



PI Worldwide

# Overcome the Talent Shortage with Strategic Workforce Planning

*How behavioral assessment data drives long-term business success*





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## Overview

A company's long-term success largely depends on its ability to recruit, develop, and retain the right people in the right roles. To achieve this objective, Human Resources and Line of Business leaders need to collectively engage in a strategic workforce planning process that directly links its talent management strategy to its broader corporate strategy. This planning process is critical, particularly when many companies are now confronted with the growing talent shortage. HR leaders are finding it difficult to acquire the talent required for today's operational needs, and too few claim to have a clear and actionable plan for long-term staffing success. Not all plans are created equal, however. **Resource-focused** companies create staffing plans that emphasize headcount targets and associated costs. These plans overlook vital people-related factors and ultimately put the successful execution of the company's strategic intent at risk. **Talent-focused** companies, by contrast, leverage predictive analytics like behavioral assessment data to gain objective, scientifically-validated insights into the motivational drives and innate needs of current and prospective workers. Insights gleaned from these data-driven assessments inform the strategic workforce planning process and increase the likelihood of long-term business success.

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This white paper provides an overview of a data-driven strategic workforce planning process. It highlights the role behavioral analytics can play at key phases of the process, and it offers suggestions that will help HR and business leaders successfully co-develop a winning workforce plan.

## The Looming Talent Shortage

A variety of forces are shaping today's global workforce. Technological advances, globalization, and a shift in the available number of workers by generation are just a few of the drivers profoundly tipping the scales of workforce supply and demand. Economic factors such as weak growth in developed countries coupled with high growth in developing countries are also creating intricate talent management challenges for HR and business leaders.<sup>1</sup> Taken together, these forces have created a growing talent shortage that is posing a very real threat to sustainable business success. ManpowerGroup reports that 35% of employers worldwide are struggling with staffing shortages and that over half of these organizations fear this talent shortage will have a high or medium impact on their businesses.<sup>2</sup> Unfortunately, the situation

is not expected to improve any time soon. McKinsey & Company projects that by the year 2020, the global economy will see a deficit of up to 13% for college graduate and postgraduate educated workers with an additional 15% shortfall in developing countries for employees with a secondary education.<sup>3</sup>

In the U.S. for example, nearly half of employers are finding it difficult to fill their mission-critical positions.<sup>4</sup> Companies are finding a lack of key skills in the marketplace, and nearly half report having trouble sourcing enough candidates.<sup>5</sup> To make matters worse, the staffing challenge doesn't end once a key hire has been made, as the average job tenure for workers aged 25 to 35 years old is just three years.<sup>6</sup> When a company's front door becomes a revolving door, unfilled positions and costly turnover threaten even the best-laid strategic plans and objectives.

### Strategic Workforce Planning

HR and business leaders are responsible not only for today's workforce requirements, but also for tomorrow's. Strategic workforce planning is the structured process an organization uses to analyze the supply and demand of talent relative to its organizational objectives. While it can be difficult to find the time to conduct proper planning, HR leaders recognize that it is essential to balance short-term needs such as employee engagement, performance management, and training alongside longer-term initiatives like strategic workforce planning and identifying future leaders inside the company.<sup>7</sup> Depending on the size and maturity of the organization, the strategic workforce planning horizon may be as forward-looking as three or more years. This type of strategic planning is particularly important, albeit challenging in a business environment that is changing rapidly.

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At its most basic and tactical level, the workforce planning process seeks to answer the questions, "How many people will we need in each job role?" and "How much will it cost?" Strategic success requires more than tactical thinking and planning, however. In nearly every organization and every job role, people dynamics are critical for organizational success. In the bestselling business book *Good to Great*, author Jim Collins describes the importance of "getting the right people on the bus."<sup>8</sup> He observes that the right people are those who naturally fit with an organization's mission and are therefore self-motivated and easier to manage. Collins puts a fine point on the inseparable link between strategy and talent by stating that "Great vision without great people is irrelevant."

Collins's observations bring the "whole person" – the individual's attitudes and behaviors – into the strategic workforce planning frame. As a result, it is clear that strategic workforce planning amounts to much more than headcount calculations in a spreadsheet. The planning process needs to take into account the behavioral drives, styles, motivations, knowledge, skills, and abilities of each employee or job role within the context of the organization's strategic intent. In today's hyperconnected working environment, the planning process also needs to include team-level behavioral tendencies in addition to individual factors.

