Headcount and Compensation Planning Performance Blueprint

Cognos
software

Headcount and Compensation Planning helps corporations manage cross-enterprise employee headcount, compensation, and benefit costs to align departmental decisions with corporate objectives.

Employee-related costs often comprise the greatest share of corporate operating expenses. It is no surprise that executive management focuses on controlling employee expenses in every way possible.

At divisional and departmental levels, however, managers must make hiring and compensation decisions that will help their units meet objectives: hiring the right people for the right jobs, compensating them fairly, helping them become rapidly productive, and retaining them as long as possible.

Human Resources (HR) administers the headcount and compensation planning process. It makes sure managers adhere to corporate hiring and compensation policies. HR seeks forward visibility to hiring decisions so that it can source the best talent. It analyzes employee trends—like attrition— so that the corporation can make decisions to help retain top talent.

Consequently, executive management, finance, and HR are looking for tools and disciplines to manage headcount and compensation planning so that business unit decisions are aligned with corporate objectives.
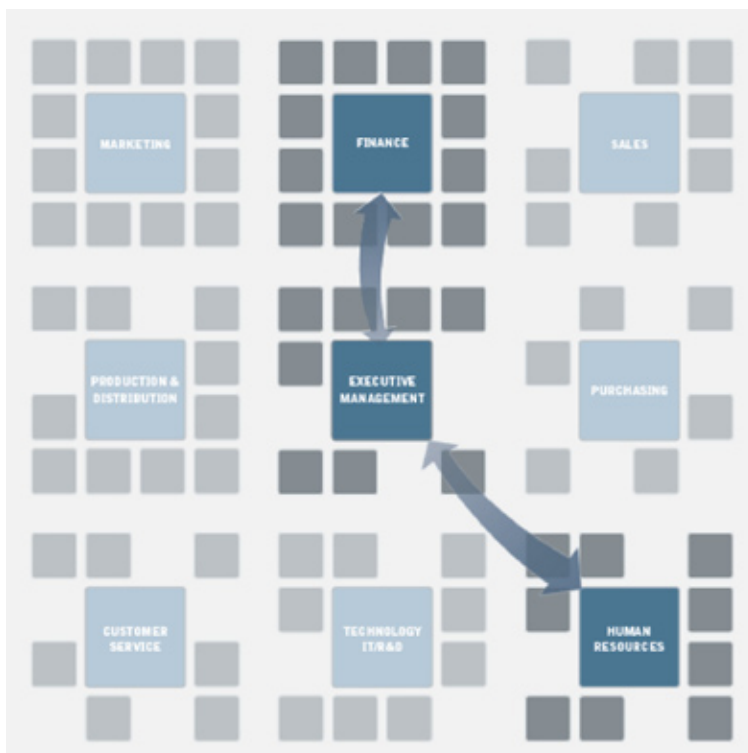
**Headcount and Compensation is linked by business drivers to various process areas in a corporation.**

Enterprise headcount plans are dependent on a number of business drivers. For instance, sales forecast trends can have immediate impact on headcount in sales, marketing, and operations. Service KPI objectives can also affect headcount: If product failure rates are higher than expected, additional hotline support and on-site field service staff might be required.

Resource planning for product development and production also directly impacts headcount.

In turn, headcount can be a driver for operational plans in other functions. IT spending—like the number of computers or networks to purchase and deploy—is directly tied to headcount, which in turn drives IT helpdesk plans for staffing, infrastructure, and training.

Employee compensation is a driver of employee productivity. Merit increases tied to individual, team, divisional, and corporate performance objectives can have a significant impact on enterprise performance.

