

Workforce Planning in Uncertain Times

Using proven techniques and software
to make the right workforce decisions
for today's costs and tomorrow's value

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Aruspex is the only company solely focused on strategic workforce planning, helping the world's best companies – including Aetna, Blue Cross Blue Shield, Starbucks Coffee Company and Toyota – plan and build the right workforce to meet their strategic objectives. Aruspex's award winning CAPTURE software analyzes internal and external workforce trends to ensure that companies have the workforce agility to meet current and future business demands, and then ensures that the progress and ROI of their talent strategy is monitored and measured.

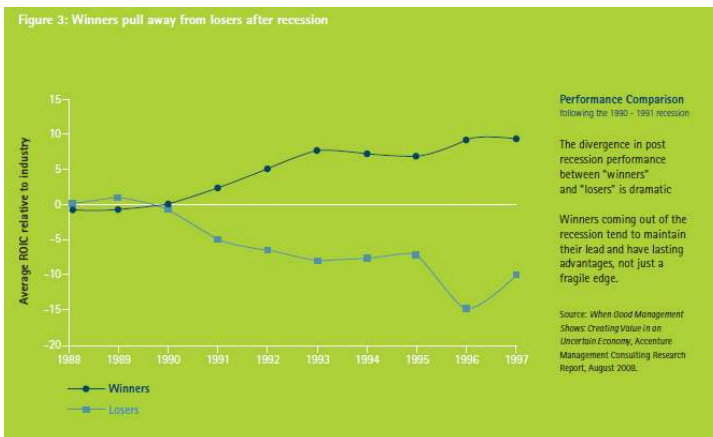
CAPTURE is a proprietary SaaS quantitative and qualitative workforce assessment and planning system that guides the company in planning managing, and building future workforces. The system is complemented by Aruspex Advisory Services that provide clients with hands-on education, data analysis, and best practices..

This paper is produced by Aruspex as general guidance on the subject. It is not intended to provide advice on your specific circumstances. If you require individual advice on any aspect of this paper, please contact any of Aruspex's global offices.

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Executive Overview

A challenging economy such as that of 2009 leads forward thinking organizations to examine their fixed and variable costs, and many organizations are also looking to reduce workforce costs. The risk is that the workforce is often the key to competitive advantage and to creating long term value – so all workforce cuts also potentially jeopardize value and long term success. The key is to target cost savings at the areas with the least risk – and investments in those which create the most value. This paper explores approaches which enable you to understand the wider impacts of short term workforce decisions. This approach facilitates the surgical identification of cost cuts and related impacts. Cost-cutting decisions can then be made in an informed way – reducing risk, minimizing cost and maximizing value in the short and long term.



It is vital that organizations take a strategic view of their talent potential and gaps if they are to achieve or maintain a future leadership position. As illustrated at left, winning companies pull away from losers very strongly after a recession, based on the decisions they take during that recession.

A report from CFO Magazine (Human Capital Management: The CFOs Perspective) showed that 82% of executives believe that human capital impacts productivity; and 72% believe that it impacts innovation and new product development. Given that productivity, innovation and product development are

critical to being an organizational "winner", it follows that decisions we make now about the workforce are critical to our ability to lead post-recession.

Unfortunately, many organizations make decisions about human capital – downsizing, cost cutting, budgeting, policies, etc – without any clear picture of what the workforce required for future success will be, or what the long term impact of these decisions will be. Talent management practices are developed through "gut feel" or "best practice" without any specific description of the changes that those practices need to achieve for future success. Clearly, if talent management is used to shape the workforce, the first question is "shape it into WHAT?"

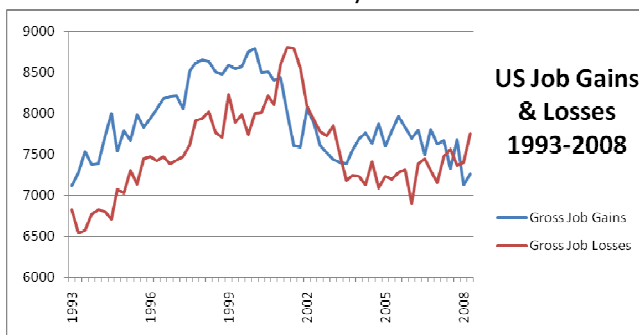
The quandary and dilemmas are real, but can be solved in a straightforward manner. Using a structured, holistic approach to planning the future workforce, you can produce a segmented, clear picture of what the right workforce for future success is, understand the gaps between that future and today – and define measurable talent strategies to close those gaps and create the future. This is not headcount planning, budgeting or optimization, it is true strategic workforce planning, and all organizations can achieve it quickly and effectively.

