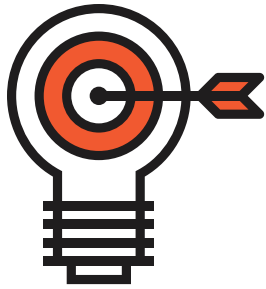


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# TALENT PULSE

PROPRIETARY RESEARCH FROM HCI

## Strategic Workforce Planning 2020



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## STRATEGIC WORKFORCE PLANNING 2020: SUMMARY

When HCI researchers explored the topic of strategic workforce planning (SWP) in 2014, we defined it as *a process of defining and deploying mission-critical talent needed to align an organization strategically with future goals and objectives*. In the four years since, the definition remains familiar but the details of the process have undergone considerable transformation.

Today, organizations are more adept at using people analytics to understand the value of their talent. Technology is more adaptable and more available. Many of the elements of SWP that were once regarded as individual steps of a complicated process have been integrated into day-to-day business operations.

But while some aspects have improved, there are still important challenges. More than a third of HR practitioners (35%) agree their organization is overwhelmed by the complexity of SWP. Even when organizations have the tools, processes, and expertise needed to manage it, 39% feel their SWP efforts are hindered by external business factors like policies, regulation, and volatility in markets. These challenges are compounded by increasing skills gaps, a tight labor market, and the accelerating pace of change within organizations.

Most organizations use strategic workforce planning to cope with this change and address emerging patterns in their workforce and the marketplace. Yet, 75% report that their organization is in a constant state of flux, marked by continually evolving priorities and strategies. Thus, the primary need for SWP is also its greatest challenge. This paradox makes it difficult for organizations to modify their processes and align plans with the business strategy.

In a study of more than 450 organizations, we found that a large majority are coping with the pace of change by shortening their SWP cycles. In 2018, only 29% reported an annual planning cycle in comparison to 55% of those surveyed in 2014.

In this *Talent Pulse* research report, we describe the practices and processes that High-Performing Organizations (HPOs) use in their SWP efforts. Specifically, HPOs create an intentional vision for SWP and implement it in the following ways:

- ✓ Business leaders more readily and effectively promote the importance of SWP and its change initiatives.
- ✓ The SWP process is aligned with a clearly articulated business strategy.
- ✓ HPOs invest more time in each of the eight components of HCI's SWP process—and report higher rates of effectiveness at each step.
- ✓ They have the right owners and collaborators in the SWP process and report higher ratings of effectiveness in collaborating across teams.
- ✓ Technology is used more effectively to manage the SWP process.
- ✓ HPOs collect more data to gain greater insight into the factors impacting SWP.



# The Purpose

## THE PURPOSE

**38%** say their organization lacks the appropriate investment in time, people, and money to support SWP efforts.

Every organization that wants to grow must consider the needs of its current and future workforce. From individual skills to cohesive roles, a deep understanding of how the organization will evolve over time is required for long-term success. These data validate this finding that organizations use strategic workforce planning to cope with change, optimize performance, and align resources (Figure 1). The top reason for investing in SWP remains unchanged from previous research conducted in 2014: a concern for the future growth of the business. Operational efficiency and performance, as well as skills gaps in the current workforce, continue to be some of the top concerns year over year.

Though they are driven by real, urgent business needs, workforce planning teams continue to be challenged by a lack of resources. More than a third of survey respondents (38%) say their organization lacks the appropriate investment in time, people, and money to support SWP efforts (Figure 2). Related to this, more than one in four point to inadequate integration of SWP and the business strategy, and a lack of adequate training and technology, both of which are linked to time and budget pressures.

FIGURE 1

**What are the top reasons as to why your organization spends money and time on strategic workforce planning?** *(Select your top three reasons.)*

