



## Workforce Planning is Essential to High-Performing Organizations

By Peter Louch, Vemo

In today's talent-based economy, the workforce itself is arguably the most important tangible asset of most organizations. Despite its importance, this asset is often not carefully planned, measured or optimized. This means that many organizations are not sufficiently aware of the current or future workforce gaps that will limit execution of business strategy. Yet at the same time, boards of directors, CEOs and chief human resources officers will frequently declare that workforce planning and data-driven decision-making is a top priority for their organizations. While it is difficult to understand this apparent gap between intent and execution, the most obvious cause is a lack of consistent objectives regarding the outputs of workforce planning, and a lack of consistent process by which organizations conduct workforce planning and predictive modeling. Organizations need an approach that moves workforce planning from the domain of "futurists," where only a few people live, to the domain of operational effectiveness, where management is accustomed to spending its time and energy.

This article outlines what a pragmatic and operational workforce planning process should look like – as well as predictive tools that help organizations measure and respond to their workforce gaps. Using this model and tools, high-performance organizations can use workforce planning to ensure that they have the required talent to drive business objectives.

### Overcoming Traditional Barriers to Workforce Planning

Workforce planning has topped the wish list of HR executives for years, but it has consistently been one of the most difficult programs to launch within HR. There are myriad reasons, but the most common are:

- **Time frame** – Many managers are focused on executing current-year results, but workforce planning has typically addressed a longer time frame and doesn't show immediate gains that can help meet this year's results.
- **Data integrity concerns when "getting out of the gate"** – Managers are reluctant to review future plans when they feel that they can't get a proper view of current head count.
- **Control** – Some managers have gut feelings and don't want to reference data without a compelling data story. There is no opportunity to shift this stance until managers experience the actual pain that could have been avoided through workforce planning.
- **Detail** – Organizations have a hard time settling on the appropriate level of granularity of workforce planning, or their job taxonomy. It's generally understood that a workforce plan has to distinguish one type of job from the next, but is it sufficient to look at broad labor categories, narrower job families, individual jobs, or actual skillsets? So many organizations get into self-imposed delays in rolling out their planning program by trying to find the perfect level at which to plan. From a planning perspective, however, if organizations could start by planning out high-level job categories, this is a great start, and may be enough.
- **Forecasting** – Traditional forecasting methods are poor at predicting the actual individuals at risk for turnover and retirement, and, thus, are not sufficiently actionable.

Two recent trends serve to moderate – and sometimes even eliminate – these potential roadblocks. The first is a broad-scale acceptance of data-driven decision-making that is infusing the culture of organizations and making workforce planning inherently more attractive. The second involves recent advances in predictive analytics and modeling technology. These advances provide more compelling near-term actionable information about granular employee-level supply risk, while simultaneously helping with demand-based scenario planning. Coupled together,

these trends have a profound ability to move workforce planning from a “nice-to-have” status to a critical program for high-performance organizations. Diagram 1 outlines a workforce planning process that combines end-user-based demand planning with predictive supply analytics.

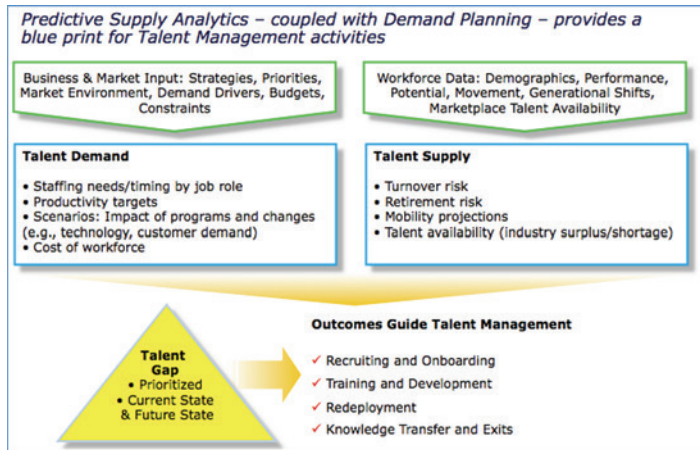


Diagram 1. Workforce Planning Process.

Following the workforce planning activities outlined in the diagram results in these benefits:

- Aligns strategic planning with head count and talent planning;
- Creates a clear view of talent demand and supply issues by expense area, reporting relationship, and by location;
- Provides managers easy-to-use reports and tools to determine the impact of their talent decisions and prioritizes future workforce investments;
- Provides leaders the right metrics – identifying talent risk before it impacts business objectives;
- Helps control unplanned talent costs and highlights issues that limit employee productivity;
- Builds competitive advantage through planned versus reactive talent management; and,
- Gives business leaders consistent reporting of results to quantify measurable and meaningful outcomes.

