Analytics Drives Strategic Workforce Decisions

An interview with Visier CEO and founder John Schwarz about why HR needs analytics to create workforce plans that support business objectives.

Why do companies have so much difficulty developing effective workforce plans? The Harvard Business Review Analytic Services survey results shared in this report are in line with what I hear from customers, and my past experiences as an industry executive. At a high level, the workforce planning challenge is that the budgets created by finance have little to do with the actual talent needed to execute the business objectives.

How can companies shift the workforce discussion to focus on business requirements? HR, with its understanding of workforce dynamics, is uniquely positioned in the organization to ensure the workforce is aligned with the needs of the business, at the optimal cost.

HR systems are ripe with disparate data that describe the organization, past and present. Visier’s Workforce Intelligence solutions connect all this data to create a highly accurate starting point for a bottom-up workforce plan. Organizations can match talent needs to available dollars, and vice versa.

Workforce planning is ultimately about ensuring you have the talent needed to deliver on your business goals. With Visier, you can forecast and model trends, such as cost, hiring success, and attrition, and then align with business leaders on the scenario that is most optimal for what you want to achieve.

What has prevented companies from adopting a data-driven approach to workforce planning? HR tends to be organizationally not as well positioned as finance. A key reason for this is that HR has been underserved by information technology—while ripe with transactional workforce data, this data is spread across ERP, HR management, payroll, applicant tracking, and other systems, not to mention lots of spreadsheets.

The first thing we do at Visier is connect all this valuable data together in one place on our SaaS platform. We then make it accessible in real time via an intuitive, easy-to-consume user interface. While we count many HR analysts among our power users, we count even more HR business partners, practitioners, and leaders who would not consider themselves “data savvy.” Companies that are most successful with data-driven HR are those that recognize that they need to promote a data-driven culture across the enterprise, not just with an exclusive set of leaders.

Do you have solutions for companies trying to overcome these hurdles? At Visier we are pioneering a new approach to workforce planning that enables HR to play a key role in connecting talent with operational and strategic business objectives, and driving better business outcomes. A number of the world’s best brands are already on board with this new approach, and we’re seeing the growth of that number accelerating.

ABOUT VISIER

Visier Workforce Intelligence solutions are enabling a rapidly growing number of the world’s best brands to maximize their business outcomes through their people.

Visier’s Workforce Analytics and Planning solutions enable HR to:
• Analyze key business questions, going from data to insights
• Align with goals and strategies, going from insights to plans
• Act on decisions and plans, going from plans to outcomes

With Visier, organizations can ensure their workforce is aligned with business demand, at the optimal cost. Watch customer interviews and download case studies at http://www.visier.com/lp/tackling-talent-strategically/.
C-suite leaders have not adapted their workforce planning practices to match the pace at which they must execute their business strategy. Although they constantly adjust the markets where they compete, the products they offer, and the customers they serve, decisions about hiring and developing the talent needed to carry out these plans frequently are unconnected.

Most companies still approach workforce planning as an annual exercise in which personnel spending is managed as a cost without considering the skills or talent needed to meet business objectives. HR and business units have little insight into whether the number of employees they have, or their capabilities, are sufficient to achieve revenue and other goals.

And they’re aware of the consequences. A recent survey by Harvard Business Review Analytic Services found that for an overwhelming majority of respondents, inadequate workforce planning has prevented them from meeting business goals. figure 1

Most also say they lack sufficient information about or modeling capabilities for the workforce to improve the situation. Yet they have a blind spot. Research conducted by Harvard Business Review Analytic Services and others has found that although companies want to plan more effectively, they generally don’t take the steps to do so.

Companies already have plenty of useful workforce data distributed across business functions. Ideally, they would leverage this data, connect and analyze it to understand the current state of their workforce, and use it to inform discussions about the talent needed to meet business objectives. Advanced workforce planning includes understanding costs and hiring trends and attrition, and the economic and business factors that drive them, and using this information to model scenarios to determine which are optimal for achieving your objectives.

