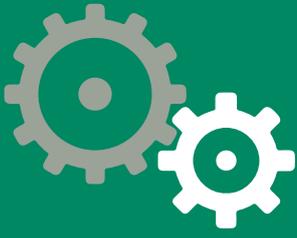


CAPITA



Putting the Strategic into Workforce Planning

A Capita Talent Consulting Perspective





Workforce planning is nothing new

The idea of workforce planning is nothing new. Its origins can be traced back to 1942 when the British Government created its first manpower budget to ensure there was sufficient labour to man the industries supplying the war effort. The exercise revealed a shortfall of one million workers as industrial demand far out-stripped supply. Manpower planning initiatives therefore became commonplace in the post-war era as both political leaders and industrialists felt that the recruitment, retention and training of workers should not be left to chance.

In the 1970's, however, manpower planning fell out of favour. Poor economic forecasts that failed to predict 'stagflation' meant that many organisations found themselves over-staffed and unable to react quickly to the economic downturn. The subsequent recession and mass lay-offs meant there was a glut of available talent that dampened enthusiasm for investment in workforce planning¹.

Today the environment is very different. Talk of a 'VUCA' (volatile, uncertain, complex and ambiguous) business environment dominates our strategic thinking and the on-going workforce challenges created by the 'war for talent' mean that organisations need to be planned and methodical in the way they attract and retain the skills they need to operate effectively.

It is, perhaps, of little surprise therefore that workforce planning has once again risen up the business agenda.

More talk than action

You may, however, be forgiven for having missed this resurgence, particularly since the turn of the century. The problem is that, despite the value that strategic workforce planning (SWP) can add to business planning, few organisations have developed fully articulated strategies that provide them with the insight they need to design the right interventions.

Ultimately this means that there is more rhetoric regarding the value of SWP than there is action. The obvious question is: *“Why have so many organisations failed to develop a SWP approach that effectively supports their future business planning?”*

Could the failure to realise the true potential of SWP be the result of a lack of understanding about what it entails? For a long time, there has been a commonly used definition which suggests SWP is about: *“Having the right people, with the right skills, in the right place at the right time”*

This differentiates SWP from resource planning (which is simply about numbers) and elevates the challenge to one of integrating people and skills with current and future business objectives². There is also a high degree of consensus about the process that can essentially be broken down into a simple number of steps:



Source: www.kepion.com/solutions/workforce-planning

Although each consulting practice and in-house team has tweaked and nuanced this approach on many occasions, the fundamental steps remain unchanged.

What is also well understood is the need to analyse the challenges 'in context' (economic, demographic, competitive). This is reflected in examples of SWP that incorporate the 'strategic setting' and scenarios in terms of cost, value, time, risks and overall feasibility.

The high level of consistency in definition, and the standard nature of the frameworks, cast doubt over the idea that limited take-up is due to a lack of understanding. We therefore need to dig further to understand what's holding SWP back.

The fundamental problem with this type of approach is that it is resource-intensive to build and fails to offer the potential to interrogate the data and identify patterns and relationships which provide real insight for forward planning.

What managers using these tools also lamented was the lack of clarity with regard to forecasting. Many tools recommend 'scenario planning' in the 'forecast needs' phase of the programme although few organisations have developed methodologies for scanning the environment and establishing plausible scenarios for their business future.

The back story

Through the 1990s and into the early years of this century the global economy grew substantially. With the 'war for talent' came a growing need for organisations to think more strategically about both the capacity and competence of their workers. This led to the emergence of a plethora of workforce planning 'tools', some of which are still in existence today.

These first generation solutions were typically spreadsheet-based checklists. Commenting on such a tool, one local authority manager recently suggested:

“We spend considerable time, effort and energy gathering and logging data and information, filling 'boxes' in a spreadsheet which tell us the answer is 42. But we don't know what this means or what to do about it and we have no real insight that puts us on a more positive footing for planning what people and what skills we will need in the future.”

Theory vs practice

The lack of analytical rigour in these early tools meant that organisations with deeper pockets turned to I.T.-based platforms that allowed them to more easily gather and analyse data – particularly that which already exists within their various I.T. platforms. At the same time the 'Big Data' revolution was producing more complex and larger datasets which required more sophisticated data analysis tools for the purpose of interrogation and reporting.

Together these trends fuelled the growth of HR analytics solutions and a growing awareness among business practitioners that analytics should be a central function of their HR operations. Second generation SWP tools were born.