The concepts of planned versus reactive risk management, and developing the right metrics are perhaps the most crucial levers to drive support for workforce planning. By shifting workforce planning from a top-down strategic exercise that is only geared towards provoking thought about the future to an operational exercise designed to manage talent risk, workforce planning becomes a concrete activity with specific financial implications. By providing metrics to quantify the risk, it provides something even more concrete for leaders to manage.

## Demand Planning

Within the demand planning component of workforce planning, an organization determines the head count it needs in each job role for each organizational unit. Traditionally, a single person has conducted this work or a center of expertise has created plans and reports for internal customers. However, the future is inherently uncertain. According to Peter Cappelli in his research on workforce planning, “The error rate in the U.S. on a one-year forecast of demand at the stock keeping unit (SKU) code or individual product level, for example, is over 30 percent” (“A Supply Chain Approach to Workforce Planning,” *Organizational Dynamics*). Considering this uncertainty, centrally-generated reports and plans are interesting, but understandably have not resulted in the business gaining long-term adoption of the plans, or the workforce planning process.

There are two keys to moving beyond this demand planning impasse. The first is cultural. Organizations should avoid confusing planning with the plan, and should value planning as much, if not more, than the actual plan. The plan will not happen. The future is far too uncertain. Planning, however, is a competency that helps managers deal with such uncertainty more quickly and effectively.

The second key is to move from top-down planning to bottom-up planning, which requires technology that allows end users to evaluate various factors and define talent demand for their business area. This bottom-up planning can be rolled up for various corporate-wide outputs such as the corporate workforce plan, the budget feed, the real estate plan, the reforecast, and more. But, it also can be conducted as needed as part of a frequent recalibration of talent needs based on the state of the business.

According to Quinn Thompson, global director of Talent Acquisition and Diversity at International Paper on the shift to user-defined input driving their workforce planning process: “It starts with the benefits created by a center of excellence (CoE), but is based on software that allows end users to create their own workforce plans and end-customers to leverage predictive analytics for their customized gap analyses.”

A lower-performance organization will have managers decide in a vacuum on their need for talent. In this setting, the industry experience of managers and the amount of data available to make the decision defines the quality of the output. In a high-performance organization, managers are guided through the decision-making process. For example, a manager may be led through a decision tree based on strategic objectives and job criticality. Alternately, a manager may be provided with demand drivers and conduct what-if scenarios that help determine the appropriate number of workers for the workload based on a combination of historical staffing levels and productivity objectives.

In the ideal situation, a manager could be provided a

detailed proforma demand plan that describes the staffing level for job roles based upon how the organization typically staffs against work volumes and other demand drivers. Then the manager can be led through decision-making to ask questions such as:

- Do we typically staff against demand correctly? Specifically, do we hire too soon, too late, too much, too little – because knowing how the business is likely to behave in its staffing approach does not mean it's the correct approach. It's just a great starting point of the decision-making – and not the end, as there may be a need to not only know, but also optimize staffing levels.
- When we examine our business strategies and look at the specific ways we want to create value, does that describe certain roles that should be staffed up?
- Conversely, when we look at those strategies, are there certain staff areas that are relatively low risk for understaffing? Because it is not possible to staff everything generously, where can we “understaff” with minimal risk to the business?

In summary, a technology-enabled bottom-up approach to demand planning creates a more accurate plan and enables a planning culture where managers use data to make staffing decisions – and are more equipped to evaluate how changes to business objectives and environment should impact staffing levels.

## Internal Supply Analysis

Within the internal supply analysis component of workforce planning, an organization evaluates whether it has the supply internally to meet its demand. On a quantitative basis, the process is to evaluate talent supply by job role after attrition: turnover, retirement and internal job movement. On a qualitative basis, it is important to also look at capability and performance, even within jobs that are fully staffed.

To derive a supply forecast, a lower performance organization will simply carry forward historical turnover rates or use industry benchmarks. This approach is not sufficiently actionable – at best it is only interesting data to consider as part of workforce planning; at worst, it is incorrect.

A high-performance organization will use predictive analytics to identify the risk of turnover, retirement, and workforce mobility of specific individuals. Machine learning statistics packages allow an organization to conduct complex multivariate analysis that incorporates employee demographics, employer actions and workplace conditions, and external economic conditions. Diagram 2 illustrates some of the factors that can be used for predicting turnover, retirement and mobility, as well as the rough importance of such factors in predictive studies.



Diagram 2. Drivers of Attrition.

An accurate internal supply forecast can thus be aggregated by any dimension and provide a much clearer line of sight into supply risks that need to be closed to fully meet talent demand requirements. Knowing which individuals are at highest risk for turnover provides an organization the lead-time to address future workforce gaps with minimal disruption to the business, enabling the following outcomes:

- Creation of targeted replacement planning and knowledge transfer for critical roles;
- Understanding which talent gaps are largest, highest priority and/or most difficult to fill externally;
- Proactive sourcing by the recruiting function based on prioritization of gaps;
- Road map of future open positions that can be filled through promotions and developmental assignments; and,
- Managed attrition programs that avoid costly workforce reductions for job roles that have a reduced staffing requirement.

