

Viewpoints

Workforce Planning

Improves Productivity

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When it comes to adding value to an organization, employees cover the full spectrum. Some possess critical skills. Some hold jobs pivotal to their organizations' success. And others are simply more productive than their counterparts in whatever they do.

It's vital for organizations to consider these differences when making human capital decisions, especially during this period of economic uncertainty. Managers still face significant pressure to cut costs through layoffs, restructurings, benefit changes and other mechanisms. But doing so without analyzing the impact on current and future productivity, through workforce planning, can weaken or even negate desired outcomes.

Fewer people, more work

Take layoffs. Often organizations reduce head count but not workload. If the remaining employees lack the right skills, occupy the wrong positions or are too extended or disengaged to meet customer needs, the expected gains from the layoffs disappear.

As a result, layoff decisions shouldn't be based on head count but on what those heads provide, including profits, continuity and risk management. Managers who know which positions and people produce the most value can better determine who to keep and how best to retain them.



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When incorporated into strategic business decision making from the outset, workforce planning moves organizations away from expensive quick-fix solutions, such as across-the-board layoffs. Instead, it helps them adopt more strategic and cost-effective approaches. Thorough workforce analytics and forecasting information helps organizations avoid the costly mistake of unwittingly getting rid of the very employees they need for short- and long-term success.

Inefficiencies are costly

Preventing layoff mistakes isn't the only productivity-related benefit of workforce planning. Effective workforce planning also mitigates less visible issues that are just as detrimental to productivity, such as inefficiency and/or inappropriate staffing.

Consider this example: A large professional organization required certain employees to acquire and maintain an expensive specialized certification, at the organization's expense. Through the workforce planning process, the organization discovered the certification was used only a few times during its business processes. Now

the organization can consider job redesign, process changes and new staffing models. This can reduce the number of costly certifications it funds and supports.

Inefficiencies also arise when leaders fail to foster employee engagement. Disengaged employees typically produce less, so it is vital to offer rewards and programs that support and motivate critical and top-performing talent. Workforce analytics and planning help organizations understand the drivers of engagement and their link to employee behaviors, including retention and performance. This, in turn, helps them invest in the tools that will best enhance engagement and productivity.

Reaping the benefits of workforce planning

Here are some tips for organizations interested in boosting productivity through workforce planning:

- **Integrate workforce and business planning.**

Workforce planning analysis can be invaluable in identifying how significant business changes affect employees. This works only if the HR business partners and others responsible for workforce planning are sitting at the table when business decisions are made.

Making the case for that coveted seat should be easier today than ever. Most CEOs and senior managers already have workforce planning on their radar screens. According to Towers Watson's recent Workforce Planning Challenges and Opportunities Survey, 85% of CEOs and 74% of senior managers are concerned about workforce planning issues.

- **Conduct targeted analyses.** Every workforce planning initiative should include analyses that focus on productivity. Examples of questions to ask include: How often are specific skills really used? What is the workforce cost structure? Can lower value-added responsibilities be shifted between positions to maximize productivity and reduce costs? How hard would it be to respond to potential business changes with the current structure? What is the change in the cost structure relative to changes in the business output? How does this vary by job?
- **Engage managers.** Seeking managers' input forces them to think about employee productivity and whether the existing arrangement best meets customer demand. The goal is to get managers to go beyond preserving the status quo and to focus on the link between productivity and meeting current

and future business needs. Operational leaders also know their business and the people implications of achieving their business strategies.

- **Use the right measures.** Too often, organizations focus their measurement activities on elements with lower value to the organization, such as average age and service, and overlook higher-value measures, such as productivity and costs. Nearly three-quarters (74%) of the participants in Towers Watson's workforce planning survey who have workforce planning processes consider productivity a priority, but only 43% measure it. Important productivity metrics such as revenue or output per employee are extremely rare.
- **Make it a habit.** Workforce planning shouldn't be a one-time exercise. Instead, it should be conducted on a cyclical basis that is frequent enough to reflect changing business needs and workforce characteristics. Up-to-date workforce planning information allows organizations to respond quickly to rapid or unexpected changes without starting from scratch. By closely monitoring productivity trends, organizations can respond quickly when trends show a downward trajectory.

The bottom line

Many organizations are going through significant changes because of the current recession. Often, the tendency is to scale back efforts in response to tighter or declining budgets. With so many organizations considering major changes, such as restructuring or layoffs, effective workforce planning is essential.

The good news is that senior management is listening. The challenge is to provide them with the information they need to generate superior performance through effective cost management and improved productivity. This will go a long way as companies position themselves to remain profitable during the downturn and to take advantage of opportunities that arise as the economy recovers.

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