Workforce Planning That Really Is Strategic

Featuring Alec Levenson and Alexis Fink

About Alec Levenson

Alec Levenson is an Economist and Senior Research Scientist at the University of Southern California's Center for Effective Organizations. His action research and consulting work with companies optimize job and organization performance and HR systems through the scientific application of organization design, job design, human capital analytics and strategic talent management. Alec's work with companies combines the best elements of scientific research and practical, actionable knowledge that companies can use to improve performance. He has trained HR professionals from a range of Fortune 500 companies in the application of talent analytics, and has been featured in numerous academic and business publications. Alec is also the author of *What Millennials Want from Work, Strategic Analytics: Advancing Strategy Execution and Organizational Effectiveness, and Employee Surveys That Work.*

About Alexis Fink

Alexis A. Fink, PhD., is currently General Manager, Talent Intelligence Analytics at Intel. Her organization is working at the leading edge of data driven talent practices, and provides original organizational effectiveness research, HR analytics, talent marketplace analytics, HR systems and tools, and strategic workforce planning. Prior to Intel, Alexis spent 7 years at Microsoft, where her roles included Director of Talent Management Infrastructure. Her career has been characterized by an integrative approach to HR, including developing and implementing competency systems and integrated talent management systems. Her background also includes work in large scale organizational transformation and managing acquisitions. Alexis earned her PhD in Industrial/Organizational Psychology and is a Fellow of the Society for Industrial and Organizational Psychology (SIOP). In addition to practicing and leading in organizations, she continues to teach, is a frequent SIOP contributor, and an occasional author and journal editor.

Strategic workforce planning is extremely popular these days, as it should be. In today's just-in-time world, making sure you have the right talent in the right place at the right time and at the right price is essential for business success.

In practice, most workforce planning efforts are fairly shortsighted and narrow and could more accurately be called "12-month hiring plans." Strategic workforce planning promises to deliver greater value by using a longer time horizon and a talent supply chain approach. The problem, however, is that even then it's still too narrowly focused on getting "butts in seats"—making sure positions are filled with people. To really raise its game, HR must focus workforce planning much more on holistically addressing the systemic talent issues that impede business performance.

Workforce planning traditionally has meant annually forecasting how many people are needed in a role, with the forecasts happening less than six months before the end of the fiscal year as part of the budget-setting process. Strategic workforce planning focuses further out on how the business's needs will evolve over two or more years to anticipate and solve talent gaps that are too hard to address in six months or less. For example, strategic workforce planning often includes identifying roles staffed with a large number of older employees who are on the verge of retirement and making plans in advance to ensure a stable talent pipeline of people to succeed them. Another common example is identifying key areas where the business plans to grow and calculating how to meet the talent demands and avoid shortages.

That type of analytics is essential to avoiding big gaps in the number of people needed to do the work. But it only focuses on who does the work, not how it gets done. Most of the people-related issues that arise from the work design cannot be easily addressed through adjusting head count. Uncovering the how is essential for true strategic workforce planning because it opens the door to reconsider the barriers to strategy execution rooted in how roles and responsibilities are designed and to reexamine the competency and recruiting profiles used to evaluate how talent contributes to organizational success.

Heads of talent analytics and their teams have a great opportunity to play an important role in positioning their organizations for success through this work. But it requires a different orientation than thinking about the problem as workforce planning—one that looks beyond the job to the system of work in which the job is embedded. This approach includes considering business objectives such as capacity utilization and cost minimization, among others. For people working in talent analytics, the issue is not much different from the business coming to you and asking for help on how to optimize productivity and employee engagement. The challenge is learning how to do so by looking at the bigger picture of the system of work and incorporating perspectives such as job design and organization design that go beyond the data typically available for talent analytics.

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"Strategic" Workforce Planning Today

Strategic workforce planning focuses on existing or new roles, matching labor forecasts with analysis of the talent supply to fill those roles. For example, consider account managers at a bank. Strategic workforce planning would look at where the bank's services are growing the most, taking into account which lines of business and geographies are expected to have the greatest increase in demand. It would then plan on hiring more account managers where the forecasted gap is highest.

