

Executive Briefing: Teams, Technology and Data: The Basic Elements of Workforce Planning



Executive Briefing
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By Scott Johnson

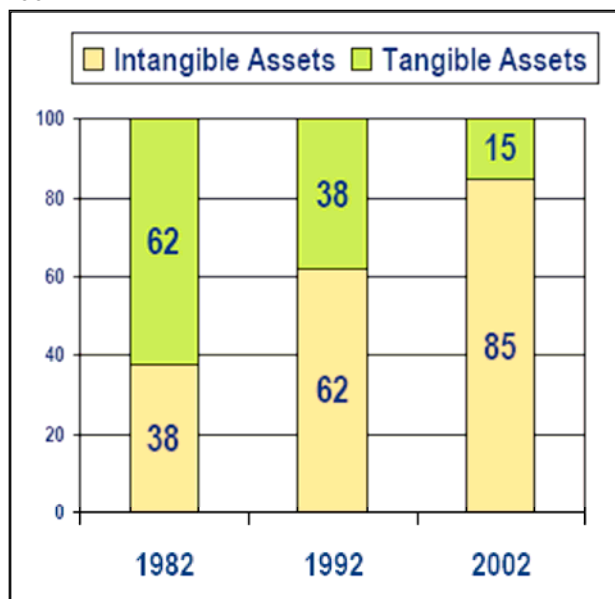
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INTRODUCTION

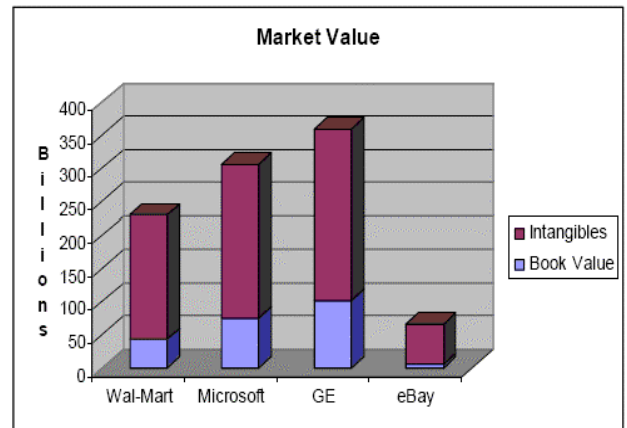
The ratio of tangible to intangible assets in US corporations has changed significantly over the past 20 years. Tangible assets are physical assets, and include land, facilities, equipment, and inventory. Intangible assets, on the other hand, are driven by a company's talent, and include such things as intellectual property, business methods, goodwill, brand recognition, customer loyalty, and culture. In 1982, intangible assets comprised 38% of a company's market value. By 2002, that number had soared to 85% (see Figure 1).

Figure 1: Corporate assets as a % of market value, 1982 to 2002



Market value in the US, and increasingly in the global economy, is driven largely by human capital, not physical and financial capital. Technology companies such as Microsoft have proven the value of human capital in the marketplace. Service companies that use technology or the Internet, such as eBay, also appear to have great staying power. The value of these companies in the market is almost entirely based on their human capital and intangible assets. But even more traditional companies such as Wal Mart and GE, which are very physical asset-intensive, derive the majority of their market value from intangible assets and human capital (see Figure 2).

Figure 2 – Intangible assets as a % of total market value



The 2002 Deloitte & Touche *Human Capital ROI Study* found that human capital practices may account for as much as 43% of the difference between a company's market-to-book value and that of its competitors. Market-to-book value is a ratio of enterprise market value divided by book value of assets. This ratio represents the portion of a company's total value not explained by or accounted for by physical and financial assets.

The increasing importance of human capital creates serious competition for and shortages of top talent. "With future job growth being concentrated in highly skilled and knowledge-based work, and estimates of 21 million new jobs with only 17 million new entrants to the workforce by 2012, organizations will lose their status quo if they aren't prepared with a workforce strategy," says Diane Berry, managing vice president at people3, Gartner's human capital management practice.

