BEST PRACTICE REPORT

Time To Take Workforce Planning Seriously

You Have A Vested Interest In Workforce Planning; Start By Understanding It Better

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Summary

Workforce planning is — or could be — the lifeblood of any organization, but few leaders see its value, often because they aren't creating that value in the first place. Reeling from recent volatility in the labor market, leaders must take workforce planning seriously and actively engage with their HR and finance partners to create an adaptive workforce strategy. Read this report to learn how to move beyond traditional workforce planning and reap the rewards of workforce planning done right.

First, The Workforce Planning Basics

Workforce planning is more than a plan: It is the translation of business strategy into people strategy. It's about making sure you have the right workers by your side to achieve your strategic goals and deliver your critical capabilities. Those workers may be temporary or permanent, newly hired or homegrown, as well as machines or people. Forrester defines workforce planning as:

The process for identifying and addressing the gaps between an organization's current workforce and the one it needs to achieve its goals.

The Three Typical Types Of Workforce Planning

Organizations typically do three types of workforce planning in ascending timescale and complexity:

- **Tactical.** Included as part of the typical workforce management process, this daily, weekly, or monthly act of assigning, allocating, and scheduling the workforce meets customer demand in the near term.
- **Operational.** Typically aligning with annual budget cycles, this practice of assessing talent needs for the coming year should support a strategic workforce plan and trajectory while making sure functional leaders have the headcount they need at the right price.
- **Strategic.** Here leaders assess long-term goals and resulting talent needs through multiple scenarios, addressing questions about critical roles, talent availability, new markets, competitive advantage, and external disruptions. The time span of strategic workforce planning varies widely across industries as well as company size and complexity.

What Data You Need To Do Workforce Planning

To inform workforce plans — especially when doing strategic workforce planning — organizations need a plethora of data to build their supply and demand assumptions and scenarios as well as evaluate their workforce strategy options:

- **Know your current workforce supply.** Building on the foundational data about roles, costs, compensation, diversity, location, capacity, attrition, succession, and productivity, leaders need to factor in more talent intelligence (e.g., skills, engagement, wellness, interests, and career aspirations).
- **Clarify and anticipate demand.** Leaders need data about the work to be done now and in the future. After leaders have a detailed understanding of current work,

they need to triangulate that with organizational plans like new product launches, M&A, and external forces like potential market shifts and competitor moves.

- **Evaluate your external labor supply.** To get a sense of labor costs to meet future demands, leaders need a full picture of all their untapped talent pools (including automation), costs, locations, and availability.
- **Enrich the data with more data.** The richer the data set is, the more accurate scenario models will be. Organizations must project all of the above data into the future, along with benchmarks, key performance indicators, and growth goals to make sure their plan moves them in the right direction. The more data you have on the table, the easier it is to choose how to balance costs and outcomes.

Workforce Planning Takes Six Steps And Leads To Four Planning Strategies

With the right data in place, workforce planning follows a six-step cyclical process that goes from strategy formation to execution and measurement of solutions (see Figure 1). In the solution step, organizations choose how to close their workforce gaps with any or all of four workforce planning strategies that detail exactly how an organization plans to deliver that workforce (see Figure 2):

- **Buy.** This most obvious way to close workforce gaps involves hiring full-time talent.
- **Build.** This strategy closes gaps by relying on current employees whom the organization has upskilled or reskilled for new roles or responsibilities.
- **Borrow.** Your organization may also close capability gaps with the help of nonpermanent on-demand labor of contingent workers, partners, and consultants.
- **Bot.** Surprising to some, this newest entrant in total workforce planning entails identifying work for robots and automation.

