

Introduction to **WORKFORCE PLANNING** strategies & tools



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Businesses have lots of competing priorities. Hiring, training, revenue optimization, employee engagement, business operations, public relations, and more. When today's work takes up so much time, it's hard to think about the future. However, businesses that put off workforce planning will find themselves in even worse positions in the future, often too late to correct the problem. Fortunately, getting started doesn't have to be a complex and daunting task. Even a simple plan can position you for future success.

In this special report, we've collected the best of Business Management Daily's advice on workforce planning strategies and tools. Whether you're a small business, Fortune 500 company, in-person, remote, or hybrid — we've got the insight you need.

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How to get started with strategic workforce planning

Robert, an HR leader at LMN Enterprises, is exhausted. His team scrambled to help employees get up and running remotely during the COVID-19 pandemic in addition to providing information about physical and mental health benefits. Now that workers are returning to the office, the human resources department faces a stream of employee concerns about safety — not to mention a variety of complaints from managers about workers forgetting how to act and dress appropriately.

Then, there is the matter of The Great Resignation. Virtually every department at LMN has job openings, and filling them is proving a major challenge. In addition to the current labor shortage, Robert can't help but worry that things will only continue to get worse in the years ahead. Numerous LMN employees are approaching retirement age. And, if the company does actually go through with the launch of a new product line in 2024, will sufficient human capital exist to get it off the ground?

Robert's concern is justified. Businesses struggling to handle the here and now often put off thinking about their future workforce. Eventually, though, the issue jumps front and center — usually when staffing reaches a problematic stage. At that point, it can be too late to quickly and sustainably address the problem.

The need for strategic workforce planning

In preparation for future needs, smart businesses engage in strategic workforce planning (SWP). This activity involves taking a serious look at the organization's current workforce and forecasting what changes will be necessary in order to fulfill upcoming business objectives. Based on this analysis, the company can develop an action plan to secure the right talent for accomplishing business goals.

Such an endeavor sounds like the realm of human resources, as they typically handle matters related to workforce needs. However, strategic plans need to involve a number of people besides HR professionals, starting with C-suite business leaders with insight into the company's long-term goals. Input from finance department representatives, tech experts, line managers, and others involved in cost analysis, productivity metrics, and skill set evaluation proves highly beneficial to effective workforce planning.

Large organizations may hire individuals specifically trained in people analytics to coordinate the various aspects of strategic workforce planning. Another common option is seeking outside help to formulate a workforce planning strategy. Companies doing this view hiring consultants as a good investment because these specialists know what information to collect, how to analyze the data, and how results impact a talent strategy. Their expertise can make the workforce planning process an easier experience.

However, regardless of your organization's size and resources, workforce planning is a must.

Considerations when developing a strategic workforce plan

A strategic workforce plan involves gathering information about where human capital stands at the present time and where it needs to be in the future. Analyzing the gap between the two allows time for filling it in an orderly, cost-effective manner that keeps productivity and growth on track.

Areas to explore include:

Business objectives

Understanding future staffing needs first involves figuring out where the company hopes to be at various time periods down the line. Like LMN Enterprises in the opening, there might be expansion on the horizon that will require additional staff. Or, offering new products or services could require adding specialized talent.

In the other direction, perhaps phasing out an unprofitable part of the company looks likely within the next two years. Examining that scenario at the present time helps you figure out what to do with those workers. Some might be reassigned or be good candidates for retraining, whereas poorer performers may be on track for termination.

Current workforce

What does your staff look like right now? Get a vivid picture in terms of both quantity and quality. Doing so will aid in figuring out if you possess the headcount and talent to meet future needs.

Can you identify any superstars or eager learners on your payroll? If so, think about their career path. Might investing in their development create an internal talent pipeline to fill up-and-coming roles? Could working with them to envision future advancement with the company aid in retention?

Pay particular attention to demographics. An aging workforce spells potential problems in numerous industries. With roughly 10,000 Baby Boomers turning age 65 each day, mass retirement becomes a concern. Do you have a succession plan to fill the often-critical positions they will leave behind?

Finally, consider the flexibility of your employees. If, for instance, your company is looking to do a major revision in operating procedures within the next year, do you have workers amenable to new ways of doing things or are many likely to get frustrated and jump ship? While such things cannot be predicted with total accuracy, a sense of your workers' mindset can prove helpful.

Skill sets and skill gaps

Of particular importance when examining current employees is what abilities they bring to the table. They may possess a range of competencies, but if these talents do not match what the company will need to accomplish its long-term objectives, action needs to be taken.

How do you know if a skill gap exists? Take a look at business objectives. What actions will people need to take to accomplish these goals? Say the company has decided to revamp its social media presence next year. Are there employees in the marketing or public relations department with sufficient expertise to carry out such an initiative? If not, might someone be a good candidate to learn effective techniques by the time the campaign is set to start? Or, might it be more efficient to recruit someone already skilled in the area?

