

10th People Management Executive Seminar

Strategic Workforce Planning

December 4, 2014

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Information → **Insight** → **Intervention** → **Impact**

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What we have known as workforce planning is radically changing. The past is not prologue due to demographic shifts, cutting-edge technologies, and heightened competition which disrupts not only firms, but also industries. Thus what made firms successful may no longer be viable and different capabilities for the firm and competencies for the workforce become essential not just to thrive but to survive. In other words, "What got us here will not get us there!" Therefore, firms must look from the outside-in and engage in STRATEGIC workforce planning - knowing where, how, and WHO creates customer and economic value for the firm. This has huge talent implications and raises questions such as "Is my benchstrength strong enough and capable enough to win our future?" Or, "Can I survive in the new marketplace with my existing workforce?" "How well does my workforce benchmark against my competition?" "Does my workforce possess the 'learning agility' to enable us to remain highly competitive?" Finally, "Do I have Top Talent in the strategic positions that create a competitive advantage?"

Recognizing that organizations are systems perfectly designed to deliver what they are delivering now implies that to get different results you must DO different. Do you have the workforce that can make the strategic difference that will enable your firm to survive? Strategic workforce planning is a major step in the survival of legacy firms. How this can be achieved is the topic of this keynote.

Strategic Workforce Planning

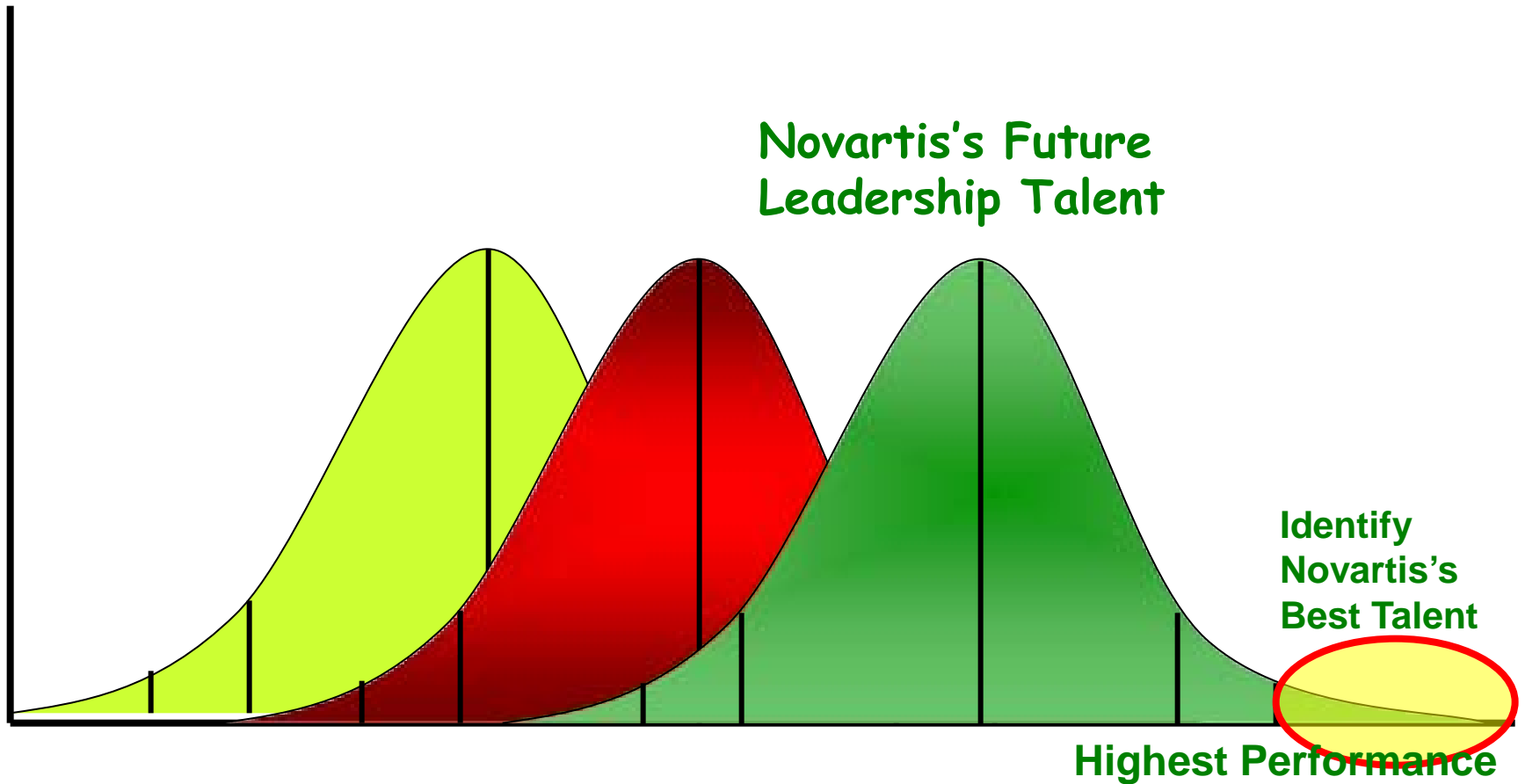
How critical is **strategic talent** to your firm's future?

