TOMORROW’S WORKFORCE
Strategic workforce planning – the right workforce, today and tomorrow, at the right cost
THE RIGHT WORKFORCE, TODAY AND TOMORROW, AT THE RIGHT COST.

01 THE FORMULA FOR SUCCESS
02 ARE YOU PREPARED?
03 BENEFITS OF WORKFORCE PLANNING
04 THE FIVE RIGHTS
10 WORKFORCE PLANNING IN ACTION
12 WHAT WE OFFER AND HOW WE WORK
Strategic workforce planning delivers the right workforce, today and tomorrow, at the right cost. What's more, it provides you with the assurance that you have the capability to successfully deliver your business strategy.

Businesses follow strategies. These strategies require capabilities. And those capabilities are mostly dependent on people. For example, when a retailer starts to use new digital channels, it needs people with the skills and knowledge to make it happen. People who can tie the supply chain, big data and the customer experience together.

This is why people are so essential to your business and why, for most organisations, people are their biggest investment.

But the right people aren’t easy to find. Fast-moving technology has created a need for new and rapidly evolving skillsets.

And when there’s a war for talent, identifying and investing in the right people is more important than ever. Despite this, many organisations don’t track their investment in people. This is what strategic workforce planning gives you: the ability to define, track and measure your investment in people, just as you would for other investments – reviewing and improving on an ongoing basis.

There are two levels to strategic workforce planning:

- **optimising the workforce now**
  - delivering a productive workforce at the right cost

- **scenario planning for the future**
  - turning your strategy into the skills you’ll need.

Preparing for the future is never simple. But with our help and knowledge, you’ll be better placed to prepare your company for future challenges.
ARE YOU PREPARED?

Organisations understand that success comes from having the right people, with the right skills, aligned to the work that needs to be done.

However, many industries are in the midst of major change (see Figure 1). As a result, having the right workforce will be the critical difference between success and failure. Industry leaders need to be able to address these challenges and deliver their strategic plan.

Workforce trends
As work requirements evolve, the demands on employees will change too. A number of trends are having an impact on the shape and expectations of the workforce.

- **Ageing**
  According to the US Census Bureau, the loss of ‘baby boomers’ from the workforce, combined with low birth rates, mean that the active workforce in Europe will decline by 29 per cent by 2050.

- **Skills and qualifications gap**
  Despite investment in higher education, there are significant skills gaps in the scientific, technical, engineering and maths disciplines. Some 80 per cent of the talent gap in organisations stems from a lack of appropriately qualified candidates.

- **Higher costs for scarce skills**
  As a result of the skills gap, critical capabilities command a market premium for organisations that fail to develop and retain key skills.

- **Changing career patterns and expectations**
  The traditional career path with retirement in a person’s early sixties, has been replaced by expectations of greater job fulfilment, flexible employment patterns and a smoother transition into retirement.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Strategic workforce challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>There is a growing shortage of geotechnical and petrochemical engineering skills. This is being exacerbated by an ageing workforce, and a highly competitive recruitment market.</td>
</tr>
<tr>
<td>Finance</td>
<td>A wave of regulatory reform and reorganisation is driving demand for skills in areas such as risk management and financial analysis.</td>
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<tr>
<td>Energy</td>
<td>New forms of energy production and new regulatory frameworks (such as RIIO in the UK) are driving the need for joint ventures and new skills in areas such as smart grids, carbon capture and renewables.</td>
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<tr>
<td>Telecommunications</td>
<td>The rapid shift from 3G to 4G is driving demand for expertise in areas such as network and radio-frequency engineering.</td>
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<tr>
<td>Engineering-based industries</td>
<td>Industries such as rail and aerospace have seen a shift up the value chain, demanding greater systems engineering and design capability as lower-value work is outsourced and offshored.</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>There is a shift from mature to emerging markets to generate growth and margin. A critical success factor is whether companies can mobilise or recruit the right skills in these parts of the world.</td>
</tr>
<tr>
<td>Healthcare and life sciences</td>
<td>An ageing population, and the pace of research and technological change, are driving a shift in the required clinical and scientific skills.</td>
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<tr>
<td>Public sector</td>
<td>Six million people work in the UK public sector, and in a vast range of interdependent organisations. Economic and government policy changes will require greater innovation, a more effective flow of resources across systems, and new skills and behaviours to deliver outcomes.</td>
</tr>
<tr>
<td>Education</td>
<td>Higher education is central to the success of the UK economy, and universities need to reshape their academic and professional workforces to match. The teaching workforce is constantly being reshaped by new education requirements.</td>
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</table>
THE BENEFITS OF WORKFORCE PLANNING

Many approaches to workforce planning cannot accommodate rapid changes in our economy, like digitisation and globalisation, resulting in the wrong workforce to deliver successful results.