The key outputs of the process are headcount plans and compensation plans.
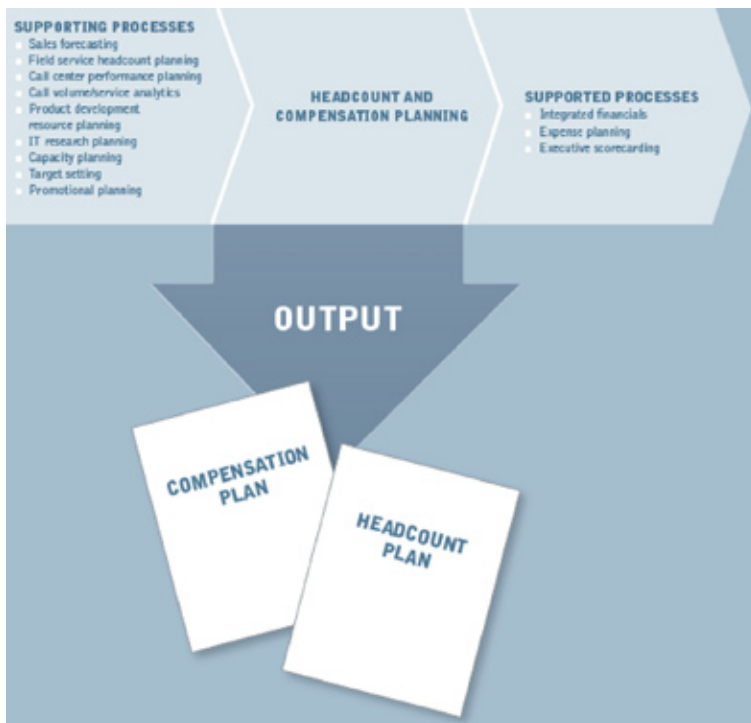
The process manages existing employee headcount, planning for new hires, fixed and variable compensation, and monitors performance.

During annual operational planning, all activity centers develop plans that include headcount and compensation. During the year, updated forecasts are periodically created, providing an opportunity to revise headcount and compensation plans.

The process typically starts by updating existing employee status. Some employees may take a leave of absence, transfer to other departments, and or be terminated. The next step is to update the new-hire headcount forecast based on current business conditions. With a total headcount picture in place, managers typically adjust their compensation plans.

Annual salaries and quarterly, semi-annual, or annual bonuses are adjusted based on individual, team, divisional or corporate performance. Stock options or restricted stock may be granted as well.

During headcount and compensation planning, managers must comply with established HR policies. After forecasts have been updated and approved, various functions and departments will monitor employee-related performance. For instance, HR will monitor the new-hire pipeline to ensure it can provide the best candidates at the right time, and will monitor trends like attrition, so that executive management can work to enhance employee productivity.


MANAGE EXISTING EMPLOYEE HEADCOUNT	PLAN FOR NEW HIRE HEADCOUNT	MANAGE COMPENSATION	MONITOR PERFORMANCE
• Update employee status (e.g. from active to leave of absence) • Resolve any related intracompany transfers	• Plan new hires by position and office location • Assign appropriate start dates and compensation targets • Comply with HR policies on compensation	• Evaluate employee performance • Assess corporate recommended compensation • Make merit and bonus adjustments based on market conditions • Award stock options and restricted stock based on performance • Comply with corporate policies for merit, bonus, and stock pools	• Manager evaluates compensation plans against corporate guidelines • HR evaluates new hire pipeline with increased visibility on planned need • HR monitors key employee trends like attrition • Departmental manager monitors total employee-related expenses plans through expense planning and control

A typical workflow supporting headcount and compensation planning.
Headcount and compensation planning is a collaborative effort to align
departmental staffing requirements with corporate objectives: Corporate
management typically tries to control headcount-related expenses, while divisional
managers try to make headcount and compensation decisions that optimize
departmental efficiency and productivity.

HR ensures compliance with corporate policies. As they update existing employee
status, staff managers must be aware of leave-of-absence, interdepartmental
transfer, and severance policies. After adjusting the status of existing employees,
staff managers update new-hire plans. Business conditions may dictate an
increase or decrease in headcount projections or a shift in new-hire timing.

