

Strategic Workforce Planning: HR as a Strategic Player

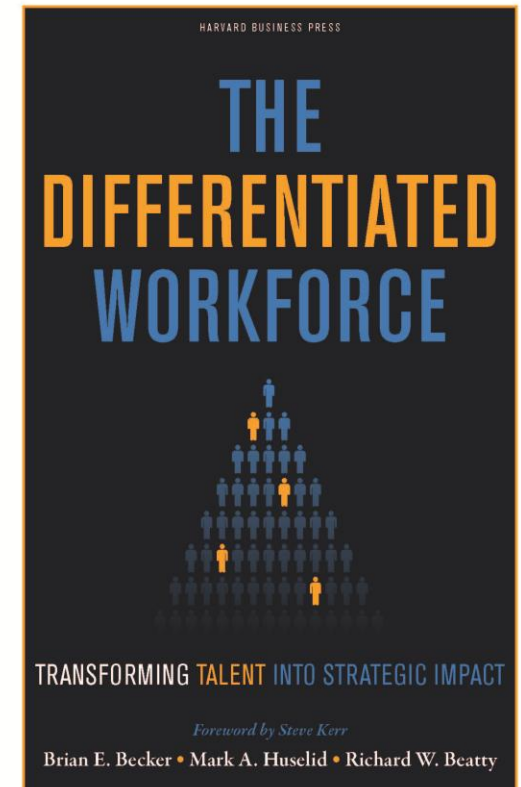
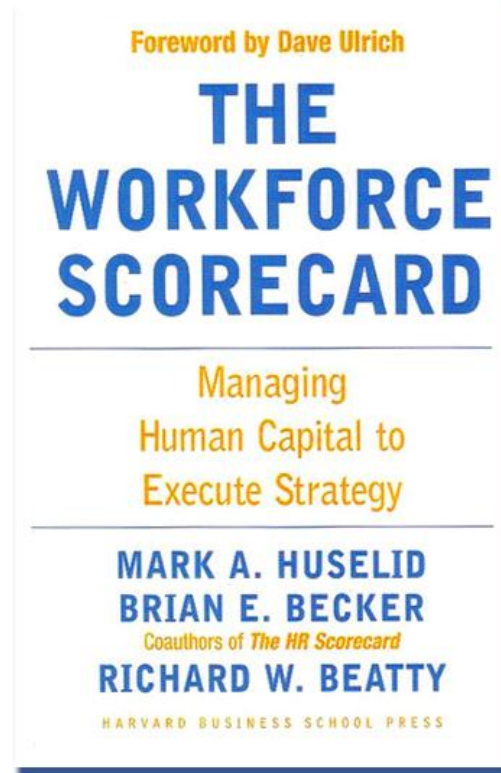
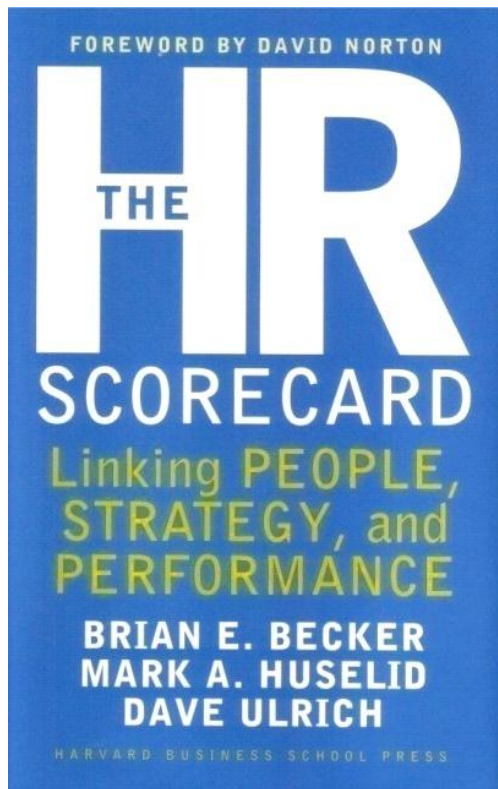
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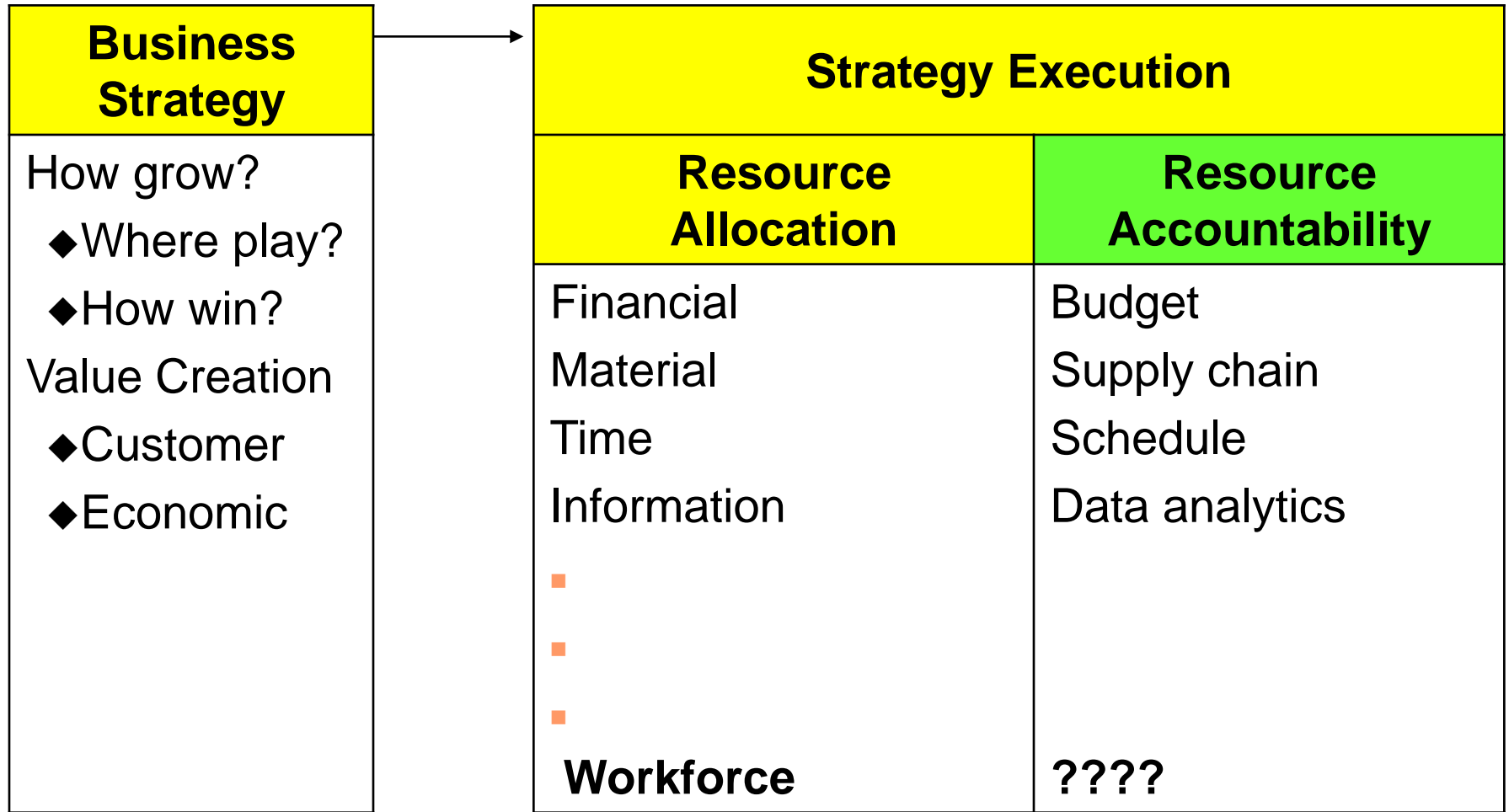
June 3, 2015

Cyprus Human Resource Management Association

A Focus on the Design, Implementation, and Measurement of HR and Workforce Strategies



Business Strategy, Strategy Execution and Resource Accountability



Five Things to Know About the Future of Workforce Management

- ❑ Manage your workforce like a portfolio and leverage its return
- ❑ Three types of work in organizations — strategic, support, and surplus
- ❑ Strategic work creates customer and economic value
- ❑ Less than 15% of the positions in your firm (not 15% of employees) have an impact on your firm's strategic success
- ❑ Performance variability in strategic work causes firms to underperform — **and** is a strategic opportunity!

The Process: A Checklist

Right strategy



Right work



Right workforce



Right workforce practices

- How grow?
 - Where play?
 - How win?
- Right customers?

- What strategic capabilities (i.e., core competencies) are necessary?
- What positions create customer and economic value?
- What are the roles within strategic positions that create value?

