HR Planning: Are You Doing It Right?

5 Critical Steps

to streamline **Strategic Planning** and **Workforce Management**

jedox.

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I. Introduction

As defined by Bulla and Scott in their seminal work, human resources (HR) planning is *"the process for ensuring that human resource requirements of an organization are identified and plans are made for satisfying those requirements."*[1] Defining HR planning is one thing; having the process run smoothly and efficiently is quite another.

For HR planning, there are two approaches to responsibility: one is central planning, where the HR department or human resources manager takes responsibility for the entire division or organization; the other is distributed planning, where team heads or members do the planning for their groups within the organization.

In both cases, the function is not typically a C-level one because the process is usually bottom-up and not planned for a multi-year perspective. Yet make no mistake – the practice is highly important.

Ideally, HR planning should serve as a link between human resources management and the overall strategic plan of an organization. Aging worker populations in most industrialized countries and growing demands for qualified workers (i.e., the so-called "skills gap") have moved the importance of HR planning up in organizational practice, and this development is likely to increase further in the immediate years ahead. According to Gartner, rapid changes and business transformation initiatives require chief HR officers and HR leaders to invest in workforce planning technologies to optimize their workforce's composition, cost, and productivity.[2]

This whitepaper examines the five essential steps in strategic planning and workforce management, explains the technologies that can support those steps, and offers case histories that show how the adoption of planning technology can streamline workforce management with considerable benefits to the organization.

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[1] Bulla, D. N. and Scott, P. M., "Manpower Requirements Forecasting: A Case Example," in Human Resource Forecasting and Modeling, ed. D. Ward, T. P. Bechet, and R. Tripp, Human Resource Planning Society, New York, 1994.
[2] Poitevin, Helen and Tervolino, Christopher, "Human Resources Technology Options for Workforce Planning," Gartner, July 2015.

II. The five Steps

There are five principal process steps to effective strategic planning for workforce management:

Integrate HR planning into enterprise financial planning

Establish workflow and consolidation

Collect planning data

Prepare HR planning

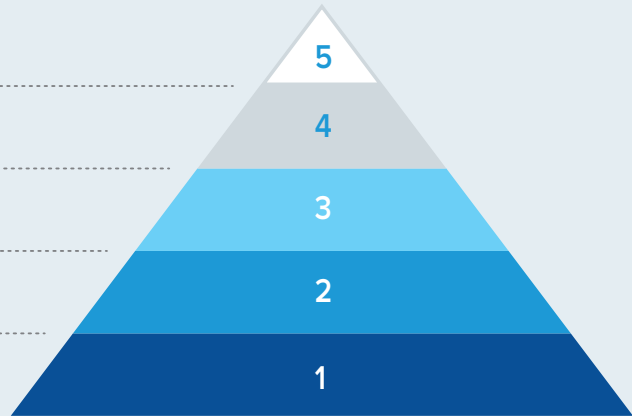Leverage sales/financial planning to establish strategic HR goals

Figure 1: **The five steps to streamline strategic planning and workforce management**   Source: Jedox

HR planning should serve as a link between human resources management and the strategic plan of an organization

1

Leverage sales/financial planning to establish strategic HR goals

From our perspective, sales planning is the most important planning piece for a company. HR is the second. With sales planning, you as an organization determine the size of the company in the future. With HR planning, you determine how much to spend on the workforce based on the projected size and requirements of the organization.

This is fundamental: sales planning develops an estimate of how many people you need onboard to meet your needs moving forward. This year there are X employees. Based on sales planning, next year you'll need Y. This is always the starting point for HR planning: establishing a baseline.

> Finance and HR leaders can add strategic value to the corporate planning process and increase HR workforce planning effectiveness by extending collaboration and sharing additional data points between these plans.[3]

Gartner Research Paper:
Integrating Financial & Workforce Planning

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[3] Poitevin, Helen and Tervolino, Christopher, "Integrating Financial and Workforce Planning," Gartner, March 2015.

2

Prepare HR Planning

The next step is to prepare the HR planning process to determine who will be involved, who should contribute, and so forth. As noted above, there are two basic approaches to this process: centralized, where the HR department or manager takes responsibility for the process across the organization or division; or decentralized, where each manager or designated team members contribute to the planning for their team. After you determine who contributes, you establish the number of lines to be planned for.

The two most important lines are headcount and full-time equivalents (FTE). Some people mix these terms up, but headcount is indivisible, while an FTE may be a percentage (e.g., 50 percent, 25 percent). In some cases, where the planning is very lean, HR planning only addresses these lines.

