



What Makes Workforce Planning Hot, Hot, Hot?

By Dr. Mary B. Young, The Conference Board

Mention workforce planning to any veteran of corporate life in the 1980s and they're likely to respond with either a yawn or a very loud groan. They tell you that workforce planning was a lot more trouble than it was worth. Business units slogged through the exercise because HR said they had to. The payoff? Head count data that sat in fat binders, immediately outdated and rarely used.

That was the horse-and-buggy days of workforce planning. Today's version is more like the Jetsons.

If You Build It, They Will Come

With the advent of ERPs, integrated databases, and powerful data-mining tools, workforce planning is quickly becoming the new "it" capability, especially for large companies with dispersed workforces. In 2003, three McKinsey consultants predicted that just as technology had transformed Marketing into Customer Relationship Management, and inventory and procurement into Supply Chain Management, so, too, would technology transform HR into human capital management.¹

This prediction has proved true, although this new capability has become better known as Strategic Workforce Planning (SWP). Since 2005, SWP has become one of the hottest topics among The Conference Board's nearly 2,000 member companies. The demand for information about how to implement SWP, how to engage business leaders in the

process, and how to deploy it across global locations has stayed strong, even in the current economic downturn.

For HRIS professionals, SWP presents huge opportunities and interesting challenges. Yet SWP is much more than a "techie" solution. In fact, many companies get started using Excel spreadsheets and homegrown reporting tools. Technology is an enabler of SWP, but not the solution. It takes a multi-functional team, including folks from HR, HRIS, Corporate Planning, Finance, and the business, to overcome the initial hurdles.² Change-management skills are essential.

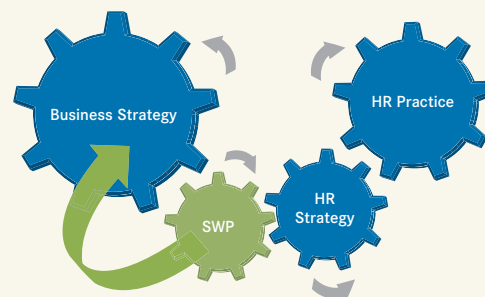
How Strategic Workforce Planning Works*

Strategic Workforce Planning makes a difference by systematically connecting business strategy to HR strategy, as shown below. Incorporating methods and tools from Finance, Strategic Planning, Operations Research, Supply Chain, Risk Management and other functions, SWP uses data mining and analytics, forecasting, and scenario-modeling to produce *business intelligence*, rather than "just" HR information.

Once SWP has gained credibility and business leaders and line managers are no longer challenging the data ("Where'd you get that number?" and other forms of skeptical tire kicking), then SWP becomes an input to business strategy, rather than simply serving as the translator of business strategy for HR.

The Conference Board Model of Strategic Workforce Planning in Action

As SWP gains credibility and matures, it can become an input to business strategy, rather than simply translating business strategy into HR strategy.



*To see an animated version of this model, go to www.conference-board.org/iswp and click on the link.

Why the Booming Interest in SWP?

Companies turn to SWP to address a host of business challenges:

- **Aging workforce:** When are employees likely to retire (versus become retirement-eligible)? Which roles, func-

tions, business units or locations will be most affected? Which retirements would have the greatest strategic impact? Where are we most vulnerable to knowledge loss?

- **Globalization:** In which countries might local labor supply limit our ability to execute our business plan? What are the trade-offs between options A, B and C based on local labor supply and costs, infrastructure, real estate, government regulations, and so on?
- **Flexible staffing:** What are the costs and benefits if we buy, make, borrow or rent talent?
- **Controlling human capital costs:** What's the ratio of total workforce costs to revenues, operating income or other financial measures? How do these metrics compare across business units and locations? What's the return on our human capital investment?
- **Mergers and acquisitions:** Who are we going to acquire? How/where can we use their workforce? Where will we have gaps or redundancies? Which people can be redeployed to meet unmet needs?
- **Risk management:** A survey by *The Economist* Intelligence Unit asked executives to rank 13 factors based on their potential threat to their company's ability to execute its global strategy. "Human capital risks" ranked first. Asked to rank the same 13 items based on how effectively their companies currently manage each risk, human capital plummeted nearly to the bottom of the list. Only two potential risks scored lower: climate change and global terrorism.³
- **Economic downturn:** How do we meet our strategic business goals with fewer resources, especially people? How do we make better choices than simply "reduce head count by X"? How can we protect our most valuable talent so we're prepared when the economy improves?

