Recommendations for a Successful Workforce Planning Program

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Pick up any HR-related publication or peruse any HR-related conference agenda and one topic you are sure to find is workforce planning. In fact, broaden your search to any human capital-related publication or networking event and you will find that even CFOs and CEOs are focused on workforce planning. The growth of planning initiatives has been exponential in the last 18 months with more and more companies instituting centralized workforce planning functions. Many questions arise with such growth and change, including:

• Does this focus on workforce planning signal a seismic shift in the future of HR? Potentially.
• Is workforce planning really as complicated as some industry consultants and “gurus” are making it sound? No.
• Can I do it within my organization? Yes.

What many people fail to realize is that virtually all organizations are doing some sort of workforce planning already – but most of the planning activities have traditionally taken place directly in the lines of business. For decades, business executives have participated in the annual budget planning process, with the primary driver being to forecast revenue and head count (cost) for the following 12 months (maybe longer). While this is not true with strategic workforce planning, the basic concepts remain the same – forecasting the future of the business, incorporating multiple potential financial scenarios and the required workforce, and then determining action plans to move the business forward. These more budget-focused planning activities were very much centered on costs, covered the entire workforce (not just key roles), and often did not consider what type of talent would be required moving forward.

The evolution of workforce planning from this budget-focused process into a key component of corporate strategy has primarily taken place over the last decade. This is due to several key factors. First, the dynamically changing global economy has, at times, tightened the labor supply, leading to the proverbial “war for talent” cycles, only to be followed by market declines, which lead to cost-cutting and labor surpluses. This yo-yo-like effect forced many organizations to look for new alternatives to managing talent. Second, advances in technology – specifically the growth of talent management system providers offering Software-as-a-Service (SaaS) platforms – have made it much easier to identify key talent in organizations and quantify their impact on overall business performance. Third, in the face of rising costs and global competition, the need for evidence-based workforce decisions has become an imperative. There is increased pressure on the HR function to not only solve problems, but to anticipate them. Human Resources must quickly convert data into meaningful insights to help the business succeed. The combination of these factors has led to the growth of organizations consolidating all of the different human capital planning activities into one centralized workforce planning function.

This does not mean, however, that having centralized workforce planning activities will ensure a successful workforce planning program. There are many factors that go into having a successful planning program. There are many factors that go into having a successful planning program, including the development of a comprehensive planning model, buy-in and active participation by lines of businesses and executives, and the necessary workforce data for analysis and planning purposes. There are many different workforce planning models in the marketplace; some are extremely complex and some are relatively simplistic in nature.

Much of the literature and thought leadership in this space is centered around the development of workforce planning models. This is an important, and necessary, initial step in every program. However, organizations often spend too much time on the development of the actual planning model and not enough time on the development of a comprehensive workforce planning program and identification of steps for success. At the end of the day, organizations need to find the model that fits their organization and has enough sophistication for their particular industry.
Mercer’s workforce planning model begins with a focus on the business imperatives and the people implications of those imperatives. With this foundational understanding, the key is to then conduct analyses to assess talent demand, i.e., articulate future workforce needs based on the business plan, including the capabilities and numbers of employees by location, and talent supply, i.e., examine the current and projected internal and external supplies of talent. The outcome is a gap analysis that identifies and prioritizes workforce gaps – including when the organization will be short on the necessary talent and where it might be able to find such talent. The next step is assessing which existing workforce policies and practices contribute most strongly to filling the gaps, identifying potential new workforce policies and practices to close the gaps, and articulating them in a concise workforce plan. Design and implementation of new workforce policies and practices then follows.

Once a model has been determined, the execution portion of the initiative begins. The process requires a high degree of focus, energy and patience from business and HR leaders. Experience tells us that the more complex change is within an organization, the more challenging it is to implement such change. In order to keep planning simple, we provide the following 10 recommendations to make workforce planning successful within your organization:

1. The workforce plan is owned by the business, but the process is driven by HR. It should be a collaborative process between HR and the business, but the accountability for implementation of the workforce plan rests with the business. This is the most common mistake organizations make in launching workforce planning programs – an expectation is created that since HR has centralized the planning function, HR now “owns” the process. This is a sure path to failure.