Figure 1

Workforce Planning

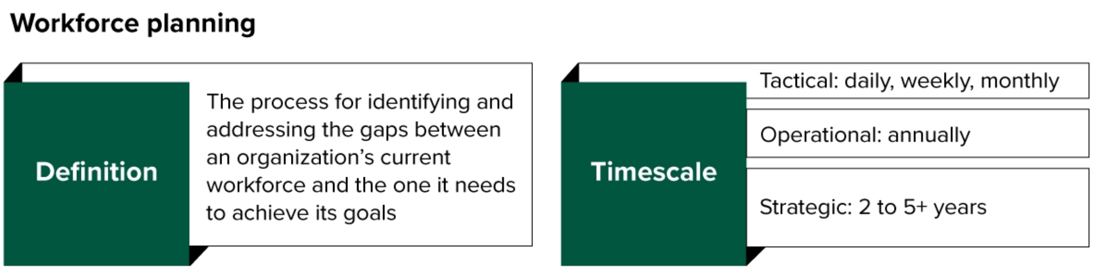

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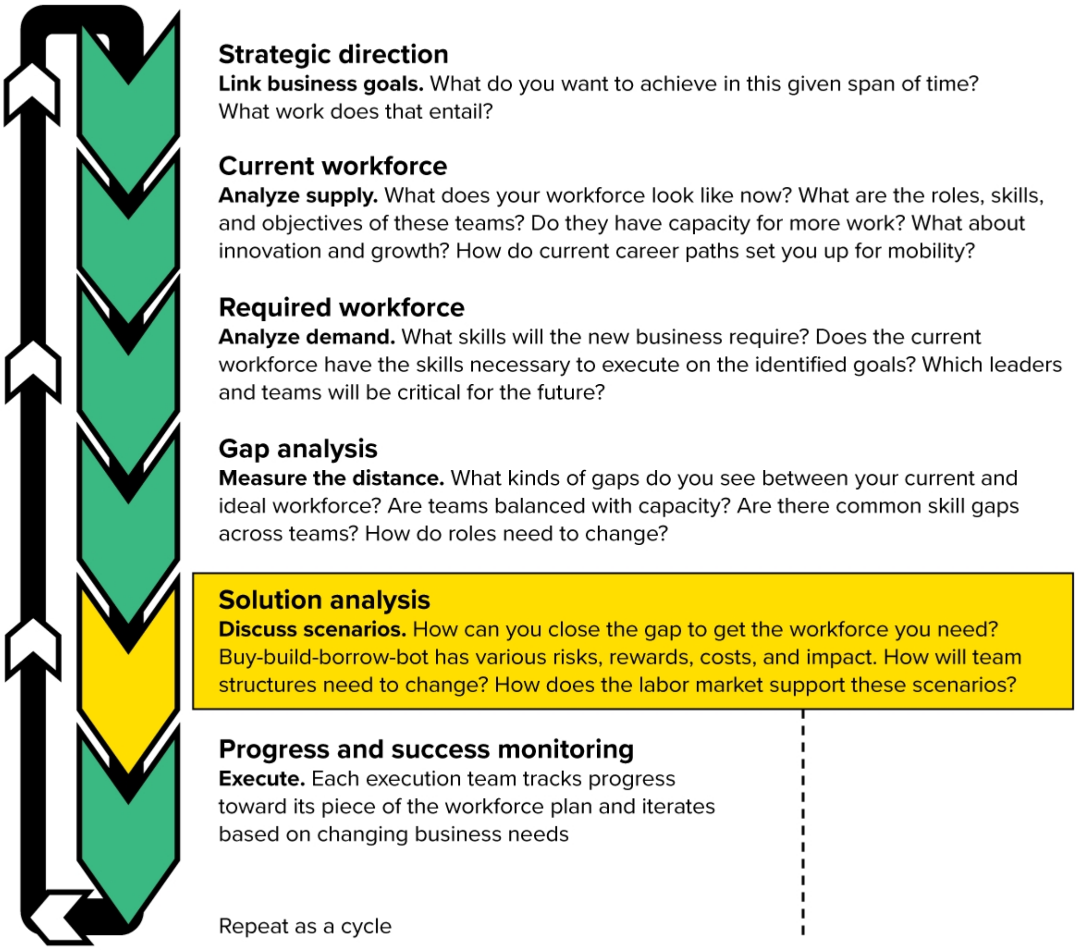
Figure 2

Workforce Planning Process And Strategies



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Buy	Build	Borrow	Bot
Owner: recruiters **Action:** Attract, source, and hire talent. **Key questions:** Should we hire internally or externally? What is the cost, time to hire, and availability of talent? Will that match our plans? How do our recruitment strategies need to change?	**Owner:** learning and development, business leaders **Action:** Develop and support upskilling or reskilling programs. **Key questions:** How much will it cost to upskill or reskill? How much time will it take? What will that mean for managers to be responsible for their development? How will it change our workforce mix to have people at sub-100% productivity and skills proficiency?	**Owner:** procurement, HR, or business leaders **Action:** Engage with sources of temporary labor. **Key questions:** What work is highly variable? Which work has relied on borrowed labor, which will need to change, and vice versa?	**Owner:** IT **Action:** Set up automation or technology outsourcing. **Key questions:** What work can easily automate, thus freeing time and capacity? How would that change the work that people are doing? What new skills or roles will this entail?

