

# How Strategic Workforce Planning Can Help You Thrive and Take the Lead

**T**he global recession that began in 2008 put a hard and sudden stop to the explosive economic growth of the prior five years. Markets around the world reeled from the banking crisis and its effects on local economies. Consumers found themselves with bank accounts cut in half by the rapid decline of world stock markets. Many also found themselves out of jobs as companies reacted to the meltdown by closing facilities, selling businesses and slashing thousands of jobs to size themselves to match the rapidly shrinking demand for their products and services. Consumer confidence and resulting spending came to a halt as consumers closed their pocketbooks and hunkered down to weather the economic tsunami. Most had never seen anything like this during their careers.

Until the downturn, many companies, especially those with Asia-Pacific-based operations, were

## QUICK LOOK

- ⇒ Companies that have the foresight and fortitude to leave the trenches early and proactively position for growth are those that will reap the economic benefits.
- ⇒ A comprehensive value analysis is needed to identify, define and prioritize the value drivers that are essential to realizing your recovery-focused business strategy.
- ⇒ An effective strategic workforce plan identifies number and skill-set gaps, as well as hidden gaps that sabotage even the best SWP plans.

By Don Ruse and Karen Jansen of Axiom Consulting Partners, and Stacy Chapman of Aruspex



scrambling to implement strategic workforce planning processes that enabled them to manage perennial talent shortages. These companies were not only experiencing shortages in sheer numbers of people but, more importantly, in getting talent that had the capability to meet the demanding needs of operating in an increasingly global marketplace. But once the downturn hit, most of these efforts were either set aside or refocused on downsizing. Old behaviors quickly took root as calls echoed in the halls in many companies to “cut 20 percent” or to open the window to everyone and anyone who wanted a severance package. The rapid downsizing did result in sorely needed cost reductions, but it also put many companies in the difficult position of having to prepare for the impending upturn without the workforce it needs to do so.

## There is Still a Serious Talent Shortage

As with recessions of the past, companies that have the foresight and fortitude to leave the trenches early and proactively position for growth are those that will reap the economic benefits of being early to market to meet pent-up demand for their products and services.

The competition for a limited supply of talent will inevitably resume. This is especially true for companies that operate within the Asia-Pacific region, where there are still structural issues with labor markets that have and will continue to create talent shortages. (See Figure 1.)

## Strategic Workforce Planning Overview

So how does a company ensure it has the talent it needs to be in front of the inevitable recovery? The answer is simple — by using strategic workforce

planning to ensure it has the right people, in the right place, at the right time and at the right cost needed to successfully execute its recovery-focused business strategies.

There are a variety of approaches to strategic workforce planning (SWP). (See Figure 2 on page 29.) Many companies approach SWP as merely a tool to understand their current workforce demographics, but SWP can be a core business process that enables companies to comprehensively understand and address the talent implications and realities of their business strategies by:

1. Clarifying the value drivers of their business strategies and the number and type of talent needed to unlock the value
2. Understanding current and anticipated future labor markets (internal and external) and their implications on talent supply and demand
3. Modeling likely future workforce scenarios to inform the workforce strategies that will best enable execution of the business strategies
4. Developing a deep understanding of expected talent gaps beyond the obvious (e.g., skills and numbers) to provide critical insights into how best to close them
5. Developing a comprehensive, holistic and measurable workforce plan to close these gaps before they limit your ability to execute business strategies.

## A Detailed Look At Strategic Workforce Planning

### STEP ONE | Understanding Business and Workforce Value

It's easy to understand that your workforce strategy needs to align with your business strategy, yet this can be one of the most difficult aspects of SWP. In today's environment, a comprehensive value analysis is needed to identify, define and prioritize the

value drivers (e.g., the capabilities, activities and processes) that are essential to realizing your recovery-focused business strategy. Once you are able to understand what drives value you can then objectively identify the workforce implications of your strategy.

There are two outputs of a value analysis:

- **Value tree** — a pictorial unbundling of your business strategy that identifies and prioritizes the key drivers of value. (See Figure 3 on page 29.)
- **Workforce segmentation model** — a comprehensive picture of the roles/capabilities that (a) will most impact your ability to realize value and (b) will be most impacted by your business strategy and therefore have a less critical role in driving value. (See Figure 4 on page 31.)

Value trees enable you to identify what is truly essential to realizing the full value of your strategy. Role segmentation helps you optimize your workforce decisions in much the same way marketing segments customer value and corresponding investments in order to achieve a higher return. (See Figure 4.)