The importance of human capital to business success is clear. Yet human capital planning remains a challenge for nearly all companies. In a 2005 Aberdeen Group study of HR leaders, more than 40% of respondents said the predicting and planning their future workforce was a significant challenge in creating a high performing workforce (see Figure 3).

Figure 3: Top strategic workforce concerns and challenges



Workforce planning is an important part of strategic human capital management. But what exactly is it? The Minnesota Department of Employee Relations defines workforce planning as, “*the strategic alignment of an organization’s human capital with its business direction. It is a methodical process of analyzing the current workforce, determining future workforce needs, identifying the gap between the present and future, and implementing solutions so the organization can accomplish its mission, goals, and objectives.*”

Many models of workforce planning have been developed, but they all follow a standard process (see Figure 4):

- Based on the organizational strategy, identify the workforce needed for the future
- Analyze the current workforce
- Compare the current workforce to future needs to identify gaps
- Develop plans to eliminate gaps and build the workforce needed in the future
- Evaluate results and the process to ensure that the workforce-planning model remains valid and organizational objectives are being met

Even though the process itself is straightforward, many organizations have not implemented workforce planning. Many HR professionals are not even sure where to begin. The basic elements of workforce planning include teams, technology, and data. To better understand how to address these basic elements and begin the process of workforce planning, the Human Capital Institute assembled a panel of

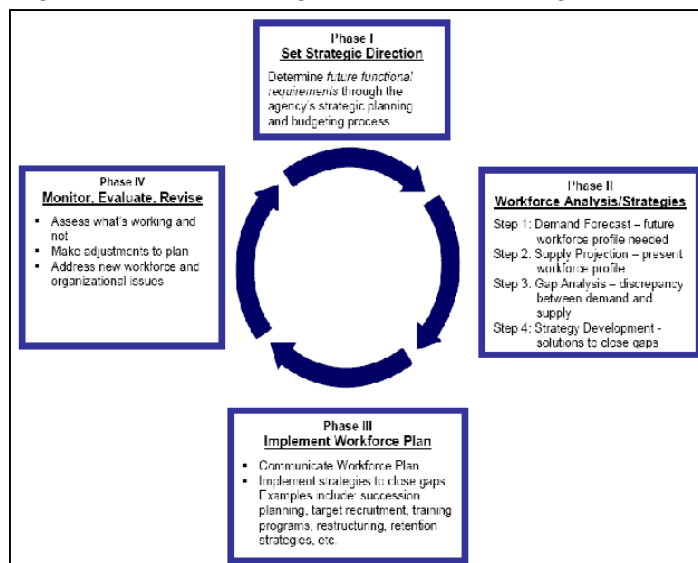
experts. Their comments, advice, and ideas are summarized below.

WHAT ARE THE KEY SKILLS INVOLVED IN WORKFORCE PLANNING?

Workforce planning is a strategic exercise that requires skills and competencies that may not be commonly found in HR departments. Trudi Gygi, senior consultant with WisdomNet, a human capital consulting and solutions firm, says the *skills* required are straightforward: “Analytical skills are important. A person needs to be comfortable with numbers and spreadsheets. Cross-functional HR *competencies* are even more important. By far the most important competency is managerial courage. The ability to say, ‘Here’s what I think. It’s about the future. It’s speculative to some degree and based on my experience, but also based on the data.’ You need to have the courage to guess.”

Stacy Chapman, founder of Aruspex, a workforce management software and solutions company, agrees. “To be effective in workforce planning, courage is the most important thing you need. It’s important to note that, yes, predicting the future is an inexact art, but many other disciplines inside the organization predict the future, for example in sales strategies, marketing plans, financial plans, and capital plans. There has always been great value in looking forward and making decisions about what you believe will happen and what your preferred future is.”

