



*cutting through complexity*

INTERNATIONAL EXECUTIVE SERVICES

# Strategic workforce planning

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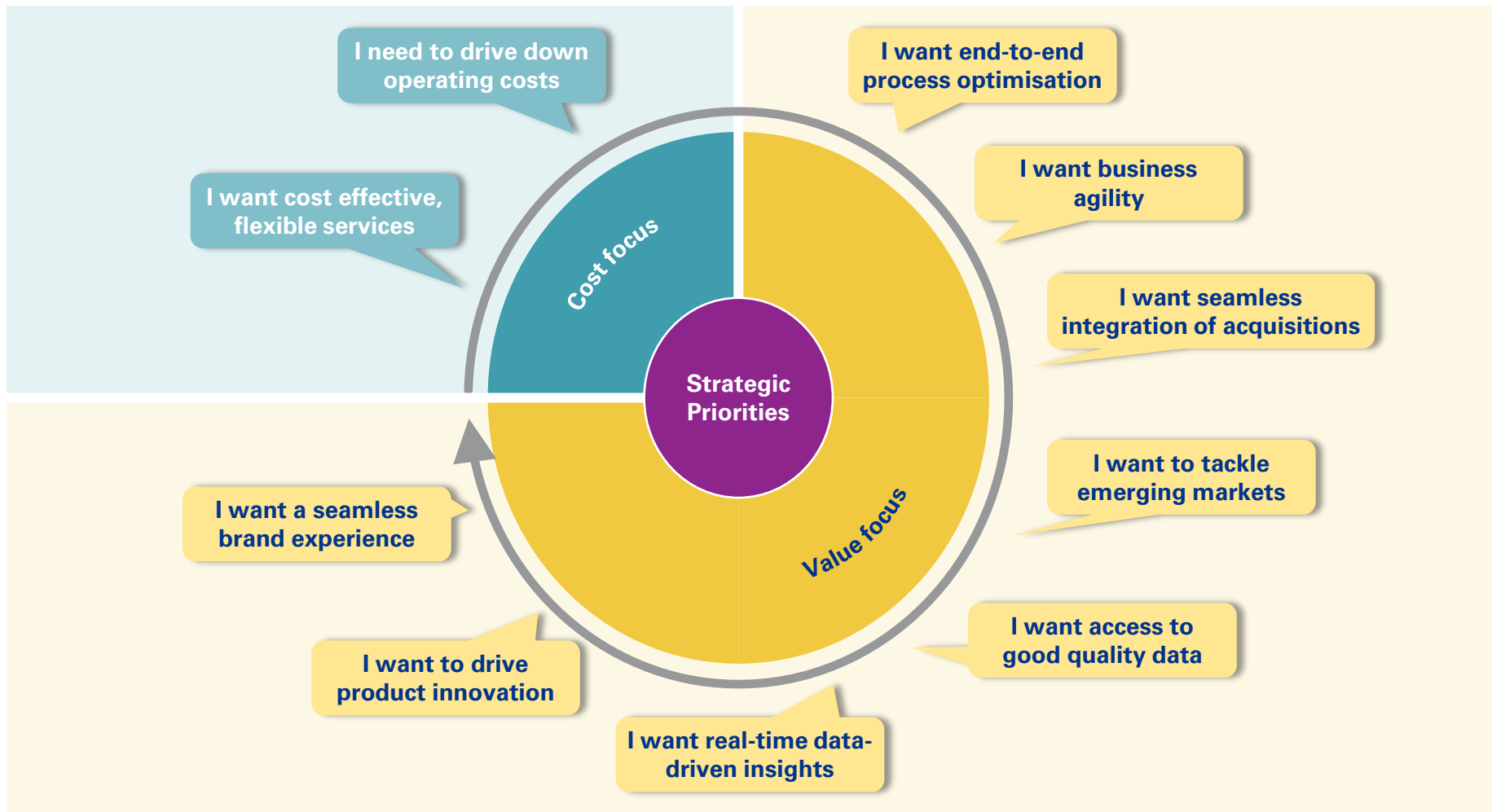
# Agenda



- **What is the market telling us?**
- What is strategic workforce planning?
- Good practice strategic workforce planning
- Key elements in a strategic workforce planning process
- Workshop exercise: Identifying the benefits of strategic workforce planning
- Key messages to take-away

# C-suite priorities: The shift from cost focus to value focus

Although reducing cost still remains primary, there has been increasing focus on value creation in recent years. Companies seek to improve efficiencies by creating a simpler structure which gives greater scope for innovation.



# Market research – Key challenges and questions faced by HR executives today

## Six areas where HR should focus its attention



*Strategic workforce planning plays a significant role in 5 out of the 6 key challenges identified by senior HR leaders*

Source: "Rethinking HR for a Changing World" 2012 KPMG International and the Economist Intelligence Unit Survey

## Survey Approach

400+  executives responded

55% > 10,000  
respondents employees  


## 45 countries



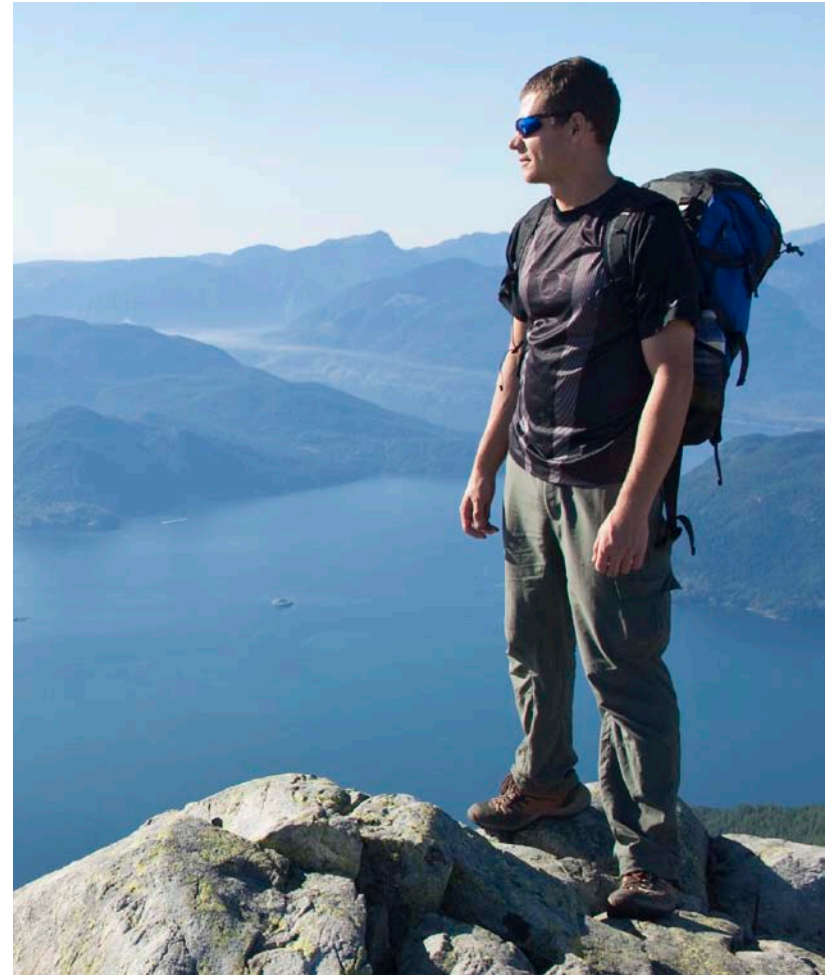
55% respondents from HR function  
42% respondents from other functions

