EBOOK

CHRO Strategies: Delivering what the CEO wants

Creating business value
and competitive advantage

Anaplan

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01

CHRO, the frontline strategist and architect of business performance

Even before the pandemic, the risks and rewards attributable to companies' investments in their workforce were rapidly changing. Workplaces became more distributed, new skillsets emerged around digital business, customers were becoming more demanding, and global trade was becoming disturbingly volatile. The pandemic only intensified each of those challenges, and demonstrated how rapidly conditions could change. For innumerable businesses, the CHRO was an indispensable leader in reconfiguring the workforce, making it agile and adaptable, capable of meeting both troubles and opportunities that once were regarded as wholly implausible. The CHRO is rising to become a uniquely trusted partner to the CEO, and the timing couldn't be better.

What the CEO wants:
Creating business value and competitive advantage

Creating business value is the primary job of the CEO, and CEOs always have a major stake in business value, whether they are hired and compensated by a board of directors, or they are an owner, partner, or founder. Every CHRO needs to know the set of metrics by which the CEO always monitors business value, along with the valuation method by which the CEO's performance is ultimately judged (e.g., enterprise value, market capitalization, and exit value). It is also imperative that the CHRO understands what activities the CEO believes contribute most to business value, and whether their stake in the business is determined by their own investment in the company, a compensation scheme determined by a board of directors, or both. Every decision the CEO makes will be influenced by that perspective.

To deliver business value, CEOs need to create competitive advantage, which is the ultimate purpose of any business strategy. Competitive advantage refers to the coveted position of differentiating yourself from the rest of the field, where customers prefer your products and services over other choices in the market, and perceive you as delivering the greatest value. In practical terms, in order to achieve and maintain competitive advantage, your business needs to do a lot of things better than everyone else. The CHRO is the main collaborator with the CEO in determining what those things are as they relate to the workforce and human capital, which are often characterized as the greatest source of competitive advantage.

Don't bypass the CFO

The CFO has always been the right-hand to the CEO and that dynamic will not change. But the CHRO can become one of the CEO's most trusted advisors, along with becoming a uniquely valued partner to the CFO. To do so, the CHRO and CFO need to be aligned and actively collaborating. It is likely going to be up to the CHRO to initiate and develop that partnership. CHROs can look for ways to complement the CFO's strategic mandates, adding the perspective of the workforce representing simultaneously major opportunities for growth but also major sources of risk. Regarding the former, the CHRO can become a partner with the CFO in searching for potential merger or acquisition opportunities, and determining more efficient ways to reorganize departments that don't involve injudicious headcount reductions. As for the latter, the CHRO can help the CFO evaluate people-related risks with much greater precision, such as being unable to deliver products or meet service commitments on time, at an expected quality level, or at the projected cost, due to the organization lacking or losing people with specialized skills.

What the CEO doesn't want

- ✕ Overthinking things
- ✕ Being forced to find the needle in the haystack
- ✕ Data dumps
- ✕ Tasks being pushed back onto them
- ✕ Not knowing what all their options are
- ✕ Being inadequately informed, especially regarding actions they are about to take
- ✕ Communication that uses evasive language or abstractions
- ✕ Issues remaining unresolved, and colleagues leaving them hanging
- ✕ Surprises, even good ones can be undesirable

People, a sustainable source of competitive advantage

We have known for decades that people are a sustainable source of competitive advantage. How can the CEO and the CHRO stay competitive in practice, with their organization's people? Bringing about competitive success requires a carefully developed plan, and one that is better than any plan a competitor could develop given the same resources. There are three key components to achieving competitive advantage through hiring the right people.

01

What everyone else does, you need to do better.

Every business has some sort of blueprint for the workforce they want to build, both for the coming year and the longer term, and aligning with growth targets. Blueprints designed for the longer-term are subject to being revised frequently and substantially. Having a better blueprint also means always having a current blueprint, both of which are achieved by superior **workforce planning** (Chapter 2).

02

Make sure no one can do what you do better than you.

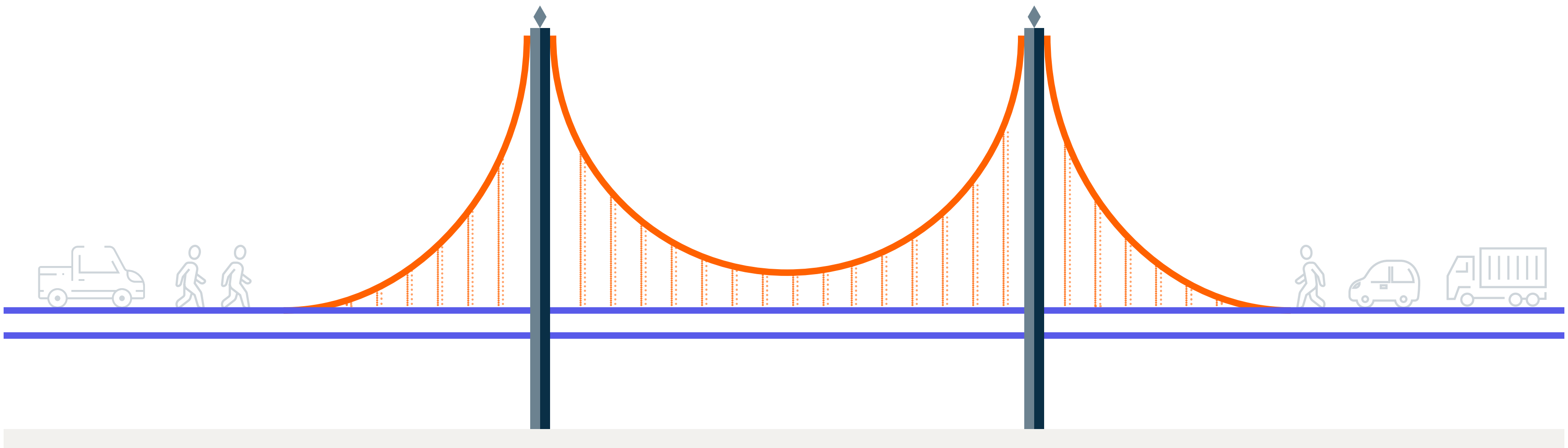
Every business has a roster of star players, starters, position players, specialists, and reserves. You need to assemble a better roster, one that consistently turns in the best performance, not the one that has the most star players. Likewise, every business tries to innovate. You need to become unique and stay unique. And that requires a **superior talent strategy** (Chapter 3).

03

Your workforce needs to be configured to carry the optimal value-creating business activity.