Figure 4: State of Washington Workforce Planning Model



Source: State of Washington Workforce Planning Guide, 1-10-06,
<http://hr.dop.wa.gov/workforceplanning/wfpguide.htm>

IS THERE A PARTICULAR BACKGROUND THAT IS BEST SUITED FOR WORKFORCE PLANNING?

Broad business experience, and not necessarily traditional HR experience, is most useful for strategic workforce planning. Chapman says, “The best people to manage workforce planning can come from anywhere. Those that I’ve found to be the best fit have a hybrid background. They have a willingness to look at the future, do analysis, and make decisions looking forward. People that draw on a wide range of experiences tend to be more comfortable doing this.

Gygi says, “The most effective human resources partner or leader for workforce planning must have an intellectual curiosity about business. They must understand, for instance, what their revenues are and what their profits are. They will have studied and done a variety of things across the enterprise, and have interests outside just HR and the workforce plan itself. They need to have broader interests, because workforce planning encompasses business strategies, marketplace trends, financial goals, and many other things that are not always associated with HR.”

A background in marketing is useful in many ways for workforce planning. Marketing, with a focus on consumers, considers the business strategy, looks internally and externally, attempts to predict the future, and plans for it. For example, “The discipline of marketing recognizes that you can’t be the brand of choice for all consumers. Effective workforce planning recognizes that you can’t be the employer of choice for everyone in the talent market,” says Chapman. “Workforce planning should use segmentation techniques that are in effect ‘stolen’ from the discipline of marketing to identify which segments of the talent market are going to be the most important for the future success of the organization so the value proposition can be tailored to those segments.”

WHAT ABOUT TECHNOLOGY – WHAT ARE THE KEY COMPONENTS OF AN EFFECTIVE TECHNOLOGY SOLUTION? WHAT CAN TECHNOLOGY DO? HOW DO COMPANIES MAKE THE “BUY DECISION?”

Human capital management technology has matured greatly in the past few years. Many of the solutions that organizations have implemented will contribute to the workforce planning process. Many vendors are developing and delivering workforce management applications. Some of them are highly sophisticated and specialized, while others do little more than basic gap analysis based on simple inputs. What’s right for you?

Person Specification Workforce Planning Manager

Knowledge and Experience

- Experienced user of Excel (including pivot tables)
- Experience of databases, e.g. Access
- Experienced user of MS Word, PowerPoint, email, Internet and web-based tool/systems
- Experience of data analysis and presentation of information to support management and business planning decisions
- At least 2 years dealing with workforce issues
- At least 2 years in health/social care environment, particularly with knowledge of NHS workforce information processes and sources
- Some involvement with strategic planning
- Experience of staff management
- Experience/understanding of project management
- Knowledge of service developments
- Knowledge of workforce planning tools

Key competencies

- **Leadership and engagement** – to work with workforce /HR teams in Trusts and provide clear guidance, feedback and coaching/training
- **Strategic comprehension** – to make sure Trusts prioritise workforce information and workforce planning activity appropriately
- **Organisational development** – to participate in TVHA and Thames Valley-wide development in particular workforce planning and workforce information analysis and use
- **Influencing and networking** – up as well as down, guiding Trusts and advising DoH
- **Ethics and values in the NHS** – delivering outcomes bearing in mind the balance of patient-centred services
- **Championing and embracing change** – introducing and supporting new ways of working in relation to role redesign, skill mix etc.
- **Political astuteness** – being aware that the NHS operates in a wider political framework and handling politically sensitive data (e.g. knowledge of initiatives which will put jobs under threat)
- **Analysis** – to produce and provide evidence using analysis of data to TVHA, the wider Thames Valley network, and DoH
- **Articulate** – clear and unambiguous communication of complex subjects providing clarity to users of the information
- **Representing the SHA** – this should be done professionally and corporately.

