

**The Hidden Force: How Workforce Planning
Can Lead to a Market Advantage**

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A TENROX WHITE PAPER

Executive Summary

There is an old adage that says business is like a car; it won't run by itself except downhill. Yet when it comes to arguably the most important element of business – Human Capital – many enterprises are not fully in the driver's seat. They use outdated top-down manual systems, or simple spreadsheets, to get the right people to the right place at the right time.

For a project-driven or professional services organization, human capital is king. It is essential to have an enterprise-oriented, 360-degree view of projects, customers, and talent. It is even more important to engage your project workforce in the critical planning, allocation and tracking, so that the best people with the most appropriate skills are always working on the most critical projects.

Much has been written about the looming talent shortage that is being driven by retiring baby boomers and other factors. This trend makes it imperative to keep employees motivated and productive by continually anticipating and correcting gaps between future demands and current skills, so that people – and the business – are developed to their full potential.

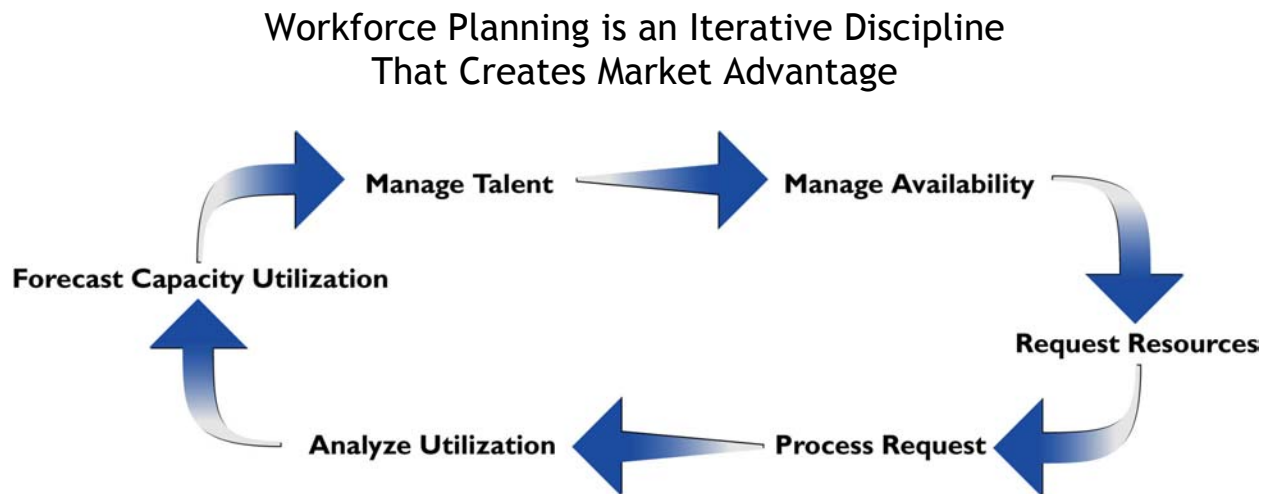
Companies that fail to treat Workforce Planning strategically open themselves up to tangible and costly business risks. Inefficient processes and unstructured behavior run rampant, resources are not utilized at optimal capacities, collaboration is less than ideal, billing cycles are lengthy, project status is based on outdated information and project costs are not managed – or even known – with certainty. A non-optimized workforce can spell lost revenue, lost profit, non-motivated employees and disappointed customers.

This white paper reveals how savvy organizations are using Workforce Planning solutions – which consider the process of allocating, managing, and forecasting human capital from a strategic perspective across the enterprise – to gain a market advantage. Workforce Planning uses behind-the-scenes intelligence to align shifts in external demand with the existing and potential supply of human capital. For organizations that depend heavily on people, Workforce Planning is fast becoming the “hidden force” that spells the difference between market participation and market *leadership*.

Why Workforce Planning?

In *Living on the Fault Line*, market strategist and consultant Geoff Moore suggests that organizations can create sustainable competitive advantage, first by understanding that there has been a radical shift in what constitutes a “scarce resource,” and then by putting today’s scarce resources to better use than competitors do. Moore observes that while in the Industrial Age the scarcest resource was financial capital, today the scarcest resources are time, talent and management attention.