Consider that case: A company has 1,000 employees. Strategic planning has shown that costs need to be cut by 10 percent, so HR planning determines which organizational teams will have to cut staff to comprise the 10 percent. In other cases, many more lines are incorporated in planning. These could include wages and salaries, parameters by region (e.g., insurance plans, retirement plans, employee type), or non-wage labor costs (e.g., company cars, car allowances, transportation cards, social expenses).

The point is there is no single approach for every company and every planning process. It could be appropriate for a company to have only two lines; another may have 30 lines. It depends on the fit within the individual company. One caveat: it's not having the highest amount of granularity (i.e., the amount of data) that is critical; it's having the right amount of data that is critical to having an effective HR planning process.
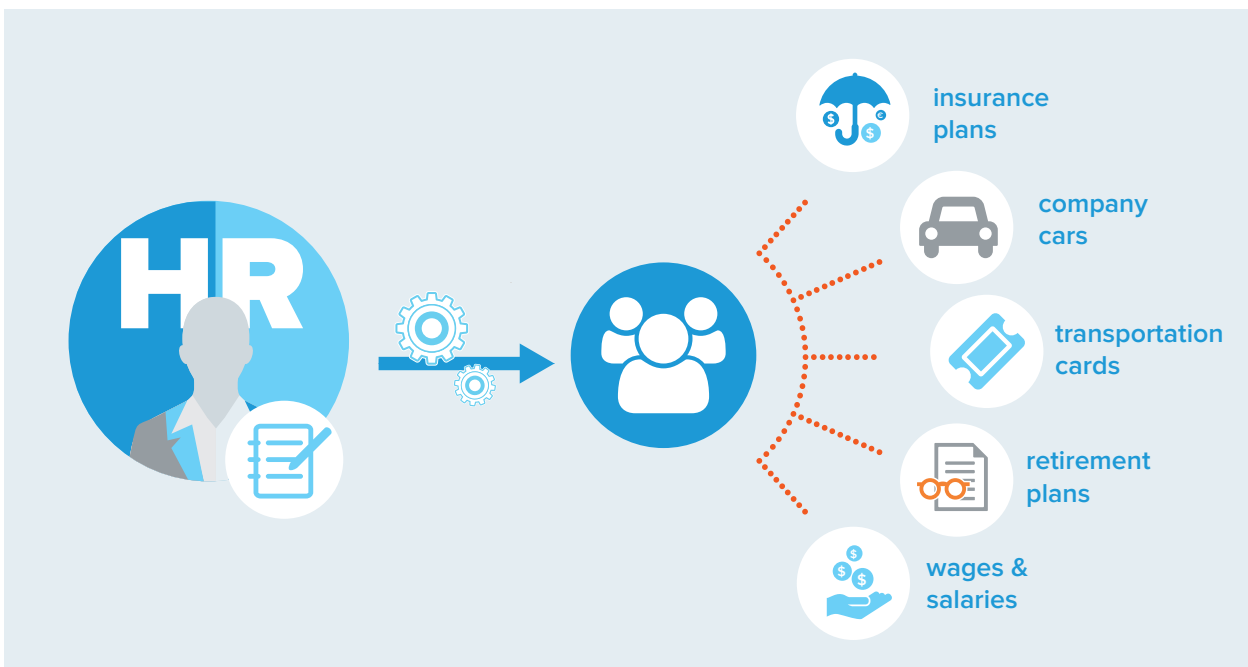

Figure 2: HR planning parameters – more than just salaries   Source: Jedox

HR planning can be lean or it can incorporate hundreds of different planning parameters. There is no single approach for every company and every planning process

3

Collect Planning Data

The third step of the process is bringing in the actual data. Typically when doing HR planning, a company knows most of the people working next year are resident this year, because staff is largely stable year to year. Over the course of a year, a company may lose several people, may add to fill those losses; but the majority of those who will be onboard are already there. So the organization knows their names, wages, managers, etc. This data is the basis for planning.

For people to contribute to the HR planning phase, they need to submit actual data in a useable form. Once the strategic goals are established, the planner must focus on individuals:

- ❓ **Whom do I need to keep?**
- ❓ **What function or functions do I need to add to the team?**
- ❓ **When should this happen: Q1 or Q4?**
- ❓ **Is there a lengthy process in finding qualified personnel?**

It might be that you can't add until Q4. The answers to such questions impact costs, but they also impact productivity.