To support the organization's long term strategy and success properly, HR and business leaders must move toward a form of strategic workforce planning that takes sophisticated and powerful behavioral dynamics into account. High performing companies are increasingly turning to behavioral science to inform their talent acquisition and development processes. As Vice President and Principal Analyst for Human Capital Management at Aberdeen Group, Mollie Lombardi suggests, "Assessments play a role in many critical talent decisions."<sup>9</sup> Assessments have delivered so much value that today, 92% of companies reportedly use assessment data to improve workplace performance.<sup>10</sup>

*The remainder of this white paper describes how talent-focused HR and business leaders are utilizing behavioral analytics to enhance key stages in the strategic workforce planning process.*

## A Talent-Focused Strategic Workforce Planning Process

### 1. Align

#### STEP 1 – *Create Strategic Alignment*

HR and executive leadership must work in partnership to create a company's long-term talent strategy. This people-plan directly supports the company's broader strategic plan, objectives, and expectations. Plans that include new business ventures, new vertical markets, international expansion, re-organizations, changes in the technology and competitive environments, and planned market exits and reductions have a direct bearing on the resulting talent management strategy. Therefore, the first step in the planning process includes gathering or developing market research, vision statements, mission statements, and other high-level documents that describe the long-term intent of the organization.

At its core, the strategic workforce planning process is conducted in partnership between HR and business leadership at all levels. Supporting the strategic mission of the organization as a whole are long-term action plans at the functional or departmental level. For this reason, workforce planning requires tight collaboration between HR leadership and department heads. Be sure to gather, develop, and review relevant long-term planning inputs at both the executive and departmental levels.

### 2. Evaluate

#### STEP 2 – *Evaluate the Current Organization*

The second step is to collect various demographics and employment characteristics of the organization's current workforce. Strategic planners need to determine which recent trends are positively and negatively impacting staffing levels and performance, and evaluate the required skills and competencies for each job role. Next, review the relative effectiveness of the company's recruitment and retention approach, as well as post-onboarding and exit interviews, to gain additional insight.

In an evaluation of the current workforce, behavioral assessments take an objective look at each individual's innate drives, capacities, and motivations. These assessments help explain the individual's preferred working environment, decision-making methods, and communication style. In the workplace, scientifically-validated assessments have the benefit of being non-judgmental as compared to a supervisor's "gut" interpretation and evaluation. The result is a more predictive understanding of the individual's behavioral motivation, tendencies, and ultimately, fit in the role. When evaluating the current workforce, behavioral assessments can also be used to answer the question, "What are the traits of our top performers in this role?" with an eye toward building on prior successes.



### STEP 3 – Forecast Future Workforce Needs

Next, document the organizational structure, key requirements, and overall vision of the future workforce. A best practice is to share this information broadly for review and confirmation by business partners. At this step, look for opportunities to increase operational efficiencies and reduce redundancies or counterproductive practices in the talent management process. The objective is to identify critical success factors, unknowns, and risks relative to the future workforce.

Consider the common scenario where a department head decides that a new job role is needed. Traditionally, this process involves asking the hiring manager to create a job description that clearly details the position's duties, requirements, education, target compensation, and little more. A talent-focused hiring manager goes further by creating a role-based job analytic that identifies the specific behavioral requirements of the job. The job analytic is then used to help understand the fit-gap between the role and the behavioral style of the candidate. By using predictive analytics in this way, hiring managers can understand the role in which candidates are most likely to be successful, and this information can guide the recruitment effort.

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-Nancy Martini, President and CEO

A best practice is to have three to five subject matter experts separately evaluate the behavioral drives and interactive style they believe are required for the role. HR leaders can then use the results to look for alignment among the expert team members and to prepare the interview team for a successful selection effort. "Using a job analytic provides the hiring manager with tremendous insight into the behavioral requirements of the role," says Nancy Martini, President and CEO of the global management consulting company PI Worldwide. "Armed with definitive role data, the hiring manager has an accurate 'target' to hire to and essential information to use during the interview process with candidates."