“Workforce planning is a strong differentiator and a key enabler of workforce cost optimization. Done well, it also improves workers’ satisfaction and engagement.” Helen Poitevin and Christopher Iervolino, analysts at Gartner, Inc., conclude in a recent brief, “Human Resources Technology Options for Workforce Planning.” They recommend that CHROs invest in workforce planning technologies “to ensure they have a clearer view of the workforce, workforce costs, and workforce-related impacts of business transformation.” And CHROs should also “invest in workforce analytics in order to deliver workforce planning to business leaders in a scalable and repeatable way.”
This report examines the gap between current workforce planning practices and outcomes compared to what executives say they would like to achieve—a short-and-long-term understanding of the supply and demand of skills needed to execute business strategy—and suggests ways that companies can move their efforts forward.

**SUMMARY OF FINDINGS**

Harvard Business Review Analytic Services surveyed 323 executives, the majority in positions outside HR. See Methodology, page 8. The key findings include:

- Poor workforce planning has caused talent shortfalls, which in turn led to the inability to meet business goals, according to nearly three out of four respondents.

- Most companies do not have sufficient information about their workforce in four areas:
  - What is happening with talent acquisition and attrition and why
  - How the workforce plan contributes to the success of the business plan
  - How changes in the workforce will cause variance from the plan
  - What positions/talent are required to meet business objectives

**FIGURE 1**

TALENT SHORTFALLS HAMPER CORPORATE GOALS

Percentage of respondents who say poor workforce planning leads to staffing gaps and hurts business results. *(Choose all that apply)*

- Talent shortfalls, resulting in the inability to meet business goals: 73%
- Increased vacancy rates or positions left unfilled: 57%
- Lower margins or missed business objectives: 44%
- Reductions in force: 42%
- Hiring freezes: 41%
- Overruns in workforce costs: 33%
Although 72 percent would like to be able to model and compare staffing strategies across locations, teams, seniority, skills, and other factors to develop better workforce plans, fewer than one-fourth (22 percent) are able to do so now.

Clearly, executives recognize workforce planning as necessary to secure both the right talent and the right amount of talent to meet business goals. But as the survey shows, they have not yet taken action to improve the situation.

“These results don’t surprise me,” says Karen O’Leonard, director of global client solutions at consultancy Towers Watson and former vice president of analytics at Bersin by Deloitte. “Only a small percentage of organizations do anything more than head count planning.”

**STUCK ON THE BASICS**

Attracting and retaining the right talent, and the right amount of it, are top concerns for the C-suite. In PwC’s most recent Annual Global CEO Survey, 73 percent of CEOs identified the “availability of key skills” as one of the top three threats to their companies—an eight-year high for that question.

CEOs understand that talent drives everything their enterprises do. As the proverb goes, for lack of a nail a horseshoe is lost, for lack of a shoe the horse is lost, and so on until the war is lost. Today, for lack of some senior programmers or project leaders, companies may fail to launch a product on time or meet market demand.

And yet, although business leaders know talent shortfalls prevent their companies from achieving their business goals, they have not aligned their workforce planning efforts with these objectives. Almost half (44 percent) of respondents to the Harvard Business Review Analytic Services survey consider their workforce plans to be driven by finance and do not take talent considerations into account.

Stela Lupushor, who directs workforce analytics for a large financial services firm, says the survey results reflect her experience. “In many organizations, what’s called workforce planning is a finance-driven process focused primarily on managing within the budget, controlling the costs, and identifying efficiencies and savings. There is less emphasis on the outcomes of true strategic planning of your workforce.”

“Companies seem to wait until they have a big change in strategy, or an acquisition, or a restructuring before they do any workforce planning,” observes O’Leonard.

A few years ago, a training and learning company tried to aggressively expand into an emerging market, only to discover it did not have the people it needed. “Like many companies looking for growth in developing markets, they underestimated the availability of talent with key skills and the competitiveness of the local labor market,” O’Leonard says. “With high turnover and difficulty
**FIGURE 2**

**WORKPLACE PLANNING IS STUCK ON THE BASICS**

Companies want to model many scenarios, but most can plan only based on spending and headcount.