Contributing on the planning level is a major step. Usually with workforce management you talk about individuals; but with new hires, you don't know an individual. You do, though, have a personality or profile in mind (e.g., experience, education, salary level).

Good planning systems provide "delta planning," so instead of having to punch in all the data, you only enter the changes. For example, you may have several people on board and one is leaving. So there will be an increase in salary to fill that position. In a good system, you put in the increase but not the total wages before and after the increase. This process is much more efficient: taking over existing data and only putting in the changes, rather than re-inputting everything.

4

Establish Workflow and Consolidation

Workflow must be established to provide process control from a governing perspective. Have all designated parties contributed to the planning? Have top-down targets been met? If it's in line with strategy and on time, the workflow should provide a verified, complete set of planning data.

Through consolidation, the data is totaled and then can be compared with strategic goals. This may prove to be fine, or another iteration may be necessary.

For example, if you projected productivity increasing by 10 percent and you have total personnel costs not increasing by more than 12 percent, you may discover that you have enough personnel onboard for next year but the salary planning exceeds budget. Or it could be that you've broken down your targets for a 10 percent reduction in staff, but some teams could not function to meet requirements at the 10 percent reduction. So new iterations are needed to align planning with your goals.

5

Integrate HR Planning into Enterprise Financial Planning

Once the HR planning is aligned with strategy, it can be integrated to the cost center planning and finally to the profit and loss statement (P&L) to provide a consistent view of financials across the enterprise.

This process is a growing trend, driven from the financial side. According to Yvette Cameron, research director for human capital management technologies at Gartner, there is a global trend where the chief financial officer is taking greater interest in HR, resulting in *"a greater uptake of conversation about HR and finance together."*[4] From our perspective, this is a natural and logical development.

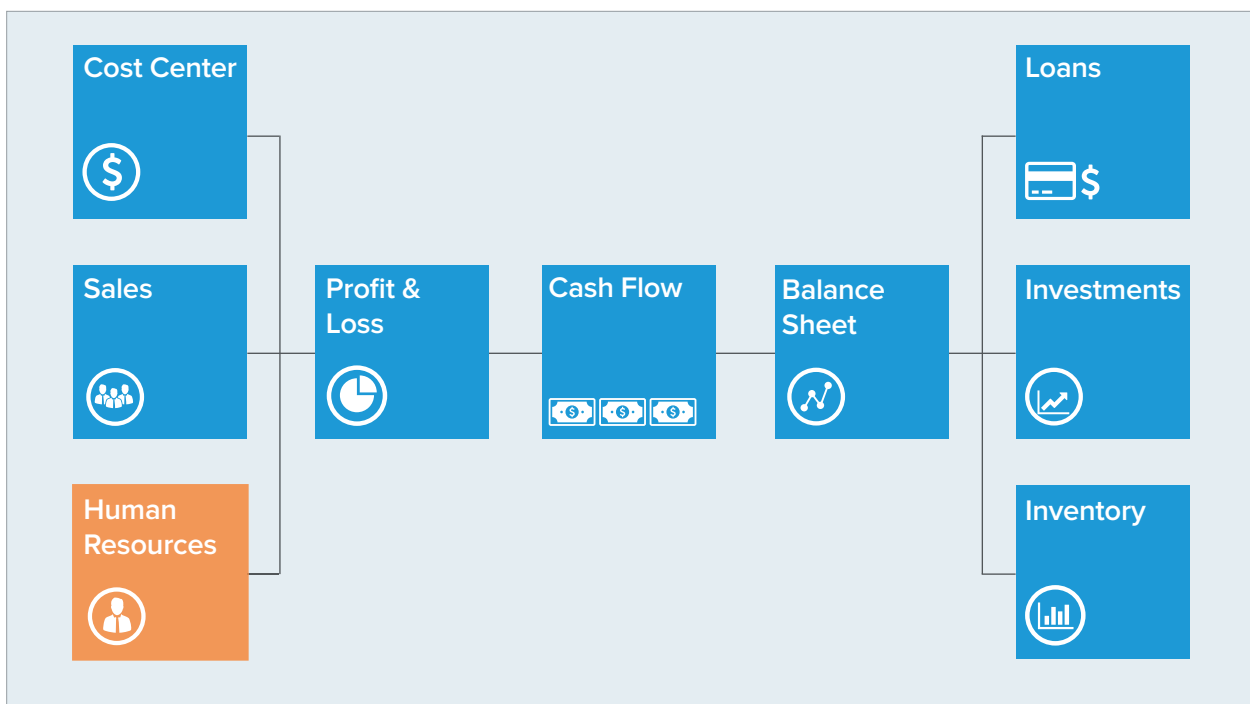**Figure 3: HR as the CFO's partner**   Source: Jedox

Integrating HR planning into the overall P&L provides a consistent view of financials across the enterprise

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[4] Snider, Emma, "Are HR and Finance Systems Really Better Together?" http://searchfinancialapplications.techtarget.com/feature/Are-HR-and-finance-systems-really-better-together.