- Across all industries and geographies
- 37% C level executives
- In-depth interviews with select executives and academics



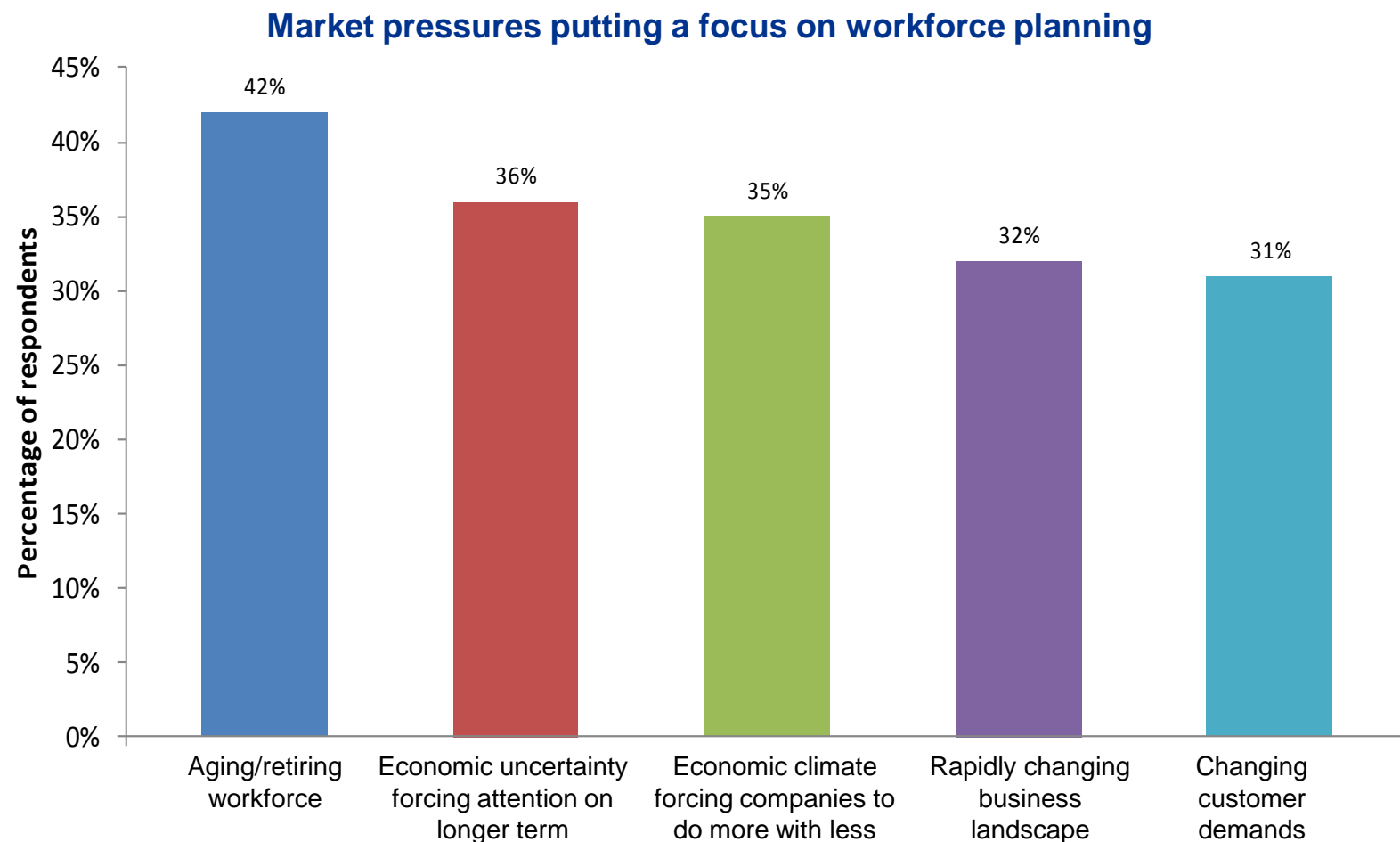
# Market research – what does the market tell us about workforce planning?

- “72% of worldwide respondents reported difficulty in attracting and retaining the high-potential and critical-skill employees necessary to increase their global competitiveness”  
*Tower Watson Study*
- “Workforce planning maintained its ranking as a crucially important topic for the future, as companies struggle with forecasting long-term scenarios for workforce supply and demand”  
*BCG and WFPMA survey*
- “Only 13% of organizations go beyond simply extending their current skills to effectively predicting future skills”  
*IBM*
- “Workforce Planning is the newest and least utilized Human Capital function”  
*Conference Board*