Yet forecasting the number of account managers and where they need to grow the fastest does not address any root causes of performance that come from how the work is designed. The ultimate goal is not necessarily avoiding vacancies in the account manager role; instead, the bigger picture is how the bank delivers its products and services cost-effectively. When talent analytics leaders accept the way roles are currently defined, they perpetuate inefficiencies in the work design that can lead to hiring people who are over- or underqualified for the work and to overpaying for unnecessary skills or underpaying for ones that are needed. Any future-looking strategy must take into account aspects such as redesigning the work to boost efficiency and increasing opportunity for automation as a disrupter of work processes.

In the bank's case, the ultimate objectives are improving customer service, selling more high-margin products and services, and getting customers to use the bank for a greater proportion of their banking needs. Customer service is important because it keeps people from leaving, lowering the acquisition cost of the bank's assets. Higher-margin products and services increase the bank's profitability. And getting customers to use the bank for a greater share of their banking needs increases retention and lowers acquisition costs.

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Hiring more and better account managers may help the bank improve its performance along those dimensions. Account managers definitely contribute to customer service, higher-margin sales, and cross-selling. Yet they are only one contributor to improved business performance. Aside from the account managers, the phone system the customer first encounters when calling in, the employees who interact with the customer both in person and over the phone, and other employees in the branch also contribute to customer service. Just focusing on the account managers alone through traditional workforce planning almost always won't be enough to meet the bank's objectives for customer service. Improving those business metrics often requires other changes in the work system that complement what account managers do.

Apply Job Analysis for Better Workforce Planning

The fundamental problem for talent analytics leaders is that "strategic" workforce planning focuses only on the number of people needed to fill anticipated vacancies. Taking a broader horizon look and considering the talent supply chain are two useful innovations over traditional workforce planning, and those significant advances in the field have increased its relevance and contribution in recent years. Yet they are still too narrowly focused on the job as it currently exists. A much better approach diagnoses the job design to find the bottlenecks to performance and uses that analysis to design more holistic solutions.

Consider the example of health care. Doctors are the most expensive, highest-skilled labor in health care delivery and the main bottlenecks to improved, cost-effective performance. Having doctors spend more time on patient care is key to improving health outcomes in many settings, yet typically it is too expensive to just add more doctors.

That's why, centuries ago, the health care system created the nurse role—a less expensive counterpart to doctors. For the longest time, nurses were the main workforce planning solution used to solve the problem of increasing the number of patients treated per hour each doctor works.

However, in more recent decades nursing shortages have pushed the health care industry to innovate further, increasing the use of roles such as physician assistant to free up both doctors and nurses to treat more patients per hour. The insight of creating the role of physician assistant never came from a traditional workforce planning approach. It also never would have emerged from what passes for the current state of the art in "strategic" workforce planning, which focuses on existing roles. Instead, the analysis that led to creating the physician assistant role required a holistic diagnosis of the health care delivery system and the constraints on both doctors' and nurses' time.

The key is expanding the analysis from focusing on vacancies and hours worked in one job (role) to the set of roles that make up a complete work process. So rather than focus solely on the physicians and how many hours they work, the diagnosis hones in on the number of patients served per hour the physician works. The key question is how to optimize the number of patients treated per hour by the entire system of roles, not just the single role of physician. If the total labor cost per patient served can be lowered, then the total number of patients treated per hour can be expanded more cost-effectively than by simply adding additional physician hours.

The larger point here is that the focus must start with the business objectives. In a health care system, for example, the strategic objectives are treating patients effectively and efficiently to minimize costs and optimize health outcomes. Workforce planning focuses only on jobs, not the other parts of the system that need to be optimized. In a hospital, capacity utilization (i.e.,

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Going back to our health care example, even today with the team approach of doctor, nurse, and physician assistant, physician time is still the bottleneck to improved performance in many cases. If we could just free up doctors to spend more time with patients, we could further improve efficiencies and patient outcomes. The roles of nurse and physician assistant evolved as ways to take parts of the health care delivery system out of doctors' hands and give them to others with different skill sets but who nonetheless can perform many skilled tasks without needing a doctor in the room at the same time. The question is what additional changes or innovations can free up doctors further.

The most recent answer is medical scribes. These are people who accompany doctors as they do their patient visits, transcribing the details of the patient's condition and the doctor's instructions for care. Using scribes frees up doctors from the very time-consuming task of writing up the notes from the patient visit.

