



REAL-TIME WORKFORCE PLANNING: KEEPING UP WITH BUSINESS CHANGE

"Nothing endures but change."

~ Heraclitus, 5th Century B.C.

Adapting to change is not a new concern, but responding to the increasing pace of change is a challenge many of today's organizations struggle with. Adoption rates for new technologies continue to accelerate, and each new innovation raises our expectations for how things get done. To keep up with the pace of change of both technology and process, business leadership must adopt more dynamic decision-making processes throughout every part of the organization – including its people processes.

Workforce planning is one of the processes that must adapt to keep up with the pace of the business. The move to real time workforce planning is about more than approving hiring requisitions when cash flow opens up. It's about a responsive, predictive process that links Finance, HR, the business, and the future for your employees. Achieving this requires a deep understanding of business goals as they evolve throughout the year, alignment between HR and Finance, and the data and analytical tools to be predictive and model potential futures.

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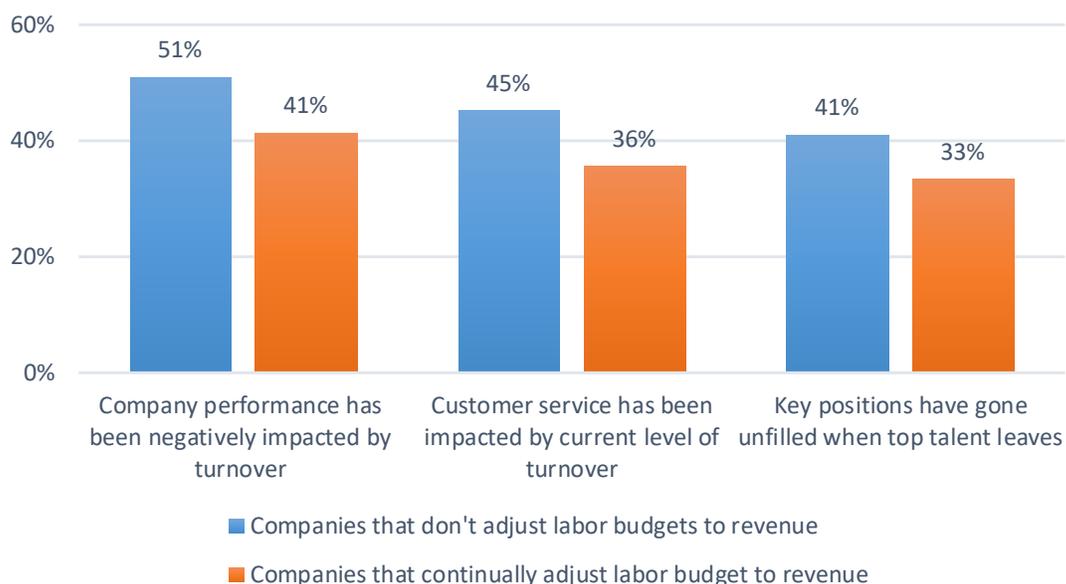
“ Ongoing, responsive workforce planning is key. ”

ALIGNING WITH THE BUSINESS

Ongoing, responsive workforce planning is key to ensuring that an organization’s workforce investment is getting the best return on investment (ROI), not just minimizing costs. This acceleration in the marketplace has led to innovations like continuous performance feedback and coaching to replace or augment the annual performance review. And just-in-time learning sourced from the wisdom of the crowd is supplementing company-created training. But our practices around planning for the increasing size of the workforce and the diversity of required skills is still largely thought of as an annual maintenance process. This is exemplified by the fact that only 23% of organizations in Aptitude’s recent Culture study indicated that their labor budgets are updated continually based on organizational performance.

This study also showed that organizations that cite that their labor forecasts and budgets are continually reevaluated based on business performance outperform those that don’t on several fronts. They are 21% more likely to cite above industry average levels of productivity, and they outperform on a number of key talent retention and attraction issues. Companies with this increased agility are less likely to suffer the negative impact to company performance, customer service and their ability to fill key roles than those who treat labor budgeting and planning as a once-a-year exercise.

Figure 1: impact of Revenue and Labor Budget Alignment



Source: Aptitude Research Partners, Culture Study 2017. N=382

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This kind of responsiveness in near-term workforce planning helps organizations better serve their customers, and also helps ensure a better ready-and-willing pool of candidates when people move out of a critical role. Despite this positive impact, 31% of organizations in Aptitude's 2017 Plan, Pay, Deploy Study indicated that workforce data and analytics – including skill and performance data – were used only by HR and not the entire business. In order to take advantage of this important data, organizations need tools to accurately capture workforce data, as well as a central repository that acts as the single source of truth to build trust in the data and make it accessible to the business. It is essential that business leaders take ownership of workforce planning, to avoid it becoming something that exists in a vacuum. But they require tools and guidance from HR to make it happen.

THE RELATIONSHIP BETWEEN HR AND FINANCE

Workforce planning often falls in a sort of no man's land between HR and Finance, similar to compensation planning. Both of them deal with the often-imprecise intersection of cost and individual availability of skill and competency. In order to have an effective workforce plan for the near-term and long-term, organizations need to understand current and evolving business priorities, the availability of required skills both inside and outside the organization, the gaps between current and required capability, and an understanding of what the different options for responding to future challenges will cost. This is a complex and multivariable calculation, to be sure.

Labor is often an organization's biggest expense: as much as 60% or more in some industries. And offering competitive compensation ranks just behind improving the candidate experience as a top talent acquisition priority in Aptitude's Hire, Engage, Retain study. Communication between HR and Finance to plan for what it will cost to deliver on business needs is critical. This dual point of view between HR and Finance is also important to helping managers build the business case for their workforce plans. Managers need the language and the tools from both workforce planning and finance professionals to have fact-based conversations around their forward-looking plans.