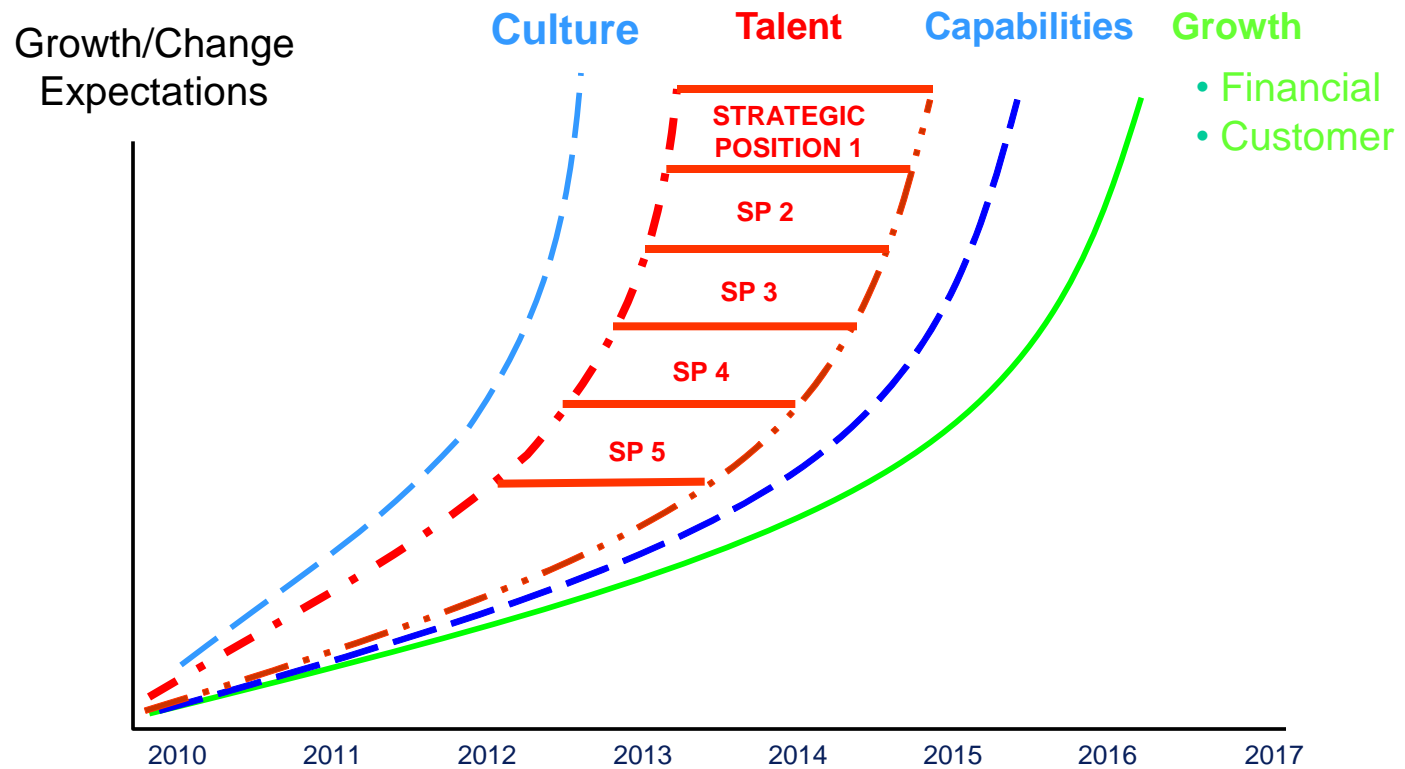
- What talent is strategic?
- What bench strength is needed?
- What is our strategic talent inventory?
- What should our strategic talent inventory look like
- By when?

- How will we close strategic gaps?
- Selection?
 - Development?
 - Performance improvement?
 - Compensation?
 - Communication?
 - Work redesign?

The Workforce and Value Creation

**Leadership and Value Creation
— What is HR's Role? —**

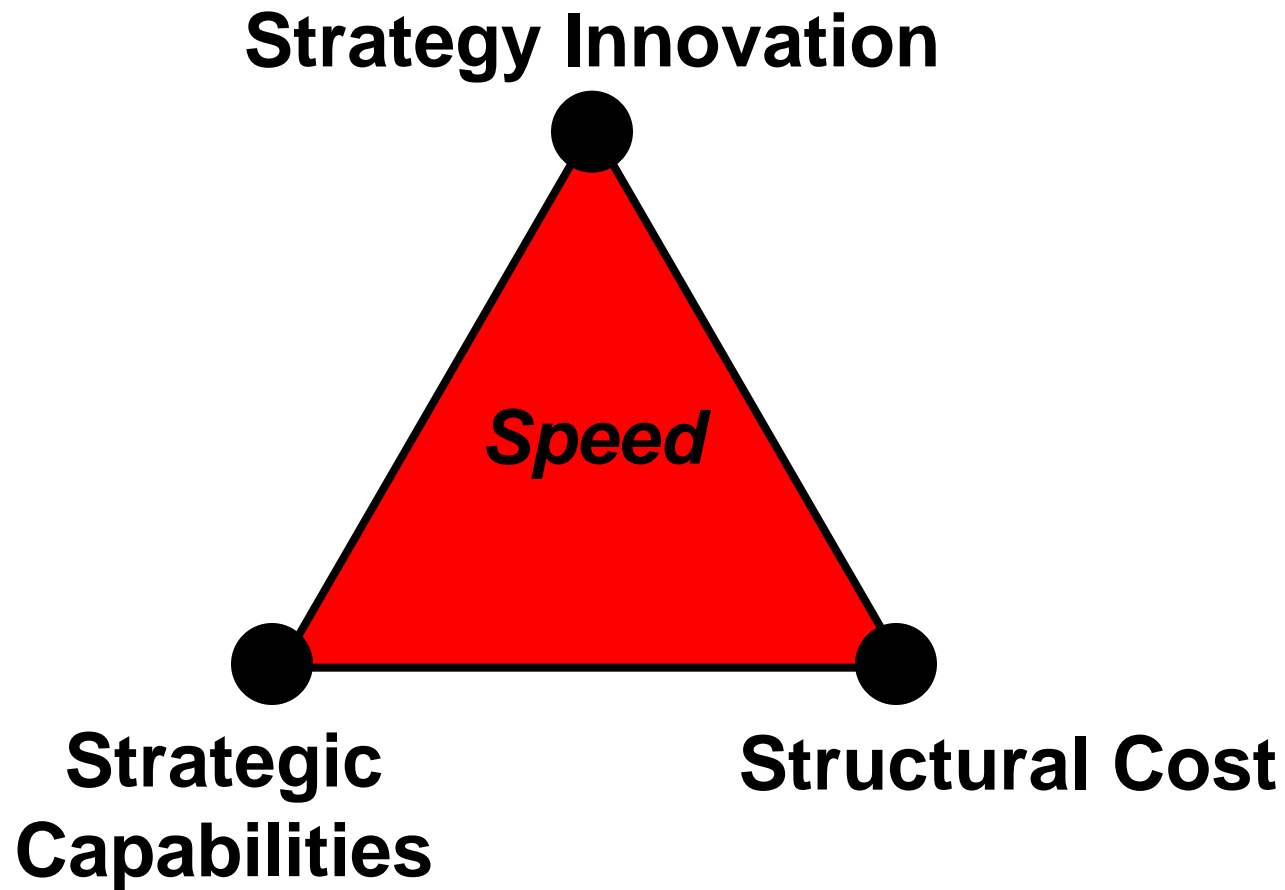
Evolutionary vs. Revolutionary Change



The New Focus on Capabilities

The Strategic Capability Challenge!