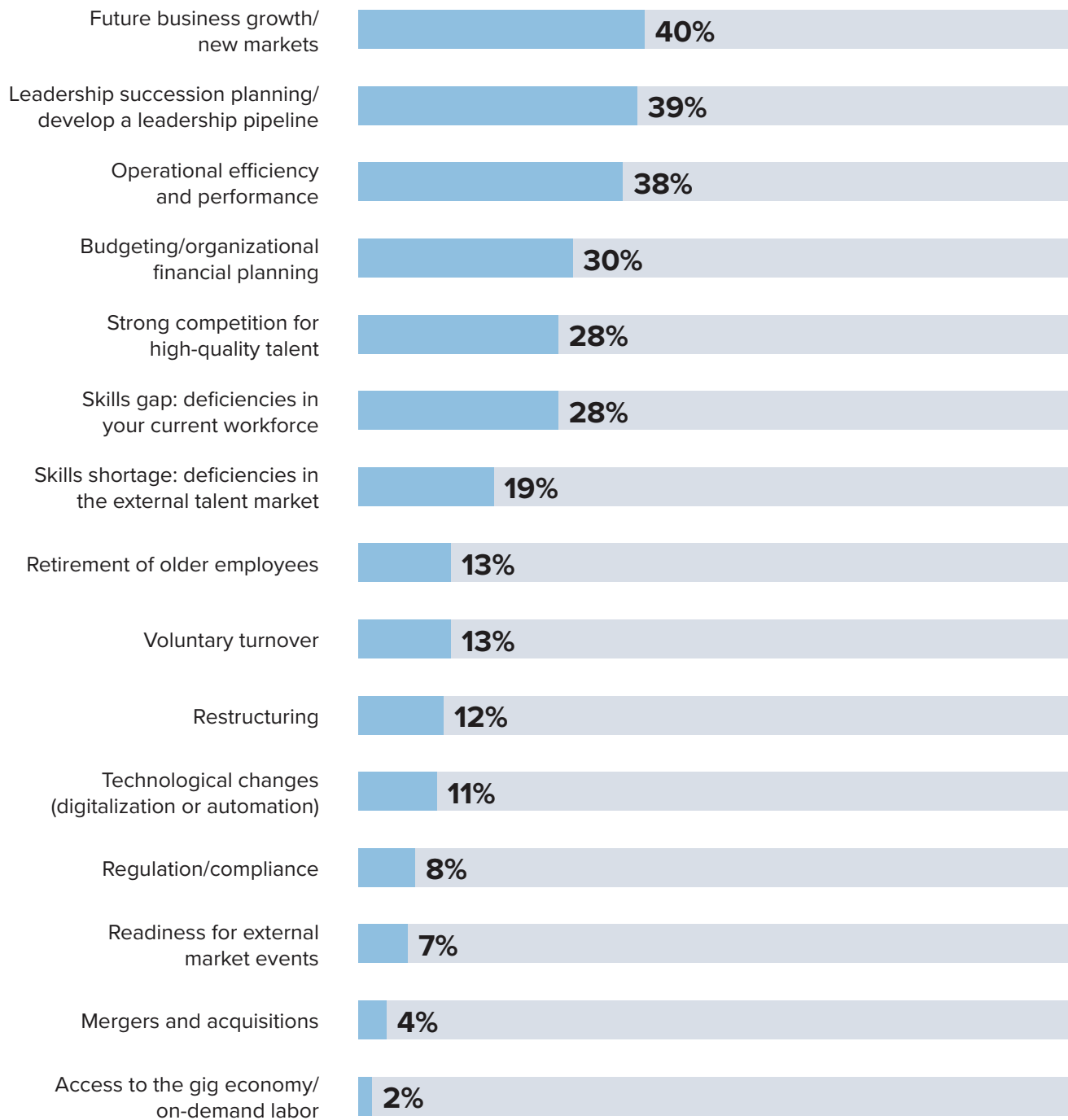
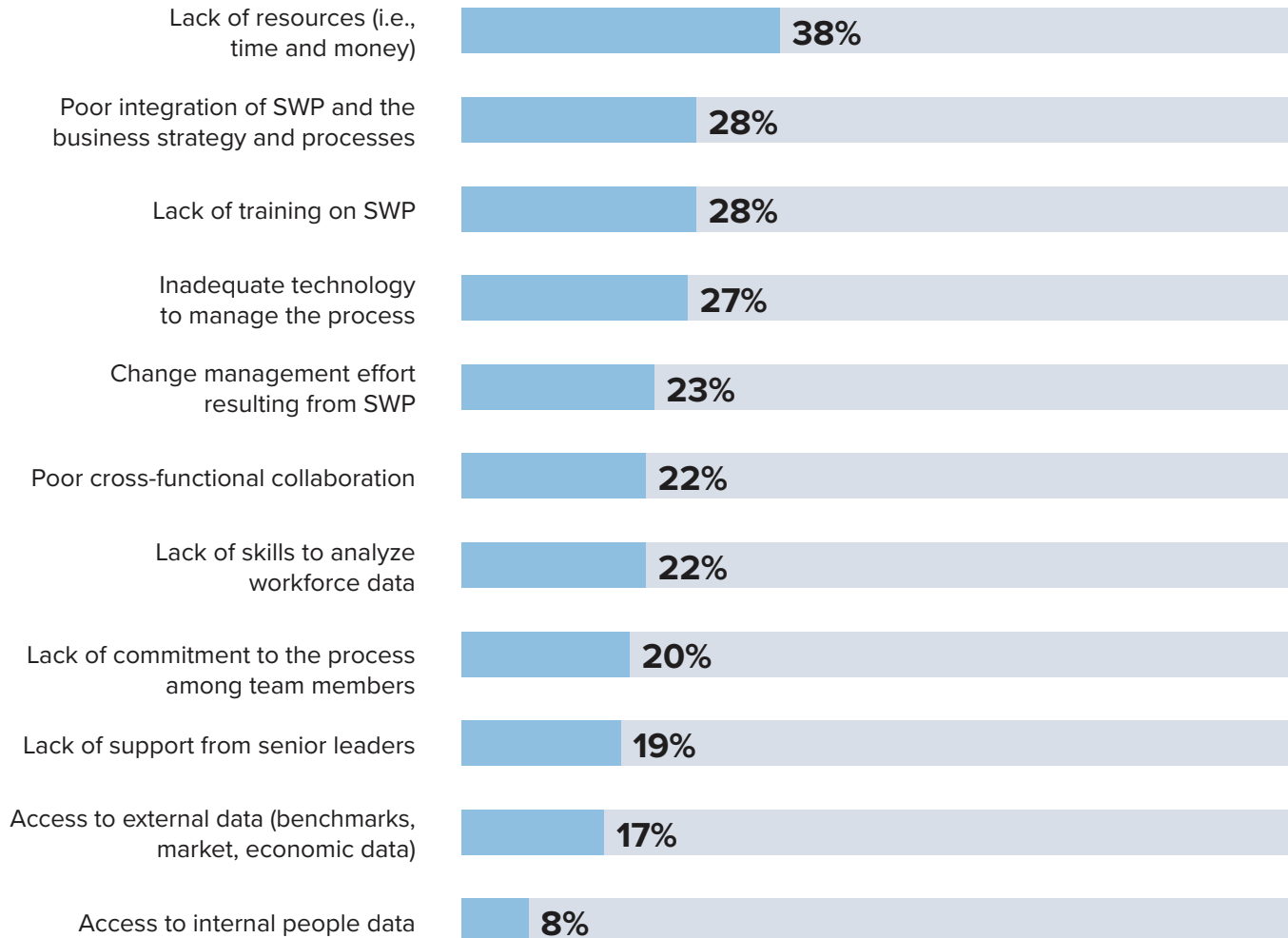


FIGURE 2

**What are the major challenges for SWP at your organization?** *(Select the top three.)*







# The Vision

## THE VISION

Organizations that struggle with strategic workforce planning can benefit from examining how peers have successfully navigated it. While there is consensus that SWP contributes to growth and sustainability, not all firms are fully committed to the process. Those that set themselves apart in terms of their talent and business outcomes share some important characteristics. Based on subject-matter expert interviews, case studies, and the survey responses of High-Performing Organizations (HPOs) compared to all others,<sup>1</sup> we identified the six elements critical to successfully strategic workforce planning.