The “Nose”



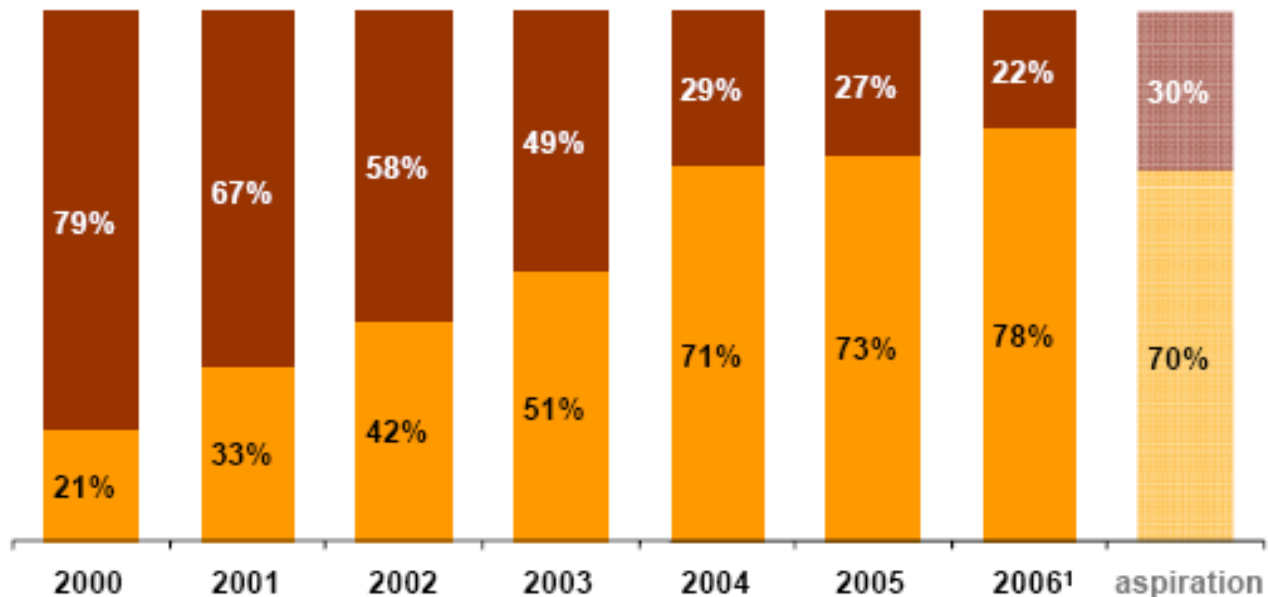
At **Guerlain**, a French perfumery, the critical human capital would be in a position such as the “nose,” a person who can identify 800 separate scents and identify trends, such as the androgynous trend in scents for younger purchasers. A person who can identify such a scent can sell hundreds of million dollars of relatively low-cost to produce merchandise. Such individuals obviously are extremely valuable and clearly have very specific skills, which cannot necessarily developed, may even be referred to as innate but are not widely distributed in the labor market and have extreme impact upon a firm’s revenue.

