Hiring managers, especially those in technology departments, are learning to do workforce planning. Why is it so important? Here are four driving factors:

**A SHORTAGE OF TALENT.**
No one wants to go through a rapid growth cycle without having the capability to recruit and retain the top talent they need.

**FORECASTING THE DOWNTURN.**
Few people can forecast a downturn—but no one wants to be surprised by a dramatic economic decline.

**AVOIDING LAYOFFS.**
When downturns happen, organizations generally find themselves overstaffed with full-time employees and with no strategy to painlessly cut excess staff.

**EXPLODING OUT OF THE BOX.**
On the flip side, when upturns happen, the best companies want to anticipate them and be prepared to “explode out of the box.”

Workforce planning lets organizations manage talent shortages and surpluses. Understanding business cycles and tending to “talent pipelines” and current talent inventories increases your ability to act, instead of just react.

While the benefits seem obvious, workforce planning is a complex process. The remainder of this article will introduce you to the concepts of the process and help you answer the critical question: do you need workforce planning?

**Being prepared is better than being surprised.**
Workforce planning is a systematic, fully integrated organizational process that involves proactively planning ahead to avoid talent surpluses or shortages. It is based on the premise that a company can be staffed more efficiently if it forecasts its talent needs as well as the actual supply of talent that is or will be available.

If a company is more efficient, it can avoid the need for layoffs or “panic hiring.” By planning ahead, HR can provide managers with the right number of people with the right skills, in the right place, and at the right time. Workforce planning might be more accurately called talent planning because it integrates the forecasting elements of each of the HR functions that relate to talent—recruiting, retention, redeployment, and leadership/employee development.
Key areas of workforce planning

Workforce planning activities can be categorized into three basic areas of focus:

THE TALENT FORECAST.

Talent forecasting is a process for predicting upcoming changes in the demand for and the supply of talent. Forecasts are generally broken down into four areas:

1. Estimated increases or decreases in company growth, output, and revenue.
2. Estimates of the corresponding change in talent needs that come from company growth. Estimates can include the number and type of employees as well as where and when they will be needed.
4. Estimates of the internal and external availability of the talent needed to meet forecasts.

The predictions that result from the forecast have two basic purposes:

- To educate or provide a heads-up to managers and HR about what they should expect on the talent front.
- To provide specific information on the supply of and demand for talent across industries. In this way, specific action plans can be developed in the next part of the talent-planning process (talent action plans) to provide the company with an advantage over its competitors. Action plans are generally developed in each of the different forecasted areas, including recruitment, retention, redeployment, contingent workforce, leadership development, and succession planning.

TALENT ACTION PLANS.

Talent action plans outline the specific actions managers will have to take to attract, retain, redeploy, and develop the talent a company needs. The action plans designate responsibility and outline the specific steps that should be taken in order to fill the talent pipeline and maintain the talent inventory at the levels required for the firm’s projected growth rate.

Each action plan has a set of goals, an individual who is responsible for making sure the plan objectives are met, a budget, a timetable, and a measurable result. Action plans can be broken down into three activities:

1. Sourcing and recruiting an adequate supply of leaders and key talent. Maintaining an external recruiting capability to identify and court a supply of future leaders (and top talent in key positions) ensures that the company’s growth and profitability are not restricted by an inability to find and hire the right employees.

2. Internal development and supply of qualified leaders and key talent. Identifying and grooming internal talent, and providing learning opportunities to increase the internal supply of future leaders (and top talent in key positions) ensures that the company’s growth and...
profitability are not restricted by a lack of leadership talent.

3. Forecasting the gap between talent needs and availability.
Providing anticipated needs for talent, diversity, and leadership supply to management to be sure they are aware of, and are considering solutions for, the gap between the company’s overall talent needs and the identifiable supply of talent.