Sometimes, the "presenting problem" that gets companies interested in SWP turns out not to be as serious as first thought. A major U.S. utility company, for example, turned to SWP to help manage its approaching retirement wave. Strategic workforce planning revealed the problem to be smaller and more localized than anyone had thought. By that point, the CEO and board had seen the value of SWP, which the company continues to use to tackle other business issues.

While a business challenge is not the only prerequisite for implementing SWP, it is, arguably, the most important one. Without such a burning platform, SWP isn't likely to get very far. It takes too much time and energy for business leaders to engage in SWP simply because HR thinks it's a good idea.

Pay-offs

Companies that *have* invested time and resources to establish SWP as a business process are reaping significant benefits. Strategic workforce planning enables them to:

- **Evaluate strategic business scenarios based on robust models:** For example, SWP can assess the feasibility of entering a new region based on local labor supply and costs, government regulations, and histori-

cal data about productivity, attrition, and so on.

- **Manage human capital risk and its impact on strategy execution:** Looking back on several decades worth of workforce data for the U.S. Army's civilian employees, Dr. Engin Crosby points out that offering early retirement incentives to reduce labor costs wound up backfiring in the long run. It "hollowed out" the workforce, draining the replacement pool for those who would be retiring, and created knowledge gaps. Neither of these consequences could be quickly remedied. Since then, the Army has become extremely good at SWP and no longer makes sweeping changes in its HR policies without running the numbers to project the long-term impacts.
- **Prioritize human capital investments:** As Lacey All of Starbucks explains, the company has never had a hard time hiring baristas or winning "Best Employer" awards. But it wasn't until the company implemented SWP that it gained a systematic process for aligning HR investments with business priorities.
- **Leverage talent across lines of business and geographies:** Once companies integrate their workforce data company-wide and establish common language to describe jobs and talent, they can manage their internal talent pool as a shared resource, rather than as separate stove pipes.
- **Reduce costs:** IBM's biggest savings have come from three sources: increased utilization rate of its project staff; improved cycle to time-to-fill projects and begin billing for services; and shifting from fixed to more variable labor costs, using more contractors to provide just-in-time labor. Other companies have achieved savings by rationalizing how managers make decisions about whether to buy, build, borrow or redeploy talent. Like supply chain management, SWP enables companies to use data about every aspect of its human capital pipeline and, by combining these with business data, find ways to take out cost and improve performance.

No Quick Fixes

While SWP has produced significant benefits in the companies we've studied, the pay-off is seldom immediate. It usually takes three or more years after initial implementation for SWP to reach its potential. In part, that's because there is no turn-key SWP solution. It takes a cycle or two to arrive at a consistent set of numbers—let alone, consistent job titles and descriptions that capture skills and experience—and to integrate these data across geographies and business units. It often requires a few years to get SWP in synch with business planning and other annual planning processes. And it invariably takes time for business leaders to grasp how they can use SWP to make better business decisions.

Are We There Yet?

Informal polls of The Conference Board's members suggest that most companies either plan to implement SWP or have

done so as a pilot project. Far fewer have implemented SWP company-wide. That conclusion is supported by several recent reports from consulting firms. According to a 2008 survey by McKinsey, 58 percent of line managers and 25 percent of HR professionals say HR lacks capabilities to develop talent strategies that are aligned with business objectives.⁴ Asked by Hewitt Associates whether their workforce strategies are aligned or integrated with business strategy, 78 percent of companies said this was true to some or considerable extent. Yet just 17 percent said it was so company-wide.⁵ These findings dramatize the need to forge a *systematic* connection between business strategy and HR strategy, a connection that SWP establishes and secures. (To see an animated demonstration, go to www.conference-board.org/iswp)



In the seven years since I began tracking SWP's emergence and evolution as a business process⁶ the tools have gotten better and the value proposition has become clearer. Nevertheless, no company has nailed SWP completely. IBM invested five years and \$200 million to roll out its Workforce Management Initiative (WMI), which has produced a 4:1 return on investment. Even so, IBM calls it a work in progress.