Workforce Planning is an iterative discipline that guides an organization through the cycle of managing and deploying talent, to analyzing current and forecasted utilization. Workforce Planning solutions address the core issue of being able to use time, talent and management attention to create a sustainable competitive advantage.



Workforce Planning Cycle

Continued movement through the Workforce Planning Cycle drives organizations to optimize their use of time and talent, and gives management insight into any necessary corrective actions. Organizations committed to this discipline create a strategic advantage.

How Do I Know When I Need Workforce Planning?

- If you are a project-driven and/or professional services firm you have a much greater need
- When your organization stretches across buildings, campuses, regions, time zones and countries
- When employees no longer work face-to-face with their peers
- When your organization has geographically distributed project, process or service delivery teams
- When your project workforce reaches 50 or more, or when your billable (client-facing) workforce reaches 30 people or more
- When the demand for resources is fulfilled by multiple sources - centralized, dispersed and external resources

(Based on Gartner Research Note G00129674, September 2005)

Ensure long term competency and capacity planning: In 2001, the United States government identified “strategic human capital management” as a “high risk” area and launched a Workforce Planning initiative. Studies showed 31% of the Federal workforce overall, 53% of workers in supervisory positions, and 65% of senior executives were eligible to retire within five years. In its *Major Management Challenges and Program Risks* report, the United States General Accounting Office noted that downsizing and hiring freezes, conducted without the insights of Workforce Planning, had “eroded the ability of many agencies...to perform their missions.”

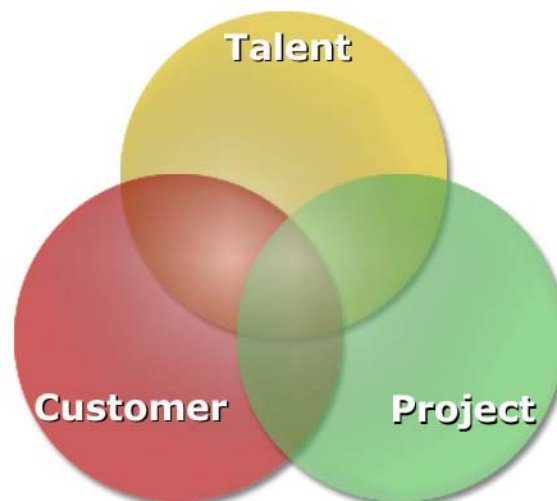
A 2004 study conducted across IBM customers revealed that companies in the private sector are not doing any better. Sixty percent of the 456 respondents said they do not believe they have the organizational structure, internal capabilities and leadership resources to meet their goals. One CEO observed, “Our style has been based on industrial relations, not human relations”, and another commented, “There are hyper-growth requirements and there is a war for talent.”

Account for differentiated time in an era of distributed teams and project centric work: Prioritizing, assigning and auditing the way human capital is allocated within an organization has become increasingly complicated with the shift to a services economy. Enterprises must adjust to increasing fragmentation of their workforce into “subject matter expertise” delivered by specialized workers both inside and outside the organization. While only a short while ago, just 10% of an enterprise’s work was formed around projects and differentiated time, today about 40% is, and experts expect this to climb to 70% three years from now.

Accounting for and optimizing time for a “project workforce”, doing different things for different customers, places greater demands on the systems used to manage how the right people get to the right place at the right time.

Workforce Planning systems enable companies to meet this challenge by establishing a new “system of record” that interrelates the customer, the project and the workforce (talent). Doing so identifies interdependencies among talent, customers and projects to simplify priority setting and talent sourcing, while balancing project profitability with customer satisfaction. Customer Relationship Management systems (defines the “customer” as the system of record); Project Management Systems (defines the “project” as the system of record); and Human Resources systems (defines the “employee” as the system of record) cannot accommodate these interdependencies as Workforce Planning systems do.