Leadership Challenges



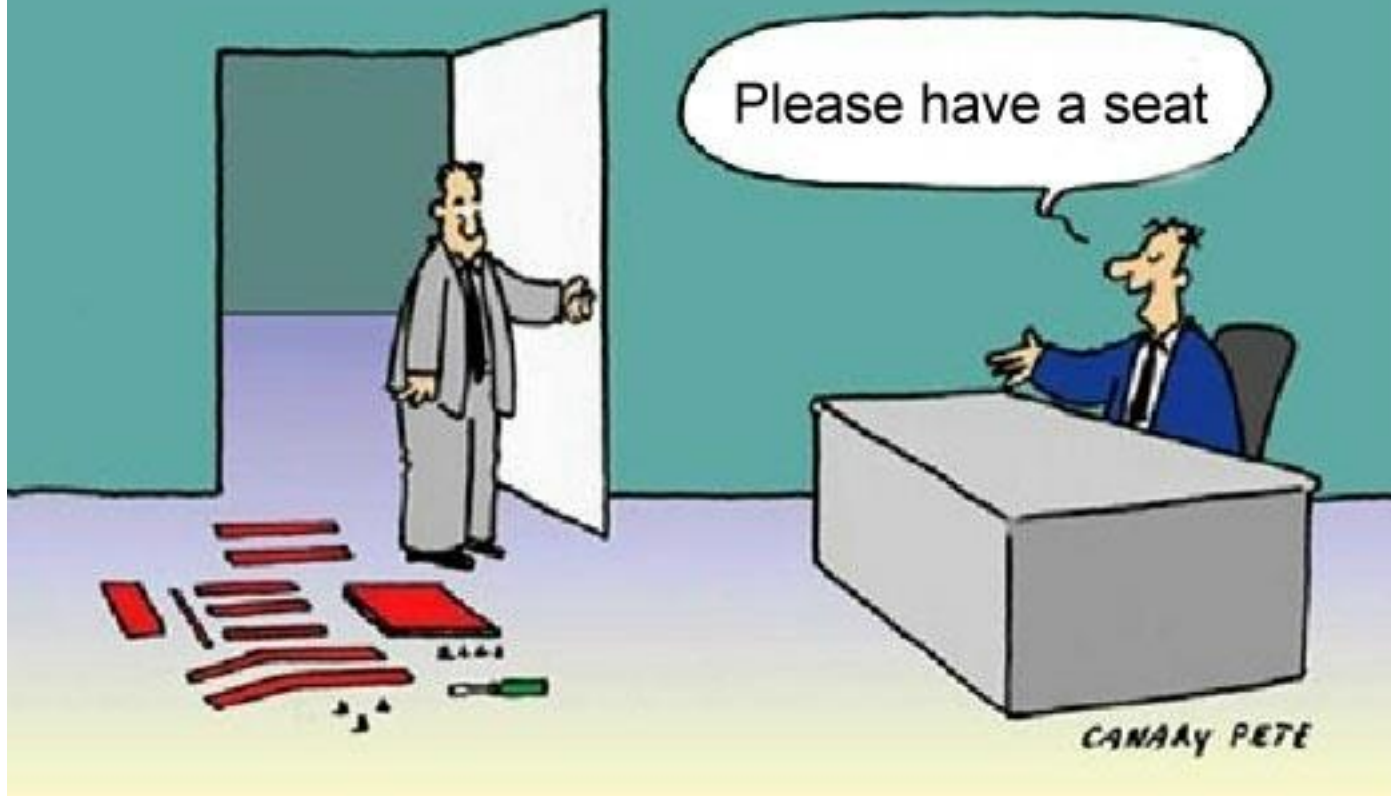
Capabilities, Talent and the **Growth** of a Business

**Strategic Capabilities:
What capabilities create
customer and economic value?**

Strategic Capabilities:

What *must* the workforce be **ABLE** to do to grow our business?

IKEA Job Interview

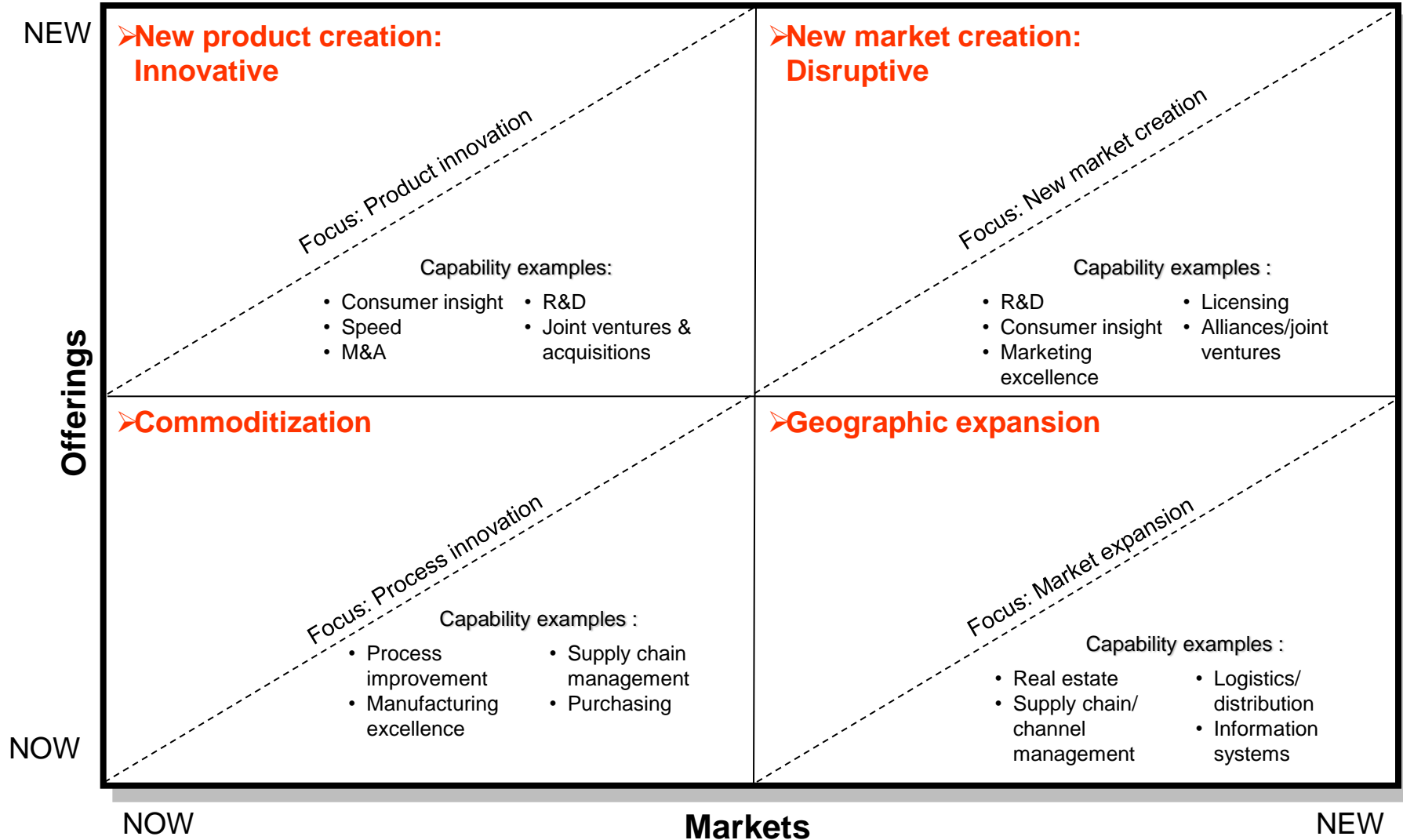


**At what must your
business be great?**

**To Create Customer
and Economic Value**

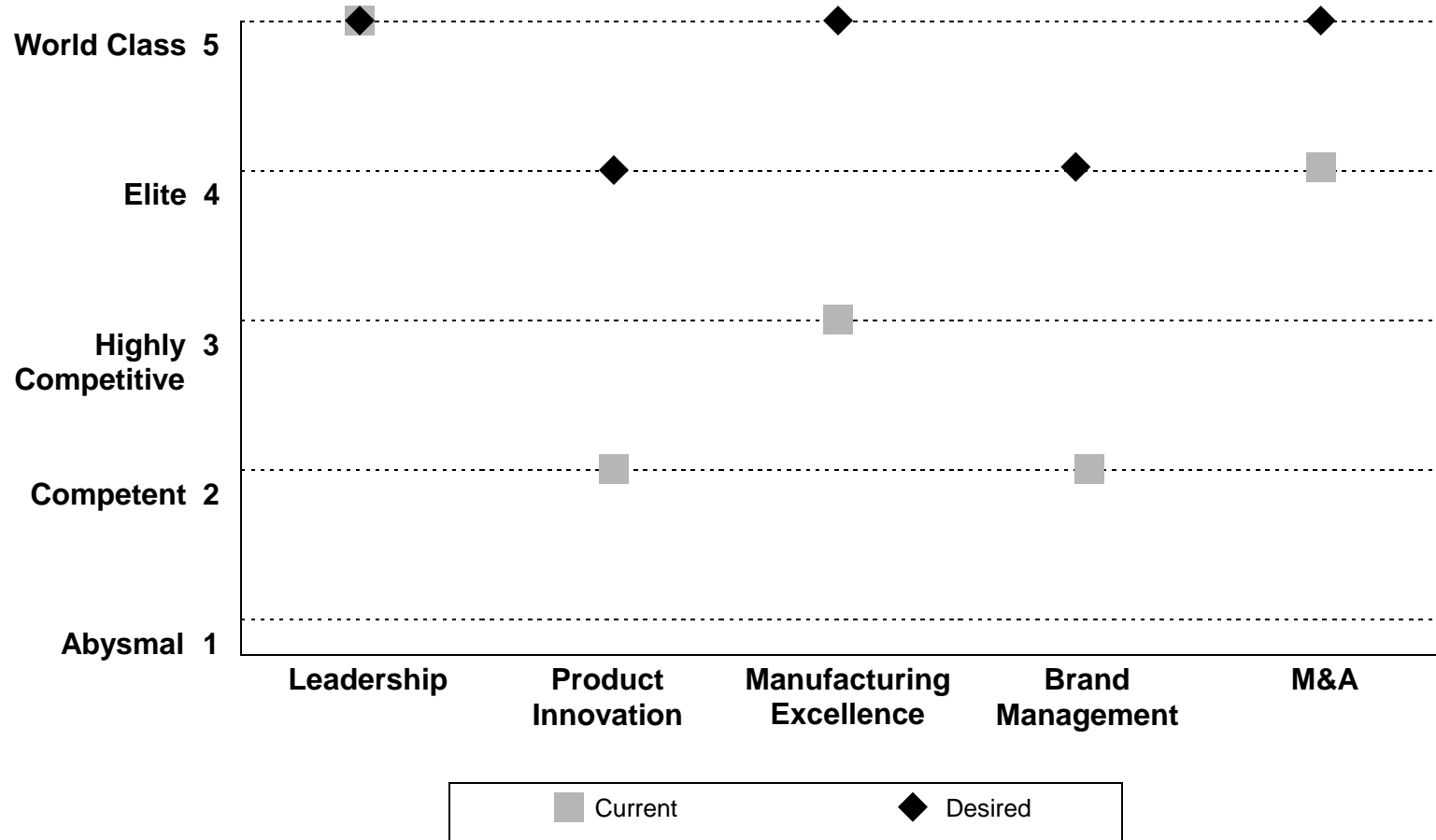
Where Do We Go From Here?