2. Focus on your critical workforce segments. Segment your workforce based on strategic importance to the business. Conduct projections for specific segments of the workforce whose skills are most critical to the business. Focus on long development lead times and hard-to-fill positions to anticipate and address potential workforce gaps. Remember, strategic workforce planning is not head count planning for the entire organization, rather it is the process of focusing on those few, strategic positions that add significant business value.

3. Plan for more than one outcome. Prepare for multiple future scenarios and create workforce plans that reflect these different possible futures. These scenarios need not be limited to projections for the next year, but can look up to five years into the future, involve multiple growth scenarios (including negative growth) and cover a variety of potential future locations. Be careful not to fall into the trap of using three scenarios and then selecting the “average” scenario. Scenarios should push the boundaries of traditionally thinking.

4. Forecast. Forecast. Forecast. Forecast where current practices are leading your workforce and compare to business projections. Examine both the internal and external supply of talent. Recognize that forecasting demand may be the most difficult step; it’s the one part of workforce planning that truly varies by industry, job family, and critical workforce segment. Find ways to be flexible in how you project demand for talent, as it will always be somewhat uncertain. Workforce planning is not about determining the “exact” number of people required by the business – it should provide organizations with an order of magnitude of talent requirements. Think directionally correct as opposed to specifics.

5. Rely on facts; it’s a data-driven process. Leverage data you’ve been collecting in your HRIS and other talent systems and use it as a basis for making critical workforce planning decisions. Why? Because your analysis will reveal not only the critical gaps, but which actions will be most effective in filling them. It will spotlight policies and practices that may be working against delivering the workforce you require.

6. Don’t cut and paste. Benchmarks are the keys to someone else’s success. Go beyond what others are doing – determine the best fit for you based on your workforce facts versus relying on best practice or benchmarks alone to make decisions.

7. Find the right people (and skills) to support the process. Recognize that you will rarely find in a single individual the combination of process and technical skills to support your process. Consider splitting the roles. And if you keep your process simple, you’ll be better able to maintain continuity –
even as people move in and out of roles. There is much discussion about centers of expertise (COEs). Don’t focus on getting a certain number of people to staff a COE – instead, focus on the skills and capabilities in the COE.

8. Your workforce plan should tell a story. Don’t inundate leaders with a workforce plan that fills a binder. Keep it simple. Keep workforce plans concise and understandable by business leaders. Focus on a particular business issue and solve it – don’t get lost in the data and forget to solve real business issues. Match your data with a narrative to more effectively lead to action.

9. Workforce planning is not an “event.” It’s a collaborative process that should be closely synched and integrated with the business planning process. Don’t think of it as a project – think of it as an ongoing program and set expectations accordingly.

10. Be patient and stick with it. Gradually build workforce planning capabilities over time; don’t try to do everything at once. Most successful programs start with a pilot, working with one specific business line on a specific business issue and build credibility and scale from there.

By keeping in mind these 10 steps, your organization will have a better chance for success in driving results and getting buy-in and active participation from lines of businesses and executives. But, what if your existing process isn’t working? Has your workforce planning process already become too complex or unwieldy? If you answer “yes” to any of the five questions below, consider revising your approach.

(1) Does your workforce planning process cover the entire organization and focus on all employees (even non-critical roles)?
See recommendation Number 2. Begin with a pilot program to improve and flesh out your workforce planning processes, and slowly roll out the program through other parts of the organization. Also, break down your workforce planning efforts and focus on those segments that add strategic value to the business and affect the company’s business strategy.

(2) Did you launch a workforce planning process that has 15 or more steps?
See recommendation Number 10. Keep it simple. Start with a simple approach and gradually build capabilities over time.

(3) Are you collecting new data just to launch your workforce planning process?
See recommendation Number 5. Leverage data you’ve already been collecting as a starting point. And, don’t collect data unless you know in advance how you are going to use it.

(4) Have you instituted multiple approaches to demand modeling that identifies the specific number of full-time equivalents for each job family (in each line of business)?
See recommendation Number 4. Forecast future needs, but recognize that your workforce planning efforts will be directionally correct. Avoid complicated forecasting approaches that won’t be understood – or accepted – by business leaders.

(5) Is your workforce plan more than 10 pages long?
See recommendation Number 8. Be succinct. Your workforce plan should be concise and tell a compelling story. Don’t create a plan that will simply get shelved.

About the Authors

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