Workforce Planning Identifies Interdependencies



Workforce Planning links the customer, the project and talent to create a global system of record. Users can move strategically, account for, plan, track and analyze time and talent allocations based on the interplay between talent, availability, customer requirements, and project demands, priorities and profitability.

Complying with regulatory requirements: Workforce Planning systems help organizations comply with increasingly rigorous requirements of US government regulations such as Sarbanes-Oxley, the Family Medical Leave Act, and the Fair Labor Standards Act, individual state labor laws, and international regulations such as European Time Directives. For example, Sarbanes-Oxley requires companies to

demonstrate effective internal controls over processes, people, and financial matters such as billing and revenue recognition (Section 404), to quickly report material changes affecting the company (Section 409) and to account for capitalizing certain IT projects (section 802) – all all of which are addressed in a Workforce Planning system. The systems also meet the complex customer billing, employee compensation, and revenue recognition requirements stemming from the delivery of differentiated work.

The following table summarizes the economic and organizational shifts driving the need for Workforce Planning:

Shifts Driving the Need for Workforce Planning

From...	To...
Focus on cutting costs	Focus on accelerating growth
Product economy	Services economy
Extended enterprise	Fragmented enterprise
Static workforce	Project workforce
Undifferentiated time	Differentiated time
Organization-centric thinking	Project-Centric thinking
HR “owning” workforce development	Line of Business “owning” workforce development
Focus on employee	Focus on aligning employees, projects and customers
Minimum disclosure	Regulatory scrutiny requiring a detailed accounting of time
Regular place of work	Mobile, virtual place of work

Organizations addressing these shifts by deploying Workforce Planning should keep the following considerations in mind to gain the most advantage from the system.

Considerations in Deploying Workforce Planning

One → Eliminate “stovepipe” viewpoints and see your entire organization as a shared project workforce

Workforce Planning systems deliver the greatest impact when they are used enterprise-wide to illuminate skills, expertise, coverage areas, depth, risk exposure and subject matter expertise. In many organizations without Workforce Planning, informal “buddy systems” lead managers to choose their favorite people for project and service teams, leaving many other capable people underutilized.

Key Benefits of Workforce Planning

- Increased employee productivity through more focused work
- Increased employee collaboration to deliver projects and service clients
- Provide a uniform method for governing resource allocation
- More opportunities due to improved resource management
- More effective resource utilization and retention
- Capturing all project-related costs quickly and accurately
- Streamlining business processes so that clients can be serviced more efficiently
- Improved client satisfaction due to quicker and improved project staffing
- Improved reporting capabilities for more effective decision-making
- Improved management of project portfolios, resource allocation and utilization, project status and cost reporting, and billing
- Faster measurable results

While these informal systems give the most aggressive managers what they need, the organization as a whole gets an incomplete picture of the relative strengths and weaknesses of its workforce, and does not fully understand or control utilization risks. It also has no way of knowing if the most appropriate talent is assigned to the right customers on the highest priority projects to maximize revenue and profitability for the company overall. Managers may encourage “knowledge gaps” and “territorial information” to keep the best resources for their specific projects.

Using a Workforce Planning system enables an organization to see the entire employee base as a “shared project workforce.” Talent, customer requirements and projects across lines of business can be interrelated so that skills can be transferred and human capital redeployed in ways that benefit the organization as a whole.

Two → Make Workforce Planning bi-directional and collaborative

The best Workforce Planning processes are built “bottom-up,” but also depend heavily on solid communication of strategic objectives from the executive suite down. For this reason, representatives across different lines of business and from varying responsibility levels should collaborate in identifying the needs of the organization before outlining requirements and selecting a system.