The Growth Strategy Matrix

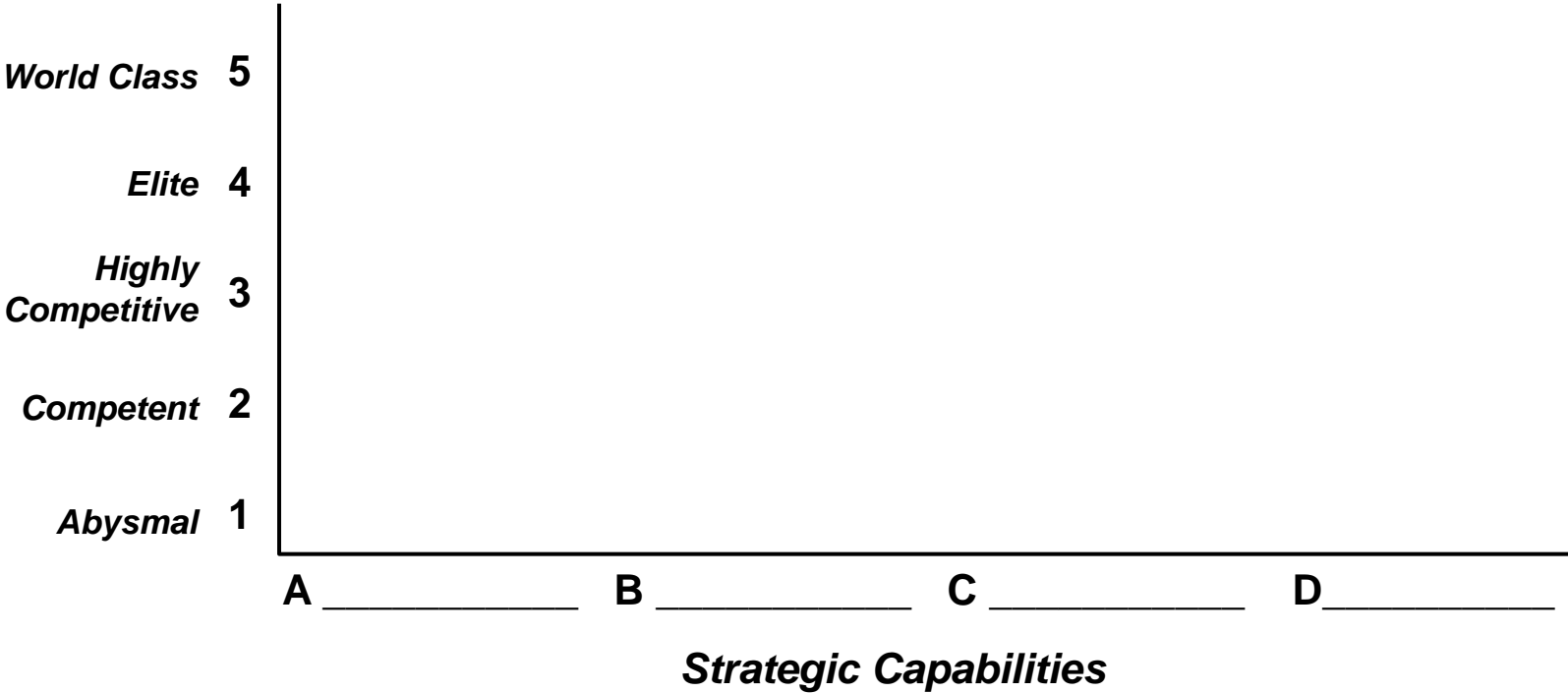


How great do you need to be?

General Electric Strategic Capabilities



Identifying Strategic Capabilities — An Exercise —



Key: X = Present W = Win

Please do not use LEADERSHIP here.

Strategic capabilities need to be defined and have metrics developed for the desired level of each capability.

What is strategic?

V = Influences customer's perception of value

P = Enables us to charge our desired price

C = Enables us to produce at our desired cost

**Focusing on the work
required to close strategic
capability gaps**

Strategic Capability Gaps: How will we know when we have achieved our target?

“Target” Goals/Description:

Desired

G

What action(s) are needed to close this gap?

A

- More effort?
- More people?
- Different work?
- New position/roles?
- Higher performance expectations
- Other:

Present

Developing Destination Targets

Strategic Capabilities: Metrics and Actions

Desired

Strategic Capability: _____

What defines success?

What work must be accomplished?

Who must do the work?

How effective are they?

G

A

P

Present

Strategic Capabilities DEFINITIONS AND DESTINATION METRICS — *Examples* —

1. **Strategic Capability: Extension of Product Life Cycle:**

Maintaining revenue and margins after patent expiration.

Destination Target (world class): Maintaining 80% of pre-patent expiration sales with 90% of the margin for at least two years after patent expiration.

2. **Strategic Capability: Identification of Underserved Markets:**

Determining markets that are not presently served that have the potential of \$100M annually.

Destination Target (elite): Achieving \$100 million in sales one year after product introduction in a market not presently served and maintaining for five years. At least one such product is to be produced every three years.

Strategic Capabilities DEFINITIONS AND DESTINATION METRICS — *Examples* —

3. **Strategic Capability: Service Excellence:** Delivering to our customers and meeting their expectations, first time, every time.
Destination Target (world class): Achieving a 95% customer success score with our “stretch” customer survey and 98% customer success score on our “profitable core” customer survey.

4. **Strategic Capability: Process Innovation:** Redesigning production processes to more efficiently and effectively improve how our products are produced.
Destination Target (elite): Reducing the cost of production 2% annually while maintaining or improving product quality annually.

5. **Strategic Capability: Supply Chain Excellence:** The movement of all products from inbound logistics to ready-for-sale.
Destination Target (elite): For 99.8% of all SKUs, no more than 2 “stock outs” are to be experienced in any month.

Strategic Positions

**What work must be
accomplished?**

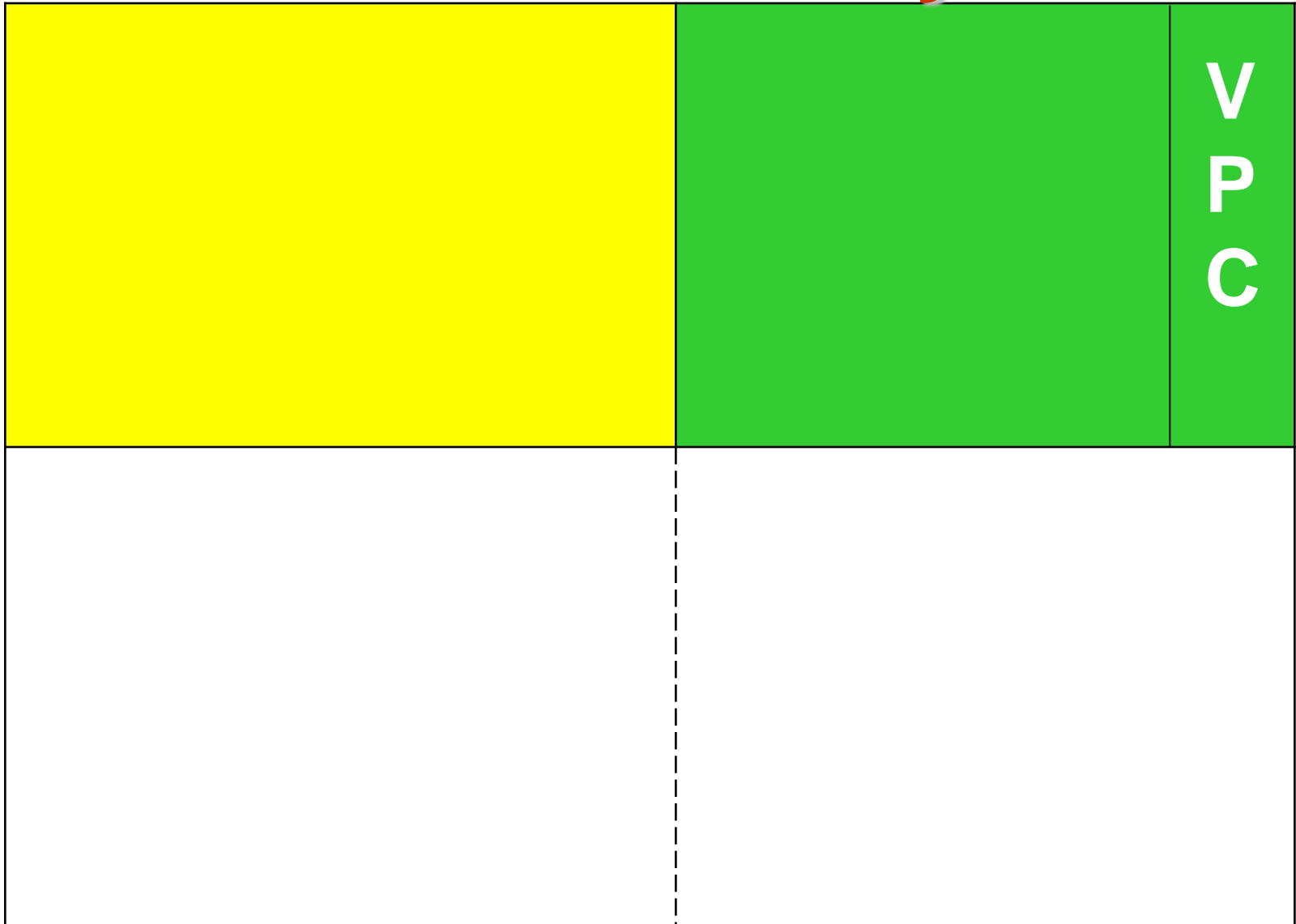
Performance Planning for Strategic Positions