III. How Jedox Technology supports the process

Across each of the five essential HR planning steps, Jedox provides technology that speeds and streamlines the process steps.

Step 1 | Step 2 | Step 3 | Step 4 | Step 5

1. Leverage Sales/Financial Planning to Establish HR Planning Goals

Jedox provides sophisticated yet simple-to-use online calculations, as well as a "splashing" function that allows users to modify inputs and have them break down along the established structure. For example, ordinary input into a consolidated cell is not possible to prevent users from doing so unintentionally and thereby corrupting data. After all, consolidated data are the result of base element data. However, Jedox allows users to enter a value intentionally with the purpose of "splashing" – to split the value automatically among the subsequent base elements. So, say, if a total is decreased by 10 percent, each of the individual categories decreases accordingly.

This can be done by various factors (e.g., in a certain region or functional area, decreasing by 10 percent, while in another region decreasing less or more as desired).

Further, having an OLAP database allows users to filter and view data from different perspectives, enabling a more sophisticated breakdown of strategic goals that is much better than having to use an overarching percentage. In this way, the goals may be applied more precisely.

Name	Sex	Headcount	Annual Salary	Charge Rates	Superannuation	Comment
Warren Prum	Mr.	1	265,028	470	22,527	
Luisa Reinsch	Mrs.	1	229,983	359	19,549	
Anastacia Witherington	Mrs.	1	191,314	325	16,262	
Columbus Bradburn	Mr.	1	238,761	444	20,295	
Deloise Stolte	Mrs.	1	191,414	340	16,270	
Totals		5	1,116,501	Increase 10%		
				Increase 5%		

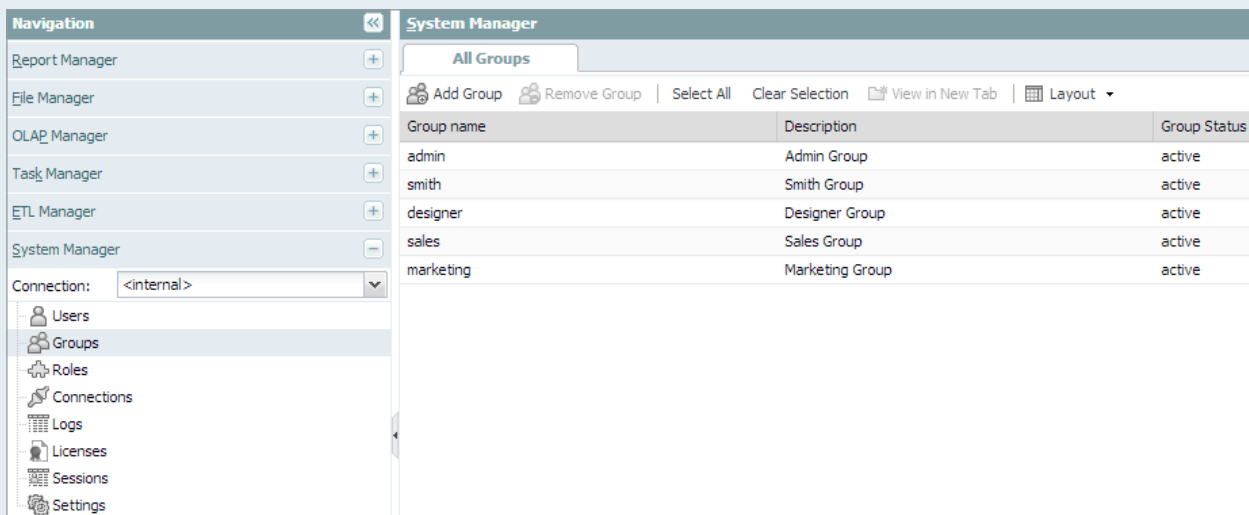**Figure 4:** **Establish a baseline**   Source: Jedox
Modify inputs and have them break down along the established structure via "splashing"

2. Prepare HR Planning

Providing actual figures is about having interfaces to existing systems – getting access to enterprise databases. This is where Jedox's Integration Manager comes into play. With this user-friendly and powerful tool, users have the opportunity to combine all database systems with the multidimensional Jedox OLAP server – and thus quickly and easily integrate BI/CPM applications with Jedox into existing IT landscapes. This ability enables users to have important data wherever it is needed.