Every business has a short-term playbook that is calibrated to business as usual and market fluctuations, directing what they should do, and what level of performance is expected. You need a better playbook, one that manages changing conditions and quick pivots, assuring that yvou are always running at optimal capacity and have the people to do so, no matter the conditions. Through superior **capacity optimization** (Chapter 4), your short-term operations are always on.

Workforce planning, talent strategy, and capacity optimization are the three components by which the CHRO builds the long-span bridge that connects investments in people to business outcomes, HR programs and initiatives to business strategy, and the HR function to the rest of the organization. Thus, the CHRO becomes a co-architect of business performance, and a partner to the CEO in achieving and maintaining competitive advantage through people.



The towers of the bridge correspond to **workforce planning,** with one of the towers representing **strategic workforce planning,** by which opportunities are managed, and the other representing **operational workforce planning,** by which positions and costs are managed. In every organization, senior leadership is constantly balancing the tension between opportunities and costs, as both are necessary to support the entire structure.

The cables of the bridge correspond to **talent strategy.** Every long-span bridge has many cables, just as every organization has many locations and talent management initiatives that uphold how they uniquely acquire, develop, deploy, reward, and retain talent in their organizations. If one cable were to snap, the entire structure could be compromised.

The deck of the bridge corresponds to **capacity optimization.** The deck carries vehicles, bicycles, and foot traffic in both directions, at all hours of the day, and its capacity can be modified according to a variety of conditions. In the same manner, business operations must carry many kinds of traffic and activity from every function, during every hour of every day, all while adjusting its capacity to assure maximum and optimal operations according to changes in conditions.

An agile approach to strategy and planning

Developing a comprehensive strategy for your organization's people, one that incorporates workforce planning, talent strategy, and capacity optimization, can appear overwhelming, especially for CHROs accustomed to big, congested annual planning cycles. That's old school. Strategy and operations planners in numerous organizations have borrowed the agile methodology from software development and applied it successfully to their business functions, including HR.

At a high level, the agile methodology embraces a cycle of planning adaptively, which includes iterative modeling and testing, frequent feedback, high responsiveness to change, knowledge generation, and continual improvement and delivery. Such a cycle is often applied to other complex undertaking besides software development, especially those with a strong orientation to quality and customer satisfaction, or an environment subject to rapidly changing customer demand.

At a practical level, applying the agile methodology to strategic and operational workforce planning requires beginning with nothing more than an existing workforce plan and a pain point that needs to be addressed. Agile planning proceeds by systematically breaking down the project into manageable pieces, starting with the most critical outcomes the organization wants to deliver, and addressing the various components in small chunks. From there, you can build simple models and quickly obtain feedback, adding in layers and updating the model. As the process iterates, the focus remains on those areas that are most critical for your business, and paths are connected from the point where the planner began, joining HR to other business functions, and ultimately to top-level revenue and growth.

One of the distinct benefits of agile workforce planning is that it equips senior leaders with both the tools and the ability to pivot adeptly as the business responds to changes that affect revenue, costs, or customer activity. Such a pivot is facilitated by the capabilities residing in the organization's people, because talent is realigned quickly, responsibly, and effectively.

The following chapters of this eBook will cover **Workforce Planning, Talent Strategy,** and **Capacity Optimization** in detail, and offer practical guidance about how a CHRO can implement each within their organization. It will present each of these within the context of using the agile methodology to build strategic and operational plans to apply the organization's human capital to achieving business objectives, and consequently deliver more of what the CEO wants.

02

Workforce planning is a fundamental part of managing financial performance

THEME:
What everyone else does, you need to do better.

BUSINESS OUTCOME:
Top-level financial performance, high quality revenue.

MANAGEMENT SCOPE:
Organizational performance.

TIME HORIZON:
Long- to mid-term.

BRIDGE ANALOGY:
Corresponds to towers; one tower is opportunities, the other is costs.

COMPETITIVE ADVANTAGE:
Business growth.

Every competitive business has an abundance of opportunities they could take, and every CEO has a hefty list of business ideas they are eager to pursue. However, every business has sufficient workforce resources available to pursue only a fraction of these ideas and opportunities. Likewise, every business has a vision of where they want to be in several years. Yet their workforces need to deliver hard business results in the current quarter and current year in order for the enterprise to have any hope of arriving at the long-term destination. Executives and strategic planners must continually assess these two tensions in substantial detail in order to assure that the business is making the best decisions about the opportunities it pursues and choosing its bets wisely. Effective workforce planning requires the CHRO to skillfully manage two sets of major tensions: opportunities versus costs, and the longer-term vision versus the shorter-term realities. It is one of the most difficult areas in all of business strategy and is crucial to successful workforce planning.

Workforce planning has two parts: strategic workforce planning and operational workforce planning. In our bridge analogy, these are represented by the two towers.

- **Strategic workforce planning,** involves charting the opportunities the business wishes to pursue, and the workforce needed to reach the revenue or growth goals of those pursuits. It covers the long-term, often two years or more, and incorporates elements of the company's vision.
- **Operational workforce planning,** is concerned with allocating workforce budgets, planning positions, managing costs, and assures that the workforce is of a correct composition to achieve periodic financial and performance objectives.

Together, strategic and operational workforce planning bring discipline and guide how the company will propel financial performance, and achieve or maintain competitive advantage. In the following two sections, we'll explore both in detail.

CEO questions for the CHRO:

- How well is our workforce set up to meet our strategic goals (revenue, innovation, market share)?
- Where are the critical talent pools to draw on for future growth/risk mitigation and how will we ensure that we are accessing them in an equitable way?
- Does our leadership and management represent the diversity of our customer base?
- How will our workforce composition change with current demographics and dynamics (retirement and attrition, internal movement, promotion)?
- Will that baseline change also impact our cost, capabilities, and capacity for future growth and profitability?
- What are the two or three scenarios that cover likely future opportunities to meet or exceed our strategic goals?
- What are the two or three key workforce risks that may impede business activities/projects/growth/etc.?
- Are we hiring for the skills of the past or setting ourselves up for the future?
- Are we constrained from optimizing our workforce (regulations, scale, market size)? Who would do better with the same workforce?
- What additional workforce investments would accelerate our strategy and/or reduce our risk?
- Is the state of our workforce holding us back from pursuing certain opportunities?
- How can the senior leadership team work together to connect our workforce, financial, customer, and product/service planning efforts in a seamless and effective way?
- Do we have the best workforce plan? Could someone else do better with the same workforce?
- How will our workforce costs increase as our business grows?
- Are profit margins likely to shrink as our business grows?
- What kind of activities do we need to do today to enable successful business execution tomorrow?