The following six components are essential to sustaining a vision for strategic workforce planning at your organization:



**Senior leader sponsorship**



**Responsiveness to the business strategy**



**Investment in a strategic workforce planning process**



**Extensive cross functional collaboration**



**Reliance on the right technology**



**Access to and understanding of people data**



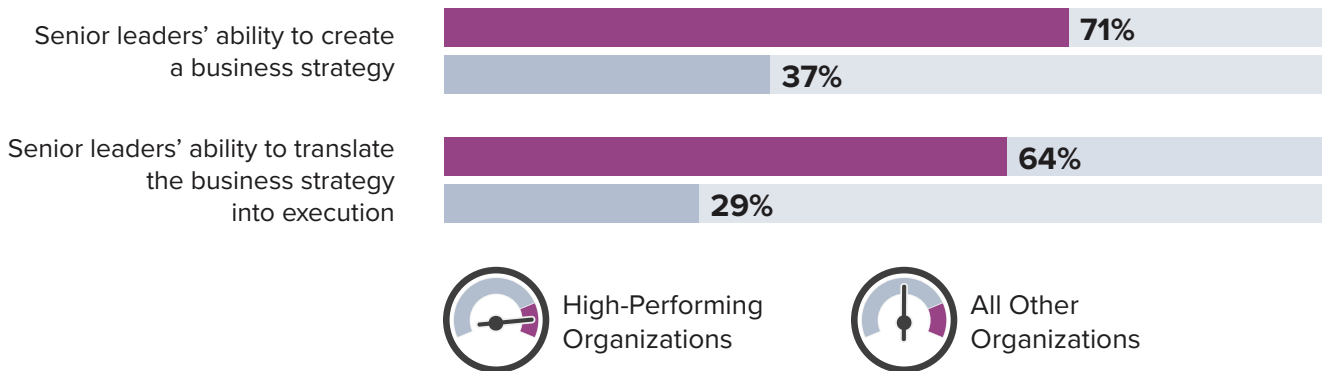
## SENIOR LEADERSHIP SPONSORSHIP

Fundamental to the success of any talent management initiative is backing and support from senior leadership. The number one barrier facing HR practitioners and leaders trying to implement SWP is a lack of resources, often retained by organizational leadership. An organizational commitment to SWP is essential for its success, and it must be championed and led by the senior leaders who set strategy and priorities for the organization.

Encouragingly, SWP is a primary concern within most organizations. A large majority of respondents (68%) indicate it is either a high or essential priority, nearly identical to findings from 2014 (69%), and this degree of importance is correlated with success. Organizations that report better business and talent outcomes are more likely to prioritize SWP.<sup>2</sup> In fact, **HPOs are three times more likely to make strategic workforce planning a priority.**

Additionally, **52% of HPOs versus 26% of all other organizations report that business leaders do a good job of promoting the importance of SWP and its change initiatives.** This underscores the need that employees trust their leaders’ ability to create a business strategy and translate it into action. After all, talk is cheap. HPOs express greater levels of confidence in their senior leadership to develop and execute a business strategy (Figure 3).

FIGURE 3 **What is your current level of confidence in the following?** (“Very Confident” responses.)





## RESPONSIVENESS TO THE BUSINESS STRATEGY

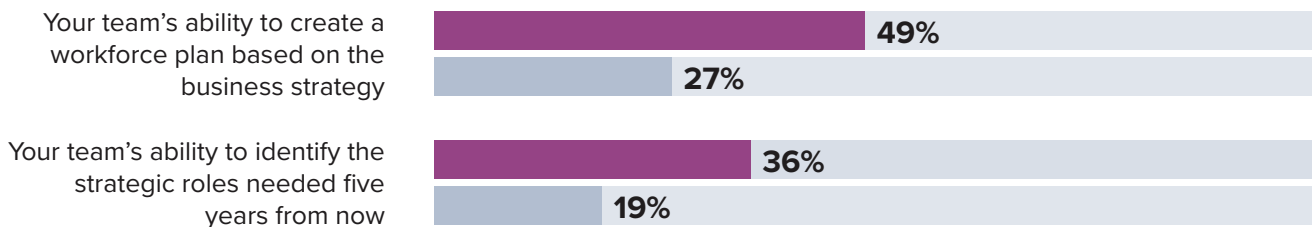
At its core, strategic workforce planning is about proactively addressing the needs of the business. Seventy-five percent of respondents agree their organization is in a constant state of change where priorities and strategies are continually adjusted. In this complex and fast-paced environment, it is even more crucial that workforce planners are agile enough to quickly respond to these evolving needs. HPOs are more likely to have an SWP process that is aligned with a clearly articulated business strategy<sup>3</sup> and they are more confident in their ability to create a plan and identify the strategic roles needed five years out (Figure 4).

One way organizations have dealt with this pace of change is by shortening their planning cycles. A majority engage in SWP and operational planning activities on a quarterly or annual basis (Figure 5), but HPOs engage in these activities more frequently, particularly SWP efforts.<sup>4</sup>

Organizations report more frequent engagement with SWP compared to our 2014 research. **In 2018, only 29% reported an annual workforce planning cycle versus 55% in 2014.**