Security is also an important issue here. Because HR data is typically confidential, companies don't want to give all employees access to the wages and salary information on individuals. So being able to define or restrict users is an important function that Jedox provides.

Figure 5: **Easy data integration and security management in web-based HR planning**   Source: Jedox

You control the granular data security model and manage users, groups and roles so a cost center manager will only see their team's individual data
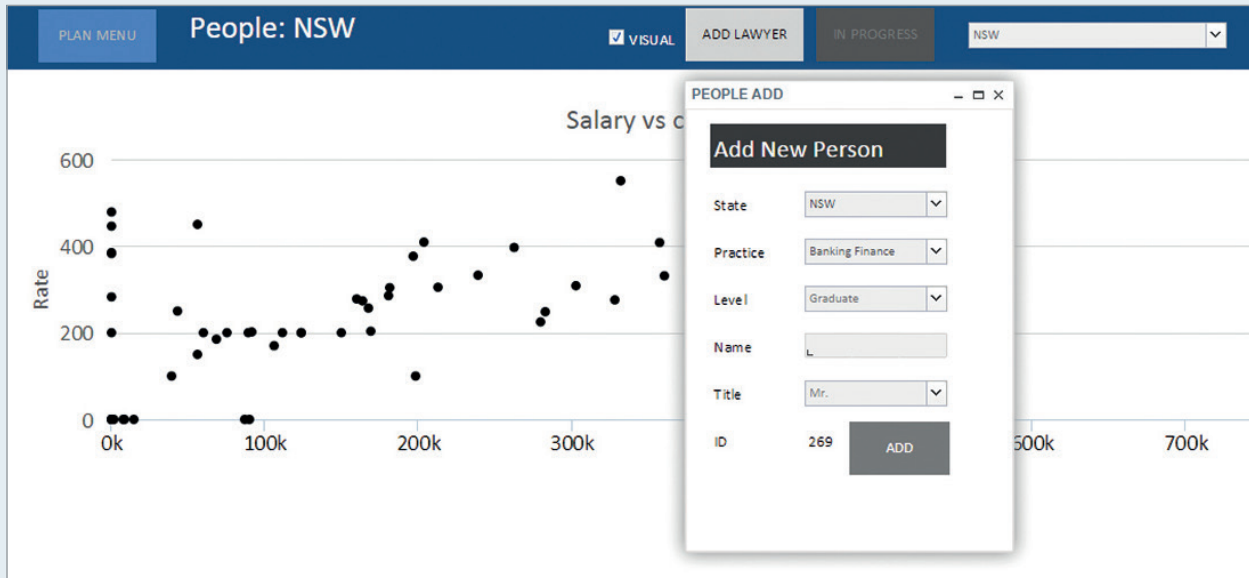
3. Collect Planning Data

Figure 6: **Web-based input forms for HR planners**   Source: Jedox

Convenient, self-sufficient, and readily understandable data input forms that save time and effort

This step is where Jedox's Web technology provides significant advantage by delivering streamlined forms that save time and effort by allowing users to inspect actuals as well as input planning data online. Particularly when HR planning is distributed, this process involves a potentially large number of contributors who typically don't do HR planning as a primary function. So the input forms must be convenient, self-sufficient, and readily understandable, or the planning will lose momentum.

Jedox supports and sustains momentum by providing online forms that meet those requirements, and participation is further supported as planning managers need only send out a simple URL for users to access everything they need to contribute effectively. There is no need to install an application on every computer. Additionally, there is no need for training, as the forms are intuitive.

| Step 1 | Step 2 | Step 3 | **Step 4** | Step 5 |

4. Establish Workflow and Consolidation

Many companies drive this process with Excel, and have come to know first hand the meaning of the term "Excel hell." This process is manual, labor intensive, repetitive, and requires untold version management. On the other hand, Jedox's central OLAP database makes workflow and consolidation easy by updating automatically and providing immediate iterations based on input. Users can see deviations easily and readily identify their source.
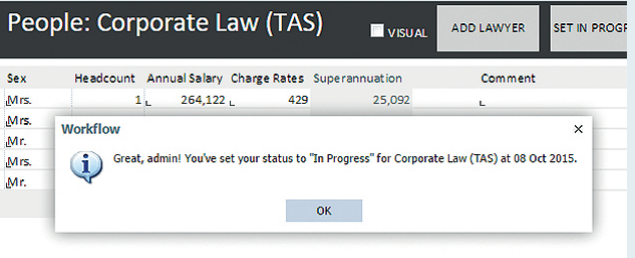