Strategic workforce planning

Overview

- Macro view of the organization; long-time perspective
- Focus on critical roles
- Two or more years forward-looking
- Workforce dynamics long view
- Driven by business strategy
- KPI: revenue and growth
- CHRO and CEO: manage opportunities and growth

Strategic workforce planning is concerned with specifying roles and skills that are critical to achieving long-term strategic goals rather than every role category that the organization could possibly need in the next several years. A long-term workforce strategy is focused on incorporating probable changes in workforce dynamics and prefiguring the organization for what the world of work will look like a few years into the future.

Strategic workforce planning is the part of workforce planning with the longest time horizon. For many industries, it spans two to five years, although it can be considerably longer, 10 years or more, for traditional, conservative, or highly capital-intensive industries. Whatever the industry, the fundamental purpose of strategic workforce planning is to design an integrated HR functional input that will best support the organization's long-term strategic goals.

There are two points to clarify here. First, by integrated HR functional input, we mean a cohesive plan for maximizing the input necessary to assemble and manage a workforce that will achieve a specific level of performance over the longer horizon. That input includes directives and targets for how talent is managed in the organization from end-to-end, including recruiting and recruitment marketing, hiring and onboarding, performance management, employee engagement and growth, succession and development, organizational design, and diversity, equity, and inclusion.

The second point is that long-term strategic goals typically denote business transformation and growth, and are almost always defined by figures for top-level revenue. Long-term strategic goals are the desired output achieved by the integrated HR functional input. Therefore, a critical outcome of strategic workforce planning links the integrated HR functional input discussed above to financial measures. Connected Planning enables planners to accomplish this, but determining a clear link between HR input and business output is typically not feasible early in the planning process.

The CHRO playbook for strategic workforce planning

01

Map out the long-term workforce according to business strategies, major initiatives, and revenue targets

This might sound like the end result, but it is actually where strategic workforce planning begins. Specifically, strategic workforce planning begins with topline financial figures, typically sales or a revenue-based metric. All strategic planners within the organization, regardless of business function, will initiate their long-range plans guided by such topline figures. The CFO and the Finance team provide direction to planning leaders regarding the assumptions that these figures include, and how to apply both. At this stage, it is very important for the CHRO to identify the top three to five strategic initiatives that contribute to the topline figures, and begin planning the workforce according to those particular initiatives. This allows the CHRO to start simple, maintain focus, and later determine where to add layers.

02

Determine the workforce demand based on key business drivers

Key business drivers most often refer to discrete events, such as a new product introduction or entering a new market. For the purposes of planning, the CHRO could also choose to model workforce demand according to expected customer growth over time. Ideally, key business drivers should be tied to a product or customer behavior where significant market pull can be expected.

Aren't all roles critical?

All jobs are important. For the purposes of planning the workforce, here are some main ways top performing organizations characterize critical roles:

- Skills that are difficult to source or fill due to limited supply, both internally and externally
- Skills that require a long time to develop, especially specialist skills that are also organization-specific
- Roles that are critical to the core business or a new business initiative
- Roles that constitute a large enough number of workers within the organization to form a critical mass
- Roles that are expected to undergo significant change in the period of time covered by the strategic workforce plan
- Roles that suffered from a high number of vacancies in the last 12 months

It is important to note that different initiatives might necessitate different sets of criteria, and some of the criteria listed above may not apply for specific roles that are otherwise deemed critical.

03

Forecast workforce supply

Up to this point, the CHRO has been working with data primarily from Finance and lines of business. The CHRO can now begin connecting HR data to data from across the organization, and begin incorporating workforce assumptions into the plan based on HR department expertise and advice from line-of-business leaders. Connected Planning facilitates layering in assumptions about hiring efficacy, mobility, and turnover, along with other labor and job market effects that could influence workforce supply.

04

Perform environmental scans

Reviewing external labor and job market data, and comparing your workforce planning assumptions to external sources is a critical reality check in establishing the validity of your assumptions. A generation ago, this activity would have been called benchmarking, and it is not the same as environmental scanning. Even today, benchmarking studies tend to be conducted annually or less often, delivering findings that, in a strategic planning context, tend to be static, opaque, narrow, or inapplicable. Environmental scanning is much better suited for agile workforce planning, especially in detecting workforce supply risks.

05

Identify and address talent gaps

Inevitably, workforce demand forecasts, along with other strategic planning activities, reveal talent gaps, as no organization can expect to have the talent they need for products that haven't yet been considered. In a Connected Planning environment, it is even possible for departments outside of HR to identify talent gaps. As such gaps manifest, the CHRO can evaluate multiple scenarios to determine how best to address identified gaps, and sometimes discover hidden gaps.

06

Develop HR strategies and programs to support long-term workforce decisions

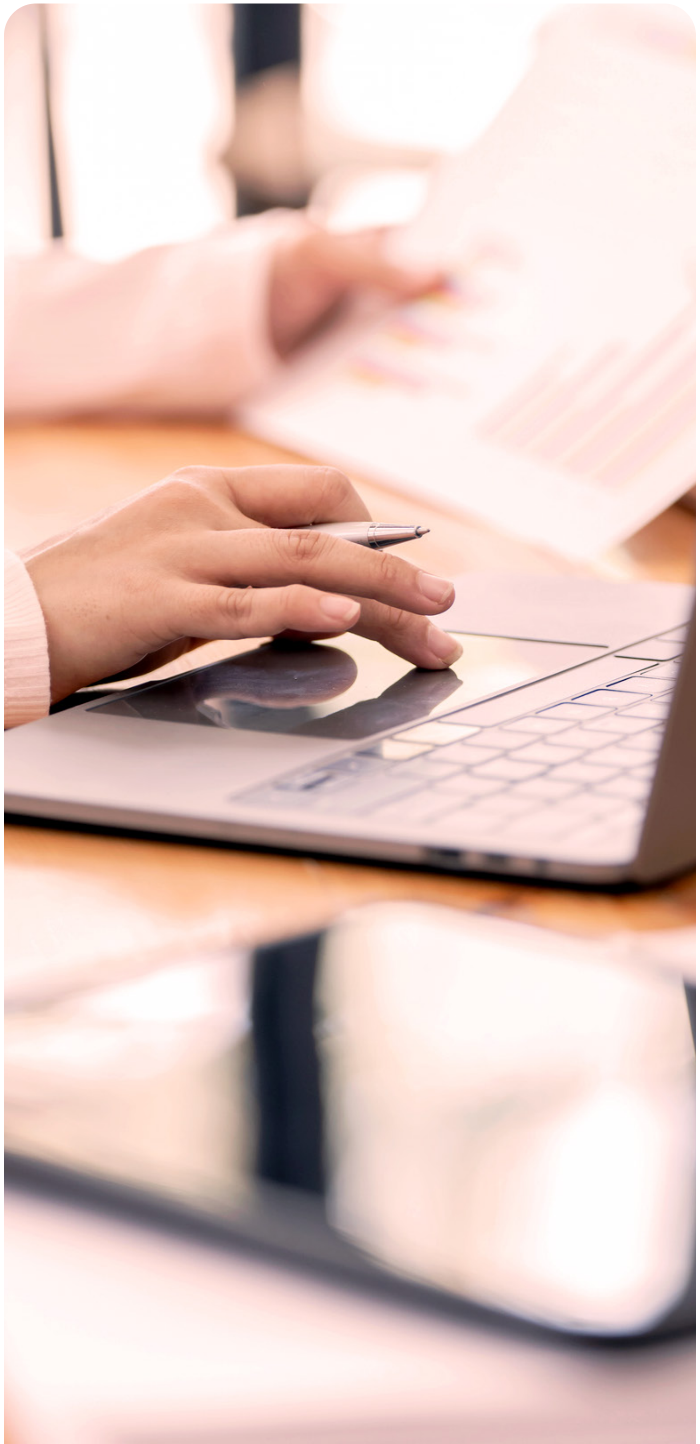
The most common strategies and programs to support long-term workforce decisions fall into two categories: talent supply and skill development. Central to both is the notion that it is usually less expensive, less risky, and more cost-efficient to develop from within rather than acquire from the outside. Scenario planning can be indispensable in helping determine whether, for a given situation, the workforce needed is already within the organization and can be reallocated, or it must be acquired externally. However, for emerging technical or highly specialized roles, the only practicable way to assure that talent and skills are up to date is for the organization to take responsibility for developing them using their own resources.

