

March 2015

# Workforce Strategy Audit Survey Report

By Colin Beames



Sponsored by

 KPMG

## Executive Summary

1. Strategic Workforce Planning is a relatively recent development in the field of strategic planning and has become a hot topic in talent management since the financial crisis. There are several drivers for this.
  - Many organisations are recognising the need to plan ahead to increase capability, reduce costs and align resources to future business needs.
  - Demographic changes such as the ageing workforce mean firms need to rethink their approaches to employment and training.
  - The contingent workforce, characterised by freelance work, zero-hours contracts and online brokerages such as oDesk, offers many more opportunities to align the workforce flexibly with peaks and troughs in demand.
  - In certain key disciplines, the quality of talent emerging from universities is inadequate; a survey by KPMG of 200 senior executives found 75% of HRDs and 77% of C-suite executives reported a mismatch between the capabilities of graduates entering the workforce and business needs.
2. In today's world of ever-increasing complexity, it is even more important to prepare for an uncertain future armed with a plan that can be adapted to changing circumstances, rather than simply reacting to unforeseen events. Adopting a strategic approach to workforce planning, which at both the current and longer-term people requirements, will leave organisations better prepared to deal with a dynamic and fast-changing environment.
  - Competitive advantage can be gained by effectively connecting business strategy with developing the capabilities needed to deliver the plan.
  - Strategic Workforce Planning helps future-proof the business by identifying opportunities to retrain staff whose skills are at risk of becoming out of date, or highlighting where a more flexible workforce may be needed.
  - Strategic Workforce Planning also helps organisations identify roles that are critical to business success, which should therefore attract higher levels of investment.
  - Strategic Workforce Planning provides the context and information necessary to support decision making in areas such as designing suitable Employee Value Propositions (EVPs), whether to 'make' or 'buy' key skills, where to invest in skills development, and what resourcing policies to adopt.
  - Strategic Workforce Planning allows actions around retention, engagement and performance management to be varied according to the characteristics of roles and their relative importance to business outcomes.
  - Effective Strategic Workforce Planning should result in a better allocation of resources and lead to better returns on investment in training and development, talent management and succession planning.
3. However, in spite of increased interest, Strategic Workforce Planning is still an emerging discipline, and our survey found there is considerable room for improvement. Strategic Workforce Planning is difficult to do in practice, and requires coordination across multiple disciplines. While many organisations claim to take a strategic approach to planning their workforce, deeper examination of their practices shows that few have a comprehensive workforce strategy, and HR policies, talent management and succession planning are not sufficiently well coordinated. The broad recommendations we would make include the following.
  - Like business strategy, the Strategic Workforce Planning should be owned by the whole executive team, not just the HR Director. The CEO, CFO and key executives should be involved in developing the Strategic Workforce Planning.
  - Strategic Workforce Planning should consider the broader contingent workforce including contractors, partners etc, and not just direct employees.

## Executive Summary

- Strategic Workforce Planning also needs to focus on distinguishing between 'make' roles, which require greater investment in training and development, and 'buy' roles, as well as identifying roles that might be suitable for outsourcing.
  - Strategic Workforce Planning should culminate in a 'living' plan, which is kept up-to-date, and leads to action and follow-up. Too many workforce plans end up gathering dust on a shelf.
  - Rather than adopting traditional approaches to workforce segmentation, such as by job families or organisational level, Strategic Workforce Plans should focus on identifying the characteristics of various roles, including those key roles which make the largest contribution to business outcomes. This allows for different EVPs and HR policies and practices to be developed for these roles.
4. Corporate Research Forum (CRF) and Advanced Workforce Strategies (AWS) invited CRF members to complete the Workforce Strategy Audit Survey (WSAS). This report sets out the aggregated responses of the 37 CRF member organisations who completed the WSAS, ranging in size from under 500 to over 50,000 employees. Given the range of different types and size of organisation represented in our sample, it is reasonable to suggest that the findings carry broad lessons for all organisations. The WSAS is a 65-item survey developed by AWS to assess how developed an organisation's workforce strategies and people management practices are. The survey consists of nine key sections, each comprising a number of items.
5. The nine sections are as follows.
- 2.1 Survey participation.
  - 2.2 Survey section summary.
  - 2.3 Section 1. Alignment between business and workforce strategies.
  - 2.4 Section 2. The documentation, involvement, scope and process of developing a workforce strategy.
  - 2.5 Section 3. Workforce segmentation and role differentiation.
  - 2.6 Section 4. Collection, integration, analysis and interpretation of HR data.
  - 2.7 Section 5. Acquisition of human capital (recruitment and selection).
  - 2.8 Section 6. Utilisation/engagement and retention of human capital.
  - 2.9 Section 7. Development of human capital (learning and development).
  - 2.10 Section 8. Deployment of human capital.
  - 2.11 Section 9. Implementation and outcomes of Strategic Workforce Planning.
6. The findings amount to 'a mixed bag' and point to significant shortcomings in the way organisations carry out Strategic Workforce Planning. The results do compare favourably with an earlier survey of 60 Australian organisations, although this is to be expected given that participants in the UK survey were larger – over 90% had more than 1,000 employees and nearly 50% had more than 10,000 employee.
7. The two sections where respondents scored most highly were as follows.
- Section 1. Alignment between business and workforce strategies.
  - Section 8. Deployment of human capital.

## Executive Summary

The two sections where they scored lowest were as follows.

- Section 4. Collection, integration, analysis and interpretation of HR data.
- Section 9. Implementation and outcomes of Strategic Workforce Planning.

Bigger seems to be better: larger organisations tended to score more highly than smaller organisations, particularly in Sections 1 and 9.

8. Overall, we reached the following conclusions.

- Organisations lack an in-depth understanding of what a workforce strategy actually is and of how it links to the business strategy. This is a concern given that determining which roles are most important to desired business outcomes is the essence of a successful workforce strategy.
- They adopt a piecemeal approach to Strategic Workforce Planning rather than 'whole workforce' approach, which includes the contingent workforce.
- When segmenting the workforce organisations don't appear to fully understand role characteristics and role differentiation, nor reflect these in HR policies and practices and the way they report HR data.
- Organisations take a 'one size fits all' approach to developing Employment Value Propositions (EVPs), competency assessment, and performance management and appraisal systems.
- Organisations tend to be reactive rather than proactive: succession planning is poor, forecasting of recruitment needs is non-existent, career paths are under-developed, there is low focus on workforce risk, and knowledge about future skills requirements is hazy. This may be partly a consequence of under-resourced HR departments.
- A number of organisations struggle with their HR data and analytics. The current emphasis on adopting HR technology and analytics before having developed a workforce strategy is like 'putting the cart before the horse'.
- Strategic Workforce Planning is delivering disappointing results – starting with problematic implementation. This is likely to be a consequence of all of the above, and is, therefore, not surprising. The inevitable consequence is flawed people management, which compromises the organisation's ability to achieve its strategic objectives.
- Executives and senior HR professionals need educating in Strategic Workforce Planning, given that managing internal resources is now seen as crucial to sustained effectiveness. Configuring and managing a workforce that is accessible, skilled, motivated and efficiently deployed, with a strategy that is aligned with the business strategy, will increasingly be a key differentiator of business performance and financial success.



CORPORATE RESEARCH FORUM

One Heddon Street Mayfair London W1B 4BD United Kingdom  
T + 44 (0) 20 7470 7104 F + 44 (0) 20 7470 7112  
enquiries@crforum.co.uk www.crforum.co.uk @C\_R\_Forum