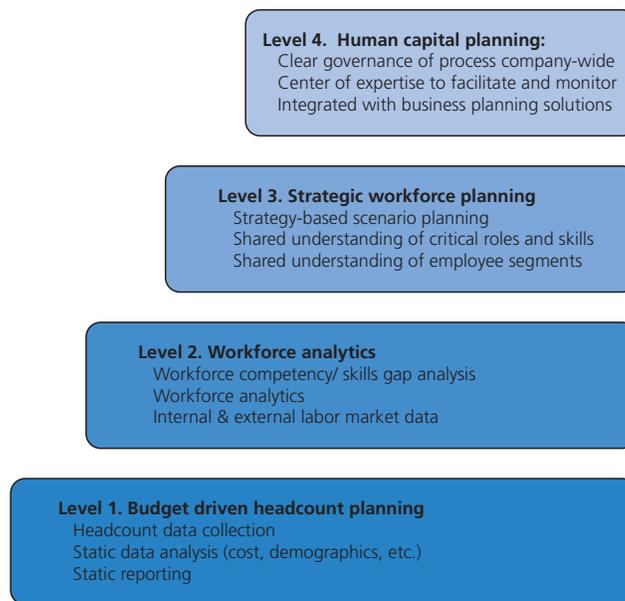
Workforce Planning Today and Tomorrow

Risk Management

However you choose to look at it, planning is an exercise in risk management. The goal of planning is to reduce future uncertainty by providing optimal solutions around talent management. The ways to do that are many and varied. All of them require the collection, organization and analysis of qualitative and quantitative data.

Although the view is toward the future, we also have to include data about the past and present. We must determine how powerfully a past trend will influence the future. We know that in today's changeable market the past is not a precursor of the future. Nonetheless, the present will affect the future in some way.

Consultancy firm Mercer suggests four levels of workforce planning maturity. Each requires the inclusion of more data to lessen the risk and increase the return. The levels are shown in Figure 2 below.



Source: Mercer/The Conference Board, 2002-2010

Figure 2. Maturity of workforce planning

Computer technology and statistical methodologies allow us to manipulate large data bases for the purpose of prediction. Although technology and statistics are powerful tools we cannot forget that planning is a questioning exercise.

Planning's Antecedents

Before we commit to technology we need to have the clearest possible view of the marketplace. All true plans must start with an examination of the external marketplace as well as a review of internal factors. Externally, every facet of the market is scanned. Beyond labor demographics, the global economy, industry trends and technology among other forces come under scrutiny. Internally, the mission, initiatives, finances, processes and leadership are key factors that will influence the realization of future plans.



Workforce Planning Today and Tomorrow

All forces and factors should be viewed through three interlocking lenses: human, structural and relational capital. Human capital is the employee base. Structural capital includes the physical things the organization owns. Relational capital is comprised of the outside stakeholders such as customers, suppliers, competitors, regulators and the communities in which we operate. Changes in any one of the three have the potential to affect the other two.

The result of this analysis allows us to make judgments about our future capabilities. It does no good to develop a strategic workforce plan that we cannot execute. Part of that ability is the way in which we will manage the human capital supply chain.

Human Capital Supply Chain Management

Planning and supply chain management (SCM) naturally go together. The workforce plan is the base of the human capital supply chain. The five phases of supply chain management are as applicable to human capital as to any other material or goods that will flow through the enterprise. They are:

<u>SCM</u>	<u>Human Capital</u>
1. Production.....	Labor Acquisition
2. Inventory.....	Current Workforce
3. Location.....	Job/Work Sites
4. Transportation.....	Hiring Process
5. Information	Decision Data

The thought of people in a supply chain is dehumanizing except that HCSCM acknowledges that while material is uniform, people are unique. The application of SCM concepts to manufacturing in the 1980s resulted in a substantial reduction in cost of goods while simultaneously improving quality. With the massive, disruptive layoffs of the past two decades and the resulting scarcity of qualified talent today, it is clear that we need to improve our sourcing, selecting and hiring methodologies.

Workforce planning and SCM are inherently interwoven whether we recognize it or not. The WFP tells the supply chain system what to deliver, when to deliver it and where to deliver it. People or talent is a resource just like material and equipment. Production buys futures contracts to reduce risk. What does HR do to reduce risk?

Those who wait for something to happen and then try to fill the need are doomed to always be chasing the competition. Top talent is a scarce resource. It is a mathematical truism that everyone cannot be above average. In any population the better people constitute about one third. The best are only about 10 percent of the total. The better and the best are in high demand.