FIGURE 4

**What is your current level of confidence in the following?** (“Very Confident” responses.)



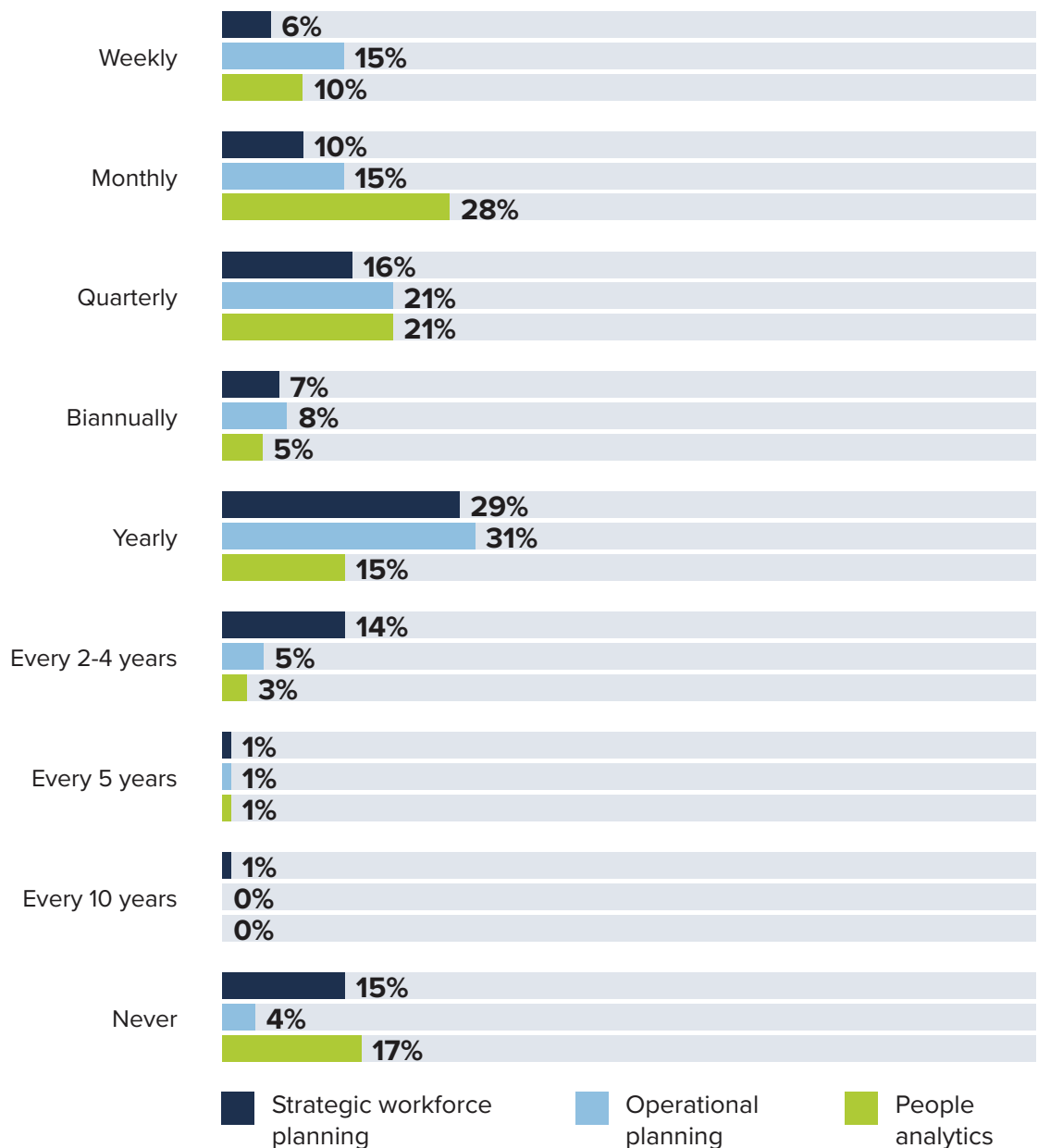
High-Performing Organizations



All Other Organizations

The alignment between business strategy and workforce planning is the result of increased communication across the organization. More than 40% of respondents are directly involved in developing the business strategy, but more than half indicated that the business strategy is primarily communicated to them through their business leaders, indicating more room for improvement. It is perhaps unsurprising that HR leaders who play a strategic role in developing the business strategy more successfully align the SWP process with business priorities than their counterparts.<sup>5</sup>

FIGURE 5 **How often are the following executed at your organization?**





“SWP has changed over the years. Managers do not want to do a full blown five-to six-step process. They are eliminating the hiring projections and focusing more on aligning with the business plan and any new changes to the plan based on internal and external environmental factors.”

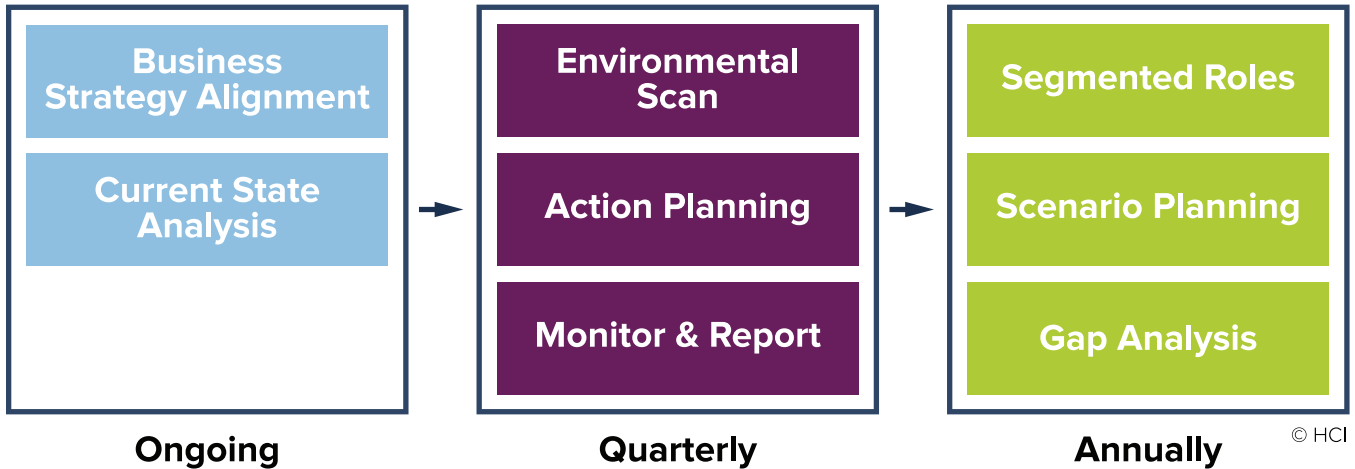
—Survey Respondent

## INVESTMENT IN A STRATEGIC WORKFORCE PLANNING PROCESS

Organizations and leaders looking to boost their workforce planning efforts often wonder where to start. The HCI model for excellence in strategic workforce planning is an effective map. It is grounded in eight years' worth of research, and can be tailored to suit the needs of individual organizations. An earlier iteration of the model displayed SWP as a circular process, not delineated by time. However, the pace of change and an increased focus on people analytics have embedded some elements of SWP in more frequent HR and business activities.

Designing an SWP approach is based on a few factors. The current level of organizational maturity, objectives, and culture will determine the specific journey, but our research finds that increasing the frequency of SWP activities is correlated with success. The top 25% of organizations surveyed in terms of a combination of positive business and talent outcomes (HPOs) spend more time doing the SWP activities we recommend.<sup>6</sup> Respondents from HPOs also report greater effectiveness within their organizations with respect to each of these strategic workforce planning activities (Figure 6).