However, even with the advent of analytical tools the gap between theory and practice still remains. Deloitte's 2015 Human Capital Trends Survey revealed that 75% of CEO's think that Talent Analytics is important while only 22% believe that they are ready to effectively utilise the data they have at their fingertips.³



Is there a robust case for SWP?

In their 2010 Reflections on Workforce Planning⁴ the CIPD asks:

“So what are our choices? Do we become ‘empirical sceptics’, don’t bother to plan ahead, go with the flow and take our chances? Or do we try to develop our organisations to become agile enough to deal with a variety of circumstances, some of which we will have predicted and others that will come out of the blue?”

In an incredibly volatile and uncertain world there are those that argue that SWP is meaningless because change is too hard to predict and so rapid that it makes methodical planning hard to realise in practice.

However, as well as developing an ‘organic’ agility to react to circumstances that come out of the blue it also makes sense to ensure that these agile strategies are informed by future trends that can be predicted and planned for.

There is also a convergence of external forces that provide a compelling case for SWP.

- **Right-sizing works:** The recent global recession focused attention on ‘right-sizing’ the organisation. Unlike previous recessions wherein employers automatically cut headcount, the recent downturn has seen more carefully planned workforce restructuring as many employers have sought ways to preserve their hard-won and carefully nurtured talent in a deliberate attempt to preserve their competitiveness.
- **The need to up-skill:** According to PwC’s 17th Annual CEO Survey⁵ 63% of CEOs think the lack of availability of key skills is a major threat to their organisation. The war for talent is still raging and employers are mindful of the fact that if skills are scarce in the external labour market they need to invest in their own staff to remain competitive.

- **Global geodemographic forces:** According to McKinsey⁶ the ageing population (and the concomitant ageing of our global workforce) is one of the biggest disruptive forces facing the global economy today. Organisations need to think carefully about how they manage this ageing in a way that allows them to lever advantage from the knowledge and experience of older workers with the technological nous and innovative spirit of Gen Y and Gen Z.
- **Changing working patterns:** Organisations need to think carefully about their ‘blended’ workforce (i.e. mix of permanent and temporary hires). Although growth in self-employment has plateaued in the UK over the past 12 months (and declined in the USA)⁷ there remains a belief that the contractor workforce will continue to become a more significant part of Western economic models over the next few decades.

The need to adapt and flex to this changing landscape means the business case for SWP is clear and there is growing evidence that moving up the maturity model in HR analytics is a sure way of securing future competitive success.

“Whether causal or just correlative, the link is strong enough to have bred one of several storylines being explored in ongoing survey analysis: the notion that one sure journey a company can take toward competitive outperformance of its peers is the journey from analytics ‘starter’ to analytics ‘sophisticate’.”⁸