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Workforce Planning Could Do So Much More For You Than It Currently Does

Workforce planning has never been more important than today, and not just because of the pandemic's mayhem in the labor market and headline-grabbing tech layoffs. The surge of Boomers on the precipice of retiring, the disruptive pace of change in every industry, and the decreasing half-life of skills all signal huge talent-market changes that will cause another crisis for unprepared leaders. Deloitte reports that 64% of executives said they need to be able to deal with multiple, albeit unlikely, high-impact events going forward, compared with just 29% prepandemic. Workforce planning done well engages leaders in these what-if scenarios (see Figure 2). This helps leaders navigate the volatility, uncertainty, complexity, and ambiguity with an adaptive organization, thereby:

- **Building competitive advantage.** When you don't address the gap between the key business capabilities you deliver now and those you will in the future, you risk making workforce plans based on the past. Don't just make incremental adjustments like, "Increase output by 10%." Think strategically about how you can improve your talent development, recruitment, and automation strategies to better compete for talent and disrupt the market with innovation.

- **Reducing volatility, cost, and risk.** Workforce plans allow leaders to anticipate what talent they will need while managing cost, effort, risk, and disruption. Without a total workforce plan, an organization may overspend by trying to hire 200 data scientists over two years instead of considering a two-year development track for internal employees who have expressed an interest in those positions.
- **Improving employee experience.** Workforce planning maps out the organization, focuses on skill gaps or open roles, and identifies critical roles and talent. Armed with data and insights from workforce planning, leaders and managers can create career paths, talent pools, retention programs for critical talent, and targeted skills development programs. They can also rebalance teams who are overcapacity and under-capacity, all in service of keeping the organization flexible while benefiting employees.
- **Anticipating and making room for surprises.** Effective workforce plans identify likely talent surprises (both positive and negative). What you need is a burstable workforce strategy, with flexible components like upskilling and reskilling, a contingent workforce, outsourcing, automation, and robotics. A more adaptive workforce plan allows an organization to pivot its workforce around changing market conditions without high-risk and high-cost actions like hire-and-fire.
- **Redesigning your workforce.** Workforce planning provides the high-elevation, data-rich view of your workforce you need to think creatively about how work gets done. If you've dreamed about enabling dynamic teams, increasing talent mobility, and even deconstructing jobs, those workforce planning innovations are only successful when connected to organizational outcomes and goals.

You Probably Suspect That Your Current Approach Isn't Going To Cut It

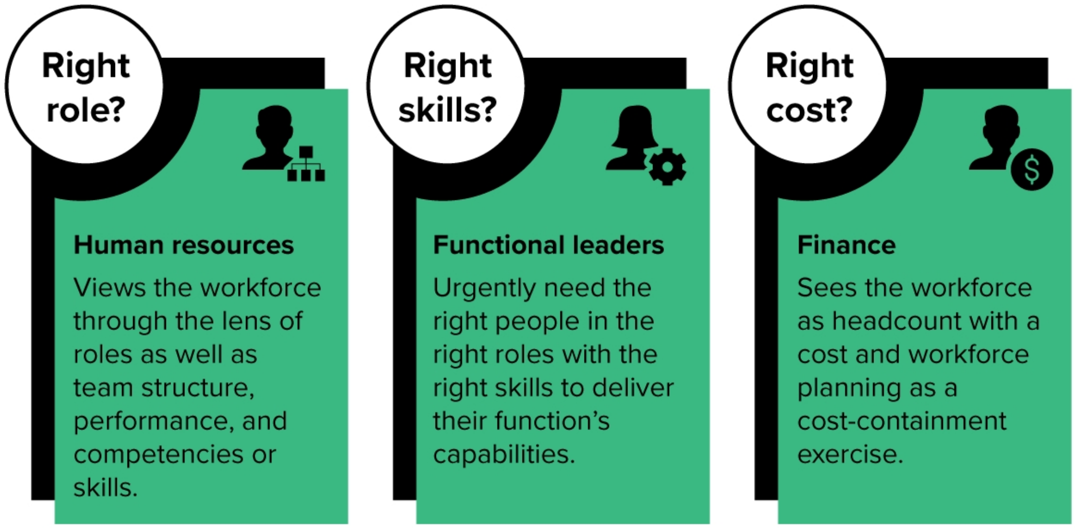
Over time, strategic workforce planning has become an academic exercise, disconnected from and dismissed by the business, and operational workforce planning has deteriorated into predictable conversations about incremental headcount cost. At best, it's a check-the-box exercise; at worst, it's a waste of time, energy, and money. Google "workforce planning," and you'll find an overwhelming number of results about why it fails and what leaders get wrong. It's not surprising that fewer than 20% of leaders believe they are effective at strategic workforce planning. Here are the top reasons workforce planning fails to prove its value:

- **Competing stakeholders.** Dissimilar views, priorities, and even languages among the main stakeholders of the process doom workforce planning (see Figure 3). Finance wants to consider scenarios based on containing headcount costs, forcing HR to grapple with the Sisyphean task of quantifying the value of human capital beyond, "Worker X makes Y widgets." Functional leaders just want to get the people they need to deliver on business capabilities, while worrying about skills gaps and losing their competitive edge.

