

Examine Workforce Planning and Staffing Through a Strategic Lens

WORKFORCE PLANNING may be some of the most difficult and critical work in the field of human resources today, but I believe it is currently among the least advanced and least understood. It may not be glamorous work, but it is indispensable.

What Constitutes Workforce Planning and Staffing Work? What Could It Be?

Far too many companies skim over the workforce planning process if they do it at all. No aspect of human resources can be developed without having the necessary raw talent identified and brought into the organization. If talent really is the engine behind the creation of all value, identifying and bringing in the right talent is where the whole human resources process starts.

Unfortunately, even among those companies that actually have a workforce plan, too many plans are tied to—if not simply an extension of—the budget. One of the problems with linking the workforce plan in lockstep with the budget is that it assumes that the budget accurately reflects the strategy. It frequently does not. Another prob-

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lem with this connection is that the workforce can be viewed solely as a cost item, with no way to clarify the value of people's talent as a required strategic resource. In my experience, far too few budgets offer a real reflection of a clear strategy, and the talents of people are far more than a cost. Getting the workforce plan right has significant implications for any business.

So what is a workforce plan? How is it different from a Human Resources Plan? How is it connected to the business plan? The workforce plan must be integrally connected to the strategy of the organization and the capabilities that it needs to develop to be competitive in the marketplace. If it is not tied to the strategy, it will never be of much value.

The workforce plan is a component of the HRP and the business plan that:

- Clearly identifies the number and skills of people that are needed to succeed in the business.
- Is grounded in business strategy and human resources business drivers.
- Establishes the transition plan to move from current to future workforce.
- Is an integrated part of the overall business plan.

The workforce plan itself should be broad in scope. It should encompass much more than head count numbers. It deals with these areas:

- External environment forecast
 - Industry trends
 - Demographics
 - External workforce supply and demand factors
- Internal analysis
 - Core capabilities

- Pivotal roles
- Broad skill set changes needed in the business
- Future workforce forecast
 - By skill set
 - By job
 - Numbers
 - Timing
- Transition plan (how we move from the current workforce to the future workforce)

This kind of examination produces a much more robust and strategic forecast than simply running some numbers.

Frameworks to Reconceptualize the Work and Some Useful Tools

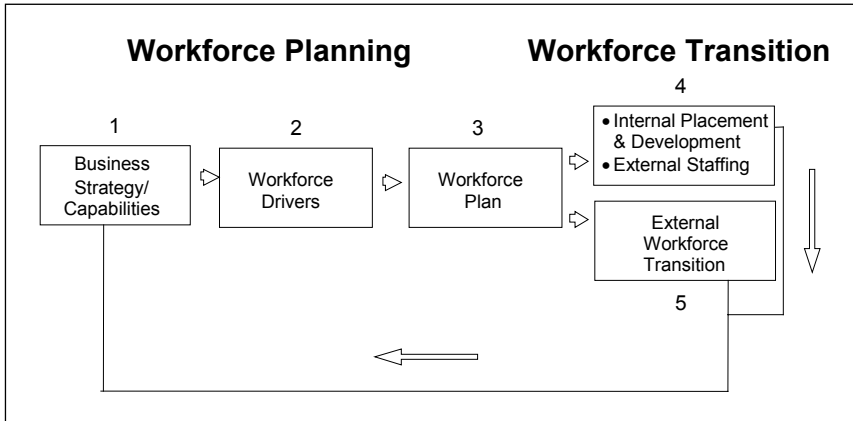
In many companies, workforce planning is little more than an extension of the budgeting process and describes little more than the cost of the workforce. It often deals only with head count and misses the whole issue of transition. Managers are often measured primarily on their ability to hit a head count number. Unfortunately, there is often little value added in terms of understanding at the companywide level what skill and number changes are driven by changes in the strategy.

Workforce Planning and Transition Cycle

What is a framework for workforce planning that will allow us to more easily plan for and acquire the talent that is needed? Ann Empey and Theresa Hupp, at Hallmark, developed the insights for the model shown in Figure 9-1 as a way to reconceptualize workforce planning process. I have adapted it slightly for my purposes here.

Part 1: Business Strategy and Core Capabilities. I am convinced that the primary obstacle to developing an effective workforce

Figure 9-1. Workforce planning and transition cycle.



plan is the challenge of identifying with confidence the business strategy and directions for the future. This is probably the most difficult step in the workforce planning process. It pushes leaders to be clearer than they often are on their strategy and how their strategy addresses the real requirements of customers. (Chapter 7 discussed the role HR can have in helping senior leaders to examine and clarify business strategies.)