Novartis must focus more resources on Leadership Development to stay ahead



How we Measure Success

- Internal/external hiring aspiration for Top 400 leadership positions in Therapeutic areas.



¹ Excluding Vaccines & Diagnostics

Internal Hires External Hires

39 | Presentation Title | Presenter Name | Date | Subject | Business Use Only



Strategic Workforce Planning

**Talent in strategic positions
creates customer and
economic value**

STRATEGIC WORKFORCE PLANNING: A Talent Management Process

- **Strategic capabilities**

- **Strategic positions**

- **Strategic players**

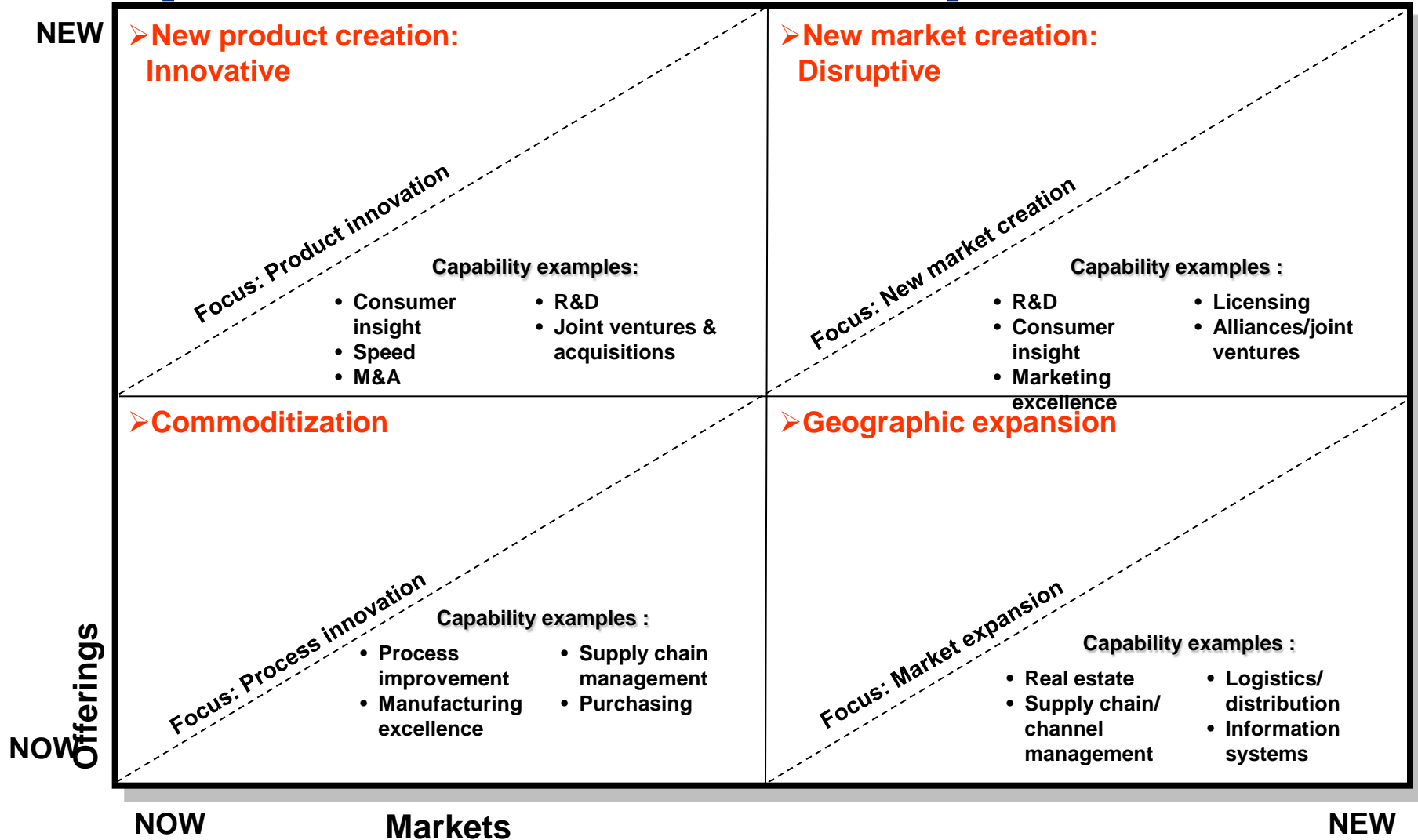
- **Strategic talent inventory**

Strategic Capability Examples

Examples of Primary Strategic Capabilities in Selected Firms