- **Lack of proximity to the business.** It is well documented that human capital has a major impact on financial performance. However, most HR professionals cannot articulate which human capital actions drive financial performance in their organizations. This lack of clarity and acumen around the work to be done and the ROI of human capital investments drives a downward spiral for workforce planning: When HR can't bring value to the table, functional leaders refuse to participate, and the whole process dies.
- **Not enough (accurate) data.** Leaders are not using enough data to inform their workforce strategies, nor are they confident about the data they are using. The lack of external data about talent and skill availability and cost, geographic risk analysis, and market forecasts as well as internal data like work-volume drivers, employee skills, career paths, succession plans, performance, and capacity cripples the accuracy and efficacy of workforce planning.
- **Overreliance on known talent pools.** When a gap analysis identifies a lack of skills or roles to achieve future objectives, leaders tend to resort to using traditional solutions: hiring for them, using trusted (and expensive) freelancers, or tapping already-stretched team members. If leaders take a step back and consider what alternative talent pools and invisible resources they have and what they need to build now for the future, they can mitigate the stress and cost of overpaying for talent.
- **Unmonitored workforce plans.** A perfect workforce plan is impossible due to the dynamism of the market and talent. A set-it-and-forget-it approach will not work for today's pace of change, so organizations must continuously track and adjust workforce plans. As i4cp reports, 63% of high-performing organizations don't evaluate the success of their workforce plans, leaving a lot of room for improvement.

Figure 3

Competing Stakeholders Approach Workforce Planning With Different Views And Needs



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Make These Investments To Improve Your Workforce Planning Approach

Take these steps to improve workforce planning, both your experience of going through the process and the reward you reap when you're in its virtuous cycle. What needs to improve is expansive: getting major stakeholders on the same page, using tools to facilitate objectives, and improving your assumptions, scenarios, and outcomes with data. Get these right, and you'll start seeing major returns, like these organizations (see Figure 4).

- **Technology.** When organizations run the workforce planning process on spreadsheets or outsource it to consultancies, they doom this strategic capability to underdevelopment, high cost, and irrelevance. With 80% of software decision-makers reporting that they have already adopted or will adopt workforce analytics and planning software, the future of this critical exercise is bright. Using software to support workforce planning resolves so much frustration endemic to the process. Using a platform or software-as-a-service tool enables data flow, analysis, collaboration, skill-building, and continuous monitoring.
- **Continuous planning and tracking.** Facilitated by technology, continuous tracking translates the plan into a living document. Tracking actuals versus forecasts builds

internal teams' skills around planning and helps them iterate or change course when assumptions change. In essence, this continuous monitoring supports an adaptive organization, which recognizes its workforce and market conditions as dynamic.

- **Stakeholder collaboration and knowledge sharing.** Workforce planning is the intersection of very different views of the organization. To steward this complex and essential process, HR, finance, and functional heads need to work together to build a holistic view. Each function should get the full picture of labor market dynamics, skills adjacencies, recruiting, upskilling/reskilling processes, capacity planning, headcount cost, risk, talent mobility, career paths, and succession planning. Balancing knowledge and skills across these major constituents will build trust, align priorities, and elevate this activity beyond an annual exercise of headcount cost.
- **More and better data.** Organizations already want to infuse workforce planning with skills data and work value (strategic versus operational versus tactical), alongside internal and external demand and supply forecasts. With the explosion of employee data in the enterprise, consider using productivity and performance goals and achievements, career path aspirations, as well as engagement data to enrich planning assumptions, along with data about capacity and type of work from work management platforms such as ServiceNow or Jira to enrich workforce forecasts and monitor accuracy.

Figure 4

Learn From Successful Upgrades In Workforce Planning

Company	What it did
Henry Ford Health	The healthcare organization spun up a cross-training strategy at the height of the pandemic to make sure it had enough staff to cover the new influx of patients. It is building on that strategy to make sure it has a flexible and mobile workforce to deploy when the next crisis strikes.
PepsiCo	The large FMCG overhauled its strategic workforce planning practices, including the language it used with stakeholders, when and how it brought in department leaders, the data it used to inform its analysis, and a global plan that includes local needs.
ProRail	The operator of the Dutch railway system coupled a strategic workforce planning activity with its digital transformation strategy. It discovered how natural attrition and targeted upskilling programs supported its needs to keep costs down.
Britam	The financial services company invested in technology to improve its workforce planning data analysis to understand key roles, find better ways to allocate work, and streamline bloated workloads and backlogs.

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