Workforce Planning:

THE STRATEGY BEHIND "STRATEGIC STAFFING"

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A company's annual budgeting process generally requires managers to project personnel requirements for the upcoming fiscal period. Unfortunately, this task offers little value beyond influencing the short-term allocation of corporate funds. Besides narrowly focusing on a single year, needs are typically assessed in relation to the status quo.

Yet the harsh reality is that the business world is changing at a dizzying pace, and what makes sense today may not a year from now. Technology, in particular, is constantly redefining the nature of work.

And despite the prevalence of the phrase "strategic staffing," most recruitment activities can be described as tactical at best. In fact, more often than not, they are *reactive*: An employee quits, and Human Resources — through no fault of its own — scrambles to fill the vacated position.

While this may *seem* unavoidable, almost any recruiter or HR generalist will argue that there is a more effective way to staff a company. But even the most ambitious HR team can be only as proactive as the organizational context

allows. As is the case with many HR projects, the "full support" of corporate leaders is not enough; a successful workforce planning initiative often requires sweeping changes to company-wide processes and procedures, and demands the commitment and cooperation of all levels of management.

What is workforce planning and why should we bother?

Workforce planning is a systematic approach to anticipating staffing needs and determining what actions should be taken—starting now—to meet those needs. This multi-step process involves:

- Gaining a thorough understanding of your current workforce;

- Envisioning the operating environment that will most likely exist in the future;

- Identifying the competencies that will move the firm forward to overcome challenges, seize opportunities, and thrive in what will undoubtedly be a new world of work; and

- Developing strategies and implementing tactics for building this workforce.

Workforce planning puts you "one step ahead," resulting in informed staffing decisions that benefit the company in both the short- and long-term. Its many advantages, however, are not limited to recruitment and selection; it also provides a framework for other HR policies and programs such as training, compensation, and diversity management. More importantly, it helps you recognize the most effective and efficient use of your organization's human capital in creating a workforce that is—and will continue to be— flexible and responsive in these fast-changing times.

Okay, we're convinced! How do we get started?

While variations may exist from one organization to the next, workforce planning generally follows this four-step model:

Step 1: Supply Analysis

The first—and most straightforward—step in workforce planning is to identify the composition (demographics) and capabilities (competencies) of your current workforce. It also involves examining attrition statistics, including resignations, retirements, internal transfers and promotions, and involuntary terminations. Technology—HRIS applications and "skills inventories" in particular—can be an enormously helpful data-gathering tool. Armed with this information, you can develop a profile of your current staff as it will exist in the future in the absence of management action. In other words, this is what your workforce will "look like" if all recruitment, training, and other HR programs are suspended.

Step 2: Demand Analysis

The purpose of demand analysis is to forecast the competencies that will be required by your future workforce for your organization to be successful. In order to do this, you must first try to predict how the nature of the work will change. Both internal and external influences must be considered. These include business mission, strategies, and goals as well as legislation, economic conditions, technological advances, and market competition. "Scenario planning" is an effective way to systematically evaluate the interplay of multiple variables.

Step 3: Gap Analysis

As the name implies, gap analysis is the comparison of the supply and demand data collected during Steps 1 and 2. The result is the determination of skill surpluses and deficiencies. While identifying competencies that are lacking is an obvious goal of this activity, it is equally important to understand which are in excess. After all, employees with skills that will be needed to a lesser extent—if at all—in several years are of limited long-term value to your organization. No matter how well they perform now, they may eventually become obsolete without corporate intervention. Gap analysis helps you pinpoint who is at risk and proactively deal with each situation as appropriate.

Step 4: Solution Analysis

Solution analysis is the development of strategies for closing the gaps identified in Step 3. Specifically, it is the identification of ways to build skills that are in short supply and reduce those that are overly-abundant in relation to your organization's projected needs. A variety of targeted recruitment, development, and retention activities can be employed to achieve these ends.