Today's strategic workforce planning approaches would never have identified the job of medical scribe. Instead, a systems diagnostic of the work and the challenge of doctors' time being very expensive led health care organizations to realize there was another way to cheaply solve the bottleneck of physician time. The solution lay in adding lower-priced skilled labor that frees up the doctor to spend more time on what only they can uniquely do: diagnose and treat patients. The job of physician assistant, like nurse, is a traditional extender role that requires medical training and decision making. The scribe role, in contrast, broadens the focus to include nonclinical roles. Medical scribes must be skilled enough to write down accurately what they hear but do not have to be trained and certified as medical providers to add value. Medical scribe roles are a lot like court reporter roles: court reporters have to know enough about the legal process to record everything accurately, yet they are not as highly skilled on legal issues as lawyers or even law associates.

keeping the beds full) is a critical objective, ensuring that the fixed costs of running the building can be spread over as many patients per day as possible. In a medical practice, the same principle applies: keep the exam rooms full and minimize the amount of time doctors need to treat each patient.

The key for talent analytics leaders who want to improve the strategic relevance of workforce planning is to take the perspective of a forward-thinking business partner: going beyond looking at the existing jobs and engaging in the "what if" questions about how best to optimize the work design. In the medical practice case, taking this approach broadens the scope of the analysis to include questions such as, "How can we free up doctors to spend more time on effective patient care per hour?" Viewed this way, the solutions can come from many different approaches, not all of which involve traditional health care jobs. For example, electronic medical records cut down on the amount of time doctors have to spend reading paper records on patient care and increase the amount of information doctors can access while treating each patient; this happens through aggregation of medical records that previously were located in each doctor's office and not instantaneously accessible by other physicians treating the same patient. Advocating for electronic medical records would never emerge from today's strategic workforce planning approaches, and yet any conversations about implementing electronic medical records should include talent analytics representatives because of the new jobs needed to make it happen.

Take a Holistic View of the Team, Not Just One Job

The main message is that workforce planning has to go beyond the traditional focus on jobs and instead focus on teams. Rather than think about the work one role at a time, talent analytics leaders must consider specific tasks and bottlenecks to performance that are rooted in parts of the job.

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The team-based diagnostic approach takes into account how the work is performed and considers reconfiguring tasks across jobs to make more robust talent systems. These more robust systems can increase flexibility and efficiency by identifying the optimal way for the organization as a whole to function. For example, supply chain operations involve many different tasks and roles. Optimizing the supply chain includes determining which tasks and roles can be outsourced when there are suppliers that have expertise complementing or even exceeding what the organization can do on its own. Yet the decision on outsourcing is not a simple one of the cost of services and availability of people to provide them. Even more critical is how those services fit into the creation and preservation of the company's competitive advantage.