# HCI STRATEGIC WORKFORCE PLANNING MODEL

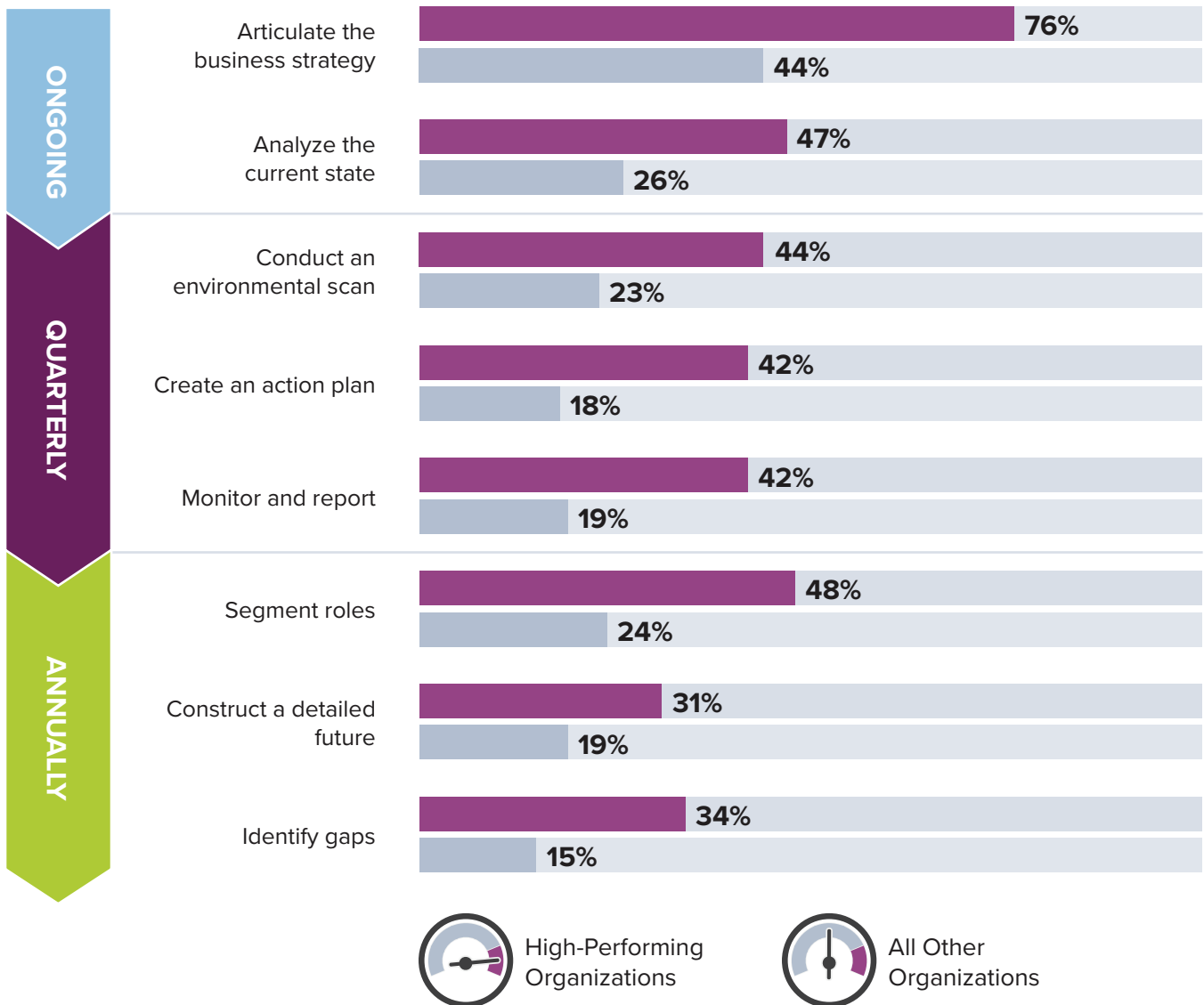


## SWP ACTIVITIES

- ✓ **Articulate the business strategy** to connect workforce planning processes that support and sync talent and business outcomes.
- ✓ **Segment roles** to determine how each position contributes value and which roles are a priority versus those in the periphery.
- ✓ **Conduct an environmental scan** to continuously identify and monitor trends that affect the workforce and the organization.
- ✓ **Analyze the current state** to evaluate, benchmark, and inventory today's workforce.
- ✓ **Construct a detailed future** of how the organization, environment, technologies, and operational norms will look in the coming years.
- ✓ **Identify gaps** between the current and desired future workforce and organizational state.
- ✓ **Create an action plan** to address, design, and/or restructure elements of an organization's structure and talent initiatives.
- ✓ **Monitor and report** with quantitative and qualitative benchmarks and milestones that are identified in the action plan. Report findings to stakeholders and management.

As it relates to SWP, the adage is true: you get out of it what you put into it. Organizations that invest more in the SWP process experience better results. The rate of effectiveness is proportional to the amount of time spent in these activities.<sup>7</sup>

FIGURE 6 Percentage reporting “Very” or “Extremely” effective at SWP steps by HPO and all other organizations.







“In large organizations, there is a risk of SWP becoming a numbers game just to comply with metrics. There is also the risk of teams working in silos. For SWP to be effective, there needs to be direction, collaboration, and effectiveness checks.”