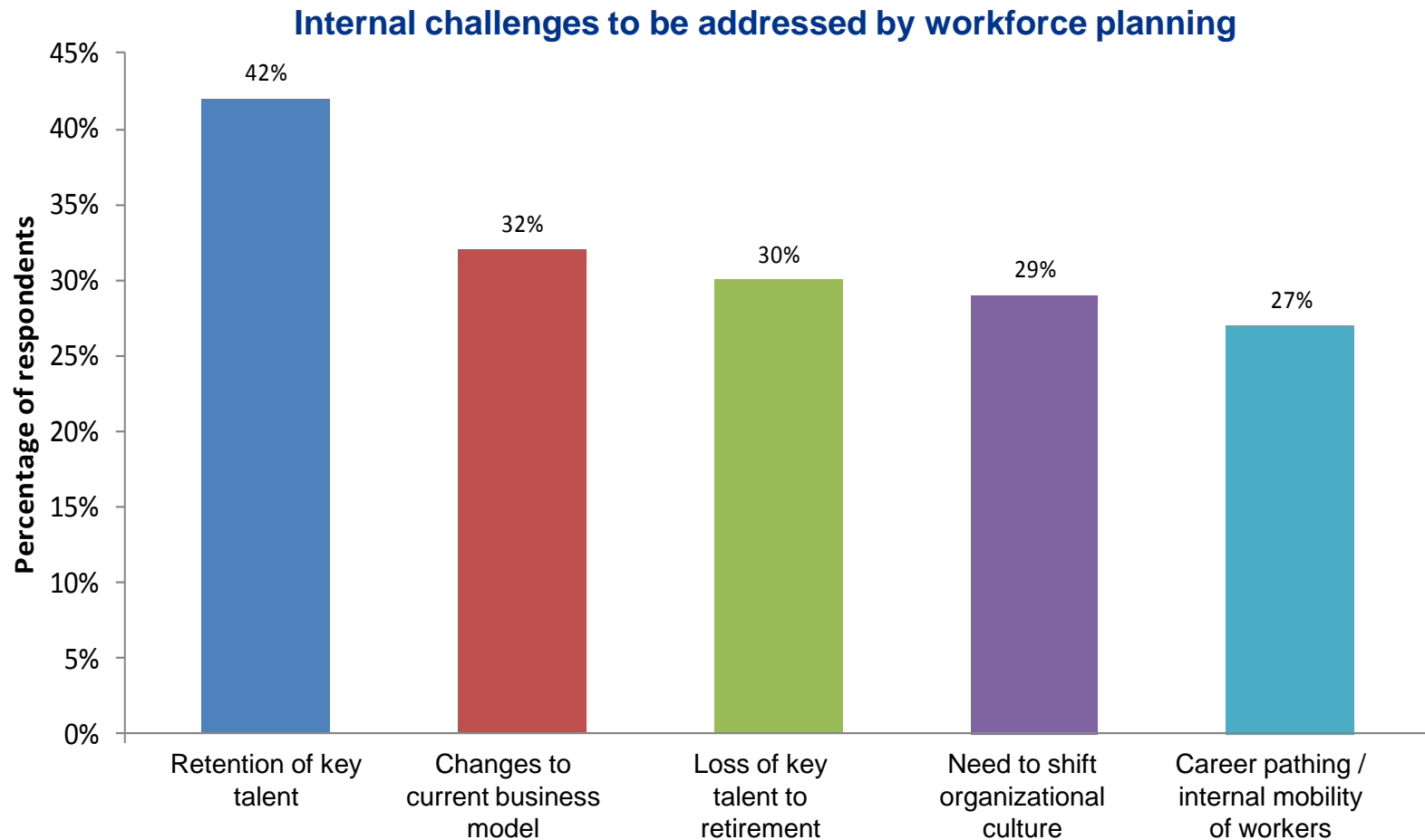
Source: Secondary research

# Market research – Demographic and business pressures are driving a focus on workforce planning



Source: Aberdeen Group, 2010

# Market research – Retention and talent management are key drivers for workforce planning



Source: Aberdeen Group, 2010

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# What is workforce planning?



**Workforce planning** is a set of procedures that an organization can implement to define, align and optimize the workforce capabilities required to execute the organization's strategy both today and in the future.

**Strategic workforce planning** looks to future business demand and provides a framework to:

- Understand future demand scenarios
- Develop understanding of business environment and labor markets affecting core skills
- Forecast future talent needs and identify gaps
- Forecast knowledge drain as employees leave the organization
- Determine and evaluate likely future sourcing options

**Operational workforce planning** provides the tools to plan and deploy resources to meet current demand:

- Understand how demand is measured in all areas of the organization
- Define capacity and capabilities to deliver demand (standard times, productivity)
- Manage systems and processes to deploy resources on a 'just-in-time' basis
- Optimize work schedules and employee hours
- Implement workforce analytics to review effectiveness and continuously improve

# Key facts on workforce planning

The majority of organizations are ineffective when it comes to predicting future talent demands

Workforce planning fails when it is viewed as an HR issue rather than a business issue or when HR is conducting workforce planning activities alone

Strategic workforce planning cannot happen overnight

Organizations should have an enterprise wide consistent approach to workforce planning,

Understanding talent gaps is imperative to the success of a workforce planning process

Sourcing is just one aspect of workforce planning

Technology (modeling and planning software) can improve the workforce planning process for any company at any level of maturity in workforce planning

Source: Bersin

# Strategic workforce planning helps the organisation to manage workforce and business risks

## Capacity Risk



- Sufficient qualified and highly qualified employees within the next 3,5,7 or 10 years
- Getting the right balance between onshore and offshore capacity
- Balancing the cost of contingency labour with flexibility required
- Focusing on the capacity and capability of HR for workforce planning and talent management

## Skill Risks



- External talent demand / supply and the increasing global market for skills
- Managing recruitment / turnover cost
- Taking account of the impact of organisation changes and M&A activity
- Taking account of social trends, market needs and competition
- Managing impact on skills of new technologies and ways of working

## Demographic Risks



- Aging population
- Demographic shifts – different generations within the workforce
- Different motivations for different worker groups
- Matching worker flexibility with business demand

# Your perspective



## Where is your organization on the strategic workforce planning journey?

1. **No formal workforce planning**
2. **Exploring and Defining** – just getting started, defining and scoping what strategic workforce planning is for our organization
3. **Piloting** – currently piloting a strategic workforce planning project
4. **Scaling and Integrating** – we are scaling the process within the organization and integrating outcomes of strategic workforce planning into our HR planning
5. **Optimizing** – we have a fully implemented strategic workforce planning process as part of our business as usual operations

*A survey by Camden Delta Consulting in 2011 (of 90 global and US organisations) found:*

*52% - Exploring and Defining*

*19% - Piloting*

*26% - Scaling and Integrating*

*3% - Optimizing*

*Source: Camden Delta Consulting*

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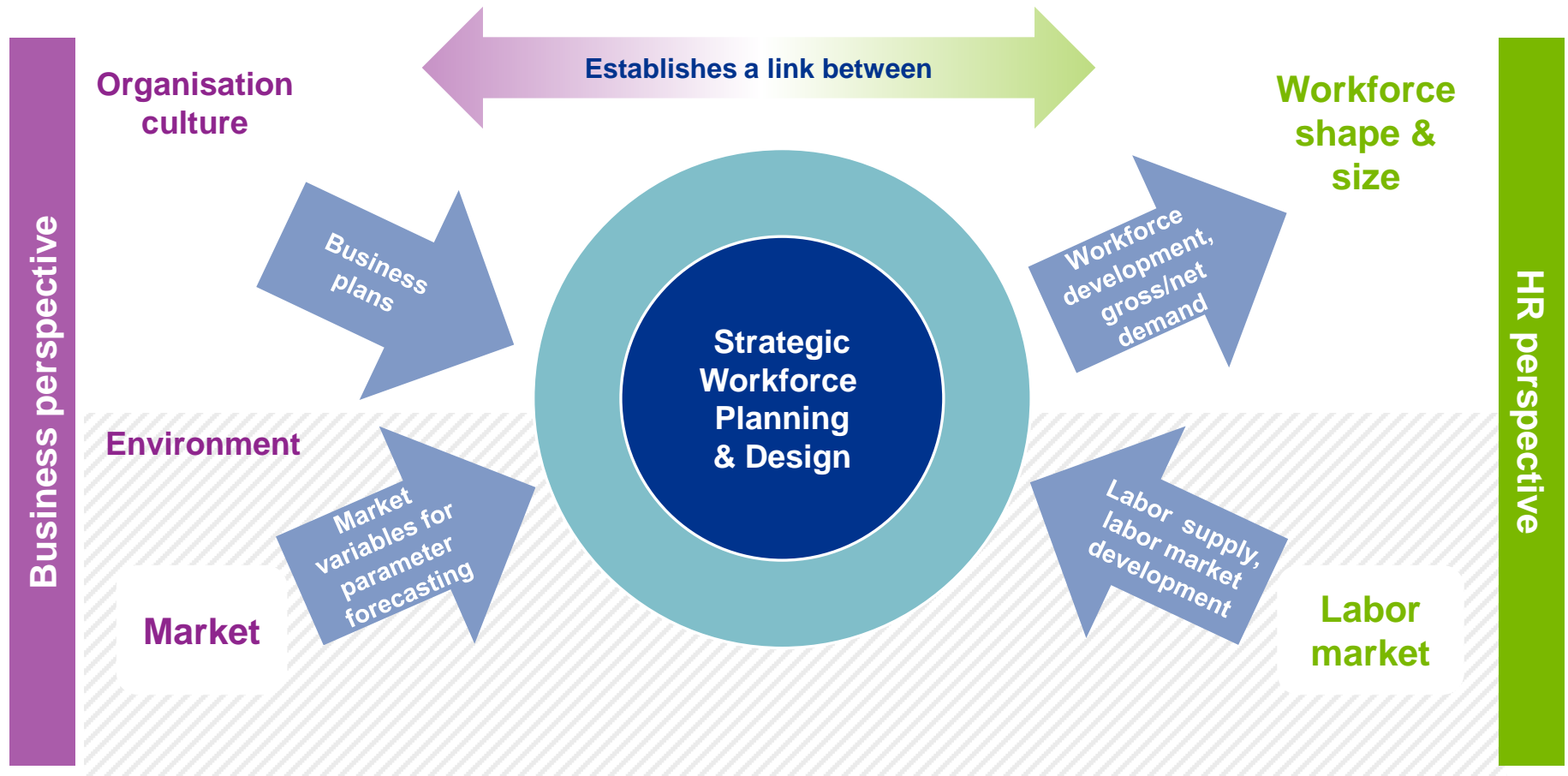


