

# Best Practices in Workforce Demand Forecasting



**In 1997**, Dr. Jac Fitzenz published the book *The Eight Practices of Exceptional Companies* based on his studies at Saratoga Institute on more than 1,000 companies. In his book, key practices such as the value of collaboration, communication, competitiveness and more are discussed at length. While many business practices have changed dramatically in the 14 years since the book was published—especially with the maturation of the internet, many of the best practices still hold true today. What does this have to do with Demand Forecasting today? Everything!

One of the most critical components to exceptional performance is the ability to work together toward a common goal. This means the alignment of critical functions must be in place. Just as marketing, operations and product management must be in place for excellent product and service delivery, so must human resources work together with operations, for optimal business performance. Today, it is imperative that employers understand the current and future workforce needs of the business, and move away from a reactive hiring model to a proactive approach to filling the talent pipeline.

OrcaEyes views workforce planning as a collaborative practice that must be managed across the organization. Human Resources groups must work with business leaders, line managers and executives in order to truly align its programs and resources with the business strategy. In this short white paper, we'll discuss how to develop a basic demand forecast by utilizing available tools and developing internal business relationships.

### Workforce Planning Defined

The definition of workforce planning and demand forecasting can vary depending on the type of role you are in. For those involved in staffing or managing a largely hourly workforce, workforce planning has somehow become synonymous with workforce management. How many people do we need to staff at any given time to ensure the work gets done and our customers receive optimum service? In the OrcaEyes world and for those managing a semi or highly skilled labor force, workforce planning is defined as looking into the future to ensure you have the right people in the right place at the right time, with the right skill set—in order for the business to operate.

### Demand Forecasting Defined

For starters, demand forecasting is the practice of determining the number of people with proper certifications, skills, competencies or knowledge you'll need in order to maintain, manage or grow the organization in the future. Demand forecasting is an integral component of effective workforce planning and must be aligned with the organization's strategic business plan and objectives. OrcaEyes has facilitated the process of effective workforce planning including the function of demand forecasting with much success for a number large employers throughout the US.

### Step 1: The Analytic Review

OrcaEyes' methodology begins with an analytic review of anticipated workforce needs based on three factors: fill rate, attrition and retirements. All of these metrics can be derived from your payroll data. And when combined, the result of calculating these components across the organization for all mission critical positions in each department provides the foundation for understanding historical or current recruiting or succession planning objectives. From there an employer can perform a regression analysis to predict future workforce demands, with all other things being equal. In most cases, this provides a flat demand line for up to a rolling 36 months. This has not yet taken into account strategic growth or retraction plans. It can be very time consuming to attempt this process manually and because of this, we suggest a tool that has this type of algorithm already built in.

*Key metrics provide the foundation for recruiting and succession planning objectives.*

### Step 2: The Strategic Business Plan

The second step is to review documents that will provide insights into future growth plans—annual report, 10 -k, and/or strategic plan. Interviews with key business leaders

are also a very valuable information gathering activity especially for those organizations that don't publish this data (e.g. not-for-profits or private companies). Growth and retraction estimates are often reported within these documents as it would be unusual for strategic initiatives to have been costed without taking into account affects on headcount. It should be noted that these reports often contain broadly forecasted numbers, leaving the HR team to determine how that growth affects each business unit, department or position. A growth of 3% in revenue may or may not indicate a need for 3% more employees for every position. It really depends on how your organization is structured—which is why Step 3 is so critical.

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### Step 3: The Relationships

This is where engaging the business leaders becomes crucial and the nature of the business or industry will determine who maintains the hiring forecasts or workforce needs requests. Your relationships with key business leaders are the most important component of workforce planning, and you have to speak their language—which basically boils down to dollars and cents. How do workforce dynamics impact the bottom line? Turnover, hiring, training, downtime, labor shortages, loss of top performers—all of these things impact revenue. And while just-in-time recruiting is ideal, it's not always feasible.

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OrcaEyes recommends building a business case or directionally accurate predictions for the next 12 months to 3 years and using this information to launch dialogue with the business leaders. If you are like many organizations today, you already have the right person in place to have that discussion. Begin by educating the HR business partner. If they are meeting regularly with their business leader, they may have already received requests for help from the leader, but may or may not have had the resources to present the data in a way that was well received by their colleague. Presenting the data elements with cost allocations included will be a big win for HR and ultimately the business as a whole. When the business leader sees the information with associated costs, he is more likely to provide the data HR needs for effective workforce planning and take the initiative to help ensure the right people are in the right place at the right time.

## Conclusion

Building a Demand Forecast can be a challenging undertaking, but it is one that begins with a view of the human capital data you have access to today. If you are looking for a quick way to begin building your workforce demand requirements, OrcaEyes recommends starting with a user friendly tool that calculates the information for you and presents it in an easily digestible format. In the OrcaEyes solution suite, SonarVision On Demand may provide you with a good starting point.

## How OrcaEyes Can Help

OrcaEyes is the world's first Workforce Intelligence Solution designed to provide this specific insight to companies. This intelligence helps organizations safeguard revenue and earnings, take on new projects, identify weaknesses and fully understand internal drivers and external realities—in financial terms.

OrcaEyes' enterprise solution, SonarVision, is an easy-to-navigate system that can be integrated with existing systems to provide real-time access to this critical information. Companies who aren't quite ready to implement a full enterprise-class system can begin by taking advantage of our free introductory offer with SonarVision On Demand. A quick data extraction from an HRIS and/or Talent Management Solution can be easily uploaded into SonarVision, and a detailed report reflecting your analytics, risk levels with benchmarks will be produced within 24 hours...Risk Free!