What the thought leaders say

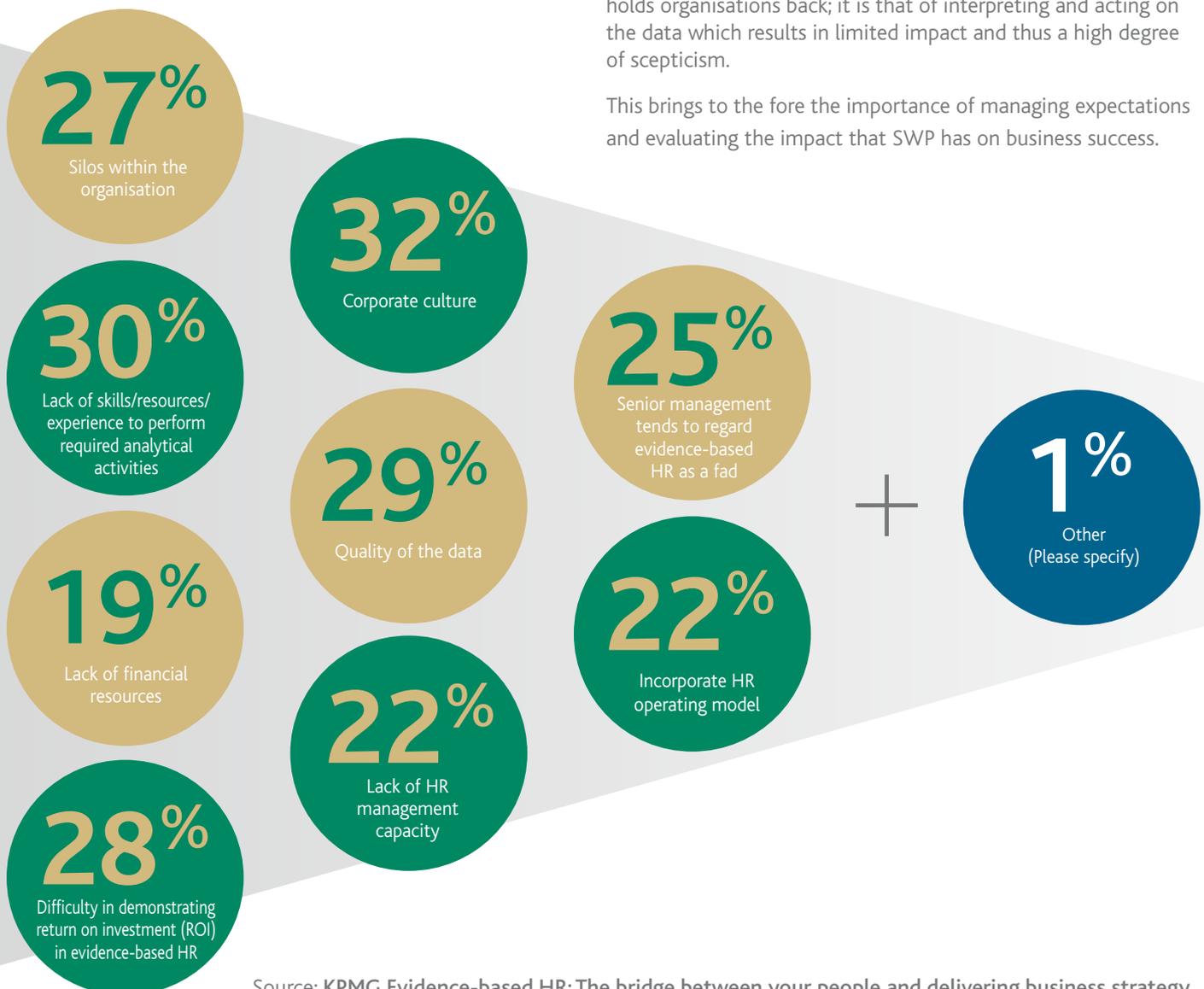
Over the last couple of years both theorists and practitioners have postulated a wide variety of reasons to explain why organisations are failing to take up the SWP challenge and embrace HR analytics. Deloitte's Human Capital Trends (2015) report suggests: "Organisations are still new to the discipline and many suffer from poor data quality, lack of skills, and a weak business case for change. While people analytics programmes can deliver a high ROI, HR leaders have difficulty building on an integrated plan. And more than 80% of HR professionals score themselves low in their ability to analyse – a troubling fact in an increasingly data driven field".

Hudson also reflects on the lack of business case – or at least the fact that, despite there being one, it is not being well made to senior managers⁹. Thought leaders also comment on the lack of executive sponsorship for workforce planning initiatives and little agreement on what is needed across the business.

KPMG, in their survey of senior leaders¹⁰ found that the biggest obstacle to 'evidence-based HR' is corporate culture, followed by a lack of skills/resources to perform the required analytical activities, the quality of data and the difficulty demonstrating ROI.

The practitioners and academics whose views are shared in this report go on to suggest that the problems go further: in their experience it is not the challenge of analysing the data that holds organisations back; it is that of interpreting and acting on the data which results in limited impact and thus a high degree of scepticism.

This brings to the fore the importance of managing expectations and evaluating the impact that SWP has on business success.



Source: KPMG Evidence-based HR: The bridge between your people and delivering business strategy

Managing expectations

It is possible to suggest that during the period when many organisations have been contemplating commencing their SWP journey, the technologies that have been designed to support this have become increasingly sophisticated and complex, making it harder for HR professionals to take the first step.

How can you be confident of taking the first step on a journey which you are being told is dependent on Big Data, complex algorithms and predictive analytics when you don't even have a mental model of the people and talent that exist within your organisation?

The reality, of course, is that none of these barriers are intractable: all can be overcome with careful planning, clear championing and the drive and will to succeed. The big thing is that managers need to start by understanding that SWP is a journey that should start with a simple step.

Answering business critical questions

No business, regardless of its sophistication, can start with a fully-fledged system, populated with clean data that allows it to determine what people it will need with what skills, where, when and at what cost. And it certainly won't be able to consider complex predictive analytics on day one.