Compensation planning typically occurs annually for salaries, and more frequently
(perhaps quarterly) for variable compensation like bonuses and other incentives
such as stock option grants.

Headcount and compensation expenses are consolidated across the enterprise
through the corporate expense planning and control process.
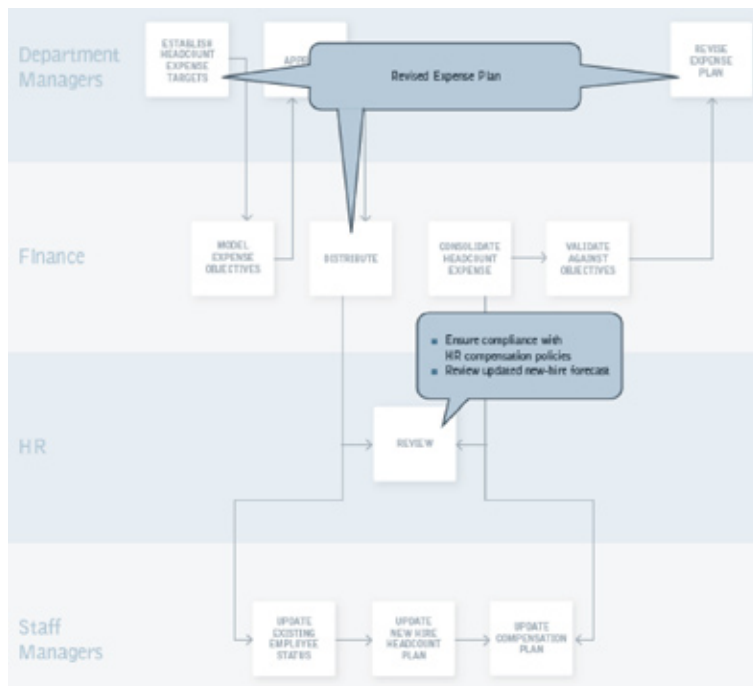
Most companies plan using HRM systems and spreadsheets, resulting in error, delay, and difficulty in aligning divisional headcount and compensation decisions with corporate financial objectives.

Human Resource Management (HRM) systems are useful for managing current and historical employee information in a secure, scalable manner, but not so useful for managing forward-looking employee information: How many new hires will departments plan to hire over the next 12 months by role, grade, and compensation rate? This is typically handled with a separate manual spreadsheet process, leading to slow, disconnected, and error-prone planning.

Outside the annual operating plan cycle, it is difficult to update enterprise-wide headcount forecasts. If revenue projections run ahead of the annual plan, for example, headcount in sales and customer service should increase proportionally. But without links to headcount drivers, such proportional increase likely won't occur.

HR has little visibility into updated new-hire forecasts, which limits its ability to manage the new candidate pipeline. Consequently, the best candidates are not necessarily available when really needed. And if HR has no early visibility into employee attrition trends, executive management will lack information for taking corrective action.