Consider warehousing and the movement of goods, which are standard supply chain operations. For many industries, these are "commodity" services, meaning they do nothing to create competitive advantage and they can be sourced either internally or externally depending on whichever approach produces the right mix of cost and performance. For example, in grocery retailing and drug stores, warehousing and supply chain for the bulk of products sold on their shelves are not big sources of competitive advantage, and those activities are often shared or outsourced to third
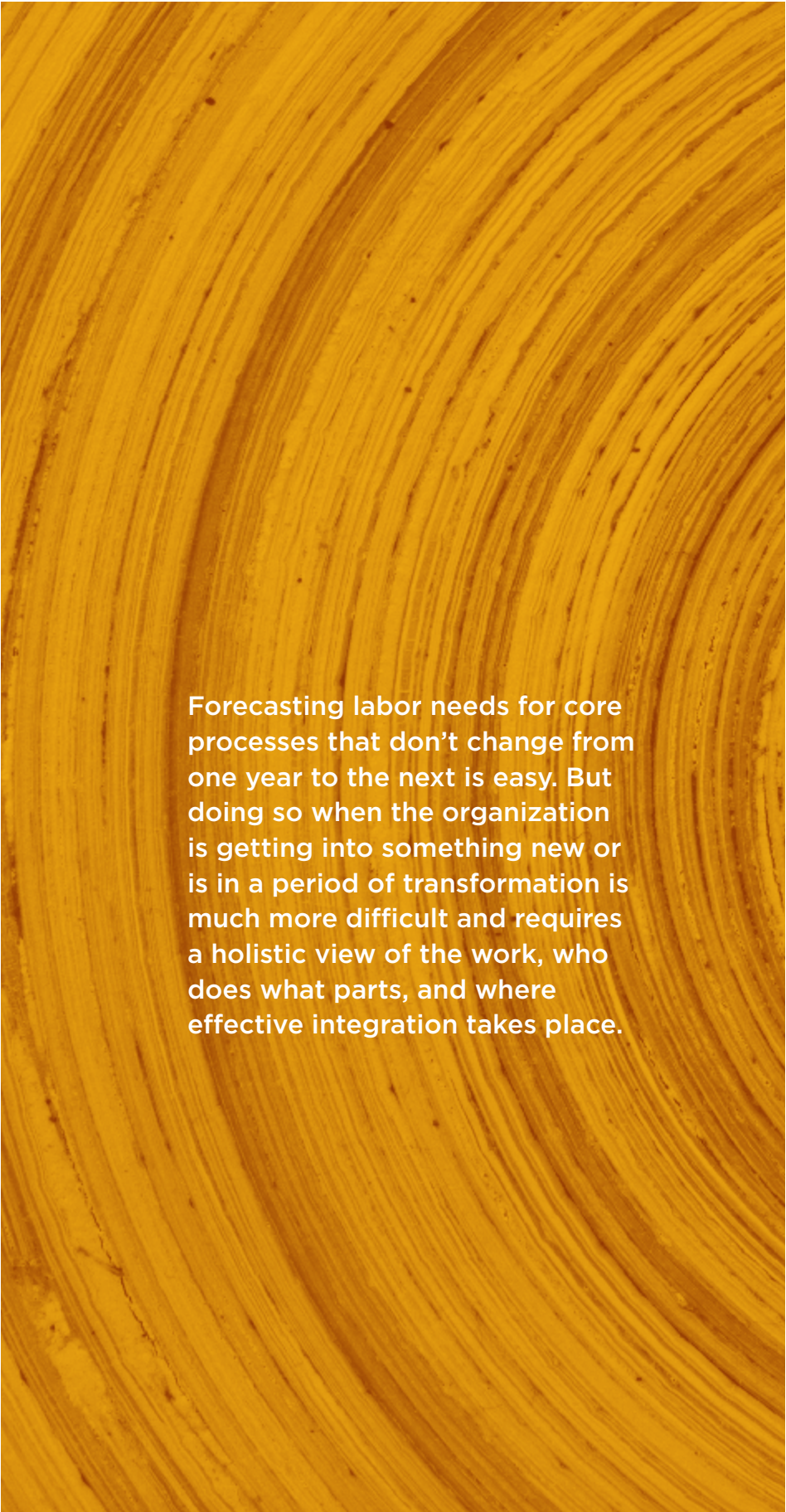
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parties or the manufacturers who create the products they sell. For Amazon, in contrast, warehousing and managing the entire supply chain of goods it sells to its customers are principal sources of competitive advantage, so it has built and manages in house the vast majority of its warehouses.

The implications for talent analytics leaders and workforce planning are quite different in those two cases. For grocery and drug stores, the talent analysis must be broad enough to include the insourcing versus outsourcing decisions. And although talent analytics professionals never solely complete that analysis, they must be part of the process to ensure the best decisions are made with respect to insourcing and staffing those warehouse roles. The scope of decision making also extends to the design of the job itself, including the level of responsibility and target compensation, because those are critical aspects of the job that impact people's ability to perform to the expected standards. The skill level and compensation rate for warehouse jobs often need to be higher when that activity is a core part of the company's competitive advantage, like in Amazon's case.

For Amazon, the analysis also has to be broader than traditional workforce planning and must include consideration of how warehousing contributes to its competitive advantage. Being able to handle incredibly high volumes of products

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in the warehouse at high speed and precision is a core part of Amazon's competitive advantage. That view is critical for understanding how to staff the roles and even what roles should exist in the first place. For example, automation is a major emphasis in Amazon's warehouses, even though the technology is not yet to the point where everything can be automated cost-effectively. In that case, talent analytics must address the options for rolling out greater warehouse automation faster versus slower, as well as the trade-offs with maintaining tasks and roles done in the traditional way by humans and not robots. That type of analysis is much broader and comprehensive than simply forecasting how many jobs of types X, Y, and Z will be needed in Amazon's warehouses. And that's precisely the point: the analysis has to be more systematic and comprehensive.