Skills

- Information handling skills
- Teaching/coaching skills
- Facilitation skills
- Presentation skills
- Time management & scheduling
- Report writing
- Organisational skills
- Networking skills
- Negotiation skills
- Attention to detail

Personal attributes

- Excellent communicator
- Tenacity
- Analytical mind
- Methodical mind
- Diplomacy
- Ability to keep information confidential

“First, I’d like to say you can do a lot with spreadsheets if you have access to basic HR data. Spreadsheets, word documents, and PowerPoint can go a long way in workforce planning,” says Chapman. “If you’re moving beyond that, I would advocate an application that addresses the four key quadrants of workforce planning: supply and demand for labor, and internal and external factors. Most solutions focus primarily on internal supply and demand. It’s important to look outside the organization for important data and trends, and how they will impact internal supply and demand. Considering all four quadrants presents a complete picture and will lead to better projections and decisions.” Table 1 shows the four key quadrants and sample variables.

Table 1 – Workforce planning quadrants and sample variables

	Internal	External
Supply	Turnover trends Retirements Diversity	Labor force trends Skills shortages College majors
Demand	New product launches Global expansion Technology	Economy Competition Regulations

Technology should be an enabler and not overly complex. Gygi suggests, “The key is a process that is understood and able to be executed in a repeatable fashion. Don’t worry if you’re using spreadsheets. Make sure the right people are at the table, and the right inputs are coming in regarding the external marketplace, business strategy, internal labor market, and external market. Get the process right first. It must fit the company and be workable in the enterprise. The trick with technology will often be the reports you can get. Can you see the data you need? It’s very important that your process drives the technology not the other way around.”

WHAT SHOULD WE NOT EXPECT FROM TECHNOLOGY?

In today’s high tech world, it is easy to expect technology itself to be the solution (in fact, it’s common to call software applications “solutions”). Gygi says, “We can’t expect

technology to say ‘here’s where to go.’ Ultimately, we have to decide our ability to take risks, the capability of our workforce, and where we want to go. The software can give us some views of the data and help with scenarios, but we have to make the decision which scenarios are the best for the business and where we want to go.” Chapman agrees, “Software provides information to support decisions that you need to make, not make them for you.”

WHAT ARE THE THREE QUESTIONS PEOPLE SHOULD ASK OF VENDORS?

Chapman and Gygi suggest the following questions for workforce planning vendors you’re considering partnering with:

1. How will your workforce planning process be supported?
2. How does the application address your critical roles such as managers, HR, and executives? How will these roles be supported within the application and the process?
3. Does the application allow you to look forward and outward as well as backward and inward? This is critical for scenario planning and futuring. Many applications only look backward and inward.

LIVE WEBCAST POLL

During the webcast, participants were asked to respond to the question: What is the most challenging/difficult aspect of workforce planning? The results:

79 respondents	
Understanding where to begin	43%
Gathering the required data	32%
Finding the relevant skills	11%
Understanding how to implement tech.	5%
Other	7%

Workforce planning is a highly strategic exercise. Getting started can be a challenge. It can seem overwhelming and all-encompassing.

WHAT ARE THE FIRST STEPS TO GET STARTED IN WORKFORCE PLANNING?

The first steps may be different for each particular situation. “For some, the place to start is with the questions, ‘Where do we want to go? Where are we now? What is our current workforce and business like?’ says Chapman. “Sometimes it’s best to start with where you want to be. Do the futuring and scenarios first. Do environmental scanning. Look outside. Then prioritize what you find.” This can lead to useful insights and provide a framework for the entire process. Knowing where you want to be will make it easier to know where to start and the process to get there.

But where does it really start? With people, of course! “Give someone the objective to start [workforce planning]. Someone has to have the task. Assign workforce planning to someone. It’s easy to never get around to it if it’s discussed across the entire HR team,” says Gygi. “And it’s important for anyone involved with workforce planning to realize it’s too big to do by yourself. You have to ask questions of finance, business strategy, unit strategy, and so on. First step: Set an objective for an individual or a team to take it on and get started.” Chapman agrees, “Once you make someone accountable for workforce planning, it becomes a priority.”