The Global Economy and Talent Market in 2010 and Beyond

The economy moves in cycles – sometimes up, sometimes down, sometimes sideways. The size and impact of these cycles vary, as does the speed and agility at which organizations are able to respond to them. Increasingly, the key differentiator in that response, and in the ability to compete more effectively in both good and bad times, is talent. So knowing that you have the right talent is increasingly important to executives. To know that you have the right talent, you must have good workforce planning, as these executives understand - a recent Watson Wyatt survey found that a large majority of companies report that their CEO (85 percent) and senior managers (74 percent) are concerned about their workforce planning issues. And workforce planning becomes more important in uncertain times, because scarce resources need to be targeted more effectively.

Not everything is down

According to the US Bureau of Labor Statistics, layoffs in the US in January 2009 totaled 237,902 – the highest number in 7 years. However, the BLS also reports that there were 2.7 million open jobs in the US on 31 December 2008...more than 11 times the January layoffs. Of course not all turnover is from layoffs, but these figures are good reminders



that while there is pressure to cut costs and reduce staff, it is vital to remember that job losses (even net job losses) do not mean that no hiring or workforce investment is occurring. Labor markets are imperfect. The chart at left shows job gains and losses per quarter in the US. In late 2008 and in 2001, losses exceeded gains – in 2001 there was a net loss of more than 3 million jobs, but there were still more than 31.5 million jobs created – and this applies in individual organizations.

Microsoft, for example, announced in early 2009 that they would shed 5,000 jobs, the first major layoff for them ever. At the same time, though, Microsoft is planning to add up to 3,000 jobs in areas which are critical to their future such as search, online services and cloud computing. Even though the net employment result is a reduction for Microsoft, investment in workforce development continues in key areas. These investment choices are driven by longer term strategic objectives, not just the current economy.

What is happening at Microsoft is a changing investment pattern – in a tight economy more attention needs to be paid to cutting costs effectively, and to investing more wisely. The same is true with all organizations. Perhaps a more forward thinking approach to workforce planning at your organization might avoid RIF's and plan reinvestment earlier.

Planning for Survival, Advantage AND Growth

The cliché “peanut butter cuts” describes evenly spread cost cutting measures such as across the board reductions of a fixed percentage, hiring freezes, replacement of a fixed portion of turnover, etc – policies which on face value may seem equitable. In reality these practices can be counterproductive and can create long term challenges for an organization. An organization’s long term success depends more heavily on some roles than others, and these kinds of “peanut butter” approaches ignore that reality.

Short Term Advantage – Optimizing for Economic Uncertainty	Medium Term Advantage – Industry Leadership	Long Term Advantage – Accelerated Growth
Rightsizing	Accelerating Innovation	Mergers and Acquisitions
Cost Optimization	New operating models	Culture alignment
Operational Efficiency	Critical skills upgrade	HR integration
Targeted HR strategies	Talent acquisition	Organization Architecture
Back to basics	Engagement & alignment	New strategic capabilities
	Targeted talent strategies	Segmented talent strategies

The framework which Aruspex uses to illustrate this is based on the horizon in which advantage is achieved (left). Of course planning for the short, medium and long term are not mutually exclusive – rather, all three should be completed in parallel, with different approaches according to the strategic importance of the workforce group under consideration.

