

PERSONNEL NOTEBOOK

For Your Most Important Resource — The Human Resource

Prepared For:



By

HUMAN RESOURCE ASSOCIATES

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WORKFORCE PLANNING

Part I – What It Is and Why You Need It

The world of work is changing and almost every day we see examples of those changes coming to pass.

The Human Resource (HR) professional is strategically at the center of that world. Work is so integral to our lives and our future, that when HR professionals create a Workforce Plan, they become “Futurists.”

“Futurist” is an actual job title and refers to a professional that analyses current events and trends and forecasts how they will develop. This is not fortune-telling or “crystal balling.” Futurists deal in reality, using observations and analysis to forecast the most likely outcomes.

When we see that baby boomers are aging and, the birthrate is dropping, and people are living longer, healthier lives, we can forecast that our workforce is going to be made up of more older workers. HR professionals then know that they must focus future recruiting on older candidates. They can also then determine where to recruit, how to attract and train older workers, and what kind of benefits those workers will need.

Workforce Planning is essential to HR professionals. Without it, they will spend

most of their time playing catch-up, reacting to emergencies and putting out fires, while they focus on what’s urgent instead of what’s important. In fact, few HR departments do any Workforce Planning at all. In part, I think, because they do not understand why they need it or what it is.

Professor John Sullivan, head of the Human Resource Management College at San Francisco State University, has conducted much research on the subject of Workforce Planning. Some of his findings are represented in the following material.

Why You Need Workforce Planning

A. Economics

The main reason for doing Workforce Planning is economics. If done well, Workforce Planning can increase productivity, cut labor costs, and dramatically cut the time it takes to bring new services and products to your market because you’ll have the right number of people, with the right skills at the right time. It works because it forces everyone to look into the future, to better understand the business, to be prepared, and to prevent surprises.

B. Being Prepared Is Better Than Being Surprised

Workforce Planning is a systematic, fully integrated process that involves every department in the company. It involves planning ahead to avoid skill surpluses or shortages. It is based on the premise that a company can be staffed more efficiently if it forecasts skill needs as well as the availability of those skills when you need them.

When you can avoid the need for layoffs or panic hiring, you become more efficient. Businesspeople that wait until events are upon them and then react to them as emergencies cannot thrive for very long. Today's standards require that HR provides managers with warnings and action plans to head-off problems before they become more than blips on the radar.

You need to manage the skill and talent inventory (your present workforce), and you have to make your skill pipeline (to your source for workers) more efficient. Most other departments in your company — purchasing, production, and even the mailroom — have developed effective pipelines. HR must as well.

C. HR Should Be Aware of the Business Cycles

Everyone knows that the business cycle has ups and downs. Beyond the seasonal changes that affect business, there are periods of growth and recession every few years. What business cycles affect your business and in what way?

HR professionals need to prepare the necessary customized approaches to accommodate the different phases of the business cycles. We tend to do things the same way regardless of the economic climate. HR departments tend to operate

independent of the business cycles. That's because they have no strategy, no plan that participates in the company's agenda. HR's image looks bad to other departments when it appears to be unprepared for these changes, even when it has so often experienced them in the past.

HR often fails to see the big picture. Its actions often do not begin until the crisis occurs. More than 90 percent of HR departments are estimated to have no planning or forecasting function beyond the financial budget.

There are two distinct advantages for HR to do this planning. The first is to lessen the impact of the "bust or boom" cycle on the company. The second is that it reinforces the responsibility for HR to manage the skill and talent pipeline for the company. It is HR's job to manage the pipeline effectively. Crisis management is seldom effective management.

HR, however, usually is blamed for over hiring and then for not having the capacity to reduce the workforce down to necessary levels without inflicting significant damage to employee morale. When the business cycle is high, HR often cannot handle the overload requirements of high volume hiring and retention.

Instead of the whipsaw of "feast or famine" or boom and bust, HR can offset and manage these crises by instituting Workforce Planning.

