



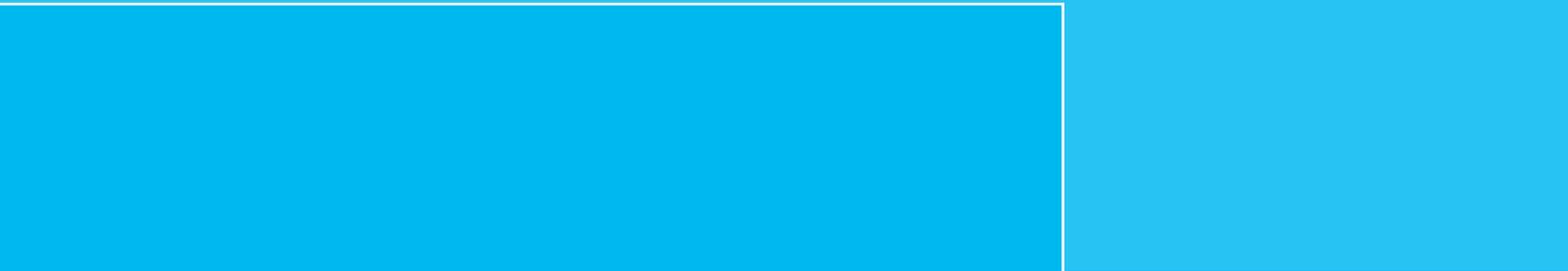
Tomorrow's **workforce**

Delivering strategy through people

Strategic workforce planning helps organisations understand the talent required to deliver their strategy – without it, the costs are significant.

HayGroup[®]

www.haygroup.co.uk



“ A talented and aligned workforce is crucial for bringing strategy to life and ensuring an organisation delivers on its objectives ”

Strategic workforce planning

Direct people costs make up an average of 40 per cent of organisational costs. Alongside this, almost half of the workforce are in complex, knowledge-intensive roles that are fundamental to the success and profitability of their organisations. The cost therefore of getting workforce planning wrong can be significant.

Integrating workforce supply and demand analysis into the strategic planning cycle ensures organisations have the 'five rights' – the right number of people, with the right skills, in the right place, at the right level and at the right cost. This is what we mean by strategic workforce planning (SWP) .

Hay Group has helped many organisations in both the public and private sectors to clarify and define their future workforce needs and implement the necessary changes to shape their workforce – to maximise productivity, effectiveness and profitability. Backed by almost 70 years of proven research and practice, we understand how to analyse and structure organisations to shape a workforce that responds to the demands of current and future work, and ensures delivery of your strategy.

Many industries face critical shortages of essential talent, while others struggle to define the shape of the workforce they need in the midst of major and rapid change.

Are you prepared?

All organisations understand that success comes from having the right people with the right skills aligned to the work that needs to be done.

However, many industries are in the midst of a major change, as outlined in the table below, where having the correct workforce in place is the critical gap between success and failure. Industry leaders need to be able to address these external challenges and deliver their strategic plan.

Workforce trends

As work requirements evolve, the demands on the workforce change too. A number of trends are having an impact on the shape and expectations of the workforce.

- **Ageing** – According to the US Census Bureau, Europe's loss of "baby boomers" from the workforce and the low birth rate mean that the active workforce will decline by 29 per cent by 2050.
- **Skills and qualifications gap** – despite investment in higher education, there are significant gaps in skills in scientific, technical, engineering and maths disciplines. Some 80 per cent of the talent gap in organisations stem from a lack of appropriately qualified candidates.
- **Higher costs for scarce skills** – linked to the skills gap, critical skills attract a market premium for those organisations that fail to develop and retain key skills.
- **Changing career patterns and expectations** – the traditional career with retirement in a person's early sixties has been replaced with expectations of greater job fulfilment, flexible employment patterns and a smoother transition into retirement.