Operational workforce planning

Overview

- Macro view of the organization; medium time perspective
- Focus on position planning and open positions
- Up to an 18-month outlook
- Entire workforce readiness
- Driven by immediate resource need
- KPI: budget and cost
- CHRO and CEO: Manage workforce costs and budgets associated with key strategic goals

In contrast to strategic workforce planning that maps out opportunities on the far horizon, operational workforce planning guides near- to mid-term execution, and aligning the associated budget, costs, and positions. It is where the rubber meets the road in terms of the workforce fulfilling strategic objectives according to the timeline by which financial performance is measured. Decisions are tied primarily to financial metrics, especially revenue, in consideration of both actuals and projections. Operational workforce planning can extend to compensation and total rewards, which ideally is informed by the talent strategy discussed in the strategic workforce planning section above. The CHRO can expect to spend considerable time collaborating with both the CEO and CFO in developing the position plans aligned with budget and annual workforce plan, which is a common entry point for HR's involvement in overall workforce planning, especially if this activity is traditionally managed by the FP&A team.



The CHRO playbook for operational workforce planning

01

Model headcount against financial budget and growth projections

This is one of the most common activities in all of workforce planning, and necessitates that the CHRO and HR business partners be active and vigorous collaborators with Cost Center and line-of-business manager and the CFO. With HR taking a leadership role modeling headcount against financial budget and growth projections, modeling can greatly alleviate friction in the planning process and assure that data handoffs are smooth. It is important to note that growth projections can be positive or negative, and the CHRO must be prepared to model both and to treat the results equitably.

02

Plan for scenarios

A common practice is to identify and plan for best, worst, and most likely scenarios. Each can include very detailed assumptions from across the organization. The CHRO must be prepared for these, and resist the urge to minimize assumptions that include contingencies, which may seem improbable from an HR perspective. A Connected Planning environment enables both he CHRO and collaborators to skillfully create and evaluate numerous scenarios, including rare events. It also affords the flexibility to cascade down the organization for a top-down scenario, or roll up the organization for bottom-up planning.

03

Develop a working cost management system

The purpose in developing a working cost management system is not to supplant any existing systems, but rather to supplement operational workforce planning with a set of rules that alert executive-level planners to an exception as more workforce costs and cost objects are added to the plan. For the CHRO, they include costs related to hiring, compensation, attrition, role ramp-up time and development, and team-role ratio assumptions. To the CHRO, an additional benefit of a working cost management system is a high-level method to monitor cash flows and perform an ad hoc cost-benefit analysis in collaboration with the office of Finance.

04

Apply the position plan

Continuously applying the position plan in a Connected Planning environment gives the rest of the organization the visibility into all that HR does to assure that the organization has a robust yet agile workforce plan. The most prominent contributions of HR include developing hiring plans (including transfers and promotions), specifying new positions, requisitions, or reductions, and scripting rebalances of the workforce against revenue shifts.

05

Develop a system of transparency and controls

Most large organizations and enterprises already have a corporate performance management system in place. Even so, it is a good idea for the CHRO to adopt a practical system of transparency and controls specifically for workforce planning. Such a system need not be elaborate or highly formal, but should establish methods to continuously measure and monitor performance, and have controls to maintain alignment with business and financial plans.

03

Talent strategy, rallying the whole organization around managing individual and team performance

THEME:
Make sure no one can do what you do better than you.

BUSINESS OUTCOME:
Earnings performance, earnings quality, contribution margin.

MANAGEMENT SCOPE:
Individual and team performance.

TIME HORIZON:
Varies, commonly mid- to short-term.

BRIDGE ANALOGY:
Corresponds to cables; it takes a lot of cables to make a strong bridge, but if one snaps, the whole structure is at risk.

COMPETITIVE ADVANTAGE:
Innovation, innovative capacity.

Talent strategy is where HR has the most latitude and can be a source of significant competitive advantage. One strategy is to focus on innovation by concentrating the unique knowledge, skills, and abilities of individuals and teams on specific performance objectives. Innovation is the result of the accumulation of an organization's talent, and discovering and applying numerous small improvements, along with a few breakthroughs, to do things better than its competitors.

Talent strategy differs from talent management in that the latter refers more narrowly to the process of recruiting, onboarding, developing, and retaining specific categories of workers and leadership, and is usually confined to HR's scope. Talent strategy includes talent management, and comprises a broader scope of creating a holistic high-performance workplace. Talent strategy is more explicitly tied to financial measures, reaches beyond HR into other functions, and informs operational headcount planning, especially during times when business agility is essential.

A useful approach for the CHRO is to treat talent strategy in a manner similar to building and managing an investment portfolio. Of prime importance, especially to the CEO, is managing risk from a talent perspective, which includes the risks of being unable to deliver expected results, achieve sufficient levels of performance, or be competitive on the market, regardless of the reasons. Interruptions to revenue streams or the organization's ability to deliver customer value often represent significant impairments to talent investments, and can prompt executive leadership to make premature or suboptimal decisions in workforce rebalancing.