Once it’s been assigned, Gygi suggests you look for low hanging fruit. “What’s the piece you can get done first? What can you see most clearly? Data, external marketplace, business strategy? Jump right in. And if you have a team, divide and conquer.”

WHAT IS THE KEY DATA YOU NEED FOR WORKFORCE PLANNING?

Start with what you have. You will never have all the data in a timely fashion, and it will never be 100% accurate. Key data needs to be driven by your objectives that support the

business and workforce strategies. This could include retention, diversity, high performers, high potentials, global expansion, increased productivity, and innovation/new product development. Consider the four quadrants in Table 1: external supply and demand, internal supply and demand. What data in each quadrant is important to you and also available?

Some specific data suggestions from Chapman: basic demographics, job structure and job families, organizational structure, and turnover. “It is also important to have at least a variation of a capabilities framework or competency framework that reflects your strategy.” Gygi suggests the question, “What are top two or three metrics? These will provide the criteria to assess scenarios effectively.”

A 2003 UK Employers’ Organization for Local Government guide suggests the following suggested minimum data required for workforce planning in local governments:

- Job title – or relevant code
- Occupation
- Location within the authority
- Contracted hours
- Length of service
- Date of birth
- Gender
- Ethnicity
- Vacancies
- Source of recruitment
- Turnover and wastage, reason for leaving and destination
- Qualifications and skills data

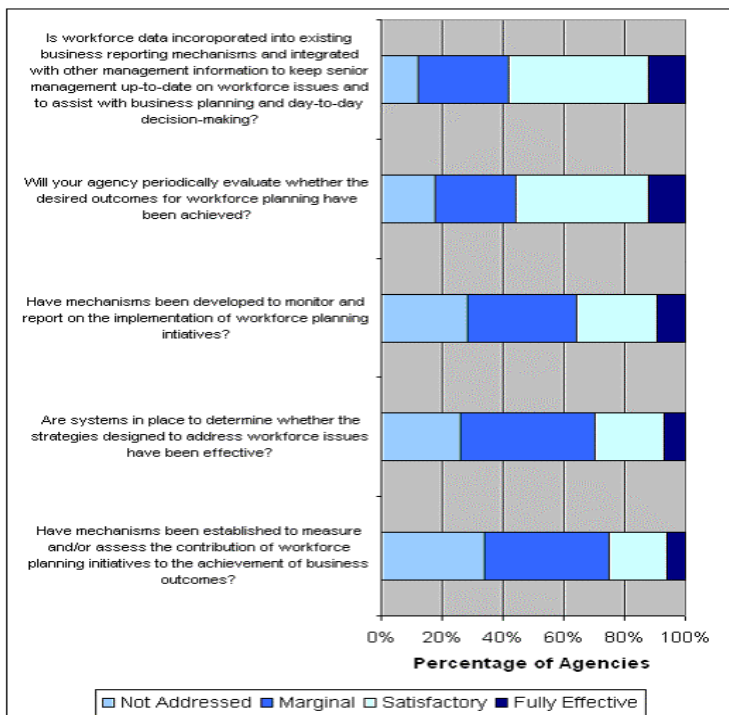
HOW DO YOU MEASURE THE SUCCESS OF WP?

Once you have a workforce planning process in place, how do you know if it’s working? Gygi

suggests just having the process in place is the primary measure of success. “If you have a repeatable process, it’s a success. I wouldn’t emphasize evaluating how close your projections were, because the real value comes from considering many scenarios. But it is important to consider the bottom line: did workforce planning help the enterprise meet its business goals?”

Chapman agrees, but suggests you “look at how close you got only to tinker with your plan and model. For instance, if in 2005, we thought that by 2008, we’d have this particular workforce, did we make progress? Check it in 2006. How close are we? What changed? Question our assumptions about how we thought we’d get there. Monitor progress to know what we did right and what we can learn.” Figure 5 is an example of measures of workforce planning success from the Commonwealth of Australia.