Compensation expense forecasts are gross averages, and not tied to individual employee headcount plans, so corporate expense plans are inaccurate and take months to create.
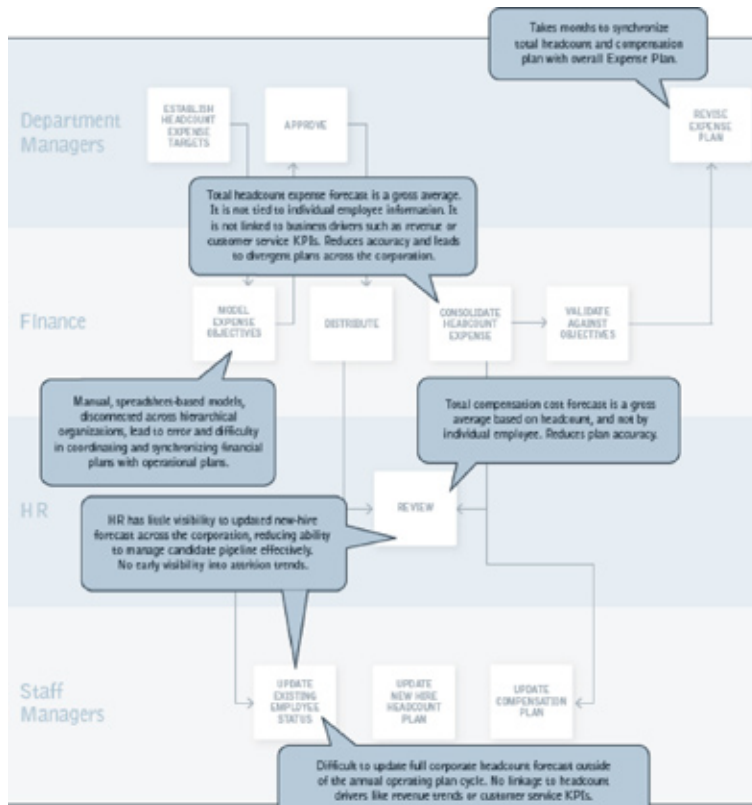
High-performance companies replace manual spreadsheet process with robust multidimensional modeling and integrated workflows to help reduce errors, improve control, and boost accountability.

With IBM Cognos® 8 Planning, staff managers are able to update existing employee status information as changes occur: An employee takes a leave-of-absence; another is transferred to a new department; another is recruited by a competitor.

Staff managers area able to quickly update new-hire headcount forecasts based on real business events, like changes in customer service KPIs to warrant additional hotline or on-site field support headcount.

During compensation planning cycles, staff managers update compensation expense forecasts tied to actual existing employee changes as well as new hires, so finance doesn't have to settle for gross averages when determining headcount expenses.

HR has immediate visibility into updated new-hire forecasts as changes take place and can now manage the new-hire pipeline more effectively. Revised total headcount expense forecasts can be synchronized monthly with the corporate expense plan.

The whole process now takes only weeks, and results in accurate, reliable alignment of corporate expense plans with divisional headcount and compensation decisions.
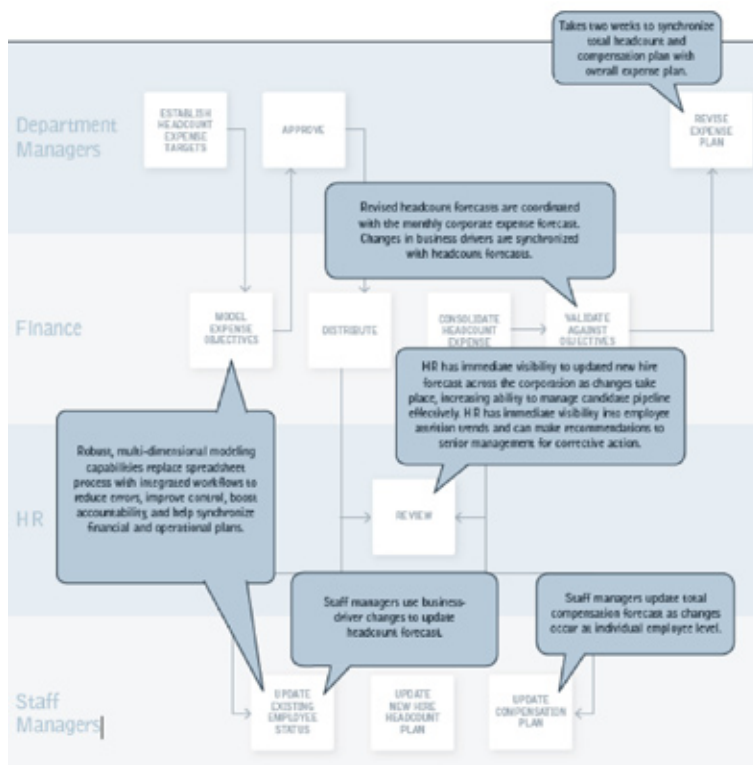
The IBM Cognos Headcount and Compensation Planning Performance Blueprint enables an integrated process that aligns corporate financial objectives with divisional workforce decisions.