- Why does this job exist?
- What does it contribute to our strategy's success?
- How well is work performed?
- What work needs to be added?

Work Quality

Low

High

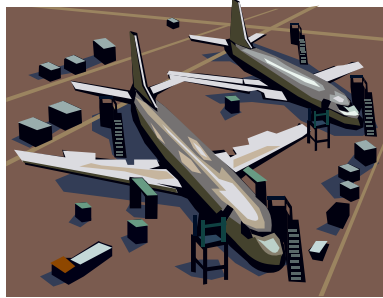


Strategic Value

Low

Value Creation vs. Avoidance of Value Destruction

**Strategic Positions Are Found Within
Strategic Capabilities (VPC)**



Wealth Creating Positions in the Airline Industry

Performance in Strategic Positions

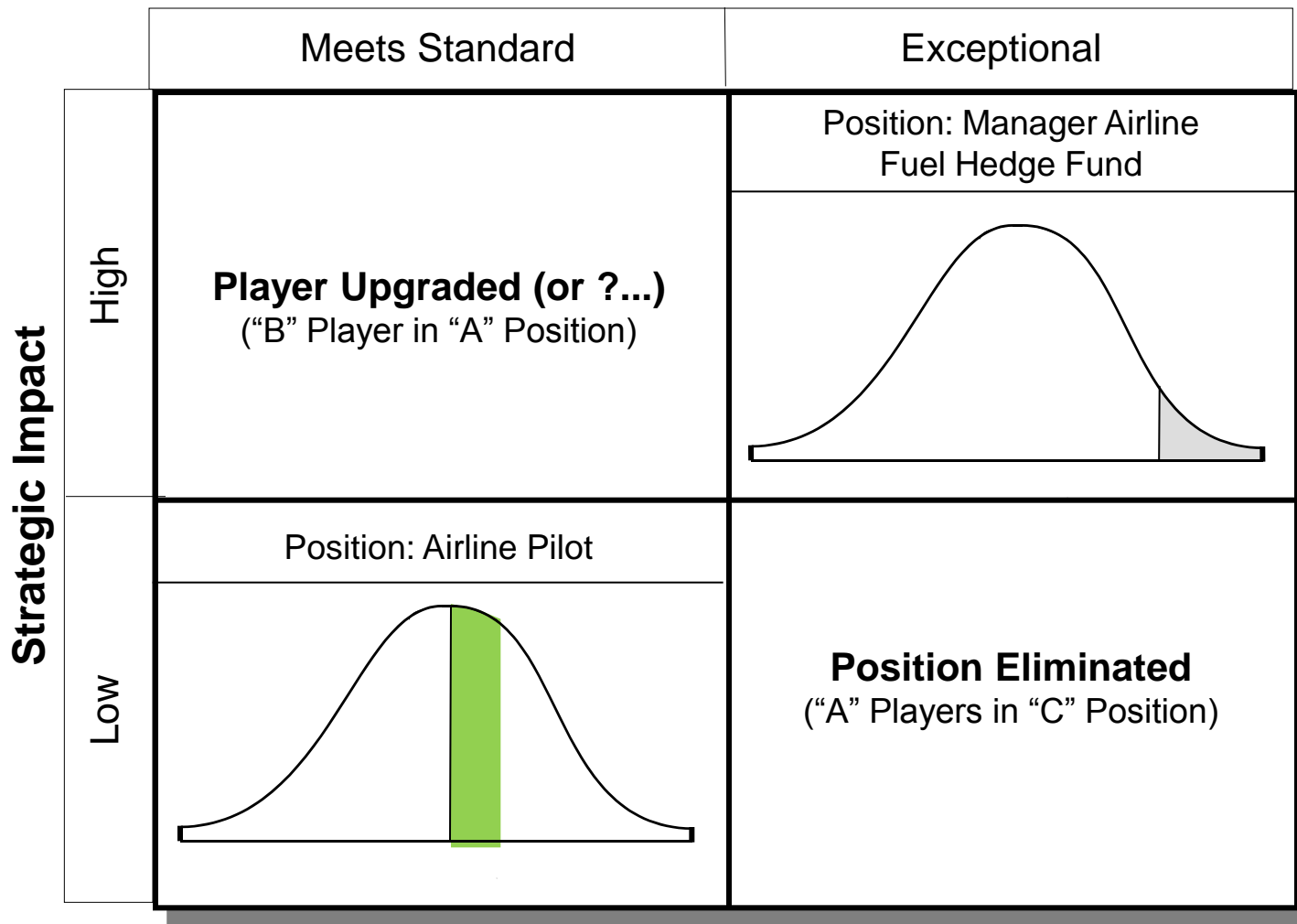
Airline Industry

Positions	Primary Financial Impact	
	Revenue	Cost Neutral
Events Manager	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Corporate Client Manager	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Airline Pilot	<input type="checkbox"/>	<input type="checkbox"/>
Airline Fuel Hedge Fund Manager	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Director Seat Capacity Management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Who are Strategic “Players”?

Must be in Strategic Positions

Desired Performance Variability



Strategic Capabilities: Metrics and Actions

Desired

Strategic Capabilities: _____

What defines success in this strategic capability (metrics)?

What work must be accomplished?

Who must do the work?

How effective are they?

How effective are they?	

G
A
P

Present

Strategic Players:

Who is in roles that create customer and economic value?

**Does Performance
Variability Matter?**

The “Nose”



At **Guerlain**, a French perfumery, the critical human capital would be in a position such as the “nose,” a person who can identify 800 separate scents and identify trends, such as the androgynous trend in scents for younger purchasers. A person who can identify such a scent can sell hundreds of million dollars of relatively low-cost to produce merchandise. Such individuals obviously are extremely valuable and clearly have very specific skills, which cannot necessarily developed, may even be referred to as innate but are not widely distributed in the labor market and have extreme impact upon a firm’s revenue.

Did We Say “Talent Matters”?

“The top software developers are more productive than average software developers not by a factor of 10X or 100X, or even 1,000 X,

