IBM®

Workforce Planning Performance Blueprint

Cognos® software

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 that their corporation can make decisions to help 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 HRM systems and spreadsheets for the planning process, resulting in error, delay and 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* is that solution, enabling an integrated workforce planning process that aligns corporate financial objectives with divisional workforce decisions.

Headcount and compensation

Headcount and compensation are linked by business drivers to various process areas in a corporation.

For example, 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. In addition, resource planning for product development and production has a direct effect 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.
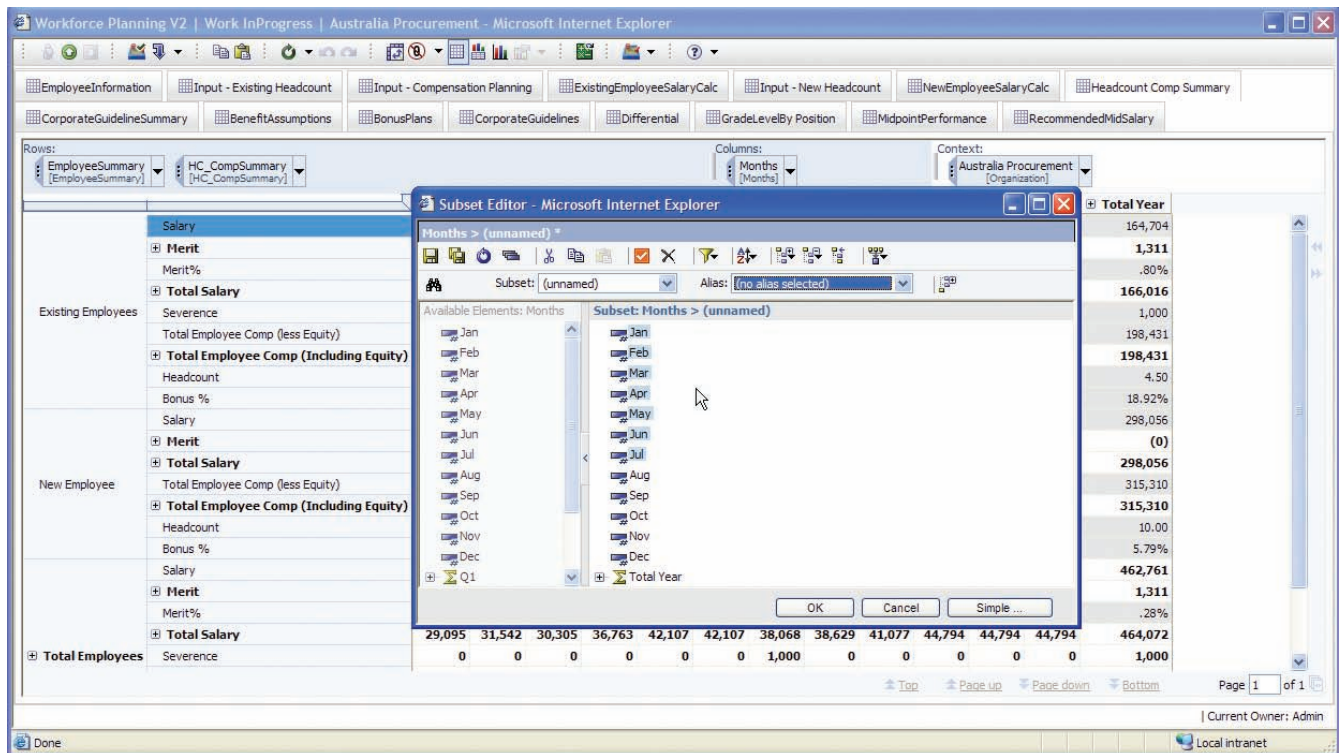
Employee compensation is a driver of employee productivity. Merit increases tied to individual, team, divisional and corporate performance objectives can have a significant impact on enterprise performance.

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 monitors the new-hire pipeline to ensure it can provide the best candidates at the right time and trends such as attrition, so that executive management can work to enhance 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.

With IBM Cognos TM1 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 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 might be granted as well.