THE INTEGRATION PLAN.
Action plans must be fully implemented if a company is going to meet its forecasted talent needs. Unfortunately, most talent plans fail or drop off when they come to the implementation phase. For action plans to be effective, workforce planning and the process of being “future-focused” must be fully integrated into every aspect of workforce management.

In addition to being seamlessly integrated into every aspect of HR, workforce planning must become a way of thinking for technology managers as well. The integration plan has many aspects, including communication, a business case, and the identification of potential supporters and resisters. Metrics and rewards are also used to encourage action and overcome resistance.

Major components of workforce planning
There is no standard format or formula for a workforce plan. Some workforce plans contain many components, while others contain just a succession plan for senior managers. There is no one-size-fits-all model. While there are some basic components that all plans should include, there are some supplementary components that can and will work better for some companies than others. The following is a list of the most common components of a workforce plan:

- **Forecasting and assessment.** Estimating, for example, of the internal/external supply and demand; labor costs; company growth rates; and company revenue.

- **Succession planning.** Designating, for example, the progression plan for key positions.

- **Leadership development.** Designating high-potential employees; coaching; mentoring; rotating people into different projects.

- **Recruiting.** Estimating needs for head count, positions, location, timing, and more.

- **Retention.** Forecasting turnover rates; identifying who is at risk and how to keep them.

- **Redeployment.** Deciding who is eligible for redeployment, and from where to where.

- **Contingent workforce.** Designating the percentage of employees who will be contingent, and in what positions.

- **Potential retirements.** Figuring out who is eligible, when they are eligible, who will replace them, and what alternative work arrangements are available that could prevent a retirement problem.

- **Performance management.** Instituting “forced ranking” or
Identifying who should be “managed out.”

- **Career path.** Career counseling for employees to help them move up.
- **Backfills.** Designating key-position backups.
- **Internal placement.** Developing job-posting systems for internal employees to get a leg up on new openings.
- **Environmental forecast.** Forecasts of industry and environmental trends, as well as a competitor assessment.
- **Identifying job and competency needs.** Doing a skills-and-interest inventory.
- **Metrics.** Identifying metrics to determine the effectiveness of workforce planning.

Do you need workforce planning?

The primary reason for doing workforce planning is economics. If done well, workforce planning will increase productivity, cut labor costs, and dramatically cut time-to-market because you’ll have the right number of people with the right skills, in the right places, at the right time.

So, do you need workforce planning? A better question might be can you compete without it?

Workforce planning works because it forces everyone to begin looking toward the future, while preventing surprises. It requires managers to plan ahead and to consider all eventualities.

Effective workforce planning is an integrated talent-management system that has been underused and under-appreciated.

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### The Impact of Good Workforce Planning

Good workforce planning has multiple impacts on a business. Some of the most significant include:

- **Eliminating surprises.** Proactive talent planning limits the stressful “trauma” that typically comes from changes in the business cycle and gives you time to prepare so that production or services don’t miss a beat.

- **Smoothing out business cycles.** By developing processes that ramp up and down your talent inventory, you can:
  - Ensure that the company can meet production goals by employing the right number of people.
  - Increase product development speed because the company has the brightest people with the right skills to take products through to their launch—on time.
  - Ramp up rapidly on new projects.

- **Identifying problems early.** If you have a smoke-detector system in place to notify managers before a talent fire gets out of hand, it will be much easier to minimize the potential damage.

- **Preventing problems.** Having to fix problems is expensive and painful. Workforce planning provides preventative solutions that:
  - **Lower turnover rates:** Employees are continually groomed for new opportunities.
  - **Lower labor cost:** Rapidly reduce labor costs without the need for large-scale layoffs of permanent employees.
  - **Reduced layoffs:** Actively managing head count ensures that the company won’t have a “surplus” of talent.

- **Taking advantage of opportunities.** When you’re constantly fighting fires, you generally miss even seeing the opportunities, and there is seldom enough energy left to respond to them. Efficient workforce management will free up the organization to take advantage of positive opportunities.

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