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Introduction

In today’s business environment, the ability to rapidly adapt to market shifts can be a key differentiator. Through workforce planning, an organization can anticipate changes in both the marketplace and the workforce, and mobilize appropriate resources. A disciplined approach to this process gives an organization the ability to change more quickly than its competitors and to more effectively maximize its return on investments in talent. As a result, workforce planning can be the difference between a successful business offering and a missed opportunity.

In the most successful organizations, human resource leaders play an active role in helping organizations become more agile and helping business leaders more effectively execute their overall business strategy. Both goals can be achieved through an effective workforce planning process. Most organizations, however, take a limited view of workforce planning. For example, many companies see it as a process by which the business tells HR how many people it needs to hire, and HR figures out a plan to hire them. While certainly a necessary part of the process, this limited view robs the organization of the strategic value that well-executed workforce planning can provide.

For workforce planning to succeed, HR leaders need to create a process that aligns with the overall business strategy. By using the corporate strategy as a guide, HR leaders can ensure that subsequent metrics and initiatives will support that strategy. In addition, as individual business units drive the workforce planning process to a more granular level, they will be better equipped to manage their operations in accordance with the overarching strategy. Organizations must align goals, strategies, initiatives and measurements to support the elements of the business that drive results.

Workforce planning should be similarly aligned. The cross-functional nature of an effective workforce planning process drives alignment horizontally across an organization’s line and staff functions, as well as vertically through its management hierarchy. By creating a platform for discussion, the various functions and levels stay coordinated and keep their energies focused on moving the company forward. For example, finance and HR work together during the workforce planning process to identify budgets and metrics that support the corporate goals, as well as resource allocation plans that support achievement of the strategy. As a result, the two support functions are better aligned with each other and more directly support the company’s direction.

An important factor in achieving strategic objectives is the workforce’s ability to execute the underlying initiatives after the strategy has been outlined and communicated. Having the right people at the right time in the right place is paramount. By creating a workforce plan with the necessary components, and setting the plan in motion, an organization will be able to better carry out its strategic initiatives. Effective workforce planning can ensure that an organization has what it needs to support its customers and its growth strategy.
It also gives business leaders the information and justification needed to ensure the appropriate investment in people and to make certain that these investments are achieving appropriate returns.

This white paper outlines the key elements of effective workforce planning and gives an overview of how to make workforce planning a foundation for strategy achievement.

**Workforce Planning: Definition**

Workforce planning is the purposeful process by which an organization determines the future human resource requirements needed to achieve its strategic objectives. It requires an analysis of numerous factors, including current staff, long- and short-term needs and weaknesses in the talent pool. It also calls for a detailed understanding of the skills of the workforce and advanced decision support tools to help maximize the organization’s talent pool. Workforce planning includes subprocesses such as staff planning, capacity planning and forecasting. Its purview is the entire breadth and depth of an organization. Companies that maintain an effective workforce planning process understand the capabilities and trends in the marketplace and can use that knowledge to make effective decisions about the talent pool.

The workforce planning process involves stakeholders from across the organization. Three critical stakeholders are organizational leaders, HR and finance. The leaders drive understanding of strategic initiatives throughout the organization, while Human Resources is accountable for executing the process. HR sets the vision for the process and ensures that the process aligns with the business strategy. HR also makes certain that the plan is practically applicable to the operations of the business. Finance facilitates development of appropriate metrics and communicates budgets and other financial parameters. Representatives from these functions, as well as others the organization deems appropriate, make up the workforce planning team.

Like all processes, workforce planning requires input and delivers output. Key inputs include marketplace forces, workforce demographics and the organization’s strategic plan. Effective workforce planning also considers the external influences that affect all parts of the organization, assesses the employee base and its capabilities, and understands the critical success factors and targeted metrics of the company. These inputs must be blended and analyzed regularly to ensure that workforce planning stays connected with the current business context. The output of the workforce planning process can be described simply as “what will be done, when and by whom.” Deliverables may include programs, initiatives, timing, targets, metrics and HR requirements such as workforce statics (moment-in-time measurements of headcount/expense) and dynamics forecasts (estimates of future headcount movement).

World-class organizations are continuously executing workforce planning. It is not a static process that takes place once a year, but rather a dynamic activity that responds to changes in the business and the environment.

World-class organizations are continuously executing workforce planning. It is not a theoretical exercise. The purpose of workforce planning is to enable the organization to meet its strategic objectives within the horizon of the strategic planning process. It lays the groundwork for prudent use of assets. As such, it is not a static process that takes place once a year, but rather a dynamic activity that responds to changes in the business and the environment.