Over the past year, some companies have chosen to sideline SWP while they slog through the current economic crisis. Business leaders at other companies have shifted their focus from long-term strategy to short-term cost-cutting and asked SWP to do the same. Yet in those organizations where SWP had gained a firm footing and committed champions before the global recession set in, it is proving itself as a tool that makes workforce cost-cutting less painful.

Rather than wielding a blunt instrument—for example, imposing an across-the-board head count reduction—these companies apply SWP like a highly sensitive, precision instrument. Rather than making deep cuts that produce massive bleeding and, potentially, lasting scars, they are

using SWP to pinpoint specific problem areas and make carefully targeted interventions. Long-term damage is reduced and recovery should be quicker.

The Future of SWP

Once the global economy springs back and companies shift their focus back to longer term business strategies, we're likely to see another growth spurt in companies' interest in SWP. As companies gain more experience, they will discover new opportunities to integrate their SWP with other processes (such as Knowledge Management and Enterprise Risk Management) and decision frameworks (such as those that guide outsourcing and offshoring). HRIS data will be integrated with financial, operations, supply chain, marketing, sales, and other kinds of data to produce business intelligence and enhance company performance. Eventually, SWP may become so embedded in the way companies manage and make decisions that it will no longer stand out like some alien newcomer that has to prove its worth.

And the mention of SWP will certainly not produce yawns.

Endnotes

1 Vivek Agrawal, James M. Manyika, and John E. Richards, "Matching People and Jobs," *McKinsey Quarterly, Special Edition: Organization*, 2003, No. 2, p.6. January 2008.

2 For a detailed description, see The Conference Board Maturity Model for Strategic Workforce Planning in Mary B. Young, *Implementing Strategic Workforce Planning*, The Conference Board Research Report

3 Vivek Agrawal, James M. Manyika, and John E. Richards in "Matching people and jobs," *McKinsey Quarterly, Special Edition: Organization*, No. 2, p.2.444-09-RR, pp. 19-25, June 2003.

4 Matthew Guthridge, Asmus B. Komm and Emily Lawson, "Making Talent a Strategic Priority," *McKinsey Quarterly*, January 2008.

5 The State of Talent Management: Today's Challenges, Tomorrow's Opportunities, Hewitt Associates and the Human Capital Institute, October 2008, p. 7.

6 Mary B. Young, *The Aging and Retiring Government Workforce*, The Center for Organizational Research, a division of Linkage, Inc., 2003. Available at <http://www.cps.ca.gov/AboutUs/agebubble.asp>

7 These temperatures have been converted from those shown on Minard's map, which uses a Reaumur temperature scale.

8 Edward R. Tufte, *The Visual Display of Quantitative Information, Second Edition*, Graphics Press, 2001, p. 40.

About the Author



Dr. Mary Young, senior researcher, leads The Conference Board's program of research on Strategic Workforce Planning (SWP) and has been a major contributor to The Board's mature workforce research. Trained in organizational

behavior and organizational development, she has studied strategic workforce planning's emergence and evolution as a business process in more than 70 companies. She has completed 20 case studies describing how companies implement SWP. Her research on SWP is available in four research reports from The Conference Board: *Strategic Workforce Planning in Global Organizations* (November 2009), *Implementing Strategic Workforce Planning* (2009), *Gray Skies, Silver Linings* (2007), and *Strategic Workforce Planning* (2006). Young's research on human resource issues has been cited in *The New York Times*, *The Wall Street Journal*, *Financial Times*, *USA Today*, *Time*, *Business Week*, and National Public Radio's "Morning

Edition." With more than 20 years experience in organizational research, she has produced studies for the Center for Organizational Research, the Human Resources Policy Institute, the Work/Family Roundtable, the National League for Nursing, the International Association for Public Management — Human Resources, the American Public Power Association and the Canadian Broadcasting Corporation. She received her doctorate in organizational behavior from Boston University's Graduate School of Management. She earned a M.Ed. in organizational development at the University of Massachusetts at Amherst and a B.A. in English from Case Western Reserve University. She can be reached at Mary.young@conference-board.org.