<table>
<thead>
<tr>
<th>Ability</th>
<th>What They Can Do Today</th>
<th>What Companies Would Like To Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to model and compare different scenarios to compare different staffing strategies across locations, teams, seniority, skills, etc.</td>
<td>22</td>
<td>72</td>
</tr>
<tr>
<td>Ability to create and compare multiple future workforce scenarios by applying different assumptions</td>
<td>16</td>
<td>68</td>
</tr>
<tr>
<td>Ability to model and compare different scenarios to optimize workforce costs</td>
<td>20</td>
<td>54</td>
</tr>
<tr>
<td>Ability to have a complete, accurate view of workforce costs (e.g., salary, variable pay, facilities, etc.)</td>
<td>39</td>
<td>54</td>
</tr>
<tr>
<td>Ability to apply historical resignation, retirement, and involuntary turnover rates to create more accurate plans</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Ability to plan based on cost, budget, and headcount requirements</td>
<td>61</td>
<td>49</td>
</tr>
<tr>
<td>Ability to apply assumptions that account for changing cost aspects such as salary, benefits, variable pay, relocation, etc.</td>
<td>28</td>
<td>47</td>
</tr>
</tbody>
</table>

Percentage indicating their current capability versus what would be useful for improving workforce planning.
in recruiting, they couldn’t meet their revenue goals. So they decided to embark on a workforce planning initiative, which led to impressive results.”

At least some companies intend to improve. Only 32 percent of Harvard Business Review Analytic Services survey respondents expect finance, rather than talent considerations, to play such a dominant role in workforce planning within two years. Meanwhile, 43 percent anticipate that their workforce plans will be constructed to support business objectives, compared to 34 percent today.

Yet for now, most are stuck on the basics. Fewer than half of respondents have a complete and accurate view of all workforce-related costs; can apply historical resignation, retirement, and involuntary turnover rates to plans; or can apply assumptions that account for changing cost aspects of the workforce.

One reason they’re stuck may be that the workforce analytics necessary for sophisticated workforce planning is relatively new for HR. An earlier Harvard Business Review Analytic Services survey found overwhelming evidence that HR professionals still lack data and analytical skills. Numerous similar surveys echo this finding. “This hampers HR’s influence over the voice of other functions,” Lupushor admits. “Many times the functions with more quantitative skills have the ability to tell the story using numbers and facts, and translate insights into a language that resonates with the business leaders.”

**DATA, DATA EVERYWHERE**

Workforce planning, through which companies align their workforce supply with their business demand, requires understanding the macroeconomic and industry forces that affect the company. Against that backdrop, planners consider the long-term business strategy and the workforce they need to execute it. They use data to assess the gap between the capabilities the company has and those it needs both immediately and in the future. Factors that might impact this gap include attrition, prevailing salary levels, location of the workforce versus business operations, and demographics, especially the age, education, and skills of the current and potential workforce.

The workforce planning approach above should not be a once-every-one-or-two-years activity, says Scott Pollak, principal for people analytics at PwC. “You are talking about hiring the right people at the right time,” says Pollak, who advises a monthly, or at least quarterly, process.

Harvard Business Review Analytic Services has found that executives consider a lack of information about talent and the connection between workforce decisions and business results to be a big obstacle to data-driven workforce planning. More than half the survey respondents think they lack sufficient data about attrition and the reasons for it, which positions are required to meet business objectives, and how the workforce plan contributes to the success of the business.

In fact, most large companies have at least some of this information available. It just doesn’t reside in a single place, and a lot of it is owned by business functions other than HR. Workforce planners need to be able to access, connect, and use it all. Most companies haven’t committed the internal resources to accomplish the necessary data management, according to the earlier Harvard Business Review Analytic Services survey on this topic.

Although HR executives are becoming better at speaking the language of business, some may not be able to describe in business terms what it would mean to invest in the software they need to do the analytics. “The business case for investment is competing, and more frequently than not is losing, against other core HR capabilities such as leadership development, diversity programs, HR information system (HRIS), performance management, implementation, and so on,” Lupushor says.
Lupushor overcame this hurdle by adopting a software-as-a-service (SaaS) platform for HR analytics—including workforce planning—to reduce reliance on internal technical resources. For now, the analytics platform draws data from five corporate systems to build a comprehensive “golden copy” of the workforce data. This includes information about current employees from the HRIS, about candidates from the talent acquisition system, about contingent workers from the vendor management system, about space allocation from the corporate real estate system, and financial data from the financial system.