Talent management strategies

Since business needs vary, coming up with a strategic workforce plan is not a one-size-fits-all endeavor. Rather, creating this roadmap involves multiple approaches to having workers with the right skills in the right place at the right time. As aptly summed up by the [Society for Human Resource Management](#) (SHRM), “Workforce planning is about all movement – up, down, in, out, or across the organization.”

What options do companies have for building the workforce they need to meet business objectives? Possibilities abound but often include:

Employee development

This effort focuses on empowering current workers. Through education and mentorship, the company can coach certain employees to take on higher roles or new responsibilities. This strategy also could involve retraining workers with outdated skills to perform new duties that align with the organization’s needs.

Employee development has several advantages. People are already in place, which can save time and money. The business is dealing with known commodities, and workers already understand the company culture. Plus, promoting from within or finding ways for current workers to remain employed raises morale and encourages loyalty.

Attracting new hires

Sometimes the best talent management tool is talent acquisition. When the strategic plan shows a need for additional employees or individuals with specific expertise not found among the current staff, HR may direct attention to bringing in new people. Actions may involve participating in job fairs, targeting colleges with relevant programs, posting job ads, attending industry conferences, or seeking services from niche recruiters.

Going after people who already possess the skills the company needs could prove easier than training from within. However, finding and evaluating possible candidates takes time and money. And, in a competitive job market, luring appropriate applicants can be difficult.

Outsourcing

Many talented individuals participate in the ever-expanding gig economy. Companies may seek the services of independent contractors to handle overflow work, solve a labor shortage until permanent staff members can be found, or provide expertise for a certain project. Using a temp agency offers a similar experience.

Also, sometimes it makes sense to involve an outside party to free up existing staff for other matters. Hiring a firm to handle payroll, for instance, might enable your own HR department to up its game on recruiting or creating better employee experiences.

Working with people who are not your employees has both pros and cons. Outsourcing provides flexibility in meeting labor needs based on conditions, which helps eliminate over-or-under-staffing. Likewise, hiring permanently involves paperwork, onboarding, providing benefits, and other measures requiring time and money. Third parties assume responsibility for those things themselves. Realize, though, that non-employees may not possess the same commitment to your organization as regular staff. You likely are just one of many clients who contribute to their income. They may do a good job but probably do not feel invested in your mission.

Revisiting the strategic workforce plan

Finally, it is important to not think of strategic workforce planning as one and done. Rather, view the plan as an outline that must be reviewed and adjusted on a regular basis. Business priorities may change, as can the composition of your existing workforce. Similarly, external factors such as the labor market, the economy, industry trends, or even an unforeseen global pandemic can alter what your organization needs in terms of human capital and the most effective ways to acquire it.

5 workforce planning tools and how to use them

While most C-suite business leaders and HR departments want to begin tackling these issues, getting started is not easy. Knowing that you should assess future needs in terms of human capital is one thing, but actually coming up with how to do so is quite another. This is where the importance of workforce planning tools comes into play.

The role of tools in the workforce planning process

Strategic workforce planning (SWP) involves a detailed examination of an organization's current workforce to forecast what changes will be necessary in order to fulfill upcoming business goals. Analyzing the gap between present staffing and future workforce needs enables filling it in an orderly, cost-effective manner that keeps productivity and growth on track.

Factors that HR professionals and others performing HR analytics look at as they attempt to build the “right workforce” for given business needs include:

Headcount

Are there enough employees to accomplish objectives? On the flip side, will automation or changing priorities render some workers unnecessary?

Skills gap

What type of competencies will our future workforce need? Who already on staff possesses these abilities, or which team members may make good candidates for training based on their past performance and attitude?

Attrition and retention

How long can we expect to keep the workers we have? How will things such as age and a strong labor market for workers impact our talent management strategies?

Competition

How might the actions of competitors influence our decision-making and workforce needs? What compensation and benefits may be necessary to convince new hires to come to our company and current workers to stay?

Gathering and interpreting such information is not a simple process. Thus, HR teams often turn to strategic workforce planning tools for assistance. Tools run the gamut from manually produced spreadsheets to workforce planning software with extensive capabilities. Which specific ones human resources at a given company chooses to put in its toolkit depends on factors such as money, company size, and business needs. In the remainder of this article, we will look at some common options.

Strategic workforce planning map

Strategic workforce planning is a means of helping an organization fulfill its “big picture” goals. But, a business first must know where it is going before it can build the right workforce to take it there.

Creating a vision goes well beyond the HR department. Top execs and leaders from all departments contribute to the formulation of business goals. Only when objectives become clear does it make sense to begin mapping out how current and future human capital fit into the blueprint.

Mapping involves systematically plotting from the top down how every role in the company contributes to the overall organizational strategy. It paints a picture of where the workforce currently stands and where efforts will need to be directed to bridge skill gaps. To simplify and enrich the process, many companies nowadays use strategy mapping software

With a solid business strategy in place, HR has an easier time creating a people strategy. Figuring out things such as where to focus recruitment dollars or which individuals on staff should be targeted for professional development become clearer decisions when looked at in light of the desired end results.