1. **Wal-Mart:** supply chain
2. **BMW:** vehicle design
3. **McDonalds:** real estate
4. **Honda:** small engines
5. **Zara:** “cheap chic” fashion design
6. **J&J:** brand management
7. **Apple:** new product development
8. **Four Seasons:** unparalleled service
9. **GE:** mergers and acquisitions
10. **Cypress Semiconductor:** designing more flexible chips
11. **BiogenIdec:** identification of underserved markets
12. **Novartis:** extension of product life cycle
13. **TCS:** deep industry expertise
14. **Novo Nordisk:** new therapeutic approaches
15. **Samsung:** speed to market
16. **JKO:** supply chain, brand management
17. **Proctor & Gamble:** connect and develop

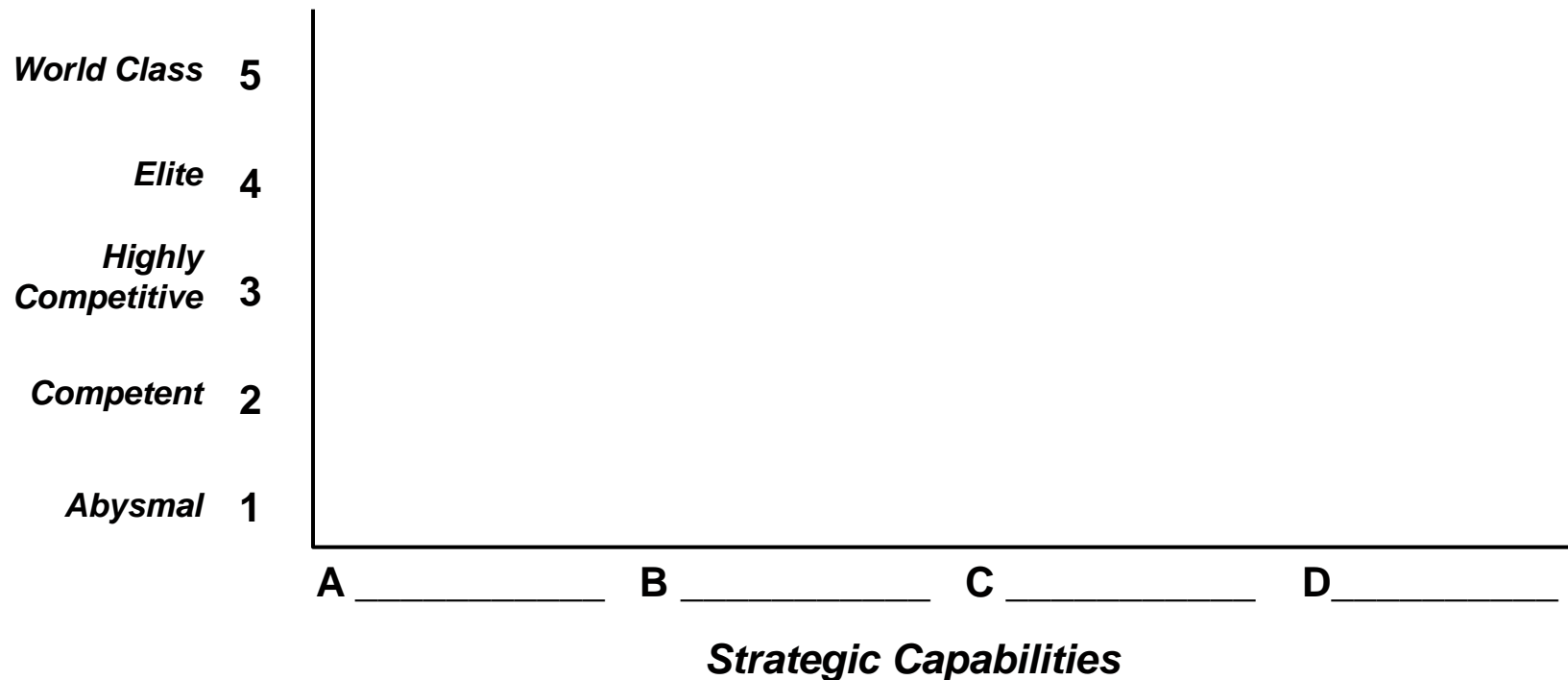
The Growth Strategy Matrix: Requires Difference Capabilities