There’s an important lesson in her experience for anyone who seeks to advance workforce planning. Lupushor was able to get the data she needed by collaborating with colleagues in finance, IT, and other business functions. A major motivator for them was to gain access to a comprehensive, credible, and daily refreshed view of the workforce counts and key human capital indicators. The users outside HR can in turn use this information in the context of their work without having to rely on mostly manual and labor-intensive data preparation and analysis.

Pollak adds that the most important relationships are among the mid-level managers who actually conduct the workforce planning. “To execute the workforce planning process, you need people from the business units, finance, and HR to make decisions collectively. It is a cultural problem as much as one of data or technology.”

---

**FIGURE 3**

**BUSINESS LEADERS LACK WORKFORCE INFORMATION**

Percentage of respondents who say they need data on talent and business objectives to improve planning. *(Choose all that apply)*

- What positions/talent are required to meet business objectives **57**
- What is happening with talent acquisition and attrition, and why **57**
- How the workforce plan contributes to the success of the business plan **54**
- How changes in the workforce will cause variance from the plan **51**
- When positions will be required to meet business needs **46**
- How workforce costs are changing (e.g., salaries, benefits, relocation costs, recruitment costs, contingent labor costs) **34**
START SMALL BUT AIM BIG
A big-bang, enterprise-wide approach to workforce planning can be difficult, expensive, and fraught with risk. More than one workforce analytics initiative has foundered on the shoals of ambition, according to O‘Leonard from Towers Watson. She often encounters companies that rue the day they tried to go enterprise-wide right away. A more successful approach can be to start with a specific business unit or division, and based on that success, widen the effort.

To build support for workforce planning across business functions, Lupushor urges HR leaders to start with some definitions: Educate company executives about the difference between head count forecasting and strategic workforce planning. Then investigate simple questions. One she asked is how many people will I have by the end of the year? Though a seemingly simple question, it required data from several systems, including finance (budgeted head count), talent acquisition (the hiring pipeline), HRIS (actual current head count), and procurement (contingent workforce).

Besides starting with simple questions, narrow the scope of your first effort to a pilot project with a small, manageable group of employees, Lupushor suggests. Her first analytics experiment focused on understanding the success characteristics of individuals in sales roles. Though only a very small portion of the workforce, “they are the ones who bring in the revenue; their impact is huge.” The project “dispelled a few of the typical hiring assumptions” about what kind of person succeeds in that role and the planning required to bring them on board.

Workforce analytics pioneers typically find themselves using legacy tools at first, O‘Leonard observes. For example, she says, when ConAgra Foods decided to move into workforce analytics several years ago, it put together a skunkworks team of just a few people from different departments, armed with borrowed software licenses from an enterprise technology solution and other common desktop tools. O‘Leonard’s research found that it wasn’t until this team showed useful results from their first efforts that management became interested and decided to invest in a more comprehensive SaaS platform.

“This is not an easy journey,” O‘Leonard suggests. “It typically takes several years to build an effective analytics and workforce planning function. To start that is to build credibility. Oftentimes they are going against a culture of using data for decision making.”

CONCLUSION: TIME TO GET STARTED
As Harvard Business Review Analytic Services research indicates, O‘Leonard is not exaggerating. It will take time to transform from a workforce planning culture that is driven by budgets to one that is focused on business results.

Companies can get started by creating a cross-functional team from HR, finance, and a business unit and then turning them loose on the data to solve a problem, thereby realizing an immediate

To execute the workforce planning process, you need people from the business units, finance, and HR to make decisions collectively.
payoff. The first initiative won’t look much like full-blown workforce planning at first, but it will provide proof of what can be done and support a pitch for enterprise-wide rollout.

“Other functions in your organization might have the best tools, the best technology partners, the best analytical skills,” concludes Lupushor. “HR, however, has the best problems to solve—they are about bringing out the best in people.”

ENDNOTES
1 Gartner, Human Resources Technology Options for Workforce Planning, July 2, 2015
2 http://www.pwc.com/gx/en/ceo-survey/2015/index.jhtml
4 Ibid.
5 Ibid.