Today only 18% of organizations train managers on compensation strategy. Understanding not just pay rates, but an organization's philosophy on pay, is a critical part of understanding what it will cost to deliver workforce plans.

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Arming managers with accurate data will help them build trust and transparency with their employees when discussing compensation. And this increased clarity frees everyone – HR leaders, managers, and employees – to focus on their work and growing the business, instead of worrying about labor budgets. Organizations that spend time training managers on their compensation strategy are also significantly more likely to have critical tools to help plan, address, and analyze labor costs and competitiveness in the marketplace for their organization.

Figure 2: Compensation Training and Tools go Hand in Hand



Source: Aptitude Research Partners, Culture Study 2017. N=382

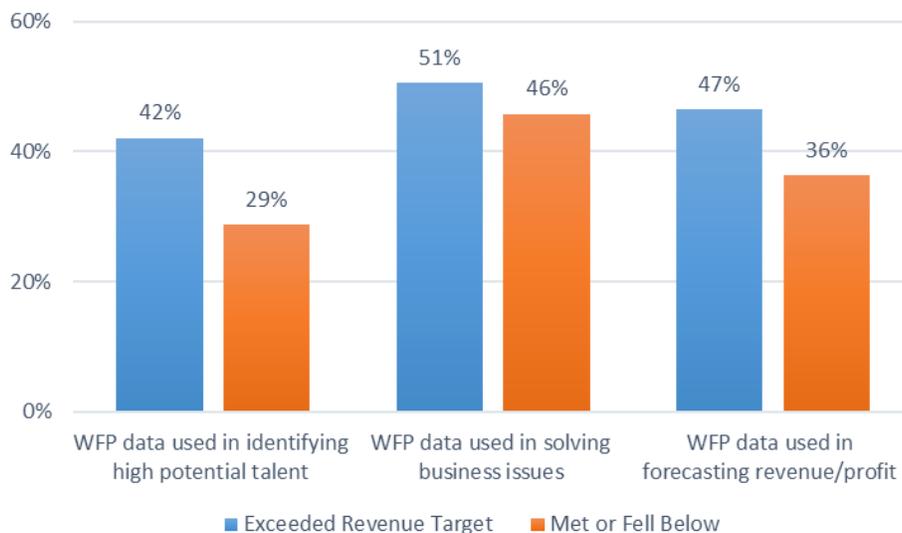
AN EYE ON THE FUTURE

Often, HR teams aren't even using data effectively for their own purposes. Only 41% of organizations in Aptitude's 2017 Culture study feed data from workforce planning back into their recruiting processes, the majority of which are simple headcount forecasts. Only 37% use predictive analytics of future business needs to inform their workforce planning, and just 30% use workforce planning data to inform their development priorities.

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This is a huge gap that organizations must overcome, because the impact can be significant. Organizations responding to Aptitude's Plan, Pay, Deploy study that reported exceeding their annual revenue targets were 18% more likely to utilize workforce data and analytics than organizations that met or fell behind their revenue goal. They were also more likely to use this data across a spectrum of human capital and business decisions.

Figure 3: Workforce Planning Data Makes an Impact

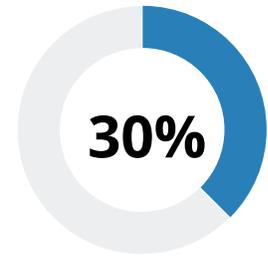


Source: Aptitude Research Partners, Plan, Pay, Deploy 2017. N=474

As illustrated above, organizations reporting that they exceeded their annual revenue targets were

- 46% more likely to utilize workforce planning data to help guide them when identifying high potential talent;
- 10% more likely to use workforce planning data when looking to create strategies to solve business issues; and
- 28% more likely to integrate workforce planning data with business data to forecast revenue/profit

than organizations not exceeding revenue targets.



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To remain competitive in the near and long term, organizations need to ensure that workforce and business planning go hand in hand. The evolving needs of the business should drive talent development internally and recruiting externally. And an organization's ability to execute on its workforce plan is key when forecasting the potential and impact of any business activity. Planning for the future requires a real-time and responsive view of what is happening in the business today.

KEY TAKEAWAYS

Building a robust, real-time workforce planning capability requires cooperation and visibility across numerous parts of the business, including HR, Finance, and leadership. It also requires a shared point of view in three key areas:

- **Strategy.** Having a responsive workforce planning process is only effective if there is visibility into the evolving business strategy. Without an understanding of what the business is trying to get done, there's no point in evolving how we plan for the workforce to support that goal.
- **Technology.** Workforce planning brings together skills and performance with budgets and compensation planning. To have an aligned, real-time workforce planning process, organizations need technology that lets them bring this data together, so business leaders get the full picture.
- **Mindset.** Everyone has to own the idea of workforce planning as an ongoing process to really make it work. Setting the goal and investing in the tools is important. But if business leaders don't act on the opportunity to involve workforce planning as they set strategy, or if Finance divorces itself from the process, tools can't fix it. Helping people see the benefit of real-time workforce planning will go a long way in making it a reality for your organization.

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Aptitude Research Partners is a research-based analyst and advisory firm focused on the new conversation required by changes in how HCM technology is delivered and utilized by today's organizations.

Our goal is to look beyond the obvious product capabilities to identify the real differentiators organizations should be looking for when considering providers, as well as the change management and change readiness capabilities consumers must have in place for successful technology adoption.

We conduct quantitative and qualitative research on all aspects of Human Capital Management to better understand the skills, capabilities, technology, and underlying strategies required to deliver business results in today's complex work environment.

Mollie Lombardi

Co-Founder & CEO
Aptitude Research Partners

Mollie@AptitudeRP.com
www.apituderesearchpartners.com

 @TalktoARP

