Workforce Planning Performance Blueprint Powered by IBM Cognos Express

Introduction

Employee-related costs often make up the greatest share of corporate operating expenses. It is no surprise, then, 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 productive and retaining them for 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 for hiring decisions so that it can source the best talent. It analyzes employee trends—like attrition—so their organization can make decisions to retain top talent.

Workforce planning helps corporations manage cross-enterprise employee headcount, compensation and benefit costs so that they can align business unit decisions with corporate objectives. However, most companies use Human Resource Management (HRM) systems and spreadsheets for the planning process. Because of the inability to collect real-time data, these often result in error, delay and unnecessary difficulty.

Consequently, executive management, finance and HR are looking for tools and disciplines to manage headcount and compensation planning. To boost accuracy in this vital planning process, a solution with flexible modeling capabilities, personalized analytics and integrated workflows is required. The *IBM Cognos® Workforce Planning Performance Blueprint Powered by IBM Cognos Express* is that solution because it enables an integrated workforce planning process that aligns corporate financial objectives with divisional workforce decisions.

Figure 1. Workforce planning overview

Headcount and compensation

Headcount and compensation are linked by business drivers to various process areas in a corporation. For example, sales forecast trends might mean there is a need to quickly increase headcount in sales, marketing and operations. Key performance indicators (KPI) for service affect headcount as well: If product failure rates are higher than expected, additional hotline support and on-site field service staff might be required. In addition, resource planning for product development and production has a direct effect on 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.

During headcount planning, managers must comply with established HR policies. After forecasts have been updated and approved, various functions and departments monitor employee-related performance. For example, HR must be able to provide the best candidates in the appropriate timeframe, and understand trends such as attrition, so that executive management can work to address employee 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.
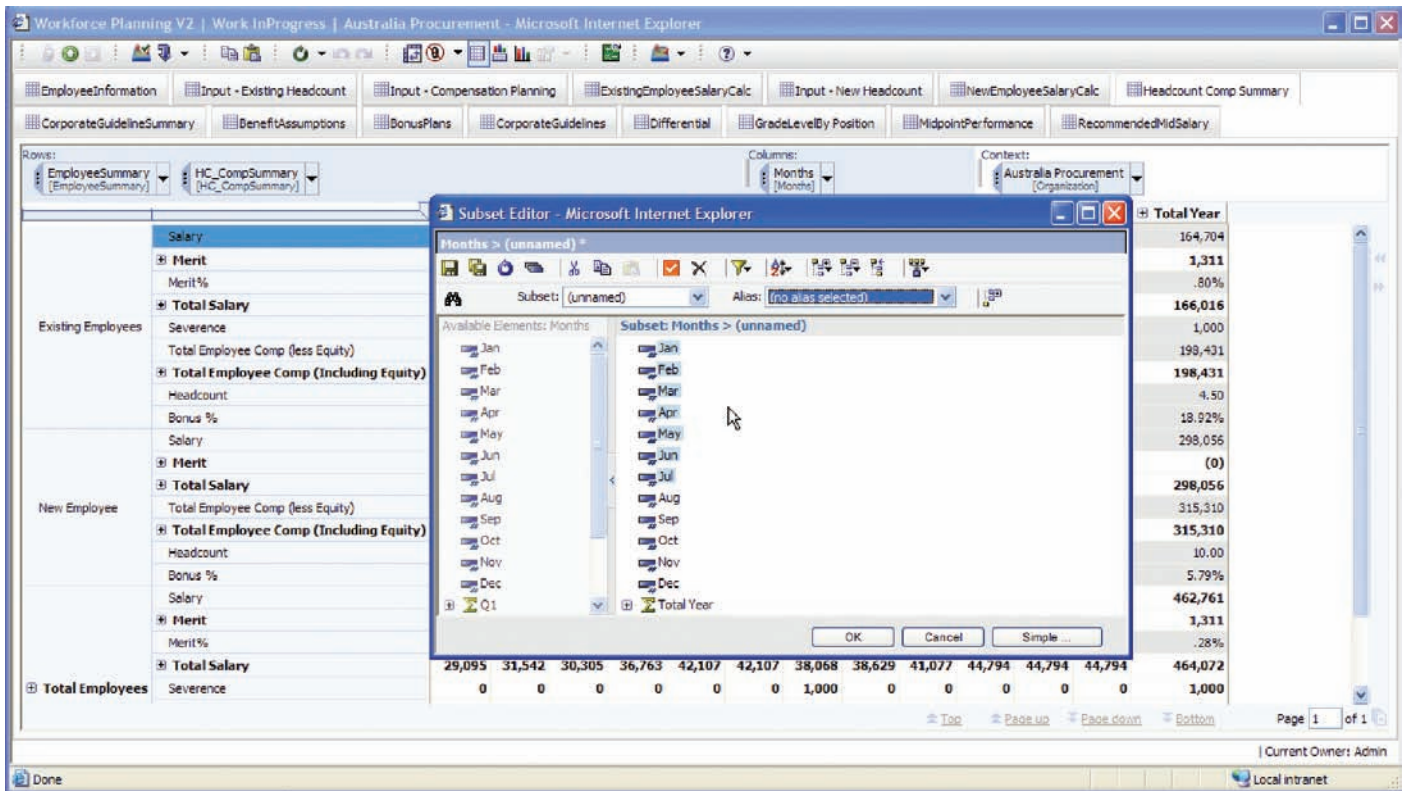
Figure 2. Workforce planning subset editor