The Approach — How to Do It —

- ☒ **Strategic Capabilities**
- ☐ **Strategic Positions**
- ☐ **Strategic Players (talent)**
- ☐ **Strategic Talent Inventory**

Identifying Strategic Capabilities



Key: X = Present W = Win

Assessing Strategic Capabilities

Value Creation Assessment

What is Strategic?

Strategic Positions Are Found within Strategic Capabilities and Positions

V = Influences customer's perception of value

P = Enables us to charge our desired price

C = Enables us to produce at our desired cost

Strategic Capability Impact Assessment

Strategic Capability	VPC			Is this a Strategic Capability?	
	Impact Customer's Perception of Value	Enables us to charge our desired price	Enables us to produce at our desired cost	Yes	No
1.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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6.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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8.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**How Great Do
We Need to Be?**

Strategic Capabilities: Metrics and Actions

Desired

Strategic Capability: _____

What defines success in this strategic capability?

What work must be accomplished?

Who must do the work?

How effective are they?

G

A

P

Present

Examples of Destination Metrics

Strategic Capabilities DEFINITIONS AND DESTINATION METRICS — *Examples* —

1. **Strategic Capability: Extension of Product Life Cycle:**

Maintaining revenue and margins after patent expiration.

Destination Target (world class): Maintaining 80% of pre-patent expiration sales with 90% of the margin for at least two years after patent expiration.

2. **Strategic Capability: Identification of Underserved Markets:**

Determining markets that are not presently served that have the potential of \$100M annually.

Destination Target (elite): Achieving \$100 million in sales one year after product introduction in a market not presently served and maintaining for five years. At least one such product is to be produced every three years.

Strategic Capabilities

DEFINITIONS AND DESTINATION METRICS

— *Examples* —

3. **Strategic Capability: Service Excellence:** Delivering to our customers and meeting their expectations, first time, every time.
Destination Target (world class): Achieving a 95% customer success score with our “stretch” customer survey and 98% customer success score on our “profitable core” customer survey.
4. **Strategic Capability: Process Innovation:** Redesigning production processes to more efficiently and effectively improve how our products are produced.
Destination Target (elite): Reducing the cost of production 2% annually while maintaining or improving product quality annually.
5. **Strategic Capability: Supply Chain Excellence:** The movement of all products from inbound logistics to ready-for-sale.
Destination Target (elite): For 99.8% of all SKUs, no more than 2 “stock outs” are to be experienced in any month.

Strategic Positions

Roles in Organizations

- Three types of work: strategic, support and surplus
- Should work be reconfigured for greater strategic impact?
- What strategic impact do roles that report to you have?

Strategic Capabilities: Metrics and Actions

Desired

Strategic Capability: Manufacturing Excellence

What defines success in this strategic capability?

We must be at least three sigma in all products and with final user satisfaction above 90%

What work must be accomplished?

All variance in production process must be minimized

Who must do the work?

How effective are they?