Value analysis is a critical first step in SWP. It ensures you have a detailed understanding of future workforce requirements and, very importantly, are able to manage your workforce as a portfolio of assets based on relative contribution to value.

## STEPS TWO AND THREE | Understanding Talent Supply and Demand and Determining Your Targeted Future Workforce

Building a picture of your future workforce requires more than just an understanding of your business strategy. It requires a holistic look at the factors influencing the supply and demand of your current and needed workforce. (See Figure 5 on page 31.)

In conducting an environmental scan, it is important to consider the factors

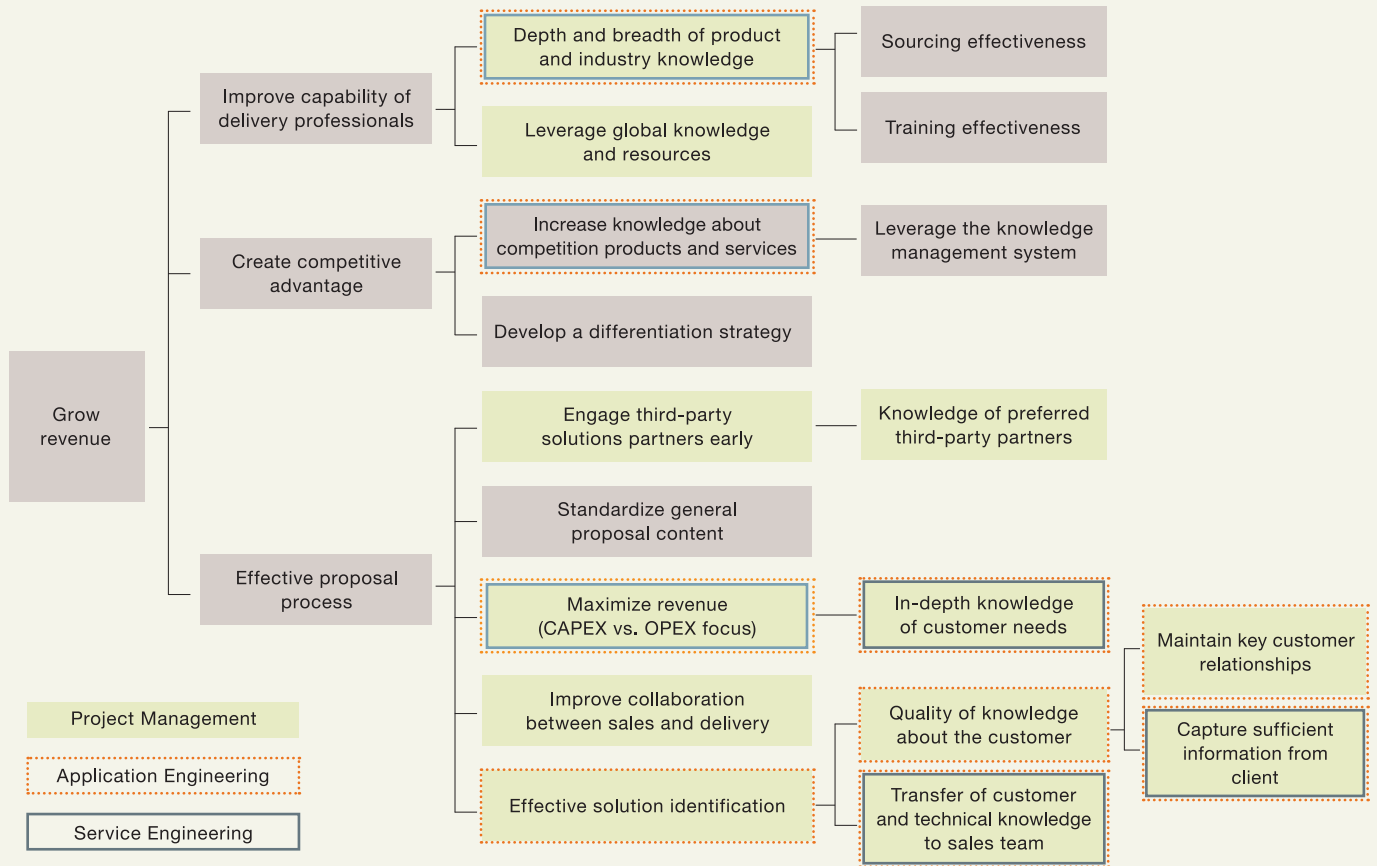
FIGURE 1: GLOBAL TALENT SHORTAGES

- Australia has a shortage of 180,000-240,000 skill workers (AIG/Deloitte, April 2008).
- India will require a 2.3-million strong ICT and BPO workforce by 2010. Current projections suggest a deficit of 500,000 workers (NASSCOM-McKinsey 2005).
- Three of China's top five business concerns are workforce-related: a shortage of qualified staff, turnover rates and wage increases (ADB 2008).
- Southeast Asia had a shortage of 2.8 million health workers as of July 2008 (GHWA).
- Japan is facing acute labor shortages in farming towns, fishing villages, factories, restaurants and nursing homes, and on construction sites. Japan's ageing population, 127 million, may fall to 82 million by 2055 (New York Times, August 2008).

FIGURE 2: THE STRATEGIC WORKFORCE PLANNING PROCESS



FIGURE 3: VALUE TREE EXAMPLE — HIGH-TECH SYSTEMS CONTROLS COMPANY



## When considering future supply and demand, calculating and expressing supply is the simplest because it has a standard “unit of measure” — the work being done.

within each of the quadrants. You will have already covered many of the internal demand factors (bottom left quadrant of Figure 5) in your value analysis, but don't stop there. An effective scan will also consider the programs, processes and systems that may not be an explicit part of your strategy but may be changing with implications to your workforce demand. Factors in the other three quadrants should also be explored for trends and potential changes that the workforce will face. Internal supply focuses on employees while external supply focuses on the labor market — not just the demographics of each, but also the qualitative data points like competitor employment offers. External demand should be scanned to identify what is happening outside the organization and how this is changing what the workforce will need to do. The trend to environmental awareness, for example, may be changing the skills and behaviors required in energy, manufacturing and a host of other industries, in ways that are beyond the control of the employers themselves. After scanning the four segments, identify the factors and potential issues that are likely enough and have enough potential impact to be worthy of inclusion in your workforce planning.

When considering future supply and demand, calculating and expressing

supply is the simplest because it has a standard “unit of measure” — the work being done. We calculate supply starting with our assessment of the capability, availability and productivity of the current state, projecting our trends and retirement models, and adding the key factors identified by scanning. If your future strategy represents a significant shift, you may ignore historical trends and start from scratch, but it is still a fairly simple process.