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# Strategic workforce planning aligns business requirements with capacity and competency supply

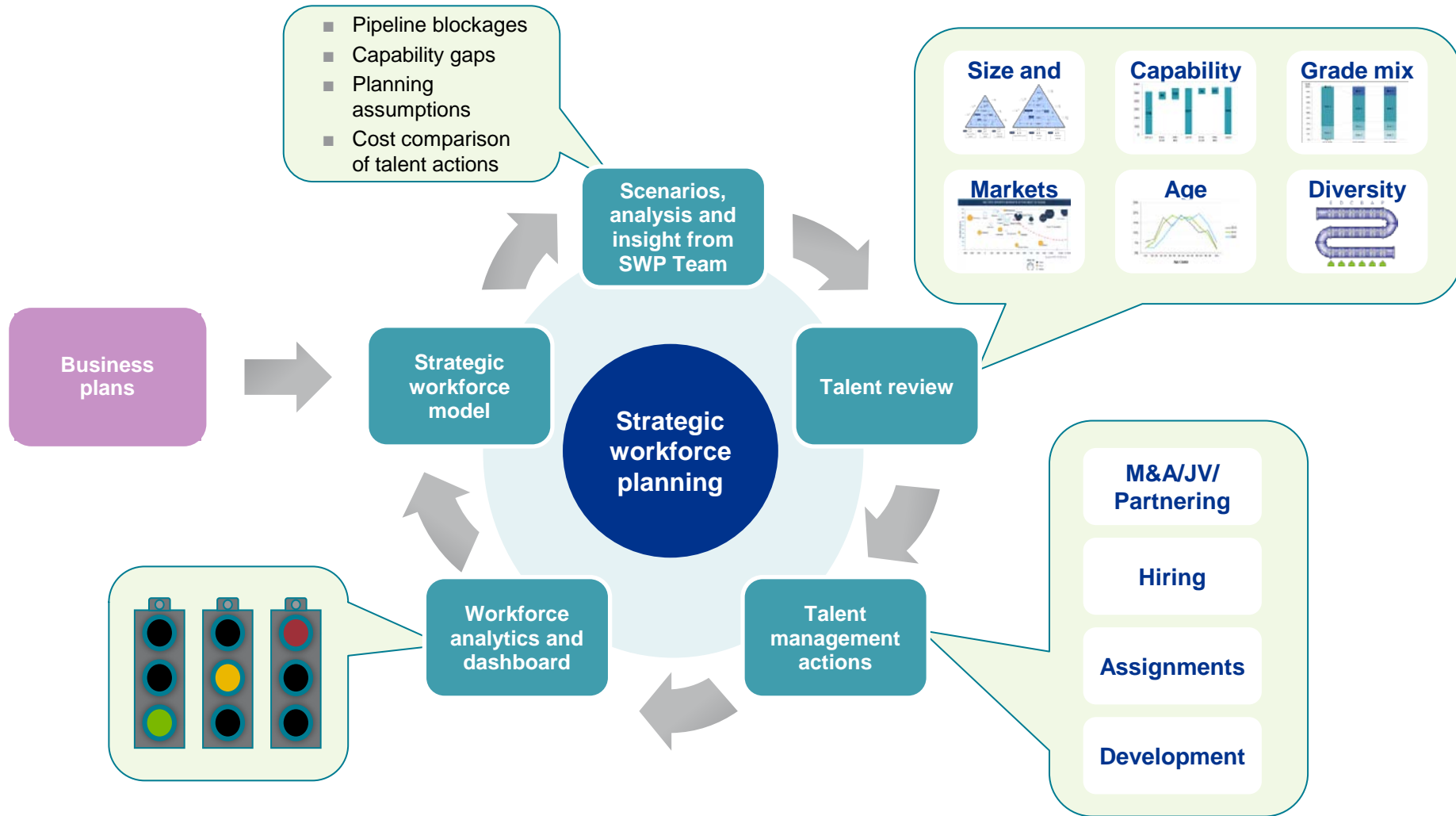
How many employees do we need?  
With what skills and capabilities?

How can we fill the gap between  
workforce demand and supply?