In the absence of a clear business strategy, a workforce plan is meaningless and may well create more problems than solutions. As I have emphasized already, workforce plans far too often are reactions to budget constraints and have little to do with the actual talents and skills needed to get the work done or the long-term needs of the business. Unfortunately, many managers are looking for short-term impact and are not willing to do the hard work needed to get clear on the capabilities that will enable their strategy. Getting the right workforce is one of the most strategic elements of any good business strategy. If the talent and skills aren't there, the ability to achieve the strategy and satisfy the customer won't be either.

Part 2: Workforce Drivers. With the business strategy clarified and viewed as the starting point for the workforce plan, HR and line

leaders can identify the “workforce drivers.” These are those implications of the strategy that will *drive* a change in the workforce. Once again, identifying the workforce drivers is hard work. It often isn’t intuitive.

Workforce drivers are forces that drive significant changes in numbers and/or in the skill mix of the workforce. Examples of workforce drivers might include:

- *Technology.* Technological changes that significantly impact any work process will obviously have an effect on the required numbers and skills of a workforce.
- *Marketplace Scarcity.* When scarcity of skills is projected for certain needed areas in the business, how those skills will be acquired or retained must be carefully thought out.
- *Individual or SKU Productivity Improvement Goals.* As people or product productivity goals are established, the workforce often changes size (most frequently it is reduced). Such goals also often result in changes to work processes requiring different skills or a change in the mix of skills.
- *Work or Organization Design.* A significant redesign effort is rarely successful without careful planning for its implications for the different skills and numbers of people required.
- *Budget.* While budget is too often the primary—or only—driver of workforce changes, it is at times a legitimate workforce driver. Clearly, a significant reduction in budget will have a corresponding impact upon the workforce. When budget is a considerable driver, it is more critical than ever that cuts be tied to strategy and with attention to work redesign.

The differences among the strategy, capabilities, and workforce drivers are sometimes quite subtle and difficult to understand, and yet they are very important. Figure 9-2 illustrates how they relate to each other. Three potential strategies are used as examples, along with their corresponding needed capabilities and drivers.

Figure 9-2. Strategy, capabilities, and drivers.

Strategy	Capability	Driver
Focus on external strategic outcomes that build competitive advantage.	Ability to focus on internal ability required to fulfill strategy.	Focus on implication that drives new skills and/or head count level.
Win with new product offerings through acquisitions.	Ability to effectively acquire and integrate new businesses.	Workforce planning that requires new talent in acquisitions.
Become a low-cost provider in the marketplace.	Lowest-cost automated distribution system.	<ul style="list-style-type: none"> • Automation-driven workforce reduction. • New talent base required by new technology.
Achieve highest level of overall customer satisfaction.	Ability to partner with customers.	Plan to place permanent employees on-site with customers.

Line and HR leaders do themselves a great favor in learning to automatically think in terms of drivers. Once again, in my experience, this is not intuitive for many; it takes serious effort to identify the right drivers of workforce changes.

Part 3: Workforce Plan. Workforce planning should be both “top down” and “bottom up.” At the highest level, data regarding workforce trends in the external environment should be given as input during a scan of the business environment prior to developing strategy. The core of the workforce planning process should occur after strategy has been determined and needed capabilities have been identified. The output of that stage is a high-level organization and workforce plan. Some division-level data feed into that high-level plan. From that high-level plan, divisions/departments generate operational workforce plans specific to their area but aligned with the original direction.

The format for the workforce plan and the level of detail included can vary. The format should meet the needs of the particular organization. What is key is that the workforce plan be designed in a way that allows tracking and managing the workforce to strategic needs. The workforce plan should become an effective tool that

provides insight about the appropriateness of the current workforce against the strategic needs.

Once workforce drivers are identified, leaders need to carefully analyze the impact that the drivers will have upon the workforce requirements. They should start with understanding the changes in needed skills, knowledge, and characteristics of employees, rather than simply jump to the numbers of employees. Simply tracking “head count” is not enough.

Employee skills, knowledge, and characteristics in and of themselves are difficult to quantify. They generally need to be designed into jobs, which are far easier to quantify and track. Obviously, there are great problems inherent in using jobs as the unit to measure in a workforce plan. Some job design systems do a poor job of reflecting real skills, knowledge, and characteristics. I won’t attempt to solve that issue at this point, but I believe it is a serious and challenging issue.

However, assuming that a job system reasonably reflects real skills, knowledge, and characteristics, ultimately the workforce plan itself is generally organized by jobs and job families. It then can be translated into the numbers of people in given jobs that are needed. The workforce plan should identify a baseline for how many employees are needed in a job, how much attrition is expected, and the total levels targeted within a given time frame.

Regarding the time frame, some leaders want to plan by quarters, others by years. Once again, I believe that this is entirely up to the needs of the leaders of the organization. My personal preference is to plan in terms of quarters.