Line of business owners, managers, and individual contributors all need to understand the strategic and operational priorities of the company, sales forecasts, changes in product and service lines, changes in customer composition and requirements, launches or

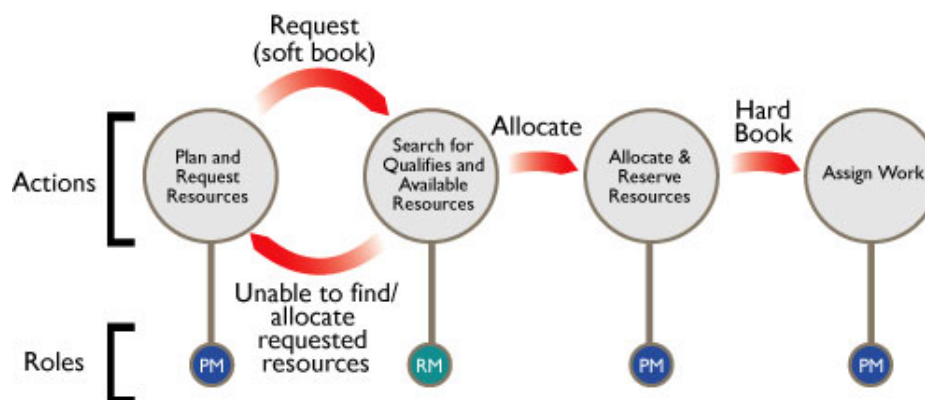
divestitures of business units, and capital investments that will impact productivity and demands for human capital.

The Workforce Planning system should encourage employee participation, such as the ability to input and update current skills, rank work interests, and identify perceived training needs based on this information. Managers should be able to estimate voluntary and involuntary turnover, model different time/cost/utilization scenarios based on various resource assignments, and have access to the information required to justify training and hiring decisions. Line of Business owners should be able to ensure that processes for requesting and assigning talent, accounting for time, executing projects and billing customers are followed. Executives should receive the reports they need for compliance records, as well as to guide the strategic growth of each business unit.

A collaborative planning system should let users make easy *real-time* changes to processes, workflow patterns, talent assignments and reports, as usage drives better understanding of how to optimize the system. For example, some systems automatically change the way talent requests and assignments are routed for approval based on changes users make to a workflow diagram by using a simple drag-and-drop technology, without requiring any IT staff involvement or programming. The following diagram illustrates different workflows that could be involved when a Project Manager and a Resource Manager collaborate to request, approve and book resources.

Resource Planning Process

Scenario: Project Manager can soft book specific resources



Note: PM = Project Manager RM = Resource Manager

Resource Planning Process

Scenario: Project Manager wants to approve proposed resources



Note: PM = Project Manager RM = Resource Manager

Three → Model demand and supply. Measure gaps and plan to fill them.

Workforce Planning systems translate into measurable competitive advantages when users tap them to answer questions such as: “Are billable resources being used in an optimal way? Can project costs be managed more effectively? Is there a better way to deploy our resources? Can billing cycles be shortened to reduce accounts receivable and increase cash flow? Do we have the right mix of talent to meet both current and shifting customer demands and account for future growth?”

The best systems help users “strengthen the people pipeline.” They should help users anticipate how upstream changes in business objectives, projects and service portfolios translate into needs for downstream resource availability, expertise, proficiency, skills and experience types. They also help users neutrally assess the most appropriate sources to fulfill demand, whether it is from the internal resource pool, new hires or external service providers.

The Workforce Planning system has the analytic horsepower to model demand and supply and to identify gaps in best practices for deploying talent, managing costs, and optimizing your revenue cycle. Systems that make it easy for managers to model “if/then” scenarios will encourage them to consider alternatives for aligning talent, projects and customers; to examine cost/time trade-offs; and to change project priorities as business conditions or customer requirements change. Reports can also enable managers to pinpoint potential problems and make corrections before they impact customers. For example, managers can justify the return on investment for

Workforce Planning Reveals How Organizations Can...

- Manage to deliver projects on time and within budget
- Provide an environment for collaborative optimization of a project workforce
- Ensure that proper resources are in place to deliver projects
- Ensure an optimal and trained resource pool
- Effectively report on project information *in real-time*
- Ensure employees focus on core responsibilities rather than administrative tasks
- Efficiently manage the life cycle of a service or project engagement

hiring or training talent, in serving a new technology as an emerging trend in customer demand, is identified.

Four → Close the “intelligence loop” from the back office to the front office

Workforce Planning helps tie operations to business strategy, and give executives the information they need to ensure human capital is being used in ways that best support the organization’s growth and profitability.