Effective planning and supply chain management should produce the best available when they are needed at a reasonable cost.



INSTITUTE
FOR HUMAN
RESOURCES

Workforce Planning Today and Tomorrow

How to Do it. In their book *Human Capital Supply Chains*,¹¹ Giehill and Moss provide a rationale and model for linking the two processes. Figure 3 is a graphic of a holistic HCSCM process.



Source: Human Capital Supply Chains

Figure 3. Holistic HCSCM Process

Planning Applications and Supports

Clearly, strategic workforce planning must connect with the enterprise's strategic business plan. Many organizations have separate units devoted to long-term planning apart from annual budgeting. A problem follows wherein long-term planning for business or the workforce is not linked to near-term resource allocations. Progress on major initiatives is usually judged on a quarterly basis not on their effects on strategic goals. This can happen when workforce plans do not have metrics upon which to evaluate strategic impact.

In short, consolidated planning and target-setting enables the enterprise to:

- Quantify its long term objectives in terms of both revenue and expense
- Identify requirements and provide resources dedicated to achieving the objectives
- Establish short-term milestones for the financial and nonfinancial targets.

Since the purpose of planning is to facilitate both human and financial growth. The workforce plan should have a set of metrics to assess progress. Human resources has made strides in recent years to develop analytic tools around sourcing and selection as well as around learning and development. Examples of these are Wentworth's consultative sourcing analysis tools and the learning and development metrics program spearheaded by KnowledgeAdvisors.

¹¹ Giehill, Tim & Moss, Sara, *Human Capital Supply Chains*, Mill City Press, 2011



INSTITUTE
FOR HUMAN
RESOURCES

Workforce Planning Today and Tomorrow

Conclusion

Strategic Workforce Planning has established a small but significant foothold in a growing number of companies. The components of an SWP are not universally recognized as yet, however there is movement toward an acceptable definition. Planning is an essential part of any organization seeking competitive advantage. In spite of and because of the tremendous changes impacting our companies, we must develop analytic management methods.

Still, the most important part of any planning and management system is the set of seminal questions that form the basis for all future deliberations. In *The Five Most Important Questions You Will Ever Ask About Your Organization*¹² Peter Drucker provided that base. They are:

1. What is our mission?
2. Who is our customer?
3. What does the customer value?
4. What are our results?
5. What is our plan?

This small paperback book goes on to lay out the issues under question 5 about the plan. They are:

- What lessons have we learned and what will we recommend?
- Where should we focus our efforts?
- What, if anything, should we do differently?
- What is our plan to achieve results for the organization?
- What is my plan to achieve results for my group or area of responsibility?

¹² Drucker, Peter, et al, *The Five Most Important Questions You Will Ever Ask About Your Organization*, Leader to Leader Institute, Jossey-Bass, 2008



Workforce Planning Today and Tomorrow

Workforce Planning

Given your knowledge and experience in workforce planning please share your beliefs around issues such as What does it include, Who is doing it well, What is the difference between a fully functioning WFP system and a "fill the jobs" function, etc.. Anything you would like to add or refer me to for further research I will be pleased to have. Thanks for your support.

1. Realistically, which functions do you include when you think of a fully functional WFP system?

- | | |
|---|---|
| <input type="checkbox"/> skills inventory/assessment | <input type="checkbox"/> workforce analytics |
| <input type="checkbox"/> succession planning program | <input type="checkbox"/> scenario modeling |
| <input type="checkbox"/> analyzing resource utilization | <input type="checkbox"/> gap analysis |
| <input type="checkbox"/> supply and demand forecasting | <input type="checkbox"/> workforce demographic trends |
| <input type="checkbox"/> risk analysis | <input type="checkbox"/> workforce profiling |
| <input type="checkbox"/> scheduling | <input type="checkbox"/> environmental scanning |
| <input type="checkbox"/> turnover analysis | <input type="checkbox"/> cost analysis |
| <input type="checkbox"/> others _____ | |

2. What percent of the Fortune 100 have a fully functioning system? _____%

3. What percent of the Fortune 101 to 500 have such a system? _____%

4. What percent of the Fortune 501 to 1,000 have such a system? _____%

5. In most programs do you see an emphasis on filling jobs vs. developing capabilities?

- yes _____
- no _____

6. Which companies, in your opinion, have effective planning programs/systems?

7. What are the reasons / inhibitors given or observed for not having a robust planning system?

8. What signs of progress do you see?

Reply to: source@netgate.net or call 408 223 7750 with questions or ideas