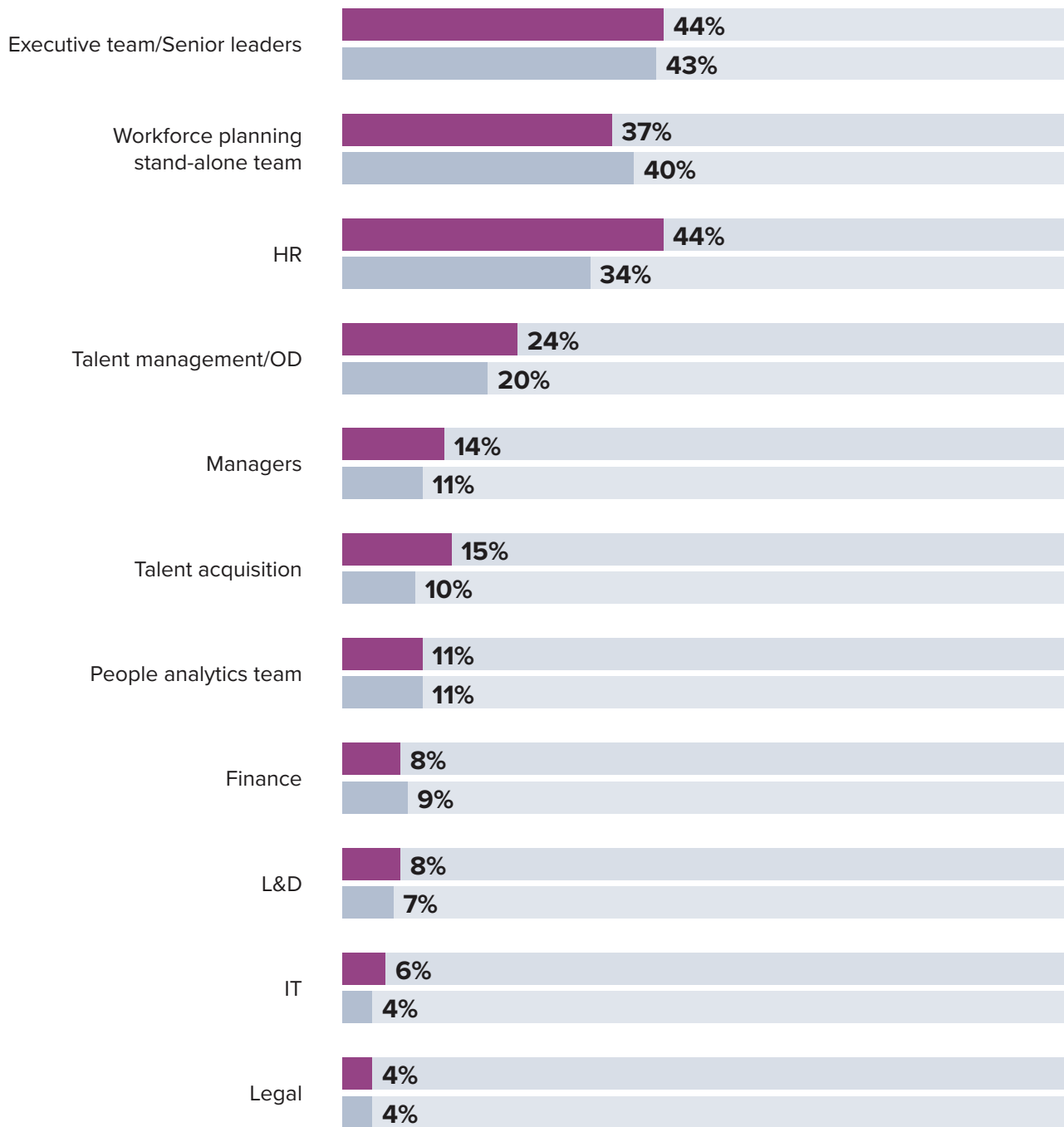
—Survey Respondent

## EXTENSIVE CROSS-FUNCTIONAL COLLABORATION

For workforce planning to be most effective, stakeholders across the organization must support each other in reaching a common goal. Despite the complexities and challenges of creating effective cross-functional collaboration, HPOs do this more effectively. **38% of HPOs report they are effective at collaborating across teams and functions to complete SWP compared to 19% from all other organizations.**

Certain positions in the organization are more likely to be owners or contributors to SWP process (Figure 7). There are multiple workforce planning stakeholders in many organizations, and HPOs report the most participation. In HPOs, HR is likely to co-own the process with senior leaders. It appears to be a benefit to HPOs because they are involving the right people in the process. **56% of respondents from HPOs agree that the relevant functions contribute to SWP compared to 31% from all other organizations.**

FIGURE 7A Percentage of Survey Respondents—Owners of SWP.