but **10,000X.”**

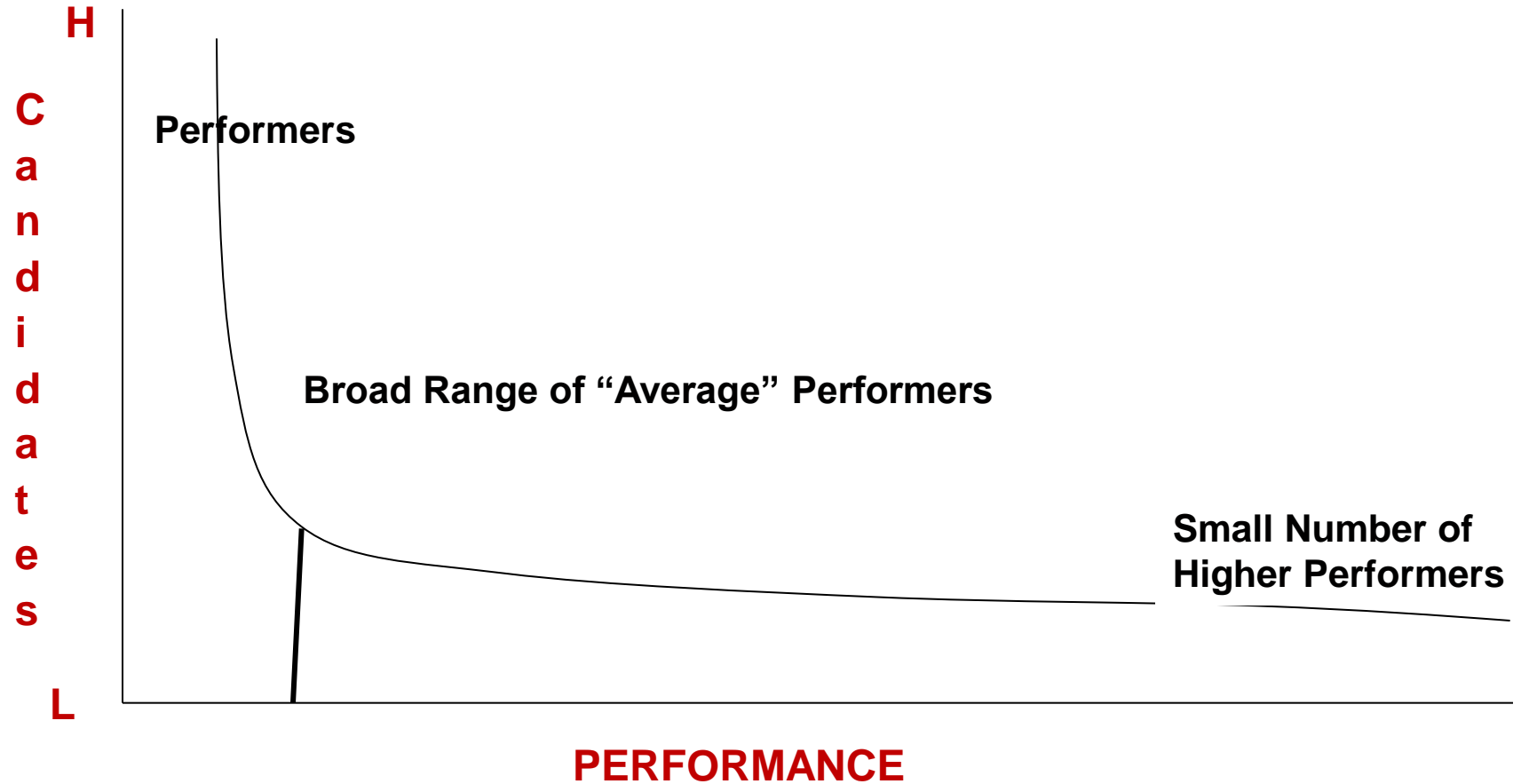
–Nathan Myhrvold, former Chief Scientist, Microsoft

Performance Variability — Examples —

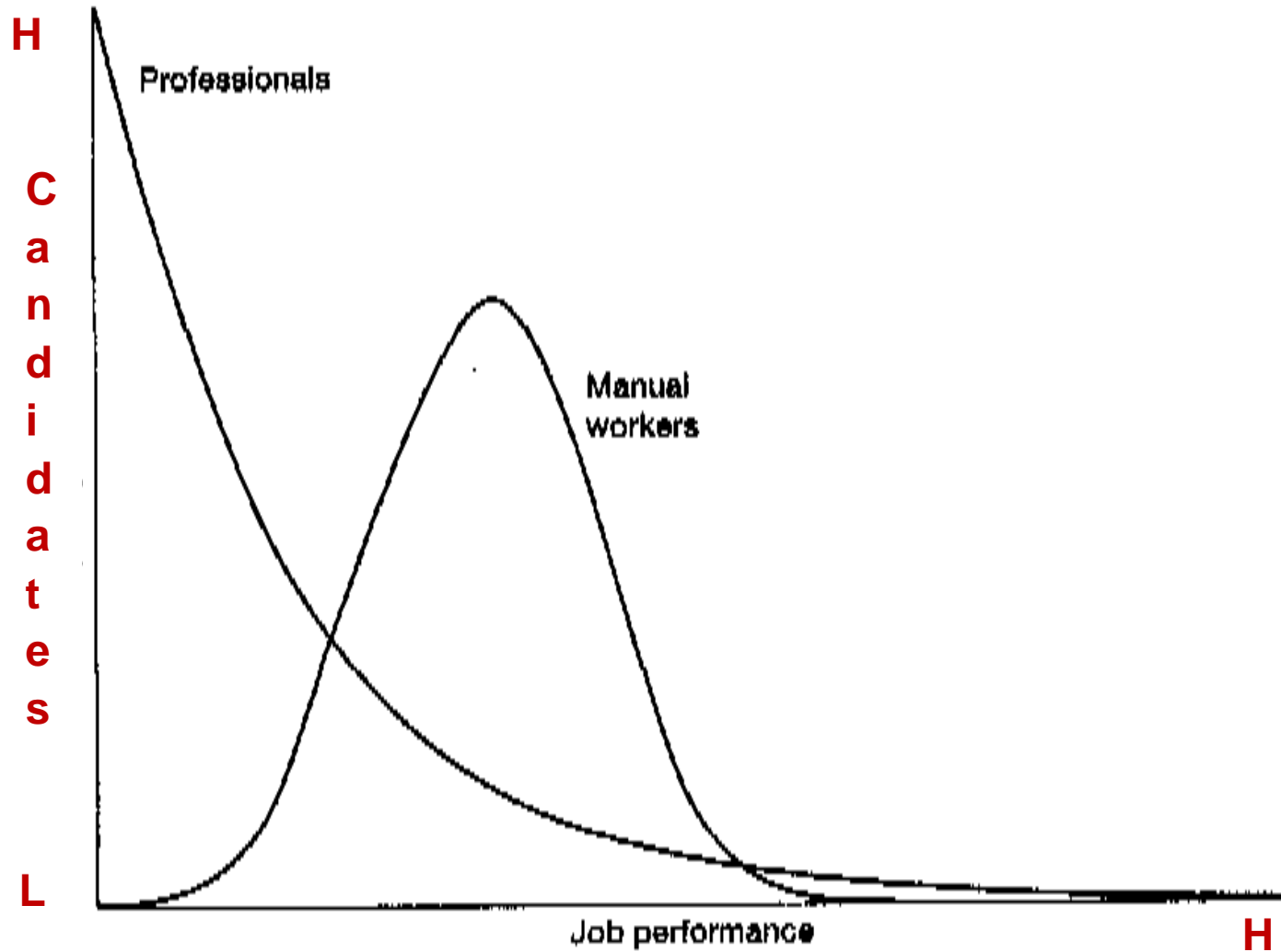
Position	Revenue* Generation Ratio
Investment Bankers	22.6
Pharmaceutical Sales	1.48
Retail Sales Clerks	6.43
Telemarketers	<1.05
Bank Tellers	<1.05

* median vs. 85th percentile.

The Power - Law



Bell Curve vs. Power-Law Curve



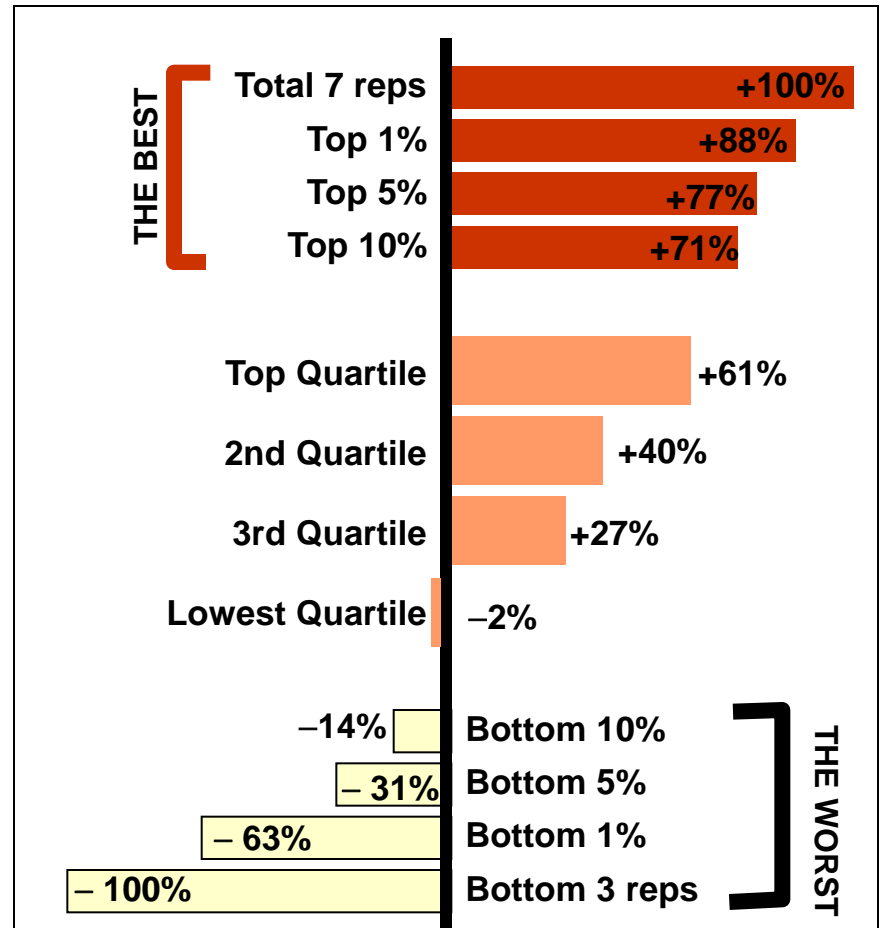
Performance Variability is a Strategic Opportunity

— An Exercise —

Maximizing Employee Performance

This company, highly regarded for its customer service, surveyed about 45,000 customers to gauge the impact of its 4,583 service reps. It discovered that the top 10% had a positive effect on customer attitudes with 71% of the customers they talked to; the top 7 reps created a positive effect with every customer. In sharp contrast, the bottom 10% had a net negative impact of 14% on customer attitude scores, while the bottom 3 employees alienated every customer they spoke with.