Evolution in organizational size, complexity, product offerings, competitive threats, and technology combine to create a dynamic reality for organizations. The perfect solution two years ago may be suboptimal today. Something impractical two years ago may offer significant competitive advantage today. For example, as voice recognition capability improves in the near future, the role of scribe may further evolve to be completed by a virtual digital assistant. Workforce needs are not static. To succeed, organizations must continually adapt and adjust their workforce planning.

To be more strategic, when talent analytics professionals lead workforce planning, they must recognize that forecasting involves different degrees of certainty. Forecasting labor needs for core processes that don't change from one year to the next is easy. But doing so when the organization is getting into something new or is in a period of transformation is much more difficult and requires a holistic view of the work, who does what parts, and where effective integration takes place.

Further Examples

Supply Chain

Consider the supply chain people responsible for sourcing the inputs to production. Many highly specialized products (e.g., semiconductors and many electronics) require relatively unique materials such as rare earth minerals or chemicals that must have very high levels of purity to meet the manufacturing specifications. The supply chain professionals responsible for securing reliable access to the inputs typically must have deep technical skills, in addition to intimate knowledge of the limited number of vendors capable of meeting the technical specifications, delivery time, volume, and reliability requirements. Those roles need to be designed and planned for (via workforce planning) using a much more holistic assessment of the risks involved in having extended vacancies or a candidate who isn't a good fit for the job.

Go to Market Systems and Delivery Drivers

Another example comes from go-to-market (GTM) systems and delivery drivers, such as the ones employed by FedEx and UPS. For a variety of historical and business reasons, UPS drivers are all employees of the company, whereas FedEx makes significant use of contract drivers. A traditional workforce planner would ignore the reality of the insourcing versus outsourcing decision for delivery drivers and instead focus on how to keep the pipeline full of people to minimize vacancies. A more strategic workforce planning approach acknowledges that insourcing and outsourcing are always potential options for the business to consider. So the talent analytics needed to holistically assess the workforce needs should extend to the specifics of the GTM system the company currently uses, including the decision to employ drivers as direct hire employees as opposed to contractors.

Conclusion

Strategic workforce planning holds enormous potential to position organizations for long-term competitive success. Although the term and the aspiration have been around for many years, the ways that strategic workforce planning has been applied have largely been disappointing, cumbersome, and ineffective. This is not because the ideas behind strategic workforce planning are inherently flawed; it is because of ineffective implementation.

For workforce planning to provide real, strategic insights, talent analytics leaders must move the approach beyond forecasting butts in seats. The problem is that "strategic" workforce planning today is mired in that narrow view of talent optimization. The solution lies in taking a more holistic view of what work needs to be accomplished and who is best suited to accomplish what parts, in addition to not sticking with traditional job boundaries just because that's the way it's always been done.

Talent analytics leaders and professionals must take specific steps today to embrace this more holistic approach. They must engage much more deeply with the business and be a part of all key discussions of business strategy, structure, and process. Virtually every big, strategic business decision has a workforce planning implication, yet talent analytics leaders typically are not sufficiently tied into those discussions to influence the assumptions that are made about talent price, availability, and productivity. As the talent analytics leaders learn about potential changes in organization strategy, structure, and/or processes, they can bring in other parts of HR as needed to assess the potential talent needs from those changes and to better position the organization to have the right talent in place at the right time and price. They also can push back where appropriate when business leaders make incorrect assumptions about the kinds of talent that can be found at the desired cost and timing.

Talent analytics professionals on the front lines of workforce planning don't have the same line of sight into business strategy and organizational change as talent analytics leaders do. However, they nonetheless have critical roles to play in this more holistic approach to workforce planning. Any time they get a request from a business partner for a workforce planning analysis, talent analytics professionals should think about the bigger picture of what the business objectives are and what issues could be at play beyond putting butts in seats. This approach includes determining whether a broader view of the job is needed to address the strategic and operational issues the business is trying to solve.

Addressing an organization's work product and processes holistically, and from a strategic perspective, can significantly change its competitive positioning. Applying a talent supply chain lens to anticipate future talent needs, and the optimal way to staff an organization, is more than rote backfilling of the people you have today. Instead, use a systems diagnostic approach and consider how tasks and roles could be redefined to free up high-valued talent to spend maximum time contributing as best they can.