Figure 7: Powerful planning and collaboration

| Step 1 | Step 2 | Step 3 | Step 4 | **Step 5** |

5. Integrate HR Planning into Enterprise Financial Planning

Jedox features free database modeling, so instead of having a fixed schema of an application, it is highly flexible in defining data structures and providing dimensions and cubes to meet your requirements, regardless of your enterprise systems. Think of having a cube for HR planning, another for cost control, and another for P&L. With Jedox, these cubes can be easily linked using an online calculation rule, so users can pick data sitting in one cube and have it display in the others. This feature is powerful integration.
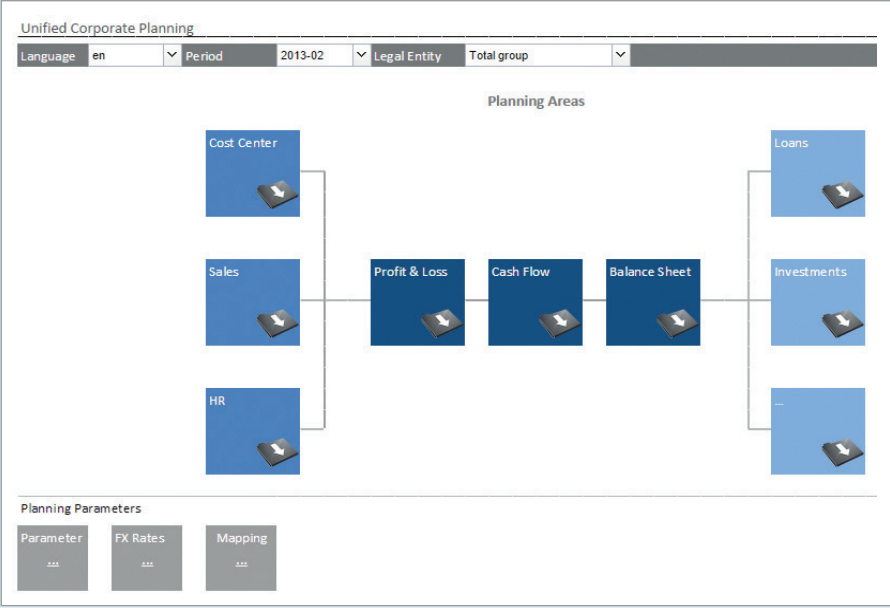

Figure 8: Modularization by Planning Sector

IV. Cases in Point

Now that we've looked at the HR planning steps and how Jedox technology supports their efficient execution, let's examine some real-world examples of how effective HR planning can accrue to a company's benefit.

SIEMENS

Use Case I: Combining CRM & HR for Powerful Analytics

Germany-based Siemens is a global company. Both directly, and through subsidiaries, Siemens employs more than 340,000 people worldwide in widely diverse positions, from unskilled labor to technical project management. Siemens Recruitment Services plays a critical role in attracting, retaining, and growing Siemens' talent in IT, logistics, and manufacturing industries. The Recruitments Services team manages staffing within the Siemens group as well as on the open market.

Siemens relies on HR specialists with extensive recruiting expertise to forge sustainable job solutions for more than 12,000 annual applicants Europe-wide. To manage staff flow, the team gathers, analyzes, and derives daily deployment plans from huge quantities of staff. They combine this knowledge with customer and market data.

Siemens had previously used a custom solution for staff deployment planning.

"Our previous solution wasn't flexible enough to meet growing requirements,"

says Thomas Schmid, head of process management at Siemens.

"It required extensive programming for even the smallest system adjustments — an unbearable situation for an agile company."

In response, Siemens developed a flexible xRM platform. The platform dealt with complex recruiting requirements with integrated staff management and contract awards. The new xRM included basic reporting but failed to fully support reporting and advanced analytics.

The Siemens sales manager demonstrated the limitations of the xRM platform within minutes, based on just one specific requirement. To resolve the situation, Siemens selected Jedox to complement the xRM system.

"Monthly customer analysis had to be prepared painstakingly in Excel; that cost the sales managers many hours," notes Schmid.
"With Jedox, one click sufficed."