Manufacturing engineers

Process engineers

Project managers

TT

ET

CL

X

1

3

6

2

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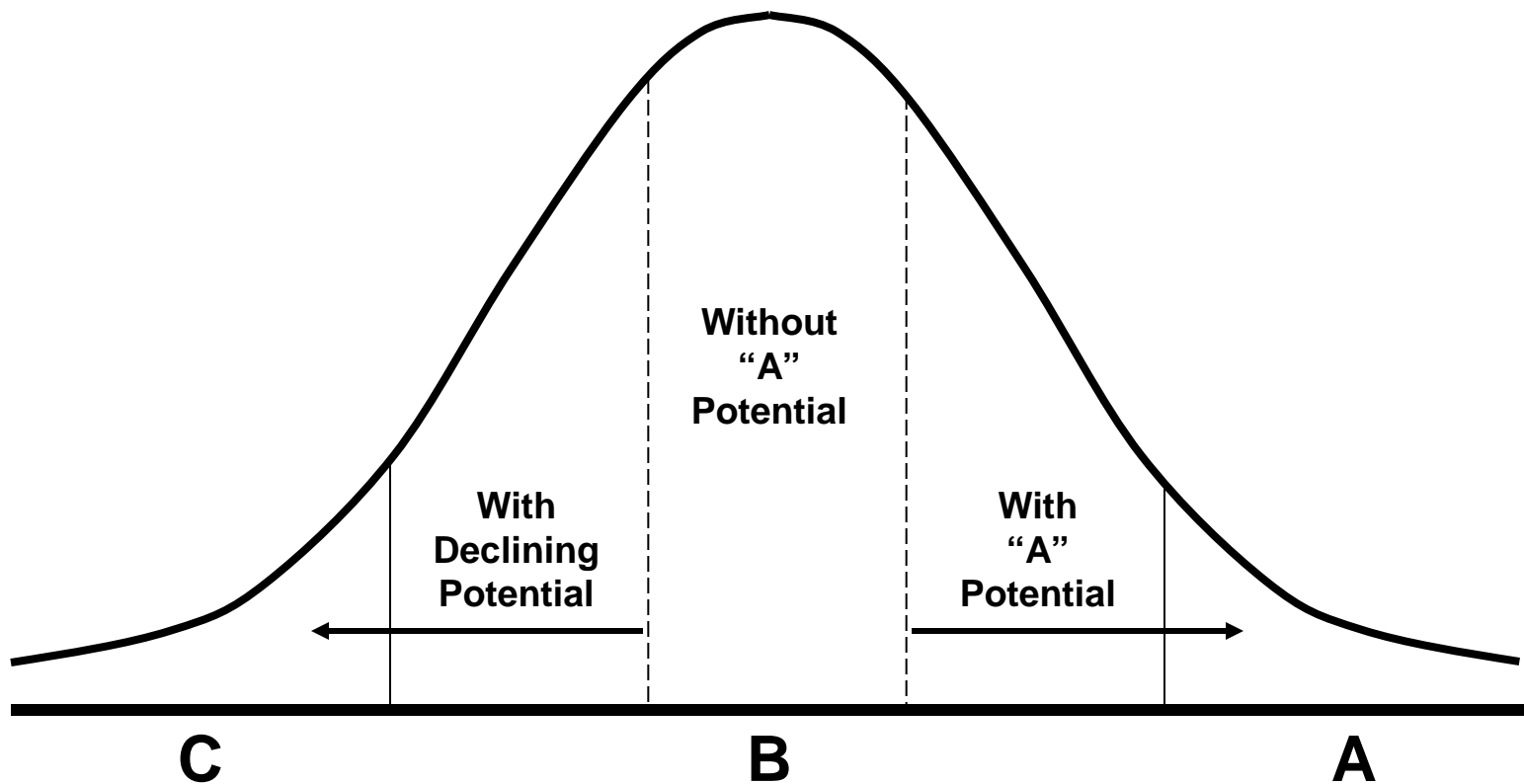
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**Consider:
What positions impact
the success of each
strategic capability?**