What is possible, however, is the articulation of some 'business critical questions' that SWP initiatives can start to answer with data-based evidence and some simple analytical tools. For example, an organisation may simply start by asking:

What will be our biggest recruitment challenges over the next five years?

What skills will we need more of and what skills will we need fewer of?

If we were to look at reducing our back-office workforce by 5% how much would it save the company?

Do we have 'glass ceilings' for staff with protected characteristics which make it hard to progress them through the organisation to senior management?

And it may then set out to gather the data and evidence that it needs to answer these questions utilising simple spreadsheets and data capture tools.

As Sheri Feinzig, Director at IBM suggests:

“Many people think that workforce analytics starts with the data, but it doesn't. It starts with clearly establishing why you're here, and what the business needs are.”



Working with and beyond HR



Many consulting practices recommend that their clients start on a project-by-project basis, only building to I.T. business-based solutions when they can demonstrate the impact and value of their efforts. Hudson, for example, talks about starting with manageable chunks, Deloitte talks about prototyping projects and IBM talk about 'quick wins'.

“*In the early days of establishing an analytically enabled HR function, it is important to select a project that will have an impact on the business. A quick-win project will likely be focused on topics that do not require substantial change-management to implement, but which will have a business impact on a portion of the business, or will uncover some important insight that will generate executive discussion.*”

It's important that HR keeps sight of the fact that the analytical capabilities required to manipulate and interpret the data don't require a degree in statistics. Data modellers who build the datasets and platforms will need to have advanced statistical skills – but these roles can be outsourced or bought in on a consultancy basis.

The skills required to extract the data, interpret it and take action should not be beyond the capability of the strategic players in the HR team and your HR Business Partners. HR practitioners need to overcome their data fears and become as comfortable with data and analytics as sales teams and marketers – all of whom are required to work in an evidence-based way.

Based on our understanding of the barriers and challenges and our experience of working with clients we have, therefore, developed a 10 step 'Journey Planner' to successful SWP.

Journey Planner recommendations

1. Start with projects and demonstrate value

Build the solution from the bottom up. Start with one or two burning questions that you already have the data to answer and build an evidence-base that supports strategic decision-making and demonstrates the value to the organisation. Investment in complex systems is not necessary at this stage as spreadsheets typically provide sufficient functionality to create appropriate dashboard outcomes.

2. Build the business case

Help the senior management team to understand the business drivers that make investment in SWP so critical and help them to understand the value of SWP in aligning the workforce to the business plan. At the same time, help divisional and departmental managers to understand the role they need to play in implementing strategies to deal with the outcomes. Over time it is possible to bolster the business case by demonstrating the ROI related to early pilot projects.

3. Generate commitment

Although the impetus for SWP may come from HR it is important that it is 'owned' by the business. This means the Senior Management Team (SMT) questioning the data to provide insights that support planning as well as driving culture and behaviours that encourage all layers of management to deliver the tactical plan for workforce change. Where pilot projects can demonstrate positive outcomes securing this commitment is so much easier.

4. Focus efforts on outcomes

The benefits come from what you do with the data and not the datasets and dashboards you produce. Focus first on training your HR team to work with the business to interpret and act on the evidence before you think about investing in data analytics capabilities. The latter can often be sourced from elsewhere in the business or bought in from outside. Essentially HRBP's should become SWP Consultants able to identify challenges and work with managers to develop and implement appropriate solutions.

5. Invest in technology

Once the value to the business has been demonstrated it is time to ramp-up activity so that a wider set of questions can be considered. There is a variety of tools and options available: the best can grow and flex with changing business needs and are responsive enough to give organisations the option to tailor the data fields and outputs to suit their needs and answer their business's specific questions.

6. Integrate with your planning process

While initial projects may be time-dependent, the on-going value of workforce planning comes from its integration into the business planning process. It is not 'an event': it is a continuous cycle of analysis and interpretation that allows the organisation to continually reflect on the workforce it will need to meet changing business conditions. Establishing clear governance procedures ensure that SWP is embedded in the business and not left to chance.

7. Develop methodologies for scenario planning.

Many SWP analytics platforms have developed functionality that allows organisations to explore capacity and competency needs for different business scenarios. The problem is that most organisations have not fully explored different scenarios that are plausible for their business future. Without these it is difficult for divisional/departmental managers to forecast demand for particular jobs and skills in the future because they have no agreed framework in which to plan. The SMT therefore has a critical role to play in establishing potential scenarios that allow managers to forecast more creatively against a variety of different business trajectories.