What emerges from this analysis is a personality profile that offers an objective, behavioral view of what will be required for success in the role. Using this technique, for example, a manager

may pose the question, “Which of our software developers are best suited for an urgent product development effort to counter our competitor’s recent announcement?” In this situation, an individual’s technical skills and proficiency are clearly important, but it’s just as important to ensure a natural fit between a candidate’s behavioral needs and style and the role’s situational requirements. Using predictive analytics in this way provides a clear workplace behavioral profile for the type of individual who will most likely be the best fit for this future role.

#### Kindred Healthcare: Defining and Filling the Job Requirements of the Future

Kindred Healthcare, Inc. is the largest operator of long-term acute care hospitals and inpatient rehabilitation hospitals in the United States and has 76,000 total employees. Looking forward in its strategic planning effort, Kindred’s Hospital Division recognized the need for sustainable improvements to its sales performance, and the Division set out to address the annual turnover of nearly 40% for this group. Using the Predictive Index® (PI®) behavioral assessment and Performance Requirement Options™ (PRO) job analytic tool, Kindred’s Hospital Division created a benchmark of the key

behavioral characteristics needed for success in each of its sales roles. The Hospital Division also introduced a more objective recruitment and selection process that used the PI and PRO to reveal the fits and gaps between a candidate’s behavioral tendencies and the requirements of the position. Kindred’s Hospital Division found that new hires who matched the benchmark outperformed those who did not by a wide margin. Behavioral assessment in the Sales Organization and other groups has helped Kindred’s Hospital Division slash turnover and save several million dollars over the course of three years.

#### 4. Analyze

#### STEP 4 – Analyze Gaps Conclusion

The next step is to identify any critical differences between the current state and capabilities of the current workforce as compared to what will be required in the future. Less than a third of organizations claim to have a good understanding of their talent gaps.<sup>11</sup> HR leaders are most concerned about deficiencies in basic skills including writing in English and technical skills as well as applied skills such as professionalism and problem solving.<sup>12</sup>

Workforce gaps often present a “build versus buy” decision – choosing whether to develop required skills or traits of current employees or to hire new employees to fill the void. Based on the growing talent shortage, HR leaders will likely find that they have many such shortfalls. Therefore, it’s important to prioritize which gaps need to be addressed first and to communicate the status and operational risks associated with any that remain. Behavioral assessments can help in the build versus buy decision process by predicting the potential fit between an employee and the job needs of a new or revised role in the future. With objective assessment data in hand, HR leaders and managers can make the decision confidently in a way that is informed by science. For this reason, organizations are increasingly relying on statistical modeling, predictive analytics, and evidence-based decision making in their talent management practices.<sup>13</sup>

## 5. Plan

**STEP 5 – *Develop an Action Plan***

In this step, create the actual strategic workforce plan along with its associated actions. Identify the specific initiatives, practices, and techniques that will be used to ensure the talent strategy is best able to support the broader company strategy. Each initiative and action should include the key roles and responsibilities of the appropriate stakeholders. Major aspects of the plan should be broken down into a progressive series of manageable phases. At this stage, it is also critical to define success metrics that will be used to provide regular progress reports to business partners.

At its core, the strategic workforce plan details expectations regarding talent acquisition, development, and retention of workers as well as any means to ensure effective teaming among functional and cross-functional groups. Once again, predictive data derived from behavioral assessments supports each of these key people-centered activities.

**Acquisition**

Bersin & Associates defines talent acquisition as “a strategic approach to attracting, selecting and onboarding top talent to efficiently and effectively meet dynamic business needs.”<sup>14</sup> The talent acquisition process should begin by developing a clear and objective understanding of what behavioral tendencies will be the strongest fit for the specified role. Using a targeted behavioral profile, HR leaders can develop predictive analytic models of expected job performance. These profiles can also be used as a guide that allows the hiring manager and the expanded interview team to develop behavioral interview questions for prospective candidates. Understanding a prospective hire’s behavioral tendencies and needs will provide invaluable input for the overall selection process. Martini explains that “an individual’s behavioral data gives you concrete analytics about the person’s motivation and drives. In business, that translates to use in selecting those with solid fit for the position, understanding how to onboard them effectively, and managing them based on their individual needs rather than the manager’s.”