> When developing talent strategy, the CHRO needs to communicate very clearly to the CEO both the up- and downside risks.

This is certainly not to say that talent strategy is preoccupied solely with risk. It also seeks out combinations of talent investments that best contribute both to long-term strategic and short-term operational goals. The key to effective talent strategy is the CHRO maintaining a keen orientation to significant revenue events, as well as those modeled during planning. Talent strategy thus includes testing new modes of working and models for the future of work using Connected Planning to iterate data, models, and levels of risk to arrive at workforce plans that are operationally sound. The CHRO thereby becomes an advisor to both the CEO and the CFO on core and speculative talent investments, and ways to rebalance the talent investment portfolio that produce the most value to the business.

Talent strategy covers a similar time horizon as headcount planning and budgeting, but is often designed to fulfill immediate operational headcount needs, especially in highly agile organizations. Businesses cannot obtain talent and expect full proficiency at the flip of a switch. Likewise, shifting or rebalancing the organization when key elements of its culture fall out of alignment, especially regarding diversity or equity, usually takes many months to achieve. Therefore, the CHRO should consider talent strategy as having a time horizon of 6-18 months. Talent strategy recognizes that the designation "talent" applies to all classes and segments of workers throughout the workforce, and seeks to fill current roles, open positions, leadership roles, and roles yet to be created.

CEO questions for the CHRO:

- Do we have a work environment that attracts the best people? How long can we expect to keep them?
- Are our people focused on achieving the right outcomes? Can we change our way of working to be more effective and help everyone create a sense of purpose that is connected with our overall strategy?
- Are we all trained/incentivized/ managed/ engaged/motivated so as to do the right things and foster a culture of belonging and inclusion?
- Which roles require a specific location and which roles can be done from anywhere? Are we using this knowledge to attract top local talent and make them as effective as possible?
- Is there evidence that we are attracting and keeping the best people?
- Can we develop the skills needed for our strategy instead of acquiring them in the market?

The CHRO playbook for talent strategy

- Take a variable view of the organization, which may include segments, emerging areas, jobs, and job functions across the entire workforce; medium time perspective.
- Focus on current roles, open positions, roles to be created, and leadership roles.
- Prioritize a 6-18-month outlook.
- Consider workforce agility and readiness.
- Develop a plan that is driven by long- and short-term needs.
- For KPIs, consider individual and team performance as well as replacement ratio.
- CHRO and CEO: manage portfolio of talent investments.

As a CHRO, you are already an expert in talent management, and we're not going to pretend this section is going to tell you something you don't already know. What we want to present here is talent strategy as viewed from the perspective of agile workforce planning.

As alluded to above, talent strategy comprises both a location strategy for the workplace, and a talent management strategy for the workforce, which complement and reinforce one another in creating an environment of high performance, engagement, belonging, and a rich, meaningful employee experience.

Location strategy

01

Define tenets for the structure and culture of the workplace

Although it might seem like more of a mission-statement exercise, defining tenets for the workplace structure and culture is really all about creating a physical, virtual, and remote environment that facilitates the kinds of interactions among employees, and with management, that contribute to a thriving and productive workplace. Traditionally, a primary factor was proximity to customer or proximity to employees. Now the boundaries are getting stretched for many roles.

In developing a model for "where you work, how you work," the CHRO takes into account the spaces where people work, how many people are proximal in those spaces, what people need in order to thrive and collaborate working in those spaces, how people are expected to treat one another while occupying those spaces, and what is required to assure that those spaces are safe, and that the work they do is secure. Those spaces include shop and warehouse floors, assembly lines, spaces open to the public, offices, open plan workspaces, home offices in private residences, and coworking locations.

02

Revise and optimize location strategy and plans according to organization needs and objectives

The aspirations of a thriving, nurturing workplace need to be balanced against several realities, including workforce characteristics, the nature of work that needs to be done, security, and skills availability, along with their associated costs both direct and indirect. Maintaining an equilibrium requires periodic or even regular revision, as any number of circumstances can conspire at any time to affect both the workforce and the workplace. Agility in managing an executive location strategy can also influence business agility, particularly when operating in a highly "VUCA" (volatility, uncertainty, complexity, and ambiguity) environment.

03

Perform both an environmental scan and benchmarking

As with headcount planning and budgeting, it is important to incorporate third-party data on talent availability and costs, along with the presence of competition, to temper assumptions and perform reality checks. Location strategy differs in that benchmarking can complement an environmental scan when forming talent strategy. By performing an environmental scan, the organization can obtain precise information about the demographics and job market conditions in the environments in which it could operate, and then benchmark against its current position. Such a comparison can help HR design workplace environments that are tailored to support specific performance or productivity objectives.

04

Evaluate workplace arrangements

Although some workplace arrangements are thought to favor certain personal or group characteristics or categories of work, it is difficult to know in advance whether a specific workplace arrangement is feasible within the organization. Open workspaces are often designed under the assumption that it fosters regular and intensive collaboration, while more segmented workspaces are assumed to support efficient operations. Simulating scenarios of remote work, in-office work, or a hybrid approach is a valuable planning activity to equip the organization to identify all cost-beneficial workplace arrangement options.

05

Examine variable costs

Variable costs often arise as workplaces are occupied at fluctuating levels, and costs can accumulate rapidly during periods of especially high business throughput or during sudden workplace shifts. Variable costs can include travel of remote workers, facilities used under different scenarios, equipment provisioning, per-seat access to company technology, or unbudgeted training and recruiting expenditures.

06

Establish a system for tracking trends and employee decisions over time by country, region, or job function

An important part of being agile is, of course, frequent pulse checks and nudges. It is often overlooked that all these interventions are not just snapshots. They also yield data that, over time, can reveal trends and significant differences between groups, and can even be early indicators of emerging performance issues or opportunities. Simple employee feedback, if collected and analyzed carefully, can provide remarkably sophisticated planning feedback.