Business users drove the project. The flexible platform made agile implementation easy. This meant the team quickly worked towards their goal and delivered Siemens results without long technical specifications. The intuitive, Excel-like Web interface, combined with familiar commands, dialogs, and shortcuts, made Jedox easy to use.

Along with essential HR deployment planning, Siemens now uses Jedox for monthly sales and revenue analysis, empowering every employee in the organization to collaborate with financial insight. They can evaluate customers by sales volume and gross revenue and analyze based on a four-field matrix. Jedox seamlessly combines customer data from the CRM with personnel sales and costs from SAP into daily operations reporting. This provides secure profitability analysis anytime, anywhere.

"Previously, evaluations were exported from the CRM system to an Excel table, and the information would be invalid the following day," says Schmid. "Now we simply load the approved controlling data into Jedox and always have a secure view of our data."

SANOFI

Use Case II: Unified planning & reporting solution

With sales of more than 30 billion EUR, Paris, France-based Sanofi is a global health care leader. More than 110,000 employees in more than 100 countries research, develop, and distribute medical solutions for patients. After merging three national branches, the Controlling department's data needed to consolidate KPIs, Revenue, HR, and Cost Center expenses. Originating from various upstream systems, Controlling manually prepared and transferred data to one downstream system for reporting and consolidated planning. Prior to the merger, the Controlling team had used Microsoft Excel and Access to manage detailed sales planning.

"The internal reorganization took us beyond Excel's boundaries,"

says Michael Bailey, senior manager of controlling at Sanofi.

"Manual data reconciliation took a lot of time and the whole process could no longer handle complex planning."

Sanofi needed a unified planning and reporting solution. Payroll, sales, and cost-center planning needed to be transparent and efficient. Departments had to be able to enter plans independently through the Web. Sanofi needed to ensure data consistency of all detail planning models, including staff costs, sales & gross margin, product-cost planning, and P&L. This consolidated solution would be populated automatically by five upstream sources, including market data, SAP BW, and Oracle HFM. Critically, the solution had to be flexible, scalable, and easy to use.

After a strategic workshop and proof-of-concept, Sanofi chose Jedox. Jedox's write back easily enabled ad-hoc scenario planning. Automated data integration and Jedox's interactive Web capabilities for reporting and planning exceeded Sanofi's expectations.

Jedox's ExcelPLUS approach empowered the Controlling team to build on their Excel expertise. Recommendations from users at Sanofi subsidiary Genzyme (who use Jedox for planning and forecasting) further convinced the Sanofi management team.

Sanofi implemented Jedox across Europe, first modeling the overarching corporate Business Intelligence requirements, then adjusting with more complex localized requirements that significantly reduced roll-out costs. From the single unified Jedox solution, Sanofi now has the flexibility to deliver both corporate and local management reporting and planning needs.

Sanofi now uses Jedox for cross-country departmental planning for department managers across Europe. Michael Bailey explains:

"The Controlling team was in charge of planning previously, so Jedox was new for end users in our departments. Thanks to Jedox's ease-of-use, they adapted quickly and we now plan faster and more transparently. Each department is now engaged in the planning process."

Sanofi has extended the use of Jedox for staff planning:

- ✔ **Jedox security controls access to sensitive personal data.**
- ✔ **Jedox splashing enables quick and accurate planning based on prior year detail product and customer sales.**
- ✔ **Jedox gives Sanofi insight by building up planning based on operational drivers and assumptions.**

V. Doing it right?

More than a century ago, the American author and entrepreneur Orison Swett Marden made an observation that holds today: *"A good system shortens the road to the goal."* For HR planning, the five process steps above are a good system. But to get the most out of them, enterprises need to incorporate technology that helps, not hinders, reaching their planning goals.

A recent independent study shows that 90 percent of all companies still use Microsoft Excel for annual planning – and find they are reaching its limits. This finding is true for HR planning as well. Here's a question you need to answer to determine if you're doing HR planning right: Is Excel still a principal tool in the process? If so, chances are you're not doing it right.

A better tool for HR planning is Jedox 6. It empowers business professionals to capture and write back budget data through the Web and mobile devices. Jedox Web gives budget owners throughout an enterprise direct access to essential business data. Managers run scenarios and what-if analyses to make well-founded decisions in line with strategic plans, which is, of course, a principal goal of HR planning.