These systems provide the intelligence executives need to align resources with market opportunities, and identify and overcome business threats, such as an aging workforce, a changing skill-base due to changing market demands, and changes in compliance requirements. They also provide the information needed to continuously improve how resources are requested and allocated, and how training, hiring, and outsourcing decisions are made.

“Executive dashboard” capabilities highlight “at-a-glance” information such as budget use by business unit, project alignment to company strategy and priorities, budgeted hours and costs versus actual hours and costs, and other variances that might threaten the business if not corrected.

Five → Understand your scalability and flexibility needs.

Many Workforce Planning options exist. When assessing options, you should consider how much you expect your organization to grow and change over time. For example, a professional services organization was forced

to replace the system it had deployed just 8 months earlier when it evolved into a multi-site contact center model and the system did not have the real-time planning and staff management tools that the new environment demanded.

Organizations in “change-oriented” industries and fast-moving industries, subject to evolving regulations, should consider systems that enable easy, real-time alterations to processes, workflows, and reports. The solution should be designed with intuitive tools that enable “non-programmers” to make these changes. Most organizations also will do well to consider a system that enables a modular implementation approach, such as the ability to automate one service line or business unit at a time.

For most solutions, companies can choose to buy or lease the software and run it on their premise, or use the software in an Application Service Provider (ASP) format, which means the software is hosted by someone other than the user (typically the vendor or a third-party service provider). The right option depends on a variety of factors, including costs, IT infrastructure and expertise, user support required, scalability requirements, maintenance and upgrade needs, security concerns and performance requirements.

The Power of Collaborative Workforce Planning

Collaborative Workforce Planning solutions that integrate workforce information and processes from across the enterprise - such as accounting, payroll, project management, human resources and Customer Relationship Management - deliver strategic insights that drive better business decisions.

When choosing a system, look for:

- **A system of record that combines the customer, the project and the workforce.** A system, that synthesizes the customer, the project and the workforce (talent) as a system of record, that reveals the interplay among these elements will enable managers to optimize human capital allocations in ways that balance project profitability, customer satisfaction, and company priorities.
- **A graphical workflow engine that is intuitive to use and adapts to *your* business processes.** A graphical model of the underlying workflow for requesting resources, approval, routing, notification and assignment makes it easy for users without programming skills to adapt the system to their business processes. A system that includes graphical “best practices” templates will give users a head-start in designing their workflows.
- **Resource management to help you find the most qualified resource, based on configurable and flexible search criteria.** A resource management design

that shows a “match score” for each resource in response to a search by a variety of criteria - including skills, proficiency, availability, interest, previous client or industry experience, similar project experience, previous project performance, cost, location, and willingness to travel – will simplify aligning projects, customers and talent.

- **A comprehensive database to show a complete view of resources.** Look for a system that enables you to create a robust skills database that combines skills, proficiency, experience, interests, travel preferences and other variables into a skill set that can be assigned to a role or a person.
- **Superior analytics to create actionable intelligence.** OLAP-based analytics will help management understand resource availability, allocations, forecasts, operational variances and human capital utilization across the organization and at more granular levels such as by business unit, workgroup or resource type.

In Summary

In a talent-tight environment Workforce Planning can help project-driven organizations allocate, manage and forecast critical human capital across the enterprise. Specifically, Workforce Planning enables organizations to (1) Ensure long term capacity and demand planning; (2) Account for differentiated time in an era of distributed teams and project centric work; and (3) Comply with regulatory requirements including Sarbanes-Oxley.

Companies that fail to treat Workforce Planning strategically expose themselves to tangible and costly business risks. A non-optimized workforce can spell lost revenue, lost profit, non-motivated employees and disappointed customers. On the other hand, those companies that embrace Workforce Planning and make it part of the operations (and their culture) can create a true competitive advantage.

About Tenrox

Tenrox is the leading provider of workflow-driven Project Governance and Compliance software. For more information on Collaborate Workforce Planning or other Tenrox solutions please call us directly at 1.877.4TENROX or visit www.tenrox.com.



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