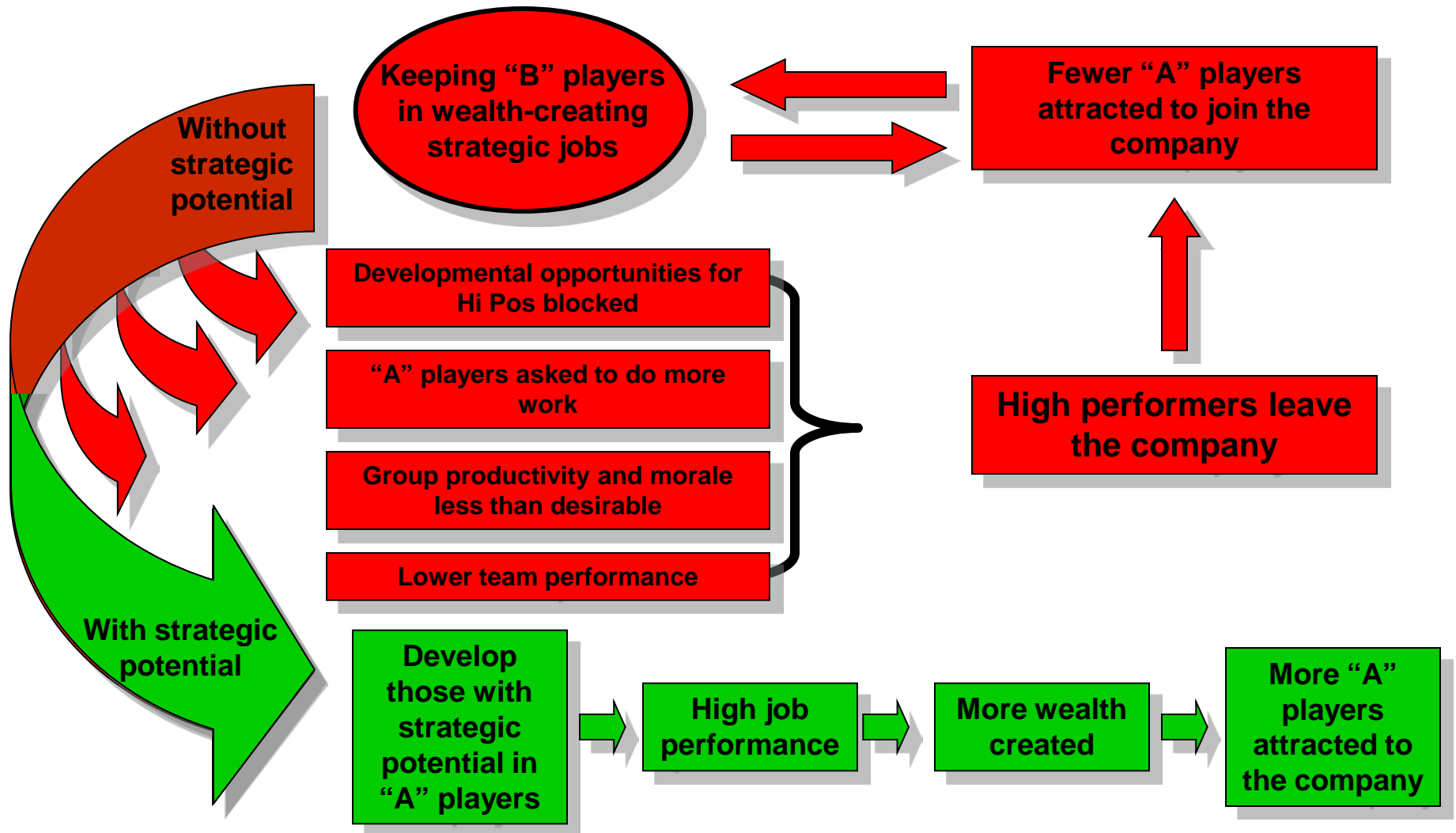
Major Talent Challenges

- ☒ Talent alignment
- ☒ Politics
- ☐ “B” Players
- ☐ Leadership
- ☐ HR Practices

The Challenge of “B” Players



Building the Talent Pipeline: “B” Players



XYZ Corp. Human Capital Plan			Strategic Talent HCP		
Business Leader Recap			Position Scorecard		

Line of Business:	Retail Appliance Division
Business Strategy:	Low cost producer and major provider to "Big Box" retailers for highly price sensitive retail customers

STRATEGIC CAPABILITIES:	STATUS				
	Abysmal (1)	Less Competitive (2)	Competitive (3)	Very Competitive (4)	World Class (5)
• Executive Leadership			3 →		
• Manufacturing Excellence				4 →	
• Sales/Marketing				4	
• R&D/New Product Development		2 →			