D. The Impact of Good Workforce Planning

Some of the most significant advantages are:

1. Eliminates Surprises

HR should eliminate the stressful trauma related to the surprises that occur when there is a lack of planning. But HR needs to be given the time to prepare those plans. This is not a short-term assignment but an important, ongoing part of HR's function.

HR needs to provide rapid skill and talent replacement and have the ability to respond more quickly when unexpected and unavoidable terminations occur. Planning for unexpected turnover is not an art, it is a science. How many terminations did you have last year? How many over the last five years? How many were unexpected? Did you learn anything from that?

2. Smooths Out the Business Cycle.

Keeping a responsive control over the skills pipeline is part of good HR management. This means few if any delays when production goals need more people.

Having the right skills available is also necessary. Not just warm bodies, but skill-ready people or those that can be elevated or transferred to fill the needs.

Employee development is part of the formula. This gives the company the ability to meet increased needs because training has been initiated to provide the skills and talent when needed.

3. Identifies Problems Early

Like a smoke detector that alerts you while the problem is still small, HR needs to develop an alert system to

warn you and your managers of minor problems before they become major problems.

4. Prevents Problems

Fixing major problems is expensive and painful. The best approach is to prevent them.

- Lower turnover. Continually identify, groom and develop potentially promotable employees for future opportunities. Prepare for a smooth transition.
- Lower labor costs. Develop the capability to reduce labor costs without the need for large-scale layoffs of regular employees.

5. Takes Advantage of Opportunities

Given sufficient lead time, you can provide skill resources to take advantage of bursts in business as well as to acquire a sudden availability of talent that you know you will need. Can you develop a cooperative arrangement with another company to acquire from them or to refer to them workers when necessary? Can you do that with a competitor?

6. Improves Your Image

In order to look professional you must act professional. Being constantly in a frantic state does not inspire confidence in your HR department or project a confident company image to your clients.

II. OK, What Is Workforce Planning?

Frankly, if you asked 10 different companies that question, you would get 10 different answers. It really can be different for every company. Sometimes it

depends on just what functions are assigned to HR in a specific company. Some companies feel that it's only about recruiting. You can generally categorize four basic areas of Workforce Planning:

A. The Skills Forecast

This is the process of predicting upcoming changes in the demand for and the supply of skills and talent. You need to estimate:

1. Increases in company growth, output, and revenue.
2. Additions or deletions of products or services.
3. Changes in skills and talents that come from changes in items 1 and 2.
4. Future vacancies. This includes the turnover and loss of workforce you normally experience.
5. Internal and external availability of the skills needed to meet those forecasts.

This report, or Workforce Plan, will provide managers with a heads-up about what they should expect and prepare for. It will also provide them with good information on the availability as well as the supply and demand of skills across the industry and/or your local area.

B. Workforce Action Plans

This is the identification of specific actions that will be taken to address the skills forecast, the need for people. These plans must be designed to identify the:

1. Forecasted needs for the coming season or year (and/or the coming two to five years).
2. Gap between the forecasted needs and the present skills inventory.
3. Sources of those needed skills (internal or external).
4. Means to attract and recruit them.
5. Numbers and specific jobs to be included.

6. Assignment of responsibilities for the actions, timetables, and results.

C. The Implementation Plan

How each of the actions in the plan will be implemented. How they will be communicated, when each will start, what assistance or support is needed and how to motivate everyone's participation.

D. The Integration Plan

Integrate the plan into the entire system. That is to say, determine what supportive or related issues must also be included. How will these plans affect compensation, benefits, training needs, employment policies, cash flow, facility needs, workspace, tools, equipment, supplies, cafeteria space, meeting facilities and communication needs?

The people don't become the company. The company *becomes* the people it chooses to work with. As the people change so does the company. What changes must also be made to accommodate the effects of your Workforce Planning?

As Secretary Of State Colin Powell once stated "You can't have bubbles in the personnel pipeline."

In Part II of Workforce Planning we will cover more specifically the individual elements of a good plan. We will also take an updated look at what the experts are forecasting as the long-range changes in the workforce as well as the future HR department.

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