



Creating the path for continuous strategic workforce planning

How to integrate talent with finance and risk to better balance staffing needs.



Introduction

Most companies conduct strategic workforce planning (SWP) on an annual, at best quarterly, basis. Ideally, it should be done continuously. Ongoing planning helps organizations avoid the boom-and-bust cycle of rapid hiring and subsequent layoffs, often seen in recent years, which only creates the conditions for costlier rehiring in the long run.

As a function of supply and demand, SWP determines what resources are needed to get work done and what options are available to fulfill that demand. To accomplish this, organizations can hire new talent, develop current talent, engage more part-timers or freelancers, or leverage automation and artificial intelligence. Or, in human resources (HR) terms, buy, build, borrow, bot, or base.

Strategic workforce planning, then, is at its core a dynamic, future-focused process. When optimized, it can ensure that the right number of people with the right skills at the right cost are in the right place at the right time to deliver on short- and long-term organizational goals in a risk-reduced manner.

It may sound straightforward, but many corporate executives agree that their strategic workforce planning could be improved. Half (50.7 percent) of human resources leaders say that their workforce planning being limited merely to headcount planning is a top challenge and an area for making significant progress over the next 12 months.¹ Other leaders (44 percent) consider their workforce plans to be solely driven by the finance function, giving short shrift to talent dynamics.²

In this paper, we discuss the benefits of integrating the workforce planning component into the wider enterprise performance-planning process. We also describe effective ways to hire, develop, outsource, and automate your staffing needs so that you can accomplish the strategic, operational, and financial goals that will support your business growth.

¹ Gartner Top HR Priorities Report, 2022.

² Dave Weisbeck, chief strategy officer, Visier, "Why HR Needs Data-Driven Workforce Planning to Avoid Talent Shortfalls," 2021.

Benefits of integrating strategic workforce planning with enterprise performance management

The continuous evaluation of talent needs is most effectively achieved when combined with the finance and risk components of enterprise performance management (EPM). By broadening the scope of EPM to encompass strategic workforce planning, organizations gain additional opportunities to reduce labor costs and eliminate staffing gaps.

Reduce labor costs

The integration of strategic workforce planning and EPM drives more efficient business processes and reduces labor costs as a result. By continuously refreshing workforce forecasts and scenarios, organizations improve their visibility into current and upcoming workforce costs, and better understand how changes to the workforce impact greater organizational targets. That enables businesses to make better data-driven decisions on where to invest or cut back.

Though improvement depends on the organization's maturity, we have also seen clients fill positions faster by developing talent pools and pipelines for the skills they

know they will need. We have seen lower cost per hire due to better market timing and improved accuracy when searching for talent. In addition, clients can proactively address retention risks and reduce costs from attrition. Ultimately, as SWP is a continuous and dynamic process, its full impact may not be immediately quantifiable, and ROI will vary due to a variety of factors, such as the degree of implementation and process governance. However, the impact SWP has on other talent processes and outcomes, such as talent acquisition, retention, and employment engagement, will enable the organization to become more adaptable to changing market conditions and contribute to their overall success.

We have seen our clients achieve:

8x Reduction in time spent on conducting workforce planning activities with clients

25% Reduction in cycle time for financial forecasting, allowing for more time spent on strategic tasks

35% Increased speed to impact in decision-making

Eliminate staffing gaps

Another key benefit of integrating strategic workforce planning into EPM processes is having the right workforce when you need it.

The healthcare sector provides an excellent case in point. Nursing demands are driven by trends in seasonality and patient census. Too many hospitals lack visibility into their staffing needs and how they change throughout the year, making it difficult to align the healthcare skills required to address patient needs in a preemptive manner. Without enhanced insights and forecasting capabilities, hospitals may be forced to hire expensive contract workers or traveling nurses. Otherwise, they risk an overextended workforce, significant overtime, rising turnover, long patient wait times, and increased staffing and onboarding costs. In the worst cases, hospitals may even have to divert incoming patients.

By including finance, talent, and risk perspectives and planning workforce needs regularly, hospitals would gain visibility into workforce demands, needs, and gaps to proactively secure the right coverage that meets their

patients' needs. Many organizations report that workforce planning initiatives can generate cost savings an average of 10 percent of their annual labor budgets. These savings often come from turnover, optimized staffing levels, and improved resource allocations.

Viewing the workforce through the wider lens of finance and risk also helps executives better identify high-value employees and skills. This process can lead to improved retention, engagement, and organizational performance.



Enabling continuous strategic workforce planning

Organizations face three major challenges when they implement ongoing and continuous workforce planning. The first is finding the technology and tools that are right for the organization today while also leaving room for growth. The second is identifying which skills will be needed for the future and which are becoming obsolete as automation and artificial intelligence (AI) reinvent jobs and the nature of work itself. And the third is ensuring that leadership has the right capabilities and skills to leverage SWP in making workforce decisions.