The assumption should be that any number that makes it to the workforce plan is a budgeted head count. The workforce plan cannot simply be a “wish list.” If the plan is not approved and supported by budget, it is not a workforce plan. Some organizations indicate the numbers of particular jobs that are desired as

well as the number budgeted so that the gap is highlighted. Either way, the workforce plan ultimately needs to reflect budgeted headcount.

A sample workforce plan is presented in Figure 9-3 to show the type of information that might be included in a very basic workforce plan. In general, the plan should be kept simple or it will not be used. As you get serious about a workforce plan, you will quickly see that there are many ways to complicate a plan. Tempting as it is, try to avoid making the plan overly complex.

Clearly there are a variety of formats you can use. Again, my general note is to keep it as simple as you can. It should present answers to these questions:

- What is the nature of the workforce that we have today?
- What are the different skills, knowledge, and characteristics that we will need in the future?
- How will the numbers of employees change?
- Over what time periods?
- Do we have approvals needed to make these changes?

Make it a tool that actually tells a story. It's necessary that people be able to understand and digest it easily if it is to have the maximum influence on choices in the organization. I have seen formats

Figure 9-3. Sample workforce plan worksheet.

Organization Name:

Position Type Family/Level	Year Begin	Attrition	Net	Year End	Req'd Hires	Budget Y/N	Q1 End	Q2 End	Q3 End	Q4 End
Engineer Civil Electrical Computer	100	9	91	110	19	Y	105	107	110	110
Administration Clerks Secretaries										
Marketing										
X										
Y										
Z										
Total										

that are much more intricate and actually tell a more complete story. They are often so complex, however, that they collapse from their own weight.

Part 4: Internal Placement and Development and External Staffing. A high-level workforce plan identifies where additional talent is needed and where there is talent excess. For the talent needs, an effective staffing plan must be developed.

The staffing plan identifies the talent needed going forward and from where it will come. It may come from within the company, or it may come from outside. The more critical the talent is to the business strategy, the more attention and resources staffing should receive. There are a variety of effective staffing plan formats. I will not attempt to suggest one as the best format.

Last, this section of the framework reminds us that we need to identify a specific development plan that will develop new skills and knowledge in current employees. This will continue to be a more and more critical aspect of workforce planning as talent becomes more and more scarce. Companies will have to develop people to take on new roles. Chapter 12 examines learning and development work in greater detail.

Part 5: Transition Plan. Working on a company's transition plan is one of the most important and complicated pieces of human resources work that exists. It is a time when personal and corporate values are most strongly tested and defined. It is a time when leaders face their responsibility for choices they have made in running the business. These choices often lead to a mismatch between the supply and the demand for workforce talent. There are financial consequences to these choices. There are employee relations consequences to these choices.

When a company finds that it has employees with skills that are no longer needed, a variety of transition options might be considered. Some of them are summarized in Figure 9-4. Obviously, each of

Figure 9-4. External workforce transition.

Options for External Placement of Talent:	
Reduced Hiring	Training/Retraining
Redistribution of Work/People	Loaned-Employee Programs
Overtime	Reassignment
Technology	On-Call Pool
Shift Reduction	Job Sharing
Slow Replacement Rates	Retirement
Performance Management	Voluntary & Involuntary
Part-Time vs. Full-Time Balance Change	Turnover
Surplus	Severance
Displacement	Career Transition Assistance
Job Posting	Subsidiary Placement

these options comes with different ramifications. Some are more pleasant to the employee, and some are less pleasant to the employee. Some are more cost-efficient, and some are less cost-efficient.

Deciding whether there are still internal jobs available for current employees is always a very challenging aspect of the planning process. Many leaders subconsciously mix agendas when doing workforce planning. They intend, on the one hand, to create the most effective workforce they can. On the other hand, they are influenced to uphold real or perceived company values such as “We have a ‘no layoffs’ practice.” In so doing, they often create significant confusion about the workforce plan’s purpose. They often also ultimately develop a workforce that is less than able to deliver what is needed.

Even if the company chooses to keep all of the employees employed, it is important to keep the plan directly linked to the real needs of the business. It is far better to know the workforce that is ideally needed and to know the gaps between it and the actual workforce than to let the workforce plan become a statement of what exists instead of what is needed.

Some Principles that Guided Us at Hallmark

- Workforce planning should be both “top down” and “bottom up.” As it identifies the environmental factors, it informs the strategy. But the majority of the work is driven as a result of the strategy.
- Workforce plans are driven both by:
 - Strategy and business drivers
 - Ongoing maintenance needs of the organization.
- While workforce planning is done in the context of strategy and drivers, the end result needs to be a focused statement that reflects numbers and skill mix changes in the workforce.
- Workforce planning should be done in terms of what is needed and should not be overly influenced by what the current workforce actually looks like today.