Workforce planning is made up of intentional activities and practical tasks that help companies predict future personnel needs. It is not a theoretical exercise. The process cycle repeats, and it is usually concurrent with strategic and financial planning. It is most productive when linked with an organization’s annual business-planning cycle.

Workforce planning is ongoing — implementing the plan and interpreting the results are integral parts of business operations. It is not effective if managers do it only when time permits. The scope of an organization’s workforce planning process depends on its business needs; but at a minimum, workforce planning should be done at a corporate level, with unit-level plans created as appropriate.
**Workforce Planning: Process Model**

The workforce planning model begins with three inputs: marketplace forces, workforce demographics and the company’s strategic plan. The data in these inputs are used throughout the process. Once these inputs are obtained, the HR team translates the business objectives into organizational capabilities, competencies and/or directional statements. Gaps between current and required future states are identified. The cross-functional workforce planning team then identifies options to close the gaps, evaluates the costs and benefits of each and includes the necessary data elements in its workforce plan design. Once the plan is created, it is communicated to the organization, implemented and used as a basis to provide feedback to the workforce planning and strategic planning processes (see Figure 1).

**Required Inputs to the Workforce Planning Process**

One of the most important inputs is the environment in which the business operates. Specifically, the workforce planning team must understand the marketplace forces that affect the organization. This includes labor pools, the competition for talent in critical locations (which may be different from the competition for products and services), the location of potential talent, local economic indicators (such as unemployment figures) in places where the company does business and the rate of new business growth in the relevant communities. In addition, an analysis of data related to the reputation of the organization, the perception of the company in the community and the relative importance of talent in the company’s industry can be valuable.

When initiating workforce planning, an organization must take stock of its current workforce. Demographics (and not just data related to equal opportunity rules) need to be collected.

The mechanisms that the organization uses to track information must be identified, and progress against key measures should be measured. The beginning of an organization’s workforce planning cycle is an ideal time to take the pulse of the organization’s workforce, even though ongoing tracking may be in place. To effectively execute a workforce planning process, organizations need to know:

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**Figure 1 | Workforce Planning Corporate Process**

- **Marketplace Forces**
- **Workforce Demographics**
- **Strategic Plan**
- **Candidate Programs**
  - Buy
  - Build
  - Borrow
  - Acquire
  - Trim
- **Translate to HR Dimensions**
- **Assess Gaps**
- **Evaluate Options and Costs/Benefits**
- **Interpret Results**
- **Implement Plan**
- **Design Plan**

- **Objectives**
- **Measurements**
- **Financials**
Labor cost. This includes all related budgets. Teaming with finance is critical to understanding current spending on compensation, benefits and restructuring, as well as program expenses, such as training and development, diversity, hiring and orientation.

Location. This includes the region, country and location of each facility (or major facilities) as well as the percentage of the organization’s employee base that telecommutes.

Skills/competencies. This includes the skills of both management and non-management employees.

Attrition. This includes information about voluntary and managed attrition. It is also helpful to view these data from different perspectives, such as by skill, employee potential and/or employee type.

Dynamics history. This includes data from the last period (or last several periods) that describe elements such as employee turnover, hiring rates and types, and level of resource action activity.

Another aspect that must be taken into account is the corporation’s overall strategy. Creating a workforce plan that aligns with the corporate strategy is critical if the plan is to truly affect the business in a positive, meaningful way.

Human resource leaders should be involved in the corporate planning process, and thereby influence the content of the strategic plan. HR leaders operating in this partnership can ensure that the results of an organization’s strategic planning will lead to a successful launch of workforce planning. In whatever capacity HR is engaged, the output of the strategic planning process must be a driver for the workforce planning process.

Strategic planning output may take the form of specific business objectives or critical success factors that the company must execute in the next period, or it may be a higher-level blueprint. It is important to assess the affordability of options. The best strategies for filling talent gaps are useless if there is no money to fund them or if funding them takes resources away from other critical business investments. The practical nature of workforce planning requires a forward, realistic look at the organization’s budgets and financial challenges.

Translating the Plan Into HR Dimensions

The first step of workforce planning is to translate the business objectives in the organization’s strategic plan into HR dimensions. HR dimensions are strategic human-capital-related areas of focus, such as organizational capabilities, competencies and directional statements. HR leaders must consider the HR implications of executing each business objective and the capabilities necessary to support achieving the objective. Of course, this is not a process that HR undertakes alone.

Here, again, cross-functional discussions about the link between talent and achieving objectives are crucial. For example, the company’s strategy may call for an increased presence in the Asian marketplace. The HR leader, using the cross-functional workforce planning team, could translate that objective into expanding headcount throughout Asia.