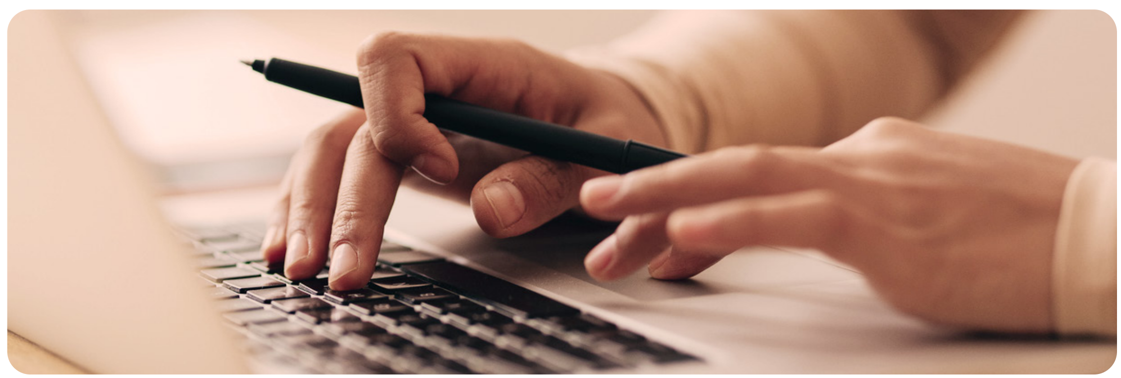
Talent management strategy

01

Diversity, equity, and inclusion

Diversity, equity, and inclusion (DEI), which includes compensation equity, has emerged as a major influence on corporate narrative and employer brand for nearly every business organization. DEI also reflects a company's stance toward environmental governance and social justice, all of which are highly visible and open to scrutiny, due in no small part to social media. Prospective and current employees, suppliers, partners, advertisers, stakeholders, and even shareholders exert immense pressure on businesses to commit to a shared set of values, and demonstrate their commitment tangibly.

DEI affects the workforce at all levels, but perhaps most acutely at the individual level. An agile workforce planning approach enables HR and planners to identify potential beneficiaries of DEI initiatives at the individual and group level, assuring that they are not invisible, and empowering them to participate in strategic plans designed specifically to advance their groups' tenure and stature within the organization. It also allows HR and planners to develop custom programs and connect them to resources and opportunities across the organization.



02

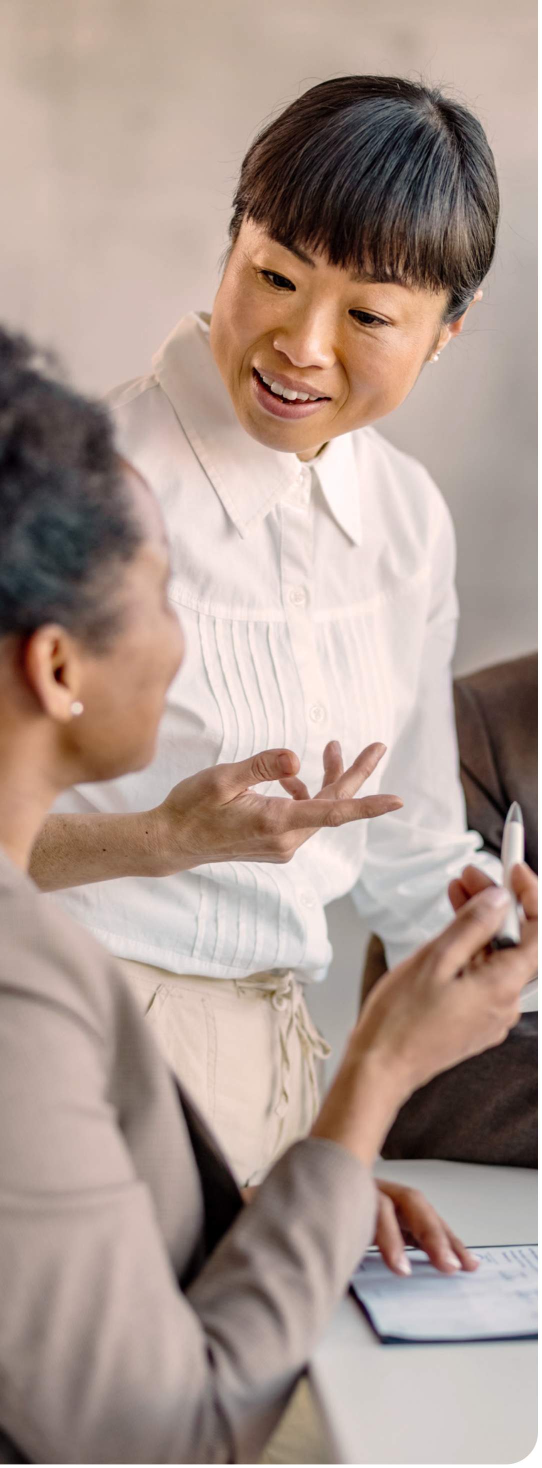
Recruiting and retention

Recruiting and retention represent high-touch events with employees, occurring at critical points where talent is considering transitioning either in or out of the organization. Consequently, recruiting and retention represent several hidden costs, including the cost of the search for talented candidates, and the cost of replacement for employees that decide to leave, despite the resources spent trying to keep them. Another frequent hidden cost emerges at the in-between stage, where a resource has left the organization and a replacement is not yet in place. Such a hidden cost becomes manifest when initiatives and projects fail to start on time, slow down, or come to a halt, and other resources are forced to reprioritize or double-time to pick up the slack, taking away time from their own projects and activities. Because of the interruption to normal operations, the organization may also experience significant additional costs and risk impacts to the delivery time and quality of its initiatives.

03

Employee development

The face value of learning and development programs has long been recognized by HR leaders, even as they are reminded of the costs and precarity of these programs by Finance. One of the great benefits of an agile workforce planning environment is that employee development initiatives can serve both long-term strategic ends just as effectively as they can serve short-term capacity optimization needs. Employee development programs can be mapped against multiple objectives, and talent can be more readily reassigned throughout the organization, reducing the need for hiring from the outside, and thereby lowering the costs of recruiting and hiring.



04

Capacity optimization: Managing operational performance with the right workforce configuration

THEME:
In whatever you do and whenever you do it, your workforce needs to be configured to carry the optimal volume of traffic possible, no matter what the conditions are.

BUSINESS OUTCOME:
Cash flow performance.

MANAGEMENT SCOPE:
Operational performance.

TIME HORIZON:
Mid- to short-term.

BRIDGE ANALOGY:
Corresponds to the deck; Planning for traffic and activity, and changes in both.

COMPETITIVE ADVANTAGE:
Maximal operational capacity at all times; always "on."

In our bridge analogy, capacity optimization corresponds to the deck, and illustrates the power in optimizing workforce capacity to create a competitive advantage. The deck is designed to carry a specified volume of traffic in both directions at any given time, according to conditions. Most of the time, the bridge carries a predictable range of traffic volume, operating at normal capacity. However, bridge capacity can change substantially due to poor weather, accidents, construction, emergency situations, holidays, special events, or any sudden variations in traffic volume. Traffic can slow down due to congestion, or speed up once the congestion is cleared. The bridge operator can reverse lanes when traffic volume in one direction is much higher than the other. In extreme cases, all lanes of the bridge can be changed so that traffic moves in a single direction, for example when evacuating a population from an incoming hurricane.