The following is reproduced from The Conference Board's just-published research report, Implementing Strategic Workforce Planning.

Workforce Planning Back in the Really Old Days

Workforce planning has been practiced for at least as long as generals have commanded armies. In preparing for battle and in the midst of combat, commanders always need to know, at a minimum, how many troops they have and where they are located. They also need to track attrition and know whether it stems from casualties, injuries, or defections — better still if they can assess their armies' skills and fitness for battle. Whether military leaders have scratched hatch marks in the sand or in leather-bound ledgers, they have needed data to command their armies.

Take the hand-drawn document in Figure 1. Created in 1869 by the French engineer Charles Minard, this map chronicles Napoleon's march on Moscow in 1812. It traces the army's movement from the Polish border to Moscow, and its return westward the following winter.

Starting at the left at the Polish-Russian border, we can see how the largest army ever to be assembled — 422,000 men when it crossed the River Neman — grows smaller as it marches eastward, as reflected in the narrowing gray band. At certain points — usually the site of a major battle or terrain that was especially difficult to maneuver — the army shrinks precipitously, as shown by jagged indentations in the gray band. By the time the forces reach Moscow, they have been reduced by almost 75 percent.

Things got even worse once Napoleon turned his dwindling forces back home. They encountered more mountains, more rivers, and more battles, and this time they were marching in the dead of winter. Minard indicates the extreme temperatures on a scale at the bottom of his map. Each time the temperature plummets — once, all the way down to -35.5 degrees Fahrenheit (-37.5 degrees Celsius)⁷ — so does the size of the army. By the time they reached the Polish border, there were just 10,000 left, a dismal 2 percent of the force that had crossed into Russia just six months before.

Today this map is celebrated as the finest statistical graphic in history, according to Edward Tufte, a renowned expert on information graphics.⁸ It is taught in college classes, and has become popular poster art — we even found one

copy prominently displayed behind a senior executive's desk at a Fortune 500 company.

Minard's map has drawn admirers for a variety of reasons. Our own might seem esoteric to anyone not interested in human capital and business strategy: We celebrate this map as a remarkable example of workforce analytics — the analysis of historical data regarding the workforce, the environmental factors that affect it, and the results these factors produced.

What Minard accomplished visually is what companies want to achieve through workforce planning. He analyzed historical data about Napoleon's march to isolate the variables that had the greatest impact on this workforce — time, specific events or battles, topography, and extreme winter weather — and then illustrated those impacts with striking clarity.

Minard made it easy for his audience to "get" the key points without getting lost in the weeds of his underlying quantitative analysis. He did so by being extremely selective in constructing his map. It excludes a myriad of other factors that might have been important but, in this analysis, were not.

Anyone who leads strategic workforce planning today faces exactly the same task as Minard: to analyze historical data, singling out the most telling statistics, to vividly demonstrate the interaction of workforce with organizational, environmental, and other relevant factors and the business strategy. If Minard, or Napoleon himself, had used this analysis to make decisions about future military campaigns, this would truly qualify as SWP. Absent that, Minard's map provides an inspiring example of workforce analytics to those who lead SWP in their own organizations.

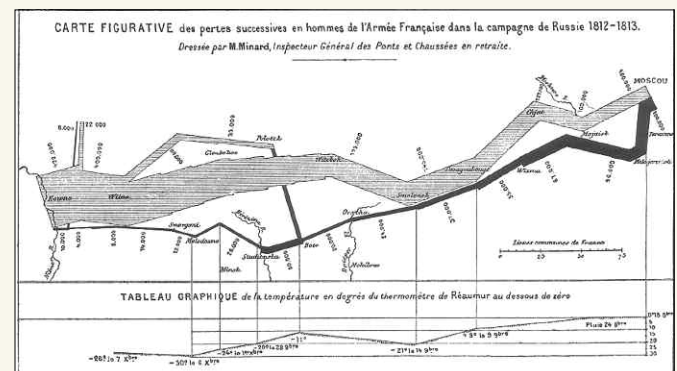


Figure 1. Losses Suffered by the Grande Armée during the Russian Campaign.