# Strategic workforce planning needs to align closely with talent management activity

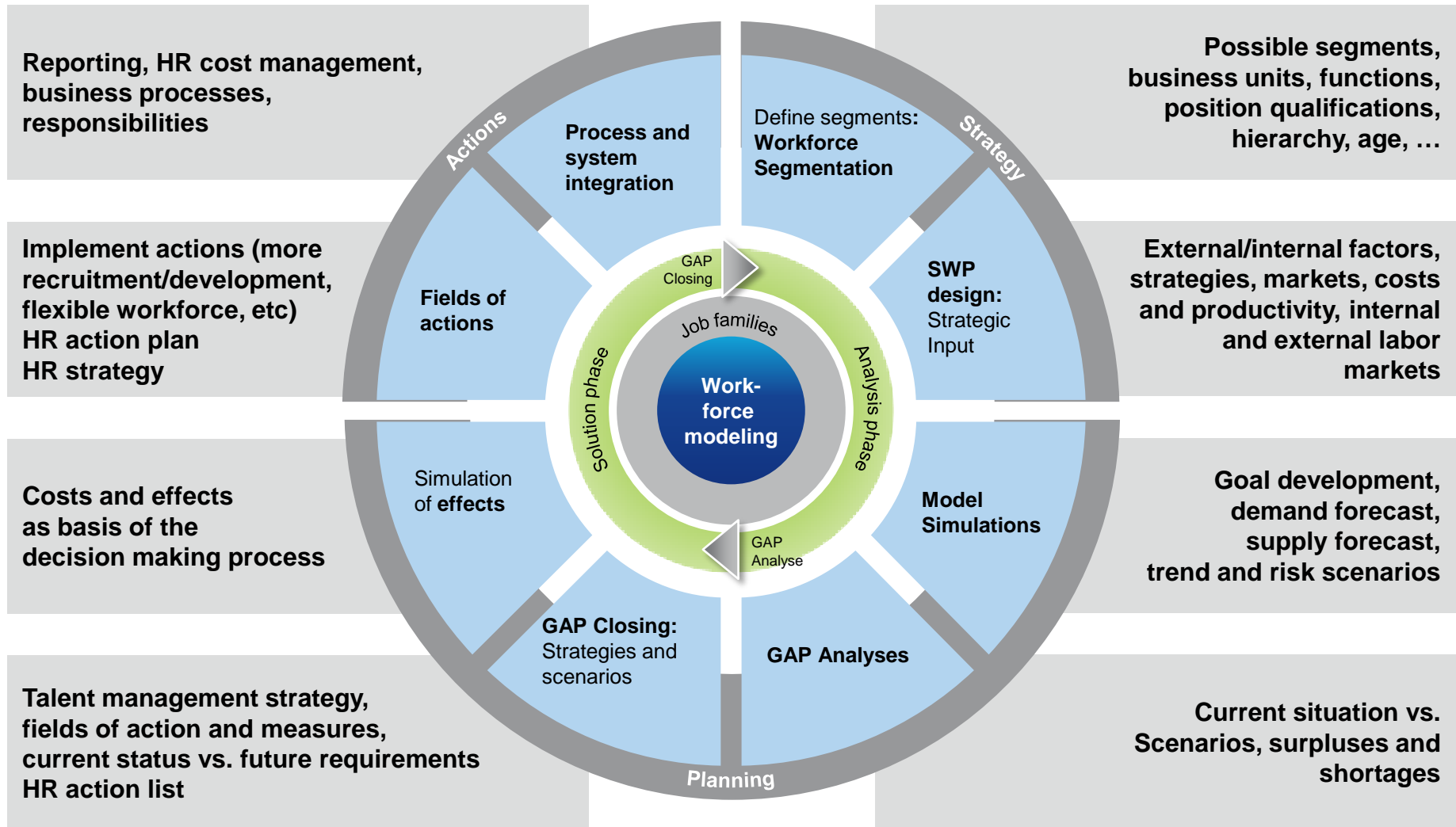


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# Key elements in a strategic workforce planning process



# Segmenting the workforce by function and competencies

Different competencies / functions

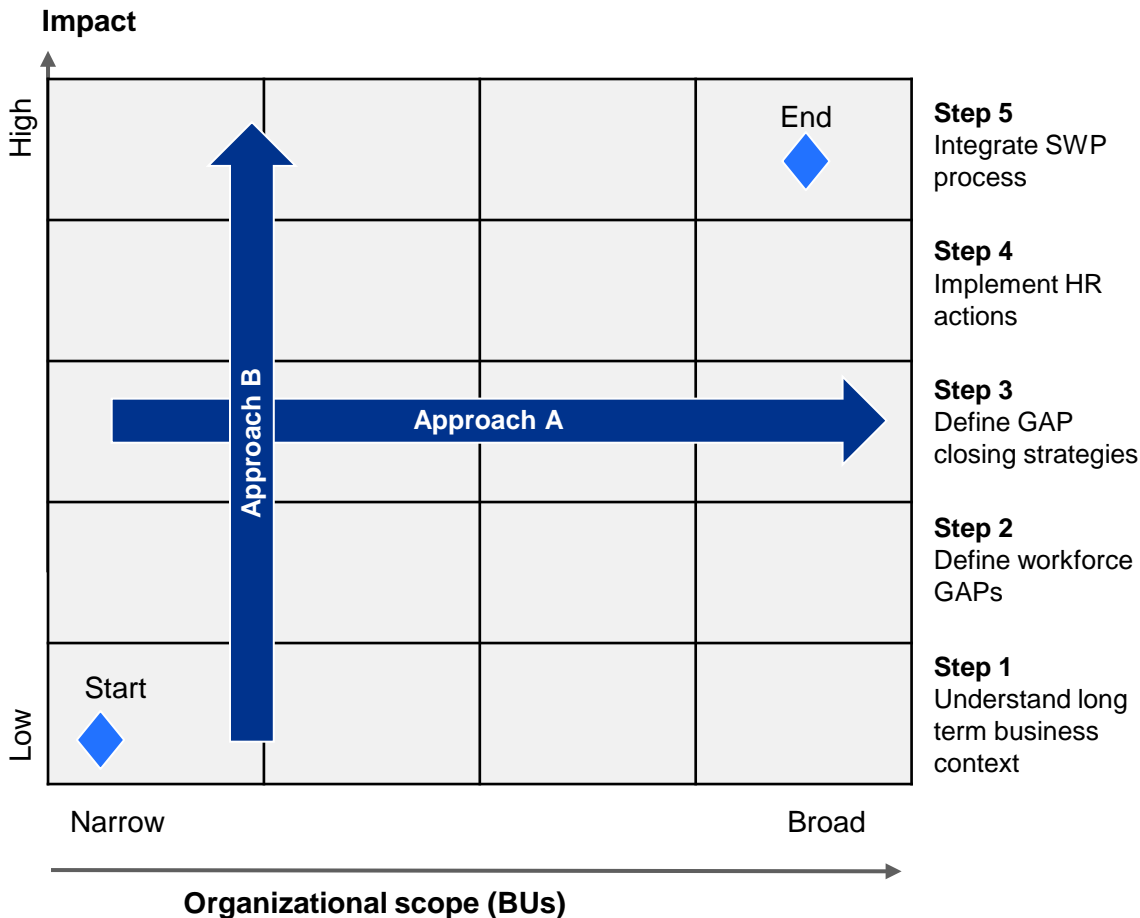
Marketing	Production	R&D		Support, Organization, Adminst.	
Market Access	Distribution Center	Busin. Developm.	Qual. Contol	Assistancy	Project Mgmt.
Marketing	Maintenance	Clinical Developm.	Project Mgmt.	Administratin	Facility Services
Temp. Work	Packing / Bulk Production	Drug Safety Mgmt.	Engineering – Pharm./Chem.	Compliance	Council
	Engineering - EHS	Medical Affairs	Bio Lab Assisst.	Corp. Communication	Qual. Assurance
	Project Management	Patents	Chem Lab Assisst. – Production	Corp. Develop.	SCM
	Engineering - Maintenance	Preclinical R&D	Chem Lab Assisst. – R&D	Finance & Contr.	Temp Work
		Regul. Affairs		HR	

Differentiation by competency level



# Defining approach

## Definition of functional scope and timeframe



### Two potential approaches:

#### Horizontal approach (A):

Complete each step after another for every organizational unit  
 - Use to build consistent and comprehensive approach at the same pace across the organisation

#### Vertical approach (B):

Complete all steps for a chosen unit at once – then repeat with the next unit  
 - Use for a pilot where limited resources and need to produce results or 'fix' a problem

# Defining overall scope

	Efficient		Effective
Organizational scope	Narrow	▲	Broad
Planning horizon	Operative (1-2 years)		Strategic (incl. longer steady state demographic analyses)
Forecast model	Management Forecast (easier in the beginning – complex in data handling)		KPI / driver model (more complex in the beginning – less organiz. Involvement)
GAP closing model	Based on qualitative risk assessment	▲	Scenario simulation with quantified value and risk driver analysis
Integration of WF costs	No costs		Total workforce costs
Functional scope	Low resolution job clusters		High resolution job clusters with professional levels
Process integration	Recommendation at the end of the pilot	▲	Definition of roles and responsibilities – process notation
Data management	Excel and imports / exports	▲	Data warehouse and BI integration
Employee evolution model	Movement only by closing GAPs	▲	Complex position change model



# Evaluating demand forecast

## Factors of influence

Regional economic development

Regional demographic development

Regional potential of qualified employees

Strategy – reorganization of business areas

Customer management

Market competition

Technology enablers

## Determinants of planning

Projects



Output – quantity structure



Processes/added value



Gross personnel demand

Area of responsibility



Competencies

Professional competencies	Methodical competencies
<ul style="list-style-type: none"> <li>1. Ability to work independently and autonomously</li> <li>2. Ability to work in a team</li> <li>3. Ability to work in a team</li> <li>4. Ability to work in a team</li> </ul>	<ul style="list-style-type: none"> <li>1. Ability to work in a team</li> <li>2. Ability to work in a team</li> <li>3. Ability to work in a team</li> <li>4. Ability to work in a team</li> </ul>

Team size



The impact of business initiatives on the workforce transformation are determined by scenarios.