Sector	Strategic workforce challenge
 Oil and gas	There is a growing shortage of geotechnical and petrochemical engineering skills. This is exacerbated by an ageing workforce and a highly competitive recruitment market.
 Finance	A wave of regulatory reform and reorganisation is driving demand for skills in areas such as risk management and financial analysis.
 Energy	New forms of energy production and new regulatory frameworks (such as RIIO in UK) are driving the need for joint ventures and new skills in areas associated with smart grids, carbon capture and renewables.
 Telecommunications	The rapid shift from 3G to 4G technologies is driving demand for expertise in areas such as network and radio frequency engineering.
 Engineering-based industries	Industries such as rail and aerospace have seen a shift higher up the value chain, demanding greater systems engineering and design capability as lower value work is outsourced and off-shored.
 Healthcare and life sciences	An ageing population and the pace of research and technological change is driving a shift in the required clinical and scientific skills.
 Consumer goods	There is a shift from mature to emerging markets to generate growth and margin. A critical success factor is whether companies can mobilise or recruit the right skills in these parts of the world.

Getting it right

Workforce planning is not keeping up with fast-moving workforce trends. The cost of this failure is high both within organisations and across the whole economy. For example, a 2008 UK Department of Health report estimated that hundreds of millions of pounds have been misspent in developing the wrong types of medical staff for the UK's future healthcare needs. Getting the right workforce in place means addressing the 'five rights' (see figure 1).

“A company's employees are its greatest asset and your people are your product”

Sir Richard Branson, chief executive and founder, Virgin Group

Delivering strong benefits

Getting your workforce planning right delivers significant improvements and competitive advantages:

- value improvement and cost reduction – through right sizing the workforce
- assurance that business strategy can be delivered
- better productivity – through workforce alignment to operating model
- competitive advantage through a more skilled and innovative workforce
- higher quality and timeliness of customer delivery
- greater staff engagement and retention and lower levels of stress.

The 'five rights'

Strategic workforce planning provides the basis for the talent required to deliver your strategy. To ensure that you have the right number of people, with the right skills, in the right place, at the

right level and at the right cost, you need to integrate workforce supply and demand analysis into the strategic planning cycle.

Right size: ensure you have the right number of people in the right roles spending the right amount of time achieving given outcomes.

Right shape: identify duplication and inefficiency to establish the right balance of admin to professionals, juniors to seniors, experienced staff to new hires.

Right cost: benchmark pay and reward to pay the right price for required skills.

Right place: ensure the required staff resources are available in the right location to meet the current and future workload.

Right skills: assess the gaps in the competencies and skills that will be needed to meet future goals.

Figure 1: key dimensions of strategic workforce planning

How Hay Group can help

There are five key ways in which we can partner with organisations in strategic workforce planning, each supported by a range of proven and robust analytical tools and methodologies.

We work together with our clients to design a customised solution combining a range of services depending on what is required to make their strategies become a reality.

We have an understanding of the link between jobs, people and performance that is second to none.