01

Match technology to maturity

New or growing SWP functions require tools that enable basic workforce planning now while allowing more complex planning to be conducted in the future.

The process begins with using historical data to forecast the future. As the SWP function becomes more mature, AI and machine learning capabilities can be incorporated to produce powerful predictive analytics and insights. Using real-time data, organizations can determine the skills in use today and needed for tomorrow to develop flexible hiring plans that align finance, sales, HR, marketing, and IT.

02

Anticipate organizational changes from generative AI

Generative AI is the biggest step change yet in the history of AI. Rather than simple bots that excel at specific tasks, Gen AI aims to create machines with human-level intellect.

Generative AI is leading to the creation of a new support ecosystem requiring different skillsets, such as automation managers, and the development of new types of tech functions, such as AI prompt engineers. Generative AI may reduce or replace certain roles that are more transactional—for example, answering routine customer service inquiries—in favor of higher-value, more complex tasks that need to be performed by humans, like upselling.

Fundamentally, Generative AI can accelerate organizational growth exponentially, leading to the need for greater workforce capacity. As Generative AI enables groundbreaking human creativity and productivity, it will be even more imperative for strategic workforce planning to be conducted continuously in concert with finance and operations functions, in order to keep up with rapid changes.



03

Leadership alignment and education

Truly impactful SWP requires a cultural shift, bringing about a more strategic, future-focused, and holistic process and organization. That means the skills leaders need to develop should grow in conjunction with SWP maturity. Leaders need to focus on being more interconnected with their organization and other leaders, as SWP is a living process that is impacted by many variables, requiring organizational-wide buy in and collaboration. Leaders should work to keep up to date on the newest capabilities in this space so they are able to solve for today's workforce issues and proactively tackle the concerns of the future. This will enable them to understand the capabilities and power of SWP and help them drive more informed decision making in planning their workforce.



Continuous strategic workforce planning in action: Aerospace and defense

Facing the twin challenges of worker shortages and an aging workforce, the aerospace and defense sector is a prime candidate for a robust workforce planning initiative.

Staffing challenges are particularly acute when projects end and engineers are released, only for the organization to turn around and quickly scramble to staff other projects. To make matters worse, divisions within this sector historically operate independently, similar to other engineering project-based industries such as oil and gas.

Fostering collaboration across their most valuable resource, people, is the core of this SWP initiative. Leaders need to determine where and how to upskill, reskill, and develop talent internally, whether to recruit new workers externally, and how to identify what skills can be replaced or augmented with generative AI. In so doing, staffing gaps can be closed faster and executives can gain a deeper understanding of workforce supply and demand trends now and in the future.

How KPMG can help

KPMG can help you find a strategic workforce planning solution that interlocks with your EPM. We can help connect employee data in your HR system to organizational decision making. Our strategic workforce planning approach is supported by proprietary tools and a global portfolio of organizational transformation teams, and we take a tailored, client-centric approach to help create customizable and flexible solutions to your unique needs. Furthermore, we can help you by offering sustainable implementation support through change management, talent management, delivery management, and tech management to help ensure your strategic workforce planning solution is integrated with the rest of your organization.

KPMG can help prepare organizations for greater and broader changes ahead as the economy and business landscape continue to change. Throughout your transformation, KPMG can help you deliver a streamlined and integrated workforce planning process that links strategy with people and skills to annual business/finance plans and forecasts, enabled by a corresponding tech implementation, to unlock actionable workforce insights and impact business decisions. Additional potential benefits include FTE savings, improved forecasting accuracy, integration of the workforce planning process with reporting, elimination of manual reconciliation efforts related to plan and variance analysis, and automation and standardization of the end-to-end workforce planning process across the enterprise.

Organizations need to have a unified view of financial, operational, business, and strategic workforce planning. Strategic workforce planning provides the answers organizational planners need to successfully execute on financial, operational, and business plans. Disjointed planning and systems can lead to confusion and bad data, and ultimately impede an organization's ability to realize their goals.

Authors



Brock Solano, Ph.D.

Managing Director, Human Capital Advisory

858-750-7063

brsolano@kpmg.com

For nearly two decades, Brock has helped companies consider new ways of thinking about how work will get done. He guides clients as they shape their organizations to identify and respond with agility to talent needs and organizational constraints, ultimately forwarding their short- and long-term business strategies. Brock has led large-scale workforce transformations and understands that success requires proactive planning to support positive interaction between leaders and the people who are affected by change.



Danny Seto

Managing Director, Human Capital Advisory

858-750-7100

dseto@kpmg.com

Danny partners with Fortune 50 companies and C-suite executives to address workforce and organization challenges at the intersection of business strategy, technology, and human performance. For more than 12 years, he has consulted for mid-to-large-scale organizations, most recently assisting a global e-commerce company. Danny's breadth of knowledge and experience centers on organizational strategy, enterprise organization design, talent management, and workforce analytics.

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