Based on the different evaluation of the factors of influence, two to three scenarios are developed which are used to determine the future workforce demand through the influence of the factors on the determinants of planning.

# Using analytical tools to help evaluate the gap between the forecasted demand and supply of talent

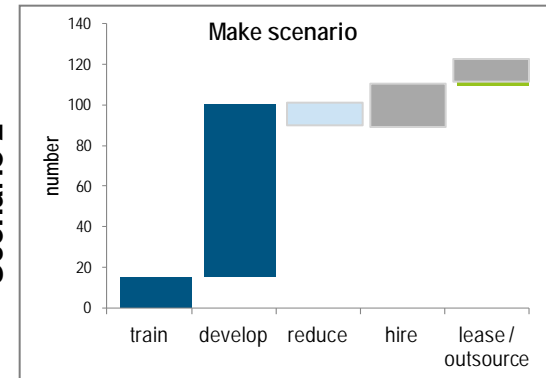
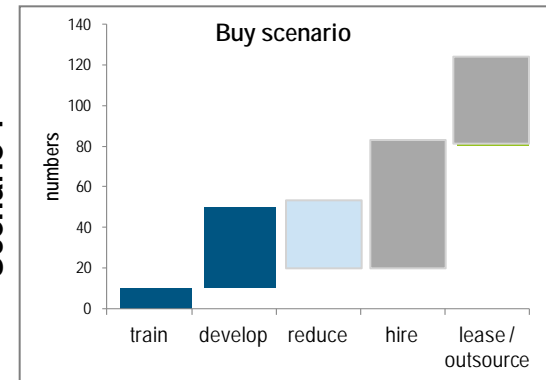
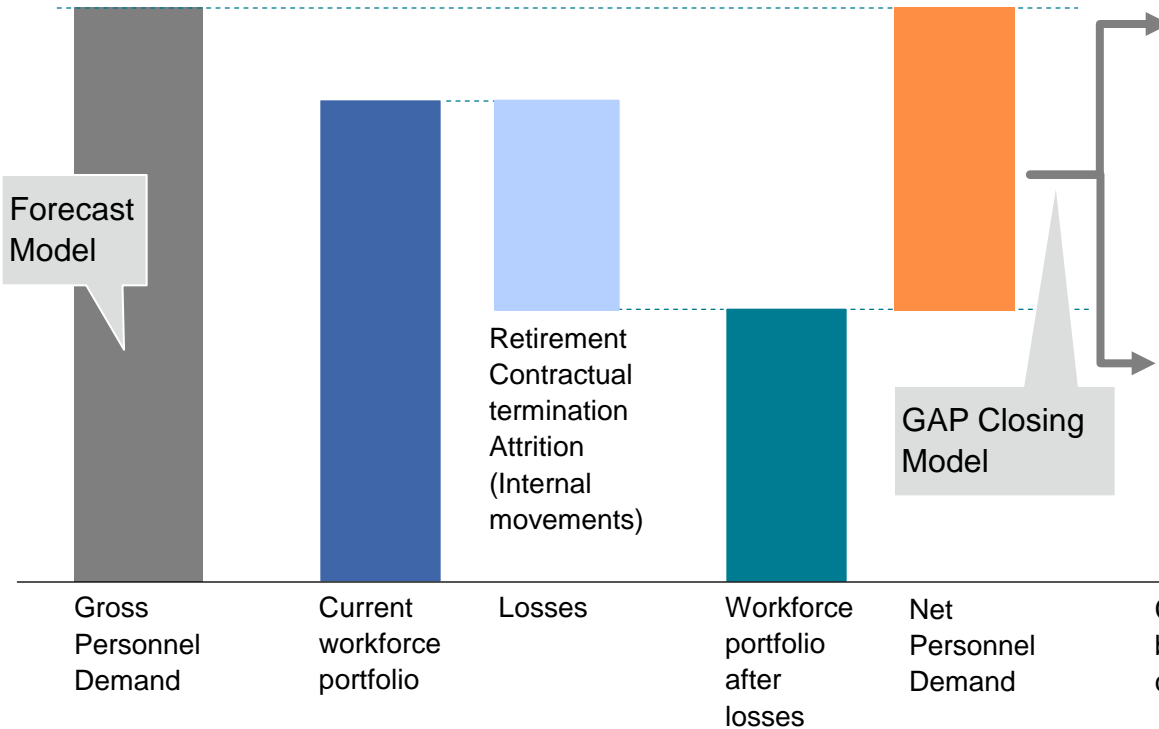
## Gap analysis

## Gap closing

Assess Demand

Simulate Supply

PLAN: MAKE-BUY



Chose the right scenario to meet the demand – based on recruiting difficulties and planning certainty

# Heat maps show the GAPS to be closed – this is the basis for simulating the development of the workforce, risks and costs