Once an HR dimension is identified, the workforce planning team must test the connection between having a particular capability and achieving a certain business objective. This testing can be done by using individual or corporate experience, industry or marketplace information, and/or the personal networks of the planning team members.

While testing in this way may seem simplistic, it is important to add common sense to the process, and testing the connection between capability and objective can be especially helpful when considering HR dimensions that are in vogue. Too many organizations assume a link between more staff and increased
capability, but this is not always true. For example, adding staff that is not managed well may simply lead to duplication of effort, activities that do not add value, higher costs and organizational confusion. Testing is essential to ensuring that the workforce plan can become a reality.

Workforce planning also requires measurements. This step includes the development of HR metrics that will drive the changes needed to execute the business strategy. The workforce planning team must evaluate each HR metric and decide whether it will help or harm the organization’s ability to achieve each objective. It should also take into account the volume of business the organization is targeting.

In addition, for the process to truly work, the HR implications of the strategy must be understood. This includes the impact on headcount, labor cost, skills and locations. Analysis will determine which metrics support all the objectives and which support only some.

Finally, the workforce planning team should assess potential conflicts in metrics. Using the example above, a metric to assess the proposed expansion might be total workforce headcount. However, if the overall workforce is being reduced, this metric would not be appropriate because it would not indicate the success of the Asian expansion. The planning team or HR leader would need to identify a metric that accurately assesses the success or failure of the increased presence in Asia.

Assessing Gaps
The second step calls for a gap analysis. This includes a comparison of what the organization has with what it needs to meet the strategic objectives. In this step, the team balances long- and short-term needs by using the strategic plan as a guide.

The types of questions that should be addressed in this step are:
- Can the current organizational structure handle change? Will these changes better allow the organization to achieve its goals?
- Where are more people needed? Fewer?
- Which skills are lacking? Which are in surplus? (i.e., a skills inventory)
- What are the managers’ competencies?
- Will the tools used in the past support the future direction? Will the tools needed to support the strategy require new skills?
- How does the organization measure and track workforce programs?

- How expensive will the change be?
- Is the organization’s effort on budget?
- In which skills/location, etc., is the organization investing? Which areas should it de-emphasize?
- How difficult will executing the necessary programs be? Who will be in charge of that effort?
- What are the critical positions? Where are the retention risks?

Evaluating Options
The third step is to determine which HR initiatives and programs are the best fit for the organization, which most effectively address gaps, and which have the most positive impact on the strategic plan. The workforce planning team needs to identify alternatives that will enable the organization to gain the necessary talent within the specific time frame to achieve the strategic objectives.

To accomplish this, the team first inspects the overall mechanisms to change the workforce: buy, build, borrow, acquire and trim (see Figure 3). Selected methods for closing talent gaps should fit the organization’s culture, marketplace, strategy and values.

Figure 3 | Mechanisms to Change the Workforce

<table>
<thead>
<tr>
<th>Mechanisms to change workforce</th>
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<tbody>
<tr>
<td>• Buy - recruit &amp; hire talent</td>
</tr>
<tr>
<td>• Build - develop &amp; promote talent from within the organization</td>
</tr>
<tr>
<td>• Borrow - contract for talent</td>
</tr>
<tr>
<td>• Acquire- purchase entire companies that contain needed talent</td>
</tr>
<tr>
<td>• Trim - reduce number of employees</td>
</tr>
</tbody>
</table>
Next, each initiative must be evaluated on cost, benefit and value. The team should create budgets for each option, evaluate opportunity costs, determine capacity requirements and test affordability. Achievable options should be closely associated with financial goals and/or the organization’s budget. The impact on the current organization also is taken into account. Programs such as compensation, career development and employee communication may be affected by the development of new capabilities.

Next, the workforce planning team divides the corporate-level options into business-unit HR initiatives where applicable. Components of the workforce plan are developed and implemented across the organization or locally by a specific unit.

Designing the Workforce Plan
The fourth step is to determine and design the workforce plan itself. Plans vary from organization to organization but generally include many of the following elements:
- Links to business objectives
- Program/initiative description (narrative)
- Timing of work efforts
- Targets and/or milestones (project plan)
- Metrics
- Workforce dynamics forecast
- Workforce statics forecast
- Plan update process
- Feedback process
- Risks and contingencies

The goal of the workforce plan is to articulate what will be done, when and by whom. Since many stakeholders are involved, it is important to identify the owners of programs or tasks. For each stakeholder, roles and responsibilities should be created and communicated. The workforce planning team should also identify potential barriers to plan achievement, and work to gain buy-in, if necessary, based on the culture of the organization. It is also critical to the next step — implementation — to develop a budget and a communication plan.