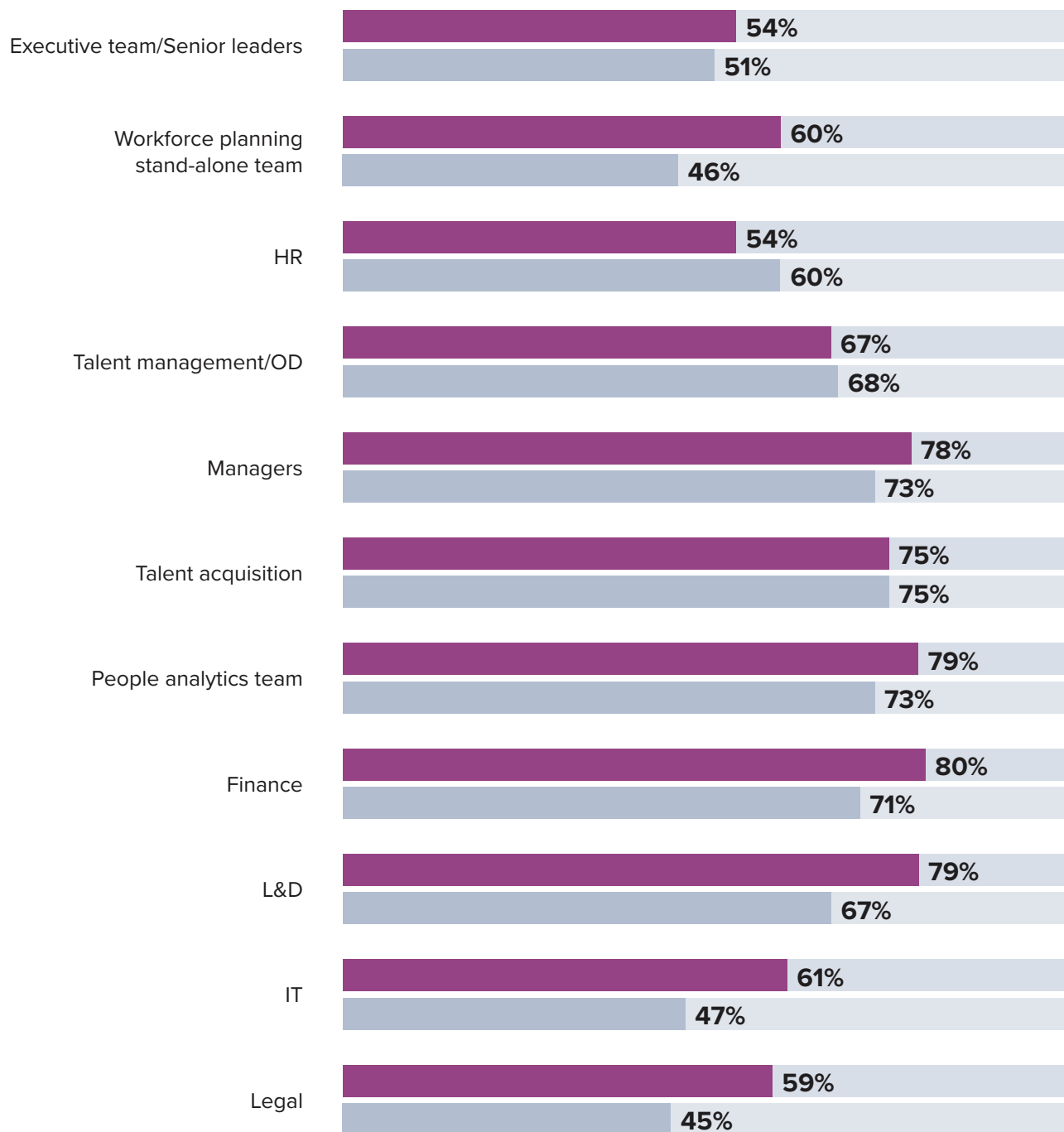


High-Performing Organizations



All Other Organizations

FIGURE 7B Percentage of Survey Respondents—Contributors of SWP.



High-Performing Organizations



All Other Organizations



## RELIANCE ON THE RIGHT TECHNOLOGY

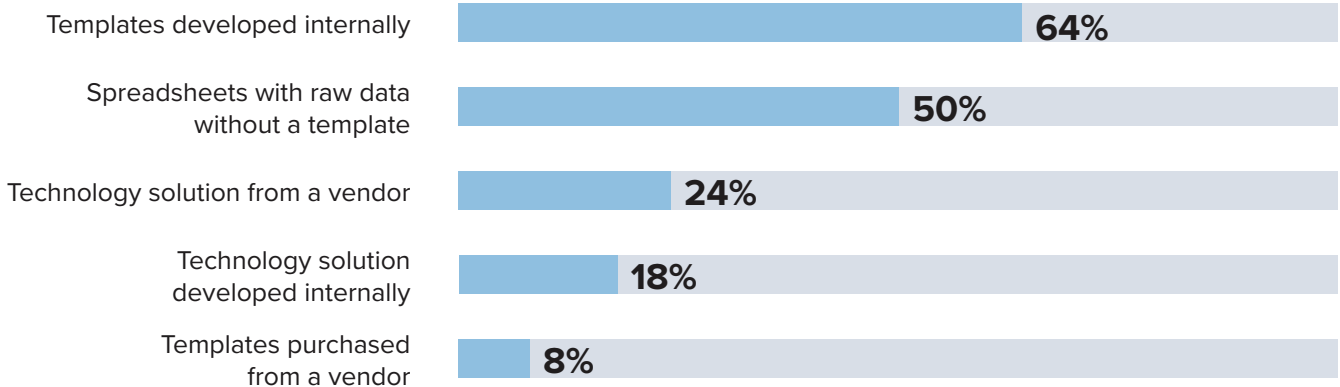
The wealth of technology options that exist today offer organizations vast opportunities to further streamline workforce planning efforts. We find that a large majority of organizations develop their own templates to manage the SWP process (Figure 8), and simple spreadsheets for gathering and warehousing data are supplemental.

Notably, HPOs use a similar number of tools and technologies in comparison to other organizations, but they use them more successfully. **28% of HPOs effectively use technology to manage the SWP process compared to 10% of all other organizations.**

This suggests HPOs operate with an intentionality that eludes other organizations. Rather than simply adding tools to the toolbox, HPOs focus on finding and implementing the technologies that best enable the workforce planning process.

FIGURE 8

**What tools are used for managing and conducting SWP?** *(Select all that apply.)*





## ACCESS TO AND UNDERSTANDING OF PEOPLE DATA

Data collection and data interpretation are equally important components of effective workforce planning. Stakeholders from across the organization need to participate in gathering and coordinating data to clearly understand all the factors that impact the workforce planning process. Perhaps unsurprisingly, HPOs report using more data inputs in their SWP process (ten to eight)<sup>8</sup> compared to other organizations.

Critical data points are captured all along the talent management lifecycle. Finance, HR, Learning and Development, and Talent Acquisition collect metrics that are integral to strategic workforce planning (Figure 9). SWP efforts can also be informed by client and customer data. What are their demands? How are they evolving and how does that impact the skills and makeup of the workforce?

FIGURE 9 What data does your organization collect and use in its workforce planning efforts? (Select all that apply.)

HR	L&D	Talent Acquisition	Finance
Headcount (by location)	Competencies required in strategic roles	Attrition rates (by location)	Cost of benefits/compensation per employee
<b>68%</b>	<b>28%</b>	<b>43%</b>	<b>33%</b>
Performance ratings	Internal talent pipeline percentage ready: now, 1 year, 5 years	Time to fill a position vacancy	Median salary for strategic roles
<b>39%</b>	<b>27%</b>	<b>39%</b>	<b>30%</b>
Employee surveys	Percentage of high/mid/low performers	Vacancy rates (by location)	External workforce benchmarks
<b>37%</b>	<b>25%</b>	<b>38%</b>	<b>25%</b>
Employee satisfaction/engagement	Time to proficiency for new hires in strategic roles	Cost per hire	Labor productivity ratio
<b>37%</b>	<b>19%</b>	<b>22%</b>	<b>20%</b>
Tenure	Employee training ROI		Revenue per employee
<b>30%</b>	<b>15%</b>		<b>17%</b>
Retirement eligibility			
<b>26%</b>			
Quality of hire metrics			
<b>22%</b>			
Diversity metrics			
<b>21%</b>			
Turnover cost			
<b>19%</b>			



# Conclusions and Recommendations

## WHAT WORKS IN STRATEGIC WORKFORCE PLANNING: PRESCRIBE AND APPLY

Our survey respondents shared what works best for them in strategic workforce planning.

### SENIOR LEADER SPONSORSHIP



“Seniors leaders of the organization **must truly buy-in and have a clear understanding** of what SWP is. Otherwise, when things get complicated they may abandon the work/plan and revert to a less strategic, reactive approach.”

.....

“Business planners and business leaders **must see the value [in SWP]** or they simply move along in the absence of people information. If the process is arduous and time-consuming they would rather ignore it.”