Impact on Customer Attitude Scores



ABC Corp
Determining “Player” Status: Criteria Considerations

“Player” Status / Criteria	Top Talent	Emerging Talent	Career Level	Strategic Role Misfit
External Benchmark	<input type="checkbox"/> Among the top ___% available for this position in the <i>external</i> labor market; often sought by best competitors for strategic roles	<input type="checkbox"/> Highly sought after in the labor market, may be a promotion and a substantial increase in pay	<input type="checkbox"/> Unlikely to be recruited by a major competitor in this or higher role in this function, with major pay increase	<input type="checkbox"/> No better than midpoint of talent available in the labor market; substantially below average talent in the labor market
Current Performance	<input type="checkbox"/> Excellent performance/ outstanding by most any standard	<input type="checkbox"/> Very good performer and continues to improve; seeks and succeeds in developmental challenges	<input type="checkbox"/> Could be an outstanding performer, but often solid performer meets most expectations; exceeds some, fails some	<input type="checkbox"/> Below expectations at present and well below expectations for the more competitive environment we face
Internal Bench Strength	<input type="checkbox"/> Clearly a succession candidate for a vertical move in a strategic role, in this strategic function or another	<input type="checkbox"/> Clearly in the succession pool for advancement in this strategic function	<input type="checkbox"/> Not in succession pool for advancement in a strategic role in this function or another; may be moved to a non-strategic support role	<input type="checkbox"/> Certainly not in succession pools or slates for strategic positions and not seen as a fit for our future strategy

ABC Corp
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External Benchmark	<input type="checkbox"/> Among the top ___% available for this position in the <i>external</i> labor market; often sought by best competitors for strategic roles	<input type="checkbox"/> Highly sought after in the labor market, may be a promotion and a substantial increase in pay	<input type="checkbox"/> Unlikely to be recruited by a major competitor in this or higher role in this function, with major pay increase	<input type="checkbox"/> No better than midpoint of talent available in the labor market; substantially below average talent in the labor market
Current Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal Bench Strength				

Assessing/Comparing Talent

Benchmark – External

Bench strength – Internal

Building Bench Strength:

Making the Succession Pool External as Well as Internal

Benchstrength Comparison Potential

- Purchasing talent data from consulting firms
- Always interviewing externals for strategic openings
- Maintaining contact with “alumni” who have left the company
- Using new hires to identify top talent in their previous firms (or those they have met during their job search process)
- Industry conferences/personal networks

External Benchmark Comparison

- Internal Potential Assessment criteria
 - Ambition
 - Ability
 - Achievement
 - Agility

Assessing Potential

Assessment History

- Brawn
- Brains
- Experience
- Competencies**

*What selection
criteria should
you use?*

POTENTIAL
Motivation
Curiosity
Insight
Engagement
Determination

Volatile
Uncertain
Complex
Ambiguous

Assessing Potential

Answering the following questions may help identify talent that has a “big upside” in making increasingly significant contributions to your firm

— An Exercise —

Is this position the individual is now suited for a career in:

- Leadership Technical/Professional

Name: _____

Current Position: _____

1. **Ambition:** Does this person have the ambition to grow, test themselves, and become the best they can become in whatever career path they choose to follow?

doubtful 1 2 3 4 5 without a doubt

2. **Ability:** Does this person have the basic abilities and intelligence to fulfill the highest levels of achievement in their chosen career path?

doubtful 1 2 3 4 5 without a doubt

3. **Achievement:** Has this person been highly successful in their assignments and have a track record of exceptional success in all responsibilities they have been assigned?

doubtful 1 2 3 4 5 without a doubt

4. **Learning Agility:** Does this person love to learn and attack career related data to capture new and unique ideas that can be applied to solving business problems and building their career?

doubtful 1 2 3 4 5 without a doubt

Overall how would you rate this individual's potential?



**What is your firms' strength of
top talent in strategic
positions?**

Criteria:

- Performance**
- Potential**
- External benchmark**

Strategic Capability/Position/Player Assessment

World Class 5

Highly Competitive 4

Very Competitive 3

Less than Competitive 2

Abysmal 1

STRATEGIC CAPABILITIES

STRATEGIC POSITIONS

	TT%		TT%		TT%		TT%		TT%
•		•		•		•		•	
•		•		•		•		•	
•		•		•		•		•	
•		•		•		•		•	

Strategic Workforce Planning

— Case Example —

Setting Strategic Talent Targets

One Year Target

XYZ Corp. Human Capital Plan	Strategic Talent HCP
Business Leader Recap	Position Scorecard

Line of Business:	Retail Appliance Division
Business Strategy:	Low cost producer and major provider to "Big Box" retailers for highly price sensitive retail customers

STRATEGIC CAPABILITIES:	STATUS				
	Abysmal (1)	Less Competitive (2)	Competitive (3)	Very Competitive (4)	World Class (5)
<input type="checkbox"/> Executive Leadership			3	→	
<input type="checkbox"/> Manufacturing Excellence				4	→
<input type="checkbox"/> Sales/Marketing				4	
<input type="checkbox"/> R&D/New Product Development		2	→	→	

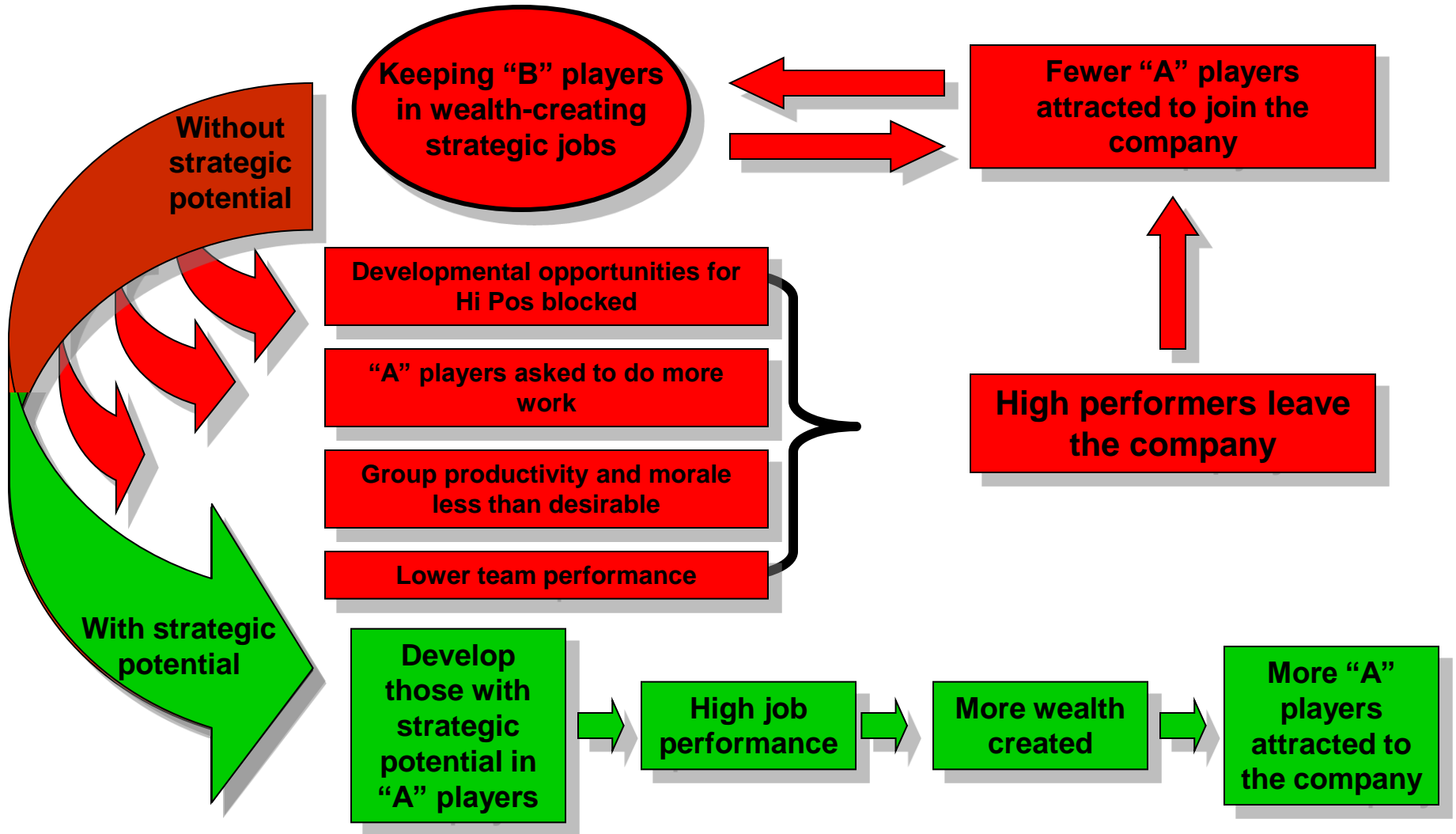
STRATEGIC POSITIONS:	Number	Top Talent	Emerging Talent	Career Level	Move	Action Plans
<input type="checkbox"/> Executive Leadership						
- VP Marketing	1 1	1 1	1 1			Develop more talent from sales and marketing
- VP Mfg.	2 1	1 1		0		Consider early replacement of VP Mfg.
- CFO	1 1	1 1				
<input type="checkbox"/> Manufacturing						
- Plant Managers	16 15	4 9	2 5	7 5	2	Exit moves and "careerists." Hire developing talent. Hire and move "top talent" into the 38 career level/move positions
- Area Supervisors	48 36	7 15	3	33 15	5	
<input type="checkbox"/> Sales/Marketing						
- Marketing Directors	6 4	2 4	1	1	2	Exit moves and initiate campus recruiting and career development plans to strengthen marketing talent at all levels
- Brand Managers	5 4	1 3	1 1	3 1	0	
- Consumer Insight Specialists	7 7	2 5	4 2	0	1	
- Merchandising Managers	6 6	1 3	0 3	5 0	0	
<input type="checkbox"/> R&D/New Product Development						
- Design Engineers	11 9	3 7	0	8 2	0	Initiate external hiring program for "top talent" at all levels. Begin to exit careerists - we have 14 of 20 in this category.
- Cooling Specialists	4 3	1 3	1	2	0	
- Laundry Specialists	5 6	1 4	0	4 1	0	
Key:	111 92	Σ = 37		64		
Today = Black. 12 month target = Red		Mentors needed				