As with demand planning, technology is a key enabler for internal supply analysis, since it provides a forecast of attrition and movement risk on an employee-by-employee basis. Furthermore, this approach helps organizations that are not currently proficient at demand planning to move towards proficiency by highlighting problems that require consideration of the importance of that problem, i.e., the demand. For example, if a certain employee is known as highly likely to turnover, a manager can ask what's the risk to my work unit of this likely turnover event? Will we still get the required work completed? If the answer is no, is it because of the necessity of the role or the performance of the individual? If the answer is yes, is it because we are overstaffed in this role? Can we eliminate the role with the likely turnover event and hire for a more critical need? In short, reviewing turnover, retirement, and movement risks helps this hypothetical manager conduct demand planning

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on a micro level, and with the right tools and training, the manager will improve talent decision-making.

## Gap Analysis and Action Planning

Within the gap analysis and action-planning component of workforce planning, an organization evaluates its gaps and determines what actions it can take to close those gaps. Traditionally, those actions consisted of recruiting, development and transition, but with modern predictive technology, an organization can also model the prospective impact of potential interventions in HR policies and talent management actions.

A lower performance organization may not understand its gaps, except in the most qualitative sense. This organization can have qualitative action-planning discussions that educate leaders about some workforce risks, but cannot quantify those risks or change any organizational behaviors based on these gaps.

A proficient organization can combine its demand planning and internal supply analysis as described above and gain a much clearer picture of the size, type, and timing of gaps between demand and supply. These gaps will lead to a high-quality directional recruitment plan and will highlight areas where an organization may wish to beef up its developmental programs where there are large and consistent gaps. This gap analysis will also highlight where there are job roles that are subject to career transition in one part of the business (demand less than supply) and requiring recruitment in another part of the business (demand greater than supply), so that an organization can reallocate resources and avoid some of the costly cycles of staffing up and down. Each of these responses to the demand-supply gap represents valuable organizational action-planning to address gaps, but do not go as far as making specific interventions to change and control the demand-supply gaps.

A high-performance organization will build upon the specific quantitative plan for build-buy-lease as discussed for a proficient organization and will also use technology to conduct what-if analysis to evaluate specific management interventions. The organization will understand how a number of factors drive retention, engagement and organizational performance, including:

- Pay strategy and annual merit increase;
- Career ladders and working structures; and,
- Promotions, lateral transfers and reorgs.

By understanding these relationships, a high-performance organization can seek to close gaps not only through the traditional means of build-buy-lease, but also achieve higher retention and performance by optimizing its workforce policies around those desired outcomes. This organization will not only be creating the appropriate plans to address gaps between its forecasted demand and supply, but will be selectively addressing potential retention and performance risks of critical resources and

roles, and will manage those risks through individual action planning measures.

## Summary

There is now an approach for high-performance organizations to develop and sustain high-quality workforce planning programs, and break down the traditional barriers to effective workforce planning. The organization must foster a data-driven planning culture and be willing to value the planning process as much as the actual plan. The managers who participate in this planning process will then be better equipped to make decisions as business results and forecasts change – and more skilled at simulating how changes in business objectives and conditions require different talent sets. The organization must also invest in workforce planning technology that supports predictive supply analytics, bottom-up demand planning, employee-level action-planning, and summarization of gaps.

By taking this approach, a high performance organization will be able to conduct gap analysis on the work unit, business unit, and on the organization as a whole. At the work unit level, managers will be better at planning and responding to changes in the business. Managers will also be able to make data-driven decisions that move gradually from blanket HR policies to targeted HR interventions based on the importance of a role or the performance of the individual. Business units and the total organization will also reap the benefits of the workforce planning program. Finance and real estate will have the information needed to construct their budgets. Human Resources will be able to make better high-level decisions about recruitment, development, redeployment, and transition programs. And, senior leadership will be able to monitor the people health of the organization and the organizational capacity to meet present and future business objectives.

## About the Author



Peter Louch is the founder and CEO of Vemo, a software and services organization that is pioneering the new way to do workforce planning. As founder of Vemo, he works with customer executive teams and ensures that Vemo's road map for technology and services are geared to provide simple and elegant solutions to the most complex and highest-impact customer problems. Louch also works with select global customers and industry leaders to provide consulting/advisory services and build requirements for complex engagements. Prior to Vemo, he led the Talent Value Management practice area of Right Management Consultants and The Empower Group, divisions of Manpower. He has also held successive sales and leadership positions with the Advertising & Communications division of TMP Worldwide. He graduated with high honors from University of California at Berkeley with a degree in Astrophysics. He can be reached at [peter.louch@vemoworkforce.com](mailto:peter.louch@vemoworkforce.com).