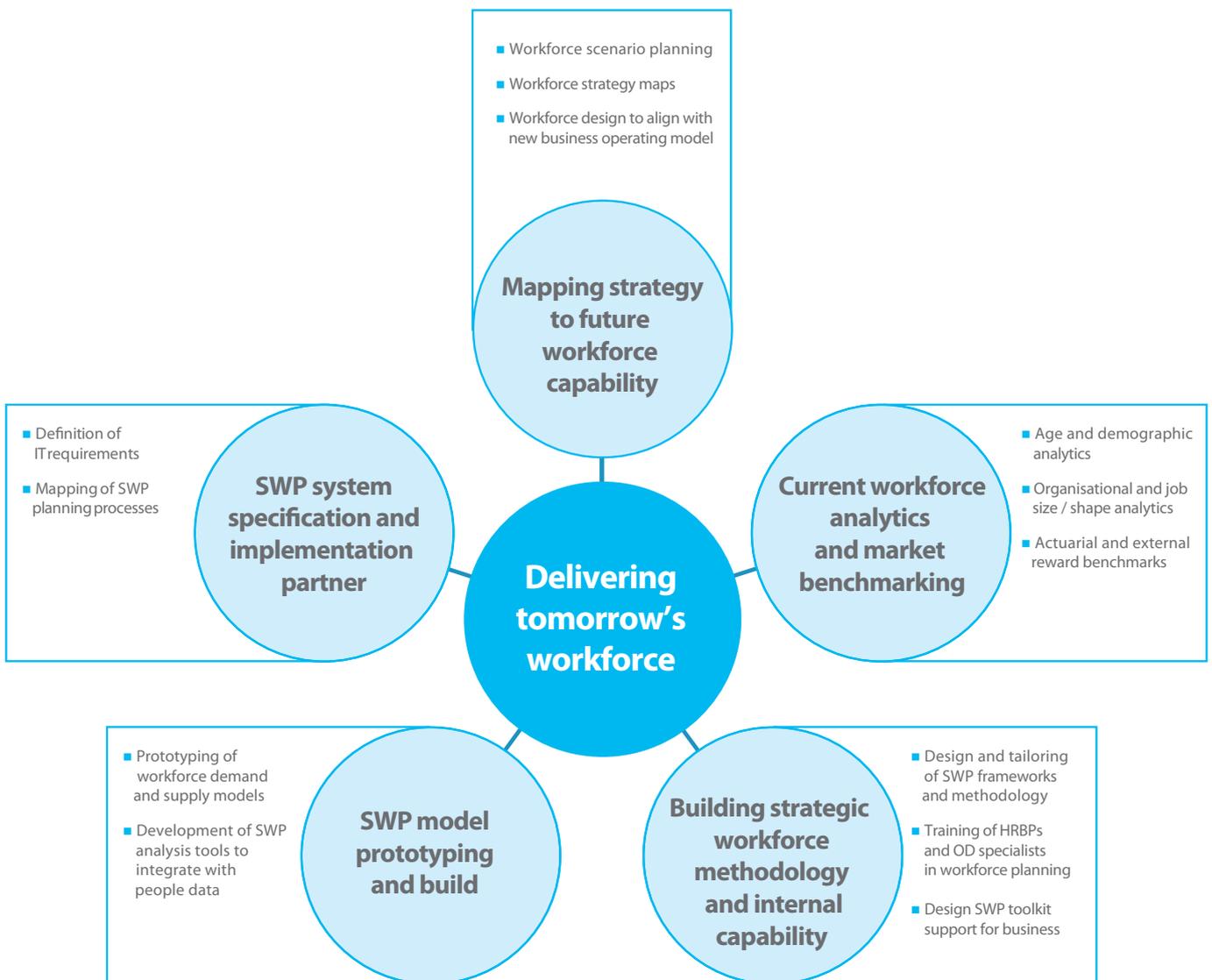


Figure 2: five ways in which Hay Group helps clients with strategic workforce planning

Our unique framework

Hay Group's proven and unique framework for strategic workforce planning helps organisations to analyse how effectively their current workforce is bringing their strategy to life.

We examine current structures and benchmark organisations against their peers and successful companies to help them to

understand the gaps or overcapacity in the required workforce. We analyse the organisation's needs in order to identify the ideal size, shape, location, skills and cost of their workforce and advise companies on how to make the necessary changes, implement the new structures and secure the required capability.