Being able to rapidly adapt operational capacity to varying conditions makes all the difference in maximizing the speed and efficiency with which traffic can move, no matter the conditions.

Capacity optimization is more likely to happen episodically, addressing an immediate pain point. An experienced CHRO is no stranger to this sort of pressurized task, yet it is easy for them to curtail operational planning activities once the presenting pain point is resolved and a plan is in place.

It is precisely those sorts of pressure situations that also reveal insight into areas where business-as-usual starts breaking down, and where there might be stress points and areas of neglect. Taking it a step further, connecting operational headcount planning data to talent strategy data can reveal sources of additional or reserve capacity, which can be deployed at lower costs and more efficiently than having to acquire it from the outside.

One of the most valuable outcomes of capacity optimization is the ability to right-size precise segments of the workforce as conditions change. To offer a few examples, in cases of workforce rebalancing, eliminating the wrong roles or shedding the wrong talent can be avoided, and available talent within the organization redeployed or upskilled. Underworked and overworked individuals can be identified, and workloads balanced and reallocated to achieve higher productivity. Most importantly, the CHRO can collaborate with Finance, line-of-business managers, and other decision-makers to develop short-term contingency plans for multiple scenarios, and determine the cost, budget, and strategic implications of allocating resources to implement them.

CEO questions for the CHRO:

- Do we have the capacity to execute the plan for this quarter? Next quarter?
- Do we have access to resource pools to rapidly ramp up to meet demand?
- Are all managers and department heads who might be affected by a shifting of resources onboard with the plan, particularly those who might have to relinquish some of their resources?
- Which sources for talent provide us with an advantage in terms of best rates and margins?
- Are any changes to the workforce composition likely to become permanent?
- Do we have the best system in place for business traffic, and to manage changes in traffic or conditions?
- If we had to make a sudden and substantial change to a particular business unit, how quickly could we do it?
- Are there places where we are burning cash or are likely to do so?

The CHRO playbook for capacity optimization

- Micro view of the organization; mid to short time perspective
- Focus on utilizable roles, departmental workforce segments
- Up to 12 months forecast
- Targeted workforce optimization
- Driven by workload
- KPI: Utilization and cost
- Managing adoption of workforce capacity to current or changing condition (CHRO and CEO)

For the CHRO, capacity optimization refers more precisely to workforce capacity planning and optimization. It is another management activity with which a seasoned HR professional will have a wealth of experience, and by which the CHRO can display strong executive leadership. However, HR will frequently defer to line-of-business managers to coordinate contracting arrangements through the company's services procurement processes. HR can improve overall capacity optimization by assuming greater responsibility in acquiring and using contractors. Smooth collaboration and a single source of shared data are integral for effective capacity optimization.

The playbook for capacity optimization is similar to that of operational workforce planning, albeit on a constricted scope and with greater urgency. The value of a connected planning environment often becomes manifest when the stakes are more immediate, as planners are able to perform scenarios, and scan the organization for underutilized resources.

01

Estimate workload based on business demand drivers

It is very easy for managers to react with alarm to what they perceive as demand shocks, particularly when it puts their near-term performance goals at risk. While the CHRO should always take the concerns of peers seriously, it is important to investigate the cause of concern, and identify the underlying business demand drivers. By providing visibility and transparency into line-of-business demand and demand forecasts, a Connected Planning environment makes it much easier to determine all the operational areas of the business affected by changes in business demand, along with their interdependencies. As a result, the organization is more likely to implement a right-sized reallocation of talent.

02

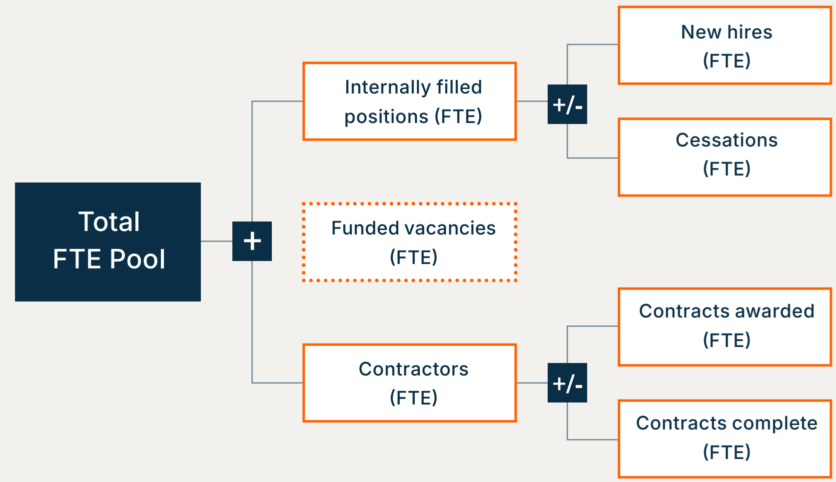
Determine workforce capacity across teams and roles

It is critical that affected managers and the CHRO are all working with the same set of data in determining workforce capacity across teams and roles. One of the first things planners will want to identify is any organizational slack than can be quickly and inexpensively reallocated. They will also want to determine which workforce arrangements are optimal, and where a net gain for one manager may result in a net loss for another. The CHRO will likely need to take the lead in assessing the costs versus benefits of sourcing capacity from the outside, for example contractors, contingent workforce arrangements, and gig workers. Doing so will likely require that the CHRO develop a closer partnership with services procurement for insight, as the HR organization frequently has little transparency into how many contractors are actually working together in different teams across the organization.

03

Assess operational risks by modeling capacity against workload to identify gaps

The most common operational risks include impact to productivity, changes in overtime costs, decreases in product and service quality or customer support, shipping defective product lots, interruptions in product delivery, workplace safety compliance, corporate security, and possible intermittent or brief decreases in short-term operational performance as resources are shuffled.

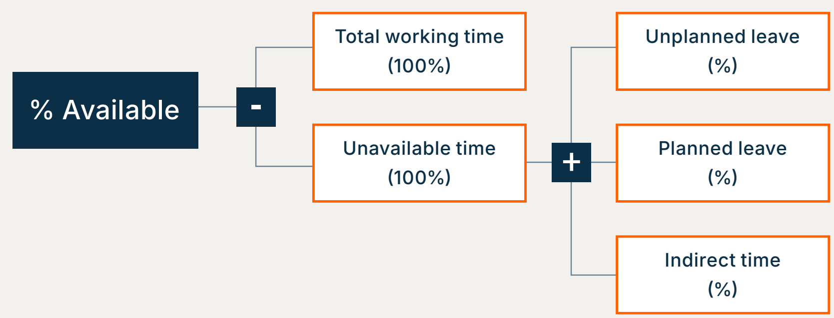


HR doesn't always have visibility into the contractors working in the organization. But the CHRO can coordinate with other workforce planners to work across HR and procurement teams to bring this data together for a full picture.