Most companies use Human Resource Management (HRM) systems and spreadsheets for workforce planning.

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 is not likely to 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. 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 workflows to help reduce errors, improve control and boost accountability.

With IBM Cognos TM1, staff 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.

The IBM Cognos Workforce Planning Performance Blueprint: Enabling an integrated workforce planning process

IBM Cognos Performance Blueprints powered by IBM Cognos TM1 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*, 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, consider a company that is 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 during the next six months and adjust employee plans. Because IBM Cognos TM1 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.

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.

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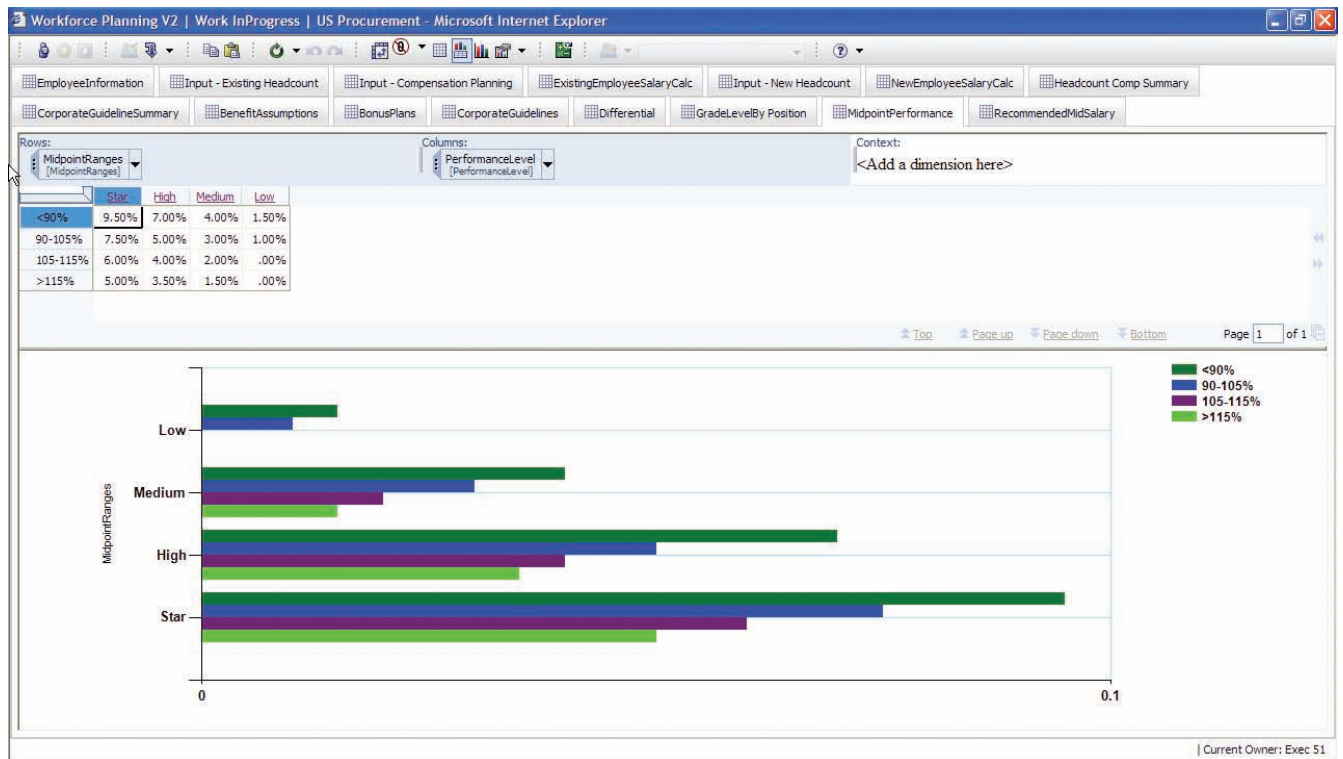
Conclusion

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* 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 the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation practices in planning, analytics, performance management, and business intelligence competency. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.

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.

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