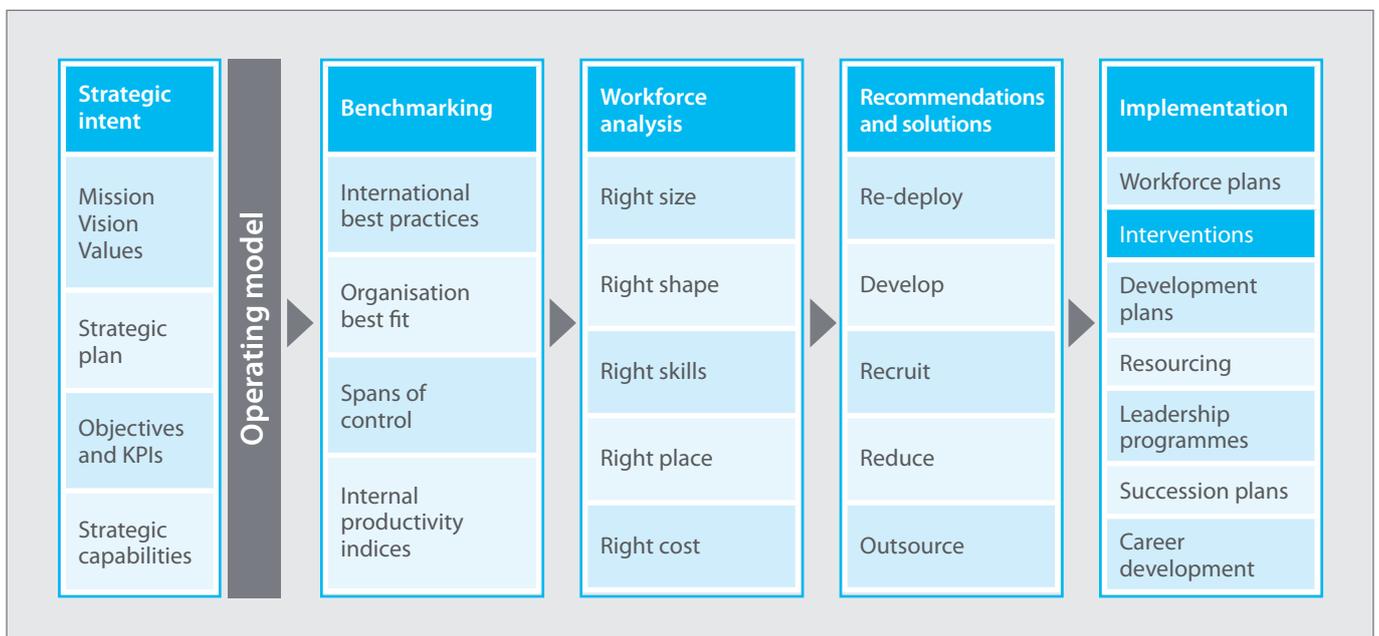


Figure 3: Hay Group's strategic workforce planning framework

Case study: streamlining headquarters workforce at a major European airline

With the rise of low-cost airlines and Middle East long-haul carriers, all established European airlines face huge pressure on margins. Becoming leaner in the central functions is one option for lowering the overall cost base. Our client embarked on a substantial cost-cutting project encompassing all areas of the airline group, including staffing levels.

Hay Group analysed the current structures, managerial positions and accountabilities in the corporate headquarters. We benchmarked HQ staffing levels against other major companies and airlines.

We challenged the current operating model and defined organisational design principles. Based on these principles, we developed new organisational structures for the corporate headquarters, calculated the optimum number of managers at each level in the new structure and conducted high-level job evaluations.

We defined structures that clarified accountabilities, improved leadership and decision making, and identified a restructuring potential of about one third of all managerial positions in the group HQ, bringing a significant reduction in payroll costs.

Hay Group's workforce tools

Hay Group has a wide range of tools that we use to analyse the workforce of international and national private and public sector organisations. These give organisations a mix of qualitative and quantitative insights into their workforce and its alignment to future business direction:

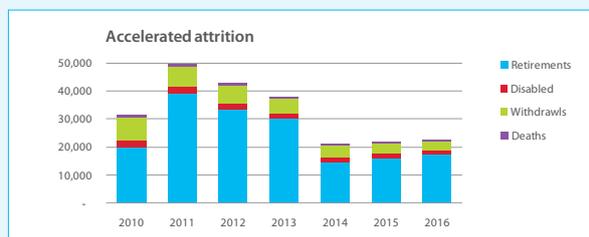
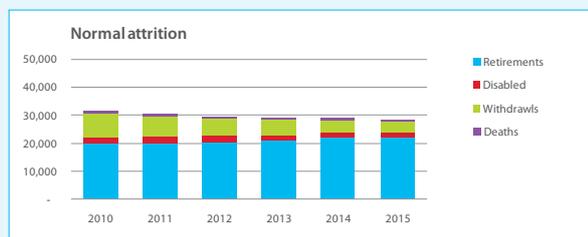
- **Workforce strategy maps** – mapping business strategy themes to the operating model and the capability required to deliver them.
- **Workforce future scenarios** – an interactive workshop approach to looking at the future workforce under different external business conditions and internal company growth strategies.
- **Points inventory scoring** – analysing the overall levels of work in different departments.
- **Span and gap analysis** – evaluating the levels of organisational work to ensure that jobs are doable and there are levels of management with appropriate responsibility for strategy and operations.
- **Organisational benchmarking** – providing benchmarks of numbers and types of jobs at senior levels in the organisation against industry sectors.
- **Actuarial reward modelling** – providing whole workforce remuneration modelling and industry benchmarking.
- **Role fit** – enabling systematic assessment of the capability, knowledge and skills of the whole workforce.
- **Bespoke workforce modelling** – developing bespoke workforce models to address specific planning issues for an organisation.

Case study: long term workforce planning at United States Postal Service

With the decline in volume of mail, United States Postal Service's (USPS) current workforce far exceeded the level needed to meet delivery volume and standards, which are predicted to fall further over the next five to ten years.

Hay Group provided reward and workforce planning services to USPS, including modelling and projections of pension and retiree healthcare obligations and funding costs. Using active census data, we projected that under

normal attrition only 30,000 employees would leave active service annually over the next few years. USPS concluded that it needed to reduce the workforce by 180,000 over the next four years. We developed assumptions to model expected retirement and withdrawal behaviour if employees were offered voluntary retirement incentives and showed how this would help USPS align its workforce to future needs.



“ Bringing together the right information with the right people will dramatically improve a company’s ability to develop and act on strategic business opportunities ”

Bill Gates, former chief executive and current chairman of Microsoft



Case study: creating a flexible workforce at an engineering services company

This engineering services company employs around 2,000 people performing a variety of engineering and maintenance tasks. The workforce was siloed and unable to cope with variable and increasing demand. There was low productivity and engagement amongst the workforce, including parts of the management.

Hay Group worked with the client over a number of months to help transform the workforce and the organisation. We supported strategic workforce planning in two major ways:

- **New contract design** – based around annualised and minimum hour contracts and new ways of working (e.g. resource pools and multi-skilling) aligned to the workload
- **Future workforce model** – we identified areas and times of over- and under-capacity and recommended ways to align the workforce to future patterns of work to bring substantial cost savings.

Overall, we identified savings of more than 10 per cent of workforce costs (amounting to several million pounds) and enabled the organisation to free up capacity to take on new contracts over the next five to ten years.

Why Hay Group?

Hay Group has more than 70 years' experience in bringing together the organisational, cultural and human dimensions of business performance. From global financial services and oil and gas organisations, to European-wide retail companies, and UK engineering manufacturing firms – we help clients from a range of sectors and sizes to transform their strategy into reality. You can be confident you are partnering with the best.

- **World-class workforce analysis tools** – based on decades of job and workforce research.
- **Industry workforce knowledge** – we have analysed and assessed workforces in every major industry sector.
- **Wholly independent** – we are privately owned and not linked to particular system providers or recruitment agencies.
- **Truly global** – we have more than 10,000 customers and 2,600 staff in 48 countries.

For more information

If you would like to understand more about how Hay Group can help you with strategic workforce planning, please contact:

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Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organisations realise their potential.

We have over 2,600 employees working in 85 offices in 48 countries. Our insight is supported by robust data from over 125 countries. For more information please contact your local office through www.haygroup.co.uk