**Development**

The successful coaching and development of employees is critical, but the methods used by many managers and supervisors are often subjective, inconsistent, and unilateral. A key reason is that many managers lack a fundamental understanding of their own behavioral needs and drives in addition to those of their employees. In her 2012 book, *Scientific Selling: Creating High Performance Sales Teams through Applied Psychology and Testing*, Martini writes, “Behavioral assessment provides the data necessary for managers to recognize and understand the skills and motivational needs of the individual. Armed with this concrete data, a manager’s coaching time increases in efficiency and effectiveness.”<sup>15</sup> According to the Aberdeen Group, “Best-in-Class” organizations have taken notice; they are 36% more likely

than others to use behavioral assessment data to create individualized development plans for employees.<sup>16</sup> Through the application of behavioral assessment data, managers can gain both greater self-awareness and a deeper understanding of their employees' behavioral drives and motivating needs. Thus, they can target their communication and development efforts to the needs of the individual employee and increase the likelihood that positive results will be achieved and sustained.

### Retention

Turnover is a costly and frustrating problem for many companies. Both voluntary and involuntary turnover can result when there is a mismatch between the requirements of the job role and the employee's personality and relative skill level. Turnover can also occur because of a poor relationship between a manager and employees, often rooted in contrasting communication styles. Therefore behavioral assessments can help managers and employees understand the natural and expected differences in the ways people communicate, make decisions, solve problems, and connect with one another. These objective, scientifically-validated insights help each employee better understand and even appreciate his or her natural behavioral style through increased self-awareness. HR leaders can use behavioral data to boost retention by ensuring job fit, guiding individual growth and learning, and defining a successful career path for high potential workers. In a labor environment where talent shortages continue to loom, the ability to retain workers will be a critical competitive advantage and driver of long-term success.

### High Performing Teams

While individual contributions are important for organizational success, so are group dynamics among functional and cross-functional teams. At the group level, predictive assessments involve understanding and investigating behavioral tendencies and drives for the team's members collectively. HR leaders use this data to compare the central tendency in behavioral drives for the team as a whole. With this analytic insight, HR leaders and managers can identify gaps and proactively address any differences in work styles or personality traits that may be preventing peak team performance. "A key advantage of this approach is the ability to view the 'personality' of the team," says Martini. "For example, understanding whether the team is fast-paced, interactive, or more steady and thoughtful can be quickly translated into the ability to leverage that team most effectively."

## 6. Execute

### STEP 6 – *Execute, Monitor, and Adapt*

After the plan has been developed, the final step is to put it into action and modify it over time as results become available. Evaluate progress made against the workforce plan by using the target metrics defined earlier in the planning process. Conduct quantitative and

qualitative reviews of workforce staffing levels and competences in addition to reviews of budget adherence and worker demographics. It is critically important to communicate regularly and re-align as necessary as the plan unfolds. By way of example, organizations are increasing their training and cross-training investments, developing succession plans, hiring retired employees or consultants, and offering flexible work arrangements.<sup>17</sup> While executing the workforce plan, top performing organizations rely on a finite set of metrics, detailed requirements by job role, and a process of ongoing monitoring. In addition, HR leaders at these top performing companies conduct frequent “lessons learned” sessions with their business partners, and they adapt quickly as they encounter changes in their operating environment.

### Conclusion

The current workforce talent shortage is challenging HR and business leaders’ abilities to attract, train, and retain necessary workers, and this concerning trend is expected to continue. Strategic workforce planning is the process a high performing organization uses to ensure that its long-term talent strategy is aligned with its broader vision, mission, and strategic plan. Data-based tools such as behavioral assessments provide a scientifically-valid, quantitative, and concrete means of enhancing key aspects of the strategic workforce planning process. The use of assessments has been proven to increase performance in organizations through improvements in talent acquisition, development, and retention as well as through improved interaction among functional and cross-functional team members. With access to predictive data powered by a behavioral measure, HR leaders can best support the organization’s success today and tomorrow. Now more than ever, fulfilling the popular HR mission of having the “right person in the right place at the right time at the right cost” requires having the “right assessment” to ensure strategic execution and optimal business performance.

## About PI Worldwide

PI Worldwide and its global consulting network combine the power of predictive data with business expertise to help organizations worldwide achieve a competitive advantage. Trusted advisors since 1955, we help businesses align their people with their strategies to create long-term sustainable results. Our clients realize measurable value through our scientifically proven workforce analytics, knowledge transfer approach, and integrated technology platform.

To learn more about PI Worldwide solutions visit our website at [www.piworldwide.com](http://www.piworldwide.com), or contact us at [info@piworldwide.com](mailto:info@piworldwide.com) or +1 781 235 8872.

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