Your solution analysis should be squarely focused on optimizing your current and future workforce. It is important, therefore, that you consider alternatives to traditional "permanent" employees. "Blended staffing" is becoming an increasingly popular business strategy that enables firms to expand and contract their workforce as needed. It involves maintaining a core group of employees possessing skills aligned with the organization's area of specialization, and assigning work that is non-critical to the business to contingent staff. This purposeful mix of fixed 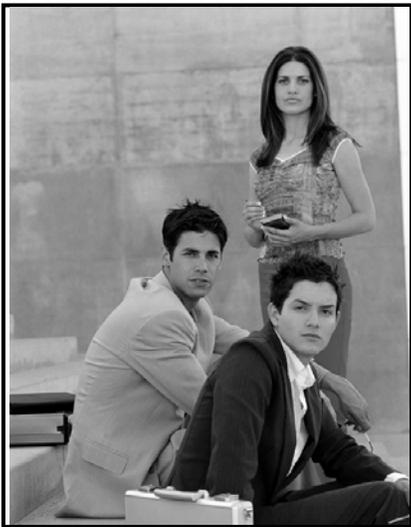and variable workers allows firms to better manage and reduce costs by paying for labor only when they need it. More importantly, it facilitates corporate agility.

Diversity is another important consideration. To quote a previous article on the benefits of a diverse workforce, "Employees experience personal growth as they learn from one another's insights and perspectives, and the organization's ability to innovate, solve problems, and meet the needs of an increasingly diverse customer base is greatly enhanced." To remain competitive—in the consumer

marketplace as well as the labor market—your solution analysis must specifically address the challenge of attracting and retaining a talent pool that is highly-qualified and diverse.

Is that all there is to it?

Your efforts will be in vain if the four steps described above occur in a vacuum. Workforce planning is an ongoing process that influences—and is influenced by—all aspects of an organization. These inter-relationships must be identified, managed, and leveraged for best results. Below are some critical success factors to guide your activities.

- Draw a direct link between the workforce plan and your company's strategic mission. Unless you are able to clearly communicate a causal relationship—preferably in terms of a quantifiable return-on-investment—you will be unlikely to gain top management support and the necessary corporate resources.

- While the "blessing" of your organization's management team is essential, it alone will do little to inspire the cooperation of others. An executive-level "champion," on the other hand, will typically generate the buy-in that you need.

- Involve a variety of key stakeholders in the workforce planning process. At minimum, HR, Strategic Planning, Finance, IT, line management, and any unions should be represented. This ensures that multiple perspectives are considered and gives the plan legitimacy.

- Be sure to integrate the workforce plan with other HR programs—such as organizational development, succession planning, and career pathing—that are also designed to prepare the company and its individual staff members to thrive now and in the future.

- Determine the scope of the project up front. Will you run a "pilot" in one or more specified departments, or will you immediately launch the program company-wide? Will you target a few key occupations or your entire staff? (In general, starting small allows you to continually improve the process by building "lessons learned" into each subsequent phase of the rollout.)

- Assign a dedicated staff member to manage the process. For large-scale projects, additional resources may be necessary.

- Avoid being overly prescriptive in your workforce plan. Rather, develop a simple model and tools that managers can adapt to their particular needs, and provide training and ongoing support on their use.

- Communicate the initiative to all levels of the organization, highlighting the benefits it will bring to employees as well as the organization as a whole.

- Hold managers accountable for adhering to—and achieving desired results from—the workforce plan.

- Most importantly, do not view workplace planning as a one-time endeavor. Rather, it should be a continuous loop that includes ongoing evaluation of both the inputs and outputs of the process. Specifically:

  - Have the internal and/or external environments changed? If the assumptions underlying your solution analysis are no longer valid, it will probably be necessary to adjust your competency profiles and intervention strategies accordingly.

- Does the workforce plan serve the organization's needs? If the desired business outcomes were not achieved, you must examine and reconstruct your methodology and implementation procedures as appropriate.

Even if your forecasted competency requirements prove inaccurate, a comprehensive workforce planning process has built-in triggers to get you back on track. Additionally, the very exercise will have enhanced your firm's ability to respond swiftly and intelligently to changing conditions.

Today's fast-paced business world shows no signs of slowing down. Can your organization afford not to keep up?

Is there anything else that we should know?

While future business demands cannot be predicted with absolute certainty, we must do our best to anticipate and prepare for likely possibilities. A workforce plan that is carefully designed and executed transforms the staffing function from a "vacancy-filling" role to one that continually ensures alignment between an organization's human capital and its strategic goals. This not only improves employee utilization, but also the company's overall effectiveness and competitive positioning.