To find out more about our innovative technology for business-driven intelligence, you can go **here**. This would be a great move in the right direction.
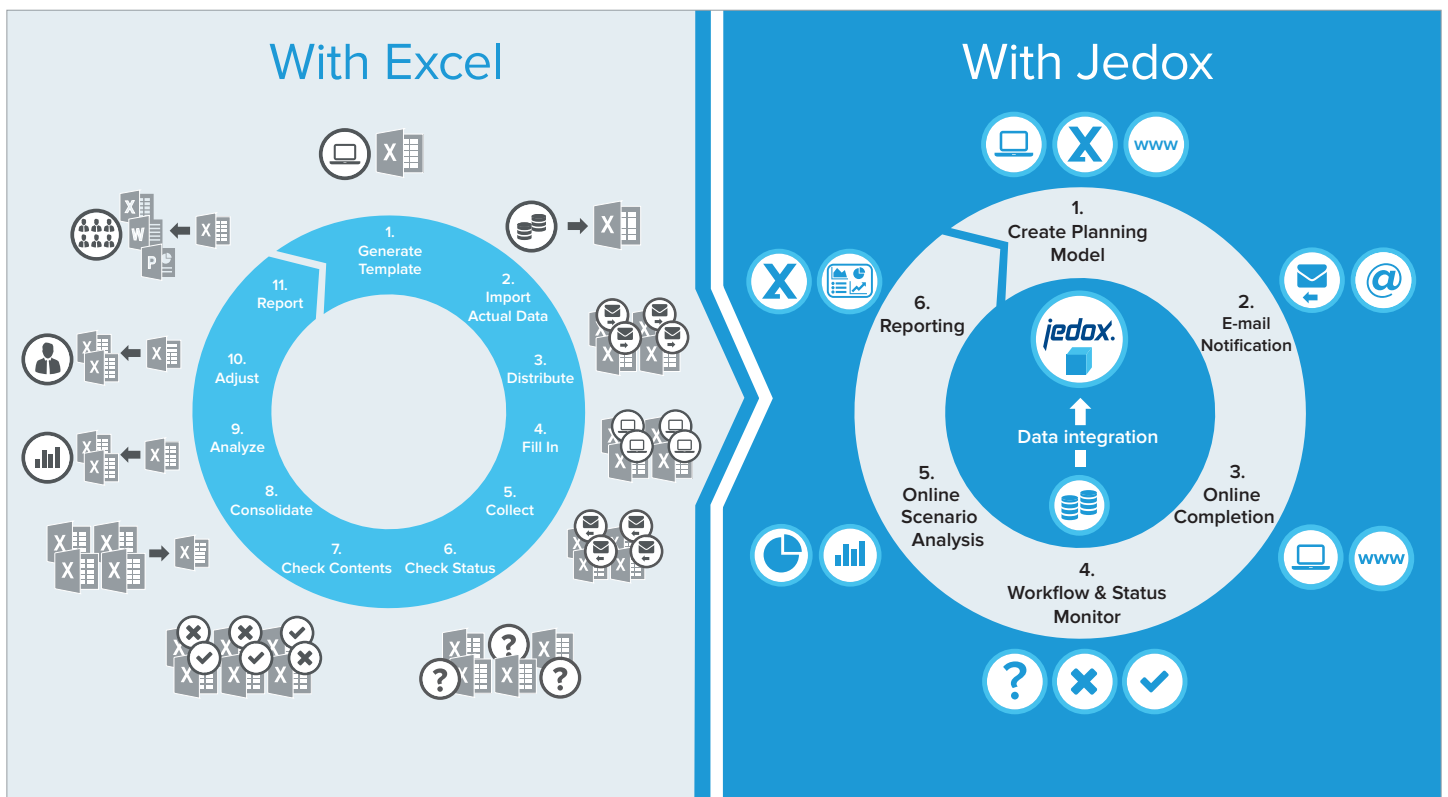

Figure 8: Streamline spreadsheet-based planning processes with Jedox
Source: Jedox

Unified corporate planning solution for consistent budgeting and forecasting processes

About Jedox

Jedox's unified planning, analysis, and reporting empowers decision makers from finance, sales, purchasing, and marketing. Jedox helps business users work smarter, streamline business collaboration, and make insight-based decisions with confidence. Already over 1,900 companies in 127 countries use Jedox for real-time planning on the web, the cloud, and on any device.

Jedox is a leading Business Intelligence and Corporate Performance Management solutions provider, available globally through over 180 certified business partners. Jedox provides software, support and ongoing training, with implementation and maintenance expertise for customers worldwide.

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