Figure 5 - Measures of workforce planning success, The Commonwealth of Australia



Source: Workforce Planning, The Auditor-General Audit Report No.55 2004–05 Performance Audit, Commonwealth of Australia, 2005, www.anao.gov.au/WebSite.nsf/Publications/2E638FA92ACF3245CA257027007705CB

CONCLUSION

Human capital and intangible assets are more important to business success today than ever. Workforce planning addresses human capital from a strategic perspective and connects an organization’s people strategy with its business strategy. Though workforce planning can seem like a monumental and complex exercise, it does not need to be. The process is straightforward: look at the organizational strategy, determine the internal workforce demands to support the strategy, evaluate the internal and external workforce variables, identify gaps, and devise a people strategy to address the gaps. It requires futuring and developing different scenarios. It is an inexact science that requires courage. Starting workforce planning can be challenging, but it’s best to start with what you have. Basic workforce planning with inexact data and spreadsheets is better than no workforce planning at all. In fact, just going through the process in itself has tremendous benefits. As Trudi Gygi of WisdomNet says, “Workforce planning is not necessarily about getting everything ‘right,’ but instead, because you’ve considered many possible scenarios, it makes your organization more resilient no matter what happens.”

Workforce Planning Thought Leader Panel

ABOUT THE MODERATOR

BILL CRAIB
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Prior to joining the Human Capital Institute, Bill was the Founding Director of AIRS Human Capital Solutions, and served as Director of Training and Curriculum Development from 1997 to 2003. An early Internet adopter and advocate of its far-reaching potential, Bill developed his practical experience by establishing an Internet-centric executive search practice focused on telecommunications. This endeavor helped lay the groundwork for the significant contributions he has made to the core curriculum of AIRS. Bill earned a BS Degree from the Newhouse School of Public Communications at Syracuse University and spent 10 years as a journalist working for several media organizations, including ESPN and the Rocky Mountain News, before entering the recruiting industry.

ABOUT THE EXPERT ADVISORS

STACY CHAPMAN
FOUNDER
ARUSPEX

Stacy Chapman co-founded Aruspex in 2003 with the sole purpose of solving the challenge of strategic workforce planning. With her business partner Tess Walton, she developed a highly effective model and software for workforce planning that manages the current state (including metrics), projects a no-change future state, and enables scenario and action planning, as well as talent market segmentation. Based in Melbourne Australia, Stacy helps many of Australia's leading public and private sector organizations tackle the aging workforce, skills shortages, generational change, outsourcing and other strategic challenges - and has recently started expanding globally with Aruspex's industry leading model and software.

TRUDI GYGI
SENIOR CONSULTANT,
WISDOMNET

Trudy V.M. Gygi has over 16 years of diverse experience in human capital management, operational process improvement, and information technology consulting. Ms. Gygi holds an MBA from the Stephen M. Ross School of Business at the University of Michigan, and a BA in Computer Studies and Economics from Northwestern University. She is a featured contributor in a number of business and human resource publications including Denver Business Journal and IHRIM. She is co-author of *A Compelling Model for Workforce Planning: Making Organizations More Agile* available for download at www.wisdomnet.net.

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Scott is an experienced consultant and lifelong entrepreneur. As an independent consultant, he has helped companies evaluate, select, and implement talent management technology solutions, including performance management, career development, succession planning, and learning management. His clients include Barclays Global Investors, biogen idec, Cendant, ConocoPhillips, Northwestern Mutual, Raytheon, and Sprint. Previously, he was COO and Director of Technology at an early stage human capital management software company, where in 2002, he partnered with a world renowned consultant to develop an online performance management system. Scott is a proven entrepreneurial leader in business, economic development, and academia. He has an MA and PhD coursework in Economics, and a BS in Business Administration. He can be reached at scotty3380@gmail.com

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