04

Simulate headcount changes and absences

This typically includes evaluating the potential impacts of organizational realignments, restructuring, and in some cases, mergers or acquisitions. Absences, whether planned or not, also have a substantial effect on percent of useful time, particularly when affected roles have no immediate successor of equal proficiency. In extreme cases, the CHRO and the HR team may need to simulate business continuity or crisis management scenarios.



Greater visibility into non-productive time allows the CHRO to create more accurate forecasts of both available and true capacity.

Conclusion: Agile workforce planning, an architectural masterpiece

We've covered a lot of ground in this eBook, and that's because planning a workforce to generate competitive advantage in both the short- and long-term has become much more intricate and arduous. The supply of workers has become more volatile as digitization and automation redefine the skills that employers need most. The workplace has become more distributed, affecting productivity and talent mobility. Businesses are becoming responsive to increasingly high stakeholder demands for corporate social responsibility. And the global economy has become far less stable.

For the CHRO, the task of transforming labor input into business output has profoundly increased in scope, and consequently planning the workforce is properly an executive-level strategic planning activity. The CHRO can accomplish such a momentous task by building a bridge to connect the workforce to the rest of the business, and architect it to enable business agility as a consequence of planning agility. The bridge connects the workforce to the rest of the organization and workforce strategy to business results by doing three things:

- Balancing the tension between what the business aspires to do and what the business can afford to do
- Supporting all the business does in both the short- to medium-term with a high-performance workforce, composed of the best talent for the work to be done
- Carrying the most business traffic possible in the short-term, in a variety of operating conditions

The CHRO is the architect of the structure that harnesses all these forces, and connects financial performance, individual and team performance, and operational performance to one another. Thus, the CHRO's scope of control encompasses managing these three dimensions of performance (financial, individual and team, and operational), as they relate to the workforce, which is accomplished through **workforce planning, talent strategy,** and **capacity optimization.**

We'd like to conclude by mentioning a few things. Competitive advantage is the name of the game in business strategy. You really do have to perform better than others, and that includes planning better, with agility. The CEO is very keyed into competitive advantage, but probably won't use the exact term. Instead, they'll use phrases such as "dominate the space," "own that segment," "be in the best position," "lead the field," or "be the leader." Agile workforce planning enables the CHRO to determine their organization's unique ways by which they can attain competitive success, especially through business growth, innovation, and maximal operational capacity. Just as importantly, **agile workforce planning illuminates the links between people, production, and profitability** in all the areas where the organization could feasibly achieve competitive advantage.

And finally, agile workforce planning does not require anyone to have the answers at the outset. The best way to proceed is to start simple, begin connecting the pieces, and add in layers gradually. Use feedback from others to make new connections, modify assumptions, or try for a more sophisticated model. Let your organization reveal its secrets a little at a time. As you use agile workforce planning to discover and refine ways to create competitive advantage through your people, you'll also build better plans than your competitors. In a competitive space where all else is equal, whoever plans the best wins.

Technology enables agile workforce planning to drive operational efficiencies, accelerate innovation, and build competitive advantage.

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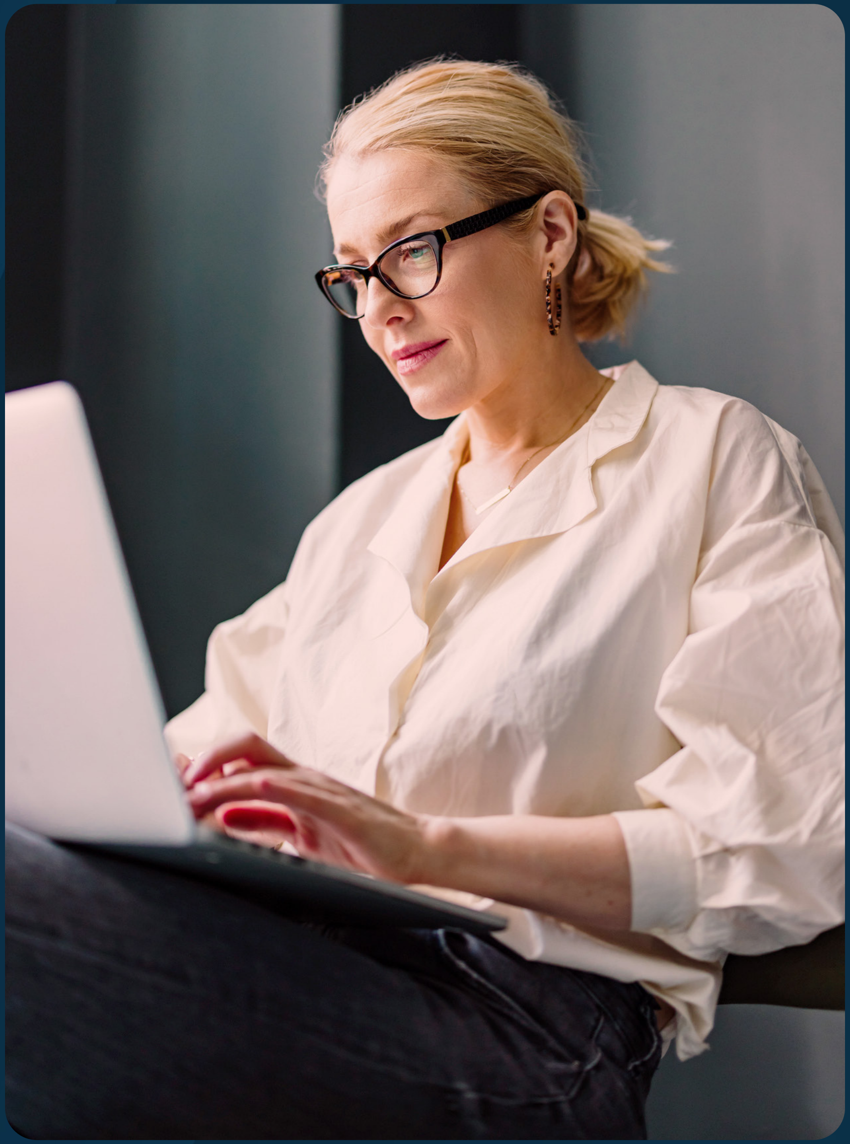

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