## Basic for TM strategies and plans – heat map of changes (GAP analyses)

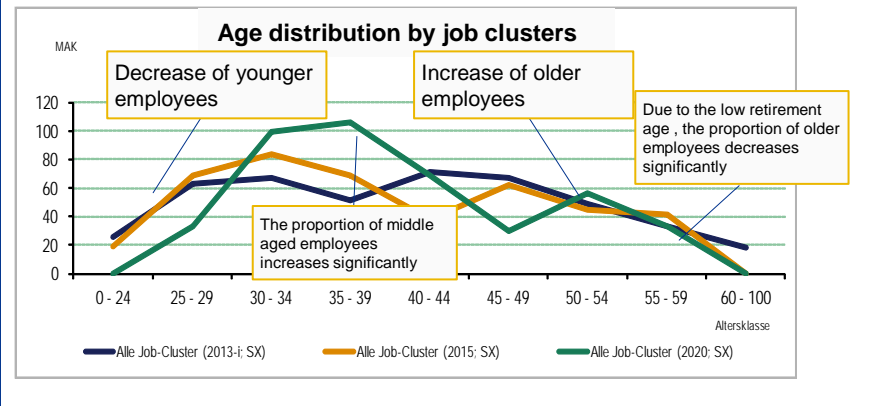
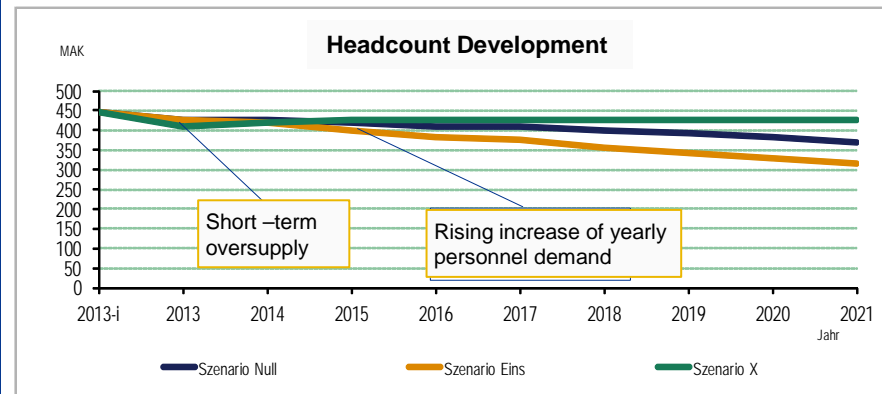
		before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing	before GAP- Closing
	PL	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	20101 Einkäufer	6	6	9	9	7	3	2	1	1
	FTE in 2013 i	51								
2	20102 Einkäufer 3	1	1	1	1	1	1	1	1	1
	FTE in 2013 i	3								
3	20104 ER	2	2	3	3	3	3	2	2	2
	FTE in 2013 i	6								
4	20105 GL Einkauf	1	2	1	0	0	0	-1	-1	-2
	FTE in 2013 i	5								
5	20201 GL Versand									
	FTE in 2013 i	3								
6	20202 Lager ET	6								
	FTE in 2013 i	6								
7	20203 Lagerarbeiter									
	FTE in 2013 i	42								
8	20204 Leiter Versand									
	FTE in 2013 i	3								
9	20205 Manager Paketübergabe	0	-1	-1	-1	-1	-1	-1	-1	-1
	FTE in 2013 i	4								
10	20206 produktiv Lager	-4	-6	-7	-9	-9	-9	-9	-9	-11
	FTE in 2013 i	21								
11	20207 SB Paketübergabe	0	1	1	1	1	1	1	1	1
	FTE in 2013 i	3								
12	20208 SB Versand	3	3	3	2	2	1	1	-1	-2
	FTE in 2013 i	20								
13	20209 SB Wareneingang	0	1	0	0	-1	-2	-3	-4	-4
	FTE in 2013 i	12								
14	20210 Versandendcheck	1	1	1	0	0	0	0	0	0
	FTE in 2013 i	9								
15	20301 Manager Logistik	-7	-9	-11	-12	-12	-14	-14	-15	-16
	FTE in 2013 i	21								
16	20302 Nachwuchskraft Logistik	0	-1	-2	-2	-2	-2	-2	-2	-2
	FTE in 2013 i	3								
17	20303 Assistent Manager	1	2	2	2	2	2	2	2	2
	FTE in 2013 i	6								
18	20304 Leiter Parts	0	0	0	-1	-1	-1	-1	-1	-1
	FTE in 2013 i	3								
19	20401 Leiterin SCM	0	0	0	0	0	0	0	-1	-1
	FTE in 2013 i	3								
20	20402 LogPlanner	-2	-4	-7	-8	-8	-9	-9	-9	-10
	FTE in 2013 i	15								
21	20501 Interner Transport	3	3	3	3	3	2	1	0	-1
	FTE in 2013 i	18								
22	20502 Service Transportation	5	8	9	5	3	1	-1	-2	-2
	FTE in 2013 i	45								
23	20503 Techniker Logistik	-1	7	4	1	-2	-2	-3	-7	-7
	FTE in 2013 i	62								

Strategic alignment of restructuring measures

Execution of restructuring measures

Red: undersupply (number of missing employees)  
Blue: oversupply (number of surplus employees)

## Comprehensive overview of workforce developments – derivation of risks

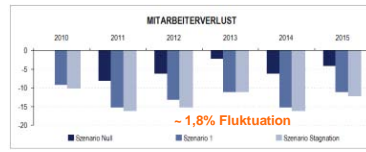


# Example outputs from GAP analysis include quantity structures, risks of the age structure, costs and measures

## GAP analyses, risks and measures

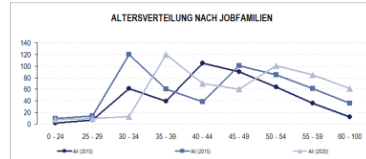
Differenz Personalbedarf – Personalbestand  
2010 - 2013 GAP-Analyse

	P1	P2	P3	P4	P5	M1	M2	M3	GAPs
Produktion	-1	4	-4	1	0	0	0	-1	-1
Vertrieb	-3	0	-1	-3	0	-2	0	0	-9
Marketing	-2	-4	0	-1	-1	0	-3	0	-11
Verwaltung	-3	-1	-2	1	0	-3	1	0	-7
IT	-4	-1	0	-1	-1	0	1	0	-6
GAPs	-13	-2	-7	-3	-2	-5	-1	-1	-34

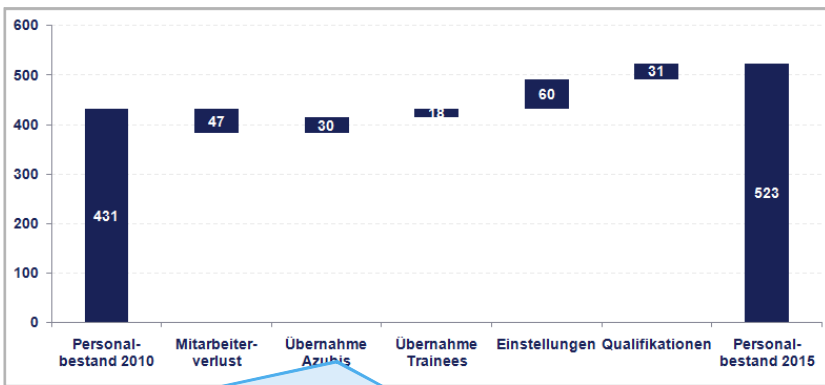


2010 - 2015 GAP-Analyse

	P1	P2	P3	P4	P5	M1	M2	M3	GAPs
Produktion	-3	-1	-4	2	0	-4	-1	-1	-12
Vertrieb	-3	0	-1	-3	1	-2	0	0	-8
Marketing	-2	-4	0	-1	-1	-2	-3	0	-9
Verwaltung	-3	-5	-5	3	0	-6	2	0	-13
IT	-4	-5	0	-4	-1	0	2	0	-12
GAPs	-15	-15	-10	-3	-1	-9	0	-1	-54

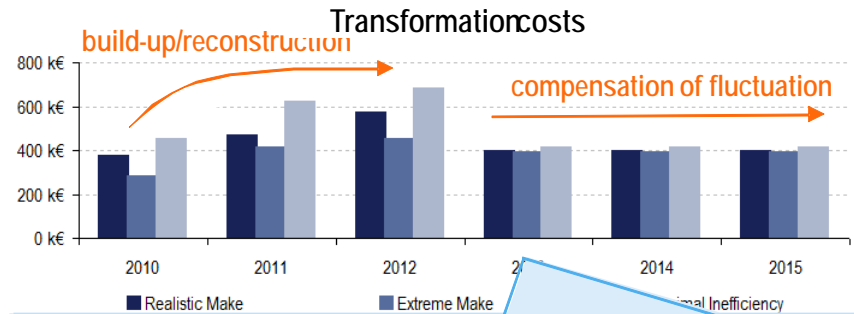


Capacity -, competency - and demographical risks



The necessary HR policies are displayed for a period of time.