8. Support managers with business forecasting.

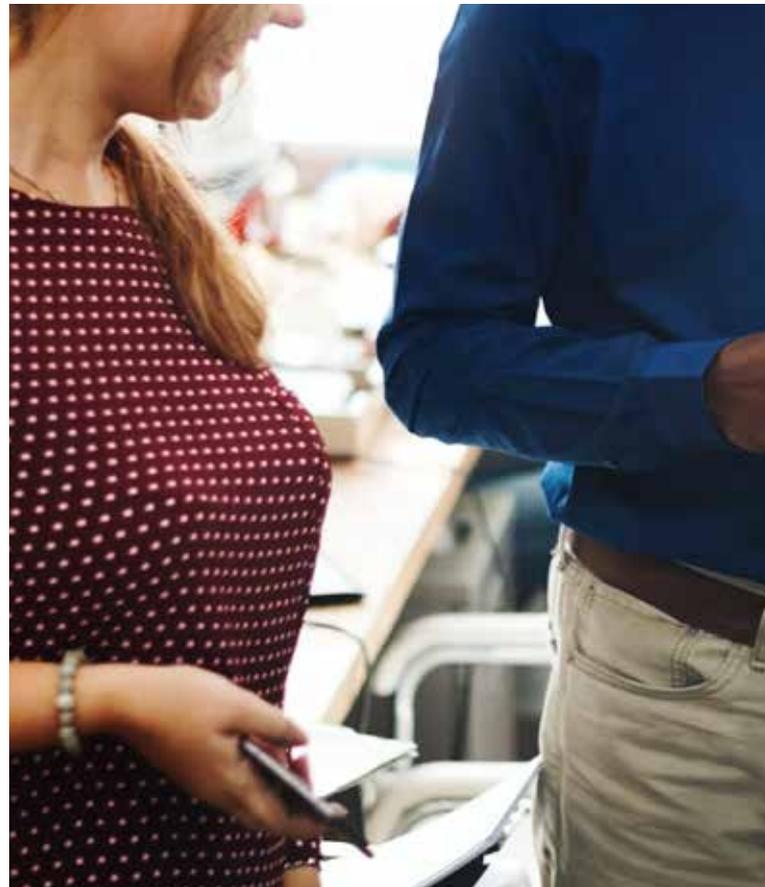
Probably the hardest task in SWP is forecasting future business demand. Helping managers to develop the skills and business acumen to do this is a critical part of the process. They need to be comfortable with the idea that it is not about predicting the exact number of people required but an order of magnitude, and they need to learn how to translate future business drivers into skills needs and required changes to job descriptions and work organisation. Assuming they will be able to do this is one of the biggest causes of SWP failure.

9. Keep the journey moving.

Investment in the right technology platforms means that adding new data streams and providing more granular evidence is possible over time. This requires establishing data capture methodologies that facilitate quality and completeness. If managers are convinced by the value this data is providing in terms of better insight into their workforce challenges, their propensity to gather and record data more accurately will rise.

10. Use the data to demonstrate the benefit to the business.

The true benefit of SWP can best be seen when organisations link their workforce data with their performance data. Savvy HR professionals should also work with the Chief Finance Officer to build management information that demonstrates the causal linkages between workforce change programmes and business results which provides the most compelling case of all of the true value that SWP offers to business success.



Final thoughts

In a CFO insight interview Josh Bersin is recently quoted as saying:

“A big challenge is that many HR organizations don't know where to get started, or even what skills they need. I just had a call with a CHRO who told me, “We want to start an analytics project.” I asked what business challenges he wanted to address through analytics, and he didn't know. That's very typical.”

So, the final piece of advice would be 'walk before you run'. Plan your SWP as a set of small steps that allow you to build a comprehensive solution from the bottom-up.

It is of little surprise that organisations – like those in the public sector – that during the last recession took a haphazard approach to cutting workforce costs by 'salami slicing' their headcount (i.e. establishing targets for cutting headcount which were indiscriminately applied across departments and divisions) rather than 'right-sizing' are the ones struggling the most today to fill roles.

This is not to suggest that 'right-sizing' avoids staff cuts and redundancies. Rather it means that cuts are made alongside the attraction, development, and deployment of new skills that organisations recognise are critical to their future success. This is strategic workforce planning, and its business case, in action.



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