The cost of this failure is high, both within organisations and across the economy. A UK Department of Health report estimated in 2008 that hundreds of millions of pounds have been misspent developing the wrong types of medical staff for the UK’s future healthcare needs.

Workforce planning delivers benefits by shaping the right workforce for today (workforce optimisation) and for tomorrow (workforce scenario planning).

**Workforce optimisation**

Clients often ask us to help them optimise their costs. They want their investment in people to be more effective, making savings where they can. Workforce optimisation uses analyses – such as spans and gaps, productivity benchmarks and value chains – to re-orientate people investment to the outputs that matter to customers. This can result in significant savings (see section, *Workforce planning in action*).

**Workforce scenario planning**

Scenario planning looks at the longer term, in order to plan and develop the right roles, skills and structure to deliver your strategy. We create dynamic models of the future workforce, based on our industry-leading Dynaplan tool, to examine and forecast the best workforce options for your firm. The result is an efficient and effective workforce aligned to your business strategy.

**The case for workforce planning**

Getting workforce planning right delivers significant improvements and competitive advantages:

- value improvement and cost reduction – though an optimal size of workforce
- confidence that your business strategy can be delivered
- better productivity – by aligning your workforce to your operating model
- competitive advantage – through a more skilled and innovative workforce
- higher quality and improved timeliness of customer delivery
- greater staff engagement and retention, and lower stress levels.
“A COMPANY’S EMPLOYEES ARE ITS GREATEST ASSET AND YOUR PEOPLE ARE YOUR PRODUCT”

Sir Richard Branson, chief executive and founder, Virgin Group
Strategic workforce planning provides a basis for maximising the return on your investment in people. At the heart of our approach to this is the “5 RightS” – ensuring your workforce is right across five key dimensions.

**THE 5 RIGHTS**

**RIGHT SIZE**

The number of people for the jobs and skills needed to achieve your strategic goals efficiently and effectively.

**Key Questions to ask**

- Is the workload of your employees significantly increasing or decreasing?
- Are there disruptions in the market environment that will impact your staffing needs?
- Do you face any major people shortages in any critical areas, now or in the future?
- Is there room to reduce your workforce in any areas?
- Does it make sense to outsource non-core business processes?
- Is technology leading to more changes, or causing productivity issues?
- Are new technologies driving changes to your structure or productivity? This can dramatically change the number of people you need. Are you ready?

**RIGHT SITE**

Availability of people with the right capabilities at the right locations to meet changing requirements.

**Key Questions to ask**

- Are people in different job families in the right locations?
- Do strategic shifts (e.g., globalisation) require a different distribution of staff across regions or locations?
- Will you get additional resources where you need them?
- Are you currently in a high-cost area, and should you relocate resources to cheaper areas?
- Do you have critical mass in the right locations?
The right composition of workforce, in terms of structure and purpose, as well as the appropriate demographic mix.

**Key Questions to ask**
- Are you strong enough in your core capabilities?
- Do you need to spend money and energy on peripheral capabilities?
- Are your people in the right roles and places?
- Is distribution across job grades in line with organisational requirements?
- Will your workforce have the right demographic structure and mix of diversity?
- Do you see your diversity programmes as a constraint, or as an opportunity to become more competitive?
- Is there an appropriate balance of operations, project, development and managerial positions?

An effective staff/cost ratio – current and forecast – generating the desired profit and growth.

**Key Questions to ask**
- What are the benchmarks for our people costs? How can we optimise these costs?
- Will we have the right staff/cost ratio in the future if we continue as we are?
- Will staff costs rise in line with expected revenues?
- Do we have staff in the right locations from a cost perspective? Could we move to a more cost-effective location?

Clarity about the capabilities necessary to meet future goals and bridge current gaps.

**Key Questions to ask**
- How do your strategy and evolving business model impact strategic capabilities?
- Are your technological ‘bets’ supported by an internal skill set?
- Do you have the right skills to deliver key processes in the future?
- What are the critical capabilities for your organisation?
- In which job families will the required skill profiles change significantly?
Creating a flexible workforce

This engineering support company employs around 2,000 people, performing a variety of engineering and maintenance tasks. The workforce was siloed and unable to cope with variable and increasing demand. There was low productivity and engagement among the workforce, including parts of the management.

Hay Group worked with the firm over a number of months to help transform the workforce and the organisation. We implemented strategic workforce planning in two major ways:

- **New contract design** – based around annualised and minimum-hour contracts, and new ways of working (e.g. resource pools and multi-skilling) that were aligned to workloads.

- **Future workforce model** – we identified areas and times of over- and under-capacity, and recommended ways to align the workforce to future patterns of work, in order to bring substantial cost savings.

