VENTANA RESEARCH

Analyst Perspective

Steve Goldberg
VP & Research Director

Workforce Planning: Seizing the Moment Strategically

It's no secret that many large organizations operate in a somewhat insular and siloed manner. This dynamic applies to corporate functions where value-creation from taking advantage of operational synergies could otherwise be quite significant. Historically, human resources and finance departments, for example, were among the operating areas known to closely collaborate only when absolutely necessary. Actually, the 1992 book, "Men are from Mars, Women are from Venus," comes to mind when I reflect back on how I needed to navigate around a lack of integrated HR/finance data and processes when I was a global HR practitioner, especially since this was often exacerbated by the use of stereotypes like "people/people vs. numbers/people." The combination of these factors clearly created a sense of disconnectedness between the two groups. And having different definitions for commonly used business terms — like headcount and labor costs — as well as different methods for measuring and reporting on these items didn't make the situation more manageable. But that wasn't the whole enchilada of operational challenges when linking HR and finance: You also had to account for different processing and reporting cycles and cutoff dates, which often created hours of agonizing reconciliation work for the respective teams.

Then something happened in the early 2000's to pave the way for better collaboration between HR and finance teams, and between and among other business areas. Early adoption of cloud computing was underway across front- and back-office areas, coupled with the rising expectation of business leaders for more real-time and interconnected data, processes and analytics. These two dynamics were also linked, as enterprise software in the cloud tends to more readily interoperate with other cloud-delivered applications. This is largely due to advances over the last 20 years in the use of application programming interfaces and web services architectures to link systems and resident data, and the fact that fewer organizations were encumbered by having to integrate customized, on-premises software.

This increased collaboration between corporate functions, interoperability across data and processes, and the emphasis on real-time data which, combined, paved the way for one of the most significant advances in how businesses of all sizes have been managed ever since: The ability for integrated planning with real-time, synchronized data and processes. As my colleague Rob Kugel pointed out in the Ventana Research client-sponsored viewpoint:

Building Agility through Continuous Planning: "Integrated planning processes enable organizations to enhance the accuracy of plans with refinements that are made at shorter intervals, which in turn enable companies to achieve greater agility when responding to market or competitive changes." The important point here is that, while integrated planning offers many operational advantages related to managing financial and people resources, it also delivers one of the most compelling strategic advantages to a business: It elevates organizational agility, which I define as the ability to be out in front of both business risks and opportunities with optimal workforce-related decisions and actions. Organizational agility, in fact, represents the intersection of business planning and workforce planning.

Drilling momentarily into the human capital management software market, we know that the scope of applications a customer deploys often includes best-of-breed HCM applications or HCM suite modules that would be impactful to link with other corporate systems. Some of these solutions are also highly relevant from a workforce planning perspective, such as the compensation management and gig worker procurement areas. And now that these types of specialized HCM software applications are similarly becoming real time if not continuously integrated with adjacent or complementary business systems and processes, they, too, are getting folded into broader business planning, not just workforce planning processes. This means that activities related to forecasting labor and skill demands and modeling the alternative ways to meet them with associated costs and benefits — or what's known as workforce planning — now play a major role in guiding an organization's year-round execution and future. This is fairly different from the way workforce planning has historically been defined and conducted — i.e., involving a less-than-precise set of data inputs and assumptions funneled to corporate hiring plans and budgets, often based on disparate cross-functional data that was rarely up to date.

My assertion from my 2021 HCM market agenda is that, by 2023, one-third of HR and finance leaders will be co-sponsoring initiatives to better integrate their functions' data and analytics in real time. Clearly, this applies to the heightened focus on workforce planning. Not only does workforce planning serve as a catalyst for connecting various systems, processes and data streams, but it moves an organization forward both operationally and strategically. For these reasons, we expect these five capabilities will become commonplace sooner than most of us would have predicted:

- Forecasts for joiners, leavers and other types of employee movements — a foundational workforce planning capability — will be available in real time and with reliable precision.

Human Capital Management
Market Assertion

By 2023, one-third of HR and Office of Finance leaders will co-sponsor initiatives to better integrate their functions' data and analytics in real time, resulting in improved organizational agility and labor cost management.

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- Push notifications for hiring managers with open job requisitions will provide options — such as using gig workers from preferred staffing vendors — when monthly business results indicate hiring plans must be significantly reduced for the quarter or year.
- Guidance and preferred options will be based on the system knowing that strategic plans or business priorities have changed, impacting resourcing needs and associated timing as well as skill priorities and costs.
- Options for addressing a skill or staffing gap — such as hiring a regular employee, bringing in a contractor, training, or redeploying a current employee — will be brought into the workforce planning process in the form of data-driven guidance around cost/benefit.
- Guidance as to when budgeting and paying more for salaries on certain jobs will have a net positive impact, notwithstanding the higher compensation cost, presumably from increased productivity and greater impact of attracting higher caliber staff.

This all points to the central recommendation that any organization looking to elevate their game should consider strengthening workforce planning processes with technology that is adaptive and continuous to the organization's needs. Workforce planning is not just a way to plan and execute better around resourcing needs, but to foster unprecedented levels of cross-functional collaboration. In the course of doing so, a workforce planning "lens" should be added to other systems' evaluation criteria as a key point of emphasis. Finally, organizations and HR and finance leadership should assess existing enterprise software vendors and potential new vendors for their ability to elevate workforce and business planning processes.

Regards,

Steve Goldberg
VP & Research Director

To read more perspectives by Steve, visit https://stevegoldberg.ventanaresearch.com/

Steve Goldberg – VP and Research Director, Ventana Research
Steve Goldberg is responsible for the Human Capital Management (HCM) research and advisory services practice. He guides HR and business leaders in leveraging their workforce for competitive advantage. He guides HCM technology vendors on the market of buyers and where their applications and technology can have maximum impact. His expertise areas of coverage include HRMS, Talent Management and Workforce Management, with specialized focus on recruiting, learning, performance, compensation, and payroll.