Differentiating where and how to apply each approach differentiates future success – random or across the board cuts do not. A recent article in The Economist asked “will the axe be wielded wisely?” Under the subheading “human capital and the crisis”, they pointed out that many organizational responses to the economic crisis are poor decisions, because not enough companies have strategic workforce planning in place:

This crisis is revealing how few firms have really thought through their talent strategies, says Mark Spelman of Accenture. Claims that “our workers are our most valuable assets” are too often platitudes, the emptiness of which is now being revealed. But those firms that have thought seriously about their talent needs have the opportunity to get ahead of those that haven’t

Aruspex has developed a world-leading methodology and software that facilitates the completion of a strategic workforce plan in as little as six weeks. Key differentiators of our approach include:

- Professionals with deep domain expertise
- Access to data – both industry specific and public; integrated with our experiential database
- Proven CAPTURE software
- Access to industry best practice templates
- Integration of SWP and Talent Management Approaches
- Aruspex experiential data bases
- Rapid Deployment

Implementing high impact human capital solutions quickly

Best of breed strategic workforce planning enables this kind of differentiating and targeting to occur and has a very high impact in very short timeframes. Strategic workforce planning ensures that all of today's workforce decisions are made with an eye to the future and an awareness of the environment, risks and opportunities. Of course, there are some critical success factors to achieving these outcomes, including:

<p>Use a proven approach</p>	<p>While some organizations are attempting to create their own methodologies and tools, there are proven approaches which work very successfully in all industries and geographies. The Aruspex approach has proven successful at leading organizations worldwide.</p>
<p>Be pragmatic</p>	<p>The approach you take should always be a pragmatic one that is embedded with the business. Now is NOT the time to be sitting in your office creating new ways to view data or complex models which management don't understand. Instead, define models and measures which resonate, and spend more of your energy on working with the business than creating ever fancier graphs!</p>
<p>Segment effectively</p>	<p>The workforce is not homogenous – use an objective approach such as ours to align workforce groups to strategy.</p>
<p>Model impacts in the short and longer term</p>	<p>Decisions, policies and trends don't go on in the same way forever, and your scenario modeling approach needs to cater for this. Use a tool that allows you to look at clear assumptions which can vary over time; and which can cover all aspects of the workforce – not just turnover and other headcount related rates!</p>
<p>More than headcount</p>	<p>To enable construction of the best possible talent practices, the model of the future workforce must be more than just headcount. Skills are critical, but so too are more qualitative measures such as diversity, age, retirement eligibility, ambition, career paths, culture, etc, etc. What is critical to each group is discovered through a strong approach – and then you ensure you measure what matters.</p>
<p>Be business focused</p>	<p>The key information you need for successful workforce planning is in the business, not in your HR data. Your approach should be consultative and focused on the business' needs. Aruspex's approach equips you with the right tools, data, and software to engage the business</p>

Monitor and respond	The models and plans you develop should not be one off or consultant dependent – rather, ensure you can monitor progress in real time.
Decentralize	Aruspex’s workforce planning solutions allow you to model the impact of workforce decisions online, informing and involving the right leaders in the process. You then monitor and respond to any changes in a hosted solution with minimal implementation effort.
Automate the “heavy lifting” & ensure reuse	One of the great things about software is that it can calculate complex things for you, including regression analyses, forecasts and other models which save a lot of time in workforce planning.

By choosing the right approach, you get all of these critical success factors by default!

ROI Calculations for Strategic Workforce Planning Software

There is no “one size fits all” for calculating the return on investment of Strategic Workforce Planning, but Aruspex can help you configure one of our industry specific ROI templates for your organization. These are examples of actual ROI from our clients:

Global Manufacturer Increases Leadership Bench, Saves \$18 Million by Restructuring Leadership Talent Strategy. Developing internal leaders is key to the culture of this global leader, but retention of key potential talent was less than ideal. By applying Aruspex’s predictive analysis and segmentation techniques, the organization defined the profile of the most successful hires. Applying the Aruspex methodology, they created and measured targeted recruitment and development programs, and saved \$18million in external recruitment fees and lowered turnover and retention costs.

Utility Ensures Service Delivery, Saves \$8 Million by Reducing RIF, Contractor and Retirement Deferral Costs. Like many utilities, this employer had an aging workforce, skills shortages, aging infrastructure and technological changes to contend with. By taking a longer term view and building clear “what if” workforce models, it was visible to leadership and the board of directors that action needed to be taken to avert major challenges in service delivery and operations. A wider organizational view facilitated by the use of CAPTure software enabled them to find the right synergies, opportunities and development potential to proactively close these gaps and prevent the crisis use of contractors or retiree retention payments. A proactive program to redeploy staff from underutilized areas of the business also saved RIF costs – while ensuring service delivery to customers and government. They also achieved a steep uptick in employee engagement scores!