Overall, we identified savings of more than 10 per cent of workforce costs (amounting to several million pounds), and enabled the organisation to free up capacity to take on new contracts over the next five to ten years.

Long-term workforce planning

With the decline in volume of mail, United States Postal Service’s current workforce far exceeds the level needed to meet delivery volume and standards — which are predicted to fall further over the next five to ten years.

Hay Group provided reward and workforce planning services to USPS. These included modelling and projecting pension and retiree healthcare obligations and funding costs. Using census data, we projected that under normal attrition rates, only 30,000 employees would leave active service annually over the next few years.

USPS decided that it needed to reduce the workforce by 180,000 over the next four years. We developed assumptions to model expected retirements and withdrawals if employees were offered voluntary retirement incentives, and demonstrated how this would help USPS align its workforce to future needs. The result was multi-million dollar savings, without the need for compulsory redundancy.
Streamlining the HQ workforce

With the rise of low-cost airlines and Middle Eastern long-haul carriers, established European airlines face huge pressure on margins. Becoming more lean in the central functions is one option for lowering the overall cost base.

One firm embarked on a substantial cost-cutting project encompassing all areas of the airline group, including staffing levels. Hay Group analysed the current structures, managerial positions and accountabilities at corporate headquarters. We benchmarked HQ staffing levels against other major companies and airlines. We challenged the current operating model, and defined organisational design principles. Based on these, we developed new organisational structures for the corporate headquarters, calculated the optimum number of managers at each level of the new structure, and conducted high-level job evaluations.

We defined structures that clarified accountabilities, improved leadership and decision-making, and identified a restructuring potential of about one third of managerial positions at group HQ, bringing a significant reduction in payroll costs.

Overhauling research capabilities

Employing around 5,000 people in an R&D unit, a pharmaceutical company wanted a streamlined, more efficient organisation that could deal with a new model where most research would be done externally. The company’s role would now be to shop for new molecules and take over the development of clinical trials. This led to a radical rethink of the shape of the R&D division.

In parallel, the firm’s strategy meant deploying resources close to markets, with less focus on the US and more on Europe and China.

We translated the new strategy – more outsourcing and a different geographical deployment – into the implications for the organisation’s skill map. We plotted where the employee base was, and where it would need to be, given the new shape that was required. Working closely with the organisation, we created various outsourcing scenarios, and factored in different outcomes of molecule development (from failure to blockbuster). We then reviewed at what speed the workforce shape could evolve, taking into account the availability of new talent in the labor market. From this, we were able to model potential workforce shapes, depending on different organisational designs and revised hiring policies.

The firm was then in a position to prepare for its migration to its new outsourcing model, and alter elements of its strategy to make it more relevant and easier to implement.
When you work with Hay Group, you will be working with a partner that has a range of approaches that match your budget and ambition (see Figure 2). We’ll be happy to discuss your particular needs to find the right solution for you.
<table>
<thead>
<tr>
<th>Optimising today’s workforce</th>
<th>Planning tomorrow’s workforce</th>
<th>Developing your strategic workforce capability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current workforce diagnostics</strong></td>
<td><strong>Strategic talent workshops</strong></td>
<td><strong>SWP training</strong></td>
</tr>
<tr>
<td>■ Ensuring your workforce and structure are the right size and shape.</td>
<td>■ Mapping your strategy to the critical roles, talent and career paths needed in the future.</td>
<td>■ HR and business training in strategic workforce planning.</td>
</tr>
<tr>
<td><strong>Workforce optimisation</strong></td>
<td><strong>Strategic workforce modelling</strong></td>
<td><strong>SWP function design</strong></td>
</tr>
<tr>
<td>■ Optimised structure and workforce, aligned to company strategy.</td>
<td>■ Using our market-leading Dynaplan software to model the required future workforce against business scenarios.</td>
<td>■ Design of a strategic workforce planning function – including resourcing processes and roles.</td>
</tr>
<tr>
<td><strong>New workforce operating model</strong></td>
<td><strong>Workforce plan creation</strong></td>
<td><strong>SWP maturity diagnostic</strong></td>
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</tbody>
</table>

Figure 2
WORKING WITH HAY GROUP

The most important thing we can do to help you plan your workforce is to make sure we understand how you do business. We’ll work closely with you to learn all about:

- your values and goals
- your risks and challenges
- your key products and customers
- your structure and decision-making processes
- your key in-house capabilities
- your current workforce planning activity.

This will allow us to custom-design the right approach for you, and make sure it will have the maximum economic impact for your organisation.
TO FIND OUT MORE, PLEASE CONTACT
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Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organisations realise their potential.

We have over 4000 employees working in 86 offices in 49 countries. Our insight is supported by robust data from over 125 countries. Our clients are from the private, public and not-for-profit sectors, across every major industry. For more information please contact your local office through www.haygroup.co.uk.