### RESPONSIVENESS TO THE BUSINESS STRATEGY



“Successful SWP is extremely important to fast-growing companies. To stay ahead of the competition and branch out to new markets, SWP is **critical to the company’s vision and goals**. It’s not a periodic meeting. It should be part of the everyday culture so that challenges can be met head-on with no delays.”

.....

“**Clear alignment with overall organization strategy** is crucial [to SWP success] as it charts the immediate operational planning and determines the focus over the incoming two to three years.”

### INVESTMENT IN A SWP PROCESS



“**Build a structured, repetitive process** to guide workforce planning, and clearly identify who must be involved and what their roles and responsibilities are.”

.....

“SWP is not a process that can be planned and implemented effectively in days or weeks. It takes **proper planning and frequent review** over a period of months.”

.....

“Don’t give up on SWP! The time and money spent is **well worth the effort**.”



### EXTENSIVE CROSS-FUNCTIONAL COLLABORATION



“A **cross-functional collaborative approach** is very important. Elements of strategic workforce planning cannot be effectively implemented without the proper amount of communication across all areas.”

.....

“All divisions of management need to coordinate their role in SWP—**collaboratively and simultaneously**. Information must flow between divisions of management rather than each division working independently.”

### RELIANCE ON THE RIGHT TECHNOLOGY



“Use technology to **help streamline the process**. Most managers do not have the time and do not want to give the time needed to perform SWP.”

.....

“Unless the **data collection is automated**, it can be a labor-intensive and ultimately hinder SWP efforts.”

### ACCESS TO AND UNDERSTANDING OF PEOPLE DATA



“SWP requires **easy access to key external and internal data** and the ability to translate the findings into effective action plans (i.e., realize tangible value from the time, effort, and resources committed to SWP).”

.....

“You need to have **people dedicated to SWP** and the correct on-demand people data.”

.....

“Commitment from all involved, executive support and endorsement, and accurate data **are critical to the success** of any workforce planning endeavor.”

## PUTTING IT ALL TOGETHER

Strategic workforce planning is undoubtedly one of the most necessary processes organizations must undergo. It is a critical component of growth and business evolution, prompted even more today by the pace of change and volatility in markets and industries. And yet, it is also one of the most complex. Effective SWP requires organization-wide support and resources, cross-functional collaboration, and clear, ongoing senior leadership contribution and sponsorship.

Encouragingly, there are organizations that are succeeding in these SWP efforts. While there is room for improvement, High-Performing Organizations (HPOs) benefit from better talent outcomes like engagement, quality of hire, and leadership bench strength, as well as improved business results like innovation, productivity, and shareholder value. HPOs have efficiently navigated the complexities of strategic workforce planning with six different elements:



Senior leader sponsorship



Responsiveness to the business strategy



Investment in a strategic workforce planning process



Extensive cross functional collaboration



Reliance on the right technology



Access to and understanding of people data

HR practitioners and leaders agree that strategic workforce planning warrants the effort and investment. When done correctly and continuously, it enables organizations to address the needs of business by designing plans that integrate business strategy and elements of talent management. The net effect is a stronger, more resilient, more productive workforce that benefits employers and employees alike.

## ABOUT THE RESEARCH

From December 6, 2017 to January 8, 2018, a survey link to a 23-item questionnaire was distributed via e-mail to opt-in members of HCI's Survey Panel and electronic mailings. The results of this questionnaire, subject-matter expert interviews, and secondary sources form the basis of this research.

Duplicate entries and careless survey respondents were filtered out of the dataset, for a total of 454 respondents. 74% are headquartered in North America. Only categories describing at least 5% of the survey sample are displayed here.

### Role

I am highly involved in strategic workforce planning and/or operational planning at my current employer.	60%
I am tangentially or moderately involved in strategic workforce planning and/or operational planning at my current employer.	40%

### Function

Human Resources	34%
Human Resources Business Partner (HRBP)	12%
Talent Management or Organizational Development	10%
Executive Management	10%
Learning and Development	6%

### Level of Responsibility

I manage my own work and contribute to teams and projects.	27%
I manage my own work and lead a team of people.	24%
I lead and am responsible for other people managers below me.	8%
I am responsible for a business unit or function.	30%
I am responsible an entire organization.	12%

### Number of Employees

Fewer than 100	19%
> 100 and ≤ 1,000	22%
> 1,000 and ≤ 5,000	23%
> 5,000 and ≤ 10,000	8%
> 10,000 and ≤ 50,000	13%
> 50,000	4%

### Industry

Other Services (except Public Administration)	16%
Professional, Scientific, and Technical Services	13%
Manufacturing	13%
Healthcare and Social Assistance	12%
Finance and Insurance	12%
Public Administration	5%

## END NOTES

1. We developed an index of 14 organizational outcomes for evaluating the relative strength and weakness of respondents' organizations. These include seven talent outcomes (investments in training, internal mobility, employee engagement, diversity and inclusion, quality of hire, retention, and leadership bench strength) and seven critical business dimensions (customer satisfaction, regulatory compliance, talent attraction, innovation, profitability, shareholder value, and productivity). These inventories are composed of items with five-point rating scales. Scores from these items are aggregated to create a composite score that reflects the overall strength of each organization in terms of its performance. For this survey, the top 25% of the scores on this inventory are considered high-performing organizations. High-Performing Organizations are diversely represented across industry, headcount, and annual revenue.
2.  $r = .219, p < .01$
3.  $t = 6.90, p < .01$
4.  $r^s = .288, p < .01$
5.  $t = 4.37, p < .01$
6. Relative time investment was determined based on a cumulative forty-point scale. HPOs scored significantly higher than the group of other organizations ( $t = 7.37, p < .01$ )
7. Z-tests for remaining items (all  $p$  values  $< .01$  except for Creating scenarios/futuring at  $p < .05$ ): Understanding the business strategy: 5.36, Segmenting and differentiating: 4.45, Analyzing current state: 3.89, Scanning the environment: 4.08, Monitoring and reporting: 4.56, Creating an action plan: 4.74, Conducting a gap analysis: 3.96, and Creating potential scenarios/futuring: 2.55.
8.  $t = 3.45, p < .01$

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The Cultural Component of Workforce Planning

Making Workforce Planning Thrive at Kaiser Permanente

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Dan L. Ward on the Evolution of Strategic Workforce Planning



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Publication Date: February 21, 2018

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