Why Workforce Planning Is Critical: An Example from DEC

In the very early 1990s, it was becoming clear that Digital Equipment Corporation was in trouble. Although it wasn't the only big hardware company that was in trouble, its troubles seemed deeper than those of its competitors. While the core problem was a complete misreading of the marketplace, part of its problem was the result of self-imposed constraints on how it managed its workforce.

After peaking in the late 1980s at 137,000 employees, DEC had slimmed down to a still hefty 125,000 by the early 1990s. At that point, a group of senior technical, economic, and HR leaders met to assess the state of the company. We realized that the marketplace was changing dramatically. The big, vertically organized players were getting beaten by smaller niche players that were far more nimble and much better able to move and adjust. Most of the big system players were vertically integrated, offering nearly everything in the technology

value chain. That is how most of them had started and how most of them had become very profitable in the preceding three decades.

The problem was that all of these players had missed the changes in the marketplace. The customers were becoming far more sophisticated. They were becoming less and less dependent upon the big systems houses to do everything for them. They were looking desperately for ways to cut costs. The combination of these two forces meant that customers were able to and intent upon creating systems with hardware and software from a variety of different companies.

I recall the shock and huge debates among top management about whether a DEC salesperson could ever actually sell products from another company as part of the total package. While DEC was arguing, customers were simply beginning to require and receive just that—the best and the cheapest from whatever company would offer it.

We compared investment in product development at DEC and at its smaller niche competitors. This analysis suggested that DEC and its combined niche competitors were investing roughly the same amount in product development, but the niche players were achieving approximately 50 percent more revenues for their investment. They were also doing it with approximately half the combined population.

The group that did this analysis suggested to company leaders that DEC could not compete effectively until it was about half the size that it was at the time. This was an extremely challenging message for DEC. DEC had prided itself on never having had a layoff. While company leadership tried to be clear that this was a practice and not a policy, it was also clear that the senior leaders did not have the heart to begin down the road of a significant and drastic reduction in workforce, regardless of what the data said.

Those of us who did the initial analysis felt strongly that something drastic had to be done. We felt that DEC could not afford a slow decrease of our workforce over years. DEC didn't have years. Nonetheless, the analysis was ignored. It was ignored largely because of cultural and historical traditions of managing the workforce. Peo-

ple couldn't even have a reasonable conversation about drastic reduction of workforce, even though it was blatantly obvious that the corporation would go under without such a reduction.

Leaders were consumed by guilt. What could they have done differently to avoid being at this place? When should they have "leaned down" instead of "leaning up"? Unfortunately, the real needs had little to do with second-guessing who should have done what differently or even how to maintain the DEC culture. The ship was sinking, and leadership needed to look the stark realities in the eye and make hard decisions.

Instead, the reduction of workforce was gradual, and within several years the company was purchased by Compaq. It did not take long until what was left of DEC was approximately the size that was recommended in the analysis. It just got there way too slowly. Now, I don't claim that managing the workforce reductions differently alone would have saved DEC. But I do believe that it is a classic story of leaders who did not take seriously enough a workforce and business analysis that suggested the need for serious change.

This example does not make an argument in favor of or against layoffs. It makes the argument that taking seriously the workforce planning aspect of the business is critical and that this aspect can have deeply serious long-term implications if overlooked or mismanaged.

Key Problems in Workforce Planning

- Again, workforce planning is too often driven by budget. As long as workforce planning is set up primarily as a control mechanism—to control costs/head count—it will never enable strategy. Instead, it will function as a damage control function.
- Many organizations focus so much on the capabilities of the existing workforce and managing around that workforce as a given that they don't look creatively at what is possible.
- As I described earlier in this chapter, leaders who are willing to put organizational capabilities and competencies at risk to pro-

tect individual employees or who follow a “no layoffs” policy may take an ill-advised gamble. In most competitive environments, they put even more employees at risk in the long term.

- Employees are often slow to step up to new developmental opportunities. Deep down, they hope that they will be able to continue to use their current skills. They seem to believe that the problem for them will go away. Unfortunately, some companies foster this attitude by taking away the natural consequences of the failure to acquire new skills—job loss. Companies that are soft on this issue will continue to have employees who pick and choose which developmental opportunities they will pursue.
- Work redesign is too often forgotten in implementing workforce plans. For example, it is frankly too simple to assume that you can cut the number of people and do the same work in the same way with fewer people. Rarely is this successful. Too many companies have made significant cuts in a workforce only to later rehire many of the laid-off workers.
- In determining a transition plan for employees, you must balance the cost of options with the likely employee acceptance of options.

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