STRATEGIC POSITIONS:	Number	Top Talent	Emerging Talent	Career Level	Move	Action Plans
• Executive Leadership						
– VP Marketing	1		1			Develop more talent from sales and marketing
– VP Mfg.	1			1		Consider early replacement of VP Mfg.
– CFO	1	1				
• Manufacturing						
– Plant Managers	16	4	3	7	2	Exit moves and "careerists." Hire developing talent. Hire and move "top talent" into the 38 career level/move positions
– Area Supervisors	48	7	3	33	5	
• Sales/Marketing						
– Marketing Directors	6	2	1	1	2	Exit moves and initiate campus recruiting and career development plans to strengthen marketing talent at all levels
– Brand Managers	5	1	1	3	0	
– Consumer Insight Specialists	7	2	4	0	1	
– Merchandising Managers	6	1	0	5	0	
• R&D/New Product Development						
– Design Engineers	11	3	0	8	0	Initiate external hiring program for "top talent" at all levels. Begin to exit careerists - we have 14 of 20 in this category.
– Cooling Specialists	4	1	1	2	0	
– Laundry Specialists	5	1	0	4	0	
	111	Σ = 37		64		
		Mentors needed				

The Strategic Workforce Planning Process — In Detail —

Strategic Workforce Planning
— Workshop Design — Examples and Ideas —

<u>Pework</u>	Workshop I (Feb 20-21, 2013)		<u>Pework</u>	Workshop II		<u>Pework</u>	Workshop III		Post Workshop Actions
<ul style="list-style-type: none"> • Meet with business leaders • Explain Strategic Workforce Planning (SWP) • Describe whom to invite • Prepare business leader <u>expectations</u>, kick-off speech and governance rules 	Day 1 AM <ul style="list-style-type: none"> • Business leader kick-off and LOB business strategy • Overview of SWP's objectives <ul style="list-style-type: none"> – Implications – Challenges – Process Day 1 PM <p>Identify, define and assess (VPC) strategic capabilities</p> <p>Review day's progress and tomorrow's agenda</p>	Day 2 AM <ul style="list-style-type: none"> – Review/edit strategic capability list – Define "destination targets" for each strategic capability Day 2 PM <ul style="list-style-type: none"> • Identify positions impacting each strategic capability using VPC (including leadership positions) • Add new positions, if necessary • Redesign work necessary for each position • Review day's work and next workshop's agenda 	<p>Meet with Business Leader</p> <ul style="list-style-type: none"> • Review progress • Review invitees (add/delete) <p>Prepare</p> <ul style="list-style-type: none"> • Strategic capabilities, definitions, assessment list • Strategic position list • Number of incumbents in each position 	Day 1 AM <p>Review strategic capabilities definitions and assessments</p> <ul style="list-style-type: none"> • Review strategic position using VPC Day 1 PM <p>Review Talent as assessed/rewarded by Leaders</p> <ul style="list-style-type: none"> • <u>Compa-ratio</u> grid • Turnover grid • 9-block <p>Explore workforce governance alternatives</p> <p>5 E's GSK USB Rules X vs Ys</p>	Day 2 AM <p>Talent review</p> <ul style="list-style-type: none"> • Assess talent in strategic positions • Use actual counts or percentages for large numbers of incumbents Day 2 PM <p>Build preliminary talent inventory</p>	<p>Meet with Business Leader</p> <ul style="list-style-type: none"> • Review progress • expectations • Review invitees (add/delete) <p>Work with HR to finalize list of the incumbents in all strategic positions</p> <p>Obtain names and performance assessments of all incumbents in strategic positions</p>	Day 1 AM <p>Report-outs to senior executive teams</p> Day 1 PM <p>Report-outs (<u>Con't</u>)</p>	Day 2 AM <p>Determine strategic talent gaps and tentative actions to close gaps</p> Day 2 PM <p>Strategic talent template</p> <ul style="list-style-type: none"> • Now • 30-days • 90-days • 180 days <p>Develop HR Action Plans to close talent gaps</p>	<ul style="list-style-type: none"> • Establish Oversight Committee • Revise HR PA formats to maintain progress • Finalize workforce governance • Revise leadership performance accountability system to include strategic talent targets <ul style="list-style-type: none"> – Additional actions – Culture metrics – 90° leadership behavior assessment