IBM Cognos Performance Blueprints are pre-configured solution building blocks that allow companies to jump-start their implementations. Blueprints are pre-defined data models that encapsulate the collective best-practice knowledge from the IBM Cognos Innovation Center for Performance Management and its leading customers in specific business process areas. In the hands of IBM Cognos Implementation Services consultants, IBM Cognos certified implementation partners, or experienced customers, Blueprints enable streamlined project implementation schedules and improve project success rates.

The *IBM Cognos Headcount and Compensation Planning Performance Blueprint* enables companies to align corporate financial objectives with divisional workforce decisions. Linkages to business drivers in other planning areas—like sales or customer service—can be established to ensure proper alignment with headcount plans. Staff managers throughout the corporation can manage existing and new employee headcounts from one integrated system. Salary, merit, and bonus decisions can be managed at the employee and/or group level. The complexity of fixed and variable compensation requirements can be managed for any industry across many countries.
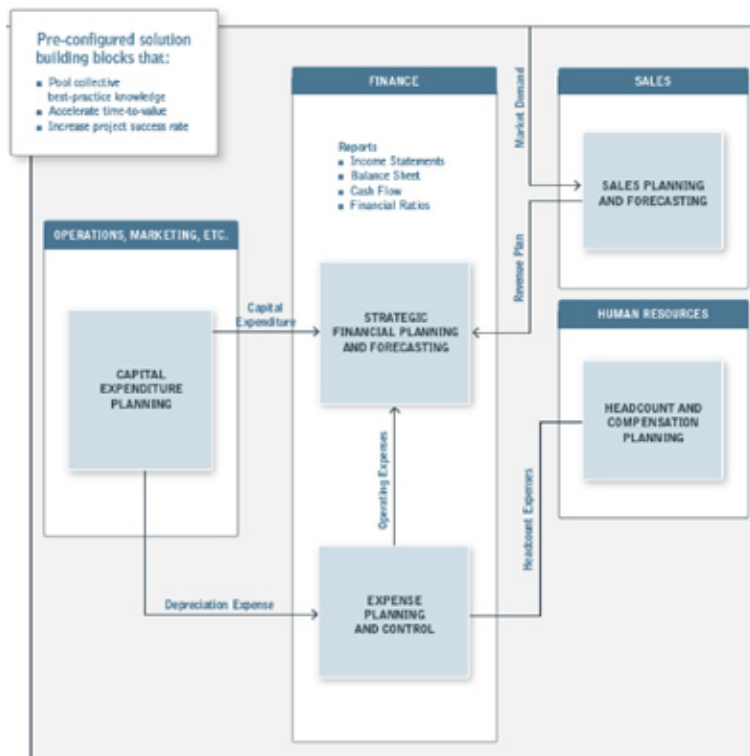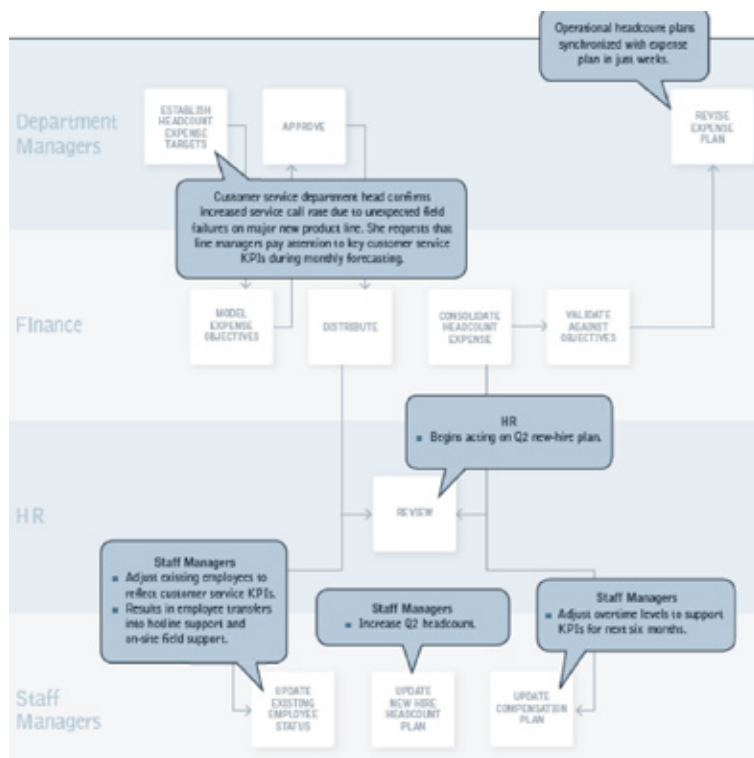
IBM Cognos Performance Blueprint helps manage headcount and compensation decisions in a customer service department.