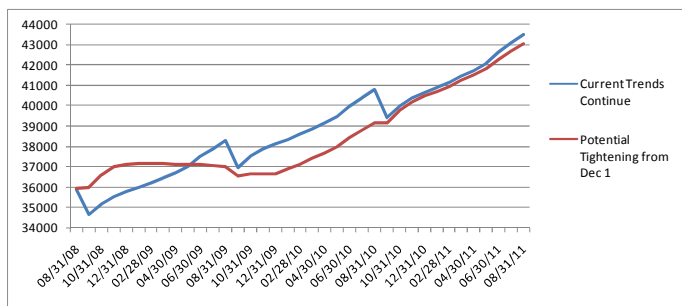
These are the kinds of savings and benefits Aruspex can help you identify for your organization, so you can build your ROI case. Contact us for industry specific templates.

Examples and case studies

Aruspex has worked with many organizations to effectively plan the right future workforce. Your approach needs to be tailored to your organizational DNA but leveraging the experience of our clients and others increases your chances of success. Aruspex's website has step by step whitepapers on how to implement workforce planning, plus case studies of how different organizations have succeeded. These include specific cases of responses to the downturn, such as the one described below.

Case Study: Combining Short and Long Term Needs into Models

In a recent Aruspex case study, we worked with a Fortune 100 company to model potential reactions to this economic change. The organization worked with Aruspex and



CAPTure software to create the models they needed. For the groups who already had long term workforce plan models in place, it was a simple matter of translating and modifying the existing scenarios to test assumptions to achieve the finance goal and look at their impact in the longer term. They were able to graphically model the impact of potential new policies, using a combination of historical trends and new assumptions. Some of the benefits of this activity included:

- Clear, visual, interactive representation of the impact that short term decisions were likely to have on long term results., This enables modeling of approaches to cost reduction, rather than a knee-jerk “freeze”
- The business had confidence that while they were reducing costs in some areas, they maintained investment in the areas most critical to their long term success
- Models of cost cutting outcomes which included clear assumptions and measurable progress points – the business knew in real time if they were on track to meet financial goals

This case study is available in detail on Aruspex's website, along with many other valuable resources on effectively implementing workforce planning.

Conclusion – Critical Activity in Our Current Economic Times

The ability to respond to changes in macro and micro circumstances can create true competitive advantage for organizations. One excellent example of this was from Entergy, who are creating value with scenario planning:

"During the quarter we experienced both the worldwide collapse of the financial market and some of the most devastating storm activity (Gustav and Ike) to ever hit the Gulf Coast area. Through sound integrated scenario planning and preparation, the company was able to meet the operational and financial needs without sacrificing our commitments to our goals and objectives," said J. Wayne Leonard, Entergy's chairman and chief executive officer.

Entergy could quickly respond to major changes in their operating environment because they had used sound strategic planning techniques which incorporated scenario exploration. When you have made these preparations, responding to major events and challenges can be targeted, calm and effective. If you are currently working in an organization which is panicky about the current or future economic situation or one who is considering (or implementing) layoffs, you would no doubt be wishing you had explored some scenarios earlier - if you had, you would know how to respond in the way which sacrifices the least value, maybe even creates it like Entergy have. That's what a strategic workforce plan does for Talent Management decisions - allows you to target, respond - and meet needs without sacrificing objectives!

But it is not too late to ensure that you help your organization create value for the future, regardless of how you have responded so far. Aruspex has solutions and information to help you very quickly realize powerful benefits from workforce planning in a downturn. Ask us about real world case studies on our leading techniques for solving these and other workforce challenges.

Pragmatic workforce planning solutions integrated with Talent Management solutions can be implemented in even Fortune 100 companies in a matter of weeks, allowing organizations to very quickly leverage leading approaches. Contact us today to learn how we can help you rapidly achieve these vital business goals.