9-box grid (also known as the performance-potential matrix)

This workforce planning model maps out the performance and potential of employees in a visual grid. The x-axis (horizontal) assesses each individual's past performance as low, medium, or high. The y-axis (vertical) ranks the employee's future potential as low, medium, or high. Based on the combination of these two evaluations, employees fall into one of nine boxes:

- Low performer, low potential
- Low performer, moderate potential
- Low performer, high potential
- Moderate performer, low potential
- Moderate performer, moderate potential
- Moderate performer, high potential
- High performer, low potential
- High performer, moderate potential
- High performer, high potential

This ranking system tells business leaders a great deal of information critical to performance management. It assists in identifying strengths, weaknesses, and holes in the current workforce. For example, a plethora of employees falling into the low performer/high potential box invites questions as to what actions might make these diamonds in the rough shine. Or, seeing that you have a good

selection of high-performing/high-potential employees already on staff may encourage grooming them for leadership positions rather than worrying about recruiting from outside the company.

HR dashboarding

Good stats assist in making sound business decisions. While reports can be compiled by manually pulling data, this method often proves inefficient, cumbersome, and time-consuming. Thus, modern companies increasingly turn to specialized HR dashboarding software.

HR dashboards take information from various sources (payroll, applicant tracking systems, and human resource records, to name a few) and allow stakeholders to view the current state of the workforce. People can easily find the metrics they desire in a convenient, easy-to-use platform. A leader at Parker and Johnson, for instance, would be able to quickly find a breakdown of the ages of its employees in order to get a firmer grasp on the possible number of upcoming retirements and make succession plans.

Dashboards make it simple to monitor and track data vital to effective workforce planning.

Some metrics that companies often include on a dashboard are:

- Time to fill open roles
- Application-to-offer ratios
- Cost per hire
- Overall attrition rates
- Amount of voluntary turnover
- Absenteeism
- Employee performance ratings
- Employee satisfaction ratings
- Diversity

Some dashboards even contain machine learning (ML) algorithms that can assist in predicting the future by providing insight into individual employee behavior. Knowing in advance, for instance, which employees are at most risk for quitting can be quite helpful when formulating long-term plans.

Compensation and benefits analysis

Unsure what you should offer potential new hires or how to determine wage increases for current staff? Compensation and benefits analysis can help by taking into account average industry pay, labor market conditions, competition for talent, performance, and other factors critical to effective compensation.

When evaluating job openings, salary is one of the first things candidates consider. Companies should know how what they are offering compares to industry standards. Being above the benchmark should aid in attracting applicants. Being below might necessitate touting exceptional benefits such as stock options or unlimited paid time off as well as non-financial perks such as remote work and flexible schedules. It also might mean rethinking the base salary in order to have a chance of landing talent with hard-to-find skill sets. For easy-to-fill positions or during times when labor is plentiful, seeing if you are offering too much and adjusting accordingly can save money.

In terms of existing staff, compensation and benefits analysis often involves using payroll and performance data to compare how much an employee gets paid relative to his value to the organization. The overall goal is to overpay overperforming workers and underpay underperforming ones. Improper compensation of top talent increases the risk of losing them to a competitor who will pay their true worth.

On the spectrum's other end, paying low performers too much poses the risk of them staying because, face it, why bother leaving when you have a good thing going? Getting greater alignment between pay and performance improves the bottom line both at the moment and looking forward. It also improves morale and productivity as workers see performance efforts translate into rewards.

Another plus of compensation and benefits analysis is fairness. With growing concern over equal pay for equal work, correcting any potential discrepancies based on gender or race can prevent reputation problems or even legal action.

Scenario planning (also known as contingency planning)

When businesses set goals, they do so given current conditions and probable future developments. As the COVID-19 pandemic vividly illustrated, however, unforeseen things can happen.

Scenario planning involves envisioning multiple futures, not just the one you think will exist. Maybe hurricane season will cause significant delays in receiving shipments of raw materials. Perhaps the market for your energy drink will shrink when multiple reports get released about potential health hazards. Or, maybe a new competitor will emerge in your industry that forces you to redesign your marketing strategy.

While nobody possesses a crystal ball, brainstorming possible uncertainties and the impact they could have on the company puts the organization in a better position should such events occur. Identifying the most plausible “what if” scenarios and the ones that would most significantly affect the business allows the formulation of contingency plans that can go into place if necessary.

As thinking about multiple possible futures can feel overwhelming, businesses frequently turn to scenario planning software to facilitate the process.

Such programs can walk stakeholders through steps such as:

- Identifying key issues at the core of the uncertainty.
- Examining industry and external factors that could impact your team.
- Pinpointing the most critical possible scenarios.
- Narrowing down which scenarios merit action plans.
- Taking each scenario to its logical end by formulating answers to the questions that would come up if it happened.

Companies engaging in scenario planning keep their action plans on hand to facilitate quick response should they need to move in that direction. It also pays to examine the agility of your workforce. Building teams capable of responding to change or new demands is always a sound idea.