Demand is more challenging because different types of workforces have different ways and means of calculating future demand. In call centers, in manufacturing environments and with other task-based roles, this can be derived directly from the business plans. With knowledge workers, however, there may be no obvious unit of measure. In these cases, think about how much more or less you'll need to do as compared to today.

What is important is that supply and demand explorations take the wider view of the environment scan findings and incorporate their impact into the future model. In today's environment, the forward view may even be more important than the historical one. Where there is uncertainty about the future, you should use the environment scan to construct scenarios of alternative workforce futures and explore them in a qualitative sense

using story-based descriptions rather than numerical models (although both can be used). This conversation-based exploration is key to understanding your targeted future workforce.

### STEP FOUR | Understanding

#### Expected Gaps Before They Hurt You

Simply put, future talent gaps are the difference between your expected talent demand and expected talent supply. Understanding this gap is critical to making the informed investment decisions you'll need. Too often, SWP processes characterize the nature of talent gaps in narrow terms. Talent gaps go beyond the obvious — not having enough people to staff strategic or core roles and/or not having enough of the skill sets resident in incumbents in the roles. An effective SWP process not only identifies number and skill-set gaps, it also identifies hidden gaps (see Figure 6 on page 32) that, more often than not, sabotage even the best SWP plans.

### STEP FIVE | Actions and

#### Investments — Pulling it All

#### Together Into a Workforce Plan

Step five involves condensing and pulling out the key insights from steps one through four to develop a holistic and realistic workforce plan. While there is no one-size-fits-all template for a workforce plan, it should at minimum identify the following:

- A “map” depicting the talent segment(s) required to realize each value driver. This provides the organization with a clear picture of the type of talent needed and its relationship to realizing strategy. It provides the focus for future workforce management efforts.
- For each strategic, core and requisite role, a description of the targeted future workforce in terms of its key characteristics (e.g., capability, geography, numbers needed,

FIGURE 4: WORKFORCE SEGMENTATION MODEL

Workforce Segment	Description	Example	Most Likely Action/Investment
Strategic Roles	Roles that perform work that is key to achieving competitive advantage in your marketplace. Often talent for these roles is scarce due to a lack of supply and/or significant demand.	Bioinformatics	Source and secure qualified talent pipeline.
Core Roles	Roles that are unique to your organization because they require an in-depth understanding of your organization and work processes. Talent for these roles must be developed in-house over sustained periods of time.	Propriety manufacturing operations	Ensure ability to develop and retain talent needed to maintain healthy pipeline.
Requisite	Roles that perform work that is required to operate the business but that could be done at a lower cost.	Desktop support	Secure external vendors to complete work and/or use technology to streamline work process.
Surplus	Roles that perform work that is no longer relevant to the business.	Analog telecomm engineering	Downsize and/or redeploy talent in roles.