A company is experiencing unexpected new product failures. The customer service manager confirms an increase in service call rates and requests that line managers pay special attention to relevant KPIs during monthly forecasting.

Using these KPIs, managers see the need for additional service headcount during the next six months, and adjust employee plans: Several staff are temporarily transferred to hotline support and field service. New hire plans are adjusted to increase headcount in the next quarter. Compensation plans are adjusted to reflect overtime required in the two months prior to new hires.

HR has immediate visibility into the quarterly new hire plan and begins lining up the best candidates.

Finally, finance synchronizes customer service headcount and compensation plans with overall corporate expense plans in mere weeks, leaving plenty of time for analysis.

The IBM Cognos Headcount and Compensation Planning Performance Blueprint is based on proven best practices from companies like Ceridian who implemented IBM Cognos software to improve its workforce planning process.

Ceridian Corporation is an information services company focused on human resource, transportation, and retail markets. The company's human resource solutions enable customers to outsource employment processes such as recruitment and applicant screening, payroll, tax filing, human resource information systems, employee self-service time-and-labor management, and benefits administration.

To operate more effectively and competitively, Ceridian launched an initiative to improve the infrastructure for management planning, budgeting, forecasting, and reporting. Key goals were to streamline processes, reduce budget cycles, and improve the ability to manage workforce productivity and overall costs.

Ceridian uses IBM Cognos Planning to help manage and allocate its workforce resources. The solution interfaces directly with Ceridian HR and financial systems. The end result is a single workforce management portal which helps staff managers align workforce decisions with corporate objectives.

CERIDIAN

- A leading information services company in the human resource, retail, and transportation markets
- Over 9,000 employees
- 2003 Revenue – $1.3 billion

BUSINESS CHALLENGES

- Difficulty in planning and forecasting enterprise labor costs accounting for 50 percent of operating expense structure
- Inability to proactively allocate staff resources to priority initiatives due to incomplete view of resource utilization and deployment

SOLUTION APPROACH

- Implemented Cognos Planning to manage headcount planning and align workforce decisions with corporate objectives

BUSINESS VALUE DERIVED

- Increased collaboration across geographies, business units, and corporate functions
- Increased level of insight and decision support
- Flexibility to model continuously changing business conditions
- Better visibility into operations— "one version of the truth" for performance
- Proactive management of human capital

IBM COGNOS SOLUTION MAP

FINANCE

EXEC. MGMT.

HR

"In a very short time we could project and identify which departments in the organization are growing. This is especially important because there are hundreds of departments in the organization. When we see labor costs rising, we can identify where in the organization it is happening and delve deeper into the situation to ... determine the 'whys'."

— DIRECTOR OF PLANNING AND ANALYSIS
Ceridian

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos solutions customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

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To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

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