## Transformation: costs and risk evaluation



The costs of reconstructing the workforce are presented for various scenarios.

## Risk overview

Risikocockpit

Typologien der Altersstrukturen 2011/2021	Gesundheitsmanagement				Arbeitsorganisation				Personal- und Führungskompetenz			
	Arbeitsfähigkeit	Arbeitsmotivation	Arbeitszufriedenheit	Arbeitsintensivierung	Arbeitsbelastung	Arbeitsanforderungen	Arbeitsanpassung	Arbeitsgestaltung	Arbeitsfähigkeit	Arbeitsmotivation	Arbeitszufriedenheit	Arbeitsintensivierung
Arbeitsfähigkeit	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Arbeitsmotivation	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Arbeitszufriedenheit	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Arbeitsintensivierung	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021

The shift in the workforce structure leads to a shift of personnel risks, which need to be counteracted with an appropriate mix of measures.

# Analysis and planning brings together HR action lists, plans and strategies

HR action lists

HR action plans

HR strategies

View by year

Year	HR-Action	FC3	ML1	ML2	ML3	PL1	PL2	PL3	PL4	Total
2012			16	14	1	18	131	65	15	260
	<b>Cross Qualifications</b>							0		0
	40101 Assistancy							-1		-1
	40601 Corporate Development							1		1
	<b>Leasing (+)</b>				17	19				36
	20601 Maintenance					3				3
	20701 Packing / Bulk Production				15	10				25
	41601 Temporary Work - Sup., Org., Adm.				2	6				8
	<b>Outsourcing (-)</b>							-2		-2
	40801 Facility Services							-2		-2
	<b>Recruiting (+)</b>		16	14	1		61	61	15	168
	10201 Marketing			3			2	4	2	11
	10301 Temporary Work - MKT						1			1
	20501 Engineering - Maintenance							1	1	2
	20601 Maintenance						7			7
	20702 Packing / Bulk Production - Lead			1						1
	31001 Discovery Informatics			2						2
	31002 Medicinal and Combinatorial Chemistry			2						2
	31003 Molecular Pharmacology			2		3				5
	31004 Pharmacokinetics			2		2				4
	31005 Pharmacology and Toxicology			3	1					4
	31006 PostDoc						2			2
	41201 Legal								1	1
	41301 Project Management - Sup., Org., Adm.			1			1	2		4
	41401 Quality Assurance			1				4	2	7
	41501 SCM					1	3	1		5
	50101 Top Management				1					1
	<b>Up qualifications</b>							-1	1	0
	40101 Assistancy							-1	1	0
	<b>Vocational Training (+)</b>				3	52	3			58
	20201 Chemical Plant Operation - R&D					10				10
	30101 Biological Laboratory Assistancy					5				5
	30301 Chemical Laboratory Assistancy - Production				1	8				9
	30401 Chemical Laboratory Assistancy - R&D					13				13
	40101 Assistancy				1	4	2			7
	40201 Business / Technical Administration				1	10				11
	41101 IT					2				2
	41501 SCM							1		1
2013			4	6	1	45	78	40	8	182
	<b>Leasing (+)</b>					39	9	1		49
	20701 Packing / Bulk Production					7	5	1		13
	21001 Temporary Work - Production					24				24

View by function

FC3	Year	HR-Action	ML1	ML2	ML3	PL1	PL2	PL3	PL4	Total
10101	<b>Market Access</b>		1						3	4
	2014		1						1	2
		Recruiting (+)	1						1	2
	2018								1	1
		Recruiting (+)							1	1
10201	<b>Marketing</b>		5			2	14	16	16	37
	2012		3			2	4	2	2	11
		Recruiting (+)	3			2	4	2	2	11
	2013		2			1	1	1	4	4
		Recruiting (+)	2			2	4	2	4	4
	Up qualifications							-1	1	0
2014						1	2	1	4	4
		Recruiting (+)				1	2	1	4	4
	2015					-1	2	1	2	2
		Recruiting (+)					2	2	2	2
		Traineeship (+)						1	1	1
2016									-1	1
		Up qualifications							-1	1
		Layouts (-)				-1				-1
	2016		1	2	2	5				5
		Recruiting (+)	1	3	1	5				5
2017									-1	1
		Up qualifications							-1	1
	2017		-1	0	4	3				3
		Recruiting (+)				2	2			4
		Up qualifications				-1	-2	2		-1
2018									2	2
		Recruiting (+)							2	2

# KPI dashboards provide ability to review effectiveness of workforce planning (illustrative)



## Learning and Development

- % L & D spend targeted at priority job families
- % L&D spend targeted at critical capabilities



## Talent acquisition

- % of agreed hires completed
- % of new hires retained after 1 yr
- % new hires sourced in China and India
- % hires sourced via social media



## Staff movements

- Turnover vs assumed turnover in the workforce planning scenario
- Promotion rates vs assumed rates in the workforce planning scenario
- Lateral moves vs assumed rates



## Succession

- Coverage for critical roles
- % of high potential in succession pools



## Workforce demographics

- Age distribution./ average age
- Diversity distribution



## Workforce gaps

- Current surplus/shortfall by job family
- Future year predicted surplus / shortfall by job family
- Key gaps by grade



## Employer brand

- Career site visits.
- Cultural fit of applicants.
- Employer image rankings.
- Offer acceptance rate.



## Workforce commitment

- Absence rate
- Employee satisfaction survey





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- **Workshop exercise: Identifying the benefits of strategic workforce planning**
- Key messages to take-away

# Workshop exercise: Identifying benefits of strategic workforce planning



## Working in groups:

- You are a cross-functional business working group in a global organisation. Your team includes senior representatives from HR, Finance, Sales and 3 different operational business units:
  - Business unit 1 has aging workforce and high staff attrition in a number of countries
  - Business unit 2 is moving into new markets and has skills gaps in core skills areas
  - Business unit 3 has poor customer satisfaction ratings and increasing pressure on profit margins
- You are meeting the Executive Team next month to seek their commitment to invest in strategic workforce planning.
- Plan your response taking account of the perspective of each senior team member.
- Be prepared to feedback in the plenary session each of your specific requirements as these apply to strategic workforce planning
  
- You have 20 minutes

# Benefits of strategic workforce planning



## Key benefits of strategic workforce planning

- Enables key strategic workforce decisions and future-proofing of the workforce
- Helps in allocating budget and defining timeline for strategic initiatives
- Provides business case for investment in training and development
- Provides management information to improve development of job families and career paths
- Creates competitive advantage by being proactive versus reactive
- Identifies the human capital risk before it impacts the business objective
- Locates key talent and the critical roles in the organization
- Maps out ways to fill talent gaps to achieve business objectives
- Mitigates the challenges of surplus and deficit in the globalized economy
- Creates understanding of talent needs for future
- Reduces unplanned workforce cost

Source: Secondary research

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# My key messages for you to take-away today for your organisation



1. Gain common agreement of the definition of strategic workforce planning for your organisation
2. Make strategic workforce planning a meaningful collaboration between HR, Finance and the Business
3. Up-skill HR Business Partners to facilitate understanding of changes to future skills required and identifying future skills gaps
4. Invest in technology following agreement to the process and outcomes.
5. Pilot first
6. Embed as way of working not one-off initiative

# Thank you

Presentation by David Knight

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*cutting through complexity*

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