FIGURE 5: ENVIRONMENTAL SCAN

	Demand	Supply
Supply	<p><b>ROW — Rest of World</b></p> <p>Political, environment, social, technology</p> <ul style="list-style-type: none"> <li>Political agencies</li> <li>Technological advancement</li> <li>Social trends</li> </ul> <ul style="list-style-type: none"> <li>Environmental awareness</li> <li>Education</li> <li>Legislation</li> <li>Globalization</li> <li>... the list is endless</li> </ul>	<p><b>Labor Market</b></p> <ul style="list-style-type: none"> <li>External workforce data</li> <li>Demographic data</li> <li>Industry data</li> <li>Skills data</li> <li>Competitor employment offers</li> </ul>
Demand	<p><b>Organization</b></p> <ul style="list-style-type: none"> <li>Business strategy</li> <li>Culture and values</li> <li>Work organization</li> <li>Business operations and processes</li> <li>Management systems</li> <li>Service agreements</li> <li>Budgets</li> <li>Client or customer survey information</li> <li>New business/joint ventures/alliances</li> <li>New technology or processes</li> <li>Changing responsibilities</li> </ul>	<p><b>Employees</b></p> <p><b>Profile data</b></p> <ul style="list-style-type: none"> <li>Gender and age distribution</li> <li>Job level/salary composition</li> <li>Geography</li> <li>Employment mode (e.g., part time)</li> <li>Length of service</li> <li>Performance review</li> <li>Capabilities</li> </ul> <p><b>Trend data</b></p> <ul style="list-style-type: none"> <li>Separation, transfer rates</li> <li>Exit interview information</li> <li>Overtime applications</li> </ul>

# Strategies are only successful if you have a workforce that is capable of implementing them.

timing of need, status (contract, insource/outsourced, part-/full-time)).

- Expected gaps (size, characteristic, timing, relative importance), the specific programs and investments necessary to proactively close them (e.g., recruitment, development, global deployment, contractor management, work redesign) and associated accountabilities and milestones
- For each surplus role, a clearly defined action plan that reduces the size of this workforce segment and reallocates associated monies to needed strategic and core investments.

Once your plan is developed, take a step back and “sanity check” it by asking yourself the following questions:

- Do any of the actions outlined in the plan have unintended consequences to the requisite and surplus talent segments? If so, what should be modified to avoid this?
- Do any elements of the workforce plan for specific talent groups conflict or

compete with existing initiatives? If so, what can be done to minimize the conflict or overlap and avoid wasting time, money and energy?

- Do any talent gaps remain that could put our recovery strategy at risk? If so, what else is needed to alleviate or at least mitigate this risk?
- Will resource constraints limit our ability to execute the workforce plan? If so, what modifications should be made to reflect our resource realities? Organizations that leave the recessionary trenches early with bold yet realistic business strategies will reap the benefits of being first to quench pent-up demand. Strategies, however, are only successful if you have a workforce that is capable of implementing them. Strategic workforce planning will help you proactively understand the workforce requirements of your recovery-focused business strategies, and put in place the workforce plan you’ll need to have the right people, in

the right place, at the right time and at the right cost. 

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FIGURE 6: HIDDEN TALENT GAPS

- **Cultural/political gaps** — gaps caused by the inability to move certain talent across borders (e.g., issues associated with having Taiwanese manage Chinese workers (cultural fit issue) or the inability to move Chinese managers to Taiwan (political issue))
- **Mobility gaps** — gaps that result from a portion of your workforce that is unwilling to move (e.g., limited mobility in China given expectations to live with/near parents)
- **Availability gaps** — gaps that often result from one part of the organization “hoarding” talent and not releasing people when they are needed to other parts of the organization that need them
- **Contingent gaps** — gaps caused by contractual and/or cultural limitations in the deployment of contingent labor segments
- **Engagement gaps** — gaps caused by reduced productivity levels that result from management practices that disengage the workforce.