Does it make a difference?

Major Talent Challenges

- Politics
- “B” Players
- Leadership

Building the Talent Pipeline: “B” Players



Recognize that Line Managers' Influence the Workforce More than HR

A New HR-Line Partnership

90° Assessment

- Moving to “50/50” Assessment

- GE

- J&J

- Novartis

- Pepsico

- IBM

- Statoil

***It is about leadership
(of a workforce)!***

**But What do you want leaders
to do to deliver results?**

**What should leaders do in
managing their workforces?**

Assessing Leaders on Workforce Management Effectiveness

**What differentiates leadership
work from other work?**

LINE MANAGEMENT'S WORKFORCE RESPONSIBILITY: The Manager's HR Roles	Manager's Rating				
PERFORMANCE MANAGEMENT: How well does my manager...	Not at all	Somewhat	Well	Very well	Extremely well
1. detail what is expected of me in my job?	1	2	3	4	5
2. provide feedback on how well I am performing throughout the year?	1	2	3	4	5
3. provide equitable rewards and recognition based on my performance?	1	2	3	4	5
4. demonstrate interest in my professional development and provide me with stretch experiences?	1	2	3	4	5
SELECTION/STAFFING: How well does this manager...					
1. detail performance and competency expectations in preparing to make staffing/selection decisions?	1	2	3	4	5
2. interview candidates and provide detailed feedback to HR?	1	2	3	4	5
3. ask HR for a list of internal candidates?	1	2	3	4	5
4. review internal candidates and provide feedback on each?	1	2	3	4	5
DEVELOPMENT: How well does this manager...					
1. hold individual one-on-one development sessions separate from performance appraisals?	1	2	3	4	5
2. discuss career opportunities and offer developmental assignments to enhance eligibility?	1	2	3	4	5
3. contacts their manager to aid in employees' career growth?	1	2	3	4	5
4. provide candid feedback about reality of career advancement?	1	2	3	4	5
WORK DESIGN/REDESIGN: How well does this manager...					
1. continually redesign work to add greater strategic value?	1	2	3	4	5
2. eliminate work which no longer adds value?	1	2	3	4	5
COMMUNICATIONS: How well does this manager...					
1. provide strategic direction for our group?	1	2	3	4	5
2. continually remind us how we must grow (improve our group's contributions)?	1	2	3	4	5
3. remind us of our obstacles and what we need to do to remove them?	1	2	3	4	5
4. admonish us of the metrics indicative of our success and where we stand?	1	2	3	4	5
REWARDS AND RECOGNITION: How well does this manager...					
1. provide me recognition throughout the performance period?	1	2	3	4	5
2. inform me of what more I need to do to get more rewards?	1	2	3	4	5
3. make recognition of outstanding performance in public?	1	2	3	4	5
4. communicates the value of our team incentive and why we receive it?	1	2	3	4	5

Possible HR Actions

— A Few Ideas —

- Reward leaders who develop talent
- Hold leaders accountable for turnover of strategy talent
- Build a performance/comparatio grid
- Conduct a talent auction
- Your ideas?

**Hold Leaders
Accountable for Their
Workforce/Workforce
Decisions**

Review Returning Home

Review of Business Strategy, Capabilities, and Positions

1. Are there any significant changes in the business environment that impact the success of your Business Unit today?
 Yes _____
 No _____
2. Are there any significant changes in the strategic capabilities that might influence your success?
 Yes _____
 No _____
3. Should you make changes in the strategic positions (and roles) that influence the success of your strategy?
 Yes _____
 No _____

Your “Back Home” Challenge for HR — The Charge —

1. Think like a strategist
2. Ask the right questions
3. Develop the right workforce metrics
4. Use metrics to make strategic workforce decisions:
minimize risk and maximize value
5. Hold leaders accountable for the management of their
strategic workforce

Strategic Workshop Planning

Workshop Design

— Examples and Ideas —

Prework	Workshop I		Prework	Workshop II		Pre-Workshop	Workshop III		Post Workshop Actions
<ul style="list-style-type: none"> Meet with business leaders Explain Strategic Workforce Planning (SWP) Describe who to invite Prepare business leader expectations, kick-off speech and governance rules 	<p>Day 1 AM</p> <ul style="list-style-type: none"> Business leader kick-off and LOB business strategy Overview of SWP <p>Day 1 PM</p> <p>Identify, define and assess (VPC) strategic capabilities</p> <p>Review day's</p>	<p>Day 2 AM</p> <ul style="list-style-type: none"> Review/edit strategic capability list Define "destination targets" for each strategic capability <p>Day 2 PM</p> <ul style="list-style-type: none"> Identify positions impacting each strategic capability using VPC (including leadership positions) Add new positions, if 	<p>Meet with Business Leader</p> <ul style="list-style-type: none"> Review progress Review expectations Review invitees (add/delete) <p>Prepare</p> <ul style="list-style-type: none"> Strategic capabilities, definitions, assessment list Strategic position list Number of incumbents in each position <p>Before Workshop II</p> <ul style="list-style-type: none"> Obtain names of all 	<p>Day 1 AM</p> <p>Review strategic capabilities definitions and assessments</p> <ul style="list-style-type: none"> Review strategic position using VPC Review talent in strategic positions <p>Day 1 PM</p> <p>Review Talent as assessed/rewarded by Leaders</p> <ul style="list-style-type: none"> Comparatio data Turnover grid 9-block <p>Explore</p>	<p>Day 2 AM</p> <p>Talent review</p> <ul style="list-style-type: none"> Assess talent in strategic positions Use actual counts or percentages incumbents <p>Day 2 PM</p> <p>Build preliminary talent inventory using numbers or percentages</p>	<p>Before Workshop III</p> <ul style="list-style-type: none"> Obtain names and performance assessments of all incumbents in strategic positions Meet with business leader and share talent data 	<p>Day 1 AM</p> <ul style="list-style-type: none"> Review strategic talent inventory Reassess talent in each position Determine what talent inventory "gaps" exist Review talent in strategic positions <p>Day 1 PM</p> <ul style="list-style-type: none"> Determine by when these gaps should be closed Determine strategic talent gaps and tentative actions to close gaps 	<p>Day 2 AM</p> <ul style="list-style-type: none"> Decide what HR practices must be different Decide what leadership practices must be different Build strategic talent template with action plans <ul style="list-style-type: none"> Now 30-days 90-days 180 days Develop HR Action Plans to close talent gaps <p>Day 2 PM</p> <ul style="list-style-type: none"> Address "system" issues that created the past Build a new workforce governance rules to better assure desired 	<ul style="list-style-type: none"> Establish Oversight Committee Revise HR PA formats to maintain progress Finalize workforce governance Revise leadership performance accountability system to include strategic talent targets <ul style="list-style-type: none"> Additional actions Culture metrics 90° leadership behavior assessment