Implementing the Workforce Plan
The fifth step is to implement the workforce plan. This includes communicating the plan across the organization, rolling it out and monitoring the status of the implementation.

Part of this effort involves training line managers about their roles and responsibilities. In an organization with an ongoing focus on workforce planning, training the management team is straightforward. But in an organization new to this process, the task is complex. In the end, managers are the ones who determine the success or failure of any workforce plan, so this step is critical. Too many organizations assume the appropriate management capability and are disappointed in their workforce planning results.

The implementation of a workforce plan must be treated like any other strategic initiative — resources are assigned to it, its progress is monitored and adjustments are made as the environment changes. As mentioned above, the workforce plan should not be considered static. One of the key tasks in implementing such a plan is to constantly monitor underlying assumptions and the business environment. This will help identify shifts that necessitate adjusting the plan. In addition, it is important that the task of implementation not be assigned solely to front-line managers. Effective workforce plan execution requires attention from both HR and senior leaders. These leaders need to constantly refocus attention on the strategy. The vision must be recommunicated, results explained and changes discussed if those executing the plan are to stay committed to the strategic direction. The bottom line: Execution should not be taken for granted.

Interpreting Results
The sixth and final step is to monitor results of the implementation and to assess their impact on the organization’s workforce and strategic plans. Workforce planning is an iterative cycle, as is interpretation of the results and progress. For example, while the overall workforce planning process may be refreshed annually, progress against the plan should be measured and reported regularly. This involves understanding the mechanism for tracking progress against workforce plan initiatives as well as updating and resetting the forecasts when necessary.

The workforce planning team should use this step to understand how business results differ from the forecasts. An organization should evaluate what commitments were made in the workforce plan and compare those with the actual achievements of the business units and the organization. Most important, HR leaders must assess the organization’s continued ability to achieve the objectives set forth in the workforce plan.

Depending on the difference between the strategy and the results, HR leaders should analyze why the organization fell short (or overachieved), understand the impact on the overall business and determine further actions. Depending on how much the plan has
diverged from its original intent, HR leaders may need to update the workforce plan or even provide feedback on the corporate strategic planning process.

**Linking to Other Talent Management Processes**

Orchestrating all the talent management elements drives the effectiveness of HR programs and determines HR’s ability to support the organization’s strategic objectives. Workforce planning influences all the other talent management processes, and these processes influence the plan itself. An organization must understand the impact its workforce planning process and plan have on recruiting, performance management, succession planning, scheduling/assignment, learning and development, and career development.

Many organizations fail in this area. Talent management processes disconnected from the workforce planning process are similar to strategic initiatives disconnected from the strategic plan — results will not align with where the company needs to go. Full integration of processes throughout the workforce planning and employment life cycle is critical but difficult to achieve. In most organizations, these processes have long been disconnected, and often HR does not have the tools to achieve full integration.

In such cases, robust talent management systems can provide a significant advantage. These systems not only help manage individual talent management processes, they also help integrate them into a comprehensive workforce planning framework.

Among the other talent management processes that should be linked to workforce planning are succession planning and recruiting. Succession planning outlines key talent, potential replacements, planned development activities and potential retention risks and timing. If done well, succession plans are closely linked to the future needs of the business from a leadership perspective. As such, they should be a key input in workforce planning, and succession needs should be reflected in the workforce plan. Succession planning itself must be undertaken with a firm understanding of workforce plan objectives and initiatives to identify points of synergy.

Too many organizations disconnect another key strategy — their recruiting plan — from the workforce plan. They set a budget at the beginning of the year that makes room for new hires but often fails to account for attrition, promotions, special assignments and other factors. These factors are analyzed in a workforce planning process, and should feed the recruiting plan. This will result in much more realistic plans that align with corporate needs. This link between workforce planning and other talent management processes extends to other processes, such as promotion, staffing, performance management and development planning. HR must be a key facilitator of this link and help ensure that line managers have the insight and the tools to keep these processes closely integrated.

**Conclusion**

An effective workforce planning process is more than a few discussions about what the company will need in the future. It is a blueprint of how to put in place the kind of workforce the company needs, and it sets out the structure, preparation and teamwork that will require. Companies that have adopted a disciplined approach to workforce planning have improved their readiness for change and their ability to respond to market shifts. These companies also better anticipate the needs of their business, their marketplace and their workforce.

HR leaders who provide a powerful, positive impact on corporate objectives see workforce planning as a key lever. Understanding the workforce, laying out a plan of action and implementing the workforce plan better enables the HR team, and the organization overall, to achieve the organization’s strategic objectives. Effective workforce planning can mean the difference between average performance and market leadership.
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