With IBM Cognos Express and the Workforce Planning Blueprint, a manager or HR contributor creates a personal or tailored view of the plan with the subset editor, focusing on a particular set of months for analysis of new and existing employees.

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. The key outputs of the process are headcount plans and compensation plans. Headcount and compensation expenses are then consolidated for the enterprise by the corporate expense planning and control process.

Workforce planning

Workforce 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.

The workforce planning process manages existing employee headcount, plans for new hires, tracks 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.

A typical workforce planning process starts by updating existing employee status. Some employees might take a leave of absence, transfer to other departments 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 might be granted as well.

Most companies use HRM systems and spreadsheets for workforce planning. HRM systems are useful for managing current and historical employee information in a secure, scalable manner, but are not as useful for managing forward-looking employee information: Understanding the hiring needs of a variety of departments, based on role and compensation is typically handled manually with spreadsheets, which leads 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 is not likely to occur.

HR has little visibility into updated new-hire forecasts, which limits its ability to manage the new candidate pipeline. As a result, the best candidates are not necessarily available when 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 typically based on gross averages. They are not tied to individual employee headcount plans, so corporate expense plans are inaccurate and take months to create.

A more robust workforce planning process

High-performance companies replace the manual spreadsheet process with IBM Cognos solutions that offer robust, flexible modeling capabilities, personalized analytics and integrated workflow to reduce errors, improve control and boost accountability.

With IBM Cognos Express, managers can 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. In just hours or even minutes, staff managers can also modify new-hire headcount forecasts based on real business events, such as 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 and new hires, so finance doesn't have to settle for gross averages when determining headcount expenses.

HR has immediate visibility into new-hire forecasts as changes take place and can now manage the new-hire pipeline more effectively with what-if scenarios on variables such as hire date or salary. 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.

Enabling an integrated workforce planning process

IBM Cognos Performance Blueprints powered by IBM Cognos Express are pre-configured solution building blocks that enable 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. Blueprints enable streamlined project implementation schedules and improve project success rates.

Using the *Workforce Planning Blueprint Powered by IBM Cognos Express*, companies can align corporate financial objectives with divisional workforce decisions. Links to business drivers in other planning areas—such as 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 level, group level or both. The complexity of fixed and variable compensation requirements can be managed for any industry and company—even those spread over multiple countries.

For example, a company might be experiencing unexpected new product demand. The manufacturing director confirms an increase in orders and requests that line managers pay special attention to relevant KPIs during monthly forecasting.

Using these KPIs, managers see the need for additional procurement and manufacturing headcount over the following six months and adjust employee plans accordingly. Because IBM Cognos Express blends advanced personalization with workflow activities, contributors can dynamically build their own alternatives to increasing headcount and then immediately share any number of the scenarios with their team for input, submitting the best scenarios into the planning templates for optimal business.

Figure 3. Workforce planning sandbox

Based on these organizational demands, IBM Cognos Express can help by identifying resulting needs: Several staff are temporarily transferred to the purchasing department and certain plants. 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.

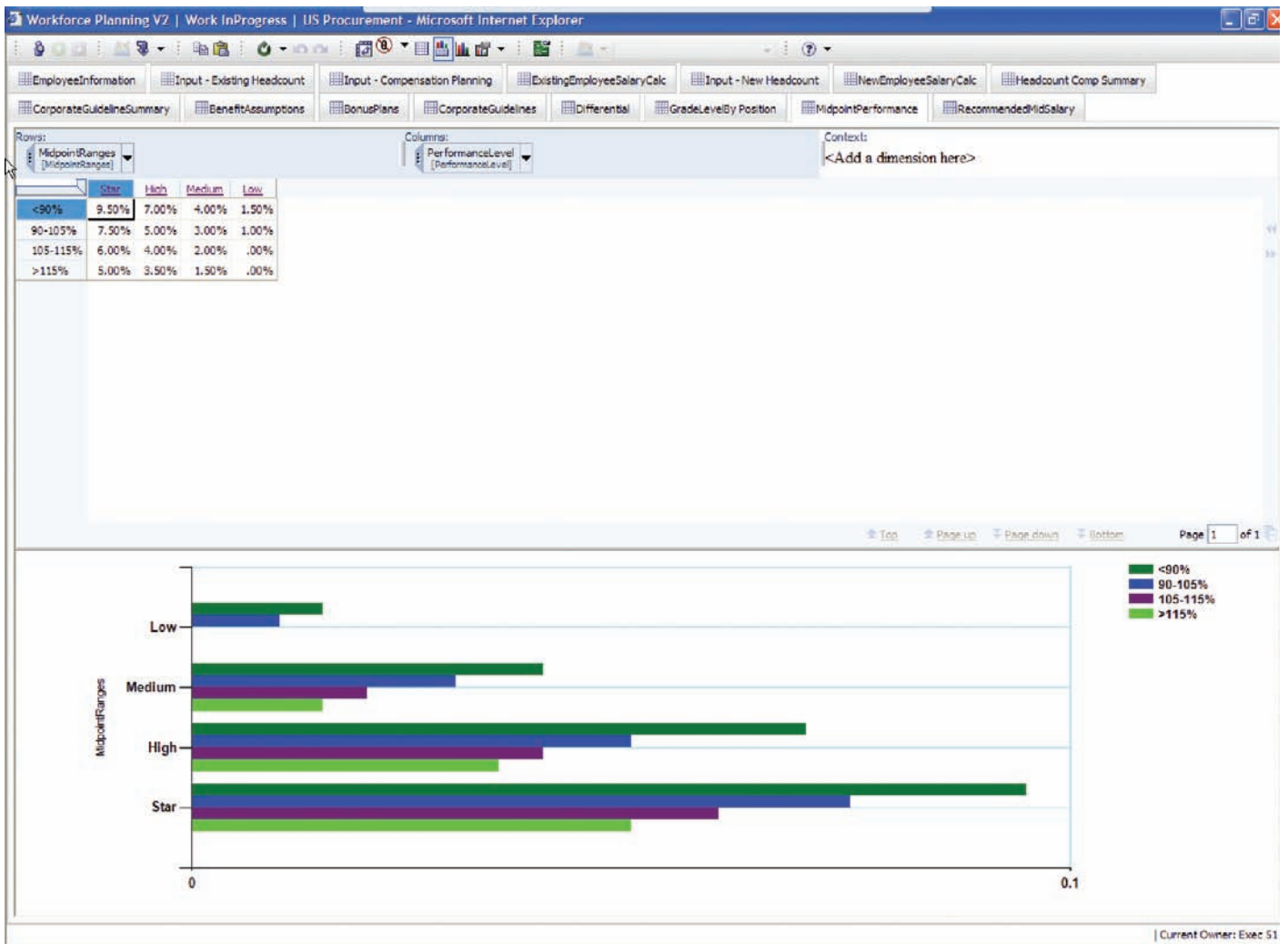HR has immediate visibility into the quarterly new hire plan and begins lining up the best candidates.

Figure 4. Midpoint performance scenario

Finally, finance synchronizes procurement and manufacturing headcount and compensation plans with overall corporate expense plans in mere days, leaving plenty of time for analysis.

Conclusion

With workforce planning, corporations can more easily manage cross-enterprise employee headcount, compensation and benefit costs so that business unit decisions can be aligned with corporate objectives. However, most companies use HRM systems and spreadsheets for the process, resulting in error, delay and difficulty. The *Workforce Planning Blueprint Powered by IBM Cognos Express* helps integrate the workforce planning process so that companies can align corporate financial objectives with divisional workforce decisions. It enables a robust workforce planning process that helps reduce errors, improve control and boost accountability.

About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, advanced analytics, financial performance and strategy management and analytic applications gives you clear, immediate and actionable insights into current performance and